

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

Montana Nonprofit Association

December 31, 2014 and 2013

Montana Nonprofit Association

December 31, 2014 and 2013

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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, 2014 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.

The financial statements of Montana Nonprofit Association as of December 31, 2013 were audited by Galusha, Higgins & Galusha, PC which combined its practice with Wipfli LLP as of December 31, 2014 whose report dated June 20, 2014 expressed an unmodified opinion on those 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

Helena, Montana
June 10, 2015

Montana Nonprofit Association
STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS		
CURRENT ASSETS	2014	2013
Cash and cash equivalents	\$ 71,842	\$ 98,762
Accounts receivable	25,705	16,786
Grants receivable, current	124,772	180,000
Prepaid expenses	6,650	8,488
Total current assets	228,969	304,036
PROPERTY AND EQUIPMENT		
Computers and equipment	41,779	36,717
Website	11,006	11,006
Accumulated depreciation and amortization	(39,138)	(34,639)
Total property and equipment	13,647	13,084
OTHER ASSETS		
Investments	606	442
Refundable unemployment reserve	2,886	-
Grants receivable, long term	99,850	109,680
Total other assets	103,342	110,122
TOTAL ASSETS	\$ 345,958	\$ 427,242
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 13,816	\$ 5,827
Accrued salaries, vacation payable and payroll taxes payable	28,872	34,334
Deferred membership dues	50,237	53,538
Total current liabilities	92,925	93,699
NET ASSETS		
Unrestricted	33,633	49,322
Temporarily restricted	219,400	284,221
Total net assets	253,033	333,543
TOTAL LIABILITIES AND NET ASSETS	\$ 345,958	\$ 427,242

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, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Nonprofit member dues	\$ 110,611	\$ -	\$ 110,611
Affiliate member dues	9,725	-	9,725
Sponsorships	74,550	-	74,550
Discount product fees	78,921	-	78,921
Conference and training fees	100,862	-	100,862
Contributed support	40,073	124,826	164,899
Interest and dividends	437	-	437
Net assets released from restrictions	189,647	(189,647)	-
Total support and revenue	<u>604,826</u>	<u>(64,821)</u>	<u>540,005</u>
EXPENSES			
Program services	527,769	-	527,769
Management and general	43,305	-	43,305
Fundraising	49,441	-	49,441
Total expenses	<u>620,515</u>	<u>-</u>	<u>620,515</u>
Change in net assets	<u>(15,689)</u>	<u>(64,821)</u>	<u>(80,510)</u>
Net assets at beginning of year	49,322	284,221	333,543
Net assets at end of year	<u>\$ 33,633</u>	<u>\$ 219,400</u>	<u>\$ 253,033</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
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	<u>538,030</u>	<u>96,386</u>	<u>634,416</u>
EXPENSES			
Program services	496,527	-	496,527
Management and general	30,288	-	30,288
Fundraising	30,743	-	30,743
Total expenses	<u>557,558</u>	<u>-</u>	<u>557,558</u>
Change in net assets	<u>(19,528)</u>	<u>96,386</u>	<u>76,858</u>
Net assets at beginning of year	<u>68,850</u>	<u>187,835</u>	<u>256,685</u>
Net assets at end of year	<u><u>\$ 49,322</u></u>	<u><u>\$ 284,221</u></u>	<u><u>\$ 333,543</u></u>

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

Montana Nonprofit Association

STATEMENTS OF CASH FLOWS

for the years ended December 31,

	<u>2014</u>	<u>2013</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ (80,510)	\$ 76,858
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	4,500	4,219
Unrealized (gain) loss on investments	(164)	71
(Increase) decrease in assets		
Accounts receivable	(8,919)	12,457
Grants receivable	65,058	(201,187)
Refundable unemployment reserve	(2,886)	-
Prepaid expenses	1,838	(7,488)
Increase (decrease) in liabilities		
Accounts payable	7,989	(15,505)
Accrued salaries	(5,462)	19,262
Payroll taxes payable	-	(8,392)
Deferred memberships	(3,301)	3,796
Net cash from operating activities	<u>(21,857)</u>	<u>(115,909)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash payments for equipment	<u>(5,063)</u>	<u>(1,060)</u>
Net cash from investing activities	(5,063)	(1,060)
NET CHANGE IN CASH	(26,920)	(116,969)
Cash and cash equivalents, beginning of year	98,762	215,731
Cash and cash equivalents, end of year	<u>\$ 71,842</u>	<u>\$ 98,762</u>

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

Montana Nonprofit Association

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014 and 2013

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, 2014 and 2013, MNA did not have any permanently restricted net assets.

Continued

Montana Nonprofit Association

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. 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, 2014 and 2013.
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

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.

Depreciation and amortization expense was \$4,500 and \$4,219 for the years ended December 31, 2014 and 2013, respectively.

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

Montana Nonprofit Association

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

10. Advertising Costs - Advertising costs are expensed as incurred. Advertising expense was \$1,382 and \$503 for the years ended December 31, 2014 and 2013, 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 2011 through 2014 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, 2014 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2014. Management has performed this analysis through June 10, 2015, the date the financial statements were available to be issued.

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 2014.

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 \$12,023 and \$9,463 to the plan for the years ended December 31, 2014 and 2013, 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 claims 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 2014 or 2013.

Continued

Montana Nonprofit Association

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2014 and 2013 are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Restricted by purpose:		
Technology project	\$ 879	\$ 879
Restricted by purpose and time:		
Grants receivable for MNA organizational development programs and activities	<u>218,521</u>	<u>283,342</u>
Total temporarily restricted net assets	<u>\$ 219,400</u>	<u>\$ 284,221</u>

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:

	<u>2014</u>	<u>2013</u>
Purpose restrictions accomplished:		
Annual conference	\$ 149,867	\$ 10,000
Communication	-	5,000
Software system	-	14,199
Training coordinator	<u>19,884</u>	<u>20,875</u>
Total purpose restrictions accomplished	\$ 169,751	\$ 50,074
Released through satisfaction of time and purpose restrictions:		
Scheduled grant payments received for MNA organizational development program and activities	<u>19,896</u>	<u>118,140</u>
Total released from restrictions	<u>\$ 189,647</u>	<u>\$ 168,214</u>

Continued

Montana Nonprofit Association

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014 and 2013

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.

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from:		
Membership dues	\$ 108,116	\$ 138,680
Sponsorship dues (net)	74,550	58,500
Discount product fees	78,921	85,566
Conference and training fees	100,862	84,039
Contributed support	229,957	82,190
Interest and dividends	437	507
	<u>592,843</u>	<u>449,482</u>
Cash payments to:		
Employees	(314,824)	(293,786)
Suppliers	(299,876)	(271,605)
	<u>(614,700)</u>	<u>(565,391)</u>
Net cash from operating activities	<u>\$ (21,857)</u>	<u>\$ (115,909)</u>

Concluded

SUPPLEMENTAL INFORMATION

Montana Nonprofit Association

December 31, 2014 and 2013

Montana Nonprofit Association
STATEMENTS OF FUNCTIONAL EXPENSES
for the year ended December 31, 2014 with comparative totals for 2013
(See Independent Auditor's Report)

	Group Buying	Public Policy	Professional/ Organizational Development	Membership/ Communications	Total Program	Management and General	Fundraising	2014 Total	2013 Total
EXPENSES									
Personnel	\$ 25,152	\$ 14,948	\$ 135,986	\$ 76,826	\$ 252,912	\$ 23,008	\$ 33,443	\$ 309,363	\$ 304,725
Contracted services	3,781	2,945	128,086	11,935	146,747	8,215	9,357	164,319	121,137
Travel	1,349	3,448	17,298	3,582	25,677	2,206	2,315	30,198	25,869
Occupancy	2,338	1,349	15,956	5,508	25,151	2,084	2,868	30,103	24,707
Property and equipment	1,991	977	11,432	5,749	20,149	3,395	1,458	25,002	22,821
Other	13,852	3,291	33,818	6,172	57,133	4,397	-	61,530	58,299
	<u>\$ 48,463</u>	<u>\$ 26,958</u>	<u>\$ 342,576</u>	<u>\$ 109,772</u>	<u>\$ 527,769</u>	<u>\$ 43,305</u>	<u>\$ 49,441</u>	<u>\$ 620,515</u>	<u>\$ 557,558</u>
2013 Total	<u>\$ 45,052</u>	<u>\$ 29,047</u>	<u>\$ 307,158</u>	<u>\$ 115,270</u>	<u>\$ 496,527</u>	<u>\$ 30,288</u>	<u>\$ 30,743</u>	<u>\$ 557,558</u>	