

MONTANA OUTDOOR SCIENCE SCHOOL
AUDITED FINANCIAL STATEMENTS
December 31, 2008 and 2007

**MONTANA OUTDOOR SCIENCE SCHOOL
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Certified Public Accountants and Business Advisors

**To the Board of Directors
Montana Outdoor Science School
Bozeman, Montana**

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial position of Montana Outdoor Science School (a nonprofit organization), as of December 31, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Montana Outdoor Science School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montana Outdoor Science School, as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Junkermier, Clark, Campanella, Stevens, P.C.

Bozeman, Montana
September 1, 2009

**MONTANA OUTDOOR SCIENCE SCHOOL
STATEMENTS OF FINANCIAL POSITION**

		December 31	
		2008	2007
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$	92,664	\$ 50,223
Restricted cash		5,615	-
Investments		1,723	23,012
Accounts receivable, less allowance of \$1,500 and \$-		5,541	253
Pledges receivable		52,550	10,000
Prepaid expense		2,948	-
		<u>161,041</u>	<u>83,488</u>
FIXED ASSETS			
Land		113,500	113,500
Building		150,000	150,000
Office furniture and equipment		16,991	33,070
Vehicles		52,327	46,640
		<u>332,818</u>	<u>343,210</u>
Less accumulated depreciation		<u>(67,523)</u>	<u>(71,421)</u>
		<u>265,295</u>	<u>271,789</u>
OTHER ASSETS			
Endowment investments		34,531	48,602
Totals	\$	<u>460,867</u>	<u>403,879</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	3,171	\$ 4,787
Line of credit		44,000	20,473
Payroll payable		4,167	354
Vacation payable		1,794	4,368
Due to others		5,615	-
Payroll taxes payable		1,266	6,646
Accrued interest payable		1,001	603
Current portion of long-term debt		3,398	3,106
		<u>64,412</u>	<u>40,337</u>
OTHER LIABILITIES			
Deferred gift annuity		707	651
Note payable, net of current portion		10,631	14,035
		<u>11,338</u>	<u>14,686</u>
NET ASSETS			
Unrestricted net assets		328,162	289,401
Temporarily restricted net assets		27,500	30,000
Permanently restricted net assets		29,455	29,455
		<u>385,117</u>	<u>348,856</u>
Totals	\$	<u>460,867</u>	<u>403,879</u>

See the accompanying notes to financial statements.

**MONTANA OUTDOOR SCIENCE SCHOOL
STATEMENTS OF ACTIVITIES**

Years Ended December 31

	2008				2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUES								
Foundation and government grants	\$ 53,640	\$ 27,500	\$ -	\$ 81,140	\$ 62,406	\$ 35,000	\$ -	\$ 97,406
Patron contributions	176,572	-	-	176,572	14,160	-	-	14,160
Program fees	163,370	-	-	163,370	149,466	-	-	149,466
Campaign	17,020	-	-	17,020	23,727	-	-	23,727
Events	41,943	-	-	41,943	50,805	-	-	50,805
Miscellaneous	447	-	-	447	53,805	-	-	53,805
Investment income	3,087	-	-	3,087	1,281	-	-	1,281
Merchandise sales	368	-	-	368	667	-	-	667
Sponsorship	10,500	-	-	10,500	9,000	-	-	9,000
Montana shares	317	-	-	317	1,150	-	-	1,150
In-kind donations	95,500	-	-	95,500	32,644	-	-	32,644
Satisfaction of temporary restriction	30,000	(30,000)	-	-	40,000	(40,000)	-	-
Total revenue	592,764	(2,500)	-	590,264	439,111	(5,000)	-	434,111
COST OF GOODS SOLD	-	-	-	-	4,701	-	-	4,701
EXPENSES								
Program services	399,070	-	-	399,070	358,795	-	-	358,795
Administration	82,361	-	-	82,361	79,210	-	-	79,210
Fundraising	55,561	-	-	55,561	48,420	-	-	48,420
Total expenses	536,992	-	-	536,992	486,425	-	-	486,425
OTHER INCOME (EXPENSES)								
Gain (loss) on sale of assets	(995)	-	-	(995)	2,439	-	-	2,439
Gain (loss) on sale of securities	1,400	-	-	1,400	-	-	-	-
Gains (losses) on securities reported at fair value	(17,416)	-	-	(17,416)	(1,057)	-	-	(1,057)
Total other income (expenses)	(17,011)	-	-	(17,011)	1,382	-	-	1,382
CHANGE IN NET ASSETS	38,761	(2,500)	-	36,261	(50,633)	(5,000)	-	(55,633)
Net assets at beginning of year	289,401	30,000	29,455	348,856	340,034	35,000	29,455	404,489
NET ASSETS AT END OF YEAR	\$ 328,162	\$ 27,500	\$ 29,455	\$ 385,117	\$ 289,401	\$ 30,000	\$ 29,455	\$ 348,856

See the accompanying notes to financial statements.

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**MONTANA OUTDOOR SCIENCE SCHOOL
STATEMENTS OF FUNCTIONAL EXPENSES**

Year Ended December 31
2008

	PROGRAM SERVICES			TOTAL PROGRAM SERVICES	ADMINI- STRATION	FUND- RAISING	TOTAL
	SUMMER	COMM- UNITY	SCHOOL				
Salaries and benefits	\$ 89,467	\$ 41,089	\$ 99,350	\$ 229,906	\$ 43,527	\$ 36,090	\$ 309,523
Rent	26,191	23,964	25,815	75,970	12,750	6,602	95,322
Advertising & promotion	3,832	6,898	6,122	16,852	2,013	1,047	19,912
Professional fees	1,377	1,697	1,775	4,849	10,321	-	15,170
Automobile	6,327	943	4,615	11,885	812	79	12,776
Materials & supplies	4,678	3,179	2,580	10,437	145	434	11,016
Printing & publications	3,306	1,118	1,307	5,731	1,189	3,840	10,760
Insurance	3,844	1,250	1,308	6,402	2,134	-	8,536
Bank service charges	1,112	500	523	2,135	-	1,379	3,514
Board of directors costs	-	-	-	-	114	-	114
Change in value of deferred gift annuity	-	-	-	-	56	-	56
Depreciation	3,242	1,843	3,227	8,312	1,717	1,157	11,186
Dues and subscriptions	97	119	124	340	544	547	1,431
Fees, licenses and permits	3,440	222	328	3,990	707	-	4,697
Food and snacks	1,961	348	1,013	3,322	1,459	2,684	7,465
Independent contractors	2,693	100	3,123	5,916	-	-	5,916
Interest	700	829	867	2,396	870	-	3,266
Miscellaneous	-	-	100	100	359	-	459
Office expense	1,091	1,511	1,249	3,851	2,868	267	6,986
Postage	1,109	265	313	1,687	706	1,435	3,828
Repairs and maintenance	1,187	1,462	1,192	3,841	-	-	3,841
Travel	-	1,148	-	1,148	70	-	1,218
	<u>\$ 155,654</u>	<u>\$ 88,485</u>	<u>\$ 154,931</u>	<u>\$ 399,070</u>	<u>\$ 82,361</u>	<u>\$ 55,561</u>	<u>\$ 536,992</u>

See the accompanying notes to financial statements.

**MONTANA OUTDOOR SCIENCE SCHOOL
STATEMENTS OF FUNCTIONAL EXPENSES**

Year Ended December 31

2007

	PROGRAM SERVICES			TOTAL PROGRAM SERVICES	ADMINI- STRATION	FUND- RAISING	TOTAL
	SUMMER	COMM- UNITY	SCHOOL				
Salaries and benefits	\$ 92,374	\$ 93,494	\$ 49,228	\$ 235,096	\$ 42,234	\$ 30,595	\$ 307,925
Rent	16,448	19,867	6,625	42,940	8,676	5,338	56,954
Advertising & promotion	1,828	6,249	1,111	9,188	157	305	9,650
Professional fees	-	2,279	-	2,279	8,096	-	10,375
Automobile	4,445	5,388	1,973	11,806	236	22	12,064
Materials & supplies	2,175	5,877	1,402	9,454	64	162	9,680
Printing & publications	6,656	2,951	69	9,676	1,241	3,987	14,904
Insurance	355	6,840	-	7,195	4,502	121	11,818
Bank service charges	-	1,492	-	1,492	1,757	-	3,249
Board of directors costs	-	-	-	-	847	-	847
Change in value of deferred gift annuity	-	-	-	-	56	-	56
Depreciation	3,376	3,965	1,538	8,879	1,933	1,205	12,017
Dues and subscriptions	-	50	-	50	150	-	200
Fees, licenses and permits	2,348	940	-	3,288	489	3,946	7,723
Food and snacks	2,109	1,437	194	3,740	322	-	4,062
Independent contractors	1,415	2,511	60	3,986	1,020	1,000	6,006
Interest	-	135	-	135	1,317	-	1,452
Miscellaneous	-	50	100	150	101	-	251
Office expense	312	2,576	259	3,147	2,772	221	6,140
Postage	778	699	41	1,518	618	1,504	3,640
Repairs and maintenance	-	3,895	-	3,895	1,603	-	5,498
Telephone	35	846	-	881	543	14	1,438
Travel	-	-	-	-	476	-	476
	<u>\$ 134,654</u>	<u>\$ 161,541</u>	<u>\$ 62,600</u>	<u>\$ 358,795</u>	<u>\$ 79,210</u>	<u>\$ 48,420</u>	<u>\$ 486,425</u>

See the accompanying notes to financial statements.

**MONTANA OUTDOOR SCIENCE SCHOOL
STATEMENTS OF CASH FLOWS**

	Years Ended December 31	
	2008	2007
CASH FLOW FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 36,261	\$ (55,633)
Adjustments to reconcile changes in net assets to cash used by operating activities:		
Depreciation	11,186	12,017
Deferred gift annuity	56	56
Unrealized (gain) loss on securities	17,416	1,057
Donated securities	(31,022)	-
Loss on disposal of equipment	995	-
Change in:		
(Increase) decrease in current assets:		
Pledges receivable	(42,550)	15,000
Accounts receivable	(5,288)	(215)
Prepaid expense	(2,948)	-
Increase (decrease) in current liabilities:		
Accounts payable	(1,616)	2,965
Payroll payable	3,813	(391)
Vacation payable	(2,574)	71
Due to others	5,615	-
Accrued interest payable	398	603
Payroll taxes payable	(5,380)	(658)
Net cash used by operating activities	(15,638)	(25,128)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(5,687)	-
Investments sold	52,295	11,089
Investments purchased	(3,329)	(6,453)
Net cash provided by investing activities	43,279	4,636
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(3,112)	(859)
Advances on line of credit	23,527	20,473
Net cash provided by financing activities	20,415	19,614
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	48,056	(878)
Cash and cash equivalents at beginning of year	50,223	51,101
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 98,279	\$ 50,223

See the accompanying notes to financial statements.

**MONTANA OUTDOOR SCIENCE SCHOOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations:

Nature Camp, LLC, was established in 1994 and was renamed Bridger Outdoor Science School in 1995 as a 501(c)(3), and subsequently changed its name to Montana Outdoor Science School in 2001.

The Organization's purpose is to promote an appreciation of the region's natural resources by providing quality environmental, conservation, natural resource and outdoor science education to the public, school-age children in the local community and through programs for other schools. Montana Outdoor Science School provides these services through three major programs: school programs, summer camp programs for youth, and community education programs. Specific details of each program may be obtained from the school upon request.

The Organization's support comes primarily from various organizations, individual grants, individual donors' contributions, and tuition. They are a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes.

Basis of Accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. This basis of accounting recognizes revenues and related receivables when they are earned and expenses and related liabilities when incurred.

Contributions:

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

**MONTANA OUTDOOR SCIENCE SCHOOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (continued):

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Unrestricted promises to give are shown as increases in unrestricted net assets. Contributions of assets other than cash are recorded at their estimated fair value.

It is the policy of the Organization to report gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions specifying how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are recorded as restricted support. The statement of activities includes revenues and expenses of unrestricted, temporarily restricted and permanently restricted net assets.

Use of Estimates:

The preparation of financial statements in conformity with 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.

In-Kind Support:

The Organization records various types of in-kind support including services, property and equipment. 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. In-kind support recorded for the years ended December 31, 2008 and December 31, 2007 are \$95,500 and \$32,644, respectively.

Cash and Cash Equivalents:

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments:

Investments are composed of certificates of deposit with maturities longer than three months at the time of purchase, mutual fund shares carried at fair value and equity securities carried at fair value. Adjustments to fair value are made annually based on financial institutions' statements at year end and are reported at their fair value on the balance sheet with the annual change in fair value being recorded as unrealized gain (losses) in the current revenue for the year. Investment income and gains/losses on investments are reported as increases and decreases in unrestricted net assets. These investments are classified either as current assets or endowment investments.

Property and Equipment:

Purchased property and equipment are stated at cost. Donations of property and equipment are recorded as support at their estimated fair value at date of gift. Such donations are reported as unrestricted support. Depreciation of property and equipment is computed using the declining balance method over their estimated useful lives ranging from 3 to 39 years. Normal repairs and maintenance costs are expensed as incurred.

**MONTANA OUTDOOR SCIENCE SCHOOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation:

Certain reclassifications have been made to the December 31, 2007 balances to conform to the December 31, 2008 presentation.

2. CASH AND CASH EQUIVALENTS

At December 31, 2008 and 2007, the Organization's cash and cash equivalents balances were as follows:

	2008	2007
Checking accounts	\$ 91,646	\$ 49,917
Money market accounts	833	226
Petty cash on hand	185	80
Restricted cash	5,615	-
	\$ 98,279	\$ 50,223

The checking accounts are covered by FDIC insurance and the money market accounts fall under SPIC insurance.

3. INVESTMENTS

Effective January 1, 2008 the Organization adopted the provisions of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157"). In February 2008, the Financial Accounting Standards Board ("FASB") issued Staff Position No. SFAS 157-2, *Effective Date of FASB Statement No. 157*, which provides a one year deferral of the effective date of SFAS 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. Therefore, the Organization has adopted the provisions of SFAS 157 with respect to its financial assets and liabilities only.

SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and enhances disclosures about fair value measurements. Fair value is defined under SFAS 157 as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under SFAS 157 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable, and the last unobservable, that may be used to measure fair value, which are the following:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

MONTANA OUTDOOR SCIENCE SCHOOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

3. INVESTMENTS (Continued)

Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that the observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The adoption of SFAS 157 did not have a material impact on the Organization's financial position or changes in net assets and its cash flows.

At December 31, 2008 and 2007, the Organization's investment balances (Level 1) were are as follows:

	<u>2008</u>	<u>2007</u>
Marketable equity securities (including endowments), cost	\$ 31,847	\$ 49,791
Fair market value adjustment for unrealized gains and (losses)	<u>4,407</u>	<u>21,823</u>
	<u>\$ 36,254</u>	<u>\$ 71,614</u>

Components of investment and interest income for the years ended December 31, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Interest and dividends	\$ 3,087	\$ 1,281
Unrealized gains and (losses)	(17,416)	(1,057)
Realized gains and (losses)	<u>1,400</u>	<u>-</u>
	<u>\$ (12,929)</u>	<u>\$ 224</u>

4. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2008 and 2007, the Organization had temporarily restricted net assets available for the following purposes:

	<u>2008</u>	<u>2007</u>
Mortimer	\$ 8,500	\$ 10,000
Wakeman/Henderson	9,000	-
JL Foote - Program Scholarships	5,000	-
Paul G. Allen	-	20,000
PP&L - WOW Program	<u>5,000</u>	<u>-</u>
	<u>\$ 27,500</u>	<u>\$ 30,000</u>

**MONTANA OUTDOOR SCIENCE SCHOOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007**

5. AGENCY ACCOUNTS

From time to time, the Organization acts as an agent for pass-through accounts. These are recorded in "restricted cash" and "due to others" in the financial statements.

6. PERMANENTLY RESTRICTED NET ASSETS (ENDOWMENTS)

Permanently restricted net assets consist of gifts by various donors with restrictions that the principal be used to fund the Organization's endowment fund. Income derived through investment of the principal is to be used to support the general functions of the organization and have no restrictions as to specific expenditures (i.e., long-lived assets or current expenses).

Interpretation of Relevant Law

The Board of Directors has interpreted the Montana Uniform Prudent Management of Institutional Funds Act ("MUPMIFA") 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 Organization 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) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (a) The duration and preservation of the fund;
- (b) The purposes of the Organization and the donor-restricted endowment fund;
- (c) General economic conditions;
- (d) The possible effect of inflation and deflation;
- (e) The expected total return from income and the appreciation of investments;
- (f) Other resources of the Organization; and
- (g) The investment policies of the Organization.

Endowment net asset composition by type of fund as of December 31, 2008 and 2007 is as follows:

	2008		
	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 5,076	\$ 29,455	\$ 34,531
	2007		
	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 19,147	\$ 29,455	\$ 48,602

MONTANA OUTDOOR SCIENCE SCHOOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

6. PERMANENTLY RESTRICTED NET ASSETS (ENDOWMENTS) (Continued)

Changes in net asset composition by type of funds for the years ended December 31, 2008 and 2007 are as follows:

	2008		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 19,147	\$ 29,455	\$ 48,602
Investment return:			
Investment income, net	2,083	-	2,083
Net appreciation (depreciation)	<u>(16,154)</u>	<u>-</u>	<u>(16,154)</u>
	<u>\$ 5,076</u>	<u>\$ 29,455</u>	<u>\$ 34,531</u>
	2007		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 16,909	\$ 29,455	\$ 46,364
Investment return:			
Investment income, net	2,548	-	2,548
Net appreciation (depreciation)	<u>(310)</u>	<u>-</u>	<u>(310)</u>
	<u>\$ 19,147</u>	<u>\$ 29,455</u>	<u>\$ 48,602</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MUPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2008 and 2007.

Return Objectives and Risk Parameters

The Organization has adopted an investment policy for endowment assets seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. The Organization expects its endowment funds, over time, to provide a reasonable level of current income and to grow equity assets. 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, the Organization 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). The Organization targets a diversified asset allocation including cash equivalents, fixed income, and equity securities to achieve its long-term return objectives within prudent risk constraints.

**MONTANA OUTDOOR SCIENCE SCHOOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007**

6. PERMANENTLY RESTRICTED NET ASSETS (ENDOWMENTS) (Continued)

Spending Policy

The Endowment Fund's principal is permanent and irrevocable, and as such, the principal can never be spent. Funds designated for the endowment may not be removed from the endowment; only income and capital gains generated by investment of the funds may be utilized by Montana Outdoor Science School, upon written approval by at least two officers of the Executive Committee of the Board. Further, no funds in the endowment will go towards subsidizing the general operating budget until the endowment reaches a Net Asset Value as determined by the Finance Committee and approved by the Board.

7. OPERATING LEASE

Montana Outdoor Science School leased its office space from Emerson Cultural Center, Inc. through August 2007. Rental payments to the Emerson for the eight months ended August 31, 2007 were \$9,420. Beginning in September 2007, Montana Outdoor Science School entered into a 10-year lease with the U.S. Department of Interior, Fish and Wildlife Service at the Bozeman Fish Technology Center (FWS). FWS estimates the annual rent for office space, facilities and grounds to be \$85,000. FWS estimates an additional annual marketing expense of \$10,000. These annual amounts are donated by FWS as an in-kind contribution. In-kind rent from FWS for the year ended December 31, 2008 and for the four months ended December 31, 2007 were \$85,000 and \$28,333, respectively. Future remaining rental payments after December 31, 2008 are \$85,000 per year at which time renewal may occur.

8. SIMPLE RETIREMENT PLAN

During 2005, the Organization adopted a SIMPLE plan, which covers all employees who meet the eligibility requirements. The Organization matches up to a maximum of 3% of each eligible employee's wages. The contribution for the years ending December 31, 2008 and 2007 was \$653 and \$2,700, respectively.

9. OPERATING LINE OF CREDIT

The Organization has an operating line of credit with First Security Bank which is due and payable at June 1 each year. The Organization may borrow up to \$50,473 to finance operations. The interest rate at December 31, 2008 was 3.25%. The outstanding balance for the years ending December 31, 2008 and 2007 was \$44,000 and \$20,473, respectively.

MONTANA OUTDOOR SCIENCE SCHOOL
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

10. NOTE PAYABLE

	2008	2007
9.0% note payable to First Security Bank; dated August 7, 2007 and due August 7, 2012; payable in monthly installments of \$377 including principal and interest; secured by GMC Savana Van.	\$ 14,029	\$ 17,141
Less: current portion	(3,398)	(3,106)
	\$ 10,631	\$ 14,035

Future maturities of long-term debt are as follows:

2009	\$ 3,398	
2010	3,716	
2011	4,065	
2012	2,850	
		\$ 14,029