KPMG

YELLOWSTONE PARK FOUNDATION, INC.

Financial Statements

February 29, 2016

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 1002
175 N 27th Street
Billings, MT 59101

Independent Auditors' Report

The Board of Directors
Yellowstone Park Foundation, Inc.:

We have audited the accompanying financial statements of Yellowstone Park Foundation, Inc., which comprise the statement of financial position as of February 29, 2016, and the related statement of activities, functional expenses, and cash flows for the eight months ended February 29, 2016, 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 U.S. generally accepted accounting principles; 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.

Auditors' 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yellowstone Park Foundation, Inc. as of February 29, 2016, and the changes in its net assets and its cash flows for the eight months then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

August 19, 2016

YELLOWSTONE PARK FOUNDATION, INC.

Statement of Financial Position

February 29, 2016

Assets

Current assets:		
Cash and cash equivalents	$	553,724
Short-term investments		3,120,048
Unconditional promises to give		1,468,689
Interest receivable		8,184
Inventory		19,457
Prepaid expenses		78,510
Total current assets		5,248,612
Property and equipment:		
Furniture, fixtures, and equipment		202,257
Less accumulated depreciation		(149,489)
Net property and equipment		52,768
Endowment investments		12,437
Unconditional promises to give, net of discount and current portion		2,458,801
Total assets	$	7,772,618

Liabilities and Net Assets

Current liabilities:		
Accounts payable	$	522,508
Accrued expenses		51,410
Total current liabilities		573,918
Net assets:		
Unrestricted		2,365,434
Temporarily restricted		4,824,290
Permanently restricted		8,976
Total net assets		7,198,700
Total liabilities and net assets	$	7,772,618

See accompanying notes to financial statements.

YELLOWSTONE PARK FOUNDATION, INC.

Statement of Activities

Eight months ended February 29, 2016

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support:				
Contributions	$ 2,237,265	3,080,144	—	5,317,409
Other support	126,374	—	—	126,374
Net assets released from restrictions or satisfaction of program restrictions	5,038,496	(5,038,496)	—	—
Total support	7,402,135	(1,958,352)	—	5,443,783
Expenses:				
Program expenses:				
Aid to National Park Service	5,492,442	34,285	—	5,526,727
Education and Outreach	519,230	—	—	519,230
Supporting services:				
Management and general	640,821	—	—	640,821
Fund-raising	828,086	—	—	828,086
Total expenses	7,480,579	34,285	—	7,514,864
Change in net assets from operations	(78,444)	(1,992,637)	—	(2,071,081)
Non-operating activity –				
Write-off of unconditional promises to give	(30,000)	(259,595)	—	(289,595)
Other expense –				
Investment loss	(162,075)	—	—	(162,075)
Decrease in net assets	(270,519)	(2,252,232)	—	(2,522,751)
Net assets, beginning of year	2,635,953	7,076,522	8,976	9,721,451
Net assets, end of year	$ 2,365,434	4,824,290	8,976	7,198,700

See accompanying notes to financial statements.

YELLOWSTONE PARK FOUNDATION, INC.

Statement of Functional Expenses

Eight months ended February 29, 2016

	Total	Program Expense	Management and general	Fund-raising
Salaries	$ 696,712	188,112	241,953	266,647
Employee benefits and taxes	215,145	58,089	95,410	61,646
Total salaries and benefits	911,857	246,201	337,363	328,293
Aid to National Park Service	5,526,727	5,526,727	—	—
Direct mail and acquisition mailings	336,343	—	—	336,343
Professional services	282,947	76,383	134,051	72,513
Direct mail education and awareness	124,401	124,401	—	—
Events and functions	60,475	16,328	—	44,147
Occupancy and insurance	52,159	14,083	38,076	—
Bank fees	49,898	—	49,898	—
Office expenses	41,066	11,088	17,345	12,633
Travel	37,434	10,107	4,928	22,399
Publications and communications	33,168	8,955	23,227	986
Training and meetings	13,663	3,689	6,101	3,873
Information technology	9,873	2,666	7,207	—
Donor stewardship	9,426	2,545	—	6,881
Miscellaneous	7,233	1,886	5,329	18
Vehicle	3,327	898	2,429	—
Total expenses before depreciation	7,499,997	6,045,957	625,954	828,086
Depreciation	14,867	—	14,867	—
Total expenses	$ 7,514,864	6,045,957	640,821	828,086

See accompanying notes to financial statements.

YELLOWSTONE PARK FOUNDATION, INC.

Statement of Cash Flows

Eight months ended February 29, 2016

Cash flows from operating activities:	
Decrease in net assets	$ (2,522,751)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	14,867
Amortization of bond premium	1,254
Net realized and unrealized losses on investments	213,384
Write-off of unconditional promises to give	289,595
Changes in assets and liabilities that provided (used) cash:	
Unconditional promises to give	(577,616)
Accrued interest receivable	2,865
Inventory	1,336
Prepaid expenses	(37,375)
Accounts payable	184,616
Accrued expenses	38,005
Net cash used in operating activities	(2,391,820)
Cash flows from investing activities:	
Purchases of property and equipment	(2,499)
Purchases of investments	(2,075,218)
Sales and maturities of investments	4,038,701
Net cash provided by investing activities	1,960,984
Decrease in cash	(430,836)
Cash, beginning of period	984,560
Cash, end of period	$ 553,724

See accompanying notes to financial statements.

(1) Nature of Activities and Significant Accounting Policies

(a) Nature of Operations

Yellowstone Park Foundation, Inc. (the Foundation) is a nonprofit organization, which supports projects and programs that protect, preserve, and enhance Yellowstone National Park (Yellowstone). The purpose of the Foundation is to increase understanding of the history and natural systems of Yellowstone, and enrich the human experience that is Yellowstone. The Foundation accomplishes this purpose by, among other activities, soliciting donations of money, goods, and services, from individuals, corporations, and foundations, to fund important projects in Yellowstone, which enhance the capacity of the National Park Service in the following categories:

- Cultural Treasures
- Greenest Park
- Wildlife, Wonders, and Wilderness
- Ranger Heritage
- Visitor Experience
- Tomorrow's Stewards
- Open Project Support

(b) Change in Accounting Period

The Foundation changed its fiscal year end from June 30 to the end of February, effective February 29, 2016.

(c) Investments

Investments consist of mutual funds, corporate debt, U.S. agency securities, and U.S. Treasury obligations, which are reported at fair value. The fair value of mutual funds is based on market prices, which are readily available. The fair value of U.S. agency securities, U.S. Treasury obligations and corporate debt is generally obtained from third-party pricing services for comparable assets or through the use of valuation methodologies using observable market inputs. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases to unrestricted net assets unless their use is restricted by explicit donor stipulation or law.

Endowment investments are held in a mutual fund account and recorded at fair value. Interest earned on the endowment investments is unrestricted in accordance with donor instruction.

(d) Unconditional Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-adjusted interest rate applicable at the time the promise is received. Accretion of the discount in subsequent years is reported as additional contributions in the net asset class in which the original promise was made. Conditional promises to give are not included as support until such time as the conditions are substantially met.

An allowance for losses on unconditional promises to give is provided based on management's assessment of the ultimate collectability of unconditional promises to give, historical experience with donors, as well as any known trends or uncertainties relating to donors. No allowance for losses on unconditional promises to give was recorded at February 29, 2016.

(e) Inventories

Inventories consist of T-shirts, hats, note cards, brochures, books, and videos given as premiums and educational information about park projects, and are valued at cost. Cost is determined using the first-in, first-out method.

(f) Property and Equipment

Property and equipment is recorded at cost when purchased. Donated property and equipment is recorded as support at the estimated fair value at the time of donation. Such donations are reported as unrestricted unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over their estimated useful lives, generally three to seven years.

(g) Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no long-lived assets that were considered impaired for the eight months ended February 29, 2016.

(h) Income Tax Status

The Foundation is a not-for-profit organization that is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation accounts for uncertainty in income taxes using a more-likely than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. Tax positions are evaluated for recognition, derecognition, and measurement using consistent criteria. Based on an analysis prepared by the Foundation, there were no uncertain tax positions at February 29, 2016.

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(i) Recognition of Donor-Restricted Contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

(j) Program Expenses

The Foundation records program expenses when the expenses are incurred.

(k) In-Kind Support

The Foundation records various types of in-kind support including advertising, graphic design, Web site up-keep and design, airline tickets, lodging, and professional fees. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

(l) Functional Expenses

Expenses are charged directly to program, management and general, or fund-raising categories based on specific identification and have been summarized on a functional basis in the statement of activities. Certain expenses supporting program, development, and other activities, have been allocated based on resources dedicated to programs. For the eight months ended February 29, 2016, expenses of $519,230 were allocated to education and outreach.

(m) Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the allowance for losses on unconditional promises to give, discounts on promises to give that are expected to be received in future years, the fair value of investments, and the value of in-kind contributions.

(2) Unconditional Promises to Give

Unconditional promises to give at February 29, 2016 are as follows:

Receivables due in less than one year	$	1,468,689
Receivables due in one to five years		2,582,800
Less discounts to present value		(123,999)
Noncurrent portion		2,458,801
Unconditional promises to give, net	$	3,927,490

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At February 29, 2016, unconditional promises to give due in more than one year are recorded at their present value discounted at rates between 1.72% and 1.91%. The unamortized discount is $123,999 at February 29, 2016. The accretion of the discount in subsequent years is reported as additional contributions in the net asset class in which the original promise to give was made.

(3) Investments

Investments by investment type at February 29, 2016 consist of the following:

Mutual funds	$	1,792,255
Corporate debt		514,992
U.S. Treasury obligations		594,799
U.S. agency securities		230,439
	$	3,132,485

Investment income and losses on investments included in the investment loss on the statement of activities for the eight months ended February 29, 2016 consist of the following:

Interest income	$	51,309
Change in unrealized loss on endowment investments		(331)
Realized loss on investments, net		(84,179)
Change in unrealized loss on investments, net		(128,874)
	$	(162,075)

(4) Temporarily Restricted Net Assets

Temporarily restricted net assets are available February 29, 2016 for the following purposes:

General Wolf Recovery	$	1,389,610
Canon		549,357
Native Fish Conservation		457,544
Yellowstone Forever - Wilderness Forever		303,315
Bear		285,212
Yellowstone Forever		277,133
Other Wildlife Projects		198,370
Wildlife and Wonders		173,390
Discover Expedition: Yellowstone		145,854
YES! Initiative		145,398
Haynes Photo Shop		135,170
Wildlife & Visitor Safety Project		114,598
Ranger Fund		108,818
Toyota Education (Youth Education)		96,147
Visitor Experience		81,142
Tomorrow Stewards		60,734
Open Support		58,616
OFVEC - Construction		56,106
Archive Fund Initiative		48,842
Trails Fund Initiative		47,750
Historic Kiosk		41,804
Park Journeys		12,273
Raptor Initiative		10,566
Interpret the Old Faithful Historic District		6,972
Brown Bat Research		6,269
Partners in Preservation - Stanford & MSU		4,877
Other smaller projects		8,423
	$	4,824,290

(5) Permanently Restricted Net Assets

Permanently restricted net assets at February 29, 2016, represent a permanent endowment established as a result of the Montana Charitable Endowment tax credit. Interest earned on the endowment is available to fund current operations to support the Foundation's mission and is considered unrestricted when earned.

The Board of Directors of the Foundation has interpreted the laws that underlie the Foundation's net asset classification of donor-restricted endowment funds as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation 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 Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through current yield (interest). The Foundation has a policy of appropriating earnings on the endowment assets when earned as there are no donor-imposed restrictions on the use of the earnings.

(6) Contributions

Contributions consist of the following revenue sources for the eight months ended February 29, 2016:

Individual gifts	$	1,973,390
Board and council members		1,409,466
Corporate gifts		1,015,116
Foundation gifts		919,437
	$	5,317,409

(7) Donated Services and Materials

Donated services and materials consist of the following revenue sources for the eight months ended February 29, 2016:

Professional services	$	341,881
Supplies and equipment		47,020
	$	388,901

Donated services and materials are included in contributions and expenses in the statement of activities and are allocated between management and general, fund-raising, and aid to National Park Service.

(8) Related Parties

Members of the Board of Directors made contributions totaling $1,409,466 for the eight months ended February 29, 2016. Some of these contributions are in the form of a pledge. Unconditional promises to give from board members were $1,272,800 at February 29, 2016, and are included in unconditional promises to give on the statement of financial position.

(9) Retirement Plan

The Foundation sponsors a Section 403(b) salary reduction plan that covers all full-time employees who are at least 21 years old. Employees may contribute up to $18,000 annually. Each eligible employee may elect to have amounts deducted from their gross wages to contribute to the plan. The Foundation matched 100% of these contributions with the maximum contribution equaling 8% of the employee’s gross wages for the eight months ended February 29, 2016. The total employer contribution to the plan was $46,122 for the eight months ended February 29, 2016, and is allocated between management and general, fund-raising, and aid to National Park Service.

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(10) Lease Commitment

The Foundation entered into a commitment to lease office space in Bozeman, Montana commencing on the February 1, 2016, and ending on January 31, 2018. Rent must be paid in installments of $5,094 per month, payable on the first day of each month. The total rent expense for the eight months ended February 29, 2016 was $58,975 and is allocated between management and general, fund-raising and aid to National Park Service. The schedule of operating lease commitments for the remainder of the lease for the fiscal years ending February 28 is as follows:

2017	$	61,128
2018		56,034
	$	117,162

(11) Net Assets Released from Restrictions

The Foundation's program disbursements satisfied donor restrictions, which resulted in the following release from restrictions during the eight months ended February 29, 2016:

Canyon Trails and Overlooks	$	2,326,099
Yellowstone Forever		572,197
Roosevelt Arch		491,909
Yellowstone Youth Campus		329,978
General Wolf Recovery		324,548
Canon - Eyes on Yellowstone		243,294
Native Fish Conservation		177,448
Wildlife Health Study		131,280
Park Journeys		111,519
Bear Safe Campground		74,132
Trails Restoration		58,515
Raptor Initiative		55,402
Wolf Interpretation		39,224
Wildlife, Wonders and Wilderness		37,849
Sustainability Initiative		24,996
Yellowstone Cougars		17,863
Ranger Fund Initiative		11,528
Other smaller projects		10,715
	$	5,038,496

(12) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants and also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The fair value hierarchy distinguishes among three levels of inputs that may be utilized when measuring fair value:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The classification of each financial asset or liability within the above hierarchy is determined based on the lowest-level input that is significant to the fair value measurement.

Financial assets measured at fair value on a recurring basis at February 29, 2016 consisted of the following:

		Fair value measurements		
	Total	**Level 1**	**Level 2**	**Level 3**
Investments:				
Mutual funds:				
Fixed income debt securities	$ 842,728	842,728	—	—
Corporate equity securities	949,527	949,527	—	—
Total mutual funds	1,792,255	1,792,255	—	—
Corporate debt	514,992	—	514,992	—
U.S. Treasury obligations	594,799	—	594,799	—
U.S. agency securities	230,439	—	230,439	—
	$ 1,340,230	—	1,340,230	—
Total investments	$ 3,132,485	1,792,255	1,340,230	—

(13) Subsequent Events

The Foundation has updated their evaluation of conditions and events existing that would require subsequent event disclosure through the financial statement issuance date of August 19, 2016.