



**Financial Statements
with
Independent Auditors' Report**

June 30, 2016 and 2015

GALLATIN VALLEY LAND TRUST
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Gallatin Valley Land Trust

We have audited the accompanying financial statements of Gallatin Valley Land Trust (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016, and 2015 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit 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 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 Gallatin Valley Land Trust as of June 30, 2016 and 2015, 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.

Ridd & Company, PLLC

Bozeman, Montana
November 17, 2016

GALLATIN VALLEY LAND TRUST
Statement of Financial Position
June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 652,045	\$ 112,552	\$ -	\$ 764,597
Grants receivable	18,570	10,950	-	29,520
Pledges receivable	22,450	-	-	22,450
Stewardship receivable, net of allowance	-	8,100	-	8,100
Other receivable	4,419	-	-	4,419
Inventory	15,106	-	-	15,106
Security deposit	3,072	-	-	3,072
Total Current Assets	<u>715,662</u>	<u>131,602</u>	<u>-</u>	<u>847,264</u>
Investments	<u>11,141</u>	<u>1,178,190</u>	<u>1,350,553</u>	<u>2,539,884</u>
Property and equipment, net of accumulated depreciation	<u>81,027</u>	<u>-</u>	<u>-</u>	<u>81,027</u>
Total Assets	<u>\$ 807,830</u>	<u>\$ 1,309,792</u>	<u>\$ 1,350,553</u>	<u>\$ 3,468,175</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 47,540	\$ -	\$ -	\$ 47,540
Payroll liabilities	14,535	-	-	14,535
Accrued vacation	3,284	-	-	3,284
Other liabilities	603	-	-	603
Total Current Liabilities	<u>65,962</u>	<u>-</u>	<u>-</u>	<u>65,962</u>
Total Liabilities	<u>65,962</u>	<u>-</u>	<u>-</u>	<u>65,962</u>
Net Assets				
Unrestricted				
Board designated	161,961	-	-	161,961
Unrestricted	579,907	-	-	579,907
Temporarily restricted	-	1,309,792	-	1,309,792
Permanently restricted	<u>-</u>	<u>-</u>	<u>1,350,553</u>	<u>1,350,553</u>
Total Net Assets	<u>741,868</u>	<u>1,309,792</u>	<u>1,350,553</u>	<u>3,402,213</u>
Total Liabilities and Net Assets	<u>\$ 807,830</u>	<u>\$ 1,309,792</u>	<u>\$ 1,350,553</u>	<u>\$ 3,468,175</u>

The accompanying notes are an integral part of these statements.

GALLATIN VALLEY LAND TRUST
Statement of Financial Position
June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 394,451	\$ 249,299	\$ -	\$ 643,750
Grants receivable	-	911	-	911
Pledges receivable	20,204	57,689	-	77,893
Stewardship receivable	-	28,350	-	28,350
Other receivable	5,902	-	-	5,902
Inventory	6,930	-	-	6,930
Security deposit	3,072	-	-	3,072
Total Current Assets	<u>430,559</u>	<u>336,249</u>	<u>-</u>	<u>766,808</u>
Investments	<u>58,531</u>	<u>1,138,474</u>	<u>290,240</u>	<u>1,487,245</u>
Property and equipment, net of accumulated depreciation	<u>91,045</u>	<u>-</u>	<u>-</u>	<u>91,045</u>
Total Assets	<u>\$ 580,135</u>	<u>\$ 1,474,723</u>	<u>\$ 290,240</u>	<u>\$ 2,345,098</u>
Liabilities				
Current Liabilities				
Accounts payable	\$ 25,081	\$ -	\$ -	\$ 25,081
Payroll liabilities	13,716	-	-	13,716
Accrued vacation	4,503	-	-	4,503
Other liabilities	1,065	-	-	1,065
Total Current Liabilities	<u>44,365</u>	<u>-</u>	<u>-</u>	<u>44,365</u>
Total Liabilities	<u>44,365</u>	<u>-</u>	<u>-</u>	<u>44,365</u>
Net Assets				
Unrestricted				
Board designated	140,488	-	-	140,488
Unrestricted	395,282	-	-	395,282
Temporarily restricted	-	1,474,723	-	1,474,723
Permanently restricted	-	-	290,240	290,240
Total Net Assets	<u>535,770</u>	<u>1,474,723</u>	<u>290,240</u>	<u>2,300,733</u>
Total Liabilities and Net Assets	<u>\$ 580,135</u>	<u>\$ 1,474,723</u>	<u>\$ 290,240</u>	<u>\$ 2,345,098</u>

The accompanying notes are an integral part of these statements.

GALLATIN VALLEY LAND TRUST
Statement of Activities
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues				
Contributions	\$ 462,481	\$ 98,373	\$ 1,060,313	\$ 1,621,167
Grants	40,000	264,089	-	304,089
Easement fees	30,900	-	-	30,900
Program fees	22,959	-	-	22,959
Other revenue	9,431	-	-	9,431
Stewardship/defense fees	-	-	-	-
Fundraising events	216,601	-	-	216,601
Investment and interest income	1,656	18,683	-	20,339
Loss on disposal of assets	(403)	-	-	(403)
In-kind contributions	21,658	-	-	21,658
Satisfaction of program restrictions and release of endowment earnings	546,076	(546,076)	-	-
Total Revenue and Support	1,351,359	(164,931)	1,060,313	2,246,741
Expenses				
Supporting services:				
General and administrative	118,272	-	-	118,272
Fundraising	175,367	-	-	175,367
Program services:				
Trails	364,352	-	-	364,352
Education	132,450	-	-	132,450
Conservation easements	354,820	-	-	354,820
Total Expenses	1,145,261	-	-	1,145,261
Change in Net Assets	206,098	(164,931)	1,060,313	1,101,480
Net Assets, Beginning of Year	535,770	1,474,723	290,240	2,300,733
Net Assets, End of Year	\$ 741,868	\$ 1,309,792	\$ 1,350,553	\$ 3,402,213

The accompanying notes are an integral part of these statements.

GALLATIN VALLEY LAND TRUST
Statement of Activities
For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues				
Contributions	\$ 430,730	\$ 124,024	\$ 35,000	\$ 589,754
Grants	55,000	349,335	-	404,335
Easement fees	31,526	-	-	31,526
Program fees	5,715	-	-	5,715
Other revenue	1,604	-	-	1,604
Stewardship/defense fees	-	49,200	-	49,200
Fundraising events	52,558	83,321	-	135,879
Investment and interest income	1,141	15,197	-	16,338
In-kind contributions	27,144	-	-	27,144
Satisfaction of program restrictions and release of endowment earnings	547,626	(547,626)	-	-
Total Revenue and Support	1,153,044	73,451	35,000	1,261,495
Expenses				
Supporting services:				
General and administrative	127,762	-	-	127,762
Fundraising	97,022	-	-	97,022
Program services:				
Trails	297,816	-	-	297,816
Education	149,516	-	-	149,516
Conservation easements	295,670	-	-	295,670
Total Expenses	967,786	73,451	35,000	967,786
Change in Net Assets	185,258	73,451	35,000	293,709
Net Assets, Beginning of Year	350,512	1,401,272	255,240	2,007,024
Net Assets, End of Year	\$ 535,770	\$ 1,474,723	\$ 290,240	\$ 2,300,733

The accompanying notes are an integral part of these statements.

GALLATIN VALLEY LAND TRUST
Statement of Functional Expenses
For the Year Ended June 30, 2016

	<u>Support Services</u>		<u>Program Services</u>			<u>Totals</u>
	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Trails</u>	<u>Education</u>	<u>Conservation Easements</u>	
Salaries and wages	\$ 71,396	\$ 68,943	\$ 83,848	\$ 65,510	\$ 161,113	\$ 450,810
Payroll taxes	6,434	6,442	9,391	6,064	16,562	44,893
Employee benefits	8,043	4,793	7,687	5,969	12,352	38,844
Contractors	1,972	5,471	201,091	6,816	14,356	229,706
Materials	-	4,381	8,844	199	6,736	20,160
Accounting fees	7,008	12	20	11	27	7,078
Bank and credit card fees	3,581	46	10	6	15	3,658
Investment fees	1,583	-	1,176	-	7,600	10,359
Legal fees	599	106	396	94	2,882	4,077
Easement expenses	-	-	-	-	59,051	59,051
Supplies	209	219	383	822	562	2,195
Postage and printing	462	4,775	2,611	14,515	2,146	24,509
Occupancy	4,492	6,490	10,728	5,739	14,970	42,419
Vehicles	10	-	1,782	-	1,748	3,540
Travel	-	190	2,868	541	3,935	7,534
Constituent support	950	1,601	1,928	994	2,548	8,021
Outreach and promotions	1,430	2,067	3,416	12,167	5,554	24,634
Member events	-	56,312	4,048	114	744	61,218
Depreciation	2,218	3,204	8,019	2,833	9,442	25,716
Insurance	950	1,373	3,908	1,215	9,302	16,748
Professional development and dues	1,729	637	758	2,495	9,572	15,191
Technology	4,692	8,305	11,440	6,346	15,853	46,636
Bad debt expense	514	-	-	-	(2,250)	(1,736)
Total	\$ 118,272	\$ 175,367	\$ 364,352	\$ 132,450	\$ 354,820	\$ 1,145,261

The accompanying notes are an integral part of these statements.

GALLATIN VALLEY LAND TRUST
Statement of Functional Expenses
For the Year Ended June 30, 2015

	<u>Support Services</u>		<u>Program Services</u>			<u>Totals</u>
	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Trails</u>	<u>Education</u>	<u>Conservation Easements</u>	
Salaries and wages	\$ 75,311	\$ 54,304	\$ 129,584	\$ 55,864	\$ 137,592	\$ 452,655
Payroll taxes	4,989	4,943	18,400	5,650	13,696	47,678
Employee benefits	10,077	5,768	12,437	5,049	11,001	44,332
Contractors	1,738	72	52,067	40,088	52,234	146,199
Materials	35	-	24,799	106	1,307	26,247
Accounting fees	8,065	-	-	-	-	8,065
Bank and credit card fees	2,288	-	-	-	-	2,288
Investment fees	2,129	63	95	36	76	2,399
Legal fees	2,321	34	11,369	325	4,232	18,281
Easement expenses	-	-	-	-	19,119	19,119
Supplies	1,934	887	2,721	1,628	3,090	10,260
Postage and printing	480	4,906	2,860	6,089	1,775	16,110
Occupancy	3,803	3,830	11,746	6,127	12,769	38,275
Vehicles	13	-	2,159	-	1,461	3,633
Travel	42	-	2,883	1,778	1,885	6,588
Constituent support	923	704	1,422	715	1,859	5,623
Member events	-	14,619	711	6,624	-	21,954
Depreciation	2,193	1,731	6,025	2,769	6,869	19,587
Outreach and promotions	1,954	1,479	6,543	10,167	5,028	25,171
Insurance	840	663	2,035	1,062	7,206	11,806
Professional development and dues	4,029	306	1,621	1,099	4,466	11,521
Technology	3,538	2,713	8,339	4,340	9,045	27,975
Bad debt expense	1,060	-	-	-	960	2,020
Total	\$ 127,762	\$ 97,022	\$ 297,816	\$ 149,516	\$ 295,670	\$ 967,786

The accompanying notes are an integral part of these statements.

GALLATIN VALLEY LAND TRUST
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 1,101,480	\$ 293,709
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	25,716	19,587
Bad debt (recovery) expense	(1,736)	2,020
In-kind contribution of assets	(6,150)	(8,153)
Unrealized and realized losses on investments	18,121	72,605
Loss on disposal of assets	403	-
(Increase) decrease in current assets:		
Grants receivable	(28,609)	18,482
Pledges receivable	55,443	(55,889)
Stewardship fees receivable	21,986	(12,160)
Other receivables	1,483	(5,332)
Inventory	(8,176)	(6,930)
Increase (decrease) in current liabilities		
Accounts payable	22,459	2,911
Payroll liabilities	819	1,357
Accrued vacation	(1,219)	(610)
Other current liabilities	(462)	125
Net Cash Provided by Operating Activities	<u>1,201,558</u>	<u>321,722</u>
Cash Flows from Investing Activities		
Purchase of investments	(1,102,812)	(355,469)
Proceeds from sale of investments	32,052	303,630
Purchase of fixed assets	(9,951)	(87,033)
Transfer of cash to investments	-	(99,788)
Net Cash Used by Investing Activities	<u>(1,080,711)</u>	<u>(238,660)</u>
Cash Flows from Financing Activities		
Principal payments on RTP loans	-	(18,525)
Net Cash Used by Financing Activities	<u>-</u>	<u>(18,525)</u>
Net increase in cash and cash equivalents	120,847	64,537
Cash and cash equivalents, Beginning of Year	<u>643,750</u>	<u>579,213</u>
Cash and cash equivalents, End of Year	<u>\$ 764,597</u>	<u>\$ 643,750</u>

The accompanying notes are an integral part of these statements.

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2016 and 2015

1. Activities and Significant Accounting Policies

Organization

Gallatin Valley Land Trust (“GVLТ”) (“Organization”) is a non-profit membership organization dedicated to the conservation of open space, agricultural land, wildlife habitat, and the creation of public trails in and around Gallatin County, Montana. GVLТ receives support from member contributions, grants, pledges, conservation easement fees, and stewardship contributions. The primary purposes of the Organization are to accept, monitor, and defend conservation easements; establish community trails; and provide education about the options for and benefits of conservation and community trails. Since GVLТ's activities are primarily in the Gallatin County area, they are subject to the general economic conditions of Gallatin County.

Basis of Accounting

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America, as codified by the Financial Accounting standards Board. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

1. Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate unrestricted net assets for specific purposes or programs.
2. Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.
3. Permanently restricted net assets - Net assets subject to donor-imposed stipulations that permanently restrict the use of the assets to be maintained by the Organization in perpetuity. Generally, the donors of these assets permit the Organization to use income earned on investments for general or specific purposes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through November 17, 2016 the date which the financial statements were available for release.

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2016 and 2015

1. Activities and Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, GVLT considers all highly liquid investments with a maturity at purchase of three months or less to be cash equivalents, including those investments that are designated as temporarily restricted. Balances held with a financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2016 and 2015, cash and cash equivalents held in commercial banks in excess of the Federal Deposit Insurance Corporation limits were \$495,179 and \$378,550, respectively. GVLT believes it is not exposed to any significant credit risk on its cash balances. At the end of June 30, 2016, GVLT was in the process of transferring \$500,000 of their money market into a certificate of deposit; thus, this amount of unrestricted cash is to be invested in a certificate of deposit at the start of next fiscal year.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investments held in securities are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000. As of June 30, 2016 and 2015 \$2,009,248 and \$972,133 were above the SIPC insurance, respectively. As part of their investment balance, in fiscal year 2016 and 2015, GVLT maintains cash and cash equivalents at a brokerage firm that are fully insured by a Bank Insured Deposit Program.

Contributions and Receivables

Contributions are recognized when the donor makes a promise to give to GVLT that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily restricted net assets and are reclassified to unrestricted net assets upon satisfaction of restriction. Contributions and pledge receivables that are expected to be collected within one year are recorded at their net realizable value. Contribution and pledge receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows. As of June 30, 2016 and 2015 all contribution and pledge receivables are considered current as they are expected to be collected within one fiscal year.

GVLT uses the direct write-off method to determine uncollectible unconditional pledge and grant receivables. This approximates management's best estimate of an allowance for grants receivable and most pledges receivable. For the years ended June 30, 2016 and 2015, all pledge and grant receivables were considered fully collectible.

Stewardship receivables may be receivable over more than one year. As of June 30, 2016 and 2015, GVLT reported no long term receivables net of allowance for doubtful accounts. All remaining amounts are expected to be collected within one year and are considered current. GVLT uses a 15% allowance to account for the possibility that a pledge is deemed uncollectible unless circumstances provide a basis for increasing the allowance on a specific pledge. The

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2016 and 2015

1. Activities and Significant Accounting Policies (continued)

allowance may be adjusted for specific pledges if warranted. For the years ended June 30, 2016 and 2015, the allowance for doubtful accounts was \$2,700 and \$4,950, respectively.

Fixed Assets and Depreciation

Purchased assets and assets leased under capital leases over the capitalization policy of \$2,000 are carried at their historical cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, GVLT reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. GVLT reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation of equipment and assets under capital leases is provided over the estimated useful lives of the respective assets on the straight-line method. Operating leases for equipment are expensed over the life of the lease. Estimated useful lives of the fixed assets are as follows:

Leasehold improvements	5 years
Office equipment	3-5 years
Vehicles	3-5 years

Inventory

Inventory, which consists primarily of logo wear, flower guidebooks and trail maps, are valued at the lower of cost or market. Cost is determined on the first in first out method. Donated items are recorded at estimated fair value at the date of the donation.

Income Taxes

GVLT is a nonprofit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code, and therefore has made no provision for federal income taxes in the accompanying financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(a)(vi). The Organization's information returns (Form 990) are open to examination by the IRS, generally, for three years after they were filed or the due date of the return, whichever is later.

Permanently Restricted Net Assets

The Endowment Fund is a depository for donor-restricted gifts received by GVLT. The principal of such gifts is permanently restricted. The income from the endowment funds may be used for purposes designated by the GVLT Board of Directors to accomplish the Organization's exempt purposes. Those purposes include, but are not limited to, the protection, preservation, and

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2016 and 2015

1. Activities and Significant Accounting Policies (continued)

enhancement of the lands adjacent to river and creek corridors, wildlife habitat, recreational opportunities, scenic open space, agricultural land and historic sites; the acquisition of real and personal property including easements and conservation easements; and the acquisition, conservation, holding, and disposal of land and interests in land.

Contributed Services

GVLT recognizes contributed services at their fair market value if the services have value to the Organization and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors.

Functional Expenses

Most expenses are charged directly to the program, to fundraising, or to general and administrative based on specific identification; however, some indirect expenses are allocated.

Advertising

Advertising costs are expensed as incurred.

2. Investments

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs.

The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable, and the last unobservable, that may be used to measure fair value. The levels of inputs are as follows:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that the observable inputs are not available, thereby allowing for

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2016 and 2015

2. Investments (continued)

situations in which there is little, if any, market activity for the asset or liability at the measurement date.

Investments as of June 30, 2016 consist of the following:

Marketable securities - Level 1:

	<u>Cost</u>	<u>Gross Unrealized Gains/(Losses)</u>	<u>Fair Value</u>
Bank insured deposit	\$ 30,636	\$ -	\$ 30,636
Money market	15,756	-	15,756
Mutual funds			
Bond funds	728,852	7,558	736,410
Foreign large-cap blend funds	459,566	(38,782)	420,784
Large-cap growth funds	630,681	(10,422)	620,259
Large-cap value funds	429,597	1,472	431,069
Small-cap growth funds	154,719	(8,485)	146,234
Small-cap value funds	143,252	(4,516)	138,736
	<u>\$ 2,593,059</u>	<u>\$ (53,175)</u>	<u>\$ 2,539,884</u>

Investments as of June 30, 2015 consist of the following:

	<u>Cost</u>	<u>Gross Unrealized Gains/(Losses)</u>	<u>Fair Value</u>
Marketable securities - Level 1:			
Bank insured deposit	\$ 15,112	\$ -	\$ 15,112
Mutual funds			
Bond funds	484,634	(6,722)	477,912
Foreign large-cap blend funds	204,919	(10,237)	194,682
Large-cap growth funds	380,259	(11,109)	369,150
Large-cap value funds	263,319	(6,767)	256,552
Small-cap growth funds	87,987	(340)	87,647
Small-cap value funds	88,043	(1,853)	86,190
	<u>\$ 1,524,273</u>	<u>\$ (37,028)</u>	<u>\$ 1,487,245</u>

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2016 and 2015

2. Investments (continued)

Components of investment, interest and dividend income for the years ended June 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 38,460	\$ 88,973
Realized and Unrealized gains/(losses)	(18,121)	(72,605)
	<u>\$ 20,339</u>	<u>\$ 16,368</u>

3. Endowment

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. During the years ended June 30, 2016 and 2015, fees for management of endowment funds were \$2,725 and \$1,116, respectively.

Interpretation of Relevant Law

The Board of Directors has interpreted the Montana Uniform Prudent Management of Institutional Funds Act ("MUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, GVLT classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by GVLT in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, GVLT considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of GVLT and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of GVLT; and
- (7) The investment policies of GVLT.

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2016 and 2015

3. Endowment (continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MUPMIFA requires GVLT to retain as a fund of perpetual direction. As of June 30, 2016 and 2015, the endowment had no such deficiency.

Return Objectives and Risk Parameters

GVLT has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to operations while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that GVLT must hold in perpetuity or for a donor-specified period(s). GVLT expects its endowment funds, over time, to provide a reasonable level of current income to support the spending policy authorized by the Board of Directors and to grow equity assets. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, GVLT relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). GVLT targets a diversified asset allocation including cash equivalents, fixed income, and equity securities to achieve its long-term return objectives within prudent risk constraints.

The acceptable asset allocation is as follows:

	<u>Acceptable Range</u>	<u>Optimum Target</u>
Stocks	60-80%	70-75%
Bonds	20-50%	20-25%
Cash	0 to 25%	0 to 10%

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization reviews the endowment account statements and the returns of the endowment accounts annually to determine if the income from these accounts has reached a level which is significant to the overall operating budget. Upon this review, the Board of Directors may approve distributions within the parameters of the Organization's endowment and investment policies.

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2016 and 2015

3. Endowment (continued)

Endowment net asset composition by type of fund as of June 30, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 53,930	\$ 1,350,553	\$ 1,404,483
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 45,318	\$ 290,240	\$ 335,558
Contributions	-	-	1,060,313	1,060,313
Investment Return:				
Investment income, net	-	10,453	-	10,453
Net depreciation	-	(1,841)	-	(1,841)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 53,930</u>	<u>\$ 1,350,553</u>	<u>\$ 1,404,483</u>

Endowment net asset composition by type of fund as of June 30, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 45,318	\$ 290,240	\$ 335,558
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 51,881	\$ 255,240	\$ 307,121
Contributions	-	-	35,000	35,000
Investment Return:				
Investment income, net	-	17,459	-	17,459
Net depreciation	-	(18,166)	-	(18,166)
Release per spending policy	-	(5,856)	-	(5,856)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 45,318</u>	<u>\$ 290,240</u>	<u>\$ 335,558</u>

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2016 and 2015

4. Fixed Assets

Fixed assets at June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Construction in Progress	\$ -	\$ 8,000
Furniture and Equipment	26,049	32,149
Vehicles	25,400	20,460
Leasehold Improvements	<u>87,840</u>	<u>79,840</u>
	139,289	140,449
Less: Accumulated Depreciation	<u>(58,262)</u>	<u>(49,404)</u>
	<u>\$ 81,027</u>	<u>\$ 91,045</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$25,716 and \$19,587, respectively.

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2016 and 2015

5. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Stewardship/defense fund	\$ 1,134,361	\$ 1,146,906
Unreleased endowment earnings	53,930	45,318
Rails to Trails	15,000	-
Montana Association of Land Trusts	-	451
Kendeda capacity grant	7,249	35,090
Flora book	-	13,698
Travelers for Open Land	11,350	15,200
Mountain Sky Guest Ranch	1,930	-
Trail Boss	-	5,849
REI	-	5,000
Benches and memorials	2,500	6,040
Reimbursable grant receivables	9,020	911
Triple Tree improvements	157	10,863
Evening on the Land	-	74,228
Painted Hills	8,807	-
Boardroom furniture	-	250
HOTR Development	15,581	12,829
LTA	-	2,500
Mysun	1,403	4,853
NW Energy	-	1,000
Bozeman Pond	19,776	25,000
Burke Park Bridge	4,558	25,000
Front Street	20,000	20,000
Snowfill	-	15,425
Trail Ambassador	160	2,702
BACF	-	1,000
Hospital trails	4,010	4,610
	<u> </u>	<u> </u>
Total	\$ 1,309,792	\$ 1,474,723

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2016 and 2015

6. Board Designated Net Assets

The unrestricted net assets of GVLТ are to be used to fund the general operations of the Organization, as well as to supplement the funding of its major programs. In addition, the Organization's Board of Directors has set aside, or designated, certain unrestricted net assets as an operating reserve which can only be used under the direction and approval of the Board.

7. Operating Leases

In 2014, GVLТ entered into an operating lease for their current office facility. The lease obligation is a five-year lease, commencing on September 1, 2014. The monthly lease payment is calculated based on an annual rent rate per square foot, which is set to increase approximately \$0.50 per year, plus an additional amount for operating expenses based on a rate per square foot. For the year ended June 30, 2015, the base rent rate is \$15.50 per square foot, and the operating expenses rate is \$3.50 per square foot. For the year ended June 30, 2016 total lease payments were \$35,928.

Future minimum lease payments on this office facility are as follows:

FY2017	\$	31,848
FY2018		32,818
FY2019		34,597
FY2020		<u>5,820</u>
	\$	<u>105,083</u>

8. Donated Services and Materials

Contributions of services are recognized in the financial statements if services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Volunteers who help with various projects provide in-kind support. For the years ended June 30, 2016 and 2015, the numbers of hours for these contributed services were 2,969 and 2,823, respectively. These contributed services are not recorded in these financial statements.

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2016 and 2015

8. Donated Services and Materials (continued)

The following in-kind donations were recognized as expenses or capitalized for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Contracted services	\$ 8,955	\$ 1,244
Donated assets	6,150	8,153
Supplies	500	3,735
Member events	4,652	134
Postage and printing	-	1,657
Materials	250	-
Legal fees	176	-
Technology	975	-
Advertising	-	12,221
	<u>\$ 21,658</u>	<u>\$ 27,144</u>

9. Conditional Promises to Give

As of June 30, 2016 and 2015, GVLT had four and six temporarily restricted reimbursable grants with outstanding amounts totaling \$41,020 and \$42,200, respectively. The revenue for these grants is not recognized until the expenses are incurred for grant purposes. As of June 30, 2016, expenses of \$40,109 have been incurred; and, therefore, revenue of \$40,109 has been recognized for these grants. Of the \$40,109 in earned revenue, \$9,020 relates to fiscal year 2016 revenue.

10. Deferred Gift Annuity

As of June 30, 2016, GVLT has been named as a beneficiary for four deferred gift annuities. By Montana law, the charitable gift annuities must remain in the donor's account until the donor dies or the donors terminate their beneficial interest in the gift after five years have passed. Upon termination, the value of the annuities will be added to GVLT's endowment fund managed by the Montana Community Foundation. The endowment principal will not be accessible by GVLT; however, the Organization will receive the interest from the endowment investment, which can be used at their discretion or can be reinvested.

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2016 and 2015

11. Retirement Plan

The Organization adopted a Savings Incentive Match Plan for Employees (SIMPLE). According to the plan, the Organization will match each participant's elective salary deferrals, dollar for dollar, up to 3% of each participant's compensation. During the years ended June 30, 2016 and 2015, the Organization made a matching contribution to the SIMPLE plan of \$12,804 and \$12,240, respectively.