

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

Montana Nonprofit Association

December 31, 2015 and 2014



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 (the "Association"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows for the years 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; 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. 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, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.



Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, Statements of Functional Expenses, appearing on page 13 is presented for the purpose of additional analysis and is 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Montana Nonprofit Association's December 31, 2014 financial statements, and our report dated June 10, 2015, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

Wipfli LLP

August 22, 2016
Helena, MT

Montana Nonprofit Association

Statements of Financial Position

<i>As of December 31,</i>	2015	2014
Current assets:		
Cash	\$ 20,660	\$ 71,842
Accounts receivable	23,244	25,705
Grants receivable, current	125,753	124,772
Prepaid expenses	10,235	6,650
Total current assets	179,892	228,969
Property and equipment:		
Computers and equipment	46,405	41,779
Software	8,250	-
Website	11,006	11,006
Accumulated depreciation and amortization	(44,628)	(39,138)
Total property and equipment, net	21,033	13,647
Other assets:		
Investments	481	606
Refundable unemployment reserve	3,886	2,886
Grants receivable, long term	24,900	99,850
Total other assets	29,267	103,342
TOTAL ASSETS	\$ 230,192	\$ 345,958
Current liabilities:		
Accounts payable	\$ 11,208	\$ 13,816
Accrued salaries, vacation payable and payroll taxes payable	39,090	28,872
Deferred membership dues	47,950	50,237
Line of credit	10,019	-
Total current liabilities	108,267	92,925
Net assets (deficit):		
Unrestricted	(16,446)	33,633
Temporarily restricted	138,371	219,400
Total net assets	121,925	253,033
TOTAL LIABILITIES AND NET ASSETS	\$ 230,192	\$ 345,958

See the accompanying notes to the financial statements.

Montana Nonprofit Association

Statements of Activities and Changes in Net Assets

<i>Years Ended December 31,</i>	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Nonprofit member dues	\$ 109,597	\$ -	\$ 109,597	\$ 110,611
Affiliate member dues	12,125	-	12,125	9,725
Sponsorships	98,980	-	98,980	74,550
Discount product fees	82,983	-	82,983	78,921
Conference and training fees	102,276	-	102,276	100,862
Contributed support	21,327	115,766	137,093	164,899
Interest and dividends	30	-	30	437
Unrealized gain (loss) on investments	(125)	-	(125)	164
Released from restrictions	196,795	(196,795)	-	-
Total support and revenue	623,988	(81,029)	542,959	540,169
EXPENSES				
Program services	546,554	-	546,554	527,769
Management and general	46,374	-	46,374	43,469
Fundraising	81,139	-	81,139	49,441
Total expenses	674,067	-	674,067	620,679
Change in net assets	(50,079)	(81,029)	(131,108)	(80,510)
Net assets at beginning of year	33,633	219,400	253,033	333,543
Net assets at end of year	\$ (16,446)	\$ 138,371	\$ 121,925	\$ 253,033

See the accompanying notes to the financial statements.

Montana Nonprofit Association

Statements of Cash Flows

<i>Years Ended December 31,</i>	2015	2014
Cash flows from operating activities		
Change in net assets	\$ (131,108)	\$ (80,510)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,489	4,500
Unrealized (gain) loss on investments	125	(164)
Changes in operating assets and liabilities:		
Accounts receivable	2,461	(8,919)
Grants receivable	73,969	65,058
Refundable unemployment reserve	(1,000)	(2,886)
Prepaid expenses	(3,585)	1,838
Accounts payable	(2,608)	7,989
Accrued salaries	10,218	(5,462)
Deferred memberships	(2,287)	(3,301)
Net cash used in operating activities	(48,326)	(21,857)
Cash flows from investing activities:		
Cash payments for equipment	(12,875)	(5,063)
Net cash used in investing activities	(12,875)	(5,063)
Cash flows from financing activities:		
Proceeds from the line of credit draw	10,019	-
Net cash provided by financing activities	10,019	-
Net change in cash and cash equivalents	(51,182)	(26,920)
Cash at beginning of year	71,842	98,762
Cash at end of year	\$ 20,660	\$ 71,842

See the accompanying notes to the financial statements.

Montana Nonprofit Association

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

The Montana Nonprofit Association (MNA or the Association) 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

Basis of Accounting

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States (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.

Basis of Presentation

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

Unrestricted net assets are the net assets of the Association that are neither permanently restricted nor temporarily restricted. Thus, they include all net assets whose use has not been restricted by donors or by law.

Temporarily restricted net assets are subject to donor-imposed stipulations that may or may not be met, either by actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned on any related investments for general or specific purposes. The Association currently has no permanently restricted net assets.

Cash and Cash Equivalents

The Association considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Montana Nonprofit Association

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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 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.

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, 2015 and 2014.

Property and Equipment

All acquisitions and improvements of property and equipment of \$500 or more are capitalized while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Purchased property and equipment is carried at cost. Donated property and equipment is carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated lives of the assets as follows:

Computers and equipment: 3-7 years

Software: 3-5 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 \$5,489 and \$4,500 for the years ended December 31, 2015 and 2014, respectively.

Deferred Revenue

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

Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Montana Nonprofit Association

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Association qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as organizations that are not private foundations. The Association is also exempt from Montana income taxes.

The Association assesses whether it is more likely than not that a tax position will be sustained upon examination of the technical merits or the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of the tax position is not recognized in the financial statements. The Association recorded no assets or liabilities for uncertain tax positions or unrecognized tax benefits. Federal returns for the years ended 2012 and thereafter remain subject to examination by the Internal Revenue Service.

Subsequent Events

The Association has evaluated events and transactions for potential recognition or disclosure in the financial statements through August 22, 2016, which is the date the financial statements were available to be issued.

Note 2: Grants Receivable

Grants receivable include awards payable over the 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 2015.

Note 3: Line of Credit

The Association maintains a line of credit with Frist Interstate Bank in the amount of \$50,000 with interest at 4%. The effective rate at December 31, 2015, was 4%. The line of credit matures January 16, 2017. The line of credit is collateralized by the assets of the Association. At December 31, 2015 there was a balance of \$10,019.

Note 4: 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 \$9,323 and \$12,023 to the plan for the years ended December 31, 2015 and 2014, respectively.

Montana Nonprofit Association

Notes to the Financial Statements

Note 5: 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 2015 or 2014.

Note 6: Related Parties

The Association received administrative fees of \$28,934 and \$30,203 in fiscal years 2015 and 2014, 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.

Note 7: Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2015 and 2014 are restricted for the following purposes:

	2015	2014
Restricted by purpose:		
Technology project	\$ 7,700	\$ 879
Restricted by purpose and time:		
Organizational development programs and activities	130,671	218,521
Total temporarily restricted net assets	\$ 138,371	\$ 219,400

Montana Nonprofit Association

Notes to the Financial Statements

Note 8: 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:

	2015	2014
Purpose restrictions accomplished:		
Annual conference	\$ 2,500	\$ 149,867
Leadership	10,000	-
Capacity building	35,000	-
Technology challenge	18,179	-
Training coordinator	5,116	19,884
Total purpose restrictions accomplished	70,795	169,751
Released through satisfaction of time and purpose restrictions:		
Organizational development program and activities	126,000	19,896
Total released from restrictions	\$ 196,795	\$ 189,647

Montana Nonprofit Association

Notes to the Financial Statements

Note 9: Operating Cash Flows

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

	2015	2014
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Cash flows from operating activities:		
Cash received from:		
Membership dues	\$ 121,896	\$ 108,116
Sponsorship dues (net)	98,980	74,550
Discount product fees	82,983	78,921
Conference and training fees	102,276	100,862
Contributed support	211,062	229,957
Interest and dividends	30	437
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	617,227	592,843
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Cash payments to:		
Employees	(292,406)	(314,824)
Suppliers	(373,147)	(299,876)
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	(665,553)	(614,700)
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Net cash used in operating activities	\$ (48,326)	\$ (21,857)
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Note 10: Unrestricted Net Assets Deficit

As indicated in the accompanying financial statements, the Association showed a deficit of unrestricted net assets of \$16,446 during the year ended December 31, 2015. In order to ensure positive net assets going forward, the Association's board of directors has approved a budget for 2016 with positive net income for the year. They have significantly reduced the 2016 projections for contributed funds and increased earned income through a restructuring of the membership. The Association is monitoring net income on a month to month basis with a contingency to reduce personnel costs if needed. These projections have not been audited.

Supplementary Information

Montana Nonprofit Association
STATEMENTS OF FUNCTIONAL EXPENSES
for the year ended December 31, 2015 with comparative totals for 2014
(See Independent Auditor's Report)

	Group	Public	Professional/ Organizational	Membership/ Communications	Total Program	Management and General	Fundraising	2015 Total	2014 Total
	Buying	Policy	Development						
EXPENSES									
Personnel	\$ 51,744	\$ 9,413	\$ 79,420	\$ 82,973	\$ 223,550	\$ 18,845	\$ 60,230	\$ 302,625	\$ 309,363
Contracted services	18,651	8,456	131,773	14,682	173,562	11,028	4,869	189,459	164,319
Travel	8,931	4,520	31,871	7,127	52,449	3,270	8,309	64,028	30,198
Occupancy	1,569	439	4,103	1,929	8,040	622	1,038	9,700	30,103
Property and equipment	3,700	706	7,270	10,329	22,005	8,291	2,593	32,889	25,002
Other	13,882	3,402	40,465	9,199	66,948	4,318	4,100	75,366	61,694
	\$ 98,477	\$ 26,936	\$ 294,902	\$ 126,239	\$ 546,554	\$ 46,374	\$ 81,139	\$ 674,067	\$ 620,679
2014 Total	\$ 48,463	\$ 26,958	\$ 342,576	\$ 109,772	\$ 527,769	\$ 43,469	\$ 49,441	\$ 620,679	