



**MONTANA NURSES ASSOCIATION
AND AFFILIATE
FINANCIAL REPORT
December 31, 2022 (Audited)
December 31, 2021 (Reviewed)**

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Peterson CPA Group, P.C.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Montana Nurses Association
Clancy, Montana

Opinion

We have audited the accompanying consolidated financial statements of the Montana Nurses Association (a nonprofit organization) and its affiliate (collectively the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Montana Nurses Association and its affiliate as of December 31, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Schedule 1 - Consolidating Statements of Financial Position and Schedule 2 - Consolidating Statements of Activities are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on the 2021 Consolidated Financial Statements and Supplementary Information

The 2021 consolidated financial statements and supplementary information were reviewed by us, and our report thereon, dated June 9, 2022, stated we were not aware of any material modifications that should be made to those consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the consolidated financial statements.

Peterson CPA Group, P.C.

Missoula, Montana

July 3, 2023

FINANCIAL STATEMENTS

MONTANA NURSES' ASSOCIATION and AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
At December 31, 2022 (Audited and 2021 (Reviewed))

	<u>(Audited)</u> <u>2022</u>	<u>(Reviewed)</u> <u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 136,417	\$ 158,337
Receivables	96,614	50,834
Prepaid expenses	8,030	7,746
Investments	1,201,965	1,486,793
Investments - restricted	177,126	212,411
Property and equipment, net	500,182	528,448
TOTAL ASSETS	<u>\$ 2,120,334</u>	<u>\$ 2,444,569</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 16,425	\$ 9,747
Dues payable	48,249	60,138
Escrow mobilization dues	208,829	212,411
Local units deposits	382,794	335,281
Deferred revenue	9,210	20,610
Accrued expenses	6,323	1,014
Accrued payroll and taxes	19,048	18,641
Compensated absences	84,979	78,334
TOTAL LIABILITIES	<u>775,857</u>	<u>736,176</u>
NET ASSETS		
Without donor restrictions	1,224,064	1,585,875
With donor restrictions	120,413	122,518
TOTAL NET ASSETS	<u>1,344,477</u>	<u>1,708,393</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,120,334</u>	<u>\$ 2,444,569</u>

See the notes to the consolidated financial statements.

MONTANA NURSES' ASSOCIATION and AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2022 (Audited)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Membership dues	\$ 1,782,959	\$ -	\$ 1,782,959
Less national affiliate dues	641,794	-	641,794
Membership dues, net	<u>1,141,165</u>	<u>-</u>	<u>1,141,165</u>
Continuing education	156,087	-	156,087
Investment loss	(205,397)	(11,653)	(217,050)
Less investment fees	(13,529)	(639)	(14,168)
Royalties	3,214	-	3,214
Contributions	-	10,873	10,873
Grants	59,839	-	59,839
Other income	<u>3,680</u>	<u>-</u>	<u>3,680</u>
Total revenue and support	3,894	(1,419)	2,475
Net assets released from restriction	<u>686</u>	<u>(686)</u>	<u>-</u>
Total	<u>1,145,745</u>	<u>(2,105)</u>	<u>1,143,640</u>
EXPENSES			
Program services	1,118,016	-	1,118,016
Supporting services	<u>389,540</u>	<u>-</u>	<u>389,540</u>
Total expenses	<u>1,507,556</u>	<u>-</u>	<u>1,507,556</u>
Change in net assets	(361,811)	(2,105)	(363,916)
Net assets, beginning of year	<u>1,585,875</u>	<u>122,518</u>	<u>1,708,393</u>
Net assets, end of year	<u>\$ 1,224,064</u>	<u>\$ 120,413</u>	<u>\$ 1,344,477</u>

See the notes to the consolidated financial statements.

MONTANA NURSES' ASSOCIATION and AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2021 (Reviewed)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Membership dues	\$ 1,818,213	\$ -	\$ 1,818,213
Less national affiliate dues	<u>664,490</u>	<u>-</u>	<u>664,490</u>
Membership dues, net	<u>1,153,723</u>	<u>-</u>	<u>1,153,723</u>
Continuing education	132,624	-	132,624
Investment income	89,664	9,519	99,183
Less investment fees	(12,690)	(408)	(13,098)
Royalties	2,537	-	2,537
Contributions	-	15,139	15,139
Grants	215,664	-	215,664
Other income	<u>3,905</u>	<u>-</u>	<u>3,905</u>
Total revenue and support	431,704	24,250	455,954
Net assets released from restriction	<u>450</u>	<u>(450)</u>	<u>-</u>
Total	<u>\$ 1,585,877</u>	<u>\$ 23,800</u>	<u>\$ 1,609,677</u>
EXPENSES			
Program services	\$ 1,038,168	\$ -	\$ 1,038,168
Supporting services	<u>291,882</u>	<u>-</u>	<u>291,882</u>
Total expenses	<u>\$ 1,330,050</u>	<u>\$ -</u>	<u>\$ 1,330,050</u>
Change in net assets	255,827	23,800	279,627
Net assets, beginning of year	<u>1,330,048</u>	<u>98,718</u>	<u>1,428,766</u>
Net assets, end of year	<u>\$ 1,585,875</u>	<u>\$ 122,518</u>	<u>\$ 1,708,393</u>

See the notes to the consolidated financial statements.

MONTANA NURSES' ASSOCIATION and AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022 (Audited)

	Program Services	Management and General	Total
Personnel	\$ 926,077	\$ 177,634	\$ 1,103,711
Dues	697,987	9,492	707,479
Travel	30,610	9,195	39,805
Vehicles	5,744	-	5,744
Recruitment	437	-	437
Meals and entertainment	7,213	4,092	11,305
Meetings	23,409	16,271	39,680
Lobbying	383	557	940
Professional fees	36,956	11,707	48,663
Telephone	902	12,469	13,371
Dues and licenses	800	1,544	2,344
Office	(5,565)	71,927	66,362
Postage and printing	525	3,917	4,442
Advertising	26	6,965	6,991
Insurance	-	2,928	2,928
Bank and other fees	25	18,256	18,281
Depreciation	-	28,266	28,266
Continuing education	31,181	2,109	33,290
Accreditation fee	3,100	-	3,100
Property taxes	-	11,596	11,596
Occupancy	-	14,783	14,783
Total expenses by function	1,759,810	403,708	2,163,518
	81%	19%	100%
Less expenses included within revenue and support in the statement of activities:			
Dues	(641,794)	-	(641,794)
Investment fees	-	(14,168)	(14,168)
Functional expenses reported on the statement of activities	<u>\$ 1,118,016</u>	<u>\$ 389,540</u>	<u>\$ 1,507,556</u>

See the notes to the consolidated financial statements.

MONTANA NURSES' ASSOCIATION and AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021 (Reviewed)

	Program Services	Management and General	Total
Personnel	\$ 891,031	\$ 148,264	\$ 1,039,295
Dues	722,798	8,902	731,700
Travel	14,201	1,734	15,935
Vehicles	5,673	-	5,673
Recruitment	-	-	-
Meals and entertainment	3,215	1,231	4,446
Meetings	6,712	638	7,350
Professional fees	21,332	30,000	51,332
Telephone	-	10,627	10,627
Dues and licenses	554	1,683	2,237
Office	5,645	22,004	27,649
Postage and printing	949	2,409	3,358
Advertising	50	1,055	1,105
Insurance	-	2,472	2,472
Bank and other fees	22	17,838	17,860
Depreciation	-	31,928	31,928
Continuing education	13,376	2,117	15,493
Accreditation fee	2,100	-	2,100
Property taxes	-	9,669	9,669
Occupancy	-	12,409	12,409
Total expenses by function	<u>1,702,658</u>	<u>304,980</u>	<u>2,007,638</u>
	85%	15%	100%
Less expenses included within revenue and support in the statement of activities:			
Dues	(664,490)	-	(664,490)
Investment fees	-	(13,098)	(13,098)
Functional expenses reported on the statement of activities	<u>\$ 1,038,168</u>	<u>\$ 291,882</u>	<u>\$ 1,330,050</u>

See the notes to the consolidated financial statements.

MONTANA NURSES' ASSOCIATION and AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 (Audited) and 2021 (Reviewed)

	<u>(Audited)</u> <u>2022</u>	<u>(Reviewed)</u> <u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (363,916)	\$ 279,627
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	28,266	31,928
Unrealized loss (gain) on investments	217,050	(89,623)
Changes in operating assets and liabilities:		
Receivables	(45,780)	8,026
Prepaid expenses	(284)	1,871
Accounts payable	6,678	(2,590)
Dues payable	(11,889)	(124)
Escrow mobilization dues	(3,582)	47,947
Local unit deposits	47,513	56,204
Deferred revenue	(11,400)	17,590
Accrued expenses	5,309	(3,572)
Accrued payroll and taxes	407	288
Compensated absences	6,645	(877)
Net cash flows from operating activities	<u>(124,983)</u>	<u>346,695</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from sale of investments	180,000	-
Cash paid for purchase of investments	(76,937)	(404,389)
Net cash flows from investing activities	<u>103,063</u>	<u>(404,389)</u>
Net change in cash and cash equivalents	(21,920)	(57,694)
Cash and cash equivalents		
Beginning of year	158,337	216,031
End of year	<u>\$ 136,417</u>	<u>\$ 158,337</u>
Presented on the Statement of Financial Position as:		
Cash and cash equivalents	<u>\$ 136,417</u>	<u>\$ 158,337</u>

See the notes to the consolidated financial statements.

MONTANA NURSES' ASSOCIATION and AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2022 (Audited) and 2021 (Reviewed)

NOTE 1. ORGANIZATIONS AND CONSOLIDATION

The Montana Nurses Association (MNA) is a tax-exempt organization under Internal Revenue Code Section 501(c)(6). MNA serves its membership of registered nurses in the State of Montana. Principal activities include providing information to members regarding the nursing profession through its newsletter; promoting quality nursing care and the competency of members through continuing education; advancing the economic issues of its members through collective bargaining; advancing employment and economic issues in bargaining units; and representing the nursing profession in legislative and professional matters. MNA is a constituent member of the American Nurses Association (ANA) and the American Federation of Teachers (AFT).

MNA derives the majority of its revenue from dues assessed to its members.

The consolidated financial statements include the accounts of the Montana Nurses Association and the Montana Nurses Association Foundation (MNAF), collectively referred to as the 'Association'. MNAF is a tax-exempt organization under Internal Revenue Code section 501 (c)(3) and was formed in 2016 to fund-raise on behalf of MNA. MNAF has common board members with MNA.

All significant intercompany balances and transactions were eliminated in the consolidation process.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board (FASB).

B. Adoption of New Accounting Standard

The Association adopted FASB Accounting Standard Update (ASU) No. 2016-02 *Leases* (Topic 842), inclusive of ASU 2021-05 on January 1, 2022 using the modified retrospective method under ASU 2018-11. The modified retrospective transition method allows entities to apply the transition requirements at the effective date rather than at the beginning of the earliest comparative period presented. The Association's reporting for comparative periods was not recast and is presented in accordance with FASB ASC 840.

MONTANA NURSES' ASSOCIATION and AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2022 (Audited) and 2021 (Reviewed)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Adoption of New Accounting Standard, continued

The Association adopted all applicable practical expedients. The adoption of this new accounting standard did not result in the recording of any right-of-use assets or lease liabilities on the consolidated statement of financial position since the Organization had no significant leases in 2022.

C. Cash and Cash Equivalents

For purposes of the consolidated statement of cash flow, the Association considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. From time to time, certain bank accounts that are subject to limited FDIC coverage exceed their insured limits. At December 31, 2022 and 2021, no bank account balances exceeded insured limits. The Association has not experienced a loss and does not believe it is exposed to any significant credit risk on its cash balances.

D. Accounts Receivable

The Association grants credit to its members in the normal course of business. The majority of accounts receivable are from its members with terms of less than one year. Accounts receivable are stated at unpaid balances and are written off when management determines the receivable is uncollectible.

Management has determined that an allowance for doubtful receivables is not necessary based on a review of historical losses, specific customer balances, and industry and economic conditions. Due to inherent uncertainties in estimating the allowance account, it is at least reasonably possible this estimate will change in the near term.

No receivables were on a non-accrual status at December 31, 2022 and 2021 and none were more than ninety days past due.

E. Prepaid Expenses

Prepaid expenses consist mostly of prepaid insurance policies.

MONTANA NURSES' ASSOCIATION and AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2022 (Audited) and 2021 (Reviewed)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Investments

Investments are carried at fair value and consist primarily of money market accounts, a brokered certificate of deposit, and mutual funds. Money market accounts are valued at their carrying amount, which approximates fair value. Unrealized gains or losses are included in the change in net assets on the consolidated statement of activities.

G. Property and Equipment

Property and equipment are stated at cost, or if donated, at the estimated market value at the date of donation. Improvements and betterments are capitalized while repairs and maintenance costs are expensed. The Association uses the straight-line method of depreciation over the following estimated useful lives:

Building and improvements	12 to 39 years
Equipment	3 to 10 years
Vehicles	5 years

Depreciation expense totaled \$28,266 and \$31,928 in 2022 and 2021, respectively.

H. Compensated Absences

The Association accrues annual leave based upon employees' anniversary dates. Employees are paid for all earned but unused vacation time upon termination and are paid 25% of the unused sick leave or up to 60 hours, whichever is less.

I. Net Assets

The Association classifies contributions, grants, and other transactions as net assets without donor restrictions or as net assets with donor restrictions in accordance with ASU 2016-14 as follows.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and activities that are not subject to donor or certain grantor restrictions.

MONTANA NURSES' ASSOCIATION and AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2022 (Audited) and 2021 (Reviewed)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Net Assets, continued

Net Assets With Donor Restrictions – Net assets subject to donor-imposed or grantor-imposed restrictions. These restrictions include restrictions that expire by either the passage of time (time restriction ending) or purpose restriction being accomplished. Once restrictions are met, the restrictions are accounted for as “Net assets released from restriction” on the consolidated statement of activities and are reclassified and reported as net assets without donor restrictions.

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

J. Revenue Recognition

The Association recognizes revenue following guidance of FASB ASU 2018-08 (Topic 958) and FASB ASU 2014-09 (Topic 606).

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

Topic 606 applies to all contracts with customers, except for leases, insurance contracts, financial instruments, and certain nonmonetary exchanges and certain guarantees. A core principle of Topic 606 is that revenue should be recognized from customers for the transfer of goods or services equal to the amount expected to be received for those goods or services and how an entity should identify performance obligations. Revenue is recognized when evidence of a contract exists, the performance obligations have been identified and satisfied, the transaction price is determinable, and collection is reasonably assured. Topic 606 requires disclosures about the nature, amount, and timing of revenue and cash flows arising from customer contracts, including significant estimates and judgments.

MONTANA NURSES' ASSOCIATION and AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2022 (Audited) and 2021 (Reviewed)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Revenue Recognition, continued

The Association has four significant revenue streams: dues, continuing education, grants, and investment income.

Member dues are the largest component of revenue and are recognized as revenue over time on the straight-line basis of the membership period (12 months) in accordance with Topic 606.

Continuing education revenue is recognized at the point in time the education service is provided in accordance with Topic 606.

Investment income (loss) is recognized over time as earned from various investments described in Note 4 in accordance with Topic 606.

Contributions and grants are recognized following the guidance of Topic 958. Contributions that are restricted by the donor or grantor are reported as increases in net assets without donor restrictions if the restrictions expire (that is when a stipulated time restriction ends, or a purpose restriction is accomplished) in the reporting period in which the revenue was recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assts without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

The Association was negatively impacted by the world-wide coronavirus pandemic in prior years and into 2021. There were no significant economic factors impacting revenue recognition in 2022.

The timing of revenue recognition, billings, and cash receipts results in billed receivables on the consolidated statement of financial position. The balances of receivables for the years ended December 31, 2022, 2021, and 2020 are as follows:

	2022	2021	2020
Receivables	\$ 96,614	\$ 50,834	\$ 58,860

MONTANA NURSES' ASSOCIATION and AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2022 (Audited) and 2021 (Reviewed)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Contributed Services

Many of the Association's functions are performed by unpaid volunteer officers and committee members. The value of this contributed time is not reflected in the accompanying consolidated financial statements as they do not meet the criteria prescribed in GAAP for financial statement recognition. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills and are performed by people with those skills and otherwise would be purchased by the Association.

L. Advertising Costs

Advertising costs are expensed as incurred. Advertising costs totaled \$6,991 and \$1,105 in 2022 and 2021, respectively.

M. Functional Allocation of Expenses

The costs of providing the various program and supporting activities are summarized and reported on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the nature classification detail of expenses by function. Accordingly, certain costs have been allocated among program and supporting services benefited. Costs are directly charged or allocated as follows:

<u>Direct charged</u>	<u>Direct charged</u>	<u>Allocated</u>	<u>Allocation Method</u>
Dues	Contracted services	Personnel costs	Employee Time
Vehicles	Bank and other fees	All other costs	Building square footage
Lobbying	Accreditation fee		
Insurance	Property taxes		
Depreciation			

N. Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MONTANA NURSES' ASSOCIATION and AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2022 (Audited) and 2021 (Reviewed)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Income Taxes

MNA is exempt from income taxes under Internal Revenue Code Section 501(c)(6) and MNAF is exempt from income taxes under Internal Revenue Code Section 501(c)(3). Income from certain activities not directly related MNA or MNAF's tax-exempt purpose is subject to taxation as unrelated business income. No provision for income taxes has been recorded in the accompanying consolidated financial statements as management believes there has been no unrelated business income in 2022 or 2021.

P. Recent Accounting Pronouncements

The FASB issued ASU 2016-13: *Financial Instruments – Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments* in June 2016. This ASU impacts how accounts receivable are reported, how the allowance account is determined, and requires additional, new disclosures. This ASU is effective for fiscal years beginning after December 15, 2022. The Association adopted this ASU on January 1, 2023 with no significant impact on its consolidated financial statements.

Q. Subsequent Events

Management has evaluated subsequent events through July 3, 2023, which is the date the consolidated financial statements were available for issue.

MONTANA NURSES' ASSOCIATION and AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2022 (Audited) and 2021 (Reviewed)

NOTE 3. LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	(Audited) 2022	(Reviewed) 2021
Cash and cash equivalents	\$ 136,417	\$ 158,337
Receivables	96,614	50,834
	<u>\$ 233,031</u>	<u>\$ 209,171</u>

Additionally, interest, dividends, and gains or losses from unrestricted investments are available for general expenditure.

The Association, with guidance from the board of directors, monitors liquidity and availability of resources closely. The Association had approximately 23 days of average expenses in cash at December 31, 2022 and approximately 29 days of average expenses in cash at December 31, 2021.

NOTE 4. INVESTMENTS

A framework for measuring fair value and defining fair value is provided by GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

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NOTE 4. INVESTMENTS (continued)

GAAP also establishes a fair value hierarchy, which prioritizes the valuation of inputs into three broad levels, as described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included in Level 1 for which all significant inputs are observable, either directly, or indirectly.

Level 3 – Significant unobservable prices or inputs where there is little or no market activity for the asset or liability at the measurement date.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Association's policy for determining the timing of significant transfers between Levels 1 and 2 is at the end of the reporting period.

Marketable equity securities are stated at fair value based on quoted market prices in active markets. Mutual funds are valued at the net asset value (NAV). The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares held by the fund outstanding at year end. The NAV is quoted in an active market with observable inputs.

Money market accounts are stated at carrying value, which approximates fair value.

Investment income (loss) includes interest, dividends, and realized and unrealized gains (losses). Investment income (loss) reported on the consolidated statements of activities for the years ended December 31 2022 and 2021 was comprised of the following:

	(Audited) 2022	(Reviewed) 2021
	<u> </u>	<u> </u>
Interest and dividends	\$ 7,702	\$ 6,449
Unrealized gain (loss)	(224,752)	92,734
Investment income (loss)	<u>\$ (217,050)</u>	<u>\$ 99,183</u>

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NOTE 4. INVESTMENTS (continued)

The cost, fair value, and cumulative net unrealized loss of investments measured on a recurring basis at December 31, 2022 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Net Unrealized Loss</u>
2022 (Audited):			
Cash and cash equivalents			
Money market accounts	\$ 169,604	\$ 169,604	\$ -
 LEVEL 1			
Equities - US	61,550	47,058	(14,492)
Mutual funds	1,235,292	1,162,429	(72,863)
	<u>1,296,842</u>	<u>1,209,487</u>	<u>(87,355)</u>
 Total investments	<u>\$ 1,466,446</u>	<u>\$ 1,379,091</u>	<u>\$ (87,355)</u>

The cost, fair value, and cumulative net unrealized gain of investments measured on a recurring basis at December 31, 2021 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Net Unrealized Gain</u>
2021 (Reviewed):			
Cash and cash equivalents			
Money market accounts	\$ 203,014	\$ 203,014	\$ -
 LEVEL 1			
Equities - US	130,847	145,003	14,156
Mutual funds	1,190,418	1,351,187	160,769
	<u>1,321,265</u>	<u>1,496,190</u>	<u>174,925</u>
 Total investments	<u>\$ 1,524,279</u>	<u>\$ 1,699,204</u>	<u>\$ 174,925</u>

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Years Ended December 31, 2022 (Audited) and 2021 (Reviewed)

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation consisted of the following at December 31, 2022 and 2021:

	(Audited) 2022	(Reviewed) 2021
	2022	2021
Land	\$ 50,000	\$ 50,000
Building and improvements	735,156	735,156
Equipment	97,864	97,864
Vehicles	80,647	80,647
	963,667	963,667
Accumulated depreciation	(463,485)	(435,219)
Property and equipment, net	\$ 500,182	\$ 528,448

NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS

MNA received donor-restricted contributions during 2015 that are restricted for use on activities and meetings for advanced-practice registered nurses. These purpose-restricted funds totaled \$14,400 at December 31, 2022 and 2021.

Funds were contributed to MNAF during 2016 that were restricted for scholarships in the amount of \$52,085. Any earnings after expenses are considered donor-restricted for specific purposes. The balance at December 31, 2022 and 2021 totaled \$106,013 and \$108,118, respectively.

NOTE 7. RETIREMENT PLAN

MNA has a Simplified Employee Pension (SEP) plan covering eligible employees. MNA matches 5% of eligible employees' compensation to the plan. Full-time employees who have satisfactorily completed their probationary period are considered to be eligible employees. Contributions to the plan totaled \$53,876 and \$49,037 in 2022 and 2021, respectively.

MONTANA NURSES' ASSOCIATION and AFFILIATE
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NOTE 8. RELATED PARTY TRANSACTIONS

As a constituent member of the ANA, MNA collects dues on behalf of ANA and remits the amounts collected to ANA in periodic payments. Amounts collected on ANA's behalf are reported as dues payable until paid. Similarly, ANA collects dues on behalf of the MNA and remits the collected amounts to MNA in periodic payments. Amounts due to MNA are reported as dues receivable until received.

MNA also collects dues on behalf of constituent districts and local units and remits amounts collected to them in periodic payments. Amounts collected on behalf of the districts and local units are recorded as dues payable until paid. MNA had the following dues receivable and payable from ANA, districts, and local units as of December 31, 2022 and 2021:

	(Audited) 2022	(Reviewed) 2021
	<u>2022</u>	<u>2021</u>
Receivables - ANA dues	\$ 26,132	\$ 24,043
Dues payable - ANA	\$ 23,935	\$ 29,668
Districts and local units	\$ 108,116	\$ 90,254

MNA received ANA dues totaling \$313,078 and paid ANA dues totaling \$348,128 in 2022. In 2021, MNA received ANA dues totaling \$328,803 and paid ANA dues of \$363,830.

NOTE 9. OPERATING LEASES

The Association has one lease for office equipment for the year ended December 31, 2022 that expires in June 2025 with month rentals of \$283. The Association has a policy of not capitalizing any leases with an initial cost, plus the costs of any options, of \$15,000 or less. There are no options to extend this lease. The Association accounts for this operating lease under office expense on the consolidated statement of functional expenses. Total rent paid under this lease agreement in 2022 totaled \$2,794. Minimum payments due under this lease agreement are as follows:

<u>Year:</u>	<u>Amount Due:</u>
2023	\$ 2,794
2024	2,794
2025	<u>1,397</u>
Total	<u>\$ 6,985</u>

MONTANA NURSES' ASSOCIATION and AFFILIATE
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Years Ended December 31, 2022 (Audited) and 2021 (Reviewed)

NOTE 10. ECONOMIC CONDITIONS

Subsequent to year end, the United States and global financial markets have experienced significant volatility. Management and the board are closely monitoring its investment portfolio, liquidity, and is actively working to minimize any potential negative impact from this volatility.

Rising borrowing rates, higher inflation, and volatility in the financial markets, along with other factors, may have a negative impact on the Association's financial condition in 2023; however, the impact currently is unknown and cannot reasonably be estimated.

SUPPLEMENTARY INFORMATION

MONTANA NURSES' ASSOCIATION and AFFILIATE

SCHEDULE 1 – CONSOLIDATING STATEMENT OF FINANCIAL POSITION

At December 31, 2022 (Audited)

	Montana Nurses Association	Montana Nurses Association Foundation	Eliminating Entries	Total
ASSETS				
Cash and cash equivalents	\$ 114,749	\$ 21,668	\$ -	\$ 136,417
Receivables	96,614	-	-	96,614
Prepaid expenses	8,030	-	-	8,030
Investments	1,117,620	84,345	-	1,201,965
Investments - restricted	177,126	-	-	177,126
Property and equipment, net	500,182	-	-	500,182
TOTAL ASSETS	\$ 2,014,321	\$ 106,013	\$ -	\$ 2,120,334
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 16,425	\$ -	\$ -	\$ 16,425
Dues payable	48,249	-	-	48,249
Escrow mobilization dues	208,829	-	-	208,829
Local units deposits	382,794	-	-	382,794
Deferred revenue	9,210	-	-	9,210
Health insurance payable	6,323	-	-	6,323
Accrued payroll and taxes	19,048	-	-	19,048
Compensated absences	84,979	-	-	84,979
TOTAL LIABILITIES	775,857	-	-	775,857
NET ASSETS				
Without donor restriction	1,224,064	-	-	1,224,064
With donor restriction	14,400	106,013	-	120,413
TOTAL NET ASSETS	1,238,464	106,013	-	1,344,477
TOTAL LIABILITIES AND NET ASSETS	\$ 2,014,321	\$ 106,013	\$ -	\$ 2,120,334

See the Independent Auditor's Report

MONTANA NURSES' ASSOCIATION and AFFILIATE

SCHEDULE 1 – CONSOLIDATING STATEMENT OF FINANCIAL POSITION

At December 31, 2021 (Reviewed)

	Montana Nurses Association	Montana Nurses Association Foundation	Eliminating Entries	Total
ASSETS				
Cash and cash equivalents	\$ 131,856	\$ 26,481	\$ -	\$ 158,337
Receivables	50,834	-	-	50,834
Prepaid expenses	7,746	-	-	7,746
Investments	1,405,156	81,637	-	1,486,793
Investments - restricted	212,411	-	-	212,411
Property and equipment, net	528,448	-	-	\$ 528,448
TOTAL ASSETS	\$ 2,336,451	\$ 108,118	\$ -	\$ 2,444,569
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 9,747	\$ -	\$ -	\$ 9,747
Dues payable	60,138	-	-	60,138
Escrow mobilization dues	212,411	-	-	212,411
Local units deposits	335,281	-	-	335,281
Deferred revenue	20,610	-	-	20,610
Health insurance payable	1,014	-	-	1,014
Accrued payroll and taxes	18,641	-	-	18,641
Compensated absences	78,334	-	-	78,334
TOTAL LIABILITIES	\$ 736,176	\$ -	\$ -	\$ 736,176
NET ASSETS				
Without donor restriction	\$ 1,585,875	\$ -	\$ -	\$ 1,585,875
With donor restriction	14,400	108,118	-	122,518
TOTAL NET ASSETS	\$ 1,600,275	\$ 108,118	\$ -	\$ 1,708,393
TOTAL LIABILITIES AND NET ASSETS	\$ 2,336,451	\$ 108,118	\$ -	\$ 2,444,569

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MONTANA NURSES' ASSOCIATION and AFFILIATE
SCHEDULE 2 – CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended December 31, 2022 (Audited)

	Montana Nurses Association	Montana Nurses Association Foundation	Eliminating Entries	Total
REVENUE AND SUPPORT				
Membership dues	\$ 1,782,959	\$ -	\$ -	\$ 1,782,959
Less national affiliate dues	641,794	-	-	641,794
Membership dues, net	<u>1,141,165</u>	<u>-</u>	<u>-</u>	<u>1,141,165</u>
Continuing education	156,087	-	-	156,087
Investment loss	(205,397)	(11,653)	-	(217,050)
Less Investment fees	(13,529)	(639)	-	(14,168)
Royalties	3,214	-	-	3,214
Contributions	-	10,873	-	10,873
Grants	59,839	-	-	59,839
Other income (loss), net	<u>3,680</u>	<u>-</u>	<u>-</u>	<u>3,680</u>
Total revenue and support	1,145,059	(1,419)	-	1,143,640
EXPENSES				
Program services	1,118,016	-	-	1,118,016
Supporting services	<u>388,854</u>	<u>686</u>	<u>-</u>	<u>389,540</u>
Total expenses	<u>1,506,870</u>	<u>686</u>	<u>-</u>	<u>1,507,556</u>
Change in net assets	(361,811)	(2,105)	-	(363,916)
Net assets, beginning of year	<u>1,600,275</u>	<u>108,118</u>	<u>-</u>	<u>1,708,393</u>
Net assets, end of year	<u>\$ 1,238,464</u>	<u>\$ 106,013</u>	<u>\$ -</u>	<u>\$ 1,344,477</u>

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MONTANA NURSES' ASSOCIATION and AFFILIATE
SCHEDULE 2 – CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended December 31, 2021 (Reviewed)

	Montana Nurses Association	Montana Nurses Association Foundation	Eliminating Entries	Total
REVENUE AND SUPPORT				
Membership dues	\$ 1,818,213	\$ -	\$ -	\$ 1,818,213
Less national affiliate dues	664,490	-	-	664,490
Membership dues, net	<u>1,153,723</u>	<u>-</u>	<u>-</u>	<u>1,153,723</u>
Continuing education	132,624	-	-	132,624
Investment income	89,664	9,519	-	99,183
Less Investment fees	(12,690)	(408)	-	(13,098)
Royalties	2,537	-	-	2,537
Contributions	-	15,139	-	15,139
Grants	215,664	-	-	215,664
Other income (loss), net	<u>3,905</u>	<u>-</u>	<u>-</u>	<u>3,905</u>
Total revenue and support	<u>\$ 1,585,427</u>	<u>\$ 24,250</u>	<u>\$ -</u>	<u>\$ 1,609,677</u>
EXPENSES				
Program services	\$ 1,038,168	\$ -	\$ -	\$ 1,038,168
Supporting services	291,432	450	-	291,882
Total expenses	<u>\$ 1,329,600</u>	<u>\$ 450</u>	<u>\$ -</u>	<u>\$ 1,330,050</u>
Change in net assets	255,827	23,800	-	279,627
Net assets, beginning of year	<u>1,344,448</u>	<u>84,318</u>	<u>-</u>	<u>1,428,766</u>
Net assets, end of year	<u>\$ 1,600,275</u>	<u>\$ 108,118</u>	<u>\$ -</u>	<u>\$ 1,708,393</u>

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