



**Financial Statements
with
Independent Auditors' Report**

June 30, 2019 and 2018

GALLATIN VALLEY LAND TRUST
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June 30, 2019 and 2018

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RUDD & COMPANY_{INC.}

certified public accountants | business consultants

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, 2019, and 2018 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, 2019, and 2018, 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.

Rudd & Company, PLLC

Bozeman, Montana
October 24, 2019

IDAHO FALLS | REXBURG | DRIGGS | BOZEMAN | WEST YELLOWSTONE

GALLATIN VALLEY LAND TRUST
Statement of Financial Position
As of June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 165,726	\$ 229,255	\$ 394,981
Grants receivable	38,774	72,500	111,274
Pledges receivable	69,700	10,000	79,700
Stewardship receivable, net of allowance	-	57,300	57,300
Other receivable	1,390	-	1,390
Inventory	10,381	-	10,381
Security deposit	7,985	-	7,985
Total Current Assets	<u>293,956</u>	<u>369,055</u>	<u>663,011</u>
Property and equipment, net of accumulated depreciation	<u>25,769</u>	<u>-</u>	<u>25,769</u>
Other Assets			
Investments	2,115,575	3,120,286	5,235,861
Certificate of deposits, long term	632,433	-	632,433
Land purchase option	10,000	-	10,000
Total Other Assets	<u>2,758,008</u>	<u>3,120,286</u>	<u>5,878,294</u>
Total Assets	<u>\$ 3,077,733</u>	<u>\$ 3,489,341</u>	<u>\$ 6,567,074</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 18,568	\$ -	\$ 18,568
Payroll liabilities	20,103	-	20,103
Accrued vacation	8,279	-	8,279
Other liabilities	1,313	-	1,313
Total Current Liabilities	<u>48,263</u>	<u>-</u>	<u>48,263</u>
Net Assets			
Without Donor Restrictions	2,867,509	-	2,867,509
Without Donor Restrictions - Board Designated	161,961	-	161,961
With Donor Restrictions	<u>-</u>	<u>3,489,341</u>	<u>3,489,341</u>
Total Net Assets	<u>3,029,470</u>	<u>3,489,341</u>	<u>6,518,811</u>
Total Liabilities and Net Assets	<u>\$ 3,077,733</u>	<u>\$ 3,489,341</u>	<u>\$ 6,567,074</u>

The accompanying notes are an integral part of these statements.

GALLATIN VALLEY LAND TRUST
Statement of Financial Position
As of June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 711,720	\$ 84,570	\$ 796,290
Grants receivable	97,057	29,000	126,057
Pledges receivable	251,512	-	251,512
Stewardship receivable, net of allowance	-	17,300	17,300
Other receivable	34,290	-	34,290
Inventory	4,185	-	4,185
Security deposit	3,072	-	3,072
Total Current Assets	<u>1,101,836</u>	<u>130,870</u>	<u>1,232,706</u>
Property and equipment, net of accumulated depreciation	<u>40,317</u>	<u>-</u>	<u>40,317</u>
Other Assets			
Investments	1,537,322	2,989,378	4,526,700
Certificate of deposits, long term	604,498	-	604,498
Total Other Assets	<u>2,141,820</u>	<u>2,989,378</u>	<u>5,131,198</u>
Total Assets	<u>\$ 3,283,973</u>	<u>\$ 3,120,248</u>	<u>\$ 6,404,221</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 77,094	\$ -	\$ 77,094
Payroll liabilities	19,692	-	19,692
Accrued vacation	6,102	-	6,102
Other liabilities	1,396	-	1,396
Total Current Liabilities	<u>104,284</u>	<u>-</u>	<u>104,284</u>
Net Assets			
Without Donor Restrictions	3,017,728	-	3,017,728
Without Donor Restrictions - Board Designated	161,961	-	161,961
With Donor Restrictions	<u>-</u>	<u>3,120,248</u>	<u>3,120,248</u>
Total Net Assets	<u>3,179,689</u>	<u>3,120,248</u>	<u>6,299,937</u>
Total Liabilities and Net Assets	<u>\$ 3,283,973</u>	<u>\$ 3,120,248</u>	<u>\$ 6,404,221</u>

The accompanying notes are an integral part of these statements.

GALLATIN VALLEY LAND TRUST
Statement of Activities
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues			
Contributions	\$ 630,770	\$ 82,985	\$ 713,755
Grants	175,000	181,186	356,186
Program fees	25,845	-	25,845
Other revenue	3,960	-	3,960
Fundraising events	55,413	116,325	171,738
Investment and interest income, net	83,476	146,031	229,507
Loss on disposal of assets	(20,549)	-	(20,549)
In-kind contributions	12,976	-	12,976
Satisfaction of program restrictions and release of endowment earnings (Note 5)	157,434	(157,434)	-
Total Revenue and Support	1,124,325	369,093	1,493,418
Expenses			
Supporting services:			
General and administrative	151,004	-	151,004
Fundraising	170,675	-	170,675
Program services:			
Trails	239,747	-	239,747
Education	172,382	-	172,382
Conservation easements	540,736	-	540,736
Total Expenses	1,274,544	-	1,274,544
Change in Net Assets	(150,219)	369,093	218,874
Net Assets, Beginning of Year	3,179,689	3,120,248	6,299,937
Net Assets, End of Year	\$ 3,029,470	\$ 3,489,341	\$ 6,518,811

The accompanying notes are an integral part of these statements.

GALLATIN VALLEY LAND TRUST
Statement of Activities
For the Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues			
Contributions	\$ 577,503	\$ 64,435	\$ 641,938
Contributions - bequest	2,118,451	-	2,118,451
Grants	153,424	229,104	382,528
Easement fees	50,985	-	50,985
Program fees	30,006	-	30,006
Other revenue	3,193	-	3,193
Fundraising events	318,088	-	318,088
Investment and interest income	4,226	229,007	233,233
In-kind contributions	32,708	-	32,708
Satisfaction of program restrictions and release of endowment earnings (Note 5)	429,482	(429,482)	-
Total Revenue and Support	3,718,066	93,064	3,811,130
Expenses			
Supporting services:			
General and administrative	144,843	-	144,843
Fundraising	230,007	-	230,007
Program services:			
Trails	291,095	-	291,095
Education	107,981	-	107,981
Conservation easements	520,297	-	520,297
Total Expenses	1,294,223	-	1,294,223
Change in Net Assets	2,423,843	93,064	2,516,907
Net Assets, Beginning of Year	755,846	3,027,184	3,783,030
Net Assets, End of Year	\$ 3,179,689	\$ 3,120,248	\$ 6,299,937

The accompanying notes are an integral part of these statements.

GALLATIN VALLEY LAND TRUST
Statement of Functional Expenses
For the Year Ended June 30, 2019

	<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	\$ 95,563	\$ 97,451	\$ 116,331	\$ 101,747	\$ 260,712	\$ 671,804
Payroll taxes	9,958	8,692	12,025	8,828	23,602	63,105
Employee benefits	10,441	7,982	19,970	12,053	21,815	72,261
Contractors and materials	2,541	4,193	48,593	4,226	85,779	145,332
Dues and licenses	550	175	413	900	20,201	22,239
Accounting fees	7,720	-	-	-	-	7,720
Bank and credit card fees	2,285	96	254	75	1,345	4,055
Legal fees	4,432	589	893	57	1,808	7,779
Easement expenses	-	-	-	-	39,990	39,990
Supplies	267	429	455	395	1,223	2,769
Postage and printing	811	5,103	2,433	7,593	4,005	19,945
Occupancy	7,091	11,702	12,418	10,287	32,992	74,490
Vehicles	59	193	860	85	2,541	3,738
Travel	1,968	1,337	5,632	1,500	4,330	14,767
Constituent support	714	2,236	1,270	994	2,979	8,193
Outreach and promotions	477	913	836	14,222	2,470	18,918
Member events	8	19,957	1,015	517	37	21,534
Depreciation	1,294	2,135	5,788	1,876	6,294	17,387
Insurance	1,381	2,280	2,500	2,004	12,639	20,804
Professional development	587	494	3,015	809	2,671	7,576
Technology	2,857	4,718	5,046	4,214	13,303	30,138
Total	\$ 151,004	\$ 170,675	\$ 239,747	\$ 172,382	\$ 540,736	\$ 1,274,544

The accompanying notes are an integral part of these statements.

GALLATIN VALLEY LAND TRUST
Statement of Functional Expenses
For the Year Ended June 30, 2018

	Support Services		Program Services			Totals
	General and Administrative	Fundraising	Trails	Education	Conservation Easements	
Salaries and wages	\$ 89,410	\$ 105,667	\$ 103,480	\$ 56,101	\$ 243,762	\$ 598,420
Payroll taxes	9,615	9,690	10,622	5,039	22,738	57,704
Employee benefits	8,992	7,772	12,198	5,850	17,833	52,645
Contractors and materials	-	-	128,342	-	79,963	208,305
Dues and licenses	97	335	482	1,128	12,678	14,720
Accounting fees	7,100	-	-	-	-	7,100
Bank and credit card fees	6,440	106	121	92	312	7,071
Legal fees	1,306	235	535	207	3,627	5,910
Lobbying expenses	-	-	-	-	45,324	45,324
Easement expenses	-	-	-	-	22,310	22,310
Supplies	448	700	743	623	1,675	4,189
Postage and printing	913	2,372	2,936	7,048	3,931	17,200
Occupancy	4,860	8,015	8,502	7,043	18,947	47,367
Vehicles	-	-	1,281	-	1,741	3,022
Travel	757	10	988	821	5,209	7,785
Constituent support	938	2,392	1,271	1,137	3,039	8,777
Outreach and promotions	1,198	1,726	1,765	12,105	5,089	21,883
Member events	-	81,369	1,495	1,856	326	85,046
Depreciation	2,086	3,441	8,860	3,024	9,377	26,788
Insurance	1,197	1,974	2,723	1,735	10,647	18,276
Professional development	6,419	49	358	565	1,955	9,346
Technology	2,488	4,104	4,393	3,607	9,814	24,406
Bad debt expense	579	50	-	-	-	629
Total	\$ 144,843	\$ 230,007	\$ 291,095	\$ 107,981	\$ 520,297	\$ 1,294,223

The accompanying notes are an integral part of these statements.

GALLATIN VALLEY LAND TRUST
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 218,874	\$ 2,516,907
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	17,387	26,788
In-kind contribution of property and equipment	(2,500)	-
Unrealized and realized gain on investments	(135,556)	(186,178)
Loss on sale of property and equipment	20,549	-
(Increase) decrease in current assets:		
Grants receivable	14,783	(95,422)
Pledges receivable	171,812	(223,312)
Stewardship fees receivable	(40,000)	800
Other receivables	32,900	(32,341)
Inventory	(6,196)	6,316
Security deposits	(4,913)	-
Increase (decrease) in current liabilities		
Accounts payable	(58,526)	61,018
Payroll liabilities	411	1,257
Accrued vacation	2,177	492
Other current liabilities	(83)	785
Net Cash Provided by Operating Activities	<u>231,119</u>	<u>2,077,110</u>
Cash Flows from Investing Activities		
Purchase of investments	(1,575,168)	(1,628,005)
Purchase of certificate of deposits	(27,935)	(106,705)
Proceeds from sale of investments	1,001,563	116,663
Purchase of property and equipment	(24,088)	(14,196)
Proceeds from sale of property and equipment	3,200	-
Purchase of land purchase option	(10,000)	-
Net Cash Used by Investing Activities	<u>(632,428)</u>	<u>(1,632,243)</u>
Net increase (decrease) in cash and cash equivalents	(401,309)	444,867
Cash and cash equivalents, Beginning of Year	<u>796,290</u>	<u>351,423</u>
Cash and cash equivalents, End of Year	<u>\$ 394,981</u>	<u>\$ 796,290</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, 2019 and 2018

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:

Net assets without donor restrictions represents net amounts that have been earned and expended according to contract restrictions and net amounts from general activities without donor restrictions. For the years ended June 30, 2019 and 2018, the Board of Directors has voluntarily designated \$161,961 of net assets without donor restrictions for both years.

Net assets with donor restrictions represents net assets subject to donor- (or certain grantor-) imposed restrictions. The Organization had \$3,489,341 and \$3,120,248 net assets with donor restrictions as of June 30, 2019 and 2018, respectively. Donor Restrictions primarily relate to contributions for an endowment and programs. Generally, the donors of these assets permit GVLТ to use income earned on investments for general or specific purposes.

For the years ended June 30, 2019 and 2018, GVLТ had \$1,350,553 of net assets restricted in perpetuity for both years.

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 October 24, 2019, 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, 2019 and 2018

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 restricted by donors. Balances held with a financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2019 and 2018, cash and cash equivalents held in commercial banks in excess of the Federal Deposit Insurance Corporation limits were \$0 and \$276,843, respectively. GVLT believes it is not exposed to any significant credit risk on its cash balances. Certificate of deposits, long term, are presented separately as the maturity periods are over three months.

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, 2019 and 2018, \$4,861,195 and \$4,119,138 were above the SIPC insurance, respectively. As part of their investment balance, in fiscal year June 30, 2019 and 2018, 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 donor restricted net assets and are reclassified to without donor restrictions 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. Contributions 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, 2019 and 2018 all contributions 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, 2019 and 2018, all pledge and grant receivables were considered fully collectible.

Stewardship receivables may be received over more than one year. As of June 30, 2019 and 2018, 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 allowance may be adjusted for specific pledges if warranted. For the years ended June 30, 2019 and 2018, the allowance for doubtful accounts was \$2,700 for both years.

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

1. Activities and Significant Accounting Policies (continued)

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 without donor restricted 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 with donor 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 with donor restricted net assets to without donor restricted 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, guidebooks and trail maps, are valued at the lower of cost or net realizable value. 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.

With Donor Restricted Net Assets in Perpetuity

The Endowment Fund is a depository for donor-restricted gifts received by GVLT. The principal of such gifts is restricted in perpetuity. 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 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.

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

1. Activities and Significant Accounting Policies (continued)

Contributed Services

GVLТ 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 Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Whenever possible, costs are included in a function on a basis of specific identification. When that is not practical, certain costs are allocated among the functions benefited. The expenses are allocated on a reasonable basis that is consistently applied. Below is a table indicating the allocation of different categories to functions:

Expense	Allocation Basis
Salaries and wages, payroll taxes and benefits, contractor and materials, dues, memberships, license, vehicles, travel, professional development, legal fees, CE expense and event expense	Expenses received and charged directly to the appropriate program activities, fundraising or general and administrative cost based on usage of the expenses.
Accounting fees	Audit and tax preparation expenses are general and administrative and the remaining are allocated based on estimated distribution of employee effort spent in each department.
Postage and printing, outreach and promotions, constituent support, insurance and depreciation	Expenses are allocation based on a combination of actual and estimated distribution of employee effort spent in each department.
Occupancy, IT and supplies	Expenses are allocation based on estimated distribution of employee effort spent in each department.

Advertising

Advertising, i.e. Outreach and Promotions, costs are expensed as incurred.

Reclassification

Certain prior year amounts have been reclassified to conform with the current year presentation.

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

1. Activities and Significant Accounting Policies (continued)

Adoption of New Accounting Standard

GVLТ adopted the provisions of Accounting Standard Update (ASU) No. 2016-14, *Not-for-Profit Entities, Topic 958: Presentation of Financial Statements of Not-for-Profit Entities* during the year ended June 30, 2019. The adoption does not change any prior reported numbers for net assets or changes in net assets, but rather increases disclosure requirements for board-designated net assets and changes the classification of net assets from three categories to two categories, those with donor imposed restrictions and those without donor imposed restrictions. The adoption also requires additional liquidity disclosures and reporting investment expenses net of investment income for presentation on the face of the statement of activities.

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

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

2. Investments (continued)

Investments as of June 30, 2019 consist of the following:

	Cost	Gross Unrealized Gains/(Losses)	Fair Value
Marketable securities - Level 1:			
Bank insured deposit	\$ 13,308	\$ -	\$ 13,308
Money market	17,328	-	17,328
Fixed income			
U.S. Treasury Notes	1,494,931	10,838	1,505,769
Exchange traded funds			
Large value equity	48,328	6,599	54,927
Mutual funds			
Bond funds	1,048,385	13,132	1,061,517
Foreign large-cap blend funds	569,717	36,747	606,464
Large-cap growth funds	519,277	233,206	752,483
Large-cap value funds	679,251	159,058	838,309
Small-cap growth funds	142,229	47,593	189,822
Small-cap value funds	169,988	25,946	195,934
	<u>\$ 4,702,742</u>	<u>\$ 533,119</u>	<u>\$ 5,235,861</u>

Investments as of June 30, 2018 consist of the following:

	Cost	Gross Unrealized Gains/(Losses)	Fair Value
Marketable securities - Level 1:			
Bank insured deposit	\$ 31,389	\$ -	\$ 31,389
Money market	4,070	-	4,070
Fixed income			
U.S. Treasury Notes	974,066	(74)	973,992
Exchange traded funds			
Large value equity	49,710	2,784	52,494
Mutual funds			
Bond funds	1,043,066	(26,902)	1,016,164
Foreign large-cap blend funds	516,225	50,055	566,280
Large-cap growth funds	519,277	168,201	687,478
Large-cap value funds	679,251	107,988	787,239
Small-cap growth funds	142,229	50,863	193,092
Small-cap value funds	169,988	44,514	214,502
	<u>\$ 4,129,271</u>	<u>\$ 397,429</u>	<u>\$ 4,526,700</u>

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

2. Investments (continued)

Components of investment, interest and dividend income for the years ended June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 116,586	\$ 65,641
Realized and unrealized gains/(losses)	135,556	186,178
Investment fees	(22,635)	(18,586)
	<u>\$ 229,507</u>	<u>\$ 233,233</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, 2019 and 2018, fees for management of endowment funds were \$8,481 and \$9,483, 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, GVLТ classified as net assets with donor restrictions (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 is also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by GVLТ in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, GVLТ 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 GVLТ 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 GVLТ; and
- (7) The investment policies of GVLТ.

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

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, 2019 and 2018, 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 broad asset allocation and will use primarily index funds to achieve its long-term return objectives within prudent risk constraints.

The acceptable asset allocation is as follows:

	<u>Acceptable Range</u>
Equity Index	70%
Bond	30%

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, 2019 and 2018

3. Endowment (continued)

Endowment net asset composition by type of fund as of June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions - Income	With Donor Restrictions - Corpus	Total
Donor-restricted endowment funds	\$ -	\$ 356,922	\$ 1,350,553	\$ 1,707,475
Endowment net assets, beginning of year	\$ -	\$ 279,893	\$ 1,350,553	\$ 1,630,446
Investment Return:				
Investment income, net	-	24,057	-	24,057
Net appreciation	-	52,972	-	52,972
Endowment net assets, end of year	\$ -	\$ 356,922	\$ 1,350,553	\$ 1,707,475

Endowment net asset composition by type of fund as of June 30, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions - Income	With Donor Restrictions - Corpus	Total
Donor-restricted endowment funds	\$ -	\$ 279,893	\$ 1,350,553	\$ 1,630,446
Endowment net assets, beginning of year	\$ -	\$ 200,688	\$ 1,350,553	\$ 1,551,241
Investment Return:				
Investment income, net	-	23,842	-	23,842
Net appreciation	-	101,363	-	101,363
Release per spending policy	-	(46,000)	-	(46,000)
Endowment net assets, end of year	\$ -	\$ 279,893	\$ 1,350,553	\$ 1,630,446

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

4. Fixed Assets

Fixed assets at June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Furniture and Equipment	\$ 27,333	\$ 22,545
Vehicles	41,900	25,400
Leasehold Improvements	-	102,035
	<u>69,233</u>	<u>149,980</u>
Less: Accumulated Depreciation	<u>(43,464)</u>	<u>(109,663)</u>
	<u>\$ 25,769</u>	<u>\$ 40,317</u>

Depreciation expense for the years June 30, 2019 and 2018 was \$ 17,387 and \$ 26,788, respectively.

5. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of June 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Endowment - corpus	\$ 1,350,553	\$ 1,350,553
Stewardship/defense fund	1,470,111	1,376,231
Unreleased endowment earnings	356,922	279,893
Evening on the Land	116,325	-
Skogen property	60,000	-
Cross Foundation	42,500	17,500
Front Street	20,000	20,000
Cinnabar	20,000	9,000
Easement Outreach	10,000	-
Travelers for Open Land	9,810	9,810
Mysun	7,500	16,372
REI	5,208	7,030
Gianforte Family Foundation	5,000	5,000
Painted Hills	4,015	5,393
Hospital trails	4,010	4,010
Benches and memorials	4,000	10,411
BACF	2,000	2,000
Gallagator Broadway Connector	645	645
Snowfill	400	400
Trail Ambassador	342	-
Mountain Sky Guest Ranch	-	6,000
Total	<u>\$ 3,489,341</u>	<u>\$ 3,120,248</u>

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

6. Board Designated Net Assets

The net assets without donor restrictions of GVLT 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

GVLT leases buildings for its current office facility and storage. In fiscal year 2014, GVLT entered into an operating lease agreement that expired during the current year. In fiscal year 2019, GVLT entered into a new operating lease agreement. The lease obligation is a five-year lease, commencing on February 1, 2019. 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, 2019, the base rent rate is \$18.00 per square foot, and the operating expenses rate is \$4.50 per square foot. For the year ended June 30, 2019 total lease payments were \$ 74,490.

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

FY2020	\$ 77,466
FY2021	79,594
FY2022	81,724
FY2023	83,852
FY2024	42,459
	<hr/>
	\$ 365,095

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, 2019 and 2018, the numbers of hours for these contributed services were 2,767 and 2,714, 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, 2019 and 2018

8. Donated Services and Materials (continued)

In-kind donations were used for program services, fundraising and administrative purposes. The following in-kind donations were recognized as expenses or capitalized for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Constituent support	\$ -	\$ 350
Contracted services	-	2,091
Contractors and materials	600	-
Member events	6,235	26,171
Outreach and promotions	1,599	3,460
Property and equipment	2,500	-
Supplies	100	428
Technology	142	208
Vehicles	1,800	-
	<u>\$ 12,976</u>	<u>\$ 32,708</u>

9. Conditional Promises to Give

As of June 30, 2019 and 2018, GVLТ had two donor restricted reimbursable grants to support new conservation projects with outstanding amounts totaling \$76,578 and \$146,564, respectively. The revenue for these grants is not recognized until the expenses are incurred for grant purposes. As of June 30, 2019, expenses of \$177,422 have been incurred; therefore, revenue of \$177,422 has been recognized for these grants.

10. Deferred Gift Annuity

As of June 30, 2019, GVLТ has been named as a beneficiary for six deferred gift annuities, and also had three annuities relinquished into GVLТ's endowment fund during the fiscal year. 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 GVLТ's endowment fund managed by the Montana Community Foundation. The endowment principal will not be accessible by GVLТ; however, the Organization will receive the interest from the endowment investment, which can be used at their discretion or can be reinvested. The endowment funds held on behalf of GVLТ had balances as of June 30, 2019 and 2018, of \$80,908 and \$44,646, respectively.

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

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, 2019 and 2018, the Organization made a matching contribution to the SIMPLE plan of \$20,004 and \$17,132, respectively.

12. Liquidity and Availability of Resources

Financial assets available for general expenses (without donor or other restrictions limiting their use), within one year of the statement of financial position date, comprise the following:

	2019
Cash and cash equivalents	\$ 394,981
Grants receivable	111,274
Pledges receivable	79,700
Stewardship receivable, net of allowance	57,300
Other receivable	1,390
Investments	5,235,861
Less:	
With Donor Restrictions	<u>(3,489,341)</u>
Total Financial Assets Available	<u>\$ 2,391,165</u>

The Organization reviews liquidity on a regular basis with the Finance and Executive Committees and has various sources of liquidity at its disposal, including cash and cash equivalents, money market funds, and short term certificate of deposit. GVLТ strives to maintain sufficient funds in reserves to cover operating costs. The Organization invests excess cash in accordance with its investment policy in order to manage investment risk and optimize investment returns within acceptable parameters.

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Notes to the Financial Statements
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13. Recent Accounting Pronouncements

The FASB issued Accounting Standard Update (ASU) 2014-09: *Revenue from Contracts with Customers, Topic 606*, in May 2014. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods or services, guidance on accounting for certain contracts, and contain significant new required disclosures. This ASU is effective for periods beginning after December 15, 2018. Early implementation was permitted; however, the Organization elected not to early implement and does not expect the impact to its financial statements to be significant upon implementation.

The FASB issued Accounting Standard Update (ASU) 2016-02: *Leases, Topic 842*, in February 2016. This ASU requires the recognition of lease assets and liabilities in the financial statements as a “right-to-use” asset and a lease liability. This ASU is effective for periods beginning after December 15, 2019. In September 2019, FASB approved a one year delay for private companies, not-for-profit organizations and certain smaller public companies, which moves the effective date to periods beginning after December 15, 2020. Early implementation is permitted; however, the Organization elected not to early implement and does not expect the impact to its financial statements to be significant upon implementation.