

**POLAR BEARS INTERNATIONAL**  
**AUDITED COMBINED FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**



**AMATICS**  
**CPA GROUP**

**POLAR BEARS INTERNATIONAL  
CONTENTS**

<b>AUDITED COMBINED FINANCIAL STATEMENTS</b>	<b><u>Page</u></b>
Independent auditors' report	3 - 4
Combined statements of financial position	5
Combined statements of activities	6 - 7
Combined statements of functional expenses	8 - 9
Combined statements of cash flows	10
Notes to combined financial statements	11 - 24



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Polar Bears International  
Bozeman, MT

### Opinion

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, 2021 and 2020, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits 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 Polar Bears International 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 combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Polar Bears International'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 combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.



## **Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

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 combined 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 combined 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 Polar Bears International'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Polar Bears International'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.



**Amatics CPA Group**  
Bozeman, Montana  
April 13, 2022

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

**ASSETS**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,017,945	\$ 1,487,718
Accounts receivable	129,663	46,867
Pledges receivable, current portion	322,752	307,008
Inventory	11,796	8,423
Prepaid expenses	31,790	28,278
Security deposit	787	787
Deposit on construction contract	131,999	129,676
	2,646,732	2,008,757
<b>PROPERTY AND EQUIPMENT, net</b>	<b>3,590,881</b>	<b>3,471,386</b>
<b>OTHER ASSETS</b>		
Pledges receivable, net of discount and current portion	470,492	693,214
Intangible assets, net	322,277	70,269
	792,769	763,483
Total assets	<b>\$ 7,030,382</b>	<b>\$ 6,243,626</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 14,534	\$ 131,172
Credit card payables	19,040	6,847
Accrued payroll liabilities	156,546	72,735
Accrued interest	2,146	2,453
Deferred revenue	2,284	1,650
Current portion of notes payable	126,369	68,412
	320,919	283,269
<b>NOTES PAYABLE, net of current portion</b>	<b>524,889</b>	<b>646,352</b>
<b>NET ASSETS</b>		
Without donor restrictions	4,906,679	4,035,808
With donor restrictions	1,277,895	1,278,197
	6,184,574	5,314,005
Total liabilities and net assets	<b>\$ 7,030,382</b>	<b>\$ 6,243,626</b>

See the accompanying notes to the combined financial statements.

**POLAR BEARS INTERNATIONAL**  
**COMBINED STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 3,103,309	\$ 351,613	\$ 3,454,922
Grants and contracts	218,412	77,929	296,341
In-kind support	428,946	-	428,946
Satisfaction of restrictions	429,844	(429,844)	-
	<u>4,180,511</u>	<u>(302)</u>	<u>4,180,209</u>
<b>EXPENSES</b>			
Program services	2,671,338	-	2,671,338
General and administrative	278,816	-	278,816
Fundraising expenses	382,268	-	382,268
	<u>3,332,422</u>	<u>-</u>	<u>3,332,422</u>
<b>OTHER INCOME (EXPENSE)</b>			
Gain on currency translation	17,925	-	17,925
Interest income	1,356	-	1,356
Other income	3,501	-	3,501
	<u>22,782</u>	<u>-</u>	<u>22,782</u>
<b>CHANGE IN NET ASSETS</b>	870,871	(302)	870,569
Net assets at beginning of year	<u>4,035,808</u>	<u>1,278,197</u>	<u>5,314,005</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 4,906,679</u>	<u>\$ 1,277,895</u>	<u>\$ 6,184,574</u>

See the accompanying notes to the combined financial statements.

**POLAR BEARS INTERNATIONAL**  
**COMBINED STATEMENT OF ACTIVITIES**  
**Year ended December 31, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 1,438,510	\$ 30,792	\$ 1,469,302
Grants and contracts	512,692	953,214	1,465,906
Special events revenue, less cost of direct donor benefits of \$181,090	178,358	-	178,358
Release of special events revenue	220,427	(220,427)	-
In-kind support	265,280	-	265,280
Satisfaction of restrictions	1,532,044	(1,532,044)	-
Total revenue and support	4,147,311	(768,465)	3,378,846
<b>EXPENSES</b>			
Program services	1,840,089	-	1,840,089
General and administrative	271,821	-	271,821
Fundraising expenses	303,743	-	303,743
Total expenses	2,415,653	-	2,415,653
<b>OTHER INCOME (EXPENSE)</b>			
Gain on currency translation	47,516	-	47,516
Interest income	11,350	-	11,350
Total other income (expense)	58,866	-	58,866
<b>CHANGE IN NET ASSETS</b>	1,790,524	(768,465)	1,022,059
Net assets at beginning of year	2,245,284	2,046,662	4,291,946
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 4,035,808</b>	<b>\$ 1,278,197</b>	<b>\$ 5,314,005</b>

See the accompanying notes to the combined financial statements.

**POLAR BEARS INTERNATIONAL**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**  
**Year ended December 31, 2021**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Advertising and promotion	\$ 55,601	\$ 558	\$ 2,881	\$ 59,040
Amortization	19,466	-	15,927	35,393
Bank charges	27	7,105	-	7,132
Cost of merchandise sold	-	-	14,816	14,816
Depreciation	145,781	18,651	-	164,432
Development	20,394	1,413	32,947	54,754
Equipment rental/maintenance	261,704	10,445	17,425	289,574
Grants	46,793	-	-	46,793
Insurance	78,585	6,785	14,277	99,647
Interest expense	-	29,698	-	29,698
Licenses and fees	2,591	14,899	6,636	24,126
Other operating expenses	36,898	10,331	3,378	50,607
Outside services	529,659	10,780	32,164	572,603
Payroll and training	1,056,783	82,024	175,987	1,314,794
Postage	25,164	1,977	4,208	31,349
Professional fees	29,255	35,545	9,265	74,065
Rent	37,127	21,320	18,039	76,486
Small equipment	49,629	2,452	4,049	56,130
Supplies	45,787	9,270	22,255	77,312
Taxes	27,849	8,788	-	36,637
Travel	148,398	4,745	6,058	159,201
Utilities	53,847	2,030	1,956	57,833
	<u>\$ 2,671,338</u>	<u>\$ 278,816</u>	<u>\$ 382,268</u>	<u>\$ 3,332,422</u>

See the accompanying notes to the combined financial statements.



**POLAR BEARS INTERNATIONAL**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**  
**Year ended December 31, 2020**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Advertising and promotion	\$ 74,745	\$ 617	\$ 2,686	\$ 78,048
Amortization	12,890	-	10,545	23,435
Bank charges	-	9,507	836	10,343
Cost of merchandise sold	-	-	16,558	16,558
Depreciation	121,559	15,361	-	136,920
Development	20,886	1,666	19,356	41,908
Equipment rental/maintenance	212,904	1,826	1,000	215,730
Grants	500	-	-	500
Insurance	57,743	13,796	12,734	84,273
Interest expense	-	31,298	-	31,298
Licenses and fees	3,259	13,620	5,094	21,973
Other operating expenses	9,699	1,305	186	11,190
Outside services	287,748	6,121	18,777	312,646
Payroll and training	767,866	73,165	137,316	978,347
Postage	18,325	2,669	6,079	27,073
Professional fees	32,783	65,455	16,489	114,727
Rent	26,123	12,814	12,814	51,751
Small equipment	36,952	3,821	1,206	41,979
Supplies	27,550	14,369	32,699	74,618
Taxes	5,620	266	2,090	7,976
Travel	73,723	1,012	5,495	80,230
Utilities	49,214	3,133	1,783	54,130
	<u>\$ 1,840,089</u>	<u>\$ 271,821</u>	<u>\$ 303,743</u>	<u>\$ 2,415,653</u>

See the accompanying notes to the combined financial statements.

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

	<b>Years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 870,569	\$ 1,022,059
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	164,432	136,920
Amortization	35,393	23,435
Gain on currency translation	(17,925)	(47,516)
(Increase) decrease in current assets:		
Accounts receivable	(394,488)	184,568
Pledges receivable	518,539	(716,181)
Inventory	(3,373)	6,388
Prepaid expenses	(3,355)	101,514
Other assets	(1,348)	(11,350)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	(22,211)	(47,556)
Deferred revenue	634	1,650
	<u>1,146,867</u>	<u>653,931</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(295,091)	(164,073)
Purchases of intangible assets	(289,326)	(44,119)
	<u>(584,417)</u>	<u>(208,192)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on line of credit	-	(34,257)
Proceeds from long term debt	-	37,624
Payments on long term debt	(69,627)	(47,245)
	<u>(69,627)</u>	<u>(43,878)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<u>37,404</u>	<u>13,755</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	530,227	415,616
Cash and cash equivalents at beginning of year	<u>1,487,718</u>	<u>1,072,102</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 2,017,945</u>	<u>\$ 1,487,718</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	<u>\$ 29,915</u>	<u>\$ 31,407</u>

See the accompanying notes to the combined financial statements.

**POLAR BEARS INTERNATIONAL**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**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, 2021 and 2020**

**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, discounted at the short term prime interest rate (3.25% as of December 31, 2021). Amortization of the discounts is included in contribution revenue.

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, 2021 and 2020**

**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 \$719,293 and \$384,571 as of December 31, 2021 and 2020, 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, 2021 and 2020, 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 insurance and special events.

**Deposit on Construction Contract:**

Deposit on construction contract consists of amounts paid to the Organization's attorneys to be held back until construction deficiencies are remedied. The construction deficiencies are expected to be completed during 2022.

**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.

**POLAR BEARS INTERNATIONAL**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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.

**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 is received. 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.

**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 associated to this translation for the years ended December 31, 2021 and 2020 was \$17,925 and \$47,516, respectively.

**POLAR BEARS INTERNATIONAL**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**2. PLEDGES RECEIVABLE**

Pledges receivable (unconditional promises to give) at December 31, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 322,752	\$ 307,008
One to five years	<u>500,900</u>	<u>750,000</u>
	823,652	1,057,008
Less: discount to present value	<u>(30,408)</u>	<u>(56,786)</u>
Pledges receivable, net of discount	793,244	1,000,222
Less: current portion	<u>(322,752)</u>	<u>(307,008)</u>
Pledges receivable, net of discount and current portion	<u>\$ 470,492</u>	<u>\$ 693,214</u>

**3. FAIR VALUE MEASUREMENTS**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy under ASC 820 are described as follows:

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

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

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

**POLAR BEARS INTERNATIONAL**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**3. FAIR VALUE MEASUREMENTS (Continued)**

Fair values of assets measured on a recurring basis at December 31, 2021 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pledges receivable	\$ -	\$ -	\$ -	\$ 793,244

Fair values of assets measured on a recurring basis at December 31, 2020 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pledges receivable	\$ -	\$ -	\$ -	\$ 1,000,222

Unconditional promises to give (pledges receivable) are reported at net realizable value if at the time the promise is made payment is expected to be received in one year or less. Unconditional promises that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods because the Organization elected the fair value option in accordance with generally accepted accounting principles. Management believes that the use of fair value reduces the cost of measuring unconditional promises to give in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those promises were measured using present value techniques and historical discount rates. The change in the fair value of the unconditional promises expected to be collected in more than one year is reported as contribution revenue.

The reconciliation of the changes in the pledges receivable measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is as follows:

	<u>2021</u>	<u>2020</u>
Pledges receivable, beginning of year	\$ 1,000,222	\$ 289,265
Additional pledges	73,768	1,262,572
Payments received	(307,124)	(494,829)
Change in discount (contribution revenue)	<u>26,378</u>	<u>(56,786)</u>
Pledges receivable, end of year	<u>\$ 793,244</u>	<u>\$ 1,000,222</u>

**4. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 37,769	\$ 37,483
Furniture and fixtures	31,263	25,075
Buildings and improvements	3,507,793	3,402,561
Machinery and equipment	694,514	522,117
Accumulated depreciation	<u>(680,458)</u>	<u>(515,850)</u>
	<u>\$ 3,590,881</u>	<u>\$ 3,471,386</u>



**POLAR BEARS INTERNATIONAL**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**4. PROPERTY AND EQUIPMENT (Continued)**

Depreciation expense for the years ended December 31, 2021 and 2020 was \$164,432 and \$136,920, respectively.

**5. INTANGIBLE ASSETS**

Intangible assets consist of the following as of December 31, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Website design	\$ 455,427	\$ 167,625
Accumulated depreciation	(133,150)	(97,356)
	\$ 322,277	\$ 70,269

Amortization expense for the years ended December 31, 2021 and 2020 was \$35,393 and \$23,435, respectively.

**6. LINE OF CREDIT**

The Organization has an account that functions as a line of credit from the Canadian Imperial Bank of Commerce, due on demand, interest rate at prime plus 0.50%, that allows maximum borrowings of \$39,507, Facility A. The line is secured by the Organization's property in Manitoba. The balance for both years ended December 31, 2021 and 2020 was \$0.

**7. NOTES PAYABLE**

The following is a schedule of notes payable as of December 31, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Note payable, Facility B, to 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. The note payable was extended in January 2021. The new terms of the note payable require monthly payments of \$697, including interest of 2.438%, through December 1, 2025, with a final payment of accrued interest and principal on January 1, 2026.	\$ 61,765	\$ 68,107

**POLAR BEARS INTERNATIONAL**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**7. NOTES PAYABLE (Continued)**

	<b>2021</b>	<b>2020</b>
<p>Note payable, Facility C, to 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 has not yet been renegotiated the interest rate effective January 2022 is variable and is 3.70%, The loan is secured by the Organization's property in Manitoba.</p>	61,787	68,218
<p>Note payable, Facility D, to 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.</p>	496,100	547,072
<p>Note payable, Canada Emergency Business Account, to Canadian Imperial Bank of Commerce in the amount of \$31,367; dated September 8, 2020; There is no required principal repayment and the loan does not accrue interest through December 31, 2022. The amount of forgiveness available is 25% of the amount the Organization repays by December 31, 2022. On January 12, 2022, the Department of Finance Canada extended the repayment deadline for CEBA loans from December 31, 2022 to December 31, 2023 for all borrowers in good standing. If the loan is not repaid by December 31, 2023, the loan requires monthly interest payments at 5% until the loan is paid off or required maturity date of December 31, 2025 (see Note 17).</p>	31,606	31,367
	651,258	714,764
Less: current portion	(126,369)	(68,412)
Long-term portion	\$ 524,889	\$ 646,352

**POLAR BEARS INTERNATIONAL**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**7. NOTES PAYABLE (Continued)**

Notes payable mature as follows:

2022		\$	126,369	
2023			67,345	
2024			385,678	
2025			39,137	
2026			<u>32,729</u>	
				<u>\$ 651,258</u>

During 2020, as a result of the COVID-19 coronavirus pandemic the Organization was not required to make note payments on Facilities B, C, and D for the months of May through July 2020. At the end of July 2020 the accrued interest was added to the principal balance of the note payable.

Interest expense during the years ended December 31, 2021 and 2020 was \$29,698 and \$31,298, respectively.

**8. ACCRUED COMPENSATED ABSENCES**

The Organization's policy for compensated absences allows employees to accrue vacation based on years of service. Earned and unused vacation is paid out on discharge of employment. At December 31, 2021 and 2020, the amount of accrued compensated absences included in accrued payroll liabilities was \$59,747 and \$44,127, respectively.

**9. IN-KIND SUPPORT**

The following in-kind support was recognized for the year ended December 31, 2021:

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Advertising and promotion	\$ 40,303	\$ -	\$ -	\$ 40,303
Cost of merchandise	-	-	2,503	2,503
Development	-	650	-	650
Equipment rental/maintenance	195,956	-	6,981	202,937
Outside services	152,565	3,200	-	155,765
Professional fees	-	5,212	-	5,212
Travel	<u>241</u>	<u>-</u>	<u>-</u>	<u>241</u>
	<u>\$ 389,065</u>	<u>\$ 9,062</u>	<u>\$ 9,484</u>	<u>\$ 407,611</u>

In addition, for the year ended December 31, 2021, in-kind support in the amount of \$21,335 was capitalized as website development.

**POLAR BEARS INTERNATIONAL**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**9. IN-KIND SUPPORT (Continued)**

The following in-kind support was recognized for the year ended December 31, 2020:

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Advertising and promotion	\$ 65,490	\$ -	\$ 9	\$ 65,499
Cost of merchandise sold	25	-	25	50
Development	-	94	525	619
Equipment rental/maintenance	148,304	-	-	148,304
Outside services	47,069	-	-	47,069
Other operating	560	-	-	560
Professional fees	1,716	572	572	2,860
Small Equipment	5	2	3	10
Supplies	-	50	259	309
	<u>\$ 263,169</u>	<u>\$ 718</u>	<u>\$ 1,393</u>	<u>\$ 265,280</u>

**10. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specific purpose:		
Maternal Den	\$ 41,789	\$ 9,843
Arctic Documentary Project	53,612	44,595
Barents Sea - WNEF	59,241	29,496
HB Sea Ice Ecology Project	-	8,627
Polar Bear Safe Communities	135,533	-
Synthetic Aperture Radar	24,463	-
Utah Hogle Zoo - RF Spotter Project	6,643	7,341
Utah Hogle Zoo - Conservation Research	10,000	10,000
Polar Bear International House #2	80,880	112,035
RBC Radar	29,604	-
Kansas City Zoo - Isotope Study	-	3,592
Kansas City Zoo - Adhesive Tag	5,421	11,949
Point Defiance - Adhesive Tag	14,203	-
San Diego Zoo - Post Doctorate	8,008	-
Seneca Park Zoo	10,273	10,273
Point Defiance Zoo 2018-2019	-	13,724
Yorkshire Wildlife Park coloring book	4,981	16,500
Pledges receivable, the proceeds of which have been restricted for specific purpose:		
Sea Ice Ecology	10,000	10,000
Polar Bear International House	-	13,090
Polar Bear Safe Communities	<u>50,000</u>	<u>-</u>
	544,651	301,065

**POLAR BEARS INTERNATIONAL**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**10. NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

	<b>2021</b>	<b>2020</b>
Subject to the passage of time:		
Pledges receivable that are not restricted by donors, but which are unavailable for expenditure until due	733,244	977,132
	\$ 1,277,895	\$ 1,278,197

**11. OPERATING LEASE**

The Organization leases office space in Bozeman, Montana through an agreement that requires monthly payments of \$2,435, plus utilities beginning July 1, 2018, with incremental increases on July 1 of each year. During 2020, the Organization leased additional office space in the same location and monthly lease payments, including utilities effective July 1, 2020 were \$5,094. The Organization renewed their office space beginning July 1, 2021 in Bozeman, Montana and now occupies the full space. The lease requires monthly payments of \$6,932, plus utilities, with incremental increases on July 1 of each year, expiring July 2023 with the option to renew for an additional year. Rent expense for the space for the years ended December 31, 2021 and 2020 was \$74,824 and \$51,052, respectively.

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

2022	\$	84,852
2023		88,248
		\$ 173,100

**12. 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 with donor restrictions and without donor restrictions, and sponsorships. Total board member contributions, both with and without donor restrictions, were \$46,747 and \$78,149 for the years ended December 31, 2021 and 2020, respectively. Sponsorships from related parties totaled \$1,379,386 and \$155,101 for the years ended December 31, 2021 and 2020, respectively. For the years ended December 31, 2021 and 2020, contributions from other related parties totaled \$21,170 and \$100,015, respectively. Amounts included in accounts receivable for expense reimbursements from board members and board member affiliated organizations for the years ended December 31, 2021 and 2020, amounted to \$21,969 and \$656, respectively.

During the years ended December 31, 2021 and 2020, the Organization paid professional fees for services to a business of a board member in the amount of \$12,687 and \$16,972, respectively.

During the year ended December 31, 2021, the Organization purchased a vehicle from a dealership owned by a board member in the amount of \$34,652.

**POLAR BEARS INTERNATIONAL**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**13. CONCENTRATIONS**

During 2021, the Organization received \$1,379,386 in revenue and support from one donor, which represents approximately 33% of its revenue and support for the year. In addition, 91% of pledges were receivable from one donor at December 31, 2021.

During 2020, the Organization received \$1,250,000 in revenue and support from one donor, not the same donor as 2021 referenced above, which represents approximately 37% of its revenue and support for the year. In addition, 94% of pledges were receivable from one donor at December 31, 2020.

**14. RETIREMENT PLAN**

The Organization sponsors a SIMPLE IRA plan. The Organization matches participant contributions to the Plan up to 3% of the individual participant's compensation. Total expense for the years ended December 31, 2021 and 2020 was \$28,090 and \$19,151, respectively.

**15. LIQUIDITY AND AVAILABILITY**

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

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash and cash equivalents	\$ 2,017,945	\$ 1,487,718
Accounts receivable	129,663	46,867
Pledges receivable	<u>793,244</u>	<u>1,000,222</u>
	<u>2,940,852</u>	<u>2,534,807</u>
Unavailable for general expenditure in one year		
Pledges receivable - due in more than one year	<u>470,492</u>	<u>693,214</u>
Total financial resources available for general expenditure	<u>\$ 2,470,360</u>	<u>\$ 1,841,593</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 6.

**POLAR BEARS INTERNATIONAL**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**16. 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, 2021. 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.

**17. PAYCHECK PROTECTION PROGRAM LOAN AND COVID-19 FUNDING**

In January 2021, the Organization was granted a \$170,737 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and fully guaranteed by the Federal government. The Organization met the substantial requirements for forgiveness of the loan and was formally approved for full forgiveness in September 2021 and has recorded the funds as grant revenue during 2021.

In April 2020, the Organization was granted a \$170,738 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and fully guaranteed by the Federal government. The Organization met the substantial requirements for forgiveness of the loan and was formally approved for full forgiveness in December 2020 and has recorded the funds as grant revenue during 2020.

Additionally, during 2020 the Organization received COVID-19 related funding from the government of Canada in the amount of \$31,606, through the Canada Emergency Business Account (CEBA) Loan program at the Canadian Imperial Bank of Commerce. There is no principal repayment required and the loan does not accrue interest through December 31, 2022. The amount of forgiveness available is 25% of the amount the Organization repays by December 31, 2022. If the loan is not repaid by December 31, 2022, the loan requires monthly interest payments at 5% until the loan is paid off or required maturity date of December 31, 2025. On January 12, 2022, the Department of Finance Canada extended the repayment deadline for CEBA loans from December 31, 2022 to December 31, 2023 for all borrowers in good standing. The other terms remained unchanged.

**18. COMMITMENT**

During 2020, the Organization entered into an agreement with Environment and Climate Change Canada (ECCC), a division of the Minister of the Environment. The agreement is through February 1, 2023 and is for a research project related to polar bears and climate change. The Organization has committed to provide funds to ECCC for eligible expenses up to \$62,734 through December 31, 2022. The amount provided by the Organization through December 31, 2021 and 2020 totaled \$30,887 and \$14,930, respectively.

**POLAR BEARS INTERNATIONAL**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**19. SUBSEQUENT EVENTS**

On January 12, 2022, the Department of Finance Canada extended the repayment deadline for CEBA loans from December 31, 2022 to December 31, 2023 for all borrowers in good standing. The other terms remained unchanged (see Notes 7 and 17).

Date of Management Evaluation

Management has evaluated subsequent events through April 13, 2022, the date on which the financial statements were available to be issued.