



2017
AUDITED FINANCIAL STATEMENTS
ROCKY MOUNTAIN ELK FOUNDATION



Rocky Mountain Elk Foundation, Inc.
2017 Audited Financial Statements

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Independent Auditor's Report

**To the Board of Directors
Rocky Mountain Elk Foundation, Inc.
Missoula, Montana**

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Rocky Mountain Elk Foundation, Inc. (RMEF), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com



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 RMEF as of December 31, 2017, 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.

Report on Summarized Comparative Information

We have previously audited RMEF's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 17, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2018 on our consideration of RMEF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RMEF's internal control over financial reporting and compliance.

Clark Nuber P^S.

Certified Public Accountants
February 16, 2018



ROCKY MOUNTAIN ELK FOUNDATION, INC.

Statement of Financial Position
 December 31, 2017 (with comparative totals for 2016)
 (Amounts Reported Are In Thousands)

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 15,494	\$ 13,629
Receivables, net	934	1,065
Net unconditional promises to give, current	311	368
Inventories	4,410	4,358
Prepaid expenses	1,620	1,560
Total current assets	22,769	20,980
Investments	54,550	48,171
Property and equipment, net	11,555	11,551
Long-term receivables, net	295	264
Net unconditional promise to give, net of current	449	603
Conservation land holdings	1,675	2,114
Permanent collections	304	454
Total assets	\$ 91,597	\$ 84,137
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 3,873	\$ 3,990
Deposits, advances, and deferred revenue	1,179	1,231
Split interest agreement liabilities, current	176	175
Long-term debt, current	-	592
Total current liabilities	5,228	5,988
Split interest agreement liabilities, net of current portion	1,194	1,227
Long-term debt, net of current portion	-	1,087
Total liabilities	6,422	8,302
NET ASSETS		
Unrestricted	36,814	31,474
Temporarily restricted	16,523	12,525
Permanently restricted	31,838	31,836
Total net assets	85,175	75,835
Total liabilities and net assets	\$ 91,597	\$ 84,137

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



ROCKY MOUNTAIN ELK FOUNDATION, INC.

Statement of Activities
For the Year Ended December 31, 2017 (with comparative totals for 2016)
(Amounts Reported Are In Thousands)

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Funds Spent on Mission Accomplishment by Program					
Land protection	\$ 18,499	\$ -	\$ -	\$ 18,499	\$ 10,825
Stewardship	6,344	-	-	6,344	7,477
Elk restoration	435	-	-	435	1,121
Conservation education	4,574	-	-	4,574	4,404
Membership services	11,363	-	-	11,363	11,089
Total program services expenses	41,215	-	-	41,215	34,916
Source of Funds for Mission Accomplishment					
Public support:					
Contributions	8,809	612	40	9,461	9,659
Conservation easements	3,018	-	-	3,018	-
Membership	10,758	398	-	11,156	10,799
Special events	30,265	-	-	30,265	28,461
less: direct donor benefits	(17,638)	-	-	(17,638)	(16,913)
Change/revalue split interest agreement liabilities	(99)	30	(38)	(107)	(143)
Total public support	35,113	1,040	2	36,155	31,863
Program service revenue:					
Conservation land sales	5,486	-	-	5,486	5,144
Contract revenue	350	-	-	350	48
Government grants	4,729	-	-	4,729	1,467
Total program service revenue	10,565	-	-	10,565	6,659
Other:					
Investment return	726	6,272	-	6,998	3,803
Advertising, royalties & other sales	4,734	-	-	4,734	4,624
less: cost of sales	(1,402)	-	-	(1,402)	(1,238)
Other income	89	-	-	89	92
Gain on assets sold/written off	20	-	-	20	(139)
Retirement of permanent collection	(150)	-	-	(150)	-
Other gain	37	-	-	37	-
Net assets released from restrictions	3,314	(3,314)	-	-	-
Total other	7,368	2,958	-	10,326	7,142
Support service expenses:					
Fundraising	4,498	-	-	4,498	4,233
Administrative	1,993	-	-	1,993	1,857
Total support services expenses	6,491	-	-	6,491	6,090
Funds available for mission accomplishment	46,555	3,998	2	50,555	39,574
Change in net assets	5,340	3,998	2	9,340	4,658
Net assets, beginning of year	31,474	12,525	31,836	75,835	71,177
Net assets, end of year	\$ 36,814	\$ 16,523	\$ 31,838	\$ 85,175	\$ 75,835

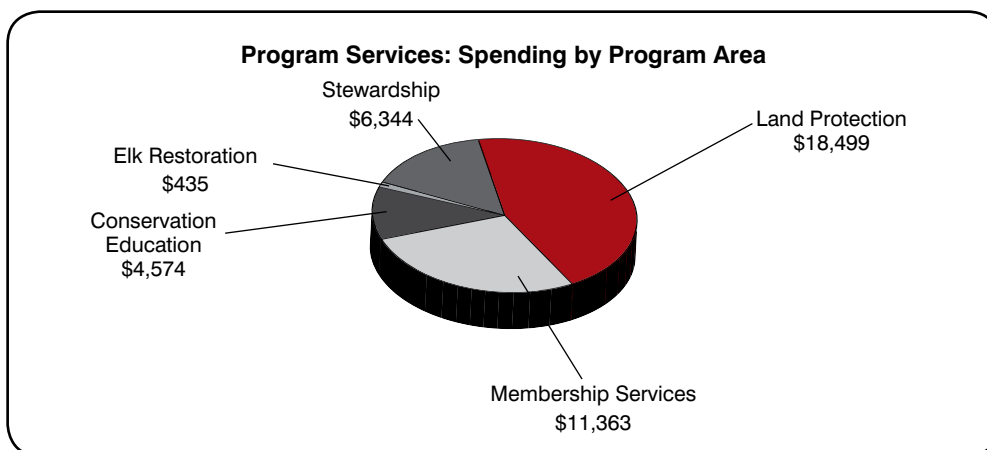
The Notes to the Financial Statements are an integral part of these statements.



ROCKY MOUNTAIN ELK FOUNDATION, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2017 (with comparative totals for 2016)
(Amounts Reported Are In Thousands)

	PROGRAM SERVICES	SUPPORT SERVICES			DIRECT AND INDIRECT COSTS INCLUDED IN COST OF SALES		2017 Total	2016 Total
	Total Program Services	Administrative	Fundraising	Total Support Services	Events	Merchandise		
Advertising	\$ 1,173	\$ 47	\$ 319	\$ 366	\$ 65	\$ 95	\$ 1,699	\$ 1,693
Bad debts	6	-	-	-	3	23	32	73
Depreciation	361	76	43	119	77	10	567	530
Employee benefits	1,653	527	323	850	154	72	2,729	2,611
Employee salaries	6,117	876	1,200	2,076	564	270	9,027	8,557
Insurance	86	26	5	31	42	5	164	160
Interest	20	4	1	5	14	2	41	76
Membership benefits	2,398	-	-	-	-	-	2,398	2,424
Miscellaneous	1,105	58	165	223	46	36	1,410	1,704
Postage and shipping	2,652	19	964	983	5	77	3,717	3,637
Printing and publications	2,863	4	777	781	3	23	3,670	3,639
Professional fees	1,376	62	269	331	110	167	1,984	1,873
Rent and maintenance	307	109	48	157	57	13	534	332
Supplies	184	29	49	78	46	11	319	272
Telephone	144	27	41	68	4	2	218	192
Travel and meetings	1,366	117	287	404	26	34	1,830	1,583
Utilities	85	10	6	16	34	4	139	129
Land protection	7,510	-	-	-	-	-	7,510	6,517
Conservation easements	6,701	-	-	-	-	-	6,701	-
Conservation projects	5,069	-	-	-	-	-	5,069	6,946
Cost of sales	-	-	-	-	-	557	557	460
Cost of events	39	2	1	3	16,388	1	16,431	15,749
Total	\$41,215	\$ 1,993	\$ 4,498	\$ 6,491	\$ 17,638	\$ 1,402	\$ 66,746	\$ 59,157



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



ROCKY MOUNTAIN ELK FOUNDATION, INC.

Statement of Cash Flows
For the Year Ended December 31, 2017 (with comparative totals for 2016)
(Amounts Reported Are In Thousands)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets available for future program services	\$ 9,340	\$ 4,658
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Donated conservation land	250	500
Cash contributions restricted for long-term purposes	(40)	(959)
Depreciation	567	530
Gain on assets sold/written-off	20	139
Change in valuation of split interest agreement liability	136	143
Realized and unrealized gains on investments	(5,758)	(2,639)
Loss on retirement of permanent collection	150	-
Changes in operating assets and liabilities:		
Receivables	311	273
Inventories	(52)	(71)
Prepaid expenses	(60)	(297)
Accounts payable and accrued liabilities	(117)	(1,153)
Deposits, advances, and deferred revenue	(52)	107
Split interest agreement liabilities	(8)	(8)
Cash provided by (used in) conservation land activities		
Acquisition of conservation properties held for resale	(5,604)	(5,813)
Proceeds from sale of conservation properties	5,793	5,468
Net cash provided by operating activities	4,876	878
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment proceeds and income reinvested	21,168	14,108
Investments purchased	(21,789)	(13,602)
Additions to property and equipment	(591)	(406)
Net cash (used in) provided by investing activities	(1,212)	100
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash contributions restricted for long-term purposes	40	959
Proceeds from annuitants on split interest agreements	16	16
Payments to annuitants on split interest agreements	(176)	(167)
Net payments on long-term debt	(1,679)	(555)
Net cash (used in) provided by financing activities	(1,799)	253
Net increase in cash and cash equivalents	1,865	1,231
Cash and cash equivalents, beginning of year	13,629	12,398
Cash and cash equivalents, end of year	\$ 15,494	\$ 13,629

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



ROCKY MOUNTAIN ELK FOUNDATION, INC.

Notes to Financial Statements
December 31, 2017 (with comparative totals for 2016)
(Amounts Reported Are In Thousands)

1. Organization and nature of activities

The Rocky Mountain Elk Foundation, Inc. (RMEF) is a national nonprofit, wildlife conservation organization. RMEF's mission is to ensure the future of elk, other wildlife, their habitat and our hunting heritage by protecting, conserving, restoring, and enhancing natural habitat.

RMEF's primary sources of revenue are contributions from the public (including gifts of land), investment income, and corporate sponsorships. These resources are used to fund prioritized programs. RMEF has approximately 500 individual chapters nationwide that perform conservation projects and various fundraising activities.

2. Summary of significant accounting policies

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. 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 revenue and expenses. Actual results could differ from those estimates.

Classification of net assets

Contributions to RMEF qualify for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Service. RMEF has been classified as an organization other than a private foundation under Section 509(a)(2). Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

RMEF's net assets have been grouped into the following three classes:

- Permanently restricted net assets – Consists of endowment gifts where donors have specified investment in perpetuity to generate income for specified restricted or unrestricted purposes.
- Temporarily restricted net assets – Contributions and other inflows of assets whose use by RMEF is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of RMEF, such as usage for specific programs.
- Unrestricted net assets – Revenues whose use by RMEF is not limited to donor-imposed restrictions.



ROCKY MOUNTAIN ELK FOUNDATION, INC.

Notes to Financial Statements
December 31, 2017 (with comparative totals for 2016)
(Amounts Reported Are In Thousands)

Cash and cash equivalents

For purposes of the statement of cash flows, RMEF considers all highly liquid investments with an original maturity of three months or less to be cash equivalents, including repurchase agreements.

Cash and temporary investments at December 31 consist of the following:

	2017		2016
Cash in savings, checking, and money market accounts	\$ 14,043	\$	12,059
Cash and cash equivalents held by investment managers	1,451		1,570
Total cash and cash equivalents	\$ 15,494	\$	13,629

Comparative totals

The financial information includes certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with RMEF's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Concentration of credit risk

At December 31, 2017 and 2016, bank demand deposits included \$14,059 and \$12,530, respectively that were in excess of FDIC insurance coverage.

RMEF invests its excess cash and cash equivalents in repurchase agreements which are collateralized through pooled U.S. Treasury securities pledged by the financial institution and not held in RMEF's name.

Conservation easements

A conservation easement is an encumbrance, either donated or sold, which usually includes a transfer of usage rights and creates a legally enforceable land preservation agreement between a landowner and another entity. RMEF's policy for conservation easements presumes that the benefits of conservation easements flow through to the general public. Conservation easements are recorded as revenue and program expense in the year the appraised value is made available. Contributed conservation easements are recorded at estimated value when an appraisal is not available.

At December 31, 2017 and 2016, RMEF held 208 and 203 conservation easements on approximately 389,000 and 375,000 acres of habitat respectively.

Contributions

Unconditional donor promises to give are reported at fair value at the date that there is sufficient verifiable evidence documenting that a promise was made by the donor and received by RMEF. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that sufficiently limit the use of the donated assets.

When a donor restriction expires, through the passage of time or when the purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported on the statement of activities as net assets released from restrictions.



ROCKY MOUNTAIN ELK FOUNDATION, INC.

Notes to Financial Statements
December 31, 2017 (with comparative totals for 2016)
(Amounts Reported Are In Thousands)

Contracts and grants

RMEF receives grants and contracts from federal, state, and local agencies, as well as from private organizations, to be used for specific programs or land purchases. Conditional grant awards are classified as refundable advances until expended for the purpose of the grant or other conditions are satisfied.

Donated services

A substantial number of volunteers have donated significant amounts of time for program services and supporting activities. The value of these contributions is not included in the accompanying financial statements as they typically do not meet the criteria for recognition in accordance with U.S. GAAP.

Services requiring specialized skills, or which create or enhance non-financial assets (primarily property or other assets) and would typically need to be purchased if not provided by donation are recorded. There were no contributed services recorded for the years ended December 31, 2017 and 2016.

Functional allocation of expenses

The costs of providing the various programs and activities are summarized on a functional basis. Accordingly, certain costs have been allocated among programs and services benefited.

- Land Protection represents conservation and protection activities through land and easement acquisitions.
- Stewardship represents habitat restoration and enhancement projects.
- Elk Restoration represents projects to reintroduce wild free-ranging elk into historic ranges through feasibility studies, elk releases and educational programs.
- Conservation Education represents conservation education programs to enhance the public's understanding of wildlife habitat and man's impact on it, and to promote conservation ethics.
- Membership Services represents services provided to approximately 227,000 members through Bugle magazine, membership premiums, educational membership materials, habitat protection and conservation brochures, and member educational components of special events.

Fundraising and advertising costs

RMEF expenses the costs of fundraising and advertising as incurred. Total advertising costs were \$1,699 and \$1,693 for the years ended December 31, 2017 and 2016, respectively.

Income taxes

RMEF is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, net income from certain activities (advertising, certain inventory sales and certain other items) not directly related to RMEF's tax-exempt purpose is subject to taxation as unrelated business income. Taxes related to these activities were not significant for the years ended December 31, 2017 and 2016.

Investments

Investments are reported at fair value based on quoted market prices. Interest, dividends, and realized and unrealized gains and losses are included in investment return.

Inventories

Inventories consist of apparel and gift items, firearms, works of art, books, and other miscellaneous items which are available for sale. Inventories are valued at the lower of standard cost or market.



ROCKY MOUNTAIN ELK FOUNDATION, INC.

Notes to Financial Statements
December 31, 2017 (with comparative totals for 2016)
(Amounts Reported Are In Thousands)

Membership benefits

RMEF provides a variety of gifts to its members in appreciation of their support. Items vary with classes of membership, including an annual subscription to *Bugle-Elk Country and the Hunt*, decals, hats, lapel pins, personalized plaques and jackets. These direct and associated costs are reported separately in the statement of functional expenses.

Properties held for conservation resale

Parcels which are held for resale to a conservation buyer, who will maintain and protect the property as habitat for elk and other wildlife, are recorded at fair value as of the date of donation, or original cost if purchased. The proceeds upon sale or transfer of these properties are recorded as revenue and the related cost is accounted for as land protection expense. The cost of purchase options and other acquisition costs are expensed as incurred.

RMEF engages in certain transactions whereby conservation properties are exchanged for more desirable parcels. These noncash transactions are recorded as revenue and program expense in the year of the exchange based on the carrying value of the exchanged property. The acquired parcel is carried at the same value as the exchanged parcel.

Property and equipment

Property and equipment are recorded at cost or fair value if donated and greater than \$1. Depreciation is provided for property and equipment using the straight-line method over a period of 3 - 15 years. Buildings and related improvements are depreciated using the straight-line method over 10 - 40 years. Maintenance and repairs are charged to expense as incurred.

Permanent collections

Permanent collections consist of artwork, mounts, historical objects, and other items of continuing value and interest. These items are recorded at fair value as of the date of donation, or original cost if purchased, and are not depreciated.

Postage and Shipping

RMEF incurs postage and shipping costs related to membership and fundraising appeals, shipping merchandise to customers, and shipping merchandise and support materials to chapters for fundraising events. Total postage and shipping costs were \$3,717 and \$3,637 for the years ended December 31, 2017 and 2016, respectively.

Revenue recognition

Annual membership dues are deferred when received and recognized as revenue using the straight-line method over the applicable membership benefits period. Life membership contributions are recognized as revenue in the period committed or paid. Costs in connection with the procurement of memberships are charged to expense when incurred.

Registration and other receipts related to fundraising events are not recognized as revenue until the event occurs.

Donations of merchandise for special events are recorded as revenue at the time of the event.

RMEF raises funds to support its conservation mission through fundraising events in communities throughout the United States. RMEF volunteers hosted over 700 grassroots fundraising events, such as member and sponsor banquets, shooting and fishing tournaments, and golf outings. Chapters are chartered by RMEF and generally operate as unincorporated associations to support RMEF in the local



ROCKY MOUNTAIN ELK FOUNDATION, INC.

Notes to Financial Statements
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(Amounts Reported Are In Thousands)

community. Local chapters remit proceeds of these events (net of direct expenses incurred by the chapter in sponsoring and conducting the event) to RMEF, and provide reports of receipts and direct expenses. Because the financial transactions of local committees are controlled by the volunteers, net amounts remitted to RMEF are recorded as event receivables in the statement of financial position and net proceeds from committee events in the accompanying statement of activities.

Split Interest Agreements

RMEF is the beneficiary of charitable trust agreements under varying terms and conditions. The basis for recognition of the assets recorded by RMEF is its share of the fair value of the underlying assets. Some of the agreements require specified payments to third parties for varying periods. Accordingly, RMEF applies present value techniques to accrue amounts recognized.

RMEF maintains sufficient investments to fund the estimated future liability of its split interest agreements. Charitable gift annuity reserves must meet the requirements of various states, including Washington, which requires an actuarially determined reserve level, plus a 10% surplus amount. This requirement is detailed by Washington in RCW 48.38.020. At December 31, 2017 and 2016, RMEF maintained approximately \$2,143 and \$2,041, respectively, of investments related to split interest agreements. The invested balance exceeded the reserve requirement for both years.

Accounts receivable

Accounts receivable are stated at face amount. RMEF provides an allowance for doubtful accounts generally based on historical losses. Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Customer account balances with invoices dated over 30 days old are considered delinquent.

Management has provided a reserve on accounts receivable from chapters for event activity based on its historical analysis of events. For the years ended December 31, 2017 and 2016 the allowance provided was \$31 and \$35, respectively, based on a percentage of net event proceeds.

Funds that support the Permanent Land Protection Program

- The Conservation Easement Protection Fund was established to support RMEF's conservation easement program. When RMEF accepts a conservation easement, it takes on the obligation to monitor and defend that easement in perpetuity. RMEF treats donations to the fund as temporarily restricted net assets. Interest and gains/losses on investments are classified as temporarily restricted net assets. Distributions from the fund to legally defend an easement release temporarily restricted net assets.
- The Strategic Land Protection Fund was established to provide active capital for completing permanent land protection projects. Donations to the fund are treated as temporarily restricted net assets. Use of the fund for land projects and associated project costs release temporarily restricted net assets. Gains on land transactions as well as interest and gains/losses on investments are classified as unrestricted net assets.

Subsequent events

RMEF has evaluated subsequent events through February 16, 2018, the date on which the financial statements were available to be issued.



ROCKY MOUNTAIN ELK FOUNDATION, INC.

Notes to Financial Statements
December 31, 2017 (with comparative totals for 2016)
(Amounts Reported Are In Thousands)

3. Unconditional promises to give

RMEF recognizes unconditional promises to give (pledges) at net realizable value. Pledges are discounted using the Wall Street Journal Prime Rate in the year the pledge is received. An allowance is made for uncollectible pledges based upon management's judgment, analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

As of December 31, unconditional promises to give were as follows:

	2017	2016
Receivable in less than one year	\$ 311	\$ 368
Receivable in one to five years	643	816
Total	954	1,184
Less:		
Unamortized discount (4.25% and 3.75%)	(120)	(133)
Allowance for uncollectible pledges	(74)	(80)
Net unconditional promises to give	760	971
Less long-term portion	(449)	(603)
Net unconditional promises to give, current	\$ 311	\$ 368

4. Receivables - other than promises to give

- **Trade, advertising, and royalties** - An allowance is made for uncollectible receivables based upon management's judgment, analysis of the creditworthiness of the company or individual, past collection experience, and other relevant factors.
- **Membership dues** - An allowance is made for uncollectible dues based upon management's judgment, past collection experience, and other relevant factors.
- **Grants** - Grant awards consist of grants awarded for various habitat projects. In accordance with U.S. GAAP, RMEF does not record conditional promises to give until the conditions are satisfied. No allowance is considered necessary for uncollectible grants based on prior collection experience.
- **Related parties, chapters** - Management has provided a reserve for error and adjustment of amounts receivable from chapters for event activity based on its historical analysis of events and other relevant factors.
- **Charitable remainder trusts** - RMEF has an interest in two charitable remainder unitrusts which are reported at their estimated present value and no allowance is considered necessary.



ROCKY MOUNTAIN ELK FOUNDATION, INC.

Notes to Financial Statements
December 31, 2017 (with comparative totals for 2016)
(Amounts Reported Are In Thousands)

As of December 31, receivables, other than promises to give, were as follows:

	2017	2016
Accounts receivable:		
Trade, advertising, and royalties	\$ 434	\$ 447
Membership	200	196
Grants	97	80
Related parties:		
Chapters (net of reserve of \$31 and \$35)	310	433
Employee	2	5
Interest in charitable remainder trusts	295	264
	<u>1,338</u>	<u>1,425</u>
Less allowance for doubtful accounts	(109)	(96)
Total accounts receivable, net	<u>1,229</u>	<u>1,329</u>
Less long-term portion	(295)	(264)
Current portion	<u>\$ 934</u>	<u>\$ 1,065</u>

5. Investments

Investments are carried at fair value and are summarized as follows:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
2017:			
U.S. gov't bond funds	\$ 4,034	\$ 4,041	\$ 7
Corporate bond funds	7,642	7,651	9
Foreign bond funds	685	660	(25)
U.S. gov't bonds	329	326	(3)
Corporate bonds	8,862	8,784	(78)
Common stocks	8,702	12,497	3,795
Foreign stocks	629	961	332
U.S. equity funds	9,259	11,841	2,582
Foreign equity funds	6,009	7,313	1,304
REITs	382	476	94
Total	<u>\$ 46,533</u>	<u>\$ 54,550</u>	<u>\$ 8,017</u>
2016:			
U.S. gov't bond funds	\$ 4,516	\$ 4,415	\$ (101)
Corporate bond funds	10,051	9,975	(76)
Foreign bond funds	1,510	1,440	(70)
U.S. gov't bonds	279	277	(2)
Corporate bonds	1,850	1,833	(17)
Foreign bonds	25	25	-
Common stocks	9,622	12,199	2,577
Foreign stocks	922	1,070	148
U.S. equity funds	8,455	10,026	1,571
Foreign equity funds	6,187	6,140	(47)
REITs	705	771	66
Total	<u>\$ 44,122</u>	<u>\$ 48,171</u>	<u>\$ 4,049</u>



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At December 31, 2017, all debt securities had contractual maturities of five years or less. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties. Investment fees for the years ended December 31, 2017 and 2016 were \$197 and \$186, respectively.

Earnings on cash and investment securities consist of the following for the years ended December 31:

	2017		2016
Net realized and unrealized gains	\$ 5,758	\$	2,639
Interest and dividends on investments	1,224		1,162
Total return on investments	6,982		3,801
Interest on cash accounts	16		2
Investment income on cash and investments	\$ 6,998	\$	3,803

6. Property and equipment

Property and equipment consist of the following:

	2017		2016
Land	\$ 2,380	\$	2,380
Buildings and improvements	12,253		12,144
Furniture and equipment	3,367		2,986
	18,000		17,510
Less allowances for depreciation	(6,526)		(6,004)
	11,474		11,506
Assets in progress	81		45
	\$ 11,555	\$	11,551

Depreciation expense totaled \$567 and \$530 in 2017 and 2016, respectively.

Assets in progress consisted of costs related to building updates and I.T. project salaries of \$81 and \$45 at December 31, 2017 and 2016, respectively.

7. Conservation land holdings

Properties held for conservation resale and conservation land holdings totaled \$1,675 and \$2,114 at December 31, 2017 and 2016, respectively. Management believes the carrying value of properties held for resale does not exceed the amount expected upon sale.



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8. Long-term debt

Long-term debt consists of a note payable of \$1,679 at December 31, 2016. The note payable was due September 2019, bearing interest of 3.6% and secured by accounts receivable, equipment, and inventory. The note payable was paid in full during the year ended December 31, 2017.

Interest incurred on long-term debt, which was expensed, amounted to \$41 and \$75, for the years ended December 31, 2017 and 2016, respectively. No interest was capitalized in 2017 or 2016.

9. Split interest agreements

The present value of the estimated future payments on split interest agreements was calculated using discount rates at the date of gift and applicable mortality tables. The following summarizes the change in split interest agreement liabilities for the years ended December 31, 2017 and 2016:

	2017		2016
Estimated present value of liability at January 1	\$ 1,402	\$	1,418
Increase in estimated present value of liability from contributions	8		8
Decrease in estimated present value due to payment to beneficiaries	(176)		(167)
Change in estimated present value from revaluation	136		143
Estimated present value of liability at December 31	<u>1,370</u>		<u>1,402</u>
Less estimated current portion	(176)		(175)
Total long-term portion	<u>\$ 1,194</u>	\$	<u>1,227</u>

RMEF complied with state minimum reserve requirements related to its split interest agreement liabilities in 2017 and 2016.



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10. Net assets

As of December 31 net assets consist of the following:

	2017	2016
Unrestricted	\$ 36,814	\$ 31,474
Temporarily restricted		
Restricted for purpose	15,323	11,148
Time restricted for periods after December 31	1,200	1,377
Total	<u>16,523</u>	<u>12,525</u>
Permanently restricted		
Annuities	448	484
Endowment	31,390	31,352
Total	<u>31,838</u>	<u>31,836</u>
Total	<u>\$ 85,175</u>	<u>\$ 75,835</u>

For the years ended December 31, temporarily restricted net assets were released from restrictions as follows:

	2017	2016
Expiration of time restrictions	\$ 711	\$ 573
Fulfillment of purpose restrictions	2,603	2,408
Total	<u>\$ 3,314</u>	<u>\$ 2,981</u>

11. Retirement plans

Employees can elect to make voluntary contributions to a tax sheltered annuity plan under IRC Section 403(b). At management's discretion, RMEF may contribute up to 5% of eligible compensation. In 2017 and 2016, RMEF contributed 5% of eligible compensation. Vesting is immediate for employee voluntary contributions and RMEF's contributions. RMEF also has a 457(b) non-qualified tax-deferred compensation plan. Participation is limited to highly compensated employees, making it exempt from most ERISA requirements. Eligible employees can elect to make voluntary contributions, but RMEF does not make any contributions to the plan. Vesting is immediate for employee voluntary contributions. Assets in the plan are held by RMEF on a non-trust basis and are subject to the claim of its creditors.

RMEF's total contributions under the plans for the years ending December 31, 2017 and 2016 were \$458 and \$426, respectively.



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12. Commitments

Project commitments - RMEF has entered into various commitments with federal and state agencies and other conservation organizations to fund habitat protection, habitat improvement, and education projects. Generally, the commitments are cancelable within 30 to 60 days of advanced notice. These commitments totaled \$2,256 and \$2,106 at December 31, 2017 and 2016, respectively.

Refundable grant advances - Refundable grant advances consist of advances received for conditional grants not yet expended for the grantor-specified purpose. At both December 31, 2017 and 2016 refundable grant advances from foundations totaled \$20.

Operating line of credit - RMEF maintained a \$3,000 line of credit at prime rate (4.25%) at December 31, 2017 and prime rate (3.75%) at December 31, 2016. The line expires September 30, 2018, and is secured by accounts receivable, equipment, and inventory. There were no amounts outstanding at December 31, 2017 and 2016.

Self-insurance - RMEF has established a plan to act as a self-insurer, up to a set deductible amount, for its employee health insurance program. The annual aggregate attachment point of RMEF under this self insurance program was approximately \$1,515 and \$1,723 for the year ended December 31, 2017 and 2016, respectively, with a stop loss of \$60 per insured individual. This estimate would be RMEF's actual liability only if all participants claimed the full amount of available benefits for health costs in a one-year period. Losses and claims are expensed when they are funded to a Claims Payment Account based on estimated claims incurred and covered by the plan. In 2017 and 2016, the amount of premiums and claims paid were \$1,447 and \$1,320, respectively. At December 31, 2017 and 2016, the cash balance of the reserve account was \$115 and \$23, respectively. In 2017 and 2016, RMEF's estimate of net claims incurred but not paid was \$76 and \$71, respectively.

Lease commitments - RMEF is obligated under various cancelable operating lease agreements for equipment. Future minimum lease payments are not material to the financial statements.

13. Endowment funds

RMEF's endowment consists of five individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. 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.



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Interpretation of relevant law

The Board of Directors has interpreted the Montana Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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, RMEF 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) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by RMEF in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, RMEF 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 RMEF and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of RMEF
- The investment policies of RMEF

Endowment Net Asset Composition by Type of Fund as of December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2016
Endowment funds					
General Endowment	\$ -	\$ 2,369	\$ 3,209	\$ 5,578	\$ 4,881
Midway Youth Endowment	-	156	400	556	490
Torstenson Family	-	10,440	27,783	38,223	34,808
Conservation Easement Protection Fund	1,123	1,945	-	3,068	2,679
Strategic Land Protection Fund	6,771	-	-	6,771	4,886
Endowment net assets, end of year	\$ 7,894	\$ 14,910	\$ 31,392	\$ 54,196	\$ 47,744



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Changes in Endowment Net Assets for the Year End December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 5,889	\$ 10,503	\$ 31,352	\$ 47,744
Investment return				
Interest and dividends	96	1,027	-	1,123
Net appreciation	97	5,413	-	5,510
Fees	(15)	(168)	-	(183)
Total endowment investment return	178	6,272	-	6,450
Contributions	-	287	40	327
Other changes:				
Released from restriction	2,152	(2,152)	-	-
Spending not needing appropriation	(2,152)	-	-	(2,152)
Transfer of cash	1,827	-	-	1,827
Endowment net assets, end of year	7,894	14,910	31,392	54,196
Deposits (distributions) in transit	(1,585)	-	(2)	(1,587)
Endowment investment balance, end of year	\$ 6,309	\$ 14,910	\$ 31,390	\$ 52,609

Return objectives and risk parameters

RMEF 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 RMEF must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Given the relationship between risk and return, a fundamental step in determining the investment policy for the Endowment Funds is the determination of an appropriate risk tolerance. After taking into consideration such factors as corporate financial stability, uncertainty of cash flows in and out of the Endowment Funds over the long term, and capital market volatility, the Board believes a moderate risk strategy is prudent. Under this policy, as approved by the Board of Directors, the goal is to have stable returns over the long term, with a reduced potential of negative returns in any given year. RMEF expects its endowment funds, overtime, to provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount.



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Strategies employed for achieving objectives

To satisfy its long-term rate of return objectives, RMEF 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). RMEF targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy

RMEF has a policy of distributing up to 5% of its endowment average fair value over the prior 12 quarters through the calendar year-end preceding the calendar year in which the distribution is planned. In establishing this policy, RMEF considered the long-term expected return of its endowment. Accordingly, over the long term, RMEF expects the current spending policy to allow its endowment to grow 2% annually. This is consistent with RMEF's objective 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.

14. Fair values measured on a recurring basis

Valuation Techniques

Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.



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Fair values of assets measured on a recurring basis at December 31, 2017 were as follows:

Fair Value Measurements as of December 31, 2017

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	2016
Marketable securities					
Equity securities					
Consumer goods	\$ 2,922	\$ -	\$ -	\$ 2,922	\$ 2,893
Energy	562	-	-	562	733
Financials	2,398	-	-	2,398	1,999
Health care	1,554	-	-	1,554	1,514
Industrials	1,461	-	-	1,461	1,432
Information technology	2,712	-	-	2,712	2,513
International	961	-	-	961	1,070
Materials	208	-	-	208	431
Telecommunication service	192	-	-	192	310
Utilities	487	-	-	487	374
Equity funds					
U.S. large cap	3,986	-	-	3,986	3,564
U.S. mid cap	1,366	-	-	1,366	898
U.S. small cap	6,490	-	-	6,490	5,564
International	6,210	-	-	6,210	4,101
Emerging markets	1,103	-	-	1,103	2,039
Total equity securities	32,612	-	-	32,612	29,435
Debt securities					
Bonds					
U.S. government	-	326	-	326	277
Corporate	-	8,784	-	8,784	1,833
International	-	-	-	-	25
Bond funds					
U.S. government	4,041	-	-	4,041	4,415
Corporate	7,651	-	-	7,651	9,975
International	660	-	-	660	1,440
Total debt securities	12,352	9,110	-	21,462	17,965
Other					
REIT	476	-	-	476	771
Total	\$ 45,440	\$ 9,110	\$ -	\$ 54,550	\$ 48,171



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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.

Marketable Equity, Debt Securities, and REIT's - Valued at the closing price reported on the active market on which the securities are traded.

15. Allocation of joint costs

RMEF conducted events that included both program activities and appeals for contributions. These joint costs of \$6,368 and \$6,387, for the years ended December 31, 2017 and 2016 respectively, were allocated among functional expense categories as follows:

	2017	2016
Land Protection	\$ 1,293	\$ 1,293
Habitat Stewardship	1,332	1,337
Elk Restoration	64	64
Conservation Education	921	917
Membership Services	1,592	1,597
Fundraising	872	879
Administrative	294	300
	<u>\$ 6,368</u>	<u>\$ 6,387</u>

16. Statement of cash flows - supplemental disclosures

Supplemental disclosures for the statement of cash flows for the years ended December 31 were as follows:

	2017	2016
Schedule of Noncash Transactions		
Donated conservation easements	\$ 3,018	\$ -
Donated conservation lands	\$ 250	\$ (500)
Donated securities	\$ 63	\$ 53
Retirement of permanent collection	\$ (150)	\$ -
Supplemental Disclosure of Cash Payments		
Interest paid during the year	\$ 41	\$ 140



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17. Statement of functional expenses - program services

The functional expense detail of spending by program service is presented below:

	Conservation Education	Elk Restoration	Land Protection	Membership Services	Stewardship	2017 Total	2016 Total
Advertising	\$ 179	\$ 37	\$ 298	\$ 380	\$ 279	\$ 1,173	\$ 1,140
Bad debts	2	-	2	-	2	6	27
Depreciation	151	2	75	100	33	361	332
Employee benefits	203	21	687	460	282	1,653	1,637
Employee salaries	751	77	2,548	1,695	1,046	6,117	6,000
Insurance	49	-	18	13	6	86	83
Interest	12	-	3	4	1	20	38
Membership benefits	-	-	-	2,398	-	2,398	2,424
Miscellaneous	171	28	343	343	220	1,105	1,362
Postage and shipping	45	3	66	2,475	63	2,652	2,501
Printing and publications	259	2	34	2,542	26	2,863	2,761
Professional fees	269	37	521	405	144	1,376	1,269
Rent and maintenance	66	3	113	80	45	307	196
Supplies	39	2	64	48	31	184	160
Telephone	20	2	57	36	29	144	137
Travel and meetings	206	20	503	360	277	1,366	1,291
Utilities	55	-	10	15	5	85	78
Land protection	721	33	6,474	-	282	7,510	6,517
Conservation easements	-	34	6,667	-	-	6,701	-
Conservation projects	1,369	132	2	-	3,566	5,069	6,946
Cost of events	7	2	14	9	7	39	17
Total	\$ 4,574	\$ 435	\$ 18,499	\$ 11,363	\$ 6,344	\$ 41,215	\$34,916



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Rocky Mountain Elk Foundation

5705 Grant Creek Road
Missoula, Montana 59808
800-CALL ELK
www.rmef.org