



**BIG SKY COMMUNITY ORGANIZATION**

**FINANCIAL REPORT**

**June 30, 2022 and 2021**



**ANDERSON  
ZURMUEHLEN**

## 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

### **Opinion**

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, 2022 and 2021 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Big Sky Community Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Big Sky Community Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Big Sky Community Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Big Sky Community Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Adoption of New Accounting Standard**

As discussed in Note 2, Big Sky Community Organization adopted the Financial Accounting Standards Board's Accounting Standard Update (ASU) 2020-07 Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets as of and for the year ended June 30, 2022. The requirements of the ASU have been applied on a retrospective approach to all periods presented. Our opinion is not modified with respect to this matter.

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

Butte, Montana  
October 24, 2022

## FINANCIAL STATEMENTS

**BIG SKY COMMUNITY ORGANIZATION**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,292,886	\$ 5,906,865
Accounts receivable	63,029	36,086
Pledges receivable	38,535	1,472,946
Resort tax receivable	166,058	50,960
Prepaid expenses and other current assets	33,624	64,424
Current portion of unconditional promise to give	-	16,000
Total current assets	<u>1,594,132</u>	<u>7,547,281</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land and improvements	8,820,243	6,235,229
Construction in progress	513,395	11,122,757
Buildings and improvements	16,928,069	798,412
Machinery and equipment	909,583	323,185
	<u>27,171,290</u>	<u>18,479,583</u>
Accumulated depreciation	<u>(1,982,717)</u>	<u>(1,476,166)</u>
Total property and equipment, net	<u>25,188,573</u>	<u>17,003,417</u>
<b>OTHER ASSETS</b>		
Beneficial interest in assets held by Montana Community Foundation	<u>18,373</u>	<u>19,879</u>
Total other assets	<u>18,373</u>	<u>19,879</u>
Total assets	<u>\$ 26,801,078</u>	<u>\$ 24,570,577</u>

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

**BIG SKY COMMUNITY ORGANIZATION**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 109,624	\$ 1,460,164
Accrued liabilities	104,965	50,224
Retainage payable	354,506	466,905
Deferred revenue	182,372	106,252
Current portion of notes payable	<u>744,619</u>	<u>48,248</u>
Total current liabilities	<u>1,496,086</u>	<u>2,131,793</u>
<b>LONG-TERM LIABILITIES</b>		
Notes payable, net of current portion	<u>157,204</u>	<u>208,569</u>
Total long-term liabilities	<u>157,204</u>	<u>208,569</u>
Total liabilities	<u>1,653,290</u>	<u>2,340,362</u>
<b>NET ASSETS</b>		
Without donor restrictions	23,552,428	15,190,458
Without donor restrictions - Board designated	<u>18,373</u>	<u>19,879</u>
Total net assets without donor restrictions	23,570,801	15,210,337
With donor restrictions	<u>1,576,987</u>	<u>7,019,878</u>
	<u>25,147,788</u>	<u>22,230,215</u>
Total liabilities and net assets	<u>\$ 26,801,078</u>	<u>\$ 24,570,577</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, 2022

	Without Donor Restriction	With Donor Restriction	2022 Total
<b>REVENUES AND SUPPORT</b>			
Contributions of cash and other financial assets	\$ 477,317	\$ 3,380,621	\$ 3,857,938
Contributions of nonfinancial assets	13,706	-	13,706
Grant revenue	1,417,055	-	1,417,055
Memberships	244,842	-	244,842
Tuition and fees	187,198	-	187,198
Other revenues	75,967	-	75,967
Net assets released from restriction	<u>8,823,512</u>	<u>(8,823,512)</u>	<u>-</u>
Total revenues and support	<u>11,239,597</u>	<u>(5,442,891)</u>	<u>5,796,706</u>
<b>EXPENSES</b>			
Program:			
Youth Development	1,086	-	1,086
Parks and Trails	993,216	-	993,216
Community Enrichment	2,267	-	2,267
Community Center	<u>1,350,560</u>	<u>-</u>	<u>1,350,560</u>
Total program expenses	2,347,129	-	2,347,129
Fundraising	116,411	-	116,411
General and administrative	<u>415,593</u>	<u>-</u>	<u>415,593</u>
Total expenses	<u>2,879,133</u>	<u>-</u>	<u>2,879,133</u>
Changes in net assets	8,360,464	(5,442,891)	2,917,573
Beginning net assets	<u>15,210,337</u>	<u>7,019,878</u>	<u>22,230,215</u>
Ending net assets	<u>\$ 23,570,801</u>	<u>\$ 1,576,987</u>	<u>\$ 25,147,788</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, 2021

	Without Donor Restriction	With Donor Restriction	2021 Total
<b>REVENUES AND SUPPORT</b>			
Contributions of cash and other financial assets	\$ 378,155	\$ 4,513,054	\$ 4,891,209
Contributions of nonfinancial assets	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>
<b>EXPENSES</b>			
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 FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2022

	Youth Development	Parks and Trails	Community Enrichment	Community Center	Total Program	Fundraising	General and Administrative	2022
Advertising	\$ -	\$ -	\$ -	\$ 2,076	\$ 2,076	\$ -	\$ 1,237	\$ 3,313
Bank and credit card fees	6	2,136	-	60,734	62,876	5,927	12,759	81,562
Depreciation	-	194,441	-	316,389	510,830	-	-	510,830
Donation	-	12,412	-	24	12,436	1,407	166	14,009
Events	-	-	-	-	-	3,349	-	3,349
Fundraiser	-	-	-	-	-	46,874	-	46,874
In-kind	-	-	-	-	-	-	13,706	13,706
Insurance	-	51,334	-	24,703	76,037	-	3,749	79,786
Interest	-	-	-	24,922	24,922	-	1,432	26,354
Maintenance and repairs	-	104,038	-	25,609	129,647	-	53	129,700
Occupancy	-	33,490	400	38,981	72,871	3,620	17,551	94,042
Office	330	5,802	-	52,486	58,618	1,676	24,446	84,740
Other	-	-	-	-	-	-	6,742	6,742
Program	750	13,616	363	52,437	67,166	20	2,283	69,469
Professional fees	-	32,369	1,504	82,625	116,498	14,071	51,754	182,323
Special projects	-	141,219	-	151,745	292,964	-	11,774	304,738
Wages and benefits	-	402,359	-	517,829	920,188	39,467	267,941	1,227,596
Total expenses	<u>\$ 1,086</u>	<u>\$ 993,216</u>	<u>\$ 2,267</u>	<u>\$ 1,350,560</u>	<u>\$ 2,347,129</u>	<u>\$ 116,411</u>	<u>\$ 415,593</u>	<u>\$ 2,879,133</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	General and Administrative	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	57,793	106,866	135,842	16,174	76,816	393,491	75,333	199,328	668,152
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**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 2,917,573	\$ 4,545,085
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	510,830	187,277
Forgiveness of Paycheck Protection Program Loan	-	(91,900)
Changes in operating assets and liabilities:		
Accounts receivable	(26,943)	(16,099)
Pledges receivable	1,434,411	15,208
Resort tax receivable	(115,098)	1,067,887
Prepaid expenses and other current assets	30,800	(11,759)
Unconditional promise to give	16,000	16,516
Accounts payable	(1,350,540)	288,239
Accrued liabilities	54,741	13,194
Retainage payable	(112,399)	405,371
Deferred revenue	76,120	43,731
Net cash flows from operating activities	<u>3,435,495</u>	<u>6,462,750</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and construction in progress	(8,657,219)	(8,917,143)
Change in beneficial interest in assets held by Montana Community Foundation	<u>1,506</u>	<u>(4,879)</u>
Net cash flows from investing activities	<u>(8,655,713)</u>	<u>(8,922,022)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from note payable	2,451,460	-
Repayment of note payable	<u>(1,845,221)</u>	<u>(12,948)</u>
Net cash flows from financing activities	<u>606,239</u>	<u>(12,948)</u>
Net change in cash and cash equivalents	(4,613,979)	(2,472,220)
Cash and cash equivalents, beginning of year	<u>5,906,865</u>	<u>8,379,085</u>
Cash and cash equivalents, end of year	<u>\$ 1,292,886</u>	<u>\$ 5,906,865</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Equipment acquisitions financed	<u>\$ 22,454</u>	<u>\$ 269,765</u>
Forgiveness of Paycheck Protection Program Loan	<u>\$ -</u>	<u>\$ 91,900</u>
Refinancing of long-term debt	<u>\$ 16,313</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, 2022 and 2021

**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 and trails, community enrichment, and the community center. The Community Center includes Camp Big Sky, BASE activities, Historic Crail Ranch and softball. Youth development includes after-school programs. Community enrichment consists of other community activities.

**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. 2020-07 Not-for-Profit Entities (Topic 958), *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This update modifies the disclosure requirements on nonfinancial assets through enhancements to presentation and disclosures. The ASU has been applied retrospectively to all periods presented with no effect on net assets.

**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.

BIG SKY COMMUNITY ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2022 and 2021

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

**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, 2022 or 2021 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
Machinery and equipment	3 – 5 years

Depreciation expense was \$510,830 and \$187,277 for the years ended June 30, 2022 and 2021, 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.

BIG SKY COMMUNITY ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2022 and 2021

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

**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 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.

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, 2022 or 2021. Conditional promises to give are recognized when the conditions on which they depend are substantially met. As of June 30, 2022 and 2021, the Organization did not have any known conditional promises.

**Grant Revenue**

During the years ended June 30, 2022 and 2021, the Organization recognized grant revenue of \$1,417,055 and \$777,680, 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, 2022 and 2021

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

**Memberships**

The Organization recognizes revenue for community center memberships 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. Contributions of services that meet the requirements for revenue recognition in accordance with GAAP are included as in-kind contributions in the statements of activities. See Note 11 for further discussion.

**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, 2022 and 2021, amounted to \$3,313 and \$2,104, 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 17% and 9% of the total revenues for the years ended June 30, 2022 and 2021 respectively. This funding also represents 100% of the resort tax receivable as of June 30, 2022 and 2021. A significant change in the funding from the District could impact the financial position of the Organization.



BIG SKY COMMUNITY ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2022 and 2021

**NOTE 3. CONSTRUCTION IN PROGRESS**

Construction in progress on the statement of financial position includes \$241,614 and \$11,122,757 for development and construction of the Community Center project at June 30, 2022 and 2021, respectively. The Community Center is expected to be completed in fiscal year 2023. As of June 30, 2022, \$371,390 remains committed on construction contracts for this project. Construction in progress includes \$271,780 for engineering and design of a maintenance building at June 30, 2022.

Retainage payable on the construction contracts of \$354,506 is presented as a liability in the statement of financial position at June 30, 2022 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 \$70,658 and \$76,449 as of June 30, 2022 and 2021, 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, 2022 or 2021. 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 \$18,373 and \$19,879 as of June 30, 2022 and 2021, 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, 2022 and 2021 in accordance with the Organization's investment policy.

**BIG SKY COMMUNITY ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2022 and 2021

**NOTE 5. NOTES PAYABLE**

Notes payable at June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
<b>Note payable, KS StateBank</b>		
Interest at 5.92% per year; monthly principal and interest payments of \$5,180; secured by real property; matures March 2026	\$ -	\$ 256,817
Interest at 5.66% per year; monthly principal and interest payments of \$1,909; secured by real property; matures February 2021	93,733	-
Interest at 6.74% per year; monthly principal and interest payments of \$4,321; secured by real property; matures February 2025	126,244	-
<b>Note payable, Stockman Bank</b>		
Interest at 4.5% per year; with principal and interest payments; secured by real property; matures December 2022	<u>681,846</u>	<u>-</u>
	901,823	256,817
Less current maturities	<u>744,619</u>	<u>48,248</u>
	<u>\$ 157,204</u>	<u>\$ 208,569</u>

Aggregate maturities of notes payable are as follows as of June 30, 2022:

	<u>Amount</u>
2023	\$ 744,619
2024	66,930
2025	53,932
2026	21,394
2027	14,948
	<u>\$ 901,823</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, 2022 and 2021, there was \$18,373 and \$19,879 in Board designated net assets, respectively.

**Net Assets with Donor Restrictions**

As of June 30, 2022, total net assets with donor restrictions includes \$343,336 related to the Community project, \$275,778 related to a trails project, \$81,570 restricted for other programs and \$956,175 related to land held for public parks and trails. 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 \$8,823,512 and \$7,557,742 were released from restriction upon completion of phases of the projects in 2022 and 2021, respectively.

**BIG SKY COMMUNITY ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2022 and 2021

**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, 2022 and 2021, no items were removed from the collection.

**NOTE 8. LEASES**

On July 1, 2020, the Organization entered into a 17-month lease agreement for office space. The lease required monthly payments of \$4,000. Effective December 1, 2021, the lease agreement was month-to-month until ended in February 2022.

On January 5, 2022, the Organization entered into a 63-month lease agreement for a copier. The lease requires payments of \$459 per quarter.

Minimum future lease payments as of June 30, 2022 are:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2023	\$ 1,836
2024	1,836
2025	1,836
2026	1,836
2027	1,377
	<u>\$ 8,721</u>

Expenses related to these leases amounted to \$32,000 and \$57,000 in rent expense and \$751 and \$-0- in office expense for the fiscal years ended June 30, 2022 and 2021, respectively.

Effective February 22, 2022, the Organization entered into a five-year lease with an optional five year renewal to lease office space in the Community Center to Arts Council of Big Sky. The terms of this income lease include rental payments of \$2,500 per month through February 2027.

BIG SKY COMMUNITY ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2022 and 2021

**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 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.

**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.

**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, 2022. There were no amounts due from or to related parties for the years ended June 30, 2022 and 2021.

**NOTE 11. CONTRIBUTED SERVICES AND MATERIALS**

**Contributed Services**

The Organization occasionally receives contributions of in-kind services from professional service providers. The Organization recognizes these in the financial statements as in-kind expenses. For the years ended June 30, 2022 and 2021, the Organization received donated services in the amount of \$13,706 and \$250, respectively.

The Organization makes a determination on whether to utilize or monetize any contributed services and materials at the time the contribution is received.

**BIG SKY COMMUNITY ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2022 and 2021

**NOTE 12. LIQUIDITY AND AVAILABILITY OF RESOURCES**

Management has identified the following financial assets as of June 30, 2022 and 2021 that are expected to be available to support the Organization in fiscal years 2023 and 2022, respectively:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 630,738	\$ 1,332,107
Accounts receivable	<u>63,029</u>	<u>36,086</u>
	693,767	1,368,193
Board allocated program balances	<u>(74,899)</u>	<u>(89,088)</u>
Available for operations	<u>\$ 618,868</u>	<u>\$ 1,279,105</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, 2022, the Organization had an operating reserve of 87 days. The \$74,899 of Board allocated resources above could be reallocated to operations if warranted. Cash balances are routinely monitored in light of projected cash needs.

**NOTE 13. SUBSEQUENT EVENTS**

Management has evaluated other subsequent events through October 24, 2022, the date which the financial statements were available to be issued.

Effective September 1, 2022, Big Sky Skating and Hockey Association reorganized and contributed its assets to Big Sky Community Organization for continued operation of the skating rink as part of community center activities.



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