

POLAR BEARS INTERNATIONAL
AUDITED COMBINED FINANCIAL STATEMENTS
December 31, 2019 and 2018



**POLAR BEARS INTERNATIONAL
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Polar Bears International
Bozeman, MT

We have audited the accompanying combined financial statements of Polar Bears International (a nonprofit organization) and Polar Bears International (Canada) Inc. (a without share capital corporation incorporated under the federal laws of Canada), collectively, Polar Bears International, which comprise the combined statements of financial position as of December 31, 2019 and 2018, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Polar Bears International, as of December 31, 2019 and 2018, 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.

Amatics CPA Group

Bozeman, Montana

May 28, 2020

**POLAR BEARS INTERNATIONAL
COMBINED STATEMENTS OF FINANCIAL POSITION**

ASSETS

	December 31	
	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,072,102	\$ 1,700,515
Accounts receivable	189,310	121,159
Pledges receivable, current portion	276,409	1,716,485
Inventory	14,811	16,295
Prepaid expenses	248,041	71,961
Security deposit	787	787
	<u>1,801,460</u>	<u>3,627,202</u>
PROPERTY AND EQUIPMENT, net	<u>3,389,004</u>	<u>1,703,189</u>
OTHER ASSETS		
Pledges receivable, net of current portion	12,856	-
Intangible assets, net	47,750	68,051
	<u>60,606</u>	<u>68,051</u>
Total assets	<u>\$ 5,251,070</u>	<u>\$ 5,398,442</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 111,758	\$ 1,414,708
Credit card payables	16,825	17,763
Accrued payroll liabilities	78,958	69,565
Accrued interest	2,562	-
Line of credit	35,398	-
Current portion of notes payable	73,793	-
	<u>319,294</u>	<u>1,502,036</u>
NOTES PAYABLE, net of current portion	<u>639,830</u>	<u>-</u>
NET ASSETS		
Without donor restrictions	2,245,284	589,768
With donor restrictions	2,046,662	3,306,638
	<u>4,291,946</u>	<u>3,896,406</u>
Total liabilities and net assets	<u>\$ 5,251,070</u>	<u>\$ 5,398,442</u>

See the accompanying notes to the combined financial statements.

POLAR BEARS INTERNATIONAL
COMBINED STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 2,040,903	\$ 227,252	\$ 2,268,155
Grants and contracts	200,304	43,624	243,928
Special events revenue, less cost of direct donor benefits of \$215,353	70,887	220,457	291,344
Release of special events revenue	232,748	(232,748)	-
In-kind support	488,917	-	488,917
Bad debt loss	(2,223)	-	(2,223)
Satisfaction of restrictions	1,518,561	(1,518,561)	-
Total revenue and support	4,550,097	(1,259,976)	3,290,121
EXPENSES			
Program services	2,405,325	-	2,405,325
General and administrative	248,380	-	248,380
Fundraising expenses	337,019	-	337,019
Total expenses	2,990,724	-	2,990,724
OTHER INCOME (EXPENSE)			
Gain on disposal of assets	5,648	-	5,648
Gain on currency translation	90,495	-	90,495
Total other income (expense)	96,143	-	96,143
CHANGE IN NET ASSETS	1,655,516	(1,259,976)	395,540
Net assets at beginning of year	589,768	3,306,638	3,896,406
NET ASSETS AT END OF YEAR	\$ 2,245,284	\$ 2,046,662	\$ 4,291,946

See the accompanying notes to the combined financial statements.

POLAR BEARS INTERNATIONAL
COMBINED STATEMENT OF ACTIVITIES
Year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 1,771,939	\$ 2,870,666	\$ 4,642,605
Grants and contracts	276,490	95,666	372,156
Special events revenue, less cost of direct donor benefits of \$236,104	98,623	232,748	331,371
Release of special events revenue	58,234	(58,234)	-
In-kind support	654,840	-	654,840
Bad debt loss	(28,773)	-	(28,773)
Satisfaction of restrictions	173,298	(173,298)	-
	<u>3,004,651</u>	<u>2,967,548</u>	<u>5,972,199</u>
EXPENSES			
Program services	2,443,494	-	2,443,494
General and administrative	260,274	-	260,274
Fundraising expenses	337,482	-	337,482
	<u>3,041,250</u>	<u>-</u>	<u>3,041,250</u>
OTHER INCOME (EXPENSE)			
Loss on disposal of assets	(49,324)	-	(49,324)
Loss on currency translation	(98,433)	-	(98,433)
Other income	2,892	-	2,892
	<u>(144,865)</u>	<u>-</u>	<u>(144,865)</u>
CHANGE IN NET ASSETS			
	(181,464)	2,967,548	2,786,084
Net assets at beginning of year	<u>771,232</u>	<u>339,090</u>	<u>1,110,322</u>
NET ASSETS AT END OF YEAR	<u>\$ 589,768</u>	<u>\$ 3,306,638</u>	<u>\$ 3,896,406</u>

See the accompanying notes to the combined financial statements.

POLAR BEARS INTERNATIONAL
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2019

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Advertising and promotion	\$ 73,970	\$ 808	\$ 10,869	\$ 85,647
Amortization	-	23,310	-	23,310
Bank charges	564	8,049	2,426	11,039
Cost of merchandise sold	-	-	13,498	13,498
Depreciation	66,117	4,828	-	70,945
Development	35,311	377	49,443	85,131
Equipment rental/maintenance	293,825	3,592	10,819	308,236
Grants	375	-	-	375
Insurance	46,648	12,680	11,661	70,989
Interest expense	2,503	18,096	-	20,599
Licenses and fees	3,060	8,262	3,344	14,666
Other operating expenses	33,435	3,609	5,829	42,873
Outside services	326,998	15,974	24,806	367,778
Payroll and training	833,962	56,254	119,133	1,009,349
Postage	23,838	1,820	4,118	29,776
Professional fees	46,643	38,475	19,638	104,756
Rent	29,771	10,891	9,345	50,007
Small equipment	58,077	1,646	704	60,427
Supplies	57,244	11,044	23,183	91,471
Taxes	14,192	755	365	15,312
Travel	406,515	23,275	27,215	457,005
Utilities	52,277	4,635	623	57,535
	<u>\$ 2,405,325</u>	<u>\$ 248,380</u>	<u>\$ 337,019</u>	<u>\$ 2,990,724</u>

See the accompanying notes to the combined financial statements.

POLAR BEARS INTERNATIONAL
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2018

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Advertising and promotion	\$ 67,691	\$ 169	\$ 9,312	\$ 77,172
Amortization	-	23,867	-	23,867
Bank charges	200	5,654	-	5,854
Cost of merchandise sold	-	-	20,379	20,379
Depreciation	39,858	10,252	-	50,110
Development	22,015	2,319	58,709	83,043
Equipment rental/maintenance	451,489	7,740	521	459,750
Grants	41,000	-	-	41,000
Insurance	29,232	17,595	9,929	56,756
Interest expense	-	566	-	566
Licenses and fees	4,079	4,241	19,326	27,646
Other operating expenses	27,802	1,536	5,748	35,086
Outside services	381,125	14,986	15,949	412,060
Payroll and training	639,792	97,297	98,595	835,684
Postage	37,505	1,803	7,763	47,071
Professional fees	45,593	16,782	8,820	71,195
Rent	20,390	8,373	8,374	37,137
Small equipment	26,837	1,377	2,188	30,402
Supplies	123,409	5,412	24,115	152,936
Taxes	9,361	23	2,072	11,456
Travel	424,655	36,723	43,732	505,110
Utilities	51,461	3,559	1,950	56,970
	<u>\$ 2,443,494</u>	<u>\$ 260,274</u>	<u>\$ 337,482</u>	<u>\$ 3,041,250</u>

See the accompanying notes to the combined financial statements.

**POLAR BEARS INTERNATIONAL
COMBINED STATEMENTS OF CASH FLOWS**

	Years ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 395,540	\$ 2,786,084
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	70,945	50,110
Amortization	23,310	23,867
(Gain) loss on disposal of assets	(5,648)	49,324
(Gain) loss on currency translation	(90,495)	98,433
Contributions restricted for long term purposes	(232,663)	(2,708,285)
(Increase) decrease in current assets:		
Accounts receivable	(108,462)	36,608
Pledges receivable	1,438,411	(1,689,024)
Inventory	1,484	(4,141)
Prepaid expenses	(169,085)	(18,231)
Other assets	-	1
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	<u>(1,284,267)</u>	<u>73,443</u>
Net cash provided (used) by operating activities	<u>39,070</u>	<u>(1,301,811)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of equipment	9,247	500
Purchases of property and equipment	<u>(1,641,688)</u>	<u>(339,672)</u>
Net cash used by investing activities	<u>(1,632,441)</u>	<u>(339,172)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long term purposes	232,663	2,708,285
Proceeds from line of credit	87,469	-
Payments on line of credit	(52,887)	-
Proceeds from long term debt	736,130	-
Payments on long term debt	<u>(56,433)</u>	<u>-</u>
Net cash provided by investing activities	946,942	2,708,285
EFFECT OF EXCHANGE RATE CHANGES ON CASH	<u>18,016</u>	<u>(57,205)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(628,413)	1,010,097
Cash and cash equivalents at beginning of year	<u>1,700,515</u>	<u>690,418</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,072,102</u>	<u>\$ 1,700,515</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ 29,893</u>	<u>\$ 566</u>
NON-CASH INVESTING ACTIVITIES		
Property and equipment purchased through accounts payable	<u>\$ -</u>	<u>\$ 1,314,554</u>

See the accompanying notes to the combined financial statements.

POLAR BEARS INTERNATIONAL
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

Polar Bears International (PBI) is a tax-exempt organization as provided by the United States Internal Revenue Code Section 501(c)(3). Polar Bears International (Canada) Inc. (PBI Canada) is a without share capital corporation incorporated under the federal laws of Canada. In 2004, PBI entered into a joint venture agreement with PBI Canada. The purpose of this agreement is to fund, facilitate, promote, and carry out activities, research, and programs for the advancement of education relating to the conservation of polar bears within Canada and worldwide. The agreement has a term of five (5) years and shall be automatically renewable for successive terms of one (1) year. PBI and PBI Canada are collectively referred to as the Organization. The Organization's revenue and support comes primarily through donor contributions, public, and private grants.

Nature of Activities:

The following are the major programs that support the Organization's mission:

Research Project – studying and analyzing the impacts of global warming on polar bear populations and their sea ice habitat

Education Outreach – share information on polar bears and make a call to action to reduce greenhouse gas emissions through public talks, workshops, media interviews, e-communications

Save Our Sea Ice (SOS!) Campaign – focus attention on the urgent challenges polar bears face in a changing Arctic and the part each citizen can play to reduce global warming

Polar Bear Cam – live cameras during the fall migration as the polar bears wait for freeze-up, reaching millions of people worldwide and inspiring them to take action

Arctic Documentary Project – capturing in words, pictures, and moving images of what we see in the arctic today

Tundra Connections – web-conferencing from tundra to classroom

Climate Alliance – a leadership program that trains and empowers individuals to focus and promote community engagement on reducing greenhouse gas emissions

Arctic Ambassador Centers – helping communities put a dent in climate change

Project Polar Bear Contest – great prizes for great ideas from future leaders

Basis of Presentation:

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as codified by the Financial Accounting Standards Board (FASB).

Contributions and Net Assets:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

POLAR BEARS INTERNATIONAL
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Net Assets (Continued):

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. However, restricted contributions received in the same year in which the restrictions are met are recognized as support within net assets without donor restrictions.

Pledges and Contributions Receivable:

Contributions, including unconditional promises to give, are recognized as revenues in the period pledged. Promises to give that are scheduled to be received after one year are shown as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the cash is received and any purpose restrictions are met. These balances are stated at their present value.

Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of receipt. The Organization also receives intentions to give from donors, which are not legally enforceable and are used for planning purposes only. Intentions to give are not reported as contributions until the donor transfers funds to the Organization.

Use of Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Combination:

The combined financial statements include the accounts of PBI and PBI Canada. The Organization is commonly controlled, as the officers of PBI also serve as voting members of PBI Canada's board of directors. All significant interorganization transactions and balances have been eliminated in combination.

Income Taxes:

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code, and therefore has made no provision for federal income taxes in the accompanying financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions.

PBI Canada was formed as a without share capital corporation incorporated under the federal laws of Canada, which is considered a tax exempt entity type.

POLAR BEARS INTERNATIONAL
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents:

Cash and cash equivalents include highly liquid investments with original maturities of three months or less. The Organization maintains its cash balances in various financial institutions whose cash deposits are insured up to \$250,000 by the FDIC. Cash deposits of the Organization in excess of FDIC limits were \$477,546 and \$216,767 as of December 31, 2019 and 2018, respectively.

Accounts Receivable:

Accounts receivable consist of amounts due to the Organization for program registration fees and services. In addition, accounts receivable consists of goods and services taxes paid in Canada. The Organization is entitled to half of the qualifying amount of taxes paid as a refund. As of both December 31, 2019 and 2018, management fully expects to collect all outstanding accounts receivable. Accordingly, no allowance for doubtful accounts is reflected on the accompanying statements of financial position. Amounts are due upon receipt and are considered delinquent after thirty days. No interest is charged on delinquent balances.

Inventory:

Inventories are stated at the lower of cost or net realizable value at the date of the financial statements using the first-in first-out method. Inventories consist primarily of promotional merchandise.

Prepaid Expenses:

Prepaid expenses generally consist of advance payments for health insurance and special events. For the year ended December 31, 2019, prepaid expense also includes the hold back for construction of a building (See Note 3).

Property and Equipment:

Purchased property and equipment are recorded at cost. Donated property and equipment are stated at estimated fair market value at the date of donation. It is the policy of the Organization to capitalize property and equipment with a cost in excess of \$1,000 and an estimated useful life in excess of two years. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of property and equipment are 5–40 years.

Advertising Costs:

Advertising costs are expensed as incurred.

Intangible Assets:

The Organization has identified proprietary website development costs that have been capitalized. These costs are being amortized using the straight-line method over a 5 year period.

In-Kind Support:

The Organization records various types of in-kind support including contributed facilities, professional services, and materials. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. Contributed assets are recorded as assets in accordance with the Organization's capitalization policy.

POLAR BEARS INTERNATIONAL
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Resources Available and Unavailable for General Expenditures:

Polar Bears International has certain donor-restricted net assets that are available for general expenditures within a timeframe either set or not set by each donor individually, because the restrictions on the net assets are expected to be met by conducting the normal activities of its programs. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet the general expenditures within the time frame set by the individual donors.

Change in Accounting Principle:

In 2019, the Organization adopted the new accounting standards related to accounting for revenue and contracts with customers (FASB Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers (Topic 606)* and 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

ASU 2014-09 establishes a new contract and control-based revenue recognition model, changing the basis for deciding when revenue is recognized over time or at a point in time. ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization implemented the provisions of ASU 2018-08 applicable to contributions received under a modified prospective basis. The adoption of these standards did not have a significant impact on the financial statements.

Functional Expenses:

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, salaries and wages, employee benefits, payroll taxes and office expenses.

Salaries and wages and associated payroll taxes are allocated based on estimates of time and effort.

Occupancy and related expenses are allocated on a square footage basis.

Accounting and bookkeeping fees paid to subcontractors are allocated across functional expenses on a weighted percentage basis.

Office equipment rental is allocated on a weighted percentage basis.

Professional fees and travel expense are charged to the specific functional expense.

Revenue and Revenue Recognition:

The Organization recognizes contributions when cash, securities or other assets, or an unconditional promise to give. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. A portion of the Organization's revenue is derived from cost-reimbursable grants and contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

POLAR BEARS INTERNATIONAL
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currency:

The functional currency of PBI Canada is the Canadian dollar. Foreign currency denominated assets and liabilities are translated into U.S. dollars using the exchange rates in effect at the combined statement of financial position date. Changes in net assets and cash flows are translated using the average exchange rates throughout the year. The effect of exchange rate fluctuations on translation of assets and liabilities is included on the combined statements of activities as a component of the gain or loss from currency translation. The gain and loss associated to this translation for the years ended December 31, 2019 and 2018 was \$90,495 and \$(98,433), respectively.

Financial Statement Presentation:

Certain numbers have been reclassified in the 2018 financial statements for comparability with the 2019 financial statements.

2. PLEDGES RECEIVABLE

Pledges receivable (unconditional promises to give) at December 31, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Amounts due in:		
Less than one year	\$ 276,409	1,716,485
One to five years	<u>12,856</u>	<u>-</u>
	289,265	1,716,485
Less: current portion	<u>(276,409)</u>	<u>(1,716,485)</u>
Pledges receivable, net of current portion	<u>\$ 12,856</u>	<u>\$ -</u>

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 21,445	\$ 4,252
Furniture and fixtures	18,266	18,266
Buildings and improvements	1,928,026	72,857
Machinery and equipment	475,134	384,621
Construction in progress	-	1,540,384
Assets not in service	1,318,764	-
Accumulated depreciation	<u>(372,631)</u>	<u>(317,191)</u>
	<u>\$ 3,389,004</u>	<u>\$ 1,703,189</u>

Construction in progress at December 31, 2018, consisted of a building and improvements in Churchill, Manitoba that were placed in service during 2019. As mentioned in Note 1, the Organization has included in prepaid expenses an amount paid to the Organization's attorneys to be held back until construction deficiencies are remedied, the amount that is being held back at December 31, 2019, and included in prepaid expenses is \$115,834. The construction deficiencies are expected to be completed during 2020.

POLAR BEARS INTERNATIONAL
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2019 and 2018

3. PROPERTY AND EQUIPMENT (Continued)

Assets not in service at December 31, 2019 include a building and related assets that were not placed in service until January 2020.

Depreciation expense for the years ended December 31, 2019 and 2018 was \$70,945 and \$50,110, respectively.

4. INTANGIBLE ASSETS

Intangible assets consist of the following as of December 31, 2019 and 2018:

	2019	2018
Website design	\$ 119,304	\$ 113,374
Accumulated depreciation	(71,554)	(45,323)
	\$ 47,750	\$ 68,051

Amortization expense for the years ended December 31, 2019 and 2018 was \$23,310 and \$23,867, respectively.

5. LINE OF CREDIT

During December 2018, the Organization obtained a line of credit from the Canadian Imperial Bank of Commerce, due on demand, interest rate at prime plus 0.50%, and allows maximum borrowings of \$36,807, Facility A. The line is secured by the Organization's property in Manitoba. The balance at December 31, 2019 and 2018 was \$35,398 and \$0, respectively.

6. NOTES PAYABLE

The following is a schedule of notes payable as of December 31, 2019 and 2018:

	2019	2018
Note payable, Facility B, to a Canadian Imperial Bank of Commerce in the amount of \$73,613; dated December 18, 2018; the note is due on demand, but until demand the note requires monthly payments of \$744, including interest of 3.962%, through January 1, 2021. The term of the loan is 120 months, of which the fixed rate period is 24 months. At the end of 24 months, the loan is due or the terms can be extended and interest rate negotiated. The loan is secured by the Organization's property in Manitoba. Funds were received in January 2019.	\$ 71,265	\$ -

POLAR BEARS INTERNATIONAL
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2019 and 2018

6. NOTES PAYABLE (Continued)

	2019	2018
Note payable, Facility C, to a Canadian Imperial Bank of Commerce in the amount of \$73,613; dated December 18, 2018; the note is due on demand, but until demand the note requires monthly payments of \$750, including interest of 4.127%, through January 1, 2022. The term of the loan is 120 months, of which the fixed rate period is 36 months. At the end of 36 months, the loan is due or the terms can be extended and interest rate negotiated. The loan is secured by the Organization's property in Manitoba. Funds were received in January 2019.	71,312	-
Note payable, Facility D, to a Canadian Imperial Bank of Commerce in the amount of \$588,904; dated December 18, 2018; the note is due on demand, but until demand the note requires monthly payments of \$6,067, including interest of 4.373%, through January 1, 2024. The term of the loan is 120 months, of which the fixed rate period is 60 months. At the end of 60 months, the loan is due or the terms can be extended and interest rate negotiated. The loan is secured by the Organization's property in Manitoba. Funds were received in January 2019.	571,046	-
	713,623	-
Less: current portion	(73,793)	-
Long-term portion	\$ 639,830	\$ -
Notes payable mature as follows:		
2020	\$ 73,793	
2021	125,726	
2022	114,420	
2023	60,010	
2024	339,674	
		\$ 713,623

Interest expense during the years ended December 31, 2019 and 2018 was \$20,599 and \$566, respectively. Interest capitalized during the year ended December 31, 2019 was \$12,136.

7. ACCRUED COMPENSATED ABSENCES

During 2018, the Organization adopted a compensated absences policy for employees. The policy allows employees to accrue vacation based on years of service. Earned and unused vacation is paid out on discharge of employment. At December 31, 2019 and 2018, the amount of accrued compensated absences included in accrued payroll liabilities was \$47,934 and \$30,634, respectively.

POLAR BEARS INTERNATIONAL
NOTES TO COMBINED FINANCIAL STATEMENTS
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8. IN-KIND SUPPORT

The following in-kind support was recognized for the year ended December 31, 2019:

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Advertising and promotion	\$ 59,821	\$ -	\$ -	\$ 59,821
Cost of merchandise	-	-	412	412
Development	705	-	5,727	6,432
Equipment rental/maintenance	220,136	-	-	220,136
Outside services	74,100	-	4,672	78,772
Payroll and training	-	-	410	410
Rent	-	1,330	-	1,330
Travel	121,604	-	-	121,604
	<u>\$ 476,366</u>	<u>\$ 1,330</u>	<u>\$ 11,221</u>	<u>\$ 488,917</u>

The following in-kind support was recognized for the year ended December 31, 2018:

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Advertising and promotion	\$ 62,500	\$ -	\$ -	\$ 62,500
Development	-	1,114	-	1,114
Equipment rental/maintenance	314,680	-	-	314,680
Outside services	153,280	-	594	153,874
Cost of merchandise sold	-	-	823	823
Small equipment	1,376	-	-	1,376
Supplies	231	-	-	231
Travel	117,684	1,705	853	120,242
	<u>\$ 649,751</u>	<u>\$ 2,819</u>	<u>\$ 2,270</u>	<u>\$ 654,840</u>

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specific purpose:		
Maternal Den	\$ 60,707	\$ 64,265
Arctic Documentary Project	39,595	19,443
HB Sea Ice Ecology Project	16,384	17,520
Annenberg 2018-2019	-	70,632
Utah Hogle Zoo - RF Spotter Project	9,494	33,789
Polar Bear International House	-	1,138,653
Polar Bear International House #2	1,491,256	-
Annenberg Interpretive Center	-	100,000
Sea World Conservation Fund 2018-2019	11,241	13,262
Kansas City Zoo - Isotope Study	3,643	3,643
Kansas City Zoo - Adhesive Tag	6,000	-

POLAR BEARS INTERNATIONAL
NOTES TO COMBINED FINANCIAL STATEMENTS
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9. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

	2019	2018
Wrangel Island	21,455	-
Polar Bear Alert	1,490	1,710
Polar Bear Safe Community	25,000	-
San Diego Noise Study	2,169	25,034
Seneca Park Zoo	10,273	10,273
Toronto Gala 2019	-	74,409
Toronto Gala 2020	44,966	-
Point Defiance Zoo 2018-2019	13,724	14,520
Como Park Zoo & Conservatory	-	3,000
Pledges receivable, the proceeds of which have been restricted for specific purpose:		
Bear Tracker	-	5,000
Polar Bear International House	25,713	53,146
Polar Bear International House #2	-	1,500,000
Wildlife coloring book	20,000	-
	1,803,110	3,148,299
Subject to the passage of time:		
Pledges receivable that are not restricted by donors, but which are unavailable for expenditure until due	243,552	158,339
	\$ 2,046,662	\$ 3,306,638

10. OPERATING LEASE

The Organization leases office space in Bozeman, Montana. The original lease was set to expire June 30, 2018. Lease payments were \$2,190 per month with an incremental increase on July 1 of each year. The Organization extended the lease through June 30, 2021. The lease requires monthly payments of \$2,435 beginning July 1, 2018, with incremental increases on July 1 of each year. Rent expense for the space for the years ended December 31, 2019 and 2018 was \$29,800 and \$28,817, respectively.

Future minimum lease payments are as follows for the years ending December 31:

2020	\$ 30,992	
2021	15,800	
		\$ 46,792

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11. RELATED PARTY TRANSACTIONS

The Organization receives substantial support from its board members and board member affiliated organizations to facilitate its program and mission objectives. The support is received in the form of contributions, both restricted and unrestricted, and sponsorships. Total board member contributions, both restricted and unrestricted, were \$58,404 and \$80,865 for the years ended December 31, 2019 and 2018, respectively. Sponsorships from related parties totaled \$509,699 and \$830,271 for the years ended December 31, 2019 and 2018, respectively. For the years ended December 31, 2019 and 2018, contributions from other related parties totaled \$105,504 and \$778,260, respectively. Included in accounts receivable for expense reimbursements from board members and board member affiliated organizations for the years ended December 31, 2019 and 2018, amounted to \$47,450 and \$19,496, respectively. In addition at December 31, 2019, there was an intention to give from a related party for sponsorship in the amount of \$230,254.

During the year ended December 31, 2019, the Organization purchased a vehicle from a car dealership owned by a board member in the amount of \$31,186.

12. CONCENTRATIONS

During 2018, the Organization received \$3,087,970 in revenue and support from three donors, which represents approximately 56% of its revenue and support for the year. In addition, 87% of pledges were receivable are from one donor at December 31, 2018. There were no such concentrations during 2019.

13. RETIREMENT PLAN

During 2018, the Organization adopted a SIMPLE IRA plan. The Organization matched participant contributions to the Plan up to 3% of the individual participant's compensation. Total expense for the years ended December 31, 2019 and 2018 was \$18,005 and \$8,116, respectively.

14. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Financial assets			
Cash and cash equivalents	\$	1,072,102	
Accounts receivable		189,310	
Pledges receivable		<u>289,265</u>	\$ 1,550,677
Unavailable for general expenditure in one year			
Pledges receivable - due in more than one year		12,856	
Donor restricted funds		<u>241,175</u>	<u>254,031</u>
Total financial resources available for general expenditure	\$		<u><u>1,042,615</u></u>

POLAR BEARS INTERNATIONAL
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2019 and 2018

14. LIQUIDITY AND AVAILABILITY (Continued)

The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

The Organization anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize investment of available funds.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

In the event of an unanticipated liquidity need, the Organization also could draw upon the available line of credit as discussed in Note 5.

15. ACCOUNTING FOR UNCERTAINTY IN INCOME TAX

The Organization has adopted accounting rules that prescribe when to recognize, and how to measure, the financial statement effects of income tax positions taken, or expected to be taken, on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, the Organization only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses. Based on its review, management does not believe the Organization has taken any material uncertain tax positions, including any position that would place the Organization's exempt status in jeopardy as of December 31, 2019. The Organization's information returns (Form 990) are open to examination by the IRS, generally, for three years after they were filed or the due date of the return, whichever is later.

16. SUBSEQUENT EVENTS

As a result of the spread of COVID-19 coronavirus, economic uncertainties have arisen which could negatively impact revenues and support, change in net assets and cash flows in 2020, though such potential impact is unknown at this time.

Date of Management Evaluation

Management has evaluated subsequent events through May 28, 2020, the date on which the financial statements were available to be issued.