

The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.





Glacier National Park
CONSERVANCY

FINANCIAL REPORT

December 31, 2017 and 2016



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Glacier National Park Conservancy
Columbia Falls, Montana

We have audited the accompanying financial statements of the Glacier National Park Conservancy (a nonprofit organization) which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities 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 the Glacier National Park Conservancy as of December 31, 2017 and 2016, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Anderson Zurmuehlen & Co., P.C.

Missoula, Montana
June 12, 2018

FINANCIAL STATEMENTS

GLACIER NATIONAL PARK CONSERVANCY
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u> (As restated)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,181,457	\$ 3,312,822
Current promises to give, net of discount	91,242	694,660
Prepaid expenses	30,794	27,531
Inventory	<u>434,452</u>	<u>267,889</u>
Total current assets	<u>3,737,945</u>	<u>4,302,902</u>
OTHER ASSETS		
Investments	3,063,841	657,054
Long-term promises to give, net of current portion and discount	-	44,796
Donated artwork	<u>5,000</u>	<u>49,000</u>
Total other assets	<u>3,068,841</u>	<u>750,850</u>
PROPERTY AND EQUIPMENT, NET	<u>314,485</u>	<u>320,496</u>
Total assets	<u>\$ 7,121,271</u>	<u>\$ 5,374,248</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 33,198	\$ 85,015
Accrued expenses	52,293	51,557
Agency funding payable	1,252,806	55,064
Grants payable	<u>2,352,596</u>	<u>2,032,200</u>
Total current liabilities	<u>3,690,893</u>	<u>2,223,836</u>
NET ASSETS		
Unrestricted		
Undesignated	2,148,458	1,217,570
Board designated	<u>554,259</u>	<u>655,485</u>
	2,702,717	1,873,055
Temporarily restricted	406,818	960,514
Permanently restricted	<u>320,843</u>	<u>316,843</u>
Total net assets	<u>3,430,378</u>	<u>3,150,412</u>
Total liabilities and net assets	<u>\$ 7,121,271</u>	<u>\$ 5,374,248</u>

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

GLACIER NATIONAL PARK CONSERVANCY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Merchandise sales, net of discounts	\$ 3,555,540	\$ -	\$ -	\$ 3,555,540
Less: Cost of goods sold	<u>(1,707,788)</u>	<u>-</u>	<u>-</u>	<u>(1,707,788)</u>
Net merchandise sales	1,847,752	-	-	1,847,752
Contributions and other public support	1,304,207	812,199	4,000	2,120,406
Donated goods and services	-	177,395	-	177,395
Other revenue	15,553	-	-	15,553
Investment income, net	(21,386)	50,066	-	28,680
Net assets released from restrictions	<u>1,593,356</u>	<u>(1,593,356)</u>	<u>-</u>	<u>-</u>
Funds available for program and supporting services	<u>4,739,482</u>	<u>(553,696)</u>	<u>4,000</u>	<u>4,189,786</u>
EXPENSES				
Program services				
Glacier	2,928,918	-	-	2,928,918
Agency	<u>35,246</u>	<u>-</u>	<u>-</u>	<u>35,246</u>
Total program services	<u>2,964,164</u>	<u>-</u>	<u>-</u>	<u>2,964,164</u>
Funds available for supporting services	<u>1,775,318</u>	<u>(553,696)</u>	<u>4,000</u>	<u>1,225,622</u>
Supporting services				
Fundraising	554,653	-	-	554,653
Administrative	<u>391,003</u>	<u>-</u>	<u>-</u>	<u>391,003</u>
Total supporting services	<u>945,656</u>	<u>-</u>	<u>-</u>	<u>945,656</u>
Total expenses	<u>3,909,820</u>	<u>-</u>	<u>-</u>	<u>3,909,820</u>
Change in net assets	829,662	(553,696)	4,000	279,966
NET ASSETS				
Beginning of year (as restated)	<u>1,873,055</u>	<u>960,514</u>	<u>316,843</u>	<u>3,150,412</u>
End of year	<u>\$ 2,702,717</u>	<u>\$ 406,818</u>	<u>\$ 320,843</u>	<u>\$ 3,430,378</u>

The Notes to Financial Statements are an integral part of this statement.

GLACIER NATIONAL PARK CONSERVANCY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Merchandise sales, net of discounts	\$ 3,444,653	\$ -	\$ -	\$ 3,444,653
Less: Cost of goods sold	<u>(1,727,593)</u>	<u>-</u>	<u>-</u>	<u>(1,727,593)</u>
Net merchandise sales	1,717,060	-	-	1,717,060
Contributions and other public support	2,223,932	966,067	17,150	3,207,149
Donated goods and services	-	311,128	-	311,128
Other revenue	9,592	-	-	9,592
Investment income, net	4,901	29,485	-	34,386
Net assets released from restrictions	<u>849,795</u>	<u>(849,795)</u>	<u>-</u>	<u>-</u>
Funds available for program and supporting services	<u>4,805,280</u>	<u>456,885</u>	<u>17,150</u>	<u>5,279,315</u>
EXPENSES				
Program services				
Glacier	3,247,625	-	-	3,247,625
Agency	<u>30,968</u>	<u>-</u>	<u>-</u>	<u>30,968</u>
Total program services	<u>3,278,593</u>	<u>-</u>	<u>-</u>	<u>3,278,593</u>
Funds available for supporting services	<u>1,526,687</u>	<u>456,885</u>	<u>17,150</u>	<u>2,000,722</u>
Supporting services				
Fundraising	393,780	-	-	393,780
Administrative	<u>391,837</u>	<u>-</u>	<u>-</u>	<u>391,837</u>
Total supporting services	<u>785,617</u>	<u>-</u>	<u>-</u>	<u>785,617</u>
Total expenses	<u>4,064,210</u>	<u>-</u>	<u>-</u>	<u>4,064,210</u>
Change in net assets	741,070	456,885	17,150	1,215,105
NET ASSETS				
Beginning of year (as previously reported)	610,655	1,024,959	299,693	1,935,307
Restatement	<u>521,330</u>	<u>(521,330)</u>	<u>-</u>	<u>-</u>
Beginning of year (as restated)	1,131,985	503,629	299,693	1,935,307
End of year (as restated)	<u>\$ 1,873,055</u>	<u>\$ 960,514</u>	<u>\$ 316,843</u>	<u>\$ 3,150,412</u>

The Notes to Financial Statements are an integral part of this statement.

GLACIER NATIONAL PARK CONSERVANCY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 279,966	\$ 1,215,105
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	65,196	50,380
Unrealized gain on investments	(52,337)	(21,220)
Realized loss (gain) on investments	47,466	(2,783)
Loss on disposal of property and equipment	7,572	-
Permanently restricted contributions	(4,000)	(17,150)
Noncash contributions	(28,091)	(89,753)
Changes in operating assets and liabilities:		
Promises to give	648,214	(489,660)
Prepaid expenses	(3,263)	(10,127)
Inventory	(166,563)	(17,090)
Accounts payable	(51,817)	74,565
Accrued expenses	736	(15,047)
Agency funding payable	1,197,742	(859)
Grants payable	<u>320,396</u>	<u>976,352</u>
Net cash flows from operating activities	<u>2,261,217</u>	<u>1,652,713</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for the purchase of investments	(2,329,825)	(77,372)
Cash paid for the purchase of property and equipment	<u>(66,757)</u>	<u>(116,043)</u>
Net cash flows from investing activities	<u>(2,396,582)</u>	<u>(193,415)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	<u>4,000</u>	<u>17,150</u>
Net cash flows from financing activities	<u>4,000</u>	<u>17,150</u>
Net change in cash and cash equivalents	(131,365)	1,476,448
Cash and cash equivalents at beginning of year	<u>3,312,822</u>	<u>1,836,374</u>
Cash and cash equivalents at end of year	<u>\$ 3,181,457</u>	<u>\$ 3,312,822</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Contribution of marketable securities	<u>\$ 28,091</u>	<u>\$ 89,753</u>

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

GLACIER NATIONAL PARK CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Glacier National Park Conservancy (the Conservancy), a private nonprofit 501(c)(3) organization, is the official philanthropic and outreach partner for Glacier National Park. It leads philanthropic initiatives and operates park bookstores in ten visitor centers and ranger stations in and around Glacier National Park, as well as bookstores at the National Bison Range, Grant-Kohrs Ranch National Historic Site, Bighole National Battlefield, and the Flathead National Forest. Funds are raised through merchandise revenue, donations, and grants. The Conservancy assures the ongoing Glacier National Park experience by funding transformative programs that protect Glacier National Park for current and future generations.

The Conservancy's grant making is organized around three core program areas, which are:

- ❖ *Preservation* – The Conservancy funds projects and programs that preserve Glacier National Park's heritage for all to explore in generations to come. Take a walk on Glacier National Park's trails or a drive along the Going-to-the-Sun Road, and you will pass by historic cabins, native wildflowers, exhibits about park wildlife, and ten visitor centers and ranger stations. With over 700 miles of trail and nearly 400 historic structures, countless artifacts and archaeology sites, and the storied Ptarmigan Tunnel, Glacier National Park stretches across one million acres of forest, prairie, and alpine parkland.
- ❖ *Research* – The Conservancy funds research on priority issues for Glacier National Park and assists in making informed conservation decisions that protect Glacier National Park's future. From climate and wildlife to citizen science and vegetation, Glacier National Park is a thriving laboratory home to over 1,200 plant species, 240 bird species, and 65 species of native mammals. Its habitat extends well beyond Glacier National Park's borders, making the Crown of the Continent one of the most biologically intact ecosystems in North America.
- ❖ *Education* – The Conservancy facilitates strategic education initiatives designed to engage current and future Glacier National Park stewards of all ages by funding programming, transportation, and endowments that ensure our children and grandchildren all have the opportunity to become a part of Glacier National Park's scientific, historic, and conservation story. Each fall and spring, buses arrive in Glacier National Park, dropping off over 7,000 school children eager to develop scientific and leadership skills. Families arrive for multigenerational guided park adventures. Teachers arrive to attend workshops designed to provide hands-on, standards-based curriculum training for classroom and park learning. In the summer, Glacier Youth Corps sets out to repair trails, paint buildings, give public programs, and learn about careers in public lands.

The Conservancy also directs and supports national and local outreach initiatives including events, celebrations, and other activities that activate and expand community investment in Glacier National Park. Each program is designed to provide critical support necessary to help preserve and protect Glacier National Park, its inhabitants, its guests, and its visitors.

GLACIER NATIONAL PARK CONSERVANCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017 and 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

The primary sources of revenue for the Conservancy are merchandise sales and contributions. Individuals and business organizations comprise the majority of contributors. It is at least reasonably possible that national economic conditions could impact contributions in the near term.

Basis of Accounting

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board.

Change in Accounting Principle

The Conservancy has adopted the provision of FASB Accounting Standards Update (ASU) No. 2015-11 Inventory – Simplifying the Measurement of Inventory (Topic 330). This accounting standard was issued as part of FASB’s Simplification Initiative. The accounting standard requires the Conservancy to measure inventory at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This accounting standard is preferable because it simplifies the Conservancy’s measurement of inventory. The standard has been applied retrospectively to all periods presented in the financial statements. This change did not have a material effect on the 2017 and 2016 financial statements.

Cash and Cash Equivalents

The Conservancy considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Conservancy maintains cash balances in several financial institutions. Federal Deposit Insurance Corporation (FDIC) coverage is \$250,000. From time to time, certain bank accounts may exceed their insured limits. At December 31, 2017 and 2016, \$198,860 and \$2,930 of the Conservancy’s accounts were uninsured, respectively.

Promises to Give

Unconditional promises to give (pledges) are recorded as receivables and revenue when the pledge is received. The Conservancy distinguishes between pledges received for each net asset category in accordance with donor restrictions, if any. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows. Management reviews the individual pledges for collectability. Uncollectible pledges are expected to be insignificant. Accordingly, no allowance for uncollectible pledges is considered necessary at December 31, 2017 and 2016. Conditional pledges are not recorded in the accounting records until all donor conditions are met. As of December 31, 2017 and 2016, the Conservancy did not have any conditional pledges.

GLACIER NATIONAL PARK CONSERVANCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017 and 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory consists primarily of merchandise for resale, including apparel, books, maps, and souvenir goods. Beginning in 2017 with the implementation of a new, enhanced point-of-sale system, inventory is valued at the lower of cost or net realizable value, determined on a rolling, average cost basis. In prior periods, inventory was valued at the lower of cost or net realizable value determined on a first-in, first-out basis. The prior-period effect of this change in accounting principle is impractical to determine as the previous inventory system would not allow for the calculation of a rolling average cost for inventory items; this change in accounting principle is presented prospectively effective December 31, 2016.

Donated items are recorded at estimated fair value on the date of donation. Amounts used during the year are included in program services expense in the statements of activities. Shipping billed to customers is included in merchandise sales revenue and freight costs are included in cost of goods sold.

Investments

Investments are carried at fair value, and consist of brokered certificates of deposit, bonds, and mutual funds.

Risks and Uncertainties

The Conservancy invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, credit, and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

Property and Equipment

Property and equipment are recorded at cost if purchased or fair value on the date of the contribution and are depreciated using the straight-line method over useful lives of 3 to 40 years. If a donor stipulates how long the asset must be used or what it must be used for, the contribution is recorded as restricted support. The Conservancy has no policy for placing time restrictions on donated assets. Leasehold improvements are amortized over the lesser of 10 years or the lease term. The Conservancy's capitalization policy requires expenditures to be capitalized based on various thresholds ranging from \$1,000 to \$5,000 depending on the expenditure's classification. In 2017, the minimum threshold for capitalization was raised from \$500 to \$1,000. Routine repairs and maintenance are expensed as incurred.

GLACIER NATIONAL PARK CONSERVANCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017 and 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Property

A piece of artwork was donated to the Conservancy in 2013. At the date of donation, the item was valued at a fair value of \$49,000 as determined by an appraisal. In 2017, the Conservancy became aware of facts that the initial appraisal value of this artwork was inflated and obtained a secondary opinion of the fair value. Based on the secondary opinion, the Conservancy recognized an impairment loss on this artwork totaling \$44,000 in 2017. The loss on the artwork is included in investment income of the accompanying statement of activities.

Grants Payable and Agency Funding Payable

Unconditional promises to pay (grants payable) are recognized as an expense in the period in which they are approved by the Board of Directors. If the grants are to be paid over a period exceeding one year, they are recorded at the net present value of the future cash payments, using an applicable rate determined by management. The Conservancy controls certain cash for designated programs and projects, primarily for the National Park Service. These are reported on the statement of financial position as "Agency Funding Payable."

Classification of Net Assets

The Conservancy classifies contributions as unrestricted, temporarily restricted, or permanently restricted net assets in accordance with donor stipulations. Permanently restricted net assets consist of endowed gifts where donors have specified investment in perpetuity to support the Conservancy's mission. Temporarily restricted net assets include gifts restricted as to purpose or time. When a donor restriction expires (time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. All expenses are reported in unrestricted net assets, after applicable restrictions have been satisfied. The Board of Directors has adopted a policy for designating an operating reserve of \$500,000 along with other net assets for projects or uses at December 31, 2017 and 2016 respectively. In addition to the \$500,000 operating reserve, the Board has designated \$54,259 and \$70,485 of net assets for projects at December 31, 2017 and 2016. In 2016, the Conservancy received an estate gift of \$1,139,615. The Board of Directors is working closely with the management team to determine the most appropriate use of these funds which are currently presented as unrestricted undesignated funds.

GLACIER NATIONAL PARK CONSERVANCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017 and 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets (Continued)

In-Kind Donations

The Conservancy seeks and receives the volunteer efforts of community members to attain its goals. A variety of skilled individuals, including biologists, naturalists, researchers, and others, donate time and services to the Conservancy. The value of donated services meeting the criteria of GAAP for recognition is reported as donated services in the statement of activities with a corresponding expense recorded in program expenses. The value of donated services is determined by the donors as the usual fee they would receive for such services in the normal course of their profession. The Conservancy receives donations of supplies and other materials for use in its activities. These gifts are recorded at their estimated fair value on the date of donation. Donated goods are recorded as unrestricted revenue in the statement of activities, unless restricted by the donor.

Expense Allocations

Grant awards and cost of goods sold are allocated to program services according to the portion of cost directly related to the program. Compensation, payroll taxes, employee benefits, professional fees, travel expenses, office expense, and computer-related expenses are allocated to program services according to a time study analyzing the portion of cost benefiting each program, principally on the basis of staff time. Insurance, depreciation, and occupancy are allocated based on square footage and outreach is split equally between program services and fundraising.

Advertising Costs

The Conservancy expenses the costs of advertising as incurred. Advertising expense totaled \$22,414 and \$39,997 in 2017 and 2016, respectively.

Income Taxes

The Conservancy is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. This code section enables the Conservancy to accept donations that qualify as charitable contributions to the donor. However, income from certain activities not directly related to the Conservancy's tax-exempt purpose is subject to taxation as unrelated business income. No provision for income taxes has been recorded in the accompanying financial statements because management has determined the amount is not significant.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of income and expenses. Actual results could differ from those estimates.

GLACIER NATIONAL PARK CONSERVANCY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2017 and 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications have been made to the 2016 financial statement presentation to correspond to the current year's format. Total net assets and changes in net assets for 2016 are unchanged due to these reclassifications.

Subsequent Events

Management has evaluated subsequent events through June 12, 2018, the date which the financial statements were available for issue.

NOTE 2. INVESTMENTS

The following summarizes net investment income in the statements of activities:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 26,316	\$ 13,167
Net unrealized gain	52,337	21,220
Net realized gain (loss)	(47,466)	2,783
Investment expenses	<u>(2,507)</u>	<u>(2,784)</u>
Total	<u>\$ 28,680</u>	<u>\$ 34,386</u>

There are three general valuation techniques that may be used to measure fair value, as described below:

- *Market Approach* – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sales transactions, market trades, or other sources;
- *Cost Approach* – Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
- *Income Approach* – Uses valuation techniques to convert future amounts to a single preset amount based on current market expectations about the future amounts (includes present value techniques). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Investments are valued using the market approach and are carried at fair value using quoted prices in active markets (Level 1 inputs) or quoted prices in active markets for similar assets that are observable through the measurement date (Level 2 inputs). The Conservancy's policy for determining the timing of significant transfers between Levels 1 and 2 is at the end of the reporting period.

GLACIER NATIONAL PARK CONSERVANCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017 and 2016

NOTE 2. INVESTMENTS (CONTINUED)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

Mutual funds: Valued at daily closing price as reported by the fund. Mutual funds held the Conservancy are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Conservancy are deemed to be actively traded.

Corporate Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

A summary of the cost and fair value of investments at December 31, 2017 follows:

	2017		
	Amortized Cost or Cost	Unrealized Gains (Losses)	Fair Value
Money Market Funds	\$ 65,119	\$ -	\$ 65,119
Level 1			
Mutual Funds			
Foreign Large Blend	68,502	9,061	\$ 77,563
Large Growth	144,431	62,206	206,637
Small Value	<u>40,799</u>	<u>13,080</u>	<u>53,879</u>
	<u>253,732</u>	<u>84,347</u>	<u>338,079</u>
Level 2			
Corporate Bonds			
AA-	25,000	(518)	24,482
BBB	26,966	(139)	26,827
Brokered Certificates of Deposit	<u>2,611,000</u>	<u>36</u>	<u>2,609,334</u>
	<u>2,662,966</u>	<u>(621)</u>	<u>2,660,643</u>
	<u>\$ 2,981,817</u>	<u>\$ 83,726</u>	<u>\$ 3,063,841</u>

GLACIER NATIONAL PARK CONSERVANCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017 and 2016

NOTE 2. INVESTMENTS (CONTINUED)

A summary of the cost and fair value of investments at December 31, 2016 follows:

	2016		Fair Value
	Amortized Cost or Cost	Unrealized Gains (Losses)	
Level 1			
Mutual Funds			
Foreign Large Blend	\$ 68,503	\$ (5,325)	\$ 63,178
Large Growth	135,155	35,538	170,693
Small Value	<u>31,168</u>	<u>7,147</u>	<u>38,315</u>
	<u>234,826</u>	<u>37,360</u>	<u>272,186</u>
Level 2			
Bonds			
AA-	25,000	3	25,003
BBB	24,019	11	24,030
BBB-	25,000	(201)	24,799
Brokered Certificates of Deposit	<u>311,000</u>	<u>36</u>	<u>311,036</u>
	<u>385,019</u>	<u>(151)</u>	<u>384,868</u>
	<u>\$ 619,845</u>	<u>\$ 37,209</u>	<u>\$ 657,054</u>

NOTE 3. PROMISES TO GIVE

Promises to give at December 31, 2017 and 2016 consist of:

	<u>2017</u>	<u>2016</u>
Promises to give	\$ 91,242	\$ 744,660
Less discount	<u>-</u>	<u>(5,204)</u>
Total	<u>\$ 91,242</u>	<u>\$ 739,456</u>

The discount on long-term promises to give is based on a present value calculation using the risk-free rate of return in accordance with GAAP. The applicable rate at December 31, 2017 and 2016 ranged from .65% to 1.28%. At December 31, 2017, two pledges represented 58% of the total promises to give. At December 31, 2016, two pledges represented 91% of the total promises to give. One of the two pledges totaled \$1,133,986 (\$625,957 of which was outstanding at December 31, 2016), representing 35% of total contributions and other public support in 2016.

GLACIER NATIONAL PARK CONSERVANCY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2017 and 2016

NOTE 3. PROMISES TO GIVE (CONTINUED)

The table below summarizes the changes in fair value of promises to give for 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 739,456	\$ 249,796
Discount included in revenue	4,182	-
New pledges	24,561	644,660
Payments received	<u>(676,957)</u>	<u>(155,000)</u>
Balance, end of year	<u>\$ 91,242</u>	<u>\$ 739,456</u>

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Building	\$ 397,190	\$ 391,390
Vehicles	43,971	36,914
Furniture and equipment	379,791	423,962
Leasehold improvements	45,558	27,536
Construction in progress	<u>1,200</u>	<u>-</u>
Property and equipment	867,710	879,802
Accumulated depreciation	<u>(553,225)</u>	<u>(559,306)</u>
Property and equipment, net	<u>\$ 314,485</u>	<u>\$ 320,496</u>

Depreciation expense totaled \$65,196 and \$50,380 for 2017 and 2016, respectively.

NOTE 5. ENDOWMENT

The Conservancy's endowment consists of nine funds established for the purpose of preserving and supporting Glacier National Park, and includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

GLACIER NATIONAL PARK CONSERVANCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2017 and 2016

NOTE 5. 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, the Conservancy classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations made to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Conservancy in a manner consistent with the standard of prudence prescribed by MUPMIFA.

In accordance with MUPMIFA, the Conservancy considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the fund and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the fund; and
- The investment policies of the fund.

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 the Conservancy to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no funds with deficiencies in 2017 or 2016.

Return Objectives and Risk Parameters

The Conservancy has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Conservancy must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield of 5%. The Conservancy 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.

GLACIER NATIONAL PARK CONSERVANCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2017 and 2016

NOTE 5. ENDOWMENT (CONTINUED)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Conservancy 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). The Conservancy targets a diversified asset allocation including cash equivalents, bonds, and equity securities to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Conservancy's spending policy allows for an annual distribution of 90% of the endowment fund annual return on investment for any endowment exceeding \$50,000. Investment returns on endowment funds under \$50,000 are maintained in the specific fund until the fund reaches or exceeds \$50,000. The Conservancy expects its spending policy to allow the endowment to grow and to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The Conservancy adopted the practice of appropriating actual endowment earnings in 2013.

Endowment net asset composition by type of fund as of December 31, 2017, follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment fund	\$ -	\$ -	\$ 320,843	\$ 320,843
Board-designated endowment funds	-	135,066	-	135,066
Total	<u>\$ -</u>	<u>\$ 135,066</u>	<u>\$ 320,843</u>	<u>\$ 455,909</u>

Endowment net asset composition by type of fund as of December 31, 2016, follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment fund	\$ -	\$ -	\$ 316,693	\$ 316,693
Board-designated endowment funds	85,000	-	-	85,000
Total	<u>\$ 85,000</u>	<u>\$ -</u>	<u>\$ 316,693</u>	<u>\$ 401,693</u>

**GLACIER NATIONAL PARK CONSERVANCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2017 and 2016

NOTE 5. ENDOWMENT (CONTINUED)

Changes in the endowment net asset composition by fund type for the years ended December 31, 2017 and 2016, follow:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2016	\$ -	\$ 55,515	\$ 299,693	\$ 355,208
Investment return				
Investment income	-	7,879	-	7,879
Net appreciation	-	<u>21,606</u>	-	<u>21,606</u>
Total investment return	-	29,485	-	29,485
Contributions	-	-	<u>17,150</u>	<u>17,150</u>
Endowment net assets, December 31, 2016	-	85,000	316,843	401,843
Investment return				
Investment income	-	9,917	-	9,917
Net appreciation	-	<u>40,149</u>	-	<u>40,149</u>
Total investment return	-	50,066	-	50,066
Contributions	-	-	<u>4,000</u>	<u>4,000</u>
Endowment net assets, December 31, 2017	<u>\$ -</u>	<u>\$ 135,066</u>	<u>\$ 320,843</u>	<u>\$ 455,909</u>

NOTE 6. RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Theresa Williams Memorial	\$ 59,710	\$ 59,710
Red Bus Endowment	45,948	45,948
Backcountry Endowment	60,050	60,200
General Endowment	55,035	55,035
Trails Endowment	2,835	2,835
Robbins Endowment	30,215	28,215
Case Family Endowment	55,355	53,205
Discover Endowment	<u>11,695</u>	<u>11,695</u>
	<u>\$ 320,843</u>	<u>\$ 316,843</u>

GLACIER NATIONAL PARK CONSERVANCY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2017 and 2016

NOTE 6. RESTRICTED NET ASSETS (CONTINUED)

Temporarily restricted net assets consist of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Celebrate Fund	\$ 69,670	\$ 62,961
Discover Fund	9,235	20,117
Experience Fund	93,481	44,978
Research Fund	8,124	8,002
Unappropriated endowment earnings	135,066	85,000
Pledges receivable	<u>91,242</u>	<u>739,456</u>
	<u>\$ 406,818</u>	<u>\$ 960,514</u>

NOTE 7. LEASES

The Conservancy leases its administrative facilities under a lease expiring June 1, 2018. Minimum future lease payments under this agreement are as follows:

<u>Year Ending December 31,</u>	
2018	\$ 10,200
Total	<u>\$ 10,200</u>

Rent expense in 2017 and 2016 totaled \$26,360 and \$24,360, respectively.

NOTE 8. FUNDRAISING EXPENSES

Fundraising expenses in 2017 and 2016 totaled \$554,653 and \$393,780, respectively, representing approximately 14.2% and 9.6% of total expenses, respectively.

NOTE 9. PENSION PLAN

The Conservancy maintains a defined contribution retirement plan. The plan operates under Section 403(b) of the Internal Revenue Code and uses TIAA-CREF Retirement Annuities to provide benefits. The Administrator of the plan is Glacier National Park Conservancy. To be eligible for the plan, employees must be employed for two years and work 1,000 hours or more in a calendar year.

GLACIER NATIONAL PARK CONSERVANCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017 and 2016

NOTE 9. PENSION PLAN (CONTINUED)

The Conservancy pays 5% of regular salary to the plan for covered employees. When made, the contribution is fully vested to the participant. Contributions are invested, at the discretion of the participant, in one or more of the funding vehicles available to the participant under the plan.

The normal retirement age is 65 years. During the years end December 31, 2017 and 2016, twelve and eight employees participated in the plan, respectively. The total contribution amount paid by the Conservancy was \$23,641 and \$17,032, in 2017 and 2016, respectively.

NOTE 10. PRIOR PERIOD RESTATEMENT

In 2017, the management noted net assets with donor-imposed restrictions that were granted to Glacier National Park, had been reported incorrectly as temporarily restricted assets. As the grant approval fulfills the purpose restriction, the amounts granted should have been reflected as being released from restriction. The previously reported total change in net assets and total net assets did not change as a result of the restatement. The table on the following page provides the detail of the restatement.

	As Restated		As Previously Reported		Change	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
For the year ended December 31, 2016						
Net assets released from restrictions	\$ 849,795	\$ (849,795)	\$ 1,321,991	\$ (1,321,991)	\$ (472,196)	\$ 472,196
	As Restated		As Previously Reported		Change	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
NET ASSETS						
Beginning of year (January 1, 2016)	\$ 1,131,985	\$ 503,629	\$ 610,655	\$ 1,024,959	\$ 521,330	\$ (521,330)
End of year (December 31, 2016)	\$ 1,873,055	\$ 960,514	\$ 1,836,218	\$ 997,351	\$ 36,837	\$ (36,837)

SUPPLEMENTARY INFORMATION

GLACIER NATIONAL PARK CONSERVANCY
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Program Services		Supporting Services		Total
	Glacier	Agency	Fundraising	Administrative	
EXPENSES					
Grants and awards	\$ 1,993,867	\$ 22,500	\$ 148,688	\$ 5,592	\$ 2,170,647
Salaries and wages	488,748	-	156,662	248,987	894,397
Payroll taxes and employee benefits	84,373	-	36,652	57,422	178,447
Computer	28,839	-	9,262	14,721	52,822
Occupancy	51,911	5,783	5,488	11,941	75,123
Office	133,935	1,740	26,903	19,856	182,434
Outreach	61,236	-	153,243	-	214,479
Professional services	18,501	-	5,942	6,937	31,380
Staff development	6,746	-	2,167	7,035	15,948
Travel	15,804	-	5,076	8,067	28,947
Total expenses before depreciation	<u>2,883,960</u>	<u>30,023</u>	<u>550,083</u>	<u>380,558</u>	<u>3,844,624</u>
Depreciation	<u>44,958</u>	<u>5,223</u>	<u>4,570</u>	<u>10,445</u>	<u>65,196</u>
Total expenses	<u>\$ 2,928,918</u>	<u>\$ 35,246</u>	<u>\$ 554,653</u>	<u>\$ 391,003</u>	<u>\$ 3,909,820</u>



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