

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

Financial Statements

Years Ended December 31, 2021 and 2020



WIPFLI

Independent Auditor's Report

Board of Directors
The Vital Ground Foundation, Inc.
Missoula, Montana

Opinion

We have audited the financial statements of The Vital Ground Foundation, Inc. (the "Organization"), a nonprofit organization, which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of The Vital Ground Foundation, Inc. as of December 31, 2021 and 2020, 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 of America ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Vital Ground Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Vital Ground Foundation, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Wipfli LLP

Wipfli LLP

Missoula, Montana

August 4, 2022

The Vital Ground Foundation, Inc.

Statements of Financial Position

<i>As of December 31,</i>	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,365,517	\$ 1,391,193
Certificates of deposit - current	58,940	58,216
Money market funds	1,052,989	1,000,739
Inventories	15,409	17,408
Prepays	5,091	5,091
Total Current Assets	4,497,946	2,472,647
CRAT receivable	41,989	101,989
Investments		
Investment - Forest Legacy Monitoring Fund	81,146	85,550
Investment - Endowment Fund	196,720	130,277
Investment - Northern Cascades	319,257	309,036
Other Investments	1,040,876	836,950
Total Investments	1,637,999	1,361,813
Property and Equipment, net	3,232	4,981
Land held for preservation	7,678,876	5,721,374
Land improvements, net	17,189	18,922
Total Land and Land Improvements	7,699,297	5,740,296
Other Assets		
Art copyright	1,000	1,000
Artwork assets	3,400	3,400
Certificates of deposit - long-term	49,874	50,379
Restricted Stock	10	10
Scriver mold, net	10,267	10,267
Total Other Assets	64,551	65,056
Total Assets	\$ 13,941,782	\$ 9,746,782

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>	2021	2020
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 2,672	\$ 4,042
Accrued payroll liabilities	52,756	42,474
Split-interest agreement liability	1,200	1,200
Total Current Liabilities	56,628	47,716
Long-term Liabilities		
Split-interest agreement liability, net of current portion	10,882	11,878
Long-term debt - PPP Loan	-	120,200
Total Liabilities	67,510	179,794
Net Assets		
Net assets without donor restrictions	3,567,458	2,479,007
Board designated - without restrictions	1,353,088	847,837
Net assets with donor restrictions	8,953,726	6,240,144
Total Net Assets	13,874,272	9,566,988
Total Liabilities and Net Assets	\$ 13,941,782	\$ 9,746,782

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, 2021</i>	Net assets without donor restrictions	Net assets with donor restrictions	Total
PUBLIC SUPPORT AND REVENUES			
Public Support			
Donations	\$ 1,624,159	\$ 2,727,762	\$ 4,351,921
Donated goods and services	104,485	-	104,485
Total Public Support	1,728,644	2,727,762	4,456,406
Revenue			
Grant revenues	1,664,762	1,393,785	3,058,547
Merchandise sales, net	5,688	-	5,688
Special events, net	(250)	-	(250)
Interest on accounts and CDs	1,200	-	1,200
Realized and unrealized gain (loss) on investments	239,223	9,816	249,039
Other revenue	126,436	-	126,436
Total Revenue	2,037,059	1,403,601	3,440,660
Total Public Support and Revenue	3,765,703	4,131,363	7,897,066
NET ASSETS RELEASED FROM RESTRICTIONS	1,417,781	(1,417,781)	-
EXPENSES			
Program Services			
Land	2,661,890	-	2,661,890
Education	600,562	-	600,562
Total Program Services	3,262,452	-	3,262,452
Support Services			
Fundraising	202,280	-	202,280
Administration	125,050	-	125,050
Total Support Services	327,330	-	327,330
Total Expenses	3,589,782	-	3,589,782
CHANGE IN NET ASSETS	1,593,702	2,713,582	4,307,284
NET ASSETS - Beginning of year	3,326,844	6,240,144	9,566,988
NET ASSETS - End of year	\$ 4,920,546	\$ 8,953,726	\$ 13,874,272

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

The Vital Ground Foundation, Inc.

Statement of Activities and Changes in Net Assets

	Net assets without donor restrictions	Net assets with donor restrictions	Total
<i>Year Ended December 31, 2020</i>			
PUBLIC SUPPORT AND REVENUES			
Public Support			
Donations	\$ 836,987	\$ 342,246	\$ 1,179,233
Donated goods and services	128,056	-	128,056
Total Public Support	965,043	342,246	1,307,289
Revenue			
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
Total Revenue	220,465	1,371,163	1,591,628
Total Public Support and Revenue	1,185,508	1,713,409	2,898,917
NET ASSETS RELEASED TO RESTRICTIONS	1,556,182	(1,556,182)	-
EXPENSES			
Program Services			
Land	514,218	-	514,218
Education	709,634	-	709,634
Total Program Services	1,223,852	-	1,223,852
Support Services			
Fundraising	165,900	-	165,900
Administration	102,413	-	102,413
Total Support Services	268,313	-	268,313
Total Expenses	1,492,165	-	1,492,165
CHANGE IN NET ASSETS	1,249,525	157,227	1,406,752
NET ASSETS - Beginning of year	2,077,319	6,082,917	8,160,236
NET ASSETS - End of year	\$ 3,326,844	\$ 6,240,144	\$ 9,566,988

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>	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,307,284	\$ 1,406,752
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	3,483	3,900
Donation of marketable securities	(73,993)	(72,647)
Donated land	(1,493,000)	33,000
Non-cash transaction for land	2,289,998	749,875
Realized and unrealized (gain) loss on investments	(249,039)	(124,017)
Forgiveness of PPP loan	(120,200)	-
Change in operating assets and liabilities:		
Accounts receivables	-	47,865
CRAT receivable	60,000	-
Inventories	1,999	(2,875)
Accounts payable	(1,370)	(799)
Accrued payroll liabilities	10,282	15,225
Split-interest agreement liability	204	219
Net cash from operating activities	4,735,648	2,056,498
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	215,825	208,941
Purchases of investments	(220,725)	(483,581)
Purchase of furniture and equipment	-	(3,109)
Purchase of land and conservation easements	(2,754,500)	(1,113,000)
Net cash from investing activities	(2,759,400)	(1,390,749)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of split-interest agreement	(1,200)	(1,200)
Proceeds from Long Term Debt	-	120,200
Net cash from financing activities	(1,200)	119,000
CHANGE IN CASH AND CASH EQUIVALENTS	1,975,048	784,749
CASH AND CASH EQUIVALENTS - Beginning of year	1,449,409	664,660
CASH AND CASH EQUIVALENTS - End of year	\$ 3,424,457	\$ 1,449,409
Checking accounts	\$ 1,295,868	\$ 844,807
Land Protection Checking - restricted	673,610	150,386
Land Revolving	1,396,039	396,000
Total cash and cash equivalents	3,365,517	1,391,193
Certificates of deposit - current	58,940	58,216
Total	\$ 3,424,457	\$ 1,449,409

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, 2021</i>	Program	Fundraising	Administration	Total
Advertising	\$ 124,919	\$ -	\$ -	\$ 124,919
Bank service charges	-	-	144	144
Conservation grants awarded	63,000	-	-	63,000
Conservation easement acquisition	2,289,998	-	-	2,289,998
Credit card charges	7,090	3,545	3,545	14,180
Depreciation	1,741	871	871	3,483
Dues & subscriptions	21,177	5,214	1,715	28,106
Employee benefits	24,574	5,538	4,499	34,611
Gifts	3,126	976	361	4,463
Gift annuity expense	152	-	52	204
Insurance	12,924	-	492	13,416
Internet	1,428	714	714	2,856
Licenses & taxes	14,257	3,754	158	18,169
Meals & entertainment	4,799	1,890	684	7,373
Miscellaneous	1,188	673	594	2,455
Payroll taxes	34,386	7,749	6,295	48,430
Postage	30,174	11,425	1,855	43,454
Printing	54,031	23,142	2,004	79,177
Professional fees	110,371	20,760	10,325	141,456
Rent	7,199	3,750	3,750	14,699
Repairs & maintenance	1,644	823	822	3,289
Salaries	420,036	94,656	76,907	591,599
Supplies	10,428	5,214	5,214	20,856
Telephone & fax	3,183	1,591	1,592	6,366
Training & education	1,055	394	-	1,449
Transaction costs	5,820	-	-	5,820
Travel	9,345	8,205	1,188	18,738
Utilities	1,460	731	730	2,921
Workers compensation	2,947	665	539	4,151
TOTAL FUNCTIONAL EXPENSES	\$ 3,262,452	\$ 202,280	\$ 125,050	\$ 3,589,782
	90.88 %	5.63 %	3.48 %	100.00 %

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	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 and 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	113,636	17,933	7,610	139,179
Rent	3,159	1,629	1,629	6,417
Repairs and 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	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
TOTAL FUNCTIONAL EXPENSES	\$ 1,223,852	\$ 165,950	\$ 102,463	\$ 1,492,265
	82.01 %	11.12 %	6.87 %	100.00 %

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

The Vital Ground Foundation, Inc.

Notes to Financial Statements

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

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. Money market accounts are considered to be held for periods longer than three months.

Vital Ground maintains its cash balances at various financial institutions. At times, balances may be in excess of the FDIC insurance limit. Currently between the four cash accounts, Vital Ground has an uninsured cash balance of \$2,865,517 at December 31, 2021 and \$931,602 at December 31, 2020.

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 2027.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Stewardship & Legal Defense, Forest Legacy Monitoring Funds & North Cascades Fund

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.

Vital Ground's North Cascades Fund was created via a bequest made by a former Trustee, Carolyn Dobbs. It was Carolyn's wish that her donation be used to acquire important wildlife habitat in the North Cascades Grizzly Recovery Area. Vital Ground continues to monitor the status of grizzly bear recovery in the US portion of the North Cascades, holding the principal of the bequest until such time as an appropriate project is identified.

Inventories

Inventories consist of merchandise for sale or for promotional gifts to donors. Inventories as of December 31, 2021 and 2020 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 \$3,483 and \$3,900 for the years ended December 31, 2021 and 2020, respectively.

Conservation Easements

Vital Ground records conservation easements as a program expense based on the fair value as determined through a qualified appraisal. If an easement is purchased at less than the appraised value or fully contributed by the landowner, a contribution is recognized in the amount of the donation. The easements are tracked at \$1 on the statement of financial position. This policy recognizes that accepting a conservation easement benefits the public and accomplishes the Vital Ground's goal of preserving space for grizzly bear habitat.

The Vital Ground Foundation, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 donor 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 donor 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.

The Vital Ground Foundation, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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

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.

The Vital Ground Foundation, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

The Vital Ground Foundation, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2021 and 2020 were \$124,919 and \$96,191, respectively.

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. Vital Ground applied for and received a PPP loan of \$120,200 during the year ended December 31, 2020.

Forgiveness was granted on April 8, 2021 and Vital Ground recognized in "other revenue" on the statement of activities and changes in net assets.

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.

On September 17, 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Update is expected to increase transparency around contributed nonfinancial assets (also known as "gifts-in-kind") received by not-for-profit (NFP) organizations, including transparency on how those assets are used and how they are valued. The amendments in this Update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021. Vital Ground is currently evaluating the impact of the provisions of ASC 958.

The Vital Ground Foundation, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Reclassification

Certain amounts as previously reported in the 2020 financial statements have been reclassified to conform to the 2021 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

Note 2: Liquidity

To manage unanticipated short and long term liquidity needs, the board of directors established Vital Ground's Reserve Fund in 2010. In 2018, Vital Ground's board set a goal of establishing a two-year operating budget reserve in the fund, and the corresponding balance has grown steadily since 2019. The purpose of the Reserve Fund is to hold excess "unrestricted" funds from which the executive director is authorized to provide short-term, interest-free loans to any other Vital Ground fund. Such internal borrowing must be reported to the board finance committee as part of the executive director's monthly financial report. The board may authorize (or designate) a permanent transfer of funds from the Reserve Fund to any of Vital Ground's other fund accounts. At the end of 2021, board designated reserve funds were \$1,353,088.

In addition to board designated assets, Vital Ground has \$3,365,517 available for use within one year, and is made up of cash.

Note 3: Certificate of Deposit

A certificate of deposit totaling \$108,814 and \$108,595 is included in the accompanying financial statements at December 31, 2021 and 2020, respectively. The certificate bears interest at 2.75% and has a maturity date in 2023, 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 2021 and 2020. The total impairment taken against this receivable through December 31, 2021 is \$48,011. In December 2019, the donor passed away. During the year ended December 31, 2021, Vital Ground received a partial distribution of \$60,000.

The Vital Ground Foundation, Inc.

Notes to Financial Statements

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, 2021, and 2020.

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, 2021</i>	Level 1	Level 2	Level 3	Total
Mutual funds				
Income Funds	\$ 323,063	\$ -	\$ -	\$ 323,063
Moderate Funds	1,123,860	-	-	1,123,860
Money markets				
Vanguard Prime	1,244,065	-	-	1,244,065
Total assets at fair value	\$ 2,690,988	\$ -	\$ -	\$ 2,690,988

Liabilities at fair value as of December 31, 2021

Split-Interest Agreement Liability	\$ -	\$ -	\$ 12,082	\$ 12,082
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<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
Marketable securities				
Total assets at fair value	\$ 2,362,552	\$ -	\$ -	\$ 2,362,552

Liabilities at fair value as of December 31, 2020

Split-Interest Agreement Liability	\$ -	\$ -	\$ 13,078	\$ 13,078
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Note 6: Net assets without donor restrictions

Net assets without donor 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, 2021 and 2020 were \$1,353,088 and \$847,837, respectively.

The Vital Ground Foundation, Inc.

Notes to Financial Statements

Note 7: Net assets with donor restrictions

At December 31, 2021 and 2020, net assets with donor restrictions were \$8,953,726 and \$6,240,144, 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, 2021 and 2020, funds held as assets with donor 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 donor restrictions are as follows:

<i>As of December 31,</i>	2021	2020
General restrictions	\$ 1,084,095	\$ 334,847
Land held for preservation	7,678,853	5,721,353
Gift annuity	44,263	37,429
Forest Legacy Monitoring funds	60,000	60,000
Endowment investments	86,515	86,515
Total of net assets with donor restrictions	\$ 8,953,726	\$ 6,240,144

The Vital Ground Foundation, Inc.

Notes to Financial Statements

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, 2021 and 2020, 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 2021 and 2020 for contributed services used for lands projects and for management and general activities.

Donated goods and services were as follows:

<i>Years Ended December 31,</i>	2021	2020
Advertising	\$ 103,387	\$ 52,000
Professional services	-	68,471
Total donated services	103,387	120,471
Goods and equipment	1,098	7,585
Total donated services and goods	\$ 104,485	\$ 128,056

The Vital Ground Foundation, Inc.

Notes to Financial Statements

Note 10: Land Held for Preservation and Land Improvements

Land held for preservation by Vital Ground amounted to \$7,678,876 and \$5,721,374 at December 31, 2021 and 2020, respectively. These lands at December 31, 2021 and 2020 were:

	2021	2020
<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	295,110
Bismark Meadows #5 (ID)	964,000	964,000
Wild River Estates #2 (MT)	169,478	169,478
Ninemile Linkage #1 (MT)	52,500	52,500
Wild River Estates #3 (MT)	154,215	154,215
Broadie Habitat Preserve (MT)	780,000	780,000
Wild River Estates #4(MT)	300,000	300,000
Fowler Creek S Property	1,000,000	-
Bull River #1	450,000	-
Simmons Meadow Acquisition	187,500	-
Fowler Creek N Property	320,000	-
Subtotal	7,678,853	5,721,353

The Vital Ground Foundation, Inc.

Notes to Financial Statements

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

	2021	2020
<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
Hubbard (ID)	1	-
Tamarack (MT)	1	-
Subtotal	23	21
Total of lands held for preservation	\$ 7,678,876	\$ 5,721,374

Land improvements of \$17,189 and \$18,922 as of December 31, 2021 and 2020, 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

Note 12: Related Parties

For the years ended December 31, 2021 and 2020, Vital Ground received related party contributions totaling \$453,112 and \$152,143, 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 Organization 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 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, 2021, through the date the financial statements were available to be issued, August 4, 2022.

There were no other material subsequent events that required recognition or additional disclosure in the financial statements.