



FINANCIAL STATEMENTS
September 30, 2010 and 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Yellowstone Association
Yellowstone National Park, Wyoming

We have audited the accompanying statements of financial position of the Yellowstone Association (a nonprofit corporation) as of September 30, 2010 and 2009, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 Yellowstone Association as of September 30, 2010 and 2009, 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.

Bozeman, Montana
January 29, 2011

YELLOWSTONE ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
September 30, 2010 and 2009

	2010	2009
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,781,051	\$ 3,474,220
Accounts receivable	98,718	105,509
Pledges receivable, net of discount to present value of \$61,297 and \$47,425	1,251,704	1,081,828
Inventory	540,716	352,174
Accrued interest	2,648	2,852
Prepaid expenses	81,011	49,713
Total current assets	6,755,848	5,066,296
PROPERTY AND EQUIPMENT, AT COST		
Land	2,230,578	630,733
Buildings and improvements	6,552,232	5,923,376
Institute cabins and improvements	394,949	392,058
Furniture, vehicles, and equipment	1,916,451	1,372,743
Construction in progress	-	159,481
Design costs - future buildings/improvements	24,122	24,122
Yellowstone Overlook Field Campus escrow	-	111,466
Accumulated depreciation	(1,712,776)	(1,320,581)
Property and equipment, net	9,405,556	7,293,398
TOTAL ASSETS	\$ 16,161,404	\$ 12,359,694
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 262,476	\$ 304,403
Accrued payroll and benefits	203,929	179,869
Accrued sales tax	84,660	76,565
Deferred revenues	1,095,153	765,719
Note payable, current portion	314,878	105,825
Interpretive program grants payable	1,502,949	1,131,049
Total current liabilities	3,464,045	2,563,430
LONG TERM LIABILITIES		
Notes payable, long term portion, net of discount of \$133,322 and \$0	2,101,681	166,602
NET ASSETS		
Unrestricted	9,385,987	8,886,795
Temporarily restricted	1,177,659	712,911
Permanently restricted	32,032	29,956
	10,595,678	9,629,662
TOTAL LIABILITIES AND NET ASSETS	\$ 16,161,404	\$ 12,359,694

The accompanying notes are an integral part of the financial statements.

YELLOWSTONE ASSOCIATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended September 30, 2010

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES AND SUPPORT				
Educational product sales	\$ 3,171,061	\$ -	\$ -	\$ 3,171,061
Less cost of goods sold	<u>(1,505,765)</u>	-	-	<u>(1,505,765)</u>
	1,665,296	-	-	1,665,296
Contributions, gifts, and memberships earned	1,672,999	1,044,262	2,025	2,719,286
Visitor education program	1,187,142	-	-	1,187,142
Interest income	8,734	2,920	51	11,705
Other revenues	<u>36,209</u>	-	-	<u>36,209</u>
	4,570,380	1,047,182	2,076	5,619,638
Net assets released from restriction	<u>582,434</u>	<u>(582,434)</u>	-	-
	<u>5,152,814</u>	<u>464,748</u>	<u>2,076</u>	<u>5,619,638</u>
EXPENSES				
Program Services				
Aid to National Park Service	1,003,168	-	-	1,003,168
Aid to U.S. Forest Service	9,187	-	-	9,187
Educational product sales	1,276,605	-	-	1,276,605
Visitor education	1,281,661	-	-	1,281,661
Member education	<u>120,241</u>	-	-	<u>120,241</u>
Total program services	<u>3,690,862</u>	-	-	<u>3,690,862</u>
Supporting Services				
Fundraising	677,933	-	-	677,933
Administrative	<u>284,827</u>	-	-	<u>284,827</u>
Total supporting services	<u>962,760</u>	-	-	<u>962,760</u>
Total operating expenses	<u>4,653,622</u>	-	-	<u>4,653,622</u>
Change in net assets	499,192	464,748	2,076	966,016
Net assets, beginning of year	<u>8,886,795</u>	<u>712,911</u>	<u>29,956</u>	<u>9,629,662</u>
Net assets, end of year	<u>\$ 9,385,987</u>	<u>\$ 1,177,659</u>	<u>\$ 32,032</u>	<u>\$ 10,595,678</u>

The accompanying notes are an integral part of the financial statements.

YELLOWSTONE ASSOCIATION
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
For the year ended September 30, 2009

	2009			Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
REVENUES AND SUPPORT				
Educational product sales	\$ 2,779,369	\$ -	\$ -	\$ 2,779,369
Less cost of goods sold	<u>(1,323,371)</u>	<u>-</u>	<u>-</u>	<u>(1,323,371)</u>
	1,455,998	-	-	1,455,998
Contributions, gifts, and memberships earned	1,463,460	483,830	1,215	1,948,505
Visitor education program	1,069,402	-	-	1,069,402
Interest income	40,515	1,061	106	41,682
Other revenues	<u>30,890</u>	<u>9,015</u>	<u>-</u>	<u>39,905</u>
	4,060,265	493,906	1,321	4,555,492
Net assets released from restriction	<u>1,098,877</u>	<u>(1,098,877)</u>	<u>-</u>	<u>-</u>
	<u>5,159,142</u>	<u>(604,971)</u>	<u>1,321</u>	<u>4,555,492</u>
EXPENSES				
Program Services				
Aid to National Park Service	1,112,011	-	-	1,112,011
Aid to U.S. Forest Service	11,029	-	-	11,029
Educational product sales	1,135,967	-	-	1,135,967
Visitor education	1,169,185	-	-	1,169,185
Member education	<u>132,817</u>	<u>-</u>	<u>-</u>	<u>132,817</u>
Total program services	<u>3,561,009</u>	<u>-</u>	<u>-</u>	<u>3,561,009</u>
Supporting Services				
Fundraising	548,894	-	-	548,894
Administrative	<u>283,306</u>	<u>-</u>	<u>-</u>	<u>283,306</u>
Total supporting services	<u>832,200</u>	<u>-</u>	<u>-</u>	<u>832,200</u>
Total operating expenses	<u>4,393,209</u>	<u>-</u>	<u>-</u>	<u>4,393,209</u>
Change in net assets	765,933	(604,971)	1,321	162,283
Net assets, beginning of year	<u>8,120,862</u>	<u>1,317,882</u>	<u>28,635</u>	<u>9,467,379</u>
Net assets, end of year	<u>\$ 8,886,795</u>	<u>\$ 712,911</u>	<u>\$ 29,956</u>	<u>\$ 9,629,662</u>

The accompanying notes are an integral part of the financial statements.

YELLOWSTONE ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2010

	Program Services			
	Aid to National Park Service	Aid to Forest Service	Educational Product Sales	Visitor Education
Support for visitor education	\$ 1,003,168	\$ 9,187	\$ -	\$ -
Wages and benefits	-	-	720,946	566,283
Printing and publishing	-	-	565	30,151
Marketing	-	-	127,663	20,048
Sales tax	-	-	123,536	1,958
Postage	-	-	39,034	13,316
Insurance	-	-	20,901	34,562
Dues and membership fees	-	-	578	623
Depreciation	-	-	152,470	160,056
Vehicle expense	-	-	7,740	44,835
Office supplies	-	-	5,596	5,170
Travel and training	-	-	13,951	6,812
Professional fees	-	-	2,742	11,801
Utilities	-	-	20,629	24,975
Institute instructors	-	-	-	78,554
Institute, other operating	-	-	-	168,083
Volunteer stipend	-	-	5,043	27,408
Special events	-	-	-	-
Rental expense	-	-	26,601	16,858
Real estate taxes	-	-	235	5,685
Interest expense	-	-	-	48,384
Miscellaneous	-	-	8,375	16,099
	<u>\$ 1,003,168</u>	<u>\$ 9,187</u>	<u>\$ 1,276,605</u>	<u>\$ 1,281,661</u>

The accompanying notes are an integral part of the financial statements.

YELLOWSTONE ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
For the year ended September 30, 2010

	Program Services	Supporting Services		Total
	Member Education	Fundraising	Administration	
Support for visitor education	\$ -	\$ -	\$ -	\$ 1,012,355
Wages and benefits	4,302	245,299	106,522	1,643,352
Printing and publishing	60,518	62,197	-	153,431
Marketing	-	166,034	374	314,119
Sales tax	-	-	-	125,494
Postage	55,421	52,720	1,410	161,901
Insurance	-	3,495	9,002	67,960
Dues and membership fees	-	711	8,320	10,232
Depreciation	-	33,114	79,055	424,695
Vehicle expense	-	72	140	52,787
Office supplies	-	19,140	6,800	36,706
Travel and training	-	22,819	4,951	48,533
Professional fees	-	5,919	13,707	34,169
Utilities	-	6,813	18,443	70,860
Institute instructors	-	-	-	78,554
Institute, other operating	-	-	-	168,083
Volunteer stipend	-	1,329	-	33,780
Special events	-	48,937	-	48,937
Rental expense	-	691	4,618	48,768
Real estate taxes	-	220	780	6,920
Interest expense	-	-	-	48,384
Miscellaneous	-	8,423	30,705	63,602
	<u>\$ 120,241</u>	<u>\$ 677,933</u>	<u>\$ 284,827</u>	<u>\$ 4,653,622</u>

The accompanying notes are an integral part of the financial statements.

YELLOWSTONE ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2009

	Program Services			
	Aid to National Park Service	Aid to Forest Service	Educational Product Sales	Visitor Education
Support for visitor education	\$ 1,112,011	\$ 11,029	\$ -	\$ -
Wages and benefits	-	-	649,789	515,902
Printing and publishing	-	-	555	30,165
Marketing	-	-	112,970	12,978
Sales tax	-	-	119,514	2,666
Postage	-	-	33,470	11,453
Insurance	-	-	15,073	28,182
Dues and membership fees	-	-	178	454
Depreciation	-	-	129,373	115,474
Vehicle expense	-	-	6,120	37,187
Office supplies	-	-	9,522	4,622
Travel and training	-	-	13,754	8,503
Professional fees	-	-	4,585	13,200
Utilities	-	-	19,644	12,867
Institute instructors	-	-	-	85,612
Institute, other operating	-	-	-	219,010
Special events	-	-	-	-
Rental expense	-	-	16,647	18,993
Interest expense	-	-	-	18,197
Miscellaneous	-	-	4,773	33,720
	<u>\$ 1,112,011</u>	<u>\$ 11,029</u>	<u>\$ 1,135,967</u>	<u>\$ 1,169,185</u>

The accompanying notes are an integral part of the financial statements.

YELLOWSTONE ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
For the year ended September 30, 2009

	Program Services	Supporting Services		Total
	Member Education	Fundraising	Administration	
Support for visitor education	\$ -	\$ -	\$ -	\$ 1,123,040
Wages and benefits	5,590	230,936	115,942	1,518,159
Printing and publishing	64,166	42,775	-	137,661
Marketing	-	101,411	583	227,942
Sales tax	-	-	-	122,180
Postage	63,061	59,378	1,426	168,788
Insurance	-	1,279	15,310	59,844
Dues and membership fees	-	366	8,536	9,534
Depreciation	-	22,821	54,083	321,751
Vehicle expense	-	-	-	43,307
Office supplies	-	24,231	4,071	42,446
Travel and training	-	18,236	3,835	44,328
Professional fees	-	10,285	29,364	57,434
Utilities	-	3,704	10,181	46,396
Institute instructors	-	-	-	85,612
Institute, other operating	-	-	-	219,010
Special events	-	28,994	-	28,994
Rental expense	-	-	12,498	48,138
Interest expense	-	-	-	18,197
Miscellaneous	-	4,478	27,477	70,448
	<u>\$ 132,817</u>	<u>\$ 548,894</u>	<u>\$ 283,306</u>	<u>\$ 4,393,209</u>

The accompanying notes are an integral part of the financial statements.

YELLOWSTONE ASSOCIATION
STATEMENTS OF CASH FLOWS
For the years ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 966,016	\$ 162,283
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	424,695	321,751
Loss on disposal of equipment	2,461	24,913
Donated assets and services	(39,201)	(67,340)
(Increase) decrease in:		
Accounts receivable	6,791	(38,684)
Pledges receivable	(192,496)	80,853
Inventory	(188,542)	92,409
Accrued interest	204	22,759
Prepaid expenses	(31,298)	24,979
Increase (decrease) in:		
Accounts payable	(41,927)	(157,665)
Accrued liabilities	32,155	(59,920)
Deferred revenue	329,434	(28,351)
Interpretive grants payable	<u>371,900</u>	<u>496,386</u>
Net cash provided by operating activities	<u>1,640,192</u>	<u>874,373</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of donated marketable securities	32,663	72,281
Proceeds from sale of equipment	300	18,631
Payments for property and equipment	<u>(2,510,456)</u>	<u>(2,356,890)</u>
Net cash used in investing activities	<u>(2,477,493)</u>	<u>(2,265,978)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan advances	2,350,000	-
Payments on mortgage and vehicle notes	<u>(205,868)</u>	<u>(58,108)</u>
Net cash provided by financing activities	<u>2,144,132</u>	<u>(58,108)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	1,306,831	(1,449,713)
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,474,220</u>	<u>4,923,933</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 4,781,051</u>	<u>\$ 3,474,220</u>

The accompanying notes are an integral part of the financial statements.

YELLOWSTONE ASSOCIATION
STATEMENTS OF CASH FLOWS (CONTINUED)
For the years ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS		
Cash paid for interest	<u>\$ 15,948</u>	<u>\$ 18,197</u>

Non-cash investing and financing activities:

In July 2010 and 2009, the Association received in-kind donations of assets amounting to \$29,158 and \$63,153.

In 2010, the Association purchased the Yellowstone Overlook Kendeda Field Campus (YOFC) with loan proceeds from a private donor, in the amount of \$2,105,000. Also in 2010, the Association purchased three buses which were financed with long term debt, in the amount of \$150,000.

The accompanying notes are an integral part of the financial statements.

YELLOWSTONE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2010 and 2009

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Yellowstone Association (the "Association") is a not-for-profit organization whose purpose is to provide and support educational, historical, and scientific programs for the benefit of Yellowstone National Park (the "Park") and its visitors. The Association sells educational materials in Park visitor and information centers, in the Gardiner headquarters bookstore, and in several adjoining U.S. Forest Service areas. Sales of educational materials are also made through the mail/internet and to wholesale customers. In addition, the Association operates the Yellowstone Association Institute (the "Institute"), a visitor education program that conducts field classes in the Park and adjoining areas in both summer and winter. Profit from these activities and proceeds from a contributing membership program, which are not required to fund future operations of the Association, are used to fund education and research projects in Yellowstone National Park.

1. Financial Statement Presentation. The accompanying 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. Under GAAP, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Association is required to present a statement of cash flows. Although the Association is permitted to discontinue its use of fund accounting it has chosen to maintain the principles of fund accounting to ensure observance of limitations and restrictions placed on the use of resources available to the Association. The financial statements of the Association have been prepared on the accrual basis of accounting.

Unrestricted operating funds represent funds available for support of the Association's operations. Temporarily restricted funds represent funds which have been restricted by the donor or other outside party for a particular purpose. Permanently restricted funds represent funds subject to donor-imposed stipulations that permanently restrict the use of the assets to be maintained by the Association into perpetuity. Generally, the donors of these assets permit the Association to use income earned on related investments for general or specific purposes. These funds are deemed to be earned as received; they are reported as revenue as received in accordance with GAAP.

2. Cash Equivalents. For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, including restricted cash. Certificates of deposit are treated as cash regardless of holding period.

YELLOWSTONE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2010 and 2009

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES
(continued)

3. Accounts Receivable. Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. However, the Association has a variety of credit relationships with its customers and different trade terms are common. Customer account balances with invoices dated over 30 days are considered delinquent. Accounts receivable are stated at face amounts with no allowance for doubtful accounts. Management considers all receivables to be fully collectible.
4. Inventories. Inventories are stated at the lower of cost or market value at the date of the financial statements using the first-in-first-out method of valuation. Inventories consist primarily of books, videos, maps, posters, and other educational products sold in retail outlets, mail/internet sales, and wholesales.
5. Property and Equipment. Furniture, fixtures, and equipment in excess of \$500 with an estimated useful life of over one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range between three and thirty years.
6. Memberships earned. Memberships are paid on an annual basis. Each month 1/12th of the membership received is recognized as revenue.
7. Support. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Association 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, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Association reports gifts of goods 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 that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

YELLOWSTONE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2010 and 2009

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES
(continued)

8. In-Kind Support. The Association records various types of in-kind support including professional fees and services, instructor fees along with travel and food allowances, fixed assets, and inventory. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills provided by individuals possessing those skills and which would typically need to be purchased if not provided by donation.
9. Marketing Cost. Marketing costs are expensed as incurred unless the useful life of a “branding asset” extends two or more years.
10. Income Taxes. The Association is exempt from Federal and state income taxes under Internal Revenue Code §501(c)(3) and has been ruled not to be a private foundation.

The determination of tax exempt status is considered to be a tax position subject to GAAP requirements to account for uncertainties in income taxes recognized in an entity’s financial statements. These requirements prescribe a threshold of more-likely-than-not for recognition and de-recognition of tax positions taken or expected to be taken on a tax return.

The Association’s policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence. It is the opinion of management that the Association has no uncertain tax positions. With few exceptions, the Association is no longer subject to examinations by federal and state tax authorities for years before 2006.

11. Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

YELLOWSTONE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2010 and 2009

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES
(continued)

12. Fair Value. Fair value is defined 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 maximize the use of observable inputs and minimize the use of unobservable inputs, using the market value approach. Generally accepted accounting principles establish a fair value hierarchy, which prioritizes the valuation inputs into three broad levels:

Level 1 – Quoted market prices available through public exchange venues 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 and liabilities.

Level 3 – Unobservable inputs for the asset or liability due to little or no market activity at the measurement date.

13. Subsequent Events. Management has evaluated subsequent events through January 29, 2011, the date which the financial statements were available for issue.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of September 30, 2010 and 2009, consist of the following:

	2010	2009
Cash in checking	\$ 103,360	\$ 127,476
Cash in savings	40,732	4,176
Cash on hand	16,930	12,818
Cash in money market account	2,916,825	2,223,836
Certificates of deposit	1,703,204	1,105,914
	\$ 4,781,051	\$ 3,474,220

Cash and cash equivalents amounting to \$708,750 and \$612,550 have been designated by the Board of Trustees as of September 30, 2010 and September 30, 2009, respectively, to support educational programs and projects of the National Park Service for the subsequent calendar years ending December 31, 2011 and December 31, 2010. In addition, as of September 30, 2010 and 2009, cash and cash equivalents in the amount of \$657,229 and \$87,503, respectively, have been set aside for the Legacy for Learning campaign and additional cash in the amount of \$349,086 and \$350,498 is donor-restricted for other projects.

YELLOWSTONE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2010 and 2009

NOTE B – CASH AND CASH EQUIVALENTS (continued)

As of September 30, 2010 and 2009, a total of \$3,157,143 and \$2,356,757, respectively, in bank deposits were in excess of FDIC insurance.

Except for certificates of deposit, the carrying value of cash and cash equivalents is measured on a recurring basis using Level 1 valuation inputs. Certificates of deposit are carried at cost, which approximates fair value due to the short period these instruments are held. The carrying value of certificates of deposit is measured on a recurring basis using Level 2 valuation inputs. The Association has the ability and intent to hold the certificates of deposit to maturity. The certificates of deposit held as of September 30, 2010 mature within eighteen months. The Association held certificates of deposit bearing interest rates ranging between 0.25% and 0.55% as of September 30, 2010.

NOTE C – PLEDGES RECEIVABLE

Pledges to give are recorded at their fair value using a present value approach. This measurement of fair value uses significant unobservable inputs (Level 3 inputs), including estimated timing of receipts and collectability. This calculation includes an applied discount rate of 0.46% to 3.60% at September 30, 2010 and 0.84% to 2.87% at September 30, 2009, which is management’s estimate of a risk-free rate of return. The accretion of the discount in subsequent years is reported as additional contributions in the net asset class in which the original pledge was recorded. Payments are due based on the underlying donor agreement. Uncollectible pledges are charged to bad debt once all attempts at collection have been exhausted. As of September 30, 2010 and 2009, management considers all pledges to be fully collectible.

Pledges to give, net of present value discounts, at September 30, 2010 and 2009 are scheduled to be received as follows:

	2010	2009
In less than one year	\$ 422,991	\$ 907,435
In one to five years	845,010	201,818
Thereafter	45,000	20,000
	1,313,001	1,129,253
Unamortized discount	(61,297)	(47,425)
Promises to give, net	<u>\$ 1,251,704</u>	<u>\$ 1,081,828</u>

YELLOWSTONE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2010 and 2009

NOTE C – PLEDGES RECEIVABLE (continued)

The following table demonstrates the effect of the fair value measurements on the 2010 and 2009 changes in net assets:

	<u>2010</u>	<u>2009</u>
New unconditional pledges	\$ 594,300	\$ 176,500
Write off uncollectible pledges	(3,977)	(18,294)
Change in unamortized discount	<u>(13,873)</u>	<u>29,795</u>
Net effect on net assets	<u>\$ 576,450</u>	<u>\$ 188,001</u>

The following table represents a reconciliation of the beginning and ending balances of pledges receivable for the years ended September 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Pledges, net, beginning of the year	\$ 1,081,828	\$ 1,234,962
New unconditional pledges	594,300	176,500
Amounts received from pledges	(406,574)	(341,135)
Change in unamortized discount	(13,873)	29,795
Write off uncollectible pledges	<u>(3,977)</u>	<u>(18,294)</u>
Pledges to give, net, end of year	<u>\$ 1,251,704</u>	<u>\$ 1,081,828</u>

YELLOWSTONE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2010 and 2009

NOTE D - PROPERTY AND EQUIPMENT

Major classifications of property and equipment and their respective depreciable lives are summarized below:

	2010	2009	Lives
Association office equipment	\$ 356,268	\$ 343,748	3-10 years
Visitor center sales area and warehouse equipment and fixtures	890,071	598,729	5-20 years
Yellowstone Association Institute equipment and vehicles	670,112	430,266	3-10 years
Yellowstone Association Institute cabins and improvements	394,949	392,058	10-30 years
Employee housing	341,515	331,320	20 years
Buildings and improvements	6,210,717	5,592,056	20 years
Construction in progress	-	159,481	
Design costs of future buildings and improvements	24,122	24,122	
Yellowstone Overlook Field Campus	-	111,466	
Land	<u>2,230,578</u>	<u>630,733</u>	
	11,118,332	8,613,979	
Accumulated depreciation	<u>(1,712,776)</u>	<u>(1,320,581)</u>	
	<u>\$ 9,405,556</u>	<u>\$ 7,293,398</u>	

The remodel of the new headquarters in Gardiner, Montana was completed and placed in service in April 2009. The new headquarters includes administrative offices, classrooms, and a bookstore.

In December 2009 the Association purchased the Yellowstone Overlook Keneda Field Campus (YOFC). The YOFC became operational in May 2010. The 80 acre property includes three cabins used for Institute participants and one cabin for volunteers.

In August 2010 the Association opened an educational Park Store in the new Old Faithful Visitor Education Center.

NOTE E – ACCOUNTS PAYABLE

Included in Accounts Payable is a \$50,000 loan payable to Dave Love for work to be completed on the publication of the Hague Survey, a restricted fund project.

YELLOWSTONE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2010 and 2009

NOTE F - DEFERRED REVENUES

Deferred revenues consist of the following as of September 30, 2010 and 2009:

	2010	2009
Unearned Memberships	\$ 816,113	\$ 702,675
Unearned Visitor Education Fees	145,718	\$ 63,044
Unearned revenue - discount on note payable	133,322	-
	<u>\$ 1,095,153</u>	<u>\$ 765,719</u>

NOTE G – NOTES PAYABLE

On March 3, 2003, the Association purchased commercial and residential property in Gardiner, Montana, for \$340,000. After a down payment of \$102,000, there was a note payable of \$238,000 to the former owners. The note required monthly payments of \$1,790 (including principal and interest) at an interest rate of 4.25% per annum on a 15-year amortization for five years with a balloon payment due in 2008. In March, 2008, the Association exercised its option to extend the contract for deed for an additional five years. The extension requires monthly payments of \$1,944 (including principal and interest) at an interest rate of 6.00% per annum on a 10-year amortization for five years with a balloon payment due in 2013. Subsequent annual maturities of this obligation are scheduled as follows:

2011	\$	15,278
2012		16,221
2013		108,866
	\$	140,365

In April 2005, the Association purchased three 14-passenger buses for a total of \$109,500. After a down payment of \$10,950, there was a note payable of \$98,715, including fees, to First Interstate Bank, Gardiner, Montana. The note requires monthly payments of \$1,456 (including principal and interest) at an interest rate of 6.25% per annum for seven years.

In April 2006, the Association purchased three additional 14-passenger buses for a total of \$117,657. After a down payment of \$42,657, there was a note payable of \$75,149, including fees, to First Interstate Bank, Gardiner, Montana. The note requires monthly payments of \$1,504 (including principal and interest) at an interest rate of 6.25% per annum for five years.

In April 2008, the Association purchased two 12-passenger buses for a total of \$83,062. The purchase was financed fully with a note payable of \$83,062, including fees, to First Interstate Bank, Livingston, Montana. The note is secured by a certificate of deposit with First Interstate Bank, in the amount of \$53,204. The note requires monthly payments of \$1,585 (including principal and interest) at an interest rate of 4.00% per annum for one year. The loan renewed in April 2010 for one year, to coincide with the annual maturity of the certificate of deposit securing the note.

YELLOWSTONE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2010 and 2009

NOTE G – NOTES PAYABLE (continued)

The loan and the certificate of deposit will be renewed two additional times, for a period of one year each time.

In April 2010, the Association purchased three 13-passenger buses for a total of \$149,346. The purchase was financed fully with a note payable of \$150,150, including fees, to First Interstate Bank, Livingston, Montana. The note is secured by a certificate of deposit with First Interstate Bank, in the amount of \$150,000. The note requires monthly payments of \$2,765 (including principal and interest) at an interest rate of 4.00% per annum for one year. The loan will renew in April 2011 for one year, to coincide with the annual maturity of the certificate of deposit securing the note.

The loan and the certificate of deposit will be renewed three additional times, for a period of one year each time. Subsequent annual maturities of the three notes to First Interstate Bank, Livingston, Montana are scheduled as follows:

2011	\$ 199,600
2012	<u>9,916</u>
	<u>\$ 209,516</u>

On December 4, 2009, the Association purchased property in Gardiner, Montana known as the Above the Rest Lodge. The property, now known as the Yellowstone Overlook Kendeda Field Campus, consists of four cabins on approximately 80 acres, bordering Yellowstone National Park. The purchase price of \$2,105,000 plus necessary improvements of \$95,000 was funded in total by a loan from a donor. The loan is unsecured and accrues zero interest.

The property became operational May 1, 2010, and is being used for expanded Institute programs, including lodging. Repayment will come from the collection of pledges receivable, specifically designated for the property

The repayment schedule is as follows:

2011	\$ 100,000
2012	200,000
2013	300,000
2014	400,000
2015	<u>1,200,000</u>
	<u>\$ 2,200,000</u>

The loan from the private donor has provided an unsecured, interest-free loan totaling \$2,200,000 for the purchase of the YOFC. When the loan proceeds were advanced, the Association recorded contribution revenue and a loan discount calculated at 1.94%. The loan is reported in the Statement of Financial Position net of the unamortized discount of \$133,322 as of September 30, 2010. The discount on the loan is being amortized to interest expense

YELLOWSTONE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2010 and 2009

NOTE G – NOTES PAYABLE (continued)

over the life of the loan. Imputed interest expense of \$32,436 was reported in the accompanying Statements of Activities for the year ended September 30, 2010.

NOTE H - LEASES

The Institute houses a portion of its class participants in cabins owned by the Park Service. The Institute gives the Park Service 20% of fees collected from Institute participants to help cover the cost of maintaining these facilities. For the years ended September 30, 2010 and 2009 payments to the Park Service for these cabins totaled \$15,854 and \$13,142, respectively.

NOTE I – COMMITMENTS AND DESIGNATED NET ASSETS

For the calendar years ending December 31, 2010 and December 31, 2009, the annual amounts made available to the National Park Service for the support of educational, historical, and scientific projects were \$708,750 and \$612,550, respectively.

YELLOWSTONE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2010 and 2009

NOTE J - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of September 30, 2010 and 2009 are restricted for the following purposes:

	2010	2009
Legacy for Learning Campaign	\$ 859,604	\$ 391,368
NPS Donation Boxes	80,499	80,499
Junior Ranger	55,670	55,670
Yellowstone Center for Resources Publications	32,516	36,179
Winter Use Exhibits	24,755	24,755
IGBST North Fork Fund	20,888	20,888
Hague Survey	20,472	20,472
Close to Mom	11,537	11,537
Ranger Museum	11,532	11,532
75th Anniversary	11,406	11,356
Geothermal Research	11,217	11,454
Biennial Conference Fund	7,240	4,240
Resources & Issues Handbook Publication	5,220	5,220
Wolverine Project	4,042	4,042
Gray Wolf Recovery Fund	3,416	3,084
Interagency Grizzly Fund	2,082	2,082
Public Affairs	1,932	1,932
Ecological History	1,792	1,820
Snowmobile History	1,266	-
Children's Environmental Education	780	1,890
Yellowstone Association Institute Scholarship	696	2,760
YAI Endowment Fund	238	223
Various Other Temporarily Restricted Funds	8,859	9,908
	<u>\$ 1,177,659</u>	<u>\$ 712,911</u>

NOTE K – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of September 30, 2010 and 2009 are restricted for the following purposes:

	2010	2009
Institute Scholarship Endowment	\$ 21,679	\$ 21,679
YAI Endowment Fund	2,010	1,984
Landis Endowment Fund	8,343	6,293
	<u>\$ 32,032</u>	<u>\$ 29,956</u>

YELLOWSTONE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2010 and 2009

NOTE L – NET ASSETS RELEASED FROM RESTRICTION

Temporarily restricted net assets released from restriction were used for the following purposes for the years ended September 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Legacy for Learning Campaign	\$ 391,368	\$ 863,474
Druid Road Management	151,893	166,304
Matt & Danny Adventure	13,760	12,291
Yellowstone Center For Resources - Publications	8,890	2,298
Peregrine/Swan Project	8,075	-
Yellowstone Association Institute Library	3,115	2,021
Institute Scholarship	2,230	857
Pelican Valley Wolf/Bear	732	2,916
Teachers Workshops	-	25,850
YCR Program Manager	-	16,642
Various other temporarily restricted funds	<u>2,371</u>	<u>6,224</u>
	<u>\$ 582,434</u>	<u>\$ 1,098,877</u>

Permanently restricted net assets released from restriction were used for the following purposes for the years ended September 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Institute Scholarship	\$ 2,230	\$ 857
	<u>\$ 2,230</u>	<u>\$ 857</u>

Permanently restricted net assets in the amount of \$2,230 and \$857, respectively, that were previously restricted for the Institute Scholarship Endowment were released from restriction during the years ended September 30, 2010 and 2009.

In fiscal 2010, net assets restricted for the Legacy for Learning Campaign were released from restriction in the amount of \$391,368 to operations for previously funded construction costs.

In fiscal 2009, net assets restricted for the Legacy for Learning Campaign were released from restriction in the amount of \$863,474, of which \$100,137 represents campaign related expenses and the balance, \$763,337, represents infrastructure design and construction costs.

NOTE M - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities of the Association have been presented on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs benefited.

YELLOWSTONE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2010 and 2009

NOTE N - EMPLOYEE BENEFIT PLAN

The Association adopted a flexible benefit plan for its year-round employees in 1990. Through this benefit program, employees accrue amounts each month based upon longevity, hours worked, and gross pay, and use accrued amounts for medical/dental, dependent care, or other specified expenditures. Total employer contributions for fiscal years ended September 30, 2010 and 2009, were \$82,701 and \$77,072, respectively.

NOTE O - PENSION PLAN

The Association implemented a 401(k) defined contribution pension plan with a 401(k) feature, effective January 1, 2002, for all employees working 1,000 hours or more in a 12-month period from their hire date anniversary. The Association contributes 6% of an eligible employee's gross pay to the plan each month. In addition, employees may contribute tax deferred amounts to the plan, which is matched by the Association at one-half with a limit of 2% of an employee's gross pay. Employer pension plan contributions, net of forfeitures, included in the accompanying financial statements for fiscal years ended September 30, 2010 and 2009, were \$73,434 and \$88,116, respectively.

NOTE P - DONATED FACILITIES

The Association's educational Park Stores are located in visitor centers owned by Yellowstone National Park. The value of the donated facilities is not reflected in the accompanying financial statements because there is no objective basis available by which to measure their value.

NOTE Q – DONATED SERVICES AND MATERIALS

The Association benefited from the following donated services and materials for the years ended September 30, 2010 and 2009:

	2010	2009
Laptop computers and copier	\$ 24,831	\$ 21,872
Advertising	18,674	41,249
Professional fees	9,084	8,450
Automobile	4,200	-
Furniture for future use	200	
Other supplies and equipment	2,593	-
Ralph Siefkin services - headquarters remodel	-	38,327
Other donated services	-	5,007
Inventory	-	2,954
Instructor fees	-	50
	\$ 59,582	\$ 117,909

YELLOWSTONE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2010 and 2009

NOTE R – FUNDRAISING EXPENSES

Yellowstone Association is currently in the final stages of an \$11.2 million fundraising campaign for infrastructure needs. The fundraising campaign was approved by the National Park Service on August 12, 2005, at which time active solicitation of donations and pledges began. The expenses incurred include planning and donor education events along with solicitation of lead gifts from selected members of the Yellowstone Association.

NOTE S – CONCENTRATIONS

In fiscal 2006, the Association recognized pledged support from two donors in the amount of approximately \$4.7 million. As of September 30, 2010 and 2009, the uncollected balance of this pledged support is presented on the statement of financial position as pledges receivable in the amount of approximately \$586,875 and \$800,000, respectively.

NOTE T – ENDOWMENT NET ASSETS

The Association's endowments consist of three funds, managed by the Association. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Association 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 Association classifies as permanently restricted net assets 1) the original value of gifts donated to the permanent endowment, 2) the original value of subsequent gifts to the permanent endowment, and 3) 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 Association in a manner consistent with the standard of prudence prescribed by MUPMIFA.

In accordance with MUPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: 1) the duration and preservation of the fund; 2) the purposes of the Association and the donor-restricted fund; 3) the general economic conditions; 4) the possible effect of inflation and deflation; 5) the expected total return from income; 6) other resources of the Association; and 7) the investment policies of the Association.

YELLOWSTONE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2010 and 2009

NOTE T – ENDOWMENT NET ASSETS (continued)

Endowment net asset composition by type of fund as of September 30, 2010 is as follows:

	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 8,343	\$ 8,343
Board designated endowment funds	934	23,689	24,623
	<u>\$ 934</u>	<u>\$ 32,032</u>	<u>\$ 32,966</u>

Endowment net asset composition by type of fund as of September 30, 2009 is as follows:

	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 6,293	\$ 6,293
Board designated endowment funds	2,982	23,663	26,645
	<u>\$ 2,982</u>	<u>\$ 29,956</u>	<u>\$ 32,938</u>

Changes in net asset composition by type of fund for the year ended September 30, 2010 are as follows:

	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,982	\$ 29,956	\$ 32,938
Interest income	182	51	233
Contributions	-	2,025	2,025
Expenditures	(2,230)	-	(2,230)
Endowment net assets, end of year	<u>\$ 934</u>	<u>\$ 32,032</u>	<u>\$ 32,966</u>

Changes in net asset composition by type of fund for the year ended September 30, 2009 are as follows:

	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,346	\$ 28,635	\$ 31,981
Interest income	492	106	598
Contributions	-	1,215	1,215
Expenditures	(856)	-	(856)
Endowment net assets, end of year	<u>\$ 2,982</u>	<u>\$ 29,956</u>	<u>\$ 32,938</u>

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment

YELLOWSTONE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2010 and 2009

NOTE T – ENDOWMENT NET ASSETS (continued)

while seeking to maintain the purchasing power of the endowment assets. The general investment objective is to provide a reasonable current rate of return.

To satisfy its long-term rate of return objectives, the Association relies on a total return strategy in which investment returns are achieved through current yield (interest). Endowment assets are invested in certificates of deposit, augmented by bank accounts for short term holdings.

NOTE U – SUBSEQUENT EVENTS

Pursuant to the loan agreement with the private donor, the Association paid the first installment of \$100,000 on December 1, 2010. Also, on January 12, 2011, the Association made a nonscheduled payment on the loan from the capital campaign proceeds of \$650,000, leaving a balance on the loan of \$1,450,000.