



MONTANA SHARES, INC.
INDEPENDENT AUDITOR'S REPORT and
FINANCIAL STATEMENTS
December 31, 2021

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Peterson CPA Group, P.C.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Montana Shares, Inc.
Helena, Montana

Opinion

We have audited the accompanying financial statements of Montana Shares, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montana Shares, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, Schedule of Final Distributions, 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 audit 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.

Peterson CPA Group, P.C.

Missoula, Montana
November 14, 2022

FINANCIAL STATEMENTS

MONTANA SHARES, INC.

STATEMENT OF FINANCIAL POSITION At December 31, 2021

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents - operating	\$ 101,044
Cash and cash equivalents - campaign	91,785
Employee retention tax credit receivable	11,324
Pledges receivable, net	<u>113,152</u>
Total Current Assets	317,305
EQUIPMENT	
Less accumulated depreciation	<u>(800)</u>
Equipment, net	<u>250</u>
Total Assets	<u><u>\$ 317,555</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable - trade	\$ 392
Payable to member organizations	95,147
Payable to non-member organizations	7,405
Payroll liabilities and compensated absences	<u>7,240</u>
Total Current Liabilities	110,184
Total Liabilities	<u>110,184</u>
NET ASSETS	
Without donor restrictions	117,746
With donor restrictions	<u>89,625</u>
Total Net Assets	<u>207,371</u>
Total Liabilities and Net Assets	<u><u>\$ 317,555</u></u>

Refer to the accompanying notes to the financial statements

MONTANA SHARES, INC.

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT, GAINS, REVENUE, AND OTHER INCOME			
Workplace campaign pledges (campaign 20/21), net of uncollectible pledges	\$ 104,953	\$ -	\$ 104,953
Net assets (released from) added to restrictions:			
Contributions received in/for campaign 20/21	193,177	(193,177)	-
Contributions received in/for campaign 21/22	<u>(89,625)</u>	<u>89,625</u>	<u>-</u>
Subtotal	208,505	(103,552)	104,953
Less designated distributions - campaign 21/22	<u>(161,685)</u>	<u>-</u>	<u>(161,685)</u>
Net campaign support	<u>46,820</u>	<u>(103,552)</u>	<u>(56,732)</u>
Member fees	22,067	-	22,067
Special appeals	8,794	-	8,794
Raffle and special events	30,472	-	30,472
Grants and contracts	53,247	-	53,247
Other income	20,236	-	20,236
Interest	<u>124</u>	<u>-</u>	<u>124</u>
Total support, gains, revenue, and other income	181,760	(103,552)	78,208
EXPENSES AND ALLOCATIONS			
Program	115,718	-	115,718
Fundraising	10,170	-	10,170
Management and general	8,521	-	8,521
Funds allocated to member agencies - nondesignated campaign 21/22 (Program)	<u>21,888</u>	<u>-</u>	<u>21,888</u>
Total expenses and allocations	<u>156,297</u>	<u>-</u>	<u>156,297</u>
Change in net assets	25,463	(103,552)	(78,089)
NET ASSETS			
Beginning of year	<u>92,283</u>	<u>193,177</u>	<u>285,460</u>
End of year	<u><u>\$ 117,746</u></u>	<u><u>\$ 89,625</u></u>	<u><u>\$ 207,371</u></u>

Refer to the accompanying notes to the financial statements

MONTANA SHARES, INC.

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2021

	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Accounting fees	\$ 8,642	\$ 687	\$ 641	\$ 9,970
Advertising	-	-	-	-
Campaign fees	755	-	-	755
Dues and subscriptions	1,015	81	75	1,171
Insurance	1,311	104	98	1,513
Miscellaneous	1,483	118	110	1,711
Office	296	24	22	342
Payroll benefits	8,312	661	616	9,589
Payroll taxes	5,641	449	418	6,508
Payroll - executive director	50,086	3,983	3,714	57,783
Payroll - staff	23,736	1,888	1,760	27,384
Postage	607	48	45	700
Printing	4,261	339	316	4,916
Raffle	-	1,030	-	1,030
Rent	4,899	390	363	5,652
Technology	3,280	261	243	3,784
Telephone	1,344	107	100	1,551
Travel and training	50	-	-	50
	<u>\$ 115,718</u>	<u>\$ 10,170</u>	<u>\$ 8,521</u>	<u>\$ 134,409</u>
	86.1%	7.6%	6.3%	100.0%

Refer to the accompanying notes to the financial statements

MONTANA SHARES, INC.

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (78,089)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Changes in operating assets and liabilities	
Employee retention tax credit receivable	(11,324)
Pledges receivable	108,647
Accounts payable - trade	360
Payable to member organizations	(34)
Payable to non-member organizations	3,865
Payroll liabilities and compensated absences	466
Total adjustments	<u>101,980</u>
Net Cash Flows from Operating Activities	<u>23,891</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash received from borrowing	-
Forgiveness of refundable advance	<u>(20,300)</u>
Net Cash Flows from Financing Activities	<u>(20,300)</u>
Net change in cash, cash equivalents, and restricted cash	3,591
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	
Beginning of year	<u>189,238</u>
End of year	<u>\$ 192,829</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH WITH THE STATEMENT OF FINANCIAL POSITION:	
Cash and cash equivalents - operating	\$ 101,044
Cash and cash equivalents - campaign	<u>91,785</u>
	<u>\$ 192,829</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS	
Forgiveness of the refundable advance (Financing Activities)	<u>\$ 20,300</u>

Refer to the accompanying notes to the financial statements

MONTANA SHARES, INC.

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2021

NOTE 1. ORGANIZATION AND PURPOSE

Montana Shares, Inc. (the Organization) is a nonprofit partnership of Montana-based nonprofit groups devoted to improving the quality of life in communities throughout Montana. The Organization's purpose is to work with and on behalf of its member organizations to promote the member organizations, providing training, technical assistance and support on a year-round basis and, thereby, help its members expand and diversify their programs that serve Montanans.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The Organization's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board (FASB).

B. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Certain bank accounts that are subject to coverage by the Federal Deposit Insurance Corporation (FDIC) may from time to time exceed their insured limits. At December 31, 2021, all bank accounts were fully insured by the FDIC. Accordingly, the Organization does not believe it is exposed to any significant credit risk on its cash balances.

C. Employee Retention Tax Credit Receivable

The Coronavirus Aid, Relief, and Economic Security (CARES) Act passed in March 2020 included a provision for an employee retention credit that is a fully refundable tax credit for eligible employers, subject to certain restrictions. Subsequent legislation allowed employers to retroactively apply for this credit. The Organization applied for and received a credit from 2020 and 2021 during 2022. This credit is reflected as a receivable and as grant revenue in the 2021 financial statements.

D. Pledges Receivable

The Organization receives pledges through annual workplace campaigns. Uncollectible pledges are written-off directly at the conclusion of the campaign resulting in no allowance account. All pledge receivables are due within one year. Pledges receivable represents the remaining balances on pledges from the previous year's workplace campaign. Unconditional promises to give that are expected to be collected within one year are recorded at their estimated net realizable value.

MONTANA SHARES, INC.

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Equipment

Equipment that is purchased is recorded at cost. Donated equipment is recorded at estimated fair market value. Equipment with a cost or fair market value greater than \$5,000 and whose expected useful life exceeds one year is capitalized. Depreciation expense is calculated using the straight-line method over the estimated useful life of the equipment, which ranges between five and ten years. Depreciation expense totaled \$-0- for the year ended December 31, 2021.

F. Compensated Absences

The Organization clarified its standing policy allowing employees to carry forward no more than 15 days (120 hours) of vacation time over from one calendar year to the next in May 2007. Employees are not compensated for excess accrual at the end of the calendar year. An employee who terminates employment, either voluntarily or involuntarily, will be paid the balance of earned and accrued vacation at the current base rate of pay. Employees accrue medical/bereavement/caretaker (MBC) leave to a maximum of 20 workdays (160 hours). Employees are not compensated for unused MBC leave upon termination of employment. Leave is prorated for part-time employees.

G. Net Asset Classification

Net assets and support, revenues, gains, expenses, 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 – Net assets available for use in general operations and are not subject to any donor-imposed restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions that expire either by the time restriction ending or the purpose restriction being accomplished. Once restrictions are met, the restrictions are accounted for as net assets released from restriction and reclassified as net assets without donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

GAAP provides that if a governing body of an organization has the unilateral power to redirect the use of a donor's contribution to another beneficiary, such contributions must be classified without restrictions. The Board of Directors of the Organization have that ability (variance power); however, they intend to exercise this authority only if the stated purpose of a contribution becomes no longer applicable or incapable of fulfillment. Accordingly, the Organization Financial Statements classify substantially all funds without restrictions, but segregate for internal management and recordkeeping. Additionally, to ensure the Organization observes the limitations and restrictions placed on the funds by donors, the accounts of the Organization are managed as individual charitable funds.

MONTANA SHARES, INC.

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Revenue Recognition

The Organization's primary source of revenue is contributions from workplace campaigns. Contribution and grant revenue is recognized following guidance of FASB ASC 958. Contributions are classified as available for use without donor restrictions unless specifically restricted by the donor. Contributions received that are restricted for future periods or restricted by specific purposes by the donor are reported as support with donor restrictions. When a donor restriction expires by the passage of time or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the Statement of Activities as net assets released from restriction.

Volunteers and employees of member groups contribute time to the Organization each year. The workplace campaign is run by volunteers. No amounts have been recorded in the financial statements for these contributed services since there is no objective basis available to measure the value of such services in accordance with GAAP.

Other significant revenue streams include member fees, special appeals, special events, and other activities. Revenue for all other revenue streams is recognized at a point in time following guidance of Topic 606.

Distinguishing between contributions and exchange transactions determines whether the accounting follows Topic 958 or Topic 606. An entity follows guidance from Topic 958 for contributions and applies guidance from Topic 606 for exchange transactions. Guidance from Topic 958 indicates that if the possibility a condition will not be met is remote, a conditional promise to give is considered unconditional and contribution revenue is immediately recognized and classified as net assets without donor restrictions or net assets with donor restrictions.

The Organization's activities and operations were negatively impacted by the results of the world-wide coronavirus pandemic and related restrictions and economic conditions negatively impacting activities and revenue in 2021. The Organization applied for and received a loan through the Paycheck Protection Program that was forgiven and is included in grant revenue.

Donated materials and equipment are recorded at their estimated fair values on the date of receipt. There were no donated materials or equipment in 2021.

The timing of revenue recognition, pledges, and cash receipts results in billed receivables on the statement of financial position. The balance of receivables for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Total Receivables	\$ 124,476	\$ 221,779

MONTANA SHARES, INC.

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Management believes there was no unrelated business income in 2021. Accordingly, no provision for income tax is included in the financial statements. The Organization qualifies for the charitable contribution deduction allowed under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

J. Use of Estimates

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

K. Functional Expense Allocations

The costs of providing various program, fundraising, and supporting activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification detail of expenses by function. Campaign fees and travel and training are charged directly to program expenses. Raffle costs are charged directly to fundraising expenses. All other expenses are allocated based on employee time.

L. Advertising

Advertising costs are expensed when first incurred. Advertising expense totaled \$-0- for the year ended December 31, 2021.

M. New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU provides guidance on the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous accounting standards and new disclosures on key information about leasing arrangements. The new standard supersedes current lease accounting requirements in FASB ASC Topic 840, *Leases*. When adopted, ASU 2016-02, as amended, must be applied using a modified retrospective approach. ASU 2016-02 was effective for nonpublic companies for annual periods beginning after December 15, 2019.

On June 3, 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842) *Effective Dates for Certain Entities* extending the effective date of ASU 2016-02 for certain entities that had not yet issued their financial statements for annual periods beginning after December 15, 2021.

The Organization elected to extend the implementation of ASU 2016-02 in prior years and implemented this accounting standard on January 1, 2022.

MONTANA SHARES, INC.

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. New Accounting Pronouncements (continued)

The FASB issued ASU 2020-07: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* in September 2020. This ASU requires not-for-profit entities to present contributed nonfinancial assets (gifts in kind) as a separate line item in the statement of activities and requires additional disclosures in the notes to the financial statements. This ASU is effective for periods beginning after June 15, 2022. The Organization is currently evaluating the impact of this ASU on its financial statements.

N. Subsequent Events

Management has evaluated subsequent events through November 14, 2022, the date which the financial statements were available for issue. See further discussion in Note 9.

NOTE 3 LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Cash and cash equivalents	\$ 101,044
Pledges receivable, net	<u>113,152</u>
Financial assets	214,196
Less:	
Donor restricted campaign funds	<u>(89,625)</u>
Financial assets available within one year	<u><u>\$ 124,571</u></u>

MONTANA SHARES, INC.

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2021

NOTE 4. WORKPLACE CAMPAIGN PLEDGES AND DISTRIBUTIONS

	Campaign Year 2021
Workplace Pledges:	
Total workplace pledges	\$ 229,606
Less uncollectible pledges	<u>(12,447)</u>
Pledges received or receivable	<u>\$ 217,159</u>
Pledges Available for Distribution:	
Current year pledges received	\$ 217,159
Less Montana Shares program support fee	<u>(33,586)</u>
Pledges available for distribution	<u>\$ 183,573</u>
Pledges Distributed as:	
Specific pledges	\$ 161,685
Undesignated share (net of additional campaign fee)	<u>21,888</u>
Total	<u>\$ 183,573</u>

NOTE 5. LEASE COMMITMENTS

The Organization leases space under terms of an operating lease for office space in Helena, Montana. The lease originated November 1, 2015 and expired April 30, 2018. The lease has continued on a month-to-month basis. This lease ended during 2021 and the Organization's employees now work remotely.

Rent expense for the lease office space totaled \$5,652 for the year ended December 31, 2021.

NOTE 6. RELATED PARTY TRANSACTIONS

The Organizations board members consist of representatives from non-profit organizations, including member organizations.

In 2021, there were 7 Organization board members who were representatives from nonprofit organizations that received distributions from Montana Shares, Inc. totaling \$42,311 and paid member dues of \$5,847.

MONTANA SHARES, INC.

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2021

NOTE 7. REPORTING ON THE 990

Due to differences in reporting financial amounts between GAAP and income tax purposes, a reconciliation between total revenue and expenses as shown in the audited financial statements and what is shown on the tax return for the year ended December 31, 2021 is summarized in the table below:

Total revenue per the financial statements	\$	78,208
Add:		
Designated campaign distributions		161,685
Program support fees		32,945
Less:		
Raffle and special event expenses		<u>(1,030)</u>
Total revenue per the Form 990	\$	<u>271,808</u>
Total expenses per the financial statements	\$	156,297
Add:		
Designated campaign distributions		161,685
Program support fees		32,945
Less:		
Raffle and special event expenses		<u>(1,030)</u>
Total expenses per the Form 990	\$	<u>349,897</u>

NOTE 9. SUBSEQUENT EVENTS AND ECONOMIC CONDITIONS

Rising interest rates, inflation, and volatility in the financial markets, along with other factors, may have a negative impact on the Organization's financial condition in 2022; however, the impact is currently unknown and cannot reasonably be estimated at this time. Management and the board of directors are closely monitoring these metrics to minimize the potential impact to the Organization's financial condition.