

MONTANA NONPROFIT ASSOCIATION

FINANCIAL STATEMENTS

December 31, 2019 (Audited) and 2018 (Reviewed)



AMATICS
CPA GROUP

**MONTANA NONPROFIT ASSOCIATION
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Montana Nonprofit Association
Helena, MT

We have audited the accompanying financial statements of Montana Nonprofit Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montana Nonprofit Association as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Prior Period Financial Statements

The 2018 financial statements were reviewed by us, and our report thereon, dated August 14, 2019, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Amatics CPA Group

Bozeman, Montana
July 23, 2020

MONTANA NONPROFIT ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	December 31	
	2019	2018
	(Audited)	(Reviewed)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 264,500	\$ 35,865
Accounts receivable	26,429	34,907
Grants receivable, current	164,910	50,000
Prepaid expenses	<u>5,700</u>	<u>-</u>
Total current assets	<u>461,539</u>	<u>120,772</u>
FIXED ASSETS		
Property and equipment	104,828	84,840
Less accumulated depreciation and amortization	<u>(78,538)</u>	<u>(68,595)</u>
Total fixed assets	<u>26,290</u>	<u>16,245</u>
OTHER ASSETS		
Refundable unemployment reserve	6,430	6,230
Grants receivable, long term, net of discount	<u>99,000</u>	<u>19,539</u>
Total other assets	<u>105,430</u>	<u>25,769</u>
Total assets	<u><u>\$ 593,259</u></u>	<u><u>\$ 162,786</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 20,749	\$ 3,110
Accrued payroll liabilities	40,690	30,243
Deferred revenue	<u>72,418</u>	<u>49,849</u>
Total current liabilities	<u>133,857</u>	<u>83,202</u>
NET ASSETS		
Without donor restrictions	76,593	9,778
With donor restrictions	<u>382,809</u>	<u>69,806</u>
Total net assets	<u>459,402</u>	<u>79,584</u>
Total liabilities and net assets	<u><u>\$ 593,259</u></u>	<u><u>\$ 162,786</u></u>

See the accompanying notes to the financial statements.

MONTANA NONPROFIT ASSOCIATION
STATEMENTS OF ACTIVITIES
Years ended December 31, 2019 and 2018

	2019 (Audited)			2018 (Reviewed)
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Nonprofit member dues	\$ 112,575	\$ -	\$ 112,575	\$ 117,901
Affiliate member dues	23,080	-	23,080	21,185
Sponsorships	86,924	-	86,924	86,838
Discount product fees	106,006	-	106,006	94,410
Conference and training fees	127,868	-	127,868	115,660
Contributed support	62,473	618,400	680,873	140,641
Investment income, net	26	-	26	28
Released from restrictions	<u>305,397</u>	<u>(305,397)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>824,349</u>	<u>313,003</u>	<u>1,137,352</u>	<u>576,663</u>
EXPENSES				
Program services	568,501	-	568,501	494,657
Management and general	152,868	-	152,868	84,465
Fundraising	<u>36,165</u>	<u>-</u>	<u>36,165</u>	<u>36,470</u>
Total expenses	<u>757,534</u>	<u>-</u>	<u>757,534</u>	<u>615,592</u>
CHANGE IN NET ASSETS	66,815	313,003	379,818	(38,929)
Net assets at beginning of year	<u>9,778</u>	<u>69,806</u>	<u>79,584</u>	<u>118,513</u>
NET ASSETS AT END OF YEAR	<u>\$ 76,593</u>	<u>\$ 382,809</u>	<u>\$ 459,402</u>	<u>\$ 79,584</u>

See the accompanying notes to the financial statements.

MONTANA NONPROFIT ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended December 31, 2019 and 2018

	Group Buying	Public Policy	Professional/ Organizational Development	Membership	Building/ Shared Space	Total Program	Management and General	Fundraising	2019 Total (Audited)	2018 Total (Reviewed)
Personnel	\$ 19,288	\$ 18,314	\$ 193,391	\$ 47,819	\$ 249	\$ 279,061	\$ 107,907	\$ 29,148	\$ 416,116	\$ 329,111
Contracted services	826	7,310	127,414	2,837	30	138,417	19,568	1,231	159,216	151,825
Travel	1,211	4,611	31,257	50	-	37,129	1,591	1,847	40,567	14,583
Occupancy	1,866	1,078	16,438	4,823	146	24,351	7,659	2,163	34,173	33,033
Property and equipment	446	261	5,663	1,213	9	7,592	7,639	555	15,786	22,897
Other	<u>9,052</u>	<u>8,376</u>	<u>61,098</u>	<u>3,237</u>	<u>188</u>	<u>81,951</u>	<u>8,504</u>	<u>1,221</u>	<u>91,676</u>	<u>64,143</u>
2019 Total (Audited)	<u><u>\$ 32,689</u></u>	<u><u>\$ 39,950</u></u>	<u><u>\$ 435,261</u></u>	<u><u>\$ 59,979</u></u>	<u><u>\$ 622</u></u>	<u><u>\$ 568,501</u></u>	<u><u>\$ 152,868</u></u>	<u><u>\$ 36,165</u></u>	<u><u>\$ 757,534</u></u>	
2018 Total (Reviewed)	<u><u>\$ 19,244</u></u>	<u><u>\$ 21,203</u></u>	<u><u>\$ 351,285</u></u>	<u><u>\$ 102,925</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 494,657</u></u>	<u><u>\$ 84,465</u></u>	<u><u>\$ 36,470</u></u>		<u><u>\$ 615,592</u></u>

See the accompanying the notes to the financial statements.

**MONTANA NONPROFIT ASSOCIATION
STATEMENTS OF CASH FLOWS**

	Years ended December 31	
	2019	2018
	(Audited)	(Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from donors and grantors	\$ 494,980	\$ 178,725
Other cash receipts	479,048	437,211
Payments for salaries and related costs	(405,667)	(335,649)
Payments to vendors	<u>(319,738)</u>	<u>(276,196)</u>
Net cash provided by operating activities	248,623	4,091
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchases of fixed assets	<u>(19,988)</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	228,635	4,091
Cash and cash equivalents at beginning of year	<u>35,865</u>	<u>31,774</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 264,500</u></u>	<u><u>\$ 35,865</u></u>

See the accompanying notes to the financial statements.

MONTANA NONPROFIT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Montana Nonprofit Association (the Association), a Montana not-for-profit Organization, is a membership organization that is organized for the following purposes: to advocate and develop public policy on sector-wide issues, to offer savings on administrative costs by offering group buying opportunities, develop organizational training and technical assistance to enhance nonprofit capacity, provide research and communications on relevant nonprofit issues, and building a network to connect and strengthen nonprofits.

Basis of Accounting

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board. Therefore, revenues are recorded when earned and expenses are recorded when incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Association considers all unrestricted cash and other highly liquid investments with a maturity of less than three months as cash equivalents.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions: Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, personnel, contracted services (accounting, technology), property and equipment (depreciation) and other expenses (dues and registration, supplies), which are allocated based on staff time in each area, as tracked and reported on time sheets.

MONTANA NONPROFIT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition

Program Service Revenue

Membership dues revenues are recognized over the membership period. Payment is due at the start of the membership period; amounts received in advance are deferred and recognized over the period in which the services are provided. Product fee revenues are recognized when a member purchases a product or service that generates a royalty payment for the Association. Conference and training fees are recognized when the conference or training event occurs.

Contributions and Grants

Contributions, including unconditional promises to give, are recognized as revenues in the period cash or assets are transferred or pledges are received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows, discounted at the short term treasury bill rate. Amortization of the discount is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Management considers all pledges to be fully collectible; therefore, no allowance has been recorded.

Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at date of receipt.

Accounts Receivable

The Association grants credit to members for dues and to sponsors for commissions, endorsements, management fees and conference revenue. Accounts receivable consists of discounted product fees earned but not yet received as of the financial statement date. Accounts receivable are stated at face value and management deems all to be collectible; accordingly, the allowance for uncollectible accounts is zero.

Fixed Assets

Purchased assets are carried at their historical cost. Donations of property are recorded as support at the asset's estimated fair value. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Acquisitions and improvements of property and equipment of \$500 or more are capitalized. Normal repair and maintenance costs are expensed as incurred.

Software and web development costs are capitalized at cost and amortized using the straight-line method over the length of the life of the asset, generally 5 years.

Depreciation and amortization expense was \$9,944 and \$7,268 for the years ended December 31, 2019 and 2018.

MONTANA NONPROFIT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Association is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code. The Association qualifies as a publicly supported organization under Internal Revenue Code Section 170(b)(1)(A), and therefore has made no provision for federal income taxes in the accompanying financial statements. The Association's information returns (Form 990) are open to examination by the IRS, generally, for three years after they were filed or the due date of the return, whichever is later.

Changes in Accounting Principle

In 2019, the Association adopted the new accounting standards relating to revenue: FASB Accounting Standards Updates (ASU) 2014-09 *Revenue from Contracts with Customers (Topic 606)* and 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

ASU 2014-09 establishes a new contract and control-based revenue recognition model, changing the basis for deciding when revenue is recognized over time or at a point in time. ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Association implemented the provisions of ASU 2018-08 applicable to contributions received under a modified prospective basis. The adoption of these standards did not have a significant impact on the financial statements.

Financial Statement Presentation:

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

2. LIQUIDITY AND AVAILABILITY

The following reflects the Association's financial assets as of December 31, 2019, reduced by amounts not available for general use within one year due to donor or other restrictions limiting their use:

Financial assets		
Cash and cash equivalents	\$	264,500
Grants receivable		264,910
Accounts receivable		<u>26,429</u>
	\$	555,839
Unavailable for general expenditure in one year		
Grants due in more than one year		<u>100,000</u>
Total financial resources available for general expenditure	\$	<u><u>455,839</u></u>

MONTANA NONPROFIT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

2. LIQUIDITY AND AVAILABILITY (Continued)

The Association has certain donor-restricted net assets that are available for general expenditures within one year of December 31, 2019, because the restrictions on the net assets are expected to be met by conducting the normal activities of our programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of an unanticipated liquidity need, the Association also could draw upon \$50,000 of an available line of credit, which is renewed annually by Board resolution (see Note 8).

3. CASH AND CASH EQUIVALENTS

The Association maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Balances held in financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank, per depositor. The Association has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents. As of December 31, 2019 and 2018, cash and cash equivalents did not exceed federally insured limits.

4. RELATED PARTY

The Association received administrative fees of \$46,938 and \$33,666 in the years ended December 31, 2019 and 2018, respectively, from the Montana Nonprofit Association Group Benefits Trust, which was established as an Internal Revenue Code section 501(c)(9) VEBA trust to provide health insurance coverage for Association members and their employees.

5. UNEMPLOYMENT INSURANCE

The Association maintains an unemployment program and contracts with a third party for stop-loss coverage in the event unemployment claims exceed \$30,000, up to \$90,000. The Association would be responsible for paying the first \$30,000 in claims and any costs above \$90,000 in total claims. Management is not aware of any unemployment claims. Accordingly, no liability has been recorded as of December 31, 2019 and 2018.

MONTANA NONPROFIT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

6. GRANTS RECEIVABLE

Grants receivable as of December 31, 2019 and 2018 are due as follows:

	<u>2019</u>	<u>2018</u>
Amounts due in:		
Less than one year	\$ 164,910	\$ 50,000
One to five years	<u>100,000</u>	<u>20,000</u>
	264,910	70,000
Less: discount to present value	<u>(1,000)</u>	<u>(461)</u>
Grants receivable, net of discount	263,910	69,539
Less: current portion	<u>(164,910)</u>	<u>(50,000)</u>
Grants receivable, net of discount and current portion	<u><u>\$ 99,000</u></u>	<u><u>\$ 19,539</u></u>

7. FIXED ASSETS

Fixed assets consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Computers and equipment	\$ 62,402	\$ 51,084
Software	16,500	16,500
Website	25,926	17,256
Less: accumulated depreciation and amortization	<u>(78,538)</u>	<u>(68,595)</u>
	<u><u>\$ 26,290</u></u>	<u><u>\$ 16,245</u></u>

8. LINE OF CREDIT

The Association maintains a revolving line of credit at First Interstate Bank in the amount of \$50,000, collateralized by the assets of the Association. The interest rate at December 31, 2019 was 5%. The line of credit had a maturity date of January 2020, which was subsequently renewed through April 2021.

9. RETIREMENT PLAN

The Association has a defined contribution SEP plan. The Association makes contributions of 6% of compensation after one year of employment. The Association made contributions totaling \$4,604 and \$7,089 to the plan for the years ended December 31, 2019 and 2018, respectively.

MONTANA NONPROFIT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

10. LEASE AGREEMENT

The Association leases office space from Power Block Associates with a lease period through March 31, 2020, amended March 4, 2020 extending the lease term through March 31, 2021 with an option for an addition year. The agreement requires monthly payments of \$2,469; the lease payments are indexed and adjusted each March. Lease expense was \$23,879 and \$25,525 for the years ended December 31, 2019 and 2018, respectively.

The total minimum future rental payments under this operating lease are as follows:

2020	\$ 29,628	
2021	<u>7,407</u>	
		<u>\$ 37,035</u>

11. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following provides information about significant changes in the contract liabilities (deferred revenue) for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Deferred membership dues, beginning of year	\$ 49,849	\$ 48,660
Revenue recognized that was included in deferred revenue at the beginning of the year	(49,849)	(48,660)
Increase in deferred revenue due to cash received during the year	<u>72,418</u>	<u>49,849</u>
Deferred membership dues, end of year	<u>\$ 72,418</u>	<u>\$ 49,849</u>

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consists of assets with time and/or purpose restrictions as follows at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specific purpose:		
Program and organizational development	\$ 23,500	\$ -
Innovation	41,399	-
Census	53,000	-
Grants receivable, proceeds of which have been restricted:		
Program and organizational development	39,910	40,061
Leadership development program	25,000	-
Subject to the passage of time:		
Grants receivable with no donor restrictions	<u>200,000</u>	<u>29,745</u>
	<u>\$ 382,809</u>	<u>\$ 69,806</u>

MONTANA NONPROFIT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

13. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, by expiration of time or satisfaction of other donor requirements for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Program and organizational development	\$ 53,651	\$ 90,000
Census	5,000	-
Innovation	108,601	-
Time restrictions	138,145	44,653
Website	<u>-</u>	<u>7,500</u>
Total released from restrictions	<u>\$ 305,397</u>	<u>\$ 142,153</u>

14. SUBSEQUENT EVENTS

Date of Management Evaluation:

Management has evaluated subsequent events through July 23, 2020, the date on which the financial statements were available to be issued.

Economic Uncertainties:

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which could negatively impact revenues, net income and cash flows in 2020 and future years, though such potential impact is unknown at this time. The Association has been approved for and received a Paycheck Protection Program (PPP) loan through the Small Business Administration (SBA) for approximately \$75,000; management expects the full amount of that loan to be forgiven in 2020. Additionally, the Association has been awarded and received approximately \$115,000 of COVID-19 emergency funding from various organizations.