



BIG SKY COMMUNITY ORGANIZATION

FINANCIAL REPORT

June 30, 2021 and 2020



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 and 4
Statements of Activities and Changes in Net Assets.....	5 and 6
Statements of Functional Expenses	7 and 8
Statements of Cash Flows	9
Notes to Financial Statements	10 through 18

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, 2021 and 2020 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, 2021 and 2020, 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 25, 2022

FINANCIAL STATEMENTS

BIG SKY COMMUNITY ORGANIZATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,906,865	\$ 8,379,085
Accounts receivable	36,086	19,987
Pledges receivable	1,472,946	1,488,154
Resort tax receivable	50,960	1,118,847
Prepaid expenses and other current assets	64,424	52,665
Current portion of unconditional promise to give	<u>16,000</u>	<u>17,000</u>
Total current assets	<u>7,547,281</u>	<u>11,075,738</u>
PROPERTY AND EQUIPMENT		
Land and improvements	6,235,229	5,674,589
Construction in progress	11,122,757	2,800,369
Buildings and improvements	798,412	779,372
Machinery and equipment	<u>323,185</u>	<u>38,345</u>
	18,479,583	9,292,675
Accumulated depreciation	<u>(1,476,166)</u>	<u>(1,288,889)</u>
Total property and equipment, net	<u>17,003,417</u>	<u>8,003,786</u>
OTHER ASSETS		
Long-term unconditional promise to give, net of discount of \$-0- and \$484, respectively	-	15,516
Beneficial interest in assets held by Montana Community Foundation	<u>19,879</u>	<u>15,000</u>
Total other assets	<u>19,879</u>	<u>30,516</u>
Total assets	<u>\$ 24,570,577</u>	<u>\$ 19,110,040</u>

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

BIG SKY COMMUNITY ORGANIZATION
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,460,164	\$ 1,171,925
Accrued liabilities	50,224	37,030
Retainage payable	466,905	61,534
Deferred revenue	106,252	62,521
Current portion of notes payable	<u>48,248</u>	<u>40,419</u>
Total current liabilities	<u>2,131,793</u>	<u>1,373,429</u>
LONG-TERM LIABILITIES		
Notes payable, net of current portion	<u>208,569</u>	<u>51,481</u>
Total long-term liabilities	<u>208,569</u>	<u>51,481</u>
Total liabilities	<u>2,340,362</u>	<u>1,424,910</u>
NET ASSETS		
Without donor restrictions	15,190,458	7,605,564
Without donor restrictions - Board designated	<u>19,879</u>	<u>15,000</u>
Total net assets without donor restrictions	15,210,337	7,620,564
With donor restrictions	<u>7,019,878</u>	<u>10,064,566</u>
	<u>22,230,215</u>	<u>17,685,130</u>
Total liabilities and net assets	<u>\$ 24,570,577</u>	<u>\$ 19,110,040</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, 2021

	Without Donor Restriction	With Donor Restriction	2021 Total
REVENUES AND SUPPORT			
Contributions	\$ 378,155	\$ 4,513,054	\$ 4,891,209
In-kind contributions	250	-	250
Grant revenue	777,680	-	777,680
Forgiveness of Paycheck Protection Program Loan	91,900	-	91,900
Tuition and fees	95,904	-	95,904
Other revenues	62,118	-	62,118
Net assets released from restriction	<u>7,557,742</u>	<u>(7,557,742)</u>	<u>-</u>
Total revenues and support	<u>8,963,749</u>	<u>(3,044,688)</u>	<u>5,919,061</u>
EXPENSES			
Program:			
Youth Development	87,748	-	87,748
Parks	332,739	-	332,739
Trails	368,809	-	368,809
Community Enrichment	54,056	-	54,056
Community Center	<u>150,767</u>	<u>-</u>	<u>150,767</u>
Total program expenses	994,119	-	994,119
Fundraising	132,093	-	132,093
General and administrative	<u>247,764</u>	<u>-</u>	<u>247,764</u>
Total expenses	<u>1,373,976</u>	<u>-</u>	<u>1,373,976</u>
Changes in net assets	7,589,773	(3,044,688)	4,545,085
Beginning net assets	<u>7,620,564</u>	<u>10,064,566</u>	<u>17,685,130</u>
Ending net assets	<u>\$ 15,210,337</u>	<u>\$ 7,019,878</u>	<u>\$ 22,230,215</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, 2020

	Without Donor Restriction	With Donor Restriction	2020 Total
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>
Restatement for donor reclassification	<u>(99,720)</u>	<u>99,720</u>	<u>-</u>
Beginning net assets, as restated	<u>5,478,561</u>	<u>4,728,315</u>	<u>10,206,876</u>
Ending net assets	<u>\$ 7,620,564</u>	<u>\$ 10,064,566</u>	<u>\$ 17,685,130</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, 2021

	Youth Development	Parks	Trails	Community Enrichment	Community Center	Total Program	Fundraising	Administrativ e	2021
Advertising	\$ -	\$ -	\$ -	\$ 2,104	\$ -	\$ 2,104	\$ -	\$ -	\$ 2,104
Bank and credit card fees	1,343	1	-	33	20	1,397	-	3,760	5,157
Depreciation	4,089	91,950	86,310	4,928	-	187,277	-	-	187,277
Donation	-	-	4,418	10	1,046	5,474	3,987	-	9,461
Events	-	-	14	421	821	1,256	2,749	-	4,005
Fundraiser	-	-	-	-	-	-	17,846	-	17,846
In-kind	-	-	-	-	-	-	250	-	250
Insurance	4,357	28,006	20,996	2,872	20,027	76,258	286	628	77,172
Interest	-	-	-	-	2,591	2,591	-	-	2,591
Maintenance and repairs	685	57,903	53,875	1,313	-	113,776	-	647	114,423
Occupancy	3,351	19,688	17,952	4,099	21,703	66,793	6,184	12,687	85,664
Office	7,226	9,193	4,903	9,830	2,237	33,389	1,256	5,410	40,055
Other	178	400	749	440	482	2,249	268	903	3,420
Program	3,330	2,640	4,718	4,587	204	15,479	1,878	445	17,802
Professional fees	5,396	15,714	29,028	2,438	24,820	77,396	22,056	23,956	123,408
Special projects	-	378	10,004	4,807	-	15,189	-	-	15,189
Wages and benefits	<u>57,793</u>	<u>106,866</u>	<u>135,842</u>	<u>16,174</u>	<u>76,816</u>	<u>393,491</u>	<u>75,333</u>	<u>199,328</u>	<u>668,152</u>
Total expenses	<u>\$ 87,748</u>	<u>\$ 332,739</u>	<u>\$ 368,809</u>	<u>\$ 54,056</u>	<u>\$ 150,767</u>	<u>\$ 994,119</u>	<u>\$ 132,093</u>	<u>\$ 247,764</u>	<u>\$ 1,373,976</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, 2020

	Camp Big Sky	Parks	Trails	Historic Crail Ranch	Community Center	Total Program	Fundraising	Administrativ e	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
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 4,545,085	\$ 7,478,254
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	187,277	162,850
Forgiveness of Paycheck Protection Program Loan	(91,900)	-
Changes in operating assets and liabilities:		
Accounts receivable	(16,099)	5,996
Pledges receivable	15,208	(1,110,235)
Resort tax receivable	1,067,887	(1,074,736)
Prepaid expenses and other current assets	(11,759)	3,882
Unconditional promise to give	16,516	13,549
Accounts payable	288,239	1,043,653
Accrued liabilities	13,194	6,535
Retainage payable	405,371	61,534
Deferred revenue	<u>43,731</u>	<u>(47,736)</u>
Net cash flows from operating activities	<u>6,462,750</u>	<u>6,543,546</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and construction in progress	(8,917,143)	(2,066,126)
Acquisition of beneficial interest in assets held by Montana Community Foundation	<u>(4,879)</u>	<u>-</u>
Net cash flows from investing activities	<u>(8,922,022)</u>	<u>(2,066,126)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	-	91,900
Repayment of note payable	<u>(12,948)</u>	<u>-</u>
Net cash flows from financing activities	<u>(12,948)</u>	<u>91,900</u>
Net change in cash and cash equivalents	(2,472,220)	4,569,320
Cash and cash equivalents, beginning of year	<u>8,379,085</u>	<u>3,809,765</u>
Cash and cash equivalents, end of year	<u>\$ 5,906,865</u>	<u>\$ 8,379,085</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment acquisitions financed	<u>\$ 269,765</u>	<u>\$ -</u>
Forgiveness of Paycheck Protection Program Loan	<u>\$ 91,900</u>	<u>\$ -</u>

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

BIG SKY COMMUNITY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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.

The Organization's programs include youth development, parks, trails, community enrichment, and the community center. Youth development includes Camp Big Sky and an after-school program. Community enrichment consists of community programs including Historic Crail Ranch and softball.

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.

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, 2021 or 2020.

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, 2021 or 2020 as management considers all amounts to be collectible.

BIG SKY COMMUNITY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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
Machinery and equipment	3 – 5 years

Depreciation expense was \$187,277 and \$162,850 for the years ended June 30, 2021 and 2020, respectively.

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.

BIG SKY COMMUNITY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

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

- *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 restriction.

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 is 0.6%. 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 \$-0- and \$484 as of June 30, 2021 and 2020, respectively.

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, 2021 or 2020. Conditional promises to give are recognized when the conditions on which they depend are substantially met. As of June 30, 2021 and 2020, the Organization did not have any known conditional promises.

Grant Revenue

During the years ended June 30, 2021 and 2020, the Organization recognized grant revenue of \$777,680 and \$2,320,008, 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.

BIG SKY COMMUNITY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

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. Contributed services for the year ended June 30, 2021, amounted to \$250. The services were for printing for fundraising. Contributed services for the year ended June 30, 2020, amounted to \$166,280. The services were for construction labor for the Community Center, accounting for the annual gala, and Wi-Fi service for Camp Big Sky. These contributions meet the requirements for revenue recognition in accordance with GAAP and are included as in-kind contributions 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.

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, 2021 and 2020, amounted to \$2,104 and \$3,607, 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

Funding from the Big Sky Resort Area District represents 9% and 25% of the total revenues for the years ended June 30, 2021 and 2020 respectively. This funding also represents 100% of the resort tax receivable as of June 30, 2021 and 2020. A significant change in the funding from the District could impact the financial position of the Organization.

Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 presentation. Net assets and the change in net assets are unchanged due to these reclassifications.

Subsequent Events

Management has evaluated other subsequent events through January 25, 2022, the date which the financial statements were available to be issued.

BIG SKY COMMUNITY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 3. CONSTRUCTION IN PROGRESS

Construction in progress on the statement of financial position includes \$11,122,757 and \$2,748,190 for development and construction for the Community Center project at June 30, 2021 and 2020, respectively. The Community Center is expected to be completed in fiscal year 2022. As of June 30, 2021, \$7,738,363 remains committed on construction contracts for this project. Construction in progress includes \$52,179 for engineering and design of trail and parks projects at June 30, 2020. The trail and park projects were completed in fiscal year 2021.

Retainage payable on the construction contracts of \$466,905 is presented as a liability in the statement of financial position at June 30, 2021 and will be paid upon satisfactory completion of the contract.

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 \$76,449 and \$59,722 as of June 30, 2021 and 2020, 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, 2021 or 2020. The endowment provides funds to be used at the discretion of the Organization's Board of Directors.

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 \$19,879 and \$15,000 as of June 30, 2021 and 2020, respectively, 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 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, 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 for the years ended June 30, 2021 and 2020 in accordance with the Organization's investment policy.

BIG SKY COMMUNITY ORGANIZATION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021 and 2020

NOTE 5. NOTES PAYABLE

Notes payable at June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Note payable, KS StateBank		
Interest at 5.92% per year; monthly principal and interest payments of \$5,180; secured by real property; matures March 2026	\$ 256,817	\$ -
Note payable, First Security Bank		
Debt issued as part of the CARES Act with a forgiveness feature. Interest at 1.0% per year; monthly principal and interest payments of \$5,172 beginning November 2020 and ending April 2022, unsecured	-	91,900
	256,817	91,900
Less current maturities	48,248	40,419
	<u>\$ 208,569</u>	<u>\$ 51,481</u>

Aggregate maturities of notes payable are as follows as of June 30, 2021:

	<u>Amount</u>
2022	\$ 48,248
2023	51,183
2024	54,297
2025	57,600
2026	45,489
	<u>\$ 256,817</u>

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, 2021 and 2020, there was \$19,879 and \$15,000 in Board designated net assets, respectively.

Net Assets with Donor Restrictions

As of June 30, 2021, total net assets with donor restrictions includes \$5,867,795 related to the Community Center project, \$195,908 related to a trails project and \$956,175 related to land held for public parks and trails. Net assets of \$7,557,742 and \$526,906 were released from restriction upon completion of phases of the projects in 2021 and 2020, respectively.

BIG SKY COMMUNITY ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

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, 2021 and 2020, no items were removed from the collection.

NOTE 8. 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 \$12,000 during the renewal period. This lease agreement was terminated on June 30, 2020.

On July 1, 2020, the Organization entered into a 17-month lease agreement for office space. This lease requires monthly payments of \$4,000. Effective December 1, 2021, the lease agreement is month-to-month.

Minimum future lease payments on this operating lease total \$20,000 for fiscal year 2022.

Rent expense related to these leases amounted to \$57,000 and \$48,000 for the fiscal years ended June 30, 2021 and 2020, respectively.

NOTE 9. CONTINGENCIES

Paycheck Protection Program

In 2020, 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). The program provides loans to qualifying organizations for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The Organization utilized the full amount of the PPP loan during the year ended June 30, 2020. The notice of full forgiveness for the loan amount of \$91,900 was received November 4, 2020 from the lender. The Organization recognized the total amount received as debt forgiveness revenue as of June 30, 2021.

BIG SKY COMMUNITY ORGANIZATION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021 and 2020

NOTE 9. CONTINGENCIES (CONTINUED)

Legal Matters

The Organization is subject to legal matters that arise from time to time in the ordinary course of business. Management currently believes that resolving such matters, individually or in the aggregate, will not have a material adverse effect on the Organization's financial position, results of operations, or cash flows. However, these matters are subject to inherent uncertainties and management's view may change in the future.

COVID-19

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.

NOTE 10. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS

The Organization purchased land from a limited liability company of which a Board member is a member. During the year ended June 30, 2021, the total transaction amount for the purchase from a related party was \$537,500. There were no related party transactions for the year ended June 30, 2020. There were no amounts due from or to related parties for the years ended June 30, 2021 and 2020.

NOTE 11. LIQUIDITY AND AVAILABILITY OF RESOURCES

Management has identified the following financial assets as of June 30, 2021 and 2020 that are expected to be available to support the Organization in fiscal years 2022 and 2021, respectively:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,332,107	\$ 891,083
Accounts receivable	<u>36,086</u>	<u>19,987</u>
	1,368,193	911,070
Board allocated depreciation reserve and program balances	<u>(89,088)</u>	<u>(318,476)</u>
Available for operations	<u>\$ 1,279,105</u>	<u>\$ 592,594</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.

BIG SKY COMMUNITY ORGANIZATION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021 and 2020

NOTE 11. LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

The Organization tries to maintain a target minimum operating reserve equal to three months of average recurring operating expenses. As of June 30, 2021, the Organization had an operating reserve of 257 days. The \$89,088 of Board allocated resources above could be reallocated to operations if warranted. Cash balances are routinely monitored in light of projected cash needs.

NOTE 12. RESTATEMENT OF NET ASSETS

Net assets as of July 1, 2019 have been restated in the statement of activities and changes in net assets for the year ended June 30, 2020 to reclassify net assets with donor restriction based on clarification of the donor's intent to restrict the contributions for specific purpose.

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Beginning net assets	\$ 5,578,281	\$ 4,628,595	\$ 10,206,876
Restatement for donor reclassification	<u>(99,720)</u>	<u>99,720</u>	<u>-</u>
Beginning net assets, as restated	<u>\$ 5,478,561</u>	<u>\$ 4,728,315</u>	<u>\$ 10,206,876</u>

Previously reported total net assets and the change in net assets did not change as a result of this restatement.



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

www.azworld.com

MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS