(A NONPROFIT CORPORATION)

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2022

JCCS

THE VITAL GROUND FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Trustees and Management
The Vital Ground Foundation, Inc.
Missoula, Montana

Opinion

We have audited the accompanying financial statements of The Vital Ground Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion.

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Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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.

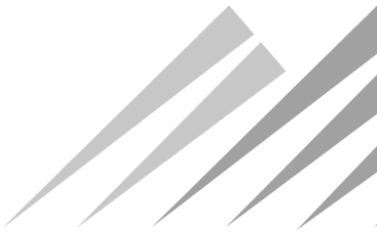
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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.

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

Missoula, Montana
June 22, 2023



THE VITAL GROUND FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

Assets

Current Assets	
Cash and cash equivalents	$ 4,497,776
Money market funds	1,979,687
Accounts and pledges receivable, current	100,000
Inventories	16,258
Prepaids	5,091
Total Current Assets	6,598,812
CRAT Receivable	41,989
Investments	1,896,223
Property, Plant and Equipment	
Property and equipment, net	4,345
Land held for preservation	8,868,878
Land improvements, net	15,456
Net Property, Plant and Equipment	8,888,679
Other Assets	
Earnest money deposit	10,000
Other assets	4,410
Scriver mold, net	10,267
Total Other Assets	24,677
Total Assets	$ 17,450,380

Liabilities and Net Assets

Current Liabilities	
Accounts payable	$ 3,910
Accrued liabilities	62,486
Refundable advance	760,000
Split-interest agreement, current	1,029
Total Current Liabilities	827,425
Non-Current Liabilities	
Split-interest agreement, net of current portion	10,040
Total Liabilities	837,465
Net Assets	
Without donor restrictions	5,419,058
With donor restrictions	11,193,857
Total Net Assets	16,612,915
Total Liabilities and Net Assets	$ 17,450,380

See the independent auditors' report and the accompanying notes to the financial statements.

THE VITAL GROUND FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues			
Public Support			
Donations	$ 2,010,178	$ 235,960	$ 2,246,138
Donated land and easements	-	1,080,000	1,080,000
Grant revenue	287,605	1,710,500	1,998,105
Donated goods and services	131,144	-	131,144
Total Public Support	2,428,927	3,026,460	5,455,387
Revenue			
Merchandise sales, net	7,102	-	7,102
Special events, net	45,731	-	45,731
Interest income on accounts and CD's	106,822	-	106,822
Realized and unrealized gains and losses	(382,134)	5,638	(376,496)
Other revenue	7,822	-	7,822
Total Revenue	(214,657)	5,638	(209,019)
Net assets released from restriction	791,967	(791,967)	-
Total Public Support and Revenue	3,006,237	2,240,131	5,246,368
Expenses			
Program Services			
Land	1,821,238	-	1,821,238
Education	263,070	-	263,070
Total Program Services	2,084,308	-	2,084,308
Support Services			
Administration	157,527	-	157,527
Fundraising	265,890	-	265,890
Total Support Services	423,417	-	423,417
Total Expenses	2,507,725	-	2,507,725
Change in Net Assets	498,512	2,240,131	2,738,643
Net Assets, Beginning of Year	4,920,546	8,953,726	13,874,272
Net Assets, End of Year	$ 5,419,058	$ 11,193,857	$ 16,612,915

See the independent auditors' report and the accompanying notes to the financial statements.

THE VITAL GROUND FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program	Administration	Fundraising	Total
Advertising	$ 34,139	$ -	$ -	$ 34,139
Bank service charges	-	195	-	195
Conservation grants awarded	75,500	-	-	75,500
Conservation easement acquisition	1,079,998	-		1,079,998
Credit card charges	8,720	4,360	4,360	17,440
Depreciation	1,569	784	784	3,137
Dues and subscriptions	19,800	5,315	5,565	30,680
Employee benefits	23,394	6,543	5,881	35,818
Gifts	3,652	920	1,570	6,142
Gift annuity expense	187	-	-	187
Donated goods and services expensed	62,088	31,046	38,010	131,144
Insurance	14,007	2,271	292	16,570
Internet	1,461	730	731	2,922
License and taxes	19,933	-	-	19,933
Meals and entertainment	15,226	713	2,664	18,603
Miscellaneous	945	52	-	997
Payroll taxes	39,808	6,751	9,508	56,067
Postage	28,283	3,506	14,577	46,366
Printing	56,780	2,747	32,054	91,581
Professional fees	113,369	4,614	26,180	144,163
Rent	9,279	4,638	4,640	18,557
Repairs and maintenance	2,990	960	960	4,910
Salaries	433,417	73,252	103,776	610,445
Supplies	3,609	3,420	2,115	9,144
Telephone and fax	3,089	1,544	1,545	6,178
Training and education	1,483	-	601	2,084
Transaction costs	8,107	-	-	8,107
Travel	21,496	2,177	9,087	32,760
Utilities	1,979	989	990	3,958
Total Expenses	$ 2,084,308	$ 157,527	$ 265,890	$ 2,507,725
	83.12 %	6.28 %	10.60 %	100.00 %

See the independent auditors' report and the accompanying notes to the financial statements.

THE VITAL GROUND FOUNDATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

Cash Flows From Operating Activities	
Change in net assets	$ 2,738,643
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	3,137
Donated securities	(40,596)
Donated land	(1,080,000)
Noncash land transaction	1,079,998
Loss on investments	376,496
(Increase) decrease in assets	
Certificates of deposit	49,874
Accounts and pledges receivable	(100,000)
Inventory	(849)
Earnest money deposits	(10,000)
Increase (decrease) in liabilities	
Accounts payable	1,238
Accrued payroll liabilities	9,730
Refundable advances	(760,000)
Split-interest agreement liability	187
Net Cash Flows From Operating Activities	2,267,858
Cash Flows From Investing Activities	
Purchase of property and equipment	(2,517)
Purchases of land and conservation easements	(1,190,000)
Net purchases of investments and reinvestments	(822)
Net Cash Flows From Investing Activities	(1,193,339)
Cash Flows From Financing Activities	
Repayment of split-interest agreement	(1,200)
Net Cash Flows From Financing Activities	(1,200)
Net Change in Cash	1,073,319
Cash - Beginning of Year	3,424,457
Cash - End of Year	$ 4,497,776

See the independent auditors' report and the accompanying notes to the financial statements.

1. Summary of Significant Accounting Policies

Nature of Activities

The Vital Ground Foundation, Inc. ("Vital Ground", "the Organization") is a 501(c)(3) nonprofit 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 conflict 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.

New Accounting Pronouncements

During the year ended December 31, 2022, Vital Ground adopted FASB Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958) as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. The effects of ASU 2020-07 have been applied retrospectively as if the ASU had always been in place.

In February of 2016, FASB issued ASU 2016-02, *Leases* (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, *Leases*.

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)
The FASB also subsequently issued the following additional ASU's, which amend and clarify Topic 842: ASU 2018-01, *Leases* (Topic 842): *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements*; ASU 2018-20, *Leases* (Topic 842): *Narrow-Scope Improvements for Lessors*; ASU 2019-01, *Leases* (Topic 842): *Codification Improvements*; ASU 2019-10, *Financial Instruments - Credit Losses* (Topic 326), D*erivatives and Hedging* (Topic 815), *and Leases* (Topic 842): *Effective Dates*; ASU 2020-05, *Revenue from Contacts with Customers* (Topic 606) *and Leases* (Topic 842) *Effective Dates for Certain Entities*; and ASU 2021-05, *Leases* (Topic 842): *Lessors - Certain Leases with Variable Leases Payments*.

Under Topic 842, a lessee records a lease as a finance or operating lease. A lease is a finance lease if any one of five criteria are met indicating that the lease effectively transfers control of the underlying asset to the lessee. If those five criteria are not met, the lease is classified as an operating lease.

Vital Ground adopted Topic 842 using a retrospective method and, therefore, the ASU's have been applied to all periods presented. As the Organization has no material leases which would qualify for recognition under Topic 842, there was no prior period effect upon implementation.

Basis of Presentation and Net Assets
The financial statements of Vital Ground are prepared in conformity with the standards promulgated by the Financial Accounting Standards Board in Accounting Standards Codification (FASB ASC) 958, *Not-For-Profit Entities*. Under FASB ASC 958, Vital Ground is required to report information regarding its financial information and activities according to the following categories:

Net assets without donor restrictions represent net amounts that have been earned and expended according to contract restrictions and net amounts from generally unrestricted activities. Net assets without donor restrictions include expendable resources used to support Vital Ground's core activity of preserving and protecting grizzly bear habitat as of December 31, 2022. 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 represent amounts for which donor-imposed restrictions have not been met and funds for which the ultimate purpose is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Vital Ground. 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. Vital Ground had $11,193,857 net assets with donor restrictions as of December 31, 2022.

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. Uninsured cash balances totaled $3,997,776 at December 31, 2022.

Certificates of Deposit

Certificates of deposit are carried at cost plus accrued interest. The certificates of deposit are subject to donor imposed restrictions. Certificates of deposit with a maturity of three months or less are reported as cash and cash equivalents. 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.

Accounts and Pledges Receivable

Vital Ground uses the allowance method to determine uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of specific pledges made. Management estimates the allowance to be zero as of December 31, 2022.

Inventories

Inventories consist of merchandise for sale or for promotional gifts to donors. Inventories as of December 31, 2022 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.

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. Interest, dividends, investment fees, and realized and unrealized gains and losses are included in investment income in the statement of activities and change in net assets. Investment income is reported as net assets without donor restrictions unless otherwise specified by the donor.

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.

1. Summary of Significant Accounting Policies (continued)

Stewardship & Legal Defense, Forest Legacy Monitoring, and North Cascades 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 board restrictions. See note 2 below for additional details.

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.

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 $3,137 for the year ended December 31, 2022.

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.

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. No amortization expense was recognized during the year ended December 31, 2022.

Compensated Absences
Compensated absences for personal time earned through the last day of active employment is paid upon termination or separation from Vital Ground. Accruals for compensated absences of $46,281 is included in accrued liabilities in the statement of financial position as of December 31, 2022.

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" 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.

Revenue and Revenue Recognition

Vital Ground records revenue from contracts with customers for merchandise sales and special events. Merchandise sales contain a single delivery element and revenue is recognized at a point in time when obligations, risks, and rewards transfer. That is, when control of the merchandise transfers to customers which occurs at the time of sale. Special events normally consist of coordinated trips in which customers pay Vital Ground who then coordinates the trip. Special events normally contain a fixed price and performance obligations are satisfied upon the occurrence of the event. Amounts received in excess of recognized revenue are reflected as contract liabilities.

Public Support

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 1) an explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized, and 2) 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. See Note 9 for further discussion of assets transferred to Vital Ground in advance of barrier(s) to entitlement being overcome.

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.

Restricted and Unrestricted Support

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.

1. Summary of Significant Accounting Policies (continued)

Restricted and Unrestricted Support (continued)
Investment income and gains restricted by donors are reported as increases in net assets with donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Contributed Services and Nonfinancial Assets
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. See Note 11 for further discussion of donated goods, services, and equipment.

Advertising Costs
Advertising costs are generally charged to operations in the year incurred. Total advertising costs for the years ended December 31, 2022 were $34,139.

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.

Income Taxes
Vital Ground qualifies as a not-for profit organization that is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code. No provision for income taxes is included in these financial statements, as Vital Ground had no revenue unrelated to its exempt activities.

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.

2. Liquidity

Vital Ground is substantially supported by contributions both with and without donor restrictions. For donor restricted contributions, Vital Ground must maintain adequate resources to meet those responsibilities to donors. Thus, some of Vital Ground's financial assets may not be available for general expenditure within one year of the date of the statement of financial position.

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.

2. Liquidity (continued)

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. Board designated funds were $2,061,837 as of December 31, 2022.

The table below reflects Vital Ground's financial assets as of the statement of financial position date, reduced by amounts that are not available for general use due to contractual or donor imposed restrictions within one year of the statement of financial position date as of December 31, 2022:

Cash and cash equivalents	$ 4,497,776
Money market funds	1,979,687
Accounts and pledges receivable	100,000
Investments	1,896,223
Total	8,473,686
Less financial assets unavailable for general expenditures within one year:	
Board advised funds	(2,061,837)
Financial assets with donor restrictions	(2,315,004)
Financial assets available to meet cash needs for general expenditures within one year	$ 4,096,845

3. Cash and Cash Equivalents

The composition of cash and cash equivalents is as follows at December 31, 2022:

Checking accounts	$ 4,187,361
Certificates of deposit	310,415
Total	$ 4,497,776

Certificates of deposit bear interest at rates ranging from 0.20% to 1.60% and mature in 2023. Any penalties for early withdrawal would not have a material effect on the financial statements.

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.

4. Receivables (continued)

Amortization of any discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. At December 31, 2022, all accounts and pledges receivable are expected to be collected in less than one year.

During 2006, Vital Ground became an irrevocable remainder beneficiary of one and one-half percent (1.50%) of the total future remainder of a charitable remainder annuity trust. The Trust had been valued at $10,000,000 and therefore, $150,000 was recorded as a receivable. In December 2019, the donor passed away. During the year ended December 31, 2021, Vital Ground received a partial distribution of $60,000. The total impairment taken against this receivable through December 31, 2022 is $48,011. There was no impairment recorded in 2022.

5. Investments

Investment accounts consist of the following as of December 31, 2022:

Forest Legacy monitoring fund	$ 60,282
Endowment fund	168,665
Northern Cascades	293,775
Stewardship and gift annuity	1,373,501
Total	$ 1,896,223

Investments in the statement of financial position have readily determinable values and are stated at fair value based on quoted prices in active markets (all Level 1 measurements) and are maintained in accounts with investment firms. Investments are comprised of money market and mutual funds.

The basis and fair value of investments is as follows as of December 31, 2022:

	Basis	Fair Value
Money market funds	$ 403,728	$ 403,728
Mutual funds	1,452,639	1,492,495
Total	$ 1,856,367	$ 1,896,223

Investment income reported in the statement of activities consists of realized and unrealized gains and losses for the year ended December 31, 2022.

6. Fair Value Measurements

Vital Ground values its investments based on the provisions of FASB ASC 820, Fair Value Measurements, which provides a framework for measuring fair value. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

6. Fair Value Measurements (continued)

ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. The levels are defined as follows:

Level 1 - Observable inputs that are based upon quoted market prices for identical assets or liabilities within active markets.

Level 2 - Observable inputs other than Level 1 that are based upon quoted market prices for similar assets or liabilities, based upon quoted prices within inactive markets, or inputs other than quoted market prices that are observable through market data for substantially the full term of the asset or liability.

Level 3 - Inputs that are unobservable for the particular asset or liability due to little or no market activity and are significant to the fair value of the asset or liability. These inputs reflect assumptions that market participants would use when valuing the particular asset or liability.

A financial instruments categorization within the valuation hierarchy is based upon the level of input that is significant to the fair value measurement. Assets below were measured at fair value using the market approach (Level 1).

The following table shows the fair value category of assets at December 31, 2022:

	Fair Value	Level 1	Level 2	Level 3
Other money market	$ 1,979,687	$ 1,979,687	$ -	$ -
Investments				
Mutual funds				
Income funds	186,394	186,394	-	-
Growth funds	327,664	327,664	-	-
Moderate funds	978,437	978,437	-	-
Total mutual funds	1,492,495	1,492,495	-	-
Money market funds	403,728	403,728	-	-
Total investments	1,896,223	1,896,223	-	-
Total assets at fair value	$ 3,875,910	$ 3,875,910	$ -	$ -

7. Endowment

Vital Ground's endowment funds are currently invested in the Vanguard Wellington Investor Fund. Its endowment includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

7. Endowment (continued)

Interpretation of Relevant Law

Management of Vital Ground has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 assets with donor restrictions (a) the original value of gifts donated 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 UPMIFA, 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 Vital Ground 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 Vital Ground
(7) The investment policies of the Vital Ground

Changes in endowment net assets are as follows for the year ended December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 110,204	$ 86,515	196,719
Investment return:			
Net depreciation, realized and unrealized	(28,054)	-	(28,054)
Endowment net assets, end of year	$ 82,150	$ 86,515	$ 168,665

The portion of perpetual endowment funds required to be retained permanently either by explicit donor stipulation or by UPMIFA at December 31, 2022 was $86,515.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Vital Ground to retain as a fund of perpetual duration. There were no such deficiencies during the year ended December 31, 2022.

8. Land Held for Preservation and Land Improvements

Land held for preservation by Vital Ground was $8,868,878 as of December 31, 2022. These lands at December 31, 2022 shown on the following page were:

8. Land Held for Preservation and Land Improvements (continued)

Fee-title holdings	
Boundary Creek (ID)	$ 90,169
Thorman (ID)	89,567
Bismark Meadows #1 (ID)	150,192
Weiler (ID)	225,000
Bismark Meadows #2 (ID)	75,466
Bismark Meadows #3 (ID)	240,000
Bismark Meadows #4 (ID)	675,000
Yaak Mountain (MT)	372,000
Alvord Lake (MT)	1,088,656
Wild River Estates #1 (MT)	295,110
Bismark Meadows #5 (ID)	964,000
Wild River Estates #2 (MT)	169,478
Ninemile Linkage #1 (MT)	52,500
Wild River Estates #3 (MT)	154,215
Broadie Habitat Preserve (MT)	780,000
Wild River Estates #4 (MT)	300,000
Fowler Creek S Property (MT)	1,000,000
Bull River #1 (MT)	450,000
Simmons Meadow Acquisition (MT)	187,500
Fowler Creek N Property (MT)	320,000
Bismark Meadows #6 (ID)	1,190,000
Total Fee-Title Holdings	8,868,853

Conservation easements	
Coyote Forest (MT)	1
Cooney Creek (MT)	1
Mckay Creek (MT)	1
Condon Creek (MT)	1
Curley Creek #1 (MT)	1
Curley Creek #2 (MT)	1
Cedar Creek (MT)	1
Windfall Creek #1 (MT)	1
Windfall Creek #2 (MT)	1
Elk Flast Neighbors #1 (MT)	1
Elk Flats Neighbors #2 (MT)	1
Elk Flats Neighbors #3 (MT)	1
Elk Flats Neighbors #4 (MT)	1
Elk Flats Neighbors #5 (MT)	1
Simmons Meadow (MT)	1

8. Land Held for Preservation and Land Improvements (continued)

Conservation casements (continued)	
Ellis Mountain (MT)	1
Meadow Creek (MT)	1
Polebridge Palace (MT)	1
Glen Willow (MT)	1
Lawrence (MT)	1
Quinn (MT)	1
Hubbard (MT)	1
Tamarack (MT)	1
Little Creek (MT)	1
Donovan Creek (MT)	1
Total conservation easements	25
Total land held for preservation	$ 8,868,878

Net land improvements of $15,456 as of December 31, 2022, consist of a well installation on the Bismark Meadows #1 (ID).

9. Refundable Advance

During the year ended December 31, 2022, Vital Ground received advance funding related to an agreement with a resource provider. The underlying agreement for which the advance funding relates stipulates that Vital Ground must complete the closing of the purchase of certain property related to Vital Ground's mission. If the closing of the property is not completed, Vital Ground must return the funding received in advance to the resource provider. The closing of the purchase of the property had not been completed as of year-end. As such, Vital Ground has recorded a liability related to the advance in the amount of $760,000 as of December 31, 2022. It is expected that the underlying conditions will be satisfied, and revenue earned and recognized in the amount of $760,000, during the year ended December 31, 2023.

10. Net Assets

Net assets are as follows at December 31, 2022:

Net assets without donor restrictions	
Invested in property and equipment, net of depreciation	$ 19,801
Board designated funds	2,061,837
Undesignated	3,337,420
Total net assets without donor restrictions	5,419,058

10. Net Assets (continued)

Net assets with donor restrictions	
Donations subject to purpose restriction	2,031,349
Donations subject to time restriction	100,000
Land held for preservation	8,878,853
Gift annuity	37,140
Forest Legacy monitoring funds	60,000
Endowment investments	86,515
Total net assets with donor restrictions	11,193,857
Total net assets	$ 16,612,915

11. Donated Goods and Services

During the year ended December 31, 2022, Vital Ground received the following contributions of services and nonfinancial assets that have been recognized in the financial statements:

Advertising	$ 93,133
Goods donated for auction	38,011
Total	$ 131,144

Contributions of services and nonfinancial assets are recognized at fair value when received using the going rate for similar items observed in the general market. In general, Vital Ground attempts to utilize the donations of contributed services and nonfinancial assets for lands projects and management and general activities, and those that cannot be utilized are sold (monetized). The amounts reflected in the accompanying financial statements as donated goods and services are offset by like amounts included in expenses or additions to assets. No contributed services and nonfinancial assets were recognized as assets during the year ended December 31, 2022.

12. Leasing Activities

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.

During the year ended December 31, 2022, Vital Ground entered into a lease with a lessee for use of a residence on one of its properties. The lease commenced in October of 2022 and matures September of 2023 and converts to month-to-month after the initial maturity. Monthly rent payments are $1,000 with rent forgiven through June of 2023 due to the lessee undertaking and incurring costs related to repairs and maintenance at the residence. Monthly rent payments are expected to commence July of 2023.

13. Related Party Transactions

For the year ended December 31, 2022, Vital Ground received related party contributions totaling $356,520 from Board members or employees.

14. Subsequent Events

Management has evaluated subsequent events through June 22, 2023, the date on which the financial statements were available to be issued.

In March 2023, subsequent to year-end, Vital Ground signed a lease agreement for a new office space. The lease is for two years commencing June 2023 and maturing May 2025 with two, two-year options to renew. Monthly rent payments are $2,300.