

The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.





BIG SKY COMMUNITY ORGANIZATION

FINANCIAL REPORT

June 30, 2016 and 2015



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Big Sky Community Organization
Big Sky, Montana

We have audited the accompanying financial statements of the Big Sky Community Organization (a nonprofit organization), hereinafter referred to as "the Organization," which comprise the statements of financial position as of June 30, 2016 and 2015 and the related statements of activities, functional expenses 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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 the 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 Big Sky Community Organization as of June 30, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Anderson Zurmuehlen & Co., P.C.

Butte, Montana
January 19, 2017

FINANCIAL STATEMENTS

BIG SKY COMMUNITY ORGANIZATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 341,001	\$ 227,505
Prepaid expenses	22,437	8,786
Resort tax receivable	119,091	105,136
Accounts receivable	<u>10,747</u>	<u>23,570</u>
Total current assets	<u>493,276</u>	<u>364,997</u>
PROPERTY AND EQUIPMENT		
Land	1,305,961	1,305,961
Buildings and improvements	1,084,399	1,084,399
Other improvements	1,450,354	1,439,354
Equipment	<u>15,800</u>	<u>15,800</u>
	3,856,514	3,845,514
Accumulated depreciation and amortization	<u>(733,243)</u>	<u>(601,814)</u>
	<u>3,123,271</u>	<u>3,243,700</u>
Total assets	<u>\$ 3,616,547</u>	<u>\$ 3,608,697</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 22,340	\$ 29,984
Deferred revenue	55,675	58,195
Accrued liabilities	<u>36,707</u>	<u>29,874</u>
Total current liabilities	<u>114,722</u>	<u>118,053</u>
NET ASSETS		
Unrestricted	2,545,650	2,509,469
Temporarily restricted	-	25,000
Permanently restricted	<u>956,175</u>	<u>956,175</u>
	<u>3,501,825</u>	<u>3,490,644</u>
Total liabilities and net assets	<u>\$ 3,616,547</u>	<u>\$ 3,608,697</u>

The Notes to Financial Statements are an integral part of these statements.

BIG SKY COMMUNITY ORGANIZATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
REVENUES AND SUPPORT				
Contributions	\$ 245,237	\$ -	\$ -	\$ 245,237
In-kind contributions	21,191	-	-	21,191
Grant income	300,349	-	-	300,349
Camp Big Sky	94,325	-	-	94,325
Historic Crail Ranch	45,208	-	-	45,208
Other revenues	40,697	-	-	40,697
Net assets released from restriction	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>
	<u>772,007</u>	<u>(25,000)</u>	<u>-</u>	<u>747,007</u>
EXPENSES				
Program:				
Camp Big Sky	98,606	-	-	98,606
Historic Crail Ranch	19,933	-	-	19,933
Other programs	28,006	-	-	28,006
Parks	203,168	-	-	203,168
Trails	<u>194,479</u>	<u>-</u>	<u>-</u>	<u>194,479</u>
Total program expenses	544,192	-	-	544,192
Fundraising	69,714	-	-	69,714
General and administrative	<u>121,920</u>	<u>-</u>	<u>-</u>	<u>121,920</u>
Total expenses	<u>735,826</u>	<u>-</u>	<u>-</u>	<u>735,826</u>
Change in net assets	36,181	(25,000)	-	11,181
Beginning net assets	<u>2,509,469</u>	<u>25,000</u>	<u>956,175</u>	<u>3,490,644</u>
Ending net assets	<u>\$ 2,545,650</u>	<u>\$ -</u>	<u>\$ 956,175</u>	<u>\$ 3,501,825</u>

The Notes to Financial Statements are an integral part of these statements.

BIG SKY COMMUNITY ORGANIZATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
REVENUES AND SUPPORT				
Contributions	\$ 216,967	\$ 25,000	\$ -	\$ 241,967
In-kind contributions	10,225	-	-	10,225
Grant income	318,851	-	-	318,851
Camp Big Sky	106,915	-	-	106,915
Historic Crail Ranch	38,405	-	-	38,405
Other revenues	58,258	-	-	58,258
Net assets released from restriction	<u>6,000</u>	<u>(6,000)</u>	<u>-</u>	<u>-</u>
	<u>755,621</u>	<u>19,000</u>	<u>-</u>	<u>774,621</u>
EXPENSES				
Program:				
Camp Big Sky	144,962	-	-	144,962
Historic Crail Ranch	28,956	-	-	28,956
Other programs	16,097	-	-	16,097
Parks	200,776	-	-	200,776
Trails	<u>311,867</u>	<u>-</u>	<u>-</u>	<u>311,867</u>
Total program expenses	702,658	-	-	702,658
Fundraising	89,761	-	-	89,761
General and administrative	<u>139,540</u>	<u>-</u>	<u>-</u>	<u>139,540</u>
Total expenses	<u>931,959</u>	<u>-</u>	<u>-</u>	<u>931,959</u>
Change in net assets	(176,338)	19,000	-	(157,338)
Beginning net assets	<u>2,685,807</u>	<u>6,000</u>	<u>956,175</u>	<u>3,647,982</u>
Ending net assets	<u>\$ 2,509,469</u>	<u>\$ 25,000</u>	<u>\$ 956,175</u>	<u>\$ 3,490,644</u>

The Notes to Financial Statements are an integral part of these statements.

BIG SKY COMMUNITY ORGANIZATION
STATEMENT OF FUNCTIONAL EXPENSE
For the Year Ended June 30, 2016

	Camp Big Sky	Historic Crail Ranch	Other programs	Parks	Trails	Total program	Fundraising	General and administrative	2016
Advertising	\$ -	\$ 1,367	\$ -	\$ -	\$ 1,848	\$ 3,215	\$ -	\$ 6,732	\$ 9,947
Camp external expense	7,965	-	-	-	-	7,965	-	-	7,965
Depreciation	2,502	1,669	-	101,555	25,703	131,429	-	-	131,429
Maintenance and repairs	5,736	4,440	-	63,446	10,961	84,583	-	-	84,583
Management fee	4,645	1,034	222	518	1,276	7,695	-	(7,695)	-
Other	-	2,497	-	-	4,519	7,016	664	4,723	12,403
Professional fees	-	-	-	-	10,000	10,000	-	11,607	21,607
Rent	1,000	1,000	1,000	4,399	4,399	11,798	-	11,798	23,596
Special projects	-	3,221	15,142	8,304	87,846	114,513	51,961	3,567	170,041
Supplies	19,877	1,401	-	1,905	3,006	26,189	809	9,873	36,871
Utilities	58	1,512	-	1,780	-	3,350	-	4,776	8,126
Insurance	754	-	-	10,013	3,924	14,691	-	1,901	16,592
Wages and benefits	56,069	1,792	11,642	11,248	40,997	121,748	16,280	74,638	212,666
Total expenses	<u>\$ 98,606</u>	<u>\$ 19,933</u>	<u>\$ 28,006</u>	<u>\$ 203,168</u>	<u>\$ 194,479</u>	<u>\$ 544,192</u>	<u>\$ 69,714</u>	<u>\$ 121,920</u>	<u>\$ 735,826</u>

The Notes to Financial Statements are an integral part of these statements.

BIG SKY COMMUNITY ORGANIZATION
STATEMENT OF FUNCTIONAL EXPENSE
For the Year Ended June 30, 2015

	Camp Big Sky	Historic Craile Ranch	Other programs	Parks	Trails	Total program	Fundraising	General and administrative	2015
Advertising	\$ 255	\$ 2,153	\$ -	\$ -	\$ 1,616	\$ 4,024	\$ 48	\$ 52	\$ 4,124
Camp external expense	27,526	-	-	-	-	27,526	-	-	27,526
Depreciation	2,502	1,607	-	101,837	26,008	131,954	-	-	131,954
Maintenance and repairs	-	3,931	-	51,199	25,870	81,000	-	9,357	90,357
Management fee	6,972	1,796	180	582	1,288	10,818	-	(10,818)	-
Other	3,637	1,367	255	3,120	6,581	14,960	-	45,676	60,636
Professional fees	-	-	-	-	-	-	-	17,065	17,065
Rent	-	-	-	1,500	-	1,500	-	6,230	7,730
Special projects	2,478	15,056	13,591	33,556	209,849	274,530	81,342	-	355,872
Supplies	23,745	1,957	-	-	855	26,557	1,045	4,389	31,991
Utilities	-	1,049	-	3,021	-	4,070	-	2,795	6,865
Insurance	1,507	-	-	-	-	1,507	-	-	1,507
Wages and benefits	<u>76,340</u>	<u>40</u>	<u>2,071</u>	<u>5,961</u>	<u>39,800</u>	<u>124,212</u>	<u>7,326</u>	<u>64,794</u>	<u>196,332</u>
Total expenses	<u>\$ 144,962</u>	<u>\$ 28,956</u>	<u>\$ 16,097</u>	<u>\$ 200,776</u>	<u>\$ 311,867</u>	<u>\$ 702,658</u>	<u>\$ 89,761</u>	<u>\$ 139,540</u>	<u>\$ 931,959</u>

The Notes to Financial Statements are an integral part of these statements.

BIG SKY COMMUNITY ORGANIZATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 11,181	\$ (157,338)
Adjustments to reconcile excess of revenues over expenses to net cash from operating activities:		
Depreciation	131,429	131,954
Changes in operating assets and liabilities		
Resort tax receivable	(13,955)	(28,439)
Other receivables	12,823	(6,407)
Prepaid expenses	(13,651)	(8,786)
Projects in process	-	35,000
Accounts payable	(7,644)	(30,499)
Deferred revenue	(2,520)	58,195
Accrued liabilities	<u>6,833</u>	<u>26,372</u>
Net cash flows from operating activities	<u>124,496</u>	<u>20,052</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and improvements	<u>(11,000)</u>	<u>(11,554)</u>
Net cash flows from investing activities	<u>(11,000)</u>	<u>(11,554)</u>
Net change in cash and cash equivalents	113,496	8,498
Cash and cash equivalents, beginning of year	<u>227,505</u>	<u>219,007</u>
Cash and cash equivalents, end of year	<u>\$ 341,001</u>	<u>\$ 227,505</u>

The Notes to Financial Statements are an integral part of these statements.

BIG SKY COMMUNITY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1. ORGANIZATION

Nature of Activities

The Big Sky Community Organization (the Organization) was formed on June 2, 1998. It is a non-profit public benefit corporation in Montana. The Organization connects people with recreational opportunities by acquiring, preserving and promoting sustainable places and programs for all.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to non-profit organizations, as codified by the Financial Accounting Standards Board. Revenue is recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents. As of June 30, 2016 and 2015 the Organization's cash balances did not exceed federal deposit insurance (FDIC) coverage at local financial institutions.

Property and Equipment

The Organization capitalizes all purchases of fixed assets with a cost of \$5,000 or more and an estimated economic life longer than one year.

The Organization capitalizes land, buildings and equipment at cost. Donated fixed assets are recorded at their estimated fair value at the date of the gift. Gifts are recorded as revenue when received. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

BIG SKY COMMUNITY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016 and 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Property and equipment are depreciated using the straight-line method with estimated useful lives as follows:

Land improvements	10 - 25 years
Buildings and improvements	10 - 25 years
Other improvements	7 - 25 years
Equipment	3 – 5 years

Depreciation expense amounted to \$131,429 and \$131,954 for the years ended June 30, 2016 and 2015, respectively.

Net Assets

All financial transactions have been recorded and reported as unrestricted, temporarily restricted, or permanently restricted net assets:

- Unrestricted net assets represent those amounts that are available for use in carrying out the mission of the Organization, and include those expendable resources which have been designated for special use by the Organization. The Organization's policy is to record program service contracts and grants as unrestricted when it is expected the grants and contracts will be expended in the same year.
- Temporarily restricted net assets represent those amounts that are donor restricted for specific purposes or by time. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets result from contributions from donors who place restrictions on the use of the funds which mandate that the original principal be invested in perpetuity.

Grant Revenue

During the years ended June 30, 2016 and 2015, the Organization recognized grant revenue of \$300,349 and \$318,851, respectively, including resort tax income and grants from state agencies. Applications are reviewed by the Big Sky Resort Area District Board of Trustees, which makes the final decisions on funding each year.

Deferred Revenue

Deferred revenue represents cash received in which related expenditures or services have not been incurred or performed.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

BIG SKY COMMUNITY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016 and 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services

The Organization recognizes the fair value of contributed services received if such services require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization receives services from a number of volunteers who give significant amounts of their time to the Organization's programs but which do not meet the criteria for financial statement recognition.

Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated to general and administrative expense.

Advertising Expense

The Organization advertises mainly in newspaper and magazine print ads, and expenses the cost of advertising as incurred. Advertising for the years ended June 30, 2016 and 2015 amounted to \$9,947 and \$4,124, respectively.

Tax Exempt Status

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. The Organization is not a private foundation.

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations

38% of the total revenues and 100% of the resort tax receivable relates to funding from the Big Sky Resort Area District for the year ended June 30, 2016. 37% of the total revenues and 100% of the resort tax receivable relates to funding from the Big Sky Resort Area District for the year ended June 30, 2015. A significant change in the funding from the District could impact the financial position of the Organization.

Accounts Receivable

Accounts receivable are stated at face value. Amounts determined to be uncollectible would be directly written off. There is no allowance for doubtful accounts at June 30, 2016 or 2015 as management considers all amounts to be collectible.

Subsequent Events

Management has evaluated other subsequent events through January 19, 2017, the date which the financial statements were available to be issued.

BIG SKY COMMUNITY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016 and 2015

NOTE 3. NET ASSETS

Unrestricted Board Designated Net Assets

From time to time, the Board will designate a portion of unrestricted net assets for specific purposes or specific programs. As of June 30, 2016 and 2015, there were no Board designated net assets.

Temporarily Restricted Net Assets

There were no temporarily restricted net assets as of June 30, 2016. As of June 30, 2015, all temporarily restricted revenue relates to the Mountains to Meadows trails project. Net assets were released from restriction upon completion of the project in 2016.

Permanently Restricted Net Assets

All permanently restricted net assets relate to land for public parks and trails.

NOTE 4. ENDOWMENT AT MONTANA COMMUNITY FOUNDATION

The Organization is the designated beneficiary for endowment fund earnings held at the Montana Community Foundation. In accordance with GAAP these restricted assets in the amount of \$53,213 and \$55,414 as of June 30, 2016 and 2015, respectively, are not included in the Organization's statement of financial position. The earnings, if distributed to the Organization, are recorded as interest income in the year of receipt. During the years ended June 30, 2016 and 2015, the Organization received \$2,416 and \$2,312 in earnings from the endowment, respectively.

The endowment provides unrestricted funds to be used at the discretion of the Organization's Board of Directors.

NOTE 5. RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 2015 the Organization purchased trails maintenance and construction services from a business owned by a Board member. The total paid to the related party for trails maintenance and construction services amounted to \$2,447 for June 30, 2015. There were no amounts paid for such services for the fiscal year ended June 30, 2016.

BIG SKY COMMUNITY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016 and 2015

NOTE 6. RENT EXPENSE

The Organization rented office space in the Resort Tax District building through December 2015. The Organization receives an in-kind contribution for the office space rent. The in-kind contribution is recorded as in-kind revenue and the full amount of the rent is expensed as incurred. Total rent expense for this office space for the years ended June 30, 2016 and 2015 amounted to \$2,596 and \$6,230, respectively.

NOTE 7. LEASES

Big Sky Community Organization entered into an operating lease agreement for office space. The lease term is 22 months plus a two year renewal option, commencing December 2015. The lease required quarterly payments of \$9,000 (\$36,000 annually) during the first term.

Rent expense related to this lease amounted to \$10,500 for the year ended June 30, 2016. These amounts make up a portion of the total rent reported in the accompanying statements of activities.

The following is a schedule by year of minimum future rental expense on operating leases as of June 30, 2016:

<u>Year Ending</u>	<u>Amount</u>
2017	\$ 36,000
2018	9,000



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