



ROCKY MOUNTAIN ELK FOUNDATION
2018 AUDITED FINANCIAL STATEMENTS



ROCKY MOUNTAIN ELK FOUNDATION, INC.
2018 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, 2018, and the related statements of activities and changes in net assets, 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. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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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, 2018, 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.

Effect of Adopting New Accounting Standard

As discussed in Note 15, RMEF adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited RMEF's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 16, 2018. As a part of our audit of the 2018 financial statements, we also audited the adjustment described in Note 19 that was applied to restate the 2017 financial statements. In our opinion, the adjustment is appropriate and has been properly applied. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Clark Nuber P.S.

Certified Public Accountants
February 15, 2019

ROCKY MOUNTAIN ELK FOUNDATION, INC.

Statement of Financial Position
December 31, 2018 (with comparative totals for 2017)
(Amounts Reported Are In Thousands)

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 18,078	\$ 15,494
Receivables, net	798	934
Net unconditional promises to give, current	332	311
Inventories	5,198	4,410
Prepaid expenses	1,038	1,620
Total current assets	25,444	22,769
Investments	51,960	54,550
Property and equipment, net	11,324	11,555
Long-term receivables, net	287	295
Net unconditional promise to give, net of current	292	449
Conservation land holdings	1,845	1,675
Permanent collections	314	304
Total assets	\$ 91,466	\$ 91,597
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 4,106	\$ 3,873
Deposits, advances, and deferred revenue	1,229	1,179
Split interest agreement liabilities, current	191	176
Total current liabilities	5,526	5,228
Split interest agreement liabilities, net of current portion	1,295	1,194
Total liabilities	6,821	6,422
NET ASSETS (AS RESTATED, NOTE 19)		
Without donor restriction	41,931	38,685
With donor restriction	42,714	46,490
Total net assets	84,645	85,175
Total liabilities and net assets	\$ 91,466	\$ 91,597

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

ROCKY MOUNTAIN ELK FOUNDATION, INC.

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2018 (with comparative totals for 2017)
(Amounts Reported Are In Thousands)

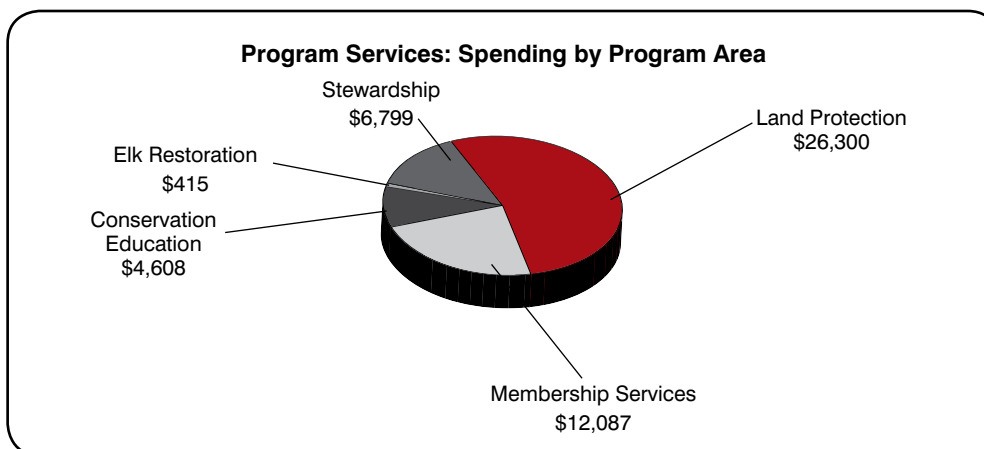
	2018			2017
	Without Donor Restriction	With Donor Restriction	Total	Total
Funds Spent on Mission Accomplishment by Program				
Land protection	\$ 26,300	\$ -	\$ 26,300	\$ 18,247
Stewardship	6,799	-	6,799	6,122
Elk restoration	415	-	415	420
Conservation education	4,608	-	4,608	4,242
Membership services	12,087	-	12,087	11,260
Total program services expenses	50,209	-	50,209	40,291
Source of Funds for Mission Accomplishment				
Public support:				
Contributions	10,733	551	11,284	9,461
Conservation easements	16,930	-	16,930	3,018
Membership	11,656	444	12,100	11,156
Special events	31,724	-	31,724	30,265
less: direct donor benefits	(17,288)	-	(17,288)	(16,388)
Change/revalue split interest agreement liabilities	(393)	124	(269)	(107)
Total public support	53,362	1,119	54,481	37,405
Program service revenue:				
Conservation land sales	3,369	-	3,369	5,486
Contract revenue	165	-	165	350
Government grants	442	-	442	4,729
Total program service revenue	3,976	-	3,976	10,565
Other:				
Investment return/(loss)	(76)	(2,575)	(2,651)	6,801
Advertising, royalties & other sales	5,266	-	5,266	4,734
less: cost of sales	(1,696)	-	(1,696)	(1,384)
Other income	10	-	10	89
Gain/(loss) on assets sold/written off	(119)	-	(119)	20
Retirement of permanent collection	-	-	-	(150)
Other gain	-	-	-	37
Net assets released from restrictions	2,320	(2,320)	-	-
Total other	5,705	(4,895)	810	10,147
Support service expenses:				
Fundraising	5,934	-	5,934	5,142
Administrative	3,654	-	3,654	3,344
Total support service expenses	9,588	-	9,588	8,486
Funds available for mission accomplishment	53,455	(3,776)	49,679	49,631
Change in net assets	3,246	(3,776)	(530)	9,340
Net assets, beginning of year (as restated, Note 19)	38,685	46,490	85,175	75,835
Net assets, end of year	\$ 41,931	\$ 42,714	\$ 84,645	\$ 85,175

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, 2018 (with comparative totals for 2017)
(Amounts Reported Are In Thousands)

	PROGRAM SERVICES	SUPPORT SERVICES			Total Support Services	2018 Total	2017 Total
	Total Program Services	Administrative	Fundraising	Merchandise			
Advertising	\$ 903	\$ 42	\$ 286	\$ 80	\$ 408	\$ 1,311	\$ 1,699
Bad debts	9	1	48	16	65	74	32
Depreciation	351	111	108	10	229	580	567
Employee benefits	2,080	672	550	95	1,317	3,397	2,729
Employee salaries	6,156	1,812	1,629	281	3,722	9,878	9,027
Insurance	24	147	3	-	150	174	164
Interest	-	-	-	-	-	-	41
Membership benefits	3,126	-	-	-	-	3,126	2,398
Miscellaneous	1,331	67	237	54	358	1,689	1,410
Postage and shipping	2,620	28	1,315	122	1,465	4,085	3,717
Printing and publications	2,873	11	1,079	59	1,149	4,022	3,670
Professional fees	1,374	205	205	145	555	1,929	1,787
Rent and maintenance	188	153	47	5	205	393	534
Supplies	210	56	99	9	164	374	319
Telephone	137	27	30	2	59	196	218
Travel and meetings	1,387	223	295	30	548	1,935	1,830
Utilities	30	99	3	-	102	132	139
Land protection	4,157	-	-	-	-	4,157	7,510
Conservation easements	17,128	-	-	-	-	17,128	6,701
Conservation projects	6,125	-	-	-	-	6,125	5,069
Merchandise sales	-	-	-	788	788	788	557
Direct benefit to donors	-	-	17,288	-	17,288	17,288	16,431
Total	\$ 50,209	\$ 3,654	\$ 23,222	\$ 1,696	\$ 28,572	\$ 78,781	\$ 66,549
Less direct benefit to donors	-	-	(17,288)	-	(17,288)	(17,288)	(16,388)
Less cost of sales	-	-	-	(1,696)	(1,696)	(1,696)	(1,384)
Total, net	\$ 50,209	\$ 3,654	\$ 5,934	\$ -	\$ 9,588	\$ 59,797	\$ 48,777



ROCKY MOUNTAIN ELK FOUNDATION, INC.

Statement of Cash Flows
For the Year Ended December 31, 2018 (with comparative totals for 2017)
(Amounts Reported Are In Thousands)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (530)	\$ 9,340
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Donated conservation land	(350)	(250)
Cash contributions restricted for long-term purposes	(2)	(40)
Depreciation	580	567
Loss on assets sold/written-off	119	20
Change in valuation of split interest agreement liability	217	136
Realized and unrealized losses (gains) on investments	4,006	(5,758)
Loss on retirement of permanent collection	-	150
Changes in operating assets and liabilities:		
Receivables	280	311
Inventories	(788)	(52)
Prepaid expenses	582	(60)
Accounts payable and accrued liabilities	233	(117)
Deposits, advances, and deferred revenue	50	(52)
Split interest agreement liabilities	15	(8)
Cash provided by (used in) conservation land activities		
Acquisition of conservation properties held for resale	(3,382)	(5,604)
Proceeds from sale of conservation properties	3,562	6,293
Net cash provided by operating activities	4,592	4,876
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment proceeds and income reinvested	23,371	21,168
Investments purchased	(24,789)	(21,789)
Additions to property and equipment	(476)	(591)
Net cash used in investing activities	(1,894)	(1,212)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash contributions restricted for long-term purposes	2	40
Proceeds from annuitants on split interest agreements	68	16
Payments to annuitants on split interest agreements	(184)	(176)
Net payments on long-term debt	-	(1,679)
Net cash used in financing activities	(114)	(1,799)
Net increase in cash and cash equivalents	2,584	1,865
Cash and cash equivalents, beginning of year	15,494	13,629
Cash and cash equivalents, end of year	\$ 18,078	\$ 15,494

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

ROCKY MOUNTAIN ELK FOUNDATION, INC.

Notes to Financial Statements
December 31, 2018 (with comparative totals for 2017)
(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 net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of 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 two classes:

- Net assets with donor restriction - Consists of endowment gifts where donors have specified investment in perpetuity to generate income for specified restricted or general purposes, and contributions or 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.
- Net assets without donor restriction - Revenues whose use by RMEF is not limited to donor-imposed restrictions.

ROCKY MOUNTAIN ELK FOUNDATION, INC.

Notes to Financial Statements
December 31, 2018 (with comparative totals for 2017)
(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:

	2018		2017
Cash in savings, checking, and money market accounts	\$ 16,026	\$	14,043
Cash and cash equivalents held by investment managers	2,052		1,451
Total cash and cash equivalents	\$ 18,078	\$	15,494

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, 2017, from which the summarized information was derived.

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. Such reclassifications have no effect on the change in net assets or net asset balances, by classification, as previously reported.

Concentration of credit risk

At December 31, 2018 and 2017, bank demand deposits included \$17,482 and \$14,059, respectively, that were in excess of FDIC insurance coverage.

RMEF invests its excess cash and cash equivalents in repurchase agreements and money market accounts 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, 2018 and 2017, RMEF held 212 and 208 conservation easements on approximately 393,000 and 389,000 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 net assets without donor restriction or net assets with donor restriction if they are received with donor stipulations that sufficiently limit the use of the donated assets.

ROCKY MOUNTAIN ELK FOUNDATION, INC.

Notes to Financial Statements
December 31, 2018 (with comparative totals for 2017)
(Amounts Reported Are In Thousands)

When a donor restriction expires, through the passage of time or when the purpose is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and are reported on the statement of activities as net assets released from restrictions.

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. Contributed services recorded for the years ended December 31, 2018 and 2017 were \$5 and \$0, respectively.

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. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation which is allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, creative, distribution, and information technology, which are allocated on the basis of time and effort estimates.

- 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 235,000 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 \$1,311 and \$1,699 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017.

ROCKY MOUNTAIN ELK FOUNDATION, INC.

Notes to Financial Statements
December 31, 2018 (with comparative totals for 2017)
(Amounts Reported Are In Thousands)

Investments

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

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 \$4,085 and \$3,717 for the years ended December 31, 2018 and 2017, 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.

ROCKY MOUNTAIN ELK FOUNDATION, INC.

Notes to Financial Statements
December 31, 2018 (with comparative totals for 2017)
(Amounts Reported Are In Thousands)

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 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 special events in the accompanying statement of activities and changes in net assets.

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, 2018 and 2017, RMEF maintained approximately \$2,135 and \$2,143, 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, 2018 and 2017, the allowance provided was \$26 and \$31, respectively, based on a percentage of net event proceeds.

Funds that support the Permanent Land Protection Program

- The Conservation Easement Protection Fund is a Board designated fund 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.
- The Strategic Land Protection Fund was established to provide active capital for completing permanent land protection projects. Donations to the fund are treated as net assets with donor restriction as simultaneous use of the fund for land projects and associated project costs release net assets with donor restriction. Gains on land transactions as well as interest and gains/losses on investments are classified as net assets without restriction.

Subsequent events

RMEF has evaluated subsequent events through February 15, 2019, the date on which the financial statements were available to be issued.

ROCKY MOUNTAIN ELK FOUNDATION, INC.

Notes to Financial Statements
 December 31, 2018 (with comparative totals for 2017)
 (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:

	2018	2017
Receivable in less than one year	\$ 332	\$ 311
Receivable in one to five years	467	643
Total	799	954
Less:		
Unamortized discount (5.5% and 4.25%)	(113)	(120)
Allowance for uncollectible pledges	(62)	(74)
Net unconditional promises to give	624	760
Less long-term portion	(292)	(449)
Net unconditional promises to give, current	\$ 332	\$ 311

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, 2018 (with comparative totals for 2017)
(Amounts Reported Are In Thousands)

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

	2018	2017
Accounts receivable:		
Trade, advertising, and royalties	\$ 392	\$ 434
Membership dues	220	200
Grants	36	97
Related parties:		
Chapters (net of reserve of \$26 and \$31)	231	310
Employee	24	2
Interest in charitable remainder trusts	287	295
	1,190	1,338
Gross accounts receivable:		
Less allowance for doubtful accounts	(105)	(109)
Total accounts receivable, net	1,085	1,229
Less long-term portion	(287)	(295)
Current portion	\$ 798	\$ 934

5. Investments

Investments are carried at fair value and are summarized as follows at December 31:

		Cost	Fair Value	Unrealized Appreciation (Depreciation)
2018:	U.S. gov't bond funds	\$ 4,466	\$ 4,352	\$ (114)
	Corporate bond funds	6,096	6,868	772
	Foreign bond funds	456	421	(35)
	U.S. gov't bonds	1,172	1,171	(1)
	Corporate bonds	10,167	9,945	(222)
	Foreign bonds	25	25	-
	Common stocks	7,850	9,249	1,399
	Foreign stocks	220	229	9
	U.S. equity funds	12,339	12,653	314
	Foreign equity funds	6,833	6,455	(378)
	REITs	525	592	67
	Total	\$ 50,149	\$ 51,960	\$ 1,811
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	\$ 46,533	\$ 54,550	\$ 8,017

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Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties.

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

	2018		2017
Net realized and unrealized gains (losses)	\$ (4,006)	\$	5,758
Interest and dividends on investments	1,369		1,224
Investment fees	(203)		(197)
Total return on investments	(2,840)		6,785
Interest on cash accounts	189		16
Investment income on cash and investments	\$ (2,651)	\$	6,801

6. Property and equipment

Property and equipment consist of the following at December 31:

	2018		2017
Land	\$ 2,380	\$	2,380
Buildings and improvements	12,345		12,253
Furniture and equipment	3,565		3,367
	18,290		18,000
Less allowances for depreciation	(7,094)		(6,526)
	11,196		11,474
Assets in progress	128		81
	\$ 11,324	\$	11,555

Depreciation expense totaled \$580 and \$567 in 2018 and 2017, respectively.

Assets in progress consisted of costs related to several I.T. projects and Great Elk Tour trailer build of \$128 and \$81 at December 31, 2018 and 2017, respectively.

7. Conservation land holdings

Properties held for conservation resale and conservation land holdings totaled \$1,845 and \$1,675 at December 31, 2018 and 2017, respectively. Management believes the carrying value of properties held for resale does not exceed the amount expected upon sale.

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8. 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:

	2018		2017
Estimated present value of liability at January 1	\$ 1,370	\$	1,402
Increase in estimated present value of liability from contributions	38		8
Decrease in estimated present value due to payment to beneficiaries	(191)		(176)
Change in estimated present value from revaluation	269		136
Estimated present value of liability at December 31	1,486		1,370
Less estimated current portion	(191)		(176)
Total long-term portion	\$ 1,295	\$	1,194

RMEF complied with state minimum reserve requirements related to its split interest agreement liabilities in 2018 and 2017.

9. Net assets

At December 31 net assets consist of the following:

	2018		2017
Net assets with donor restriction			
Restricted for purpose	\$ 1,097	\$	412
Subject to the passage of time	1,072		1,200
Gift annuities with perpetual restrictions	580		446
Donor-restricted endowment funds			
Original donor restricted corpus	31,413		31,466
Accumulated investment gains	8,552		12,966
	39,965		44,432
Total net assets with donor restriction	\$ 42,714	\$	46,490
Net assets without donor restriction			
Undesignated	\$ 31,523	\$	28,920
Board-designated endowment funds			
Conservation Easement Protection Fund	2,931		2,994
Strategic Land Protection Fund	7,477		6,771
	10,408		9,765
Total net assets without donor restriction	\$ 41,931	\$	38,685

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For the years ended December 31 net assets with donor restriction were released as follows:

	2018	2017
Expiration of time restrictions	\$ 635	\$ 711
Fulfillment of purpose restrictions	1,685	2,603
Total	<u>\$ 2,320</u>	<u>\$ 3,314</u>

10. Retirement plans

Employees can elect to make voluntary contributions to a tax sheltered annuity plan under IRC Section 403(b). Employees may also elect to make voluntary contributions to a 403(b) Roth plan. At management's discretion, RMEF may contribute up to 5% of eligible compensation. In 2018 and 2017, 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 high level 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, 2018 and 2017 were \$489 and \$458, respectively.

11. 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 \$3,064 and \$2,256 at December 31, 2018 and 2017, respectively.

Refundable grant advances - Refundable grant advances consist of advances received for conditional grants not yet expended for the grantor-specified purpose. These grant advances totaled \$53 and \$20 at December 31, 2018 and 2017, respectively.

Operating line of credit - RMEF maintained a \$3,000 line of credit at prime rate (5.25%) at December 31, 2018 and prime rate (4.25%) at December 31, 2017. The line expires September 30, 2019, and is secured by accounts receivable, equipment, and inventory. There were no amounts outstanding at December 31, 2018 and 2017.

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 \$1,581 and \$1,515 for the years ended December 31, 2018 and 2017, respectively, with a stop loss of \$65 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

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on estimated claims incurred and covered by the plan. In 2018 and 2017, the amount of premiums and claims paid were \$1,847 and \$1,447, respectively. At December 31, 2018 and 2017, the cash balance of the reserve account was \$209 and \$115, respectively. In 2018 and 2017, RMEF's estimate of net claims incurred but not paid was \$211 and \$76, 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.

12. 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.

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, when reviewing its donor-restricted endowment funds, RMEF considers the value of a fund to be deficient if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. RMEF has interpreted UPMIFA to permit spending from deficient funds in accordance with the prudent measures required under the law.

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

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Endowment Net Asset Composition by Type of Fund as of December 31, 2018

	Without Donor Restriction	With Donor Restriction	Total	2017
Board-designated endowment funds				
Conservation Easement Protection Fund	\$ 2,931	\$ -	\$ 2,931	\$ 2,994
Strategic Land Protection Fund	7,477	-	7,477	6,771
	10,408	-	10,408	9,765
Donor-restricted endowment funds				
Original donor-restricted corpus				
General	-	3,231	3,231	3,209
Midway Youth	-	400	400	400
Conservation Easement Protection Fund	-	-	-	74
Torstenson Family	-	27,782	27,782	27,782
	-	31,413	31,413	31,465
Accumulated investment gains				
General	-	1,998	1,998	2,370
Midway Youth	-	81	81	156
Torstenson Family	-	6,473	6,473	10,440
	-	8,552	8,552	12,966
Total endowment funds	\$ 10,408	\$ 39,965	\$ 50,373	\$ 54,196

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Changes in Endowment Net Assets for the year ended December 31, 2018

	Without donor Restriction	With Donor Restriction	Total	2017
Endowment net assets, beginning of year	\$ 9,765	\$ 44,431	\$ 54,196	\$ 47,744
Investment return, net	(155)	(2,575)	(2,730)	6,451
Contributions	75	2	77	327
Other changes:				
Release from restriction	-	(1,713)	(1,713)	-
Distributions	-	(200)	(200)	(2,152)
Transfer of cash	723	20	743	1,827
Endowment net assets, end of year	\$ 10,408	\$ 39,965	\$ 50,373	\$ 54,196

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.

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.

13. 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

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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.

Fair values of assets measured on a recurring basis at December 31, 2018 were as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	2017
Marketable securities					
Equity securities					
Consumer goods	\$ 1,829	\$ -	\$ -	\$ 1,829	\$ 2,922
Energy	611	-	-	611	562
Financials	1,637	-	-	1,637	2,398
Health care	1,393	-	-	1,393	1,554
Industrials	660	-	-	660	1,461
Information technology	2,628	-	-	2,628	2,712
International	229	-	-	229	961
Materials	56	-	-	56	208
Telecommunication service	83	-	-	83	192
Utilities	352	-	-	352	487
Equity funds					
U.S. large cap	5,875	-	-	5,875	3,986
U.S. mid cap	766	-	-	766	1,366
U.S. small cap	6,012	-	-	6,012	6,490
International	5,487	-	-	5,487	6,210
Emerging markets	968	-	-	968	1,103
Total equity securities	28,586	-	-	28,586	32,612
Debt securities					
Bonds					
U.S. government	-	1,171	-	1,171	326
Corporate	-	9,945	-	9,945	8,784
International	-	25	-	25	-
Bond funds					
U.S. government	4,352	-	-	4,352	4,041
Corporate	6,868	-	-	6,868	7,651
International	421	-	-	421	660
Total debt securities	11,641	11,141	-	22,782	21,462
Other					
REIT	592	-	-	592	476
Total	\$ 40,819	\$ 11,141	\$ -	\$ 51,960	\$ 54,550

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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, 2018 and 2017.

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

14. Statement of cash flows - supplemental disclosures

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

	2018	2017
Schedule of Noncash Transactions		
Donated conservation easements	\$ 16,930	\$ 3,018
Donated conservation lands	\$ 350	\$ 250
Donated securities	\$ 56	\$ 63
Changes to permanent collection	\$ 10	\$ (150)
Supplemental Disclosure of Cash Payments		
Interest paid during the year	\$ -	\$ 41

15. New accounting pronouncement

During the year ended December 31, 2018, RMEF adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restriction and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restriction. Footnotes on liquidity and availability of financial assets have also been added (Notes 16 and 17).

16. Liquidity

As a part of RMEF's liquidity management plan, cash in excess of monthly requirements is invested in short-term investments and money market funds. RMEF also maintains a line of credit of \$3,000 with a bank that can be drawn upon as needed during the year to manage cash flow.

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17. Availability of financial assets

The following reflects RMEF's financial assets as of the date of the statement of financial position, reduced by amounts not available for general use within one year of the date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for long-term investing in the operating and capital reserves that could be drawn upon if the governing board approves that action.

	2018	2017
Cash	\$ 18,078	\$ 15,494
Accounts receivable, net, collected in less than one year	798	934
Unconditional promises to give, net, collected in less than one year	332	311
Investments	51,960	54,550
Total financial assets, excluding noncurrent receivables	71,168	71,289
Less:		
Board-designated and donor-restricted endowment funds	(50,373)	(54,196)
add back: amounts available for general expenditure	150	168
Donor restricted for specific programs	(1,097)	(412)
Financial assets available to meet cash needs for general expenditures within one year	\$ 19,848	\$ 16,849

RMEF's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from endowments is restricted for specific purposes, with exception of amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

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18. Functional expenses

	Conservation Education	Elk Restoration	Land Protection	Membership Services	Stewardship	2018 Total	2017 Total
Advertising	\$ 136	\$ 29	\$ 240	\$ 218	\$ 280	\$ 903	\$ 1,173
Bad debts	1	-	1	5	2	9	11
Depreciation	150	2	68	105	26	351	343
Employee benefits	262	24	875	590	329	2,080	1,687
Employee salaries	777	75	2,589	1,741	974	6,156	5,661
Insurance	13	-	10	-	1	24	23
Interest	-	-	-	-	-	-	-
Membership benefits	-	-	-	3,126	-	3,126	2,398
Miscellaneous	190	37	478	392	234	1,331	1,139
Postage and shipping	39	3	59	2,464	55	2,620	2,646
Printing and publications	283	2	32	2,531	25	2,873	2,860
Professional fees	141	43	651	397	142	1,374	1,134
Rent and maintenance	30	2	56	74	26	188	251
Supplies	26	3	81	60	40	210	162
Telephone	19	2	53	35	28	137	141
Travel and meetings	211	21	530	347	278	1,387	1,348
Utilities	24	-	3	2	1	30	34
Land protection	542	18	3,546	-	51	4,157	7,510
Conservation easements	-	86	17,025	-	17	17,128	6,701
Conservation projects	1,764	68	3	-	4,290	6,125	5,069
Merchandise sales	-	-	-	-	-	-	-
Direct benefit to donors	-	-	-	-	-	-	-
Total	\$ 4,608	\$ 415	\$ 26,300	\$ 12,087	\$ 6,799	\$ 50,209	\$ 40,291

19. Reclassification of net assets

During the year, RMEF determined net assets of \$1,871 had been improperly classified as donor-restricted at December 31, 2017. As such, net assets without donor restriction have been increased and net assets with donor restriction have been decreased by \$1,871 at December 31, 2017. The reclassification had no impact to total assets, liabilities, net assets, or total change in net assets as of and for the year ended December 31, 2017.



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