



**Financial Statements
with
Independent Auditors' Report**

June 30, 2020 and 2019

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, 2020, and 2019 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, 2020, and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Rudd & Company, PLLC

Bozeman, Montana
October 22, 2020

GALLATIN VALLEY LAND TRUST
Statement of Financial Position
As of June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 754,256	\$ 143,365	\$ 897,621
Grants receivable	317	10,000	10,317
Pledges receivable	4,500	10,500	15,000
Stewardship receivable, net of allowance	-	17,300	17,300
Other receivable	576	-	576
Prepaid expenses	1,308	-	1,308
Inventory	10,306	-	10,306
Security deposit	7,985	-	7,985
Total Current Assets	<u>779,248</u>	<u>181,165</u>	<u>960,413</u>
Property and equipment, net of accumulated depreciation	<u>20,626</u>	<u>-</u>	<u>20,626</u>
Other Assets			
Investments	627,375	3,249,498	3,876,873
Certificate of deposits, long term	1,925,383	-	1,925,383
Land purchase option	5,000	-	5,000
Land held for conservation (Note 5)	752,000	-	752,000
Total Other Assets	<u>3,309,758</u>	<u>3,249,498</u>	<u>6,559,256</u>
Total Assets	<u>\$ 4,109,632</u>	<u>\$ 3,430,663</u>	<u>\$ 7,540,295</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 20,032	\$ -	\$ 20,032
Payroll liabilities	2,029	-	2,029
Accrued vacation	23,314	-	23,314
Refundable advance	-	35,000	35,000
Other liabilities	96	-	96
Total Current Liabilities	<u>45,471</u>	<u>35,000</u>	<u>80,471</u>
Paycheck Protection Program Loan	<u>160,000</u>	<u>-</u>	<u>160,000</u>
Total Liabilities	<u>205,471</u>	<u>35,000</u>	<u>240,471</u>
Net Assets			
Without Donor Restrictions	3,651,859	-	3,651,859
Without Donor Restrictions - Board Designated	252,302	-	252,302
With Donor Restrictions	<u>-</u>	<u>3,395,663</u>	<u>3,395,663</u>
Total Net Assets	<u>\$ 3,904,161</u>	<u>\$ 3,395,663</u>	<u>\$ 7,299,824</u>
Total Liabilities and Net Assets	<u>\$ 4,109,632</u>	<u>\$ 3,430,663</u>	<u>\$ 7,540,295</u>

The accompanying notes are an integral part of these statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
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 Activities
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues			
Contributions	\$ 667,146	\$ 122,800	\$ 789,946
Grants	180,470	171,078	351,548
Program fees	113,259	-	113,259
Other revenue	2,736	-	2,736
Fundraising events	303,729	-	303,729
Investment and interest income, net	94,744	149,857	244,601
Gain on disposal of assets	1,500	-	1,500
In-kind contributions	491,285	-	491,285
Satisfaction of program restrictions and release of endowment earnings (Note 7)	537,413	(537,413)	-
Total Revenue and Support	<u>2,392,282</u>	<u>(93,678)</u>	<u>2,298,604</u>
Expenses			
Supporting services:			
General and administrative	212,319	-	212,319
Fundraising	235,191	-	235,191
Program services:			
Trails	306,027	-	306,027
Education	138,321	-	138,321
Conservation easements	625,733	-	625,733
Total Expenses	<u>1,517,591</u>	<u>-</u>	<u>1,517,591</u>
Change in Net Assets	<u>874,691</u>	<u>(93,678)</u>	<u>781,013</u>
Net Assets, Beginning of Year	<u>3,029,470</u>	<u>3,489,341</u>	<u>6,518,811</u>
Net Assets, End of Year	<u>\$ 3,904,161</u>	<u>\$ 3,395,663</u>	<u>\$ 7,299,824</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	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 7)	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 Functional Expenses
For the Year Ended June 30, 2020

	<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	\$ 129,224	\$ 91,458	\$ 144,231	\$ 86,171	\$ 324,032	\$ 775,116
Payroll taxes	12,799	7,802	15,323	7,276	28,057	71,257
Employee benefits	15,114	9,271	21,242	9,941	29,934	85,502
Contractors and materials	25,192	271	47,607	2,505	73,504	149,079
Dues and licenses	583	191	553	835	17,795	19,957
Accounting fees	9,136	71	114	54	168	9,543
Bank and credit card fees	685	1,405	2,262	1,063	3,324	8,739
Legal fees	3	6	2,099	4	3,808	5,920
Easement expenses	-	-	-	-	48,416	48,416
Supplies	227	457	723	340	1,365	3,112
Postage and printing	492	3,576	6,436	1,922	3,222	15,648
Occupancy	8,234	16,888	27,180	12,771	39,950	105,023
Vehicles	-	-	4,692	-	897	5,589
Travel	1,217	402	3,291	1,561	4,908	11,379
Constituent support	2,591	3,410	5,199	2,284	7,542	21,026
Outreach and promotions	1,632	3,472	5,387	4,599	8,168	23,258
Member events	-	88,118	-	27	466	88,611
Depreciation	264	541	6,370	409	2,881	10,465
Insurance	1,222	2,571	4,276	1,937	12,537	22,543
Professional development	308	215	279	766	2,626	4,194
Technology	2,411	5,066	8,223	3,856	12,133	31,689
Bad debt expense	985	-	540	-	-	1,525
Total	\$ 212,319	\$ 235,191	\$ 306,027	\$ 138,321	\$ 625,733	\$ 1,517,591

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

	Support Services		Program Services			Totals
	General and Administrative	Fundraising	Trails	Education	Conservation Easements	
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
Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 781,013	\$ 218,874
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation expense	10,465	17,387
In-kind contribution of land	(452,000)	(2,500)
Unrealized and realized gains on investments	(109,791)	(135,556)
(Gain) Loss on disposal of property and equipment	(1,500)	20,549
(Increase) decrease in current assets		
Grants receivable	100,957	14,783
Pledges receivable	64,700	171,812
Stewardship fees receivable	40,000	(40,000)
Other receivables	814	32,900
Prepaid expenses	(1,308)	-
Inventory	75	(6,196)
Security deposits	-	(4,913)
Increase (decrease) in current liabilities		
Accounts payable	1,464	(58,526)
Payroll liabilities	(18,074)	411
Accrued vacation	15,035	2,177
Refundable advance	35,000	-
Other current liabilities	(1,217)	(83)
Net Cash Provided by Operating Activities	<u>465,633</u>	<u>231,119</u>
Cash Flows from Investing Activities		
Purchase of investments	(1,091,168)	(1,575,168)
Purchase of certificate of deposits	(1,292,950)	(27,935)
Proceeds from sale of investments	2,559,947	1,001,563
Purchase of property and equipment	(5,322)	(24,088)
Proceeds from sale of property and equipment	1,500	3,200
Purchase of land	(295,000)	-
Purchase of land purchase option	-	(10,000)
Net Cash Used by Investing Activities	<u>(122,993)</u>	<u>(632,428)</u>
Cash Flows from Financing Activities		
Proceeds from Paycheck Protection Program loan	<u>160,000</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>160,000</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	502,640	(401,309)
Cash and cash equivalents and restricted cash, Beginning of Year	<u>394,981</u>	<u>796,290</u>
Cash and cash equivalents and restricted cash, End of Year	<u>\$ 897,621</u>	<u>\$ 394,981</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, 2020 and 2019

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. The Board of Directors has voluntarily designated \$252,302 and \$161,961 of net assets without donor restrictions as of June 30, 2020 and 2019, respectively.

Net assets with donor restrictions represents net assets subject to donor- (or certain grantor-) imposed restrictions. The Organization had \$3,395,663 and \$3,489,341 net assets with donor restrictions as of June 30, 2020 and 2019, 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, 2020 and 2019, GVLТ had \$1,350,553 of net assets restricted in perpetuity for both years.

Cash and Cash Equivalents

For purposes of the statement of cash flows, GVLТ 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, 2020 and 2019, cash and cash equivalents held in commercial banks in excess of the Federal Deposit Insurance Corporation limits were \$177,188 and \$276,843, respectively. GVLТ 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.

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

1. Activities and Significant Accounting Policies (continued)

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, 2020 and 2019, \$4,577,117 and \$4,119,138 were above the SIPC insurance, respectively. As part of their investment balance, in fiscal year June 30, 2020 and 2019, GVLT maintains cash and cash equivalents at a brokerage firm that are fully insured by a Bank Insured Deposit Program.

Receivables

Grants receivable and pledges receivable are measured at fair value on the date a written unconditional promise to give is received from the donor. The fair value is measured using an income approach which incorporates inputs including estimated timing of cash receipts and an appropriate present value discount factor if receivables are expected to be collected in future years. Conditional grants and pledges are not recognized until they become unconditional, that is, when the conditions on which they depend on are substantially met. As of June 30, 2020 and 2019 all grants and pledges receivable are considered current as they are expected to be collected within one year. GVLT uses the direct write-off method to determine uncollectible unconditional pledges and grants receivable. This approximates management's best estimate of an allowance for grants receivable and most pledges receivable. For the years ended June 30, 2020 and 2019, all grants and pledges receivable were considered fully collectible.

Stewardship pledges receivable are also measured at fair value on the date a written unconditional promise to give is received from the donor or landowner. These receivables relate to current easement projects and may be received over more than one year. As of June 30, 2020 and 2019, stewardship pledges receivable 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, 2020 and 2019, the allowance for doubtful accounts was \$2,700.

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.

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

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

Property Held for Conservation Purposes

Land held for conservation purposes includes property to be sold or transferred to governmental agencies or other organizations for conservation purposes or to be maintained as a nature preserve with public recreational access. Land held for conservation is reported at cost when purchased and at fair market value on the date received when acquired by donation or bargain sale. When the land is purchased at a bargain sale, that is, when the purchase price is below the appraised value, an in-kind contribution is recorded for the difference between the purchase price and the appraised value.

Revenue Recognition

Contributions

Contributions are recognized when the donor makes a promise to give to GVLT that is, in substance, unconditional. Unconditional donor promises to give are reported at fair value at the date that there is sufficient verifiable evidence documenting that a promise was made by the donor and received by the Organization. Contributions of donor-restricted gifts are recognized at the time of the gift. Contributions restricted for long-term stewardship of conservation properties are generally not property-specific.

The gifts are reported as either net assets without donor restrictions or net assets with donor restrictions if they are received with donor stipulations that sufficiently limit the use of the donated assets. When a donor restriction expires, through the passage of time or when the purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

1. Activities and Significant Accounting Policies (continued)

Revenue Recognition

Grants

The Organization receives grants from public agencies, as well as private organizations and individuals, to be used for specific programs or purposes, which may include general operations. Unconditional grant awards are recorded as grant revenue in the period in which they are awarded. Grants having the existence of a condition, but lacking in both the existence of a barrier and right of return to the resource provided, are classified as restricted grant revenue until the conditions are met. Conditional grant awards, having both the existence of a barrier and right of return to the resource provider, are classified as refundable advances when received as a cash advance and are recognized as revenue when the awards are expended for the purposes of the grant or other conditions are satisfied.

Fundraising Events

Revenue from fundraising events consist of event ticket sales, sponsorships, and auction item sales. Ticket sales are comprised of an exchange element based on the values of benefits provided, and a contribution element for the difference between the total ticket paid and the exchange element. Sponsorships are a contribution but for some events they may entitle the sponsor to a specified number of event tickets, in which case a portion of the sponsorship is an exchange transaction similar to a ticket sale and the remainder is a contribution. Auction item sales are an exchange transaction up to the fair market value of the auction package and anything beyond is a contribution. Management has deemed the exchange element not material to the overall financial statements; therefore, all of the income from fundraising events is classified as fundraising events revenue on the statement of activity.

Ticket sales and sponsorships related to fundraising events are recognized as event income when money is received as the majority of the transaction is considered to be a contribution. Auction item sales are not recognized as revenue until the event occurs. The donation of items and professional services necessary for fundraising events are recorded as in-kind contributions at the time of the event.

Program Fees

Easement fee revenue is recognized at the time of billing. Project reimbursements are invoiced upon substantial completion of the project. Reimbursements are often arranged for due diligence on new conservation easement projects, cost-share land enhancements on existing easement properties, contracted services such as monitoring easement properties for other groups and trail work on some private properties.

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.

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

1. Activities and Significant Accounting Policies (continued)

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.

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 allocated based on a combination of actual and estimated distribution of employee effort spent in each department.
Occupancy, IT and supplies	Expenses are allocated based on estimated distribution of employee effort spent in each department.

Advertising

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

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

1. Activities and Significant Accounting Policies (continued)

Income Taxes

GVLТ 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.

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. Actual results could differ from these estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic and the COVID-19 control responses, and such differences may be material.

Reclassification

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

Adoption of New Accounting Standard

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-09: *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods or services and guidance on accounting for certain contracts. The ASU also contains significant new required disclosures related to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard, effective July 1, 2019, the first day of the Organization's fiscal year, using the modified retrospective method.

GVLТ's services that fall within the scope of ASC 606 are presented within fundraising events revenue and easement fees revenue and are recognized at a point in time based on the transfer of control. The remaining portion of the Organization's revenue comes from contributions and grants which is outside the scope of ASC 606. Refer to Revenue Recognition disclosure within Note 1 for the Organization's accounting policies for revenue sources.

The adoption of this ASU did not have a significant impact on the GVLТ's financial statements. The majority of the Organization's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services and do not contain variable consideration. Based on the Organization's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

1. Activities and Significant Accounting Policies (continued)

Adoption of New Accounting Standards (continued)

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* and subsequently issued related ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments – Overall (Subtopic 825-10)*. These standards amend certain aspects of accounting and disclosure requirements for financial instruments, including the requirement that equity investments with readily determinable fair values are to be measured at fair value with any changes in fair value recognized in the statement of changes in net assets. These standards were adopted by the Organization on July 1, 2019, using the modified retrospective method, and there is no effect on net assets with the implementation of these two ASUs.

In June 2016, the FASB issued ASU 2018-09, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The main provisions in this standard include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. The Organization elected to early adopt the guidance from this standard, effective July 1, 2019. Based on the Organization's review of its grants and contracts, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. The adoption of this standard has not impacted the statements of financial position or the statements of activities and changes in net assets.

In November 2017, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that amounts generally described as restricted cash and cash equivalents should be included within cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This new standard was adopted as of July 1, 2019, The Organization adopted the new standard as of July 1, 2019, and has adjusted the presentation in these financial statements accordingly.

Subsequent Events

Management has evaluated subsequent events through October 22, 2020, 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, 2020 and 2019

2. Investments

FASB 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.

Investments as of June 30, 2020 consist of the following:

	Cost	Gross Unrealized Gains/(Losses)	Fair Value
Marketable securities - Level 1:			
Bank insured deposit	\$ 51,515	\$ -	\$ 51,515
Exchange traded funds			
Large value equity	78,217	3,289	81,506
Mutual funds			
Bond funds	1,038,734	56,437	1,095,171
Foreign large-cap blend funds	670,335	(31,088)	639,247
Large-cap growth funds	414,030	317,334	731,364
Large-cap value funds	744,773	74,056	818,829
Small-cap growth funds	164,253	65,372	229,625
Small-cap value funds	223,434	6,182	229,616
	<u>\$ 3,385,291</u>	<u>\$ 491,582</u>	<u>\$ 3,876,873</u>

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

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>

Components of investment, interest and dividend income for the years ended June 30, 2020 and 2019 consist of the following:

	2020	2019
Interest and dividend income	\$ 159,361	\$ 116,586
Realized and unrealized gains/(losses)	109,791	135,556
Investment fees	(24,551)	(22,635)
	<u>\$ 244,601</u>	<u>\$ 229,507</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, 2020 and 2019, fees for management of endowment funds were \$10,146 and \$8,481, respectively.

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

3. Endowment (continued)

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.

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 GVLТ to retain as a fund of perpetual direction. As of June 30, 2020 and 2019, the endowment had no such deficiency.

Return Objectives and Risk Parameters

GVLТ 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 GVLТ must hold in perpetuity or for a donor-specified period(s). GVLТ 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, GVLТ 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). GVLТ targets a broad asset allocation and will use primarily index funds to achieve its long-term return objectives within prudent risk constraints.

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

3. Endowment (continued)

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.

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions - Income</u>	<u>With Donor Restrictions - Corpus</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 391,763	\$ 1,350,553	\$ 1,742,316
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions - Income</u>	<u>With Donor Restrictions - Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 356,922	\$ 1,350,553	\$ 1,707,475
Investment Return:				
Investment income, net	-	36,129	-	36,129
Net appreciation	-	45,312	-	45,312
Release per spending policy	-	(46,600)	-	(46,600)
Endowment net assets, end of year	\$ -	\$ 391,763	\$ 1,350,553	\$ 1,742,316

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

3. Endowment (continued)

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions - Income</u>	<u>With Donor Restrictions - Corpus</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 356,922	\$ 1,350,553	\$ 1,707,475
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions - Income</u>	<u>With Donor Restrictions - Corpus</u>	<u>Total</u>
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	<u>\$ -</u>	<u>\$ 356,922</u>	<u>\$ 1,350,553</u>	<u>\$ 1,707,475</u>

4. Fixed Assets

Fixed assets at June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Furniture and Equipment	\$ 32,655	\$ 27,333
Vehicles	37,900	41,900
	70,555	69,233
Less: Accumulated Depreciation	<u>(49,929)</u>	<u>(43,464)</u>
	<u>\$ 20,626</u>	<u>\$ 25,769</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$ 10,465 and \$ 17,387, respectively.

5. Conservation Land Holding

During the year ended June 30, 2020, the Organization completed the acquisition of the Skogen property for a purchase price of \$300,000. The fair market value of the land acquired was \$752,000, determined by an independent appraisal near the closing date of the sale. The difference between the purchase price and the fair market value of the land of \$452,000, was recorded by the Organization as an in-kind contribution on the statement of activities. The total fair market value of the land was capitalized and recorded as an asset on the statement of financial position as of June 30, 2020.

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

6. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Endowment - corpus	\$ 1,350,553	\$ 1,350,553
Stewardship/defense fund	1,540,696	1,470,111
Unreleased endowment earnings	391,763	356,922
Evening on the Land	-	116,325
Cross Foundation - Skogen property	-	42,500
Cross Foundation - Gaffney property	25,000	-
Front Street	20,000	20,000
Cinnabar	14,840	20,000
Mysun	13,950	7,500
Skogen property	11,971	60,000
Gaffney property	10,835	-
Easement Outreach	-	10,000
Travelers for Open Land	-	9,810
Gianforte Family Foundation	5,000	5,000
Hospital trails	4,010	4,010
REI	4,000	5,208
Painted Hills	-	4,015
Benches and memorials	-	4,000
BACF	2,000	2,000
Gallagator Broadway Connector	645	645
Snowfill	400	400
Trail Ambassador	-	342
	<u> </u>	<u> </u>
Total	\$ 3,395,663	\$ 3,489,341

7. 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.

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

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, 2020 and 2019, the numbers of hours for these contributed services were 1,450 and 2,767, respectively. These contributed services are not recorded in these financial statements.

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Constituent support	\$ 236	\$ -
Contractors and materials	-	600
Land	452,000	-
Member events	29,921	6,235
Outreach and promotions	6,778	1,599
Property and equipment	-	2,500
Supplies	1,000	100
Technology	1,350	142
Vehicles	-	1,800
	<u>\$ 491,285</u>	<u>\$ 12,976</u>

9. Deferred Gift Annuity

As of June 30, 2020, GVLT has been named as a beneficiary for eight deferred gift annuities, and also had four annuities relinquished into GVLT'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 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. The endowment funds held on behalf of GVLT had balances as of June 30, 2020 and 2019, of \$112,793 and \$80,908 respectively.

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

10. Conditional Promises to Give

GVLТ receives donor restricted reimbursable grants to support new conservation and trail projects. The revenue for these grants is not recognized until the expenses are incurred for grant purposes. During the year ended June 30, 2020, GVLТ received a new donor restricted reimbursable grant in the amount of \$45,000. As of June 30, 2020, and 2019, the Organization had donor restricted reimbursable grants outstanding totaling \$45,000 and \$76,578, respectively. As of June 30, 2020, the Organization incurred expenses of \$76,578 related to these grants; therefore, revenue of \$76,578 has been recognized for these grants.

11. 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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 897,621	\$ 394,981
Grants receivable	10,317	111,274
Pledges receivable	15,000	79,700
Stewardship receivable, net of allowance	17,300	57,300
Other receivable	576	1,390
Investments	3,876,873	5,235,861
Certificates of deposit	1,925,383	632,433
Less:		
With Donor Restrictions	<u>(3,395,663)</u>	<u>(3,489,341)</u>
Total Financial Assets Available	<u>\$ 3,347,407</u>	<u>\$ 3,023,598</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 certificates of deposit. Long term certificates of deposit can be redeemed as needed with immaterial penalties and include some that will reach maturity within one year of the statement of financial position date and therefore, available for general expenses. 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.

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

12. 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, 2020 and 2019, the Organization made a matching contribution to the SIMPLE plan of \$22,427 and \$20,004, respectively.

13. Operating Leases

GVLТ leases buildings for its current office facility and storage. In fiscal year 2014, GVLТ entered into an operating lease agreement that expired during fiscal year 2019. In fiscal year 2019, GVLТ 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, 2020, the base rent rate is \$18.50 per square foot, and the operating expenses rate is \$5.20 per square foot. For the year ended June 30, 2020 total lease payments were \$ 105,023.

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

FY2021	\$ 79,594
FY2022	81,724
FY2023	83,852
FY2024	42,459
	<hr/>
	\$ 287,629

14. Paycheck Protection Program Loan

The Organization was granted a \$160,000 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with the guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return the PPP loan. Proceeds from the loan are eligible for forgiveness if they are used for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended June 30, 2020. The Organization will be required to repay any remaining balance, plus interest accrued at 1 percent, in monthly payments commencing upon notification of forgiveness or partial forgiveness.

GALLATIN VALLEY LAND TRUST
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

15. Recent Accounting Pronouncements

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, 2012. 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.