

The Vital Ground Foundation, Inc.  
(A non-profit organization)

Financial Statements and  
Independent Auditor's Report

Years Ended December 31, 2020 and 2019



**WIPFLI**

## **Independent Auditor's Report**

To the Board of Trustees  
The Vital Ground Foundation, Inc.  
Missoula, Montana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Vital Ground Foundation, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Vital Ground Foundation, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States.

*Wipfli LLP*

Wipfli LLP

Missoula, Montana  
July 19, 2021

# The Vital Ground Foundation, Inc.

## Statements of Financial Position

<i>As of December 31,</i>	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,391,193	\$ 608,485
Certificates of deposit - current	58,216	56,175
Money market funds	1,000,739	666,717
Donations receivable	-	47,865
Inventories	17,408	14,534
Prepays	5,091	5,091
<b>Total Current Assets</b>	<b>2,472,647</b>	<b>1,398,867</b>
CRAT receivable	101,989	101,989
Investments		
Investment - Forest Legacy Monitoring Fund	85,550	84,111
Investment - Endowment Fund	130,277	118,731
Investment - Northern Cascades	309,036	317,782
Other Investments	836,950	653,611
<b>Total Investments</b>	<b>1,361,813</b>	<b>1,174,235</b>
Property and Equipment, net of depreciation of \$41,948 and \$39,782, respectively	4,981	4,038
Land held for preservation	5,721,374	5,391,249
Land improvements, net	18,922	20,656
<b>Total Land and Land Improvements</b>	<b>5,745,277</b>	<b>5,415,943</b>
Other Assets		
Art copyright	1,000	1,000
Artwork assets	3,400	3,400
Certificates of deposit - long-term	50,379	100,684
Restricted Stock	10	-
Scriver mold, net of amortization of \$9,733 and \$9,733, respectively	10,267	10,267
<b>Total Other Assets</b>	<b>65,056</b>	<b>115,351</b>
<b>Total Assets</b>	<b>\$ 9,746,782</b>	<b>\$ 8,206,385</b>

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

# The Vital Ground Foundation, Inc.

## Statements of Financial Position (Continued)

<i>As of December 31,</i>	2020	2019
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 4,042	\$ 4,841
Accrued payroll liabilities	42,474	27,249
Split-interest agreement liability	1,200	1,200
Total Current Liabilities	47,716	33,290
Long-term Liabilities		
Split-interest agreement liability, net of current portion	11,878	12,859
Long-term debt - PPP Loan	120,200	-
Total Liabilities	179,794	46,149
Net Assets		
Net assets without restrictions	2,479,007	724,231
Board designated - without restrictions	847,837	1,353,088
Net assets with restrictions	6,240,144	6,082,917
Total Net Assets	9,566,988	8,160,236
Total Liabilities and Net Assets	\$ 9,746,782	\$ 8,206,385

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

# The Vital Ground Foundation, Inc.

## Statement of Activities and Changes in Net Assets

<i>Year Ended December 31, 2020</i>	Net assets without restrictions	Net assets with restrictions	Total
<b>PUBLIC SUPPORT AND REVENUES</b>			
Public Support			
Donations	\$ 836,987	\$ 342,246	\$ 1,179,233
Donated goods and services	128,056	-	128,056
<b>Total Public Support</b>	<b>965,043</b>	<b>342,246</b>	<b>1,307,289</b>
<b>Revenue</b>			
Grant revenues	187,794	1,259,230	1,447,024
Merchandise sales, net	2,993	-	2,993
Special events, net	6,629	-	6,629
Interest on accounts and CDs	2,745	-	2,745
Realized and unrealized gain (loss) on investments	12,084	111,933	124,017
Other revenue	8,220	-	8,220
<b>Total Revenue</b>	<b>220,465</b>	<b>1,371,163</b>	<b>1,591,628</b>
<b>Total Public Support and Revenue</b>	<b>1,185,508</b>	<b>1,713,409</b>	<b>2,898,917</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>1,556,182</b>	<b>(1,556,182)</b>	<b>-</b>
<b>EXPENSES</b>			
Program Services			
Land	514,218	-	514,218
Education	709,634	-	709,634
<b>Total Program Services</b>	<b>1,223,852</b>	<b>-</b>	<b>1,223,852</b>
Support Services			
Fundraising	165,900	-	165,900
Administration	102,413	-	102,413
<b>Total Support Services</b>	<b>268,313</b>	<b>-</b>	<b>268,313</b>
<b>Total Expenses</b>	<b>1,492,165</b>	<b>-</b>	<b>1,492,165</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,249,525</b>	<b>157,227</b>	<b>1,406,752</b>
<b>NET ASSETS - Beginning of year</b>	<b>2,077,319</b>	<b>6,082,917</b>	<b>8,160,236</b>
<b>NET ASSETS - End of year</b>	<b>\$ 3,326,844</b>	<b>\$ 6,240,144</b>	<b>\$ 9,566,988</b>

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

# The Vital Ground Foundation, Inc.

## Statement of Activities and Changes in Net Assets

<i>Year Ended December 31, 2019</i>	Net assets without restrictions	Net assets with restrictions	Total
<b>PUBLIC SUPPORT AND REVENUES</b>			
Public Support			
Donations	\$ 819,437	\$ 804,024	\$ 1,623,461
Donated goods and services	278,459	-	278,459
<b>Total Public Support</b>	<b>1,097,896</b>	<b>804,024</b>	<b>1,901,920</b>
Revenue			
Grant revenues	15,501	542,273	557,774
Merchandise sales, net	2,700	-	2,700
Special events, net	(9,909)	-	(9,909)
Interest on accounts and CDs	8,166	-	8,166
Realized and unrealized gain (loss) on investments	88,092	133,153	221,245
Other revenue	7,097	-	7,097
<b>Total Revenue</b>	<b>111,647</b>	<b>675,426</b>	<b>787,073</b>
<b>Total Public Support and Revenue</b>	<b>1,209,543</b>	<b>1,479,450</b>	<b>2,688,993</b>
<b>NET ASSETS RELEASED TO RESTRICTIONS</b>	<b>1,743,142</b>	<b>(1,743,142)</b>	<b>-</b>
<b>EXPENSES</b>			
Program Services			
Land	1,233,861	-	1,233,861
Education	709,634	-	709,634
<b>Total Program Services</b>	<b>1,943,495</b>	<b>-</b>	<b>1,943,495</b>
Support Services			
Fundraising	180,079	-	180,079
Administration	99,850	-	99,850
<b>Total Support Services</b>	<b>279,929</b>	<b>-</b>	<b>279,929</b>
<b>Total Expenses</b>	<b>2,223,424</b>	<b>-</b>	<b>2,223,424</b>
<b>CHANGE IN NET ASSETS</b>	<b>729,261</b>	<b>(263,692)</b>	<b>465,569</b>
<b>NET ASSETS - Beginning of year</b>	<b>1,348,058</b>	<b>6,346,609</b>	<b>7,694,667</b>
<b>NET ASSETS - End of year</b>	<b>\$ 2,077,319</b>	<b>\$ 6,082,917</b>	<b>\$ 8,160,236</b>

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

# The Vital Ground Foundation, Inc.

## Statements of Cash Flows

<i>Years Ended December 31,</i>	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,406,752	\$ 465,569
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	3,900	3,702
Donation of marketable securities	(72,647)	(325,326)
Donated land	33,000	-
Non-cash transaction for land	749,875	261,000
Realized and unrealized gain (loss) on investments	(124,017)	(221,245)
Forgiveness of debt	-	(86,000)
Change in operating assets and liabilities:		
Accounts receivables	47,865	(47,865)
Inventories	(2,875)	2,489
Prepaid Expenses	-	(3,400)
Accounts payable	(799)	1,524
Payroll taxes payable	15,225	(322)
Split-interest agreement liability	219	234
<b>Net cash from operating activities</b>	<b>2,056,498</b>	<b>50,360</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	208,941	936,782
Purchases of investments	(483,581)	(990,433)
Purchase of furniture and equipment	(3,109)	-
Purchase of land	(1,113,000)	(342,253)
<b>Net cash from investing activities</b>	<b>(1,390,749)</b>	<b>(395,904)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of split-interest agreement	(1,200)	(1,200)
Proceeds from Long Term Debt	120,200	-
<b>Net cash from financing activities</b>	<b>119,000</b>	<b>(1,200)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>784,749</b>	<b>(346,744)</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>664,660</b>	<b>1,011,404</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 1,449,409</b>	<b>\$ 664,660</b>
Checking accounts	\$ 844,807	\$ 456,972
Land Protection Checking - restricted	150,386	151,513
Certificates of deposit - current	58,216	56,175
Land Revolving	396,000	-
<b>Total</b>	<b>\$ 1,449,409</b>	<b>\$ 664,660</b>
Cash paid for interest	\$ -	\$ 363

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



# The Vital Ground Foundation, Inc.

## Statement of Functional Expenses

<i>Year Ended December 31, 2020</i>	Program	Fundraising	Management & Administration	Total
Advertising	\$ 96,191	\$ -	\$ -	\$ 96,191
Bank service charges	-	-	75	75
Conservation grants awarded	54,474	-	-	54,474
Conservation easement acquisition	353,875	-	-	353,875
Credit card charges	6,064	3,032	3,032	12,128
Depreciation	1,950	975	975	3,900
Donation of land	33,000	-	-	33,000
Dues & subscriptions	14,933	4,336	1,513	20,782
Employee benefits	22,557	5,401	3,813	31,771
Gifts	2,138	890	851	3,879
Gift annuity expense	164	-	55	219
Insurance	15,822	-	478	16,300
Internet	1,280	640	640	2,560
Licenses & taxes	18,004	-	-	18,004
Meals & entertainment	2,709	-	334	3,043
Miscellaneous	380	241	191	812
Payroll taxes	29,732	7,227	5,551	42,510
Postage	15,040	7,886	1,990	24,916
Printing	27,433	15,682	1,100	44,215
Professional fees	105,896	14,063	3,740	123,699
Rent	10,899	5,449	5,449	21,797
Repairs & maintenance	1,843	922	922	3,687
Salaries	375,764	89,972	63,510	529,246
Supplies	9,668	4,833	4,833	19,334
Telephone & fax	3,354	1,676	1,676	6,706
Training & education	956	400	347	1,703
Transaction costs	3,671	-	-	3,671
Travel	11,998	790	-	12,788
Utilities	1,970	985	985	3,940
Workers compensation	2,087	500	353	2,940
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 1,223,852</b>	<b>\$ 165,900</b>	<b>\$ 102,413</b>	<b>\$ 1,492,165</b>
	<b>82.02 %</b>	<b>11.12 %</b>	<b>6.86 %</b>	<b>100.00 %</b>

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

# The Vital Ground Foundation, Inc.

## Statement of Functional Expenses

<i>Year Ended December 31, 2019</i>	Program	Fundraising	Management & Administration	Total
Advertising	\$ 56,538	\$ -	\$ -	\$ 56,538
Bank service charges	-	-	114	114
Conservation grants awarded	49,000	-	-	49,000
Conservation easement acquisition	905,997	-	-	905,997
Credit card charges	1,841	921	921	3,683
Depreciation	1,851	926	925	3,702
Dues & subscriptions	9,920	1,995	590	12,505
Employee benefits	19,644	4,703	3,319	27,666
Gifts	4,296	1,576	1,077	6,949
Gift annuity expense	176	-	58	234
Insurance	10,068	-	465	10,533
Interest expense	363	-	-	363
Internet	2,377	-	-	2,377
Licenses & taxes	23,124	-	-	23,124
Meals and entertainment	11,507	490	245	12,242
Miscellaneous	236,094	-	-	236,094
Payroll taxes	29,999	7,183	5,070	42,252
Postage	17,526	9,002	2,509	29,037
Printing	39,082	21,982	1,741	62,805
Professional fees	94,050	27,547	5,763	127,360
Rent	13,756	6,878	6,879	27,513
Repairs and maintenance	1,958	979	979	3,916
Salaries	367,763	88,056	62,156	517,975
Supplies	6,519	3,259	3,260	13,038
Telephone & fax	3,162	1,580	1,580	6,322
Training	3,306	196	35	3,537
Transaction costs	5,148	-	-	5,148
Travel	23,546	1,049	591	25,186
Utilities	2,259	1,129	1,129	4,517
Workers compensation	2,625	628	444	3,697
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 1,943,495</b>	<b>\$ 180,079</b>	<b>\$ 99,850</b>	<b>\$ 2,223,424</b>
	87.41 %	8.10 %	4.49 %	100.00 %

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

# The Vital Ground Foundation, Inc.

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies

#### Organization

The Vital Ground Foundation, Inc. (Vital Ground) is a non-profit corporation. Established in 1990, Vital Ground is a land trust working to restore grizzly bears throughout North America by conserving wildlife habitat and supporting programs that prevent conflicts between bears and people. Vital Ground's support comes primarily from individual, foundation and corporate contributions that allow the organization to partner with private landowners and various public programs to affect its mission. Vital Ground's current programs include:

*Land Conservation:* Vital Ground identifies important grizzly bear habitat on private land and works with willing landowners to protect the land's conservation values. This is done through the voluntary placement of donated or purchased conservation easements on the land, or via the outright purchase of land. Vital Ground has a perpetual responsibility to monitor the lands on which it holds conservation easements and ensure adherence to the terms of those easements. Vital Ground works to restore and manage the lands it owns as high-quality habitat for the benefit of grizzly bears and other wildlife. In addition to developing and managing its own projects, Vital Ground occasionally provides grants to agencies and other nonprofit conservation organizations to assist with their efforts to conserve and restore important wildlife habitat.

*Conflict Prevention:* Vital Ground partners with federal, state and tribal agencies, other nonprofit organizations and local community groups to support programs to prevent conflicts between bears and people.

*Conservation Education:* Vital Ground provides information about grizzly bears and wildlife habitat conservation issues through its publications, special mailers, website, email communications, presentations, videos and other media opportunities.

*Other:* In addition to its land conservation, conflict prevention and conservation education programs, Vital Ground may also participate in research and management projects designed to promote the conservation and restoration of grizzly bears and their habitat.

Vital Ground received accreditation from the Land Trust Accreditation Commission, an independent program of the Land Trust Alliance, in 2014 and renewed it during 2019. Accreditation recognizes organizations that meet and adhere to national quality control standards for protecting natural places forever. By adopting the Land Trust Accreditation Commission's standards and practices, Vital Ground has demonstrated its commitments to excellence in management and upholding the public trust to ensure Vital Ground's conservation efforts are permanent.

#### Basis of Accounting

The financial statements of Vital Ground have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States.

# The Vital Ground Foundation, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash held in checking and savings and insured cash accounts. Vital Ground considers all highly-liquid investments with a maturity of three months or less and available for general operations when purchased to be cash equivalents.

Vital Ground maintains its cash balances at various financial institutions. At times, balances may be in excess of the FDIC insurance limit.

#### **Certificates of Deposit**

Certificates of deposit are carried at cost plus accrued interest. The certificates of deposit are subject to donor imposed restrictions and are reported as certificates of deposit short-term and long-term. These funds are subject to a \$50,000 per year disbursement schedule to support bear-human conflict prevention activities. The entire balance of this restricted account is scheduled to be spent down by the end of 2022.

#### **Investments**

Vital Ground carries investments in marketable securities, mutual funds, and money markets with readily determined fair values and all investments in debt securities at their fair values in the statements of financial position. Quoted market prices in active markets are used as the basis of measurement. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities and changes in net assets.

#### **Investment Management Policies**

Vital Ground has adopted investment and spending policies for each fund to provide necessary guidance for the investment and spending of the organization's financial assets. The investment objectives stress safety and preservation of principal as the primary objective, while seeking rates of return that can be attained through knowledgeable and prudent investing. Investment performance is gauged against industry-standard benchmarks pertinent to the specific investments.

#### **Marketable Securities**

Donated marketable securities are recorded at fair value. Unrealized gains and losses are included in the statement of activities and change in net assets. Vital Ground's policy is to liquidate marketable securities as soon as possible after the donation has occurred.

# The Vital Ground Foundation, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Stewardship & Legal Defense and Forest Legacy Monitoring Funds**

Vital Ground places a minimum of \$5,000 in the Stewardship & Legal Defense fund for each conservation easement or land parcel acquired. These funds may be contributed by the landowner, a third-party donor, or transferred from another fund.

The Stewardship and Legal Defense Fund was restricted by the board for the purposes of monitoring the organization's easements and to cover expenses should Vital Ground ever have to defend against a violation of a conservation easement. Interest from the fund may be used for annual monitoring and stewardship costs associated with Vital Ground's fee lands and conservation easements. This fund makes up a portion of the net assets with restrictions. See notes below for additional detail.

Donations totaling \$60,000, held in Vital Ground's Forest Legacy Monitoring Fund are also donor restricted and only the earnings from this fund are used for conservation easement monitoring and stewardship activities related to the four projects from which they originated.

#### **Inventories**

Inventories consist of merchandise for sale or for promotional gifts to donors. Inventories as of December 31, 2020 and 2019 are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

#### **Property and Equipment**

Property and equipment is stated at cost or, if donated, at the approximate fair value at the date of donation, in excess of \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the respective classes of property, ranging from three to seven years. Depreciation expense was \$3,900 and \$3,702 for the years ended December 31, 2020 and 2019, respectively.

#### **Scriver Mold**

In 1995, Vital Ground received a contribution of the original mold of "The Protector," a bronze sculpture of grizzly bears from the artist, Robert Scriver. Bronzes are produced from the mold in limited quantities for use as gifts to major donors. The mold was valued at the estimated present value of the artwork that could be produced from the mold. Amortization is recognized as artwork is produced.

# The Vital Ground Foundation, Inc.

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Split-Interest Agreements

Some donors enter into trust or other arrangements under which Vital Ground has a beneficial interest. Vital Ground will retain a remainder interest in the donated investments and will pay annuity payments to donors at future dates. For irrevocable agreements whereupon Vital Ground has control of the assets, assets are recorded at their estimated fair market value upon notification of the beneficial interest, provided that reliable information is available. A liability for payments to beneficiaries is estimated at the present value of the expected payments to beneficiaries and is presented as "Split-interest agreement liability" on the statement of financial position. Present value estimates use discount rates of 1.6% and standard actuarial tables for remaining lives of donors and beneficiaries.

#### Net Assets Categories

Net assets without restrictions: as defined by The Financial Accounting Standards Board (FASB), are composed of all resources not included in net assets with restrictions. Included are expendable resources used to support Vital Ground's core activity of preserving and protecting grizzly bear habitat. Donor-restricted contributions that are received and expended in the same year are classified as net assets without restrictions. Donor-restricted resources intended for capital projects are released and reclassified as net assets without restrictions support when the related assets are placed in service. All expenses are recorded as a reduction to net assets without restrictions.

Net assets with restrictions: carry restrictions that expire upon the passage of a prescribed period or upon the occurrence of a stated event as specified by the donor. This category may include gifts held by Vital Ground pending their use in accordance with donor stipulations, unexpended gifts for capital projects, term endowments, and pledges and living trust agreements where the principal is expendable upon redemption or maturity. Net assets with restrictions are also those that may never be wholly spent by Vital Ground, including gifts of endowments, as well as the earnings on those assets when restricted by the donor. Included in this category is land enrolled in the federal Wetlands Reserve Program, which is a permanent conservation easement partially encumbering several of Vital Ground's fee holdings in Boundary and Bonner Counties, Idaho, and the organization's Alvord Lake parcel, which was purchased by Vital Ground with a federal grant from the Community Forest Program.

#### Contribution Revenue

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

# The Vital Ground Foundation, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Contribution Revenue** (Continued)

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

#### **Grant Revenue**

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Grant Awards That Are Contributions - Grants awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

Grant Awards That Are Exchange Transactions - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

#### **Donor Restricted Contributions**

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as net assets with restrictions support and net assets. When the donor restriction expires, that is, when a stipulated purpose restriction is accomplished, the assets are reclassified to net assets without restrictions.

If the purpose restriction is accomplished by grants to conservation partners or other specified spending, then the net assets with restrictions are reclassified to net assets without restrictions and are reported as net assets released from restrictions. Net assets without restrictions used to acquire land for preservation are likewise reclassified to net assets with restrictions.

# The Vital Ground Foundation, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Donated Goods, Services, and Equipment**

Donations of noncash assets are recorded at their fair values in the period received. Donated furniture and equipment is recorded as net assets without donor restrictions, unless the donor stipulates how long the assets must be used.

Donations of services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received.

#### **Income Taxes**

Vital Ground is a non-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Vital Ground applies generally accepted accounting principles for recognition of uncertainty in income taxes and prescribing a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken or expected to be taken in a tax return. In the course of its assessment, Vital Ground has determined that it is subject to examination for income tax filings in the United States for the prior three tax years. In the event that the organization is assessed penalties and or interest, penalties will be charged to penalties expense and interest will be charged to interest expense.

#### **Use of Estimates**

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

#### **Functional Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Allocation is based off management's estimate of expenses used in the various areas.

#### **Advertising and Promotion**

Advertising costs are generally charged to operations in the year incurred. Total advertising costs for the years ended December 31, 2020 and 2019 were \$96,191 and \$56,538, respectively.



# The Vital Ground Foundation, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Payment Protection Program Loan**

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act created and funded the Small Business Administration (SBA) Paycheck Protection Program (PPP) to provide loans designated to help small businesses cover their near-term operating expenses and provide an incentive to retain their employees during the COVID-19 pandemic. The Organization applied for and received a PPP loan of \$120,200 that may be partially or fully forgiven based on satisfying the terms and conditions of the program.

Subsequent to year-end, the Organization received notification from the SBA that the loan was fully forgiven in a letter dated April 8, 2021. In accordance with accounting standards, the debt forgiveness income will be reported in the 2021 financial statements.

#### **Accounting Standards Update**

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This ASU provides guidance on the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous accounting standards and new disclosures on key information about leasing arrangements. The new standard supersedes current lease accounting requirements in FASB Accounting Standards Codification (ASC) Topic 840, Leases. When adopted, the amendments in the ASU must be applied using a modified retrospective approach. ASU No. 2016-02 is effective for nonpublic companies for annual periods beginning after December 15, 2021. Vital Ground is currently evaluating the impact of the provisions of ASC 842.

#### **Reclassification**

Certain amounts as previously reported in the 2019 financial statements have been reclassified to conform to the 2020 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

### **Note 2: Liquidity**

As part of Vital Ground's liquidity management, it invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, Vital Ground has \$56,000 available on its credit card limits.

Additionally, Vital Ground holds board-designated quasi-endowments totaling \$847,837, which are held in its Stewardship and Legal Defense and Endowment funds. Vital Ground does not spend contributions designated to these quasi-endowments, but interest and earnings from these funds are available for program related activities, and funds held in these board-designated endowments that are not otherwise donor restricted could be made available if necessary.

# The Vital Ground Foundation, Inc.

## Notes to Financial Statements

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### Note 2: Liquidity (Continued)

Vital Ground's financial assets due within one year of the statement of financial position date for general expenditures are as follows:

	2020
Cash and cash equivalents	\$ 1,240,808
Short-term investments	847,837
Total	2,088,645
Less: short-term investments	(847,837)
Total	\$ 1,240,808

### Note 3: Certificate of Deposit

A certificate of deposit totaling \$108,595 and \$100,684 is included in the accompanying financial statements at December 31, 2020 and 2019, respectively. The certificate bears interest at 2.75% and has a maturity date in four months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

### Note 4: Receivables

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts are included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

During 2006, Vital Ground became an irrevocable remainder beneficiary of one and one-half percent (1½%) of the total future remainder of a charitable remainder annuity trust. The Trust has been valued at \$10,000,000; therefore, \$150,000 was recorded as a non-current receivable. There was no impairment recorded in 2020 and 2019. The total impairment taken against this receivable through December 31, 2020 is \$48,011. In December 2019, the donor passed away. Subsequent to year end, Vital Ground received a partial distribution of \$60,000.

During 2019, Vital Ground became a recipient of Patagonia Inc.'s donor matching program. Vital Ground received donations during 2019 and Patagonia Inc. matched a portion of the donations for a specific period of time. At December 31, 2020 and 2019, Vital Ground had a receivable in the amount of \$0 and \$47,865, respectively, from this program.

# The Vital Ground Foundation, Inc.

## Notes to Financial Statements

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### Note 5: Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 inputs to the valuation methodology include the following:

1. Quoted prices for similar assets or liabilities in active markets.
2. Quoted prices for identical or similar assets or liabilities in inactive markets.
3. Inputs other than quoted prices that are observable for the asset or liability.
4. Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020, and 2019.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the organization are open-end mutual funds registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the organization are deemed to be actively traded.

Money Market: Valued at the net asset value of \$1. These money market funds are comprised of short-term, securities, representing highly-liquid debt and monetary instruments.

Marketable equity and debt securities: Valued at fair value based on quoted market prices.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Vital Ground believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

# The Vital Ground Foundation, Inc.

## Notes to Financial Statements

### Note 5: Fair Value Measurements (Continued)

The following tables sets forth by level, within the fair value hierarchy, Vital Ground's assets and liabilities at fair value as of December 31:

<i>December 31, 2020</i>	Level 1	Level 2	Level 3	Total
Mutual funds				
Income Funds	\$ 408,484	\$ -	\$ -	408,484
Moderate Funds	953,329	-	-	953,329
Money markets				
Vanguard Prime	1,000,739	-	-	1,000,739
<b>Total assets at fair value</b>	<b>\$ 2,362,552</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,362,552</b>

Liabilities at fair value as of December 31, 2020				
Split-Interest Agreement Liability	\$ -	\$ -	\$ 13,078	\$ 13,078

<i>December 31, 2019</i>	Level 1	Level 2	Level 3	Total
Mutual funds				
Income Funds	\$ 253,718	\$ -	\$ -	253,718
Moderate Funds	920,518	-	-	920,518
Money markets				
Vanguard Prime	666,716	-	-	666,716
Marketable securities				
<b>Total assets at fair value</b>	<b>\$ 1,840,952</b>	<b>\$ -</b>	<b>\$ -</b>	<b>1,840,952</b>

Liabilities at fair value as of December 31, 2019				
Split-Interest Agreement Liability	\$ -	\$ -	\$ 14,059	\$ 14,059

### Note 6: Net assets without restrictions

Net assets without restrictions hold no donor-imposed restrictions, and include board designated funds. Board designated funds include funds allocated to the Stewardship and Legal Defense fund for various properties. Total board designated funds remaining at December 31, 2020 and 2019 were \$847,837 and \$1,353,088, respectively.

# The Vital Ground Foundation, Inc.

## Notes to Financial Statements

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### Note 7: Net assets with restrictions

At December 31, 2020 and 2019, net assets with restrictions were \$6,240,144 and \$6,082,917, respectively. These assets were restricted for use on specified land preservation projects, Forest Legacy project stewardship activities, conflict prevention grants, charitable gift annuity future payments, and principal investments in Vital Ground's endowment.

As of December 31, 2020 and 2019, funds held as assets with restrictions include:

1. Restricted Land Protection funds include contributions restricted by donors and funds held for notes payable.
2. During 2007 and 2014, Vital Ground received donations totaling \$60,000 that are restricted to Forest Legacy Program services. Vital Ground may only use income from these donations for annual conservation easement monitoring and other activities related to its performance of Forest legacy Program responsibilities.
3. In 2007 and 2011, Vital Ground received split interest (Charitable Gift Annuity) agreements, of which \$56,627 was considered restricted. During subsequent years, annual adjustments reflect changes in actuarial assumptions. One of the split-interest agreements closed in 2017, and its assets were transferred to the Endowment Fund.
4. Vital Ground's Endowment Fund provides long-term financial security for organizational operations and conservation programs. Several donor restricted contributions are held in this fund.

Net assets with restrictions at December 31, 2020 and 2019 are as follows:

<i>As of December 31,</i>	2020	2019
General restrictions	\$ 334,847	\$ 509,274
Land held for preservation	5,721,353	5,391,228
Gift annuity	37,429	35,900
Forest Legacy Monitoring funds	60,000	60,000
Endowment investments	86,515	86,515
<b>Total of net assets with restrictions</b>	<b>\$ 6,240,144</b>	<b>\$ 6,082,917</b>

# The Vital Ground Foundation, Inc.

## Notes to Financial Statements

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### Note 8: Endowment Funds

Vital Ground's endowment fund is currently invested in the Vanguard Wellington Investor Fund. To date, the foundation has received eight donor restricted contributions to the endowment fund totaling \$86,515 and \$86,515 as of December 31, 2020 and 2019, respectively. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Agency management has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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, Vital Ground classifies as net assets with restrictions (a) the original value of gifts to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, Vital Ground 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 organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, and (7) the investment policies of the organization.

### Note 9: Donated Goods, Services and Equipment

Vital Ground recognized donated revenue in 2020 and 2019 for contributed services used for lands projects and for management and general activities.

Donated goods and services during the years ended December 31, 2020 and 2019 was as follows:

<i>Years Ended December 31,</i>	2020	2019
Advertising	\$ 52,000	\$ 42,872
Professional services	68,471	228,000
<b>Total donated services</b>	<b>120,471</b>	<b>270,872</b>
Goods and equipment	7,585	7,587
<b>Total donated services and goods</b>	<b>\$ 128,056</b>	<b>\$ 278,459</b>

# The Vital Ground Foundation, Inc.

## Notes to Financial Statements

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### Note 10: Land Held for Preservation and Land Improvements

Land held for preservation by Vital Ground amounted to \$5,721,374 and \$5,391,249 at December 31, 2020 and 2019, respectively. These lands at December 31, 2020 and 2019 were:

	2020	2019
<u>Fee-Title Holdings</u>		
Boundary Creek (ID)	\$ 90,169	\$ 90,169
Thorman (ID)	89,567	89,567
Bismark Meadows #1 (ID)	150,192	150,192
Weiler (ID)	225,000	225,000
Bismark Meadows #2 (ID)	75,466	75,466
Bismark Meadows #3 (ID)	240,000	240,000
Bismark Meadows #4 (ID)	675,000	675,000
Yaak Mountain (MT)	372,000	372,000
Alvord Lake (MT)	1,088,656	1,088,656
Wild River Estates #1 (MT)	295,110	650,303
Bismark Meadows #5 (ID)	964,000	964,000
Wild River Estates #2 (MT)	169,478	376,125
Ninemile Linkage #1 (MT)	52,500	52,500
Wild River #4 (MT)	154,215	342,250
Lap Creek (MT)	780,000	-
Wild River 12 (MT)	300,000	-
Subtotal	5,721,353	5,391,228

# The Vital Ground Foundation, Inc.

## Notes to Financial Statements

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### Note 10: Land Held for Preservation and Land Improvements (Continued)

	2020	2019
<u>Conservation Easements</u>		
Coyote Forest (MT)	1	1
Cooney Creek (MT)	1	1
Mckay Creek (MT)	1	1
Condon Creek (MT)	1	1
Curley Creek #1 (MT)	1	1
Curley Creek #2 (MT)	1	1
Cedar Creek (MT)	1	1
Windfall Creek #1 (MT)	1	1
Windfall Creek #2 (MT)	1	1
Elk Flats Neighbors #1 (MT)	1	1
Elk Flats Neighbors #2 (MT)	1	1
Elk Flats Neighbors #3 (MT)	1	1
Elk Flats Neighbors #4 (MT)	1	1
Elk Flats Neighbors #5 (MT)	1	1
Simmons Meadow (MT)	1	1
Ellis Mountain (MT)	1	1
Meadow Creek (MT)	1	1
Polebridge Palace (MT)	1	1
Glen Willow (MT)	1	1
Lawrence (MT)	1	1
Quinn (MT)	1	1
Subtotal	21	21
Total of lands held for preservation	\$ 5,721,374	\$ 5,391,249

Land improvements of \$18,922 and \$20,656 as of December 31, 2020 and 2019, consist of a well installation on the Bismark Meadows #1 (ID).

### Note 11: Lease Agreement

On June 10, 2008, Vital Ground entered into a three-year lease with the Idaho Department of Fish and Game for the use of the Bismark Meadows - #1 (ID) property. Annual rent is \$5 per year, with the tenant assuming all maintenance responsibilities for the premises. The parties may agree, following the expiration of the initial lease term, to renew the lease for three-year renewal terms. This lease was renewed with the same terms during 2020. It is Vital Ground's intent to continue the lease.



# The Vital Ground Foundation, Inc.

## Notes to Financial Statements

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### **Note 12: Related Parties**

For the years ended December 31, 2020 and 2019, Vital Ground received related party contributions totaling \$152,143 and \$217,905, respectively, from Board members or employees.

### **Note 13: Risks and Uncertainties**

Beginning in early March 2020, the United States economy began suffering adverse effects from the COVID-19 virus. As of the date of the financial statements multiple jurisdictions in the U.S. have various restrictions in place. There has been no material adverse impact to Vital Ground's operations to date. Future potential impacts to may include disruptions or restrictions on employees' ability to work and include increased risk of collecting receivables. The future impact of the COVID-19 virus on cannot be reasonably estimated at this time.

### **Note 14: Subsequent Events**

Management has evaluated all subsequent events from the statement of financial position date of December 31, 2020, through the date the financial statements were available to be issued, July 19, 2021.

There were no other material subsequent events that required recognition or additional disclosure in the financial statements other than what was listed in Note 1 of the financial statements.