

POLAR BEARS INTERNATIONAL
AUDITED COMBINED FINANCIAL STATEMENTS
December 31, 2018 and 2017



AMATICS
CPA GROUP

**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, 2018 and 2017, 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, 2018 and 2017, 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
July 30, 2019

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

ASSETS

	December 31	
	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,700,515	\$ 690,418
Accounts receivable	121,159	164,848
Pledges receivable	1,716,485	39,769
Inventory	16,295	12,154
Prepaid expenses	71,961	58,466
Security deposit	787	787
	3,627,202	966,442
PROPERTY AND EQUIPMENT, net	1,703,189	166,401
OTHER ASSETS		
Intangible assets, net	68,051	98,442
Total assets	\$ 5,398,442	\$ 1,231,285

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 1,414,708	\$ 75,315
Credit card payables	17,763	29,766
Accrued payroll liabilities	69,565	15,882
	1,502,036	120,963
NET ASSETS		
Without donor restrictions	589,768	771,232
With donor restrictions	3,306,638	339,090
	3,896,406	1,110,322
Total liabilities and net assets	\$ 5,398,442	\$ 1,231,285

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	\$ 1,929,320	\$ 2,713,285	\$ 4,642,605
Grants and contracts	119,109	253,047	372,156
Special events revenue, less cost of direct donor benefits of \$236,104	98,623	232,748	331,371
In-kind support	654,840	-	654,840
Bad debt loss	(28,773)	-	(28,773)
Satisfaction of program restrictions	231,532	(231,532)	-
	<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 ACTIVITIES
Year ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 1,531,175	\$ 83,516	\$ 1,614,691
Grants and contracts	233,142	175,185	408,327
Special events revenue, less cost of direct donor benefits of \$20,662	48,129	58,234	106,363
In-kind support	574,699	-	574,699
Sales of merchandise	6,375	-	6,375
Satisfaction of program restrictions	219,703	(219,703)	-
	<u>2,613,223</u>	<u>97,232</u>	<u>2,710,455</u>
EXPENSES			
Program services	1,809,132	-	1,809,132
General and administrative	172,494	-	172,494
Fundraising expenses	229,821	-	229,821
	<u>2,211,447</u>	<u>-</u>	<u>2,211,447</u>
OTHER INCOME (EXPENSE)			
Gain on currency translation	8,969	-	8,969
CHANGE IN NET ASSETS			
	410,745	97,232	507,977
Net assets at beginning of year	<u>360,487</u>	<u>241,858</u>	<u>602,345</u>
NET ASSETS AT END OF YEAR	<u>\$ 771,232</u>	<u>\$ 339,090</u>	<u>\$ 1,110,322</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 STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2017

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Advertising and promotion	\$ 135,753	\$ -	\$ 4,736	\$ 140,489
Amortization	-	15,808	-	15,808
Bank charges	12	4,895	72	4,979
Cost of merchandise sold	-	-	15,407	15,407
Depreciation	32,668	15,918	-	48,586
Development	26,442	2,791	12,661	41,894
Equipment rental/maintenance	349,710	1,894	673	352,277
Insurance	25,552	14,951	7,719	48,222
Interest expense	-	2,504	-	2,504
Licenses and fees	854	1,943	8,218	11,015
Other operating expenses	18,101	1,147	1,151	20,399
Outside services	226,113	2,152	13,491	241,756
Payroll and training	528,662	58,487	101,788	688,937
Postage	14,778	972	5,376	21,126
Professional fees	36,545	21,520	13,736	71,801
Rent	13,800	7,390	6,889	28,079
Small equipment	24,218	3,097	2,936	30,251
Supplies	80,111	3,583	14,940	98,634
Taxes	5,713	379	580	6,672
Travel	251,223	9,305	18,372	278,900
Utilities	38,877	3,758	1,076	43,711
	<u>\$ 1,809,132</u>	<u>\$ 172,494</u>	<u>\$ 229,821</u>	<u>\$ 2,211,447</u>

See the accompanying notes to the combined financial statements.

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

	Years ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,786,084	\$ 507,977
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	50,110	48,586
Amortization	23,867	15,808
Loss on disposal of assets	49,324	-
(Gain) loss on currency translation	98,433	(8,969)
Contributions restricted for long term purposes	(2,708,285)	(80,985)
(Increase) decrease in current assets:		
Accounts receivable	36,608	(21,476)
Pledges receivable	(1,689,024)	(38,564)
Inventory	(4,141)	(6,993)
Prepaid expenses	(18,231)	(56,853)
Other assets	1	6,999
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	73,443	36,338
Deferred revenue	-	(7,713)
Net cash provided (used) by operating activities	<u>(1,301,811)</u>	<u>394,155</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of equipment	500	-
Purchases of property and equipment	(339,672)	(24,004)
Purchases of intangible assets	-	(43,906)
Net cash used by investing activities	<u>(339,172)</u>	<u>(67,910)</u>
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Contributions restricted for long term purposes	2,708,285	80,985
EFFECT OF EXCHANGE RATE CHANGES ON CASH		
	<u>(57,205)</u>	<u>(5,227)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	1,010,097	402,003
Cash and cash equivalents at beginning of year	<u>690,418</u>	<u>288,415</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		
	<u>\$ 1,700,515</u>	<u>\$ 690,418</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ 179</u>	<u>\$ 2,504</u>
NON-CASH INVESTING ACTIVITIES		
Property and equipment purchased through accounts payable	<u>\$ 1,314,554</u>	<u>\$ -</u>

See the accompanying notes to the combined financial statements.

POLAR BEARS INTERNATIONAL
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2018 and 2017

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, 2018 and 2017

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, 2018 and 2017

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 \$216,767 and \$554 as of December 31, 2018 and 2017, 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, 2018 and 2017, 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.

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, 2018 and 2017

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 - Adoption of ASU 2016-14

In 2018, the Organization retroactively adopted the requirements in FASB Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which amends the requirements for financial statements and notes in ASC Topic 958, *Not-for-Profit Entities*. The main provisions of this update include net asset terminology and category changes, revised disclosures related to liquidity and availability of financial resources, functional expense allocation methodology descriptions, investment return presentation, and treatment of underwater endowments.

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.

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 loss and gain associated to this translation for the years ended December 31, 2018 and 2017 was \$(98,433) and \$8,969, respectively.

Financial Statement Presentation:

Certain numbers have been reclassified in the 2017 financial statements for comparability with the 2018 financial statements.

POLAR BEARS INTERNATIONAL
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2018 and 2017

2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 4,252	\$ 4,613
Furniture and fixtures	18,266	13,578
Buildings and improvements	72,857	58,496
Machinery and equipment	384,621	364,061
Construction in progress	1,540,384	-
Accumulated depreciation	<u>(317,191)</u>	<u>(274,347)</u>
	<u>\$ 1,703,189</u>	<u>\$ 166,401</u>

Construction in progress at December 31, 2018, consists of a building and improvements in Churchill, Manitoba that will be placed in service during 2019. There is a contract for construction for \$1,546,430. The estimated contract cost to complete is \$202,045.

Depreciation expense for the years ended December 31, 2018 and 2017 was \$50,110 and \$48,586, respectively.

3. INTANGIBLE ASSETS

Intangible assets consist of the following as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Website design	\$ 113,374	\$ 123,016
Accumulated depreciation	<u>(45,323)</u>	<u>(24,574)</u>
	<u>\$ 68,051</u>	<u>\$ 98,442</u>

Amortization expense for the years ended December 31, 2018 and 2017 was \$23,867 and \$15,808, respectively.

4. LINE OF CREDIT

The Organization obtained a line of credit from First Interstate Bank during 2017 that matured June 30, 2018 and was not renewed, interest rate of 5.5%, and allowed maximum borrowings of \$50,000. The line of credit balance for the year ended December 31, 2017 was \$0.

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 allowed maximum borrowings of \$36,807, Facility A. The line is secured by the Organization's property in Manitoba. The balance at December 31, 2018 was \$0.

POLAR BEARS INTERNATIONAL
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2018 and 2017

5. NOTES PAYABLE

During December 2018, the Organization obtained a note payable from the Canadian Imperial Bank of Commerce in the amount of \$73,613, Facility B. The note is payable on demand, but until demand the note requires monthly payments of \$744, including interest of 3.962% through January 1, 2020. The term of the loan is 120 months, of which the fixed rate period is 24 months. At the end of the 24 months, the loan is either due or the terms can be extended and interest rate negotiated. The loan is secured by the Organization's property in Manitoba. The funds were not received by the Organization until January 2, 2019, therefore the balance at December 31, 2018 was \$0.

During December 2018, the Organization obtained a note payable from the Canadian Imperial Bank of Commerce in the amount of \$73,613, Facility C. The note is payable 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 the 36 months, the loan is either due or the terms can be extended and interest rate negotiated. The loan is secured by the Organization's property in Manitoba. The funds were not received by the Organization until January 2, 2019, therefore the balance at December 31, 2018 was \$0.

During December 2018, the Organization obtained a note payable from Canadian Imperial Bank of Commerce in the amount of \$588,904, Facility D. The note is payable 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 the 60 months, the loan is either due or the terms can be extended and interest rate negotiated. The loan is secured by the Organization's property in Manitoba. The funds were not received by the Organization until January 2, 2019, therefore the balance at December 31, 2018 was \$0.

6. 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, 2018, the amount of accrued compensated absences included in accrued payroll liabilities was \$30,634.

7. IN-KIND SUPPORT

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

	Program	General and Administrative	Fundraising	Total
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>

POLAR BEARS INTERNATIONAL
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2018 and 2017

7. IN-KIND SUPPORT (Continued)

The following in-kind support was recognized for the year ended December 31, 2017:

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Advertising and promotion	\$ 117,231	\$ -	\$ -	\$ 117,231
Development	-	491	1,425	1,916
Equipment rental/maintenance	289,184	-	-	289,184
Outside services	102,245	-	6,942	109,187
Cost of merchandise sold	-	-	350	350
Small equipment	300	-	-	300
Travel	55,040	723	768	56,531
	<u>\$ 564,000</u>	<u>\$ 1,214</u>	<u>\$ 9,485</u>	<u>\$ 574,699</u>

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specific purpose:		
Maternal Den	\$ 64,265	\$ 38,847
Arctic Documentary Project	19,443	14,884
Hearing Study	-	7,810
HB Sea Ice Ecology Project	17,520	67,084
Annenberg 2017-2018	-	21,864
Annenberg 2018-2019	70,632	-
Utah Hogle Zoo - RF Spotter Project	33,789	34,691
Polar Bear International House	1,138,653	43,747
Annenberg Interpretive Center	100,000	-
Sea World Conservation Fund 2018-2019	13,262	-
Kansas City Zoo - Isotope Study	3,643	48
Quark - Field Research	-	7,954
Polar Bear Alert	1,710	4,818
San Diego Noise Study 2018-2019	25,034	-
Seneca Park Zoo	10,273	-
Toronto Gala 2018	-	58,234
Toronto Gala 2019	74,409	-
Point Defiance Zoo 2018-2019	14,520	-
Como Park Zoo & Conservatory	3,000	-
Exchange transactions	-	(660)

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8. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

	2018	2017
Pledges receivable, the proceeds of which have been restricted for specific purpose:		
Bear Tracker	5,000	-
Polar Bear International House	53,146	39,769
Polar Bear International House #2	1,500,000	-
	3,148,299	339,090
Subject to the passage of time:		
Pledges receivable that are not restricted by donors, but which are unavailable for expenditure until due	158,339	-
	\$ 3,306,638	\$ 339,090

9. 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 an incremental increases on July 1 of each year. Rent expense for the space for the years ended December 31, 2018 and 2017 was \$27,325 and \$27,015, respectively.

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

2019		\$ 29,800
2020		30,992
2021		15,800
		\$ 76,592

10. 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 \$80,685 and \$77,569 for the years ended December 31, 2018 and 2017, respectively. Sponsorships from related parties totaled \$830,271 and \$321,119 for the years ended December 31, 2018 and 2017, respectively. For the years ended December 31, 2018 and 2017, contributions from other related parties totaled \$778,260 and \$77,128, of which \$0 and \$39,769 was included in pledges receivable, respectively. In addition at December 31, 2018, there was an intention to give from a related party for sponsorship in the amount of \$257,672.

11. 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 receivable are from one donor at December 31, 2018. There was no such concentrations during 2017.

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12. 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 year ended December 31, 2018 was \$6,676.

13. 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	\$	1,700,515	
Accounts receivable		121,159	
Pledges receivable		<u>1,716,485</u>	
			\$ 3,538,159
Unavailable for general expenditure in one year			
Donor restricted funds			<u>1,763,491</u>
Total financial resources available for general expenditure			<u>\$ 1,774,668</u>

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 4.

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14. 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, 2018. 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.

15. PRIOR PERIOD RESTATEMENT

Certain errors resulting in an understatement of contribution revenue were discovered during the current year. Accordingly, the 2017 financial statements presented here are restated to correct this error. The net effect of this restatement increased special event revenue with donor restrictions and decreased deferred revenue at December 31, 2017 by \$58,234 and \$59,898, respectively.

16. SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through July 30, 2019, the date on which the financial statements were available to be issued.