FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

Montana Nonprofit Association

December 31, 2013 and 2012

Montana Nonprofit Association

December 31, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montana Nonprofit Association
Helena, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of Montana Nonprofit Association, which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and changes in net assets 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.

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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, 2013, 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.

Other Matter

The financial statements of Montana Nonprofit Association for the year ended December 31, 2012, were audited by another auditor who expressed an unmodified opinion on those statements on May 7, 2013.

Galusha, Higgins & Galusha, PC

GALUSHA, HIGGINS & GALUSHA, PC
Certified Public Accountants and Advisors

Helena, Montana
June 20, 2014

Montana Nonprofit Association

STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS

	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	$ 98,762	$ 215,731
Accounts receivable	16,786	29,243
Grants receivable, current	180,000	88,493
Prepaid expenses	8,488	1,000
Total current assets	304,036	334,467
PROPERTY AND EQUIPMENT		
Computers and equipment	36,717	35,657
Website	11,006	11,006
Accumulated depreciation and amortization	(34,639)	(30,420)
Total property and equipment	13,084	16,243
OTHER ASSETS		
Investments	442	513
Grants receivable, long term	109,680	-
Total other assets	110,122	513
TOTAL ASSETS	$ 427,242	$ 351,223

LIABILITIES AND NET ASSETS

	2013	2012
CURRENT LIABILITIES		
Accounts payable	$ 5,827	$ 21,332
Accrued salaries and vacation payable	33,886	14,624
Payroll taxes payable	448	8,840
Deferred membership dues	53,538	49,742
Total current liabilities	93,699	94,538
NET ASSETS		
Unrestricted	49,322	68,850
Temporarily restricted	284,221	187,835
Total net assets	333,543	256,685
TOTAL LIABILITIES AND NET ASSETS	$ 427,242	$ 351,223

The accompanying notes are an integral part of these financial statements.

Montana Nonprofit Association

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

for the year ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Nonprofit member dues	$ 107,702	$ -	$ 107,702
Affiliate member dues	14,725	-	14,725
Sponsorships	58,500	-	58,500
Discount product fees	85,566	-	85,566
Conference and training fees	84,039	-	84,039
Contributed support	18,777	264,600	283,377
Interest and dividends	507	-	507
Net assets released from restrictions	168,214	(168,214)	-
Total support and revenue	538,030	96,386	634,416
EXPENSES			
Program services	496,527	-	496,527
Management and general	30,288	-	30,288
Fundraising	30,743	-	30,743
Total expenses	557,558	-	557,558
Change in net assets	(19,528)	96,386	76,858
Net assets at beginning of year	68,850	187,835	256,685
Net assets at end of year	$ 49,322	$ 284,221	$ 333,543

The accompanying notes are an integral part of these financial statements.

Montana Nonprofit Association

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

for the year ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Nonprofit member dues	$ 108,089	$ -	$ 108,089
Affiliate member dues	15,020	-	15,020
Sponsorships	41,400	-	41,400
Discount product fees	80,355	-	80,355
Conference and training fees	73,855	-	73,855
Contributed support	49,801	157,102	206,903
Miscellaneous	513	-	513
Project fees	25,688	-	25,688
Interest and dividends	578	-	578
Net assets released from restrictions	199,586	(199,586)	-
Total support and revenue	594,885	(42,484)	552,401
EXPENSES			
Program services	475,149	-	475,149
Management and general	99,821	-	99,821
Fundraising	13,695	-	13,695
Total expenses	588,665	-	588,665
Change in net assets	6,220	(42,484)	(36,264)
Net assets at beginning of year	62,630	230,319	292,949
Net assets at end of year	$ 68,850	$ 187,835	$ 256,685

The accompanying notes are an integral part of these financial statements.

Montana Nonprofit Association

STATEMENTS OF FUNCTIONAL EXPENSES

for the year ended December 31, 2013 with comparative totals for 2012

	Group Buying	Public Policy	Professional/ Organizational Development	Membership/ Communications	Total Program	Management and General	Fundraising	2013 Total	2012 Total
	$ 28,251	$ 16,943	$ 153,982	$ 60,990	$ 260,166	$ 20,250	$ 24,309	$ 304,725	$ 311,216
	1,792	5,022	77,955	31,447	116,216	3,725	1,196	121,137	153,845
	-	2,213	19,892	2,321	24,426	963	480	25,869	22,750
	2,306	1,378	12,819	4,877	21,380	1,639	1,688	24,707	24,537
	1,810	1,094	12,642	4,310	19,856	1,359	1,606	22,821	31,632
	10,893	2,397	29,868	11,325	54,483	2,352	1,464	58,299	44,685
	$ 45,052	$ 29,047	$ 307,158	$ 115,270	$ 496,527	$ 30,288	$ 30,743	$ 557,558	$ 588,665
	$ 22,817	$ 72,271	$ 229,617	$ 150,444	$ 475,149	$ 99,821	$ 13,695	$ 588,665	

Montana Nonprofit Association

STATEMENTS OF CASH FLOWS

for the years ended December 31,

	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	$ 76,858	$ (36,264)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	4,219	7,942
Unrealized (gain) loss on investments	71	(163)
Change in assets and liabilities		
(Increase) decrease in accounts receivable	12,457	12,434
(Increase) decrease in grants receivable	(201,187)	62,757
(Increase) decrease in prepaid expenses	(7,488)	1,850
Increase (decrease) in accounts payable	(15,505)	16,789
Increase (decrease) in accrued salaries	19,262	(6,216)
Increase (decrease) in payroll taxes payable	(8,392)	(240)
Increase (decrease) in deferred memberships	3,796	1,611
Net cash from operating activities	(115,909)	60,500
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash payments for equipment	(1,060)	(11,905)
Net cash from investing activities	(1,060)	(11,905)
NET CHANGE IN CASH	(116,969)	48,595
Cash and cash equivalents, beginning of year	215,731	167,136
Cash and cash equivalents, end of year	$ 98,762	$ 215,731

The accompanying notes are an integral part of these financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the Montana Nonprofit Association's significant accounting policies consistently applied in the preparation of the accompanying financial statements:

1. Nature of Activities - The Montana Nonprofit Association (MNA) is a membership organization that promotes a strong nonprofit sector. MNA achieves its mission by providing the following programs and services for members:
   - Advocacy and public policy on sector-wide issues
   - Group buying opportunities to save administrative costs
   - Organizational development including training and technical assistance to build nonprofit capacity
   - Research and communications on issues of importance to nonprofits
   - Network building to connect and strengthen nonprofits

2. Basis of Accounting - The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. Financial Statement Presentation - MNA has adopted *Accounting for Contributions Received and Made*, and *Financial Statements of Not-for-Profit Organizations*. The first requires that unconditional promises to give (pledges) be recorded as receivables and revenues. It also requires the organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. The second accounting standard establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories follows:

   Unrestricted net assets include assets which are available for general operations of MNA.

   Temporarily restricted net assets include gifts for which donor imposed restrictions have not been met and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted. When a donor restriction expires (i.e. the time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

   Permanently restricted net assets include gifts, trusts, and pledges which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. As of December 31, 2013 and 2012, MNA did not have any permanently restricted net assets.

Continued

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Financial Statement Presentation, continued
Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases or liabilities, or expenses, depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

4. Cash and Cash Equivalents - For financial statement purposes, MNA defines cash and cash equivalents as checking, money market accounts and all certificates of deposit with an original maturity of three months or less.

5. Accounts and Grants Receivable - MNA grants credit to members for dues and to sponsors for commissions, endorsements and management fees and conference revenue. Accounts receivable consists of discounted product fees earned but not yet received as of the financial statement date, in-kind donations receivable and contributions receivable. A present value factor is applied to multi-year grants to ascertain a present value of grants receivable. The accretion of discounted amounts is recorded as revenue in the year received.

6. Allowance for Doubtful Accounts - MNA writes off individual accounts receivable when they are determined to be uncollectible. Management of MNA has evaluated outstanding balances and considers there to be no material uncollectible accounts at December 31, 2013 and 2012.

7. Property and Equipment - Property and equipment is valued at cost at the time of purchase or estimated fair value at the date of donation, if received as support. MNA capitalizes all fixed assets over $500 with an economic benefit longer than one year. All other items are expensed in the year purchased. Depreciation expense is computed using the straight-line method over the estimated useful lives of the individual assets as follows:

   Computers and equipment: 3-7 years

   Depreciation and amortization expense was $4,219 and $7,942 for the years ended December 31, 2013 and 2012, respectively.

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

8. Deferred Dues - Deferred dues represent the prorated share of the total annual dues assessed to members of MNA that have been collected, but not earned.

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

Continued

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

10. Advertising Costs - Advertising costs are expensed as incurred. Advertising expense was $503 and $-0- for the years ended December 31, 2013 and 2012, respectively.

11. Income Taxes - MNA is exempt from income taxes under the provisions of Section 501(c)(3) of the U.S. Internal Revenue Code. As a result, no provision for income tax is included in the financial statements. MNA also qualifies for the charitable contribution deduction allowed under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

    As a matter of law, MNA is subject to examination by federal and state taxing authorities for the 2010 through 2013 tax years. Although management believes that the amounts reflected in their tax returns substantially complies with the applicable federal and state tax regulations, both the IRS and the various state taxing authorities can take positions contrary to their position based on IRS interpretation of the law. A tax position that is challenged by a taxing authority could result in an adjustment, which would be recorded in the year assessed on the statement of activities.

12. Subsequent Events - Management has performed an analysis of the activities and transactions subsequent to December 31, 2013 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2013. Management has performed this analysis through June 20, 2014, the date the financial statements were available to be issued.

    On January 16, 2014, MNA entered into a line of credit with Mountain West Bank for $50,000, with an interest rate of 4%. The line of credit will mature on January 16, 2015.

NOTE B - GRANTS RECEIVABLE

Grants receivable include awards payable over terms of one or more years. Grants receivables due in more than one year are discounted at rates varying from 0.20% to 0.29% in 2013.

NOTE C - RETIREMENT PLAN

All eligible employees are covered under a defined contribution SEP plan. MNA makes contributions of 6% of compensation after one year of employment. MNA made contributions totaling $9,463 and $10,126 to the plan for the years ended December 31, 2013 and 2012, respectively.

NOTE D - UNEMPLOYMENT INSURANCE

MNA maintains an unemployment program and contracts with a third party for stop-loss coverage in the event that unemployment clams exceed $30,000, up to $90,000. MNA 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 in 2013.

Continued

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2013 and 2012 are available for the following purposes:

	2013	2012
Restricted by purpose:		
Technology project	$ 879	$ 15,078
Restricted by purpose and time:		
Grants receivable for MNA organizational development programs and activities	283,342	172,757
Total temporarily restricted net assets	$ 284,221	$ 187,835

NOTE F - 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:

	2013	2012
Purpose restrictions accomplished:		
Annual conference	$ 10,000	$ 30,000
Capacity building programs	-	10,000
Communication	5,000	-
Software system	14,199	-
Technology conference	-	8,726
Training coordinator	20,875	-
Other restricted purpose	-	4,800
Total purpose restrictions accomplished	$ 50,074	$ 53,526
Released through satisfaction of time and purpose restrictions:		
Scheduled grant payments received for MNA organizational development program and activities	118,140	146,060
Total released from restrictions	$ 168,214	$ 199,586

Continued

NOTE G - OPERATING CASH FLOWS

The following reconciles the change in unrestricted net assets to cash flows from operating activities using the direct method of presentation.

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from:		
Membership dues	$ 138,680	$ 125,995
Sponsorship dues (net)	58,500	46,700
Discount product fees	85,566	84,159
Conference and training fees	84,039	74,217
Contributed support	82,190	276,628
Project fees	-	27,175
Interest and dividends	507	578
	449,482	635,452
Cash payments to:		
Employees	(293,786)	(317,672)
Suppliers	(271,605)	(257,280)
	(565,391)	(574,952)
Net cash from operating activities	$ (115,909)	$ 60,500

Concluded