MONTANA SHARES, INC.

INDEPENDENT AUDITORS' REPORT and FINANCIAL STATEMENTS

December 31, 2023

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Montana Shares, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2023, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

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Auditors' 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 GAAS 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 GAAS, 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 the Organization'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 the Organization'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 the 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.

Linfield Accounting, LLP

Missoula, Montana
July 8, 2024

FINANCIAL STATEMENTS

MONTANA SHARES, INC.
STATEMENT OF FINANCIAL POSITION
At December 31, 2023

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - operating	$	105,774
Cash and cash equivalents - campaign		69,083
Pledges receivable, net		40,705
Total Current Assets		215,562
NONCURRENT ASSETS		
Equipment, net of accumulated depreciation		250
Total Noncurrent Assets		250
Total Assets	$	215,812
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Payable to member organizations		58,851
Payable to non-member organizations		45
Payroll liabilities and compensated absences		26,667
Total Current Liabilities		85,563
Total Liabilities		85,563
NET ASSETS		
Without donor restrictions		130,249
With donor restrictions		-
Total Net Assets		130,249
Total Liabilities and Net Assets	$	215,812

MONTANA SHARES, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, GAINS, REVENUE, AND OTHER INCOME			
Workplace campaign pledges (campaign 22/23), net of uncollectible pledges and program fees	$ 152,485	$ -	$ 152,485
Net assets (released from) added to restrictions:	-	-	-
Subtotal	152,485	-	152,485
Less designated distributions - campaign 22/23	(116,353)	-	(116,353)
Net campaign support	36,132	-	36,132
Member fees	19,750	-	19,750
Special appeals	9,047	-	9,047
Raffle and special events	28,299	-	28,299
Grants and contracts	23,319	-	23,319
Other income	16,757	-	16,757
Interest	5,216	-	5,216
Total support, gains, revenue, and other income	138,520	-	138,520
EXPENSES AND ALLOCATIONS			
Program	124,898	-	124,898
Fundraising	9,004	-	9,004
Management and general	10,914	-	10,914
Funds allocated to member agencies - nondesignated campaign 22/23 (Program)	16,802	-	16,802
Total expenses and allocations	161,618	-	161,618
Change in net assets	(23,098)	-	(23,098)
NET ASSETS			
Beginning of year	153,347	-	153,347
End of year	$ 130,249	$ -	$ 130,249

MONTANA SHARES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2023

	Program	Fundraising	Management and General	Total
Accounting fees	$ 10,647	$ 775	$ 863	$ 12,285
Campaign fees	1,004	-	-	1,004
Dues and subscriptions	983	72	80	1,135
Insurance	1,493	109	121	1,723
Miscellaneous	1,661	121	135	1,917
Office	4,241	309	344	4,894
Payroll benefits	7,985	581	647	9,213
Payroll taxes	7,448	542	604	8,594
Payroll - executive director	54,819	3,991	4,445	63,255
Payroll - staff	27,781	2,023	2,253	32,057
Postage	611	44	50	705
Printing	68	5	6	79
Raffle	-	-	885	885
Rent	3,453	251	280	3,984
Technology	2,219	162	180	2,561
Telephone	260	19	21	300
Travel and training	225	-	-	225
	$ 124,898	$ 9,004	$ 10,914	$ 144,816

MONTANA SHARES, INC.
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$	(23,098)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Changes in operating assets and liabilities		
Pledges receivable		10,348
Accounts payable - trade		(611)
Payable to member organizations		(21,271)
Payable to non-member organizations		(4,735)
Payroll liabilities and compensated absences		16,908
Net Cash Flows from Operating Activities		(22,459)
CASH FLOWS FROM INVESTING ACTIVITIES		-
CASH FLOWS FROM FINANCING ACTIVITIES		-
Net change in cash, cash equivalents, and restricted cash		(22,459)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Beginning of year		197,316
End of year	$	174,857
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH WITH THE STATEMENT OF FINANCIAL POSITION:		
Cash and cash equivalents - operating	$	105,774
Cash and cash equivalents - campaign		69,083
	$	174,857
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS		
Cash paid for interest	$	-

See accompanying notes and Independent Auditors' Report

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 ACOUNTING 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. Adoption of New Accounting Standard

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments* (ASC 326), which changes the way entities recognize impairment of many financial assets. This new guidance requires immediate recognition of estimated credit losses expected to occur over the life of the asset and incorporates estimated, forward-looking data when measuring lifetime Expected Credit Losses (ECL). The standard was designed to provide greater transparency and understanding of credit risk by requiring enhanced financial statement disclosures which fall into three general categories: ECL estimate methodology and assumptions, quantitative information and metrics, and policy and process explanations. The Organization adopted the standard using the modified retrospective transition method. Results for the reporting period beginning January 1, 2023, are presented under ASC 326 with no significant impact on its financial statements.

C. 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, 2023, 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.

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 represent 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACOUNTING 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 years ended December 31, 2023.

F. Compensated Absences

The Organization allows its employees to carry forward no more than 15 days (120 hours) of vacation time over from one calendar year to the next. 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's 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 for the campaigns are managed as individual charitable funds.

NOTE 2. SUMMARY OF SIGNIFICANT ACOUNTING 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.

Donated materials and equipment are recorded at their estimated fair values on the date of receipt. There were no donated materials or equipment in 2023.

The timing of revenue recognition, pledges, and cash receipts results in billed receivables on the statement of financial position. The balance of receivables at December 31, 2023 totaled $40,705 and the allowance for credit losses at December 31 2023, was $0.

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 2023. 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).

NOTE 2. SUMMARY OF SIGNIFICANT ACOUNTING POLICIES (continued)

J. Leases

The Organization determines if an arrangement is a lease at inception. Contracts containing a lease are further evaluated for classification as an operating or finance lease. In determining the leases classification the Organization assesses among other criteria: (i) 75% or more of the remaining economic life of the underlying asset is a major part of the remaining economic life of that underlying asset; and (ii) 90% or more of the fair value of the underlying asset comprises substantially all of the fair value of the underlying asset. Operating leases are included in operating lease right-of-use (“ROU”) assets, other current liabilities and long-term operating lease liabilities in the Organization’s statement of financial position. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. For leases with terms greater than 12 months, the Organization records the ROU asset and liability at commencement date based on the present value of lease payments according to their term.

The Organization uses incremental borrowing rates based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expenses are recognized on a straight-line basis over the lease term or the useful life of the leased asset.

In addition, the carrying amount of the ROU and lease liabilities are remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

K. 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.

L. 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.

M. Advertising

Advertising costs are expensed when first incurred. Advertising costs totaled $-0- for the year ended December 31, 2023.

NOTE 2. SUMMARY OF SIGNIFICANT ACOUNTING POLICIES (continued)

N. Subsequent Events

During 2024, the Board of Directors elected to cease operations upon completion of the 2024/2025 campaign in April 2025.

Management has evaluated subsequent events through the date of the auditor's audit report, which is the date the financial statements were available, and noted no additional events.

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 with the prior year totals for comparison purposes, comprised the following:

Cash and cash equivalents - operating	$	105,774
Pledges receivable, net		40,705
Financial assets available within one year	$	146,479

The Organization does not have a formal liquidity policy; however, management and the board of directors monitor financial results regularly.

NOTE 4. RELATED PARTY TRANSACTIONS

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

In 2023, there were various Organization board members who were representatives from nonprofit organizations that received distributions from the Organization totaling $13,576 and paid member dues of $5,032. As of December 31, 2023, the Organization owed $8,744 to related party member organizations, which is included in payable to member organizations on the statement of financial position.

NOTE 5. 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 990's for the year ended December 31, 2023, is summarized in the table below:

Total revenue per the financial statements	$	138,520
Add:		
Designated campaign distributions		116,353
Program support fees		26,320
Less:		
Raffle and special event expenses		(885)
Total revenue per the Form 990	$	280,308
Total expenses per the financial statements	$	161,618
Add:		
Designated campaign distributions		116,353
Program support fees		26,320
Less:		
Raffle and special event expenses		(885)
Total expenses per the Form 990	$	303,406