



BIG SKY COMMUNITY ORGANIZATION

FINANCIAL REPORT

June 30, 2020 and 2019



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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 Big Sky Community Organization (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019 and the related statements of activities and changes in net assets, 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, 2020 and 2019, 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.

Effect of Adopting New Accounting Standards

As discussed in Note 2 to the financial statements, the Big Sky Community Organization has adopted the Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU No. 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*. Our opinion is not modified with respect to this matter.

Anderson Zurmuehlen & Co., P.C.

Butte, Montana
November 17, 2020

FINANCIAL STATEMENTS

BIG SKY COMMUNITY ORGANIZATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 8,379,085	\$ 3,809,765
Accounts receivable	19,987	25,983
Pledges receivable	1,488,154	377,919
Resort tax receivable	1,118,847	44,111
Prepaid expenses	52,665	56,547
Current portion of unconditional promise to give	<u>17,000</u>	<u>17,000</u>
Total current assets	<u>11,075,738</u>	<u>4,331,325</u>
PROPERTY AND EQUIPMENT		
Land and improvements	3,782,787	3,505,961
Construction in progress	2,800,369	1,011,069
Buildings and improvements	1,129,132	1,129,132
Other improvements	1,542,042	1,542,042
Equipment	<u>38,345</u>	<u>38,345</u>
	9,292,675	7,226,549
Accumulated depreciation	<u>(1,288,889)</u>	<u>(1,126,039)</u>
Total property and equipment, net	<u>8,003,786</u>	<u>6,100,510</u>
OTHER ASSETS		
Long-term unconditional promise to give, net of discount of \$484 and \$3,935, respectively	15,516	29,065
Beneficial interest in assets held by Montana Community Foundation	<u>15,000</u>	<u>15,000</u>
Total other assets	<u>30,516</u>	<u>44,065</u>
Total assets	<u>\$ 19,110,040</u>	<u>\$ 10,475,900</u>

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

BIG SKY COMMUNITY ORGANIZATION
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,171,925	\$ 128,272
Accrued liabilities	37,030	30,495
Retainage payable	61,534	-
Deferred revenue	62,521	110,257
Current portion of note payable	<u>40,419</u>	<u>-</u>
Total current liabilities	<u>1,373,429</u>	<u>269,024</u>
LONG-TERM LIABILITIES		
Note payable, net of current portion	<u>51,481</u>	<u>-</u>
Total liabilities	<u>1,424,910</u>	<u>269,024</u>
NET ASSETS		
Without donor restrictions	7,705,284	5,563,281
Without donor restrictions - Board designated	<u>15,000</u>	<u>15,000</u>
Total net assets without donor restrictions	7,720,284	5,578,281
With donor restrictions	<u>9,964,846</u>	<u>4,628,595</u>
	<u>17,685,130</u>	<u>10,206,876</u>
Total liabilities and net assets	<u>\$ 19,110,040</u>	<u>\$ 10,475,900</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, 2020

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>2020 Total</u>
REVENUES AND SUPPORT			
Contributions	\$ 468,528	\$ 5,863,157	\$ 6,331,685
In-kind contributions	166,280	-	166,280
Grant revenue	2,320,008	-	2,320,008
Tuition and fees	98,512	-	98,512
Other revenues	63,115	-	63,115
Net assets released from restriction	<u>526,906</u>	<u>(526,906)</u>	<u>-</u>
Total revenues and support	<u>3,643,349</u>	<u>5,336,251</u>	<u>8,979,600</u>
EXPENSES			
Program:			
Camp Big Sky	116,278	-	116,278
Parks	302,064	-	302,064
Trails	367,400	-	367,400
Historic Crail Ranch	48,731	-	48,731
Community Center	<u>384,057</u>	<u>-</u>	<u>384,057</u>
Total program expenses	1,218,530	-	1,218,530
Fundraising	64,399	-	64,399
General and administrative	<u>218,417</u>	<u>-</u>	<u>218,417</u>
Total expenses	<u>1,501,346</u>	<u>-</u>	<u>1,501,346</u>
Changes in net assets	2,142,003	5,336,251	7,478,254
Beginning net assets	<u>5,578,281</u>	<u>4,628,595</u>	<u>10,206,876</u>
Ending net assets	<u>\$ 7,720,284</u>	<u>\$ 9,964,846</u>	<u>\$ 17,685,130</u>

The Notes to Financial Statements are an integral part of this statement.

BIG SKY COMMUNITY ORGANIZATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2019

	Without Donor Restriction	With Donor Restriction	2019 Total
REVENUES AND SUPPORT			
Contributions	\$ 387,918	\$ 6,656,789	\$ 7,044,707
In-kind contributions	28,756	-	28,756
Grant revenue	547,493	-	547,493
Tuition and fees	75,217	-	75,217
Other revenues	17,975	-	17,975
Net assets released from restriction	3,040,056	(3,040,056)	-
Total revenues and support	4,097,415	3,616,733	7,714,148
EXPENSES			
Program:			
Camp Big Sky	76,206	-	76,206
Parks	250,901	-	250,901
Trails	278,501	-	278,501
Historic Crail Ranch	50,106	-	50,106
Community Center	205,837	-	205,837
Total program expenses	861,551	-	861,551
Fundraising	83,424	-	83,424
General and administrative	188,304	-	188,304
Total expenses	1,133,279	-	1,133,279
Changes in net assets	2,964,136	3,616,733	6,580,869
Beginning net assets	2,614,145	1,011,862	3,626,007
Ending net assets	\$ 5,578,281	\$ 4,628,595	\$ 10,206,876

The Notes to Financial Statements are an integral part of this statement.

BIG SKY COMMUNITY ORGANIZATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

	Camp Big Sky	Parks	Trails	Historic Crail Ranch	Community Center	Total Program	Fundraising	General and Administrative	2020
Advertising	\$ -	\$ -	\$ -	\$ 3,545	\$ 62	\$ 3,607	\$ -	\$ -	\$ 3,607
Bank and credit card fees	1,032	42	-	37	-	1,111	-	383	1,494
Campaign	454	622	1,931	734	2,292	6,033	-	1,840	7,873
Contributions	19	26	4,085	16	9,821	13,967	-	-	13,967
Depreciation	4,089	88,336	65,498	4,927	-	162,850	-	-	162,850
Events	-	-	-	718	-	718	60,068	-	60,786
Information technology	1,869	3,824	2,761	1,505	12,074	22,033	-	2,091	24,124
In-kind	225	-	-	-	163,455	163,680	2,600	-	166,280
Insurance	3,572	25,440	17,578	2,041	20,017	68,648	-	575	69,223
Maintenance and repairs	739	44,663	38,264	1,489	5,032	90,187	1,731	-	91,918
Other	371	842	2,124	1,068	2,191	6,596	-	1,061	7,657
Professional fees	8,327	14,528	11,093	1,122	43,664	78,734	-	4,379	83,113
Rent	3,680	7,816	14,576	1,216	9,672	36,960	-	11,040	48,000
Special projects	-	12,872	33,240	5,433	-	51,545	-	-	51,545
Supplies	6,136	7,559	10,591	2,473	3,357	30,116	-	2,612	32,728
Utilities and taxes	590	6,398	1,769	2,257	1,395	12,409	-	1,018	13,427
Wages and benefits	85,175	89,096	163,890	20,150	111,025	469,336	-	193,418	662,754
Total expenses	<u>\$ 116,278</u>	<u>\$ 302,064</u>	<u>\$ 367,400</u>	<u>\$ 48,731</u>	<u>\$ 384,057</u>	<u>\$ 1,218,530</u>	<u>\$ 64,399</u>	<u>\$ 218,417</u>	<u>\$ 1,501,346</u>

The Notes to Financial Statements are an integral part of this statement.

BIG SKY COMMUNITY ORGANIZATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	Camp Big Sky	Parks	Trails	Historic Crail Ranch	Community Center	Total Program	Fundraising	General and Administrative	2019
Advertising	\$ -	\$ 15	\$ 88	\$ 3,413	\$ -	\$ 3,516	\$ -	\$ 9	\$ 3,525
Bank and credit card fees	1,192	48	102	24	2,243	3,609	-	418	4,027
Campaign	-	-	2,458	346	6,263	9,067	-	2,686	11,753
Contributions	-	1,243	9,678	-	-	10,921	-	-	10,921
Depreciation	4,089	89,668	26,708	4,927	-	125,392	-	-	125,392
Insurance	1,894	27,524	20,177	38	292	49,925	240	777	50,942
Maintenance and repairs	349	41,152	43,888	1,121	-	86,510	-	-	86,510
Professional fees	8,199	14,050	19,829	4,533	102,912	149,523	7,072	14,720	171,315
Rent	1,305	5,928	14,914	730	5,606	28,483	4,608	14,909	48,000
Special projects	-	5,525	3,320	9,972	20,272	39,089	53,835	5,000	97,924
Supplies	6,265	13,562	14,540	4,671	15,897	54,935	1,170	3,784	59,889
Utilities and taxes	371	3,790	1,800	2,140	1,862	9,963	430	1,392	11,785
Wages and benefits	49,824	46,674	116,923	16,490	45,384	275,295	15,554	142,942	433,791
Total expenses	<u>\$ 76,206</u>	<u>\$ 250,901</u>	<u>\$ 278,501</u>	<u>\$ 50,106</u>	<u>\$ 205,837</u>	<u>\$ 861,551</u>	<u>\$ 83,424</u>	<u>\$ 188,304</u>	<u>\$ 1,133,279</u>

The Notes to Financial Statements are an integral part of this statement.

BIG SKY COMMUNITY ORGANIZATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 7,478,254	\$ 6,580,869
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	162,850	125,392
Changes in operating assets and liabilities:		
Accounts receivable	5,996	102,645
Pledges receivable	(1,110,235)	(377,919)
Resort tax receivable	(1,074,736)	140,888
Prepaid expenses	3,882	(18,819)
Unconditional promise to give	13,549	(46,065)
Accounts payable	1,043,653	(40,080)
Accrued liabilities	6,535	8,989
Retainage payable	61,534	-
Related-party payable	-	(4,370)
Deferred revenue	<u>(47,736)</u>	<u>23,248</u>
Net cash flows from operating activities	<u>6,543,546</u>	<u>6,494,778</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and construction in progress	<u>(2,066,126)</u>	<u>(3,033,614)</u>
Net cash flows from investing activities	<u>(2,066,126)</u>	<u>(3,033,614)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	<u>91,900</u>	<u>-</u>
Net cash flows from financing activities	<u>91,900</u>	<u>-</u>
 Net change in cash and cash equivalents	4,569,320	3,461,164
Cash and cash equivalents, beginning of year	<u>3,809,765</u>	<u>348,601</u>
Cash and cash equivalents, end of year	<u>\$ 8,379,085</u>	<u>\$ 3,809,765</u>

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

BIG SKY COMMUNITY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1. ORGANIZATION

Nature of Activities

The Big Sky Community Organization (the Organization) was formed on June 2, 1998 as a non-profit public benefit corporation in Montana. The Organization engages and leads people to recreational and enrichment opportunities through thoughtful development of partnerships, programs and places.

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 (FASB). Revenue is recognized when earned and expenses are recognized when incurred.

Change in Accounting Principles

The Organization has adopted the provisions of FASB Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The main objective of ASU 2018-08 is to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The Organization has implemented ASU 2018-08. There is minimal change to the presentation in these financial statements. Any changes have been applied on a modified retrospective basis, with no effect on previously reported net assets.

The Organization has adopted the provisions of ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* including the subsequent revisions (collectively referred to as *Topic 606*). This accounting standard was issued to clarify the principles of recognizing revenue and to develop a common standard for U.S. GAAP and International Financial Reporting Standards. The Organization has implemented ASU 2014-09. There is minimal change to the presentation in these financial statements. Any changes have been applied on a modified retrospective basis to contracts which were not completed as of July 1, 2019, with no effect on previously reported net assets.

The Organization has adopted the provisions of ASU No. 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*. This accounting standard was issued to modify the definition of the term collections and require that a collection-holding entity disclose its policy for the use of proceeds from when collection items are removed from a collection. The Organization has implemented ASU 2019-03 on a prospective basis. The ASU is effective for fiscal years beginning after December 15, 2019; however, the Organization has elected to early implement, as allowed under this standard.

BIG SKY COMMUNITY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020 and 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. The Organization has bank arrangements that mitigate the balances in excess of Federal Deposit Insurance Corporation (FDIC) coverage. Accordingly, there were no balances exceeding FDIC coverage at June 30, 2020. As of June 30, 2019, the Organization's cash balances exceeded FDIC coverage by \$3,525,930.

Accounts Receivable

Accounts receivable are stated at face value. Amounts determined to be uncollectible are directly written off. Management has determined bad debt expenses using the direct write off method approximate the allowance method, which is in accordance with GAAP. Differences between the two methods are immaterial. There is no allowance for doubtful accounts at June 30, 2020 or 2019 as management considers all amounts to be collectible.

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 support without donor restrictions 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 net assets with donor restrictions to net assets without donor restrictions at that time.

Assets 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 was \$162,850 and \$125,392 for the years ended June 30, 2020 and 2019, respectively.

BIG SKY COMMUNITY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020 and 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Assets

Investments in other assets are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements of other assets.

Deferred Revenue

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

Net Assets

All financial transactions have been recorded and reported as net assets with and without donor restrictions:

- *Net assets without donor restrictions* 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.
- *Net assets with donor restrictions* represent those amounts that are donor restricted for specific purposes or by time or those which mandate that the original principal be invested in perpetuity. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions

Contributions received are recorded as support with and without donor restrictions depending on the existence or nature of any donor restrictions.

Unconditional promises to give are recognized as revenues in the period in which the promise is received. The Organization distinguishes between promises received for each net asset category in accordance with donor restrictions. Promises are recorded after being discounted to the anticipated net present value of the future cash flows. The effective interest rate used by management at June 30, 2020 and 2019 is 0.6% and 2.8%, respectively. The face value of the unconditional promise to be received over 3 years is \$50,000. The discount for the net present value of the unconditional promise to give is \$484 and \$3,935 as of June 30, 2020 and 2019, respectively.

BIG SKY COMMUNITY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020 and 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

Pledges are recorded as receivables and revenue when the pledge is made. Management reviews the individual pledges for collectability. Uncollectible pledges are expected to be insignificant. Accordingly, no allowance for uncollectible pledges is considered necessary at June 30, 2020 or 2019. Conditional promises to give are recognized when the conditions on which they depend are substantially met. As of June 30, 2020 and 2019, the Organization did not have any known conditional promises.

Grant Revenue

During the years ended June 30, 2020 and 2019, the Organization recognized grant revenue of \$2,320,008 and \$547,493, respectively, including resort tax revenue 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.

Tuition and Fees

The organization recognizes revenue for tuition and fees for camps in accordance with ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* utilizing the five-step framework outlined in the guidance. Revenue is recognized at the point-in-time the performance obligation of providing the service is complete. Payments received in advance of providing the service are recorded as deferred revenue.

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. Contributed services for the year ended June 30, 2020, amounted to \$166,820. The services were for construction labor for the Community Center, accounting for the annual gala, and Wi-Fi service for Camp Big Sky. Contributed services for the year ended June 30, 2019, amounted to \$28,756. These services were for software setup, legal review for various program projects, construction labor for trail repairs and accounting for the annual gala. These contributions meet the requirements for revenue recognition in accordance with GAAP and are included as in-kind revenue in the statements of activities.

Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Expenses are charged to fundraising and general and administrative expenses based on direct expenditures incurred. Certain indirect costs have been allocated among the programs and supporting services benefited based on employee hours worked.

BIG SKY COMMUNITY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020 and 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020 and 2019, amounted to \$3,607 and \$3,525, 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.

Concentrations

25% 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, 2020. 6% 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, 2019. A significant change in the funding from the District could impact the financial position of the Organization.

Subsequent Events

Management has evaluated other subsequent events through November 17, 2020, the date which the financial statements were available to be issued.

NOTE 3. CONSTRUCTION IN PROGRESS

Construction in progress on the statement of financial position includes \$2,748,190 and \$932,358 for development and construction for the Community Center project at June 30, 2020 and 2019, respectively. The Community Center is expected to be completed in 2021. As of June 30, 2020, \$14,499,666 remains on construction contracts for this project. Construction in progress includes \$52,179 and \$78,711 for engineering and design of trail and parks projects at June 30, 2020 and 2019, respectively. The trail projects are expected to be completed in fiscal year 2021.

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 \$59,722 and \$59,261 as of June 30, 2020 and 2019, 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. No earnings were received from the endowment for the years ended June 30, 2020 or 2019. The endowment provides 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, 2020 and 2019

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

The Organization created an agency endowment at MCF in June 2017 that is a board 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, 2020 and 2019 are included in the Organization’s statement of financial position as a beneficial interest in assets held by MCF. The MCF Board has the authority to vary the terms of the endowment as appropriate.

The asset is reported at fair value and is categorized as a level 3 fair value measurement. Level 3 measurement states that the inputs to the valuation methodology are unobservable and significant to the fair value measurement. The earnings, if distributed to the Organization, are recorded as interest income in the year of receipt. The endowment provides funds without donor restrictions to be used at the discretion of the Organization’s Board of Directors. No amounts were distributed as of June 30, 2020 and 2019 in accordance with the Organization’s investment policy.

NOTE 5. NOTE PAYABLE

The Organization received a Paycheck Protection Program (PPP) loan of \$91,900 from the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are considered conditional contributions, with a right-of-return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent, and utilities) incurred following receipt of the funds. Application for forgiveness of the loan has been made, with inclusion of compliance substantiation and certification therein. However, at the time of issuance of the financial statements, notice of forgiveness had not been received from the lender. All documentation supporting program compliance has been made available for the financial statement audit. All indications are that the loan will be forgiven. However, if a portion of the loan must be repaid, the terms (1% per annum, repayable over a maximum of two years with a six-month deferral period) are such that the Organization has sufficient liquidity to repay the unforgiven portion.

Principal payments on the note, if not forgiven, will be as follows for fiscal years ending June 30:

	<u>Amount</u>
2021	\$ 40,419
2022	<u>51,481</u>
	<u>\$ 91,900</u>

In November 2020, the Organization received notice that this loan would be forgiven in full.

BIG SKY COMMUNITY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020 and 2019

NOTE 6. NET ASSETS

Net Assets without Donor Restrictions – Board Designated

From time to time, the Board will designate a portion of net assets without donor restrictions for specific purposes or specific programs. As of June 30, 2020 and 2019, there was \$15,000 in Board designated net assets.

Net Assets with Donor Restrictions

As of June 30, 2020, \$9,008,672 relates to the Community Center project and \$956,175 relates to land held for public parks and trails. Net assets were released from restriction upon completion of phases of the projects in 2020 and 2019 of \$526,906 and \$3,040,056, respectively.

NOTE 7. COLLECTION

The Organization has a collection that consists of cultural and historical items restored and 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. If collection items are removed through sale, the proceeds must be used for the collection at a later date. For the years ended June 30, 2020 and 2019, no items were removed from the collection. Implementation of ASU 2019-03 did not have a material effect on the Organization's assets, revenue, or net assets.

NOTE 8. RELATED-PARTY TRANSACTIONS

The Organization purchased trails maintenance and construction services from a business owned by a Board member. During the years ended June 30, 2020 and 2019, the total paid to the related party for these services amounted to \$-0- and \$4,866, respectively. There were no amounts due to related parties for the years ended June 30, 2020 and 2019.

NOTE 9. LEASES

The Organization entered into an operating lease agreement for office space, commencing December 2015 for 22 months plus optional renewals which were subsequently exercised. The lease required quarterly payments of \$9,000 during the first term, and \$12,000 during the renewal period. Rent expense related to this lease amounted to \$48,000 for the fiscal years ended June 30, 2020 and 2019.

BIG SKY COMMUNITY ORGANIZATION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2020 and 2019

NOTE 9. LEASES (CONTINUED)

This lease agreement was terminated on June 30, 2020, and on July 1, 2020, the Organization entered into a 17-month lease agreement for office space with an option to renew for an additional three months. This lease requires monthly payments of \$4,000.

Minimum future lease payments on this operating lease are as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2021	\$ 48,000
2022	<u>20,000</u>
	<u>\$ 68,000</u>

NOTE 10. LIQUIDITY AND AVAILABILITY OF RESOURCES

Management has identified the following financial assets as of June 30, 2020 and 2019 that are expected to be available to support the Organization in fiscal years 2021 and 2020, respectively:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 891,083	\$ 561,328
Accounts receivable	<u>19,987</u>	<u>25,983</u>
	911,070	587,311
Board allocated depreciation reserve and program balances	<u>(318,476)</u>	<u>(321,476)</u>
Available for operations	<u>\$ 592,594</u>	<u>\$ 265,835</u>

None of the financial assets listed are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. Accounts receivable are subject to implied time restrictions, but are expected to be collected within one year.

The Organization tries to maintain a target minimum operating reserve equal to three months of average recurring operating expenses. As of June 30, 2020, the Organization had an operating reserve of 207 days. The \$318,476 of Board allocated resources above could be reallocated to operations if warranted. Cash balances are routinely monitored in light of projected cash needs.

BIG SKY COMMUNITY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020 and 2019

NOTE 11. RISKS AND UNCERTAINTIES

The COVID-19 outbreak in the United States has caused business disruption to the Organization. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and financial impact of the disruption. At this time, the Organization cannot reasonably estimate the financial impact of COVID-19 on its overall operations. Management is carefully monitoring the situation as it continues to evolve.



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