

**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, 2017 and 2016**



## C O N T E N T S

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT.....	1 and 2
 FINANCIAL STATEMENTS	
Statements of Financial Position .....	3
Statements of Activities and Changes in Net Assets.....	4 and 5
Statements of Functional Expense.....	6 and 7
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9 to 14

## 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), which comprise the statements of financial position as of June 30, 2017 and 2016 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, 2017 and 2016 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.

*Anderson Zurmuehlen & Co., P.C.*

Butte, Montana  
January 8, 2018

FINANCIAL STATEMENTS

**BIG SKY COMMUNITY ORGANIZATION**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 682,720	\$ 341,001
Prepaid expenses	35,116	22,437
Resort tax receivable	99,889	119,091
Accounts receivable	<u>9,874</u>	<u>10,747</u>
Total current assets	<u>827,599</u>	<u>493,276</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	1,305,961	1,305,961
Buildings and improvements	1,129,132	1,084,399
Other improvements	1,467,302	1,450,354
Equipment	<u>15,800</u>	<u>15,800</u>
	3,918,195	3,856,514
Accumulated depreciation and amortization	<u>(865,800)</u>	<u>(733,243)</u>
	<u>3,052,395</u>	<u>3,123,271</u>
<b>OTHER ASSETS</b>		
Beneficial interest in assets held by Montana Community Foundation	<u>15,000</u>	<u>-</u>
 Total assets	 <u>\$ 3,894,994</u>	 <u>\$ 3,616,547</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 319,816	\$ 22,340
Deferred revenue	104,121	55,675
Accrued liabilities	<u>34,453</u>	<u>36,707</u>
Total current liabilities	<u>458,390</u>	<u>114,722</u>
<b>NET ASSETS</b>		
Unrestricted	2,465,429	2,545,650
Unrestricted - Board designated	<u>15,000</u>	<u>-</u>
Total unrestricted net assets	2,480,429	2,545,650
Permanently restricted	<u>956,175</u>	<u>956,175</u>
	<u>3,436,604</u>	<u>3,501,825</u>
 Total liabilities and net assets	 <u>\$ 3,894,994</u>	 <u>\$ 3,616,547</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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total
<b>REVENUES AND SUPPORT</b>				
Contributions	\$ 618,647	\$ -	\$ -	\$ 618,647
In-kind contributions	8,941	-	-	8,941
Grant income	631,473	-	-	631,473
Camp Big Sky	53,374	-	-	53,374
Historic Crail Ranch	72	-	-	72
Other revenues	29,964	-	-	29,964
Net assets released from restriction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,342,471</u>	<u>-</u>	<u>-</u>	<u>1,342,471</u>
<b>EXPENSES</b>				
Program:				
Camp Big Sky	122,461	-	-	122,461
Historic Crail Ranch	55,746	-	-	55,746
Special projects and other programs	400,897	-	-	400,897
Parks	250,981	-	-	250,981
Trails	<u>408,345</u>	<u>-</u>	<u>-</u>	<u>408,345</u>
Total program expenses	1,238,430	-	-	1,238,430
Fundraising	74,095	-	-	74,095
General and administrative	<u>95,167</u>	<u>-</u>	<u>-</u>	<u>95,167</u>
Total expenses	<u>1,407,692</u>	<u>-</u>	<u>-</u>	<u>1,407,692</u>
Change in net assets	(65,221)	-	-	(65,221)
Beginning net assets	<u>2,545,650</u>	<u>-</u>	<u>956,175</u>	<u>3,501,825</u>
Ending net assets	<u>\$ 2,480,429</u>	<u>\$ -</u>	<u>\$ 956,175</u>	<u>\$ 3,436,604</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
<b>REVENUES AND SUPPORT</b>				
Contributions	\$ 285,359	\$ -	\$ -	\$ 285,359
In-kind contributions	21,191	-	-	21,191
Grant income	332,800	-	-	332,800
Camp Big Sky	71,475	-	-	71,475
Historic Crail Ranch	1,485	-	-	1,485
Other revenues	34,697	-	-	34,697
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>
<b>EXPENSES</b>				
Program:				
Camp Big Sky	98,606	-	-	98,606
Historic Crail Ranch	19,933	-	-	19,933
Special projects and 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 FUNCTIONAL EXPENSE**  
For the Year Ended June 30, 2017

	Camp Big Sky	Historic Crail Ranch	Special projects and other programs	Parks	Trails	Total program	Fundraising	General and administrative	2017
Advertising/Marketing/Design	\$ 462	\$ 4,999	\$ 3,411	\$ 2,152	\$ 10,253	\$ 21,277	\$ 1,033	\$ 4,621	\$ 26,931
Camp external expense	14,081	-	-	-	-	14,081	-	-	14,081
Depreciation	2,502	4,579	-	99,909	25,567	132,557	-	-	132,557
Maintenance and repairs	1,248	4,950	-	27,585	70,202	103,985	-	-	103,985
Management fee	-	-	-	-	-	-	-	-	-
Other	1,540	9,566	114	4,939	9,958	26,117	4,387	1,412	31,916
Professional fees	585	270	520	2,726	6,101	10,202	1,309	5,853	17,364
Rent	1,213	560	1,078	5,651	12,650	21,152	2,714	12,134	36,000
Special projects	-	11,015	389,542	58,243	169,684	628,484	45,264	1,000	674,748
Supplies	31,896	4,619	236	1,261	2,798	40,810	4,293	2,655	47,758
Utilities	1,108	2,141	121	1,854	1,422	6,646	305	1,364	8,315
Insurance	1,986	-	-	15,315	15,310	32,611	-	-	32,611
Wages and benefits	65,840	13,047	5,875	31,346	84,400	200,508	14,790	66,128	281,426
Total expenses	<u>\$ 122,461</u>	<u>\$ 55,746</u>	<u>\$ 400,897</u>	<u>\$ 250,981</u>	<u>\$ 408,345</u>	<u>\$ 1,238,430</u>	<u>\$ 74,095</u>	<u>\$ 95,167</u>	<u>\$ 1,407,692</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	Special projects and other programs	Parks	Trails	Total program	Fundraising	General and administrative	2016
Advertising/Marketing/Design	\$ -	\$ 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**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (65,221)	\$ 11,181
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	132,557	131,429
Changes in operating assets and liabilities		
Resort tax receivable	19,202	(13,955)
Other receivables	873	12,823
Prepaid expenses	(12,679)	(13,651)
Accounts payable	297,476	(7,644)
Deferred revenue	48,446	(2,520)
Accrued liabilities	<u>(2,254)</u>	<u>6,833</u>
Net cash flows from operating activities	<u>418,400</u>	<u>124,496</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment and improvements	(61,681)	(11,000)
Acquisition of beneficial interest in assets held by Montana Community Foundation	<u>(15,000)</u>	<u>-</u>
Net cash flows from investing activities	<u>(76,681)</u>	<u>(11,000)</u>
Net change in cash and cash equivalents	341,719	113,496
Cash and cash equivalents, beginning of year	<u>341,001</u>	<u>227,505</u>
Cash and cash equivalents, end of year	<u>\$ 682,720</u>	<u>\$ 341,001</u>

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

BIG SKY COMMUNITY ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017 and 2016

**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, 2017 the Organization's cash balances exceeded federal deposit insurance (FDIC) coverage at local financial institutions by \$236,211. At June 30, 2016 the Organization's cash balances did not exceed 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, 2017 and 2016

**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 \$132,557 and \$131,429 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, the Organization recognized grant revenue of \$631,473 and \$332,800, 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, 2017 and 2016

**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, 2017 and 2016 amounted to \$8,328 and \$9,947, 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**

42% 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, 2017. 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. 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, 2017 or 2016 as management considers all amounts to be collectible.

BIG SKY COMMUNITY ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2017 and 2016

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reclassifications**

Certain reclassifications have been made to the June 30, 2016 financial statements to conform to the June 30, 2017 presentation. Such reclassifications have had no effect on previously reported changes in net assets.

**Subsequent Events**

Management has evaluated other subsequent events through January 8, 2018, the date which the financial statements were available to be issued.

**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, 2017, there were \$15,000 in Board designated net assets. As of June 30, 2016, there were no Board designated net assets.

**Temporarily Restricted Net Assets**

There were no temporarily restricted net assets as of June 30, 2017. As of June 30, 2016, 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. ENDOWMENTS AT MONTANA COMMUNITY FOUNDATION**

The Organization is the designated beneficiary for endowment fund earnings held at the Montana Community Foundation (MCF) for a donor-established endowment. In accordance with GAAP these restricted assets in the amount of \$54,199 and \$53,213 as of June 30, 2017 and 2016, 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, 2017 and 2016, the Organization received \$2,434 and \$2,416 in earnings from the endowment, respectively. The endowment provides unrestricted funds to be used at the discretion of the Organization's Board of Directors.



BIG SKY COMMUNITY ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2017 and 2016

**NOTE 4. ENDOWMENTS AT MONTANA COMMUNITY FOUNDATION  
(CONTINUED)**

The Organization created an agency endowment at MCF in June 2017 that is a designated fund for the Organization's own benefit. In accordance with GAAP these restricted assets in the amount of \$15,000 as of June 30, 2017 are included in the Organization's statement of financial position as a beneficial interest in assets held by MCF. The earnings, if distributed to the Organization, are recorded as interest income in the year of receipt. The endowment provides unrestricted funds to be used at the discretion of the Organization's Board of Directors.

**NOTE 5. COLLECTION**

The collection consists of cultural and historical items maintained at the Historic Crail Ranch for educational purposes. Collection items acquired through donation are not capitalized. Contributions of collection items are not recognized in the statement of activities.

**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 year ended June 30, 2016 amounted to \$2,596. There was no in-kind contributions received for rental expense for the year ended June 30, 2017.

**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 \$36,000 and \$10,500 for the years ended June 30, 2017 and 2016, respectively. The 2016 amount makes up a portion of the total rent reported in the accompanying statements of activities.

BIG SKY COMMUNITY ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2017 and 2016

**NOTE 7. LEASES (CONTINUED)**

The following is a schedule by year of minimum future rental expense on operating leases as of June 30, 2017:

<u>Year Ending</u>	<u>Amount</u>
2018	\$ 45,000
2019	\$ 48,000
2020	\$ 12,000



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