POLAR BEARS INTERNATIONAL

AUDITED COMBINED FINANCIAL STATEMENTS

December 31, 2022 and 2021

AMATICS
CPA GROUP

POLAR BEARS INTERNATIONAL
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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, 2022 and 2021, 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, 2022 and 2021, 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 auditors' 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
May 10, 2023

POLAR BEARS INTERNATIONAL
COMBINED STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31 2022	December 31 2021
CURRENT ASSETS		
Cash and cash equivalents	$ 2,526,544	$ 2,017,945
Accounts receivable	27,256	129,663
Pledges receivable, current portion	579,746	322,752
Inventory	25,276	11,796
Prepaid expenses	118,725	31,790
Security deposit	787	787
Deposit on construction contract	-	131,999
	3,278,334	2,646,732
PROPERTY AND EQUIPMENT, net	3,562,150	3,590,881
OTHER ASSETS		
Pledges receivable, net of discount and current portion	357,733	470,492
Right-of-use assets	138,559	-
Intangible assets, net	266,462	322,277
	762,754	792,769
Total assets	$ 7,603,238	$ 7,030,382

LIABILITIES AND NET ASSETS

	December 31 2022	December 31 2021
CURRENT LIABILITIES		
Accounts payable	$ 53,804	$ 14,534
Credit card payables	19,814	19,040
Accrued payroll liabilities	182,131	156,546
Accrued interest	1,594	2,146
Construction liability	498,618	-
Refundable advances	174,494	2,284
Current portion lease liabilities	86,902	-
Current portion of notes payable	62,791	126,369
	1,080,148	320,919
LONG-TERM LIABILITIES		
Lease liabilities, net of current portion	45,456	-
Notes payable, net of current portion	426,737	524,889
	472,193	524,889
NET ASSETS		
Without donor restrictions	4,532,808	4,906,679
With donor restrictions	1,518,089	1,277,895
	6,050,897	6,184,574
Total liabilities and net assets	$ 7,603,238	$ 7,030,382

See the accompanying notes to the combined financial statements.

POLAR BEARS INTERNATIONAL
COMBINED STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	$ 3,147,344	$ 727,446	$ 3,874,790
Grants and contracts	83,235	246,568	329,803
Special events revenue, less cost of direct donor benefits of $32,330	32,162	-	32,162
In-kind support	660,674	-	660,674
Satisfaction of restrictions	733,820	(733,820)	-
Total revenue and support	4,657,235	240,194	4,897,429
EXPENSES			
Program services	3,855,014	-	3,855,014
General and administrative	289,479	-	289,479
Fundraising expenses	600,686	-	600,686
Total expenses	4,745,179	-	4,745,179
OTHER INCOME (EXPENSE)			
Loss on currency translation	(294,599)	-	(294,599)
Interest income	195	-	195
Other income	8,477	-	8,477
Total other income (expense)	(285,927)	-	(285,927)
CHANGE IN NET ASSETS	(373,871)	240,194	(133,677)
Net assets at beginning of year	4,906,679	1,277,895	6,184,574
NET ASSETS AT END OF YEAR	$ 4,532,808	$ 1,518,089	$ 6,050,897

See the accompanying notes to the combined financial statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
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)	-
Total revenue and support	4,180,511	(302)	4,180,209
EXPENSES			
Program services	2,671,338	-	2,671,338
General and administrative	278,816	-	278,816
Fundraising expenses	382,268	-	382,268
Total expenses	3,332,422	-	3,332,422
OTHER INCOME			
Gain on currency translation	17,925	-	17,925
Interest income	1,356	-	1,356
Other income	3,501	-	3,501
Total other income (expense)	22,782	-	22,782
CHANGE IN NET ASSETS	870,871	(302)	870,569
Net assets at beginning of year	4,035,808	1,278,197	5,314,005
NET ASSETS AT END OF YEAR	$ 4,906,679	$ 1,277,895	$ 6,184,574

See the accompanying notes to the combined financial statements.

POLAR BEARS INTERNATIONAL
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2022

	Program	General and Administrative	Fundraising	Total
Advertising and promotion	$ 142,450	$ 214	$ 1,477	$ 144,141
Amortization	40,450	-	32,806	73,256
Bank charges	-	9,370	155	9,525
Cost of merchandise sold	-	-	24,219	24,219
Depreciation	174,129	21,978	-	196,107
Development	35,655	436	16,867	52,958
Equipment rental/maintenance	536,070	1,526	153,918	691,514
Grants	3,769	-	-	3,769
Insurance	73,761	8,277	13,250	95,288
Interest expense	-	23,206	-	23,206
Licenses and fees	945	8,726	3,037	12,708
Other operating expenses	41,432	3,695	6,136	51,263
Outside services	790,624	11,965	17,205	819,794
Payroll and training	1,230,022	92,510	236,186	1,558,718
Postage	41,109	1,594	3,645	46,348
Professional fees	45,126	34,670	8,448	88,244
Rent	40,678	19,965	19,963	80,606
Small equipment	56,946	5,485	4,041	66,472
Supplies	111,316	16,533	31,594	159,443
Taxes	37,318	142	4,550	42,010
Travel	406,210	26,087	21,651	453,948
Utilities	47,004	3,100	1,538	51,642
	$ 3,855,014	$ 289,479	$ 600,686	$ 4,745,179

See the accompanying notes to the combined financial statements.

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

	Program	General and Administrative	Fundraising	Total
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
	$ 2,671,338	$ 278,816	$ 382,268	$ 3,332,422

See the accompanying notes to the combined financial statements.

POLAR BEARS INTERNATIONAL
COMBINED STATEMENTS OF CASH FLOWS

	Years ended December 31	
	2022	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (133,677)	$ 870,569
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	196,107	164,432
Amortization	73,256	35,393
(Gain) loss on currency translation	294,599	(17,925)
Donated inventory	(8,150)	-
(Increase) decrease in current assets:		
Accounts receivable	97,882	(83,588)
Pledges receivable	(155,365)	207,639
Inventory	(5,671)	(3,373)
Prepaid expenses	(92,561)	(3,355)
Right-of-use asset	75,015	-
Other assets	-	(1,348)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	67,778	(22,211)
Lease liability	(81,216)	-
Construction liability	520,430	-
Refundable advances	179,625	634
Net cash provided by operating activities	1,028,052	1,146,867
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(289,252)	(295,091)
Purchases of intangible assets	(36,514)	(289,326)
Net cash used by investing activities	(325,766)	(584,417)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long term debt	(123,037)	(69,627)
Net cash used by financing activities	(123,037)	(69,627)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(70,650)	37,404
NET CHANGE IN CASH AND CASH EQUIVALENTS	508,599	530,227
Cash and cash equivalents at beginning of year	2,017,945	1,487,718
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,526,544	$ 2,017,945
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 26,947	$ 29,915

See the accompanying notes to the combined financial statements.

POLAR BEARS INTERNATIONAL
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2022 and 2021

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.

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 (7.27% as of December 31, 2022). 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.

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 $787,488 and $719,293 as of December 31, 2022 and 2021, respectively.

The Organization also maintains some of its cash balances in various financial institutions in Canada whose cash deposits are insured up to 100,000 in Canadian dollars by the Canada Deposit Insurance Corporation (CDIC). Cash deposits of the Organization in excess of CDIC limits converted to US dollars were $982,331 and $620,232 as of December 31, 2022 and 2021, 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, 2022 and 2021, 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:

At December 31, 2021, 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 were expected to be completed during 2022. See Note 19.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Also, included in intangible assets is a trademark which is deemed to have an indefinite life and will be evaluated for impairment on an annual basis.

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.

Adoption of New Guidance:

Effective January 1, 2022, the Organization retroactively adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit* (Topic 958): *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, that impacts the accounting for revenue and support. The new guidance requires the Organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and disclose the amount of contributed nonfinancial assets recognized by category. The additional disclosure requires the Organization to disclose the following for each category: qualitative information; the Organization's policy (if any) about monetizing rather than utilizing the contributed nonfinancial asset; description of donor-imposed restrictions; description of valuation techniques and inputs used to arrive at fair value; and the principal market used to arrive at fair value measure if it is in a market in which the recipient not-for-profit is prohibited by donor-imposed restriction from selling or using the contributed nonfinancial assets. Adoption of this standard did not have a significant impact on the financial statements. See Note 9.

Effective January 1, 2022, the Organization adopted FASB ASC 842, *Leases*, which modifies lease accounting for lessees to increase transparency and comparability by recording lease assets and lease liabilities for operating leases and disclosing key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. Leases with a term of less than 12 months will not record a right-of-use asset and lease liability and the payments will be recognized into the statement of activities over the lease term.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Guidance (Continued):

The Organization adopted the new lease standard utilizing the modified retrospective transition method, under which amounts in prior periods presented were not restated. Upon adoption, the Organization recorded \$213,574 of right-of-use assets and \$211,712 of lease liabilities on the statement of financial position. See Note 11.

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. Conditional awards, having both the existence of a barrier and right of return to the resource provider, are classified as refundable advances when received as a cash advance and are recognized as revenue when the awards are expended for the purposes of the award or other conditions are satisfied.

Refundable Advances:

Refundable advances consist of sponsorships for special events that have not occurred at December 31 and a conditional award that has been received in advance of conditions and purposes of the award having been satisfied.

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) gain associated to this translation for the years ended December 31, 2022 and 2021 was \$(294,599) and \$17,925, respectively.

2. PLEDGES RECEIVABLE

Pledges receivable (unconditional promises to give) at December 31, 2022 and 2021, are as follows:

	2022	2021
Amounts due in:		
Less than one year	$ 579,746	$ 322,752
One to five years	397,390	500,900
	977,136	823,652
Less: discount to present value	(39,657)	(30,408)
Pledges receivable, net of discount	937,479	793,244
Less: current portion	(579,746)	(322,752)
Pledges receivable, net of discount and current portion	$ 357,733	$ 470,492

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.

3. FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured on a recurring basis at December 31, 2022 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Pledges receivable	$ 937,479	$ -	$ -	$ 937,479

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

	Fair Value	Level 1	Level 2	Level 3
Pledges receivable	$ 793,244	$ -	$ -	$ 793,244

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:

	2022	2021
Pledges receivable, beginning of year	$ 793,244	$ 1,000,222
Additional pledges	472,645	73,768
Payments received	(319,161)	(307,124)
Change in discount (contribution revenue)	(9,249)	26,378
Pledges receivable, end of year	$ 937,479	$ 793,244

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2022 and 2021:

	2022	2021
Land	$ 35,595	$ 37,769
Furniture and fixtures	31,263	31,263
Buildings and improvements	3,444,642	3,507,793
Machinery and equipment	852,015	694,514
Accumulated depreciation	(801,365)	(680,458)
	$ 3,562,150	$ 3,590,881

Depreciation expense for the years ended December 31, 2022 and 2021 was $196,107 and $164,432, respectively.

5. INTANGIBLE ASSETS

Intangible assets consist of the following as of December 31, 2022 and 2021:

	2022	2021
Website design	$ 320,905	$ 455,427
Trademark	25,952	-
Accumulated amortization	(80,395)	(133,150)
	$ 266,462	$ 322,277

Amortization expense for the years ended December 31, 2022 and 2021 was $73,256 and $35,393, 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 $36,847, Facility A. The line is secured by the Organization's property in Manitoba. The balance for both years ended December 31, 2022 and 2021 was $0.

7. NOTES PAYABLE

The following is a schedule of notes payable as of December 31:

	2022	2021
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.	$ 51,077	$ 61,765
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 is secured by the Organization's property in Manitoba.	-	61,787

7. NOTES PAYABLE (Continued)

	2022	2021
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.	408,974	496,100
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).	29,477	31,606
	489,528	651,258
Less: current portion	(62,791)	(126,369)
Long-term portion	$ 426,737	$ 524,889

Notes payable mature as follows:

2023	$ 62,791	
2024	359,710	
2025	36,502	
2026	30,525	
		$ 489,528

Interest expense during the years ended December 31, 2022 and 2021 was $23,206 and $29,698, 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, 2022 and 2021, the amount of accrued compensated absences included in accrued payroll liabilities was $63,601 and $59,747, respectively.

9. CONTRIBUTED NONFINANCIAL ASSETS

The following in-kind support was recognized for the year ended December 31, 2022:

	Program	General and Administrative	Fundraising	Total
Advertising and promotion	$ 110,246	$ -	$ -	$ 110,246
Development	400	-	308	708
Equipment rental/maintenance	256,363	-	-	256,363
Outside services	271,691	-	-	271,691
Small equipment	923	-	-	923
Supplies	-	288	133	421
Travel	12,172	-	-	12,172
	$ 651,795	$ 288	$ 441	$ 652,524

In addition, for the year ended December 31, 2022, in-kind support in the amount of $8,150 was included in inventory asset - auction items.

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

	Program	General and Administrative	Fundraising	Total
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	241	-	-	241
	$ 389,065	$ 9,062	$ 9,484	$ 407,611

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

In general, donated goods and services are reported at estimated fair value based on the retail prices to purchase similar items or comparable rates to obtain similar services.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2022 and 2021.

	2022	2021
Subject to expenditure for specific purpose:		
Arctic Documentary Project	$ 42,671	$ 53,612
Barents Sea - WNEF	-	59,241
Churchill Programs	22,898	-
Dumpster drive	100	-
Indigenous Knowledge Study of Human-Polar Bear Churchill	22,899	-
Kansas City Zoo - Adhesive Tag	6,712	5,421
Maternal Den Monitoring	199,666	41,789
Point Defiance - Adhesive Tag	-	14,203
Point Defiance Zoo 2021-2022	26,968	-
Polar Bear International House #2	-	80,880
Polar Bear International Mars Centre	31,027	-
Polar Bear Safe Communities	147,235	135,533
RBC Radar	55,533	29,604
San Diego Zoo - Post Doctorate	-	8,008
Seneca Park Zoo	-	10,273
Synthetic Aperture Radar	23,802	24,463
Utah Hogle Zoo - Conservation Research	-	10,000
Utah Hogle Zoo - RF Spotter Project	-	6,643
Yorkshire Wildlife Park coloring book	1,099	4,981
	580,610	484,651
Pledges receivable, the proceeds of which have been restricted for specific purpose:		
Maternal Den Monitoring	78,000	-
Polar Bear Safe Communities	-	50,000
Sea Ice Ecology	-	10,000
	658,610	544,651
Subject to the passage of time:		
Pledges receivable that are not restricted by donors, but which are unavailable for expenditure until due	859,479	733,244
	$ 1,518,089	$ 1,277,895

11. LEASES

Lessee

The Organization leases office space in Bozeman, Montana under an operating lease that required monthly payments of $5,094, including utilities through July 1, 2021. The lease was renewed July 1, 2021 for two years with an option to extend for an additional year through July 1, 2024. The Organization is reasonably certain that the option will be exercised and therefore, the lease term used in calculating the lease liabilities include the renewal option. The lease has fixed payments that include a fixed amount for utilities. The lease requires monthly payments, including utilities of $6,932 through July 1, 2022, $7,210 through July 1, 2023, and $7,498 through July 1, 2024. Lease expense under these operating leases for the year ended December 31, 2021 was $72,154.

The Organization also leases a copier under a 60 month operating lease that began in March 2019. The lease requires monthly payments of $245 through February 2024. Lease expense for the year ended December 31, 2021 was $2,940.

The Organization made $87,792 of cash payments related to operating leases for the year ended December, 31, 2022. Lease expense under these lease agreements for the year ended December 31, 2022 was $83,454. Noncash activities for 2022 included right-of-use assets of $213,574 obtained in exchange for lease liabilities in the amount of $211,712.

The following table shows right-of-use assets and lease liabilities as of December 31, 2022:

	2022
Right-of-use assets	
Operating leases	$ 138,559
Lease liabilities	
Operating leases	$ 132,358

Future minimum lease liabilities payments as of December 31, 2022, are as follows:

2023	$ 91,188	
2024	45,478	
Total lease payments		$ 136,666
Less: imputed interest		(4,308)
Total present value of lease payments		132,358
Less: current portion of lease liability		(86,902)
Total long-term lease liabilities		$ 45,456

11. LEASES (Continued)

The weighted-average remaining lease term and discount rate related to the Organization's lease liabilities as of December 31, 2022 were 1.49 years and 5%, respectively. The discount rates are generally based on estimates of the Organization's incremental borrowing rate, as the discount rates implicit in the Organization's leases cannot be readily determined.

Lessor
The Organization subleases a portion of its office space to another Organization. The lease has no formal agreement and is month-to-month. Lease income for the years ended December 31, 2022 and 2021 was $7,764 and $3,796, respectively.

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 $32,346 and $46,747 for the years ended December 31, 2022 and 2021, respectively. Sponsorships from related parties totaled $0 and $1,379,386 for the years ended December 31, 2022 and 2021, respectively. For the years ended December 31, 2022 and 2021, contributions from other related parties totaled $61,545 and $21,170, respectively. Amounts included in accounts receivable for expense reimbursements from board members and board member affiliated organizations for the years ended December 31, 2022 and 2021, amounted to $0 and $21,969, respectively.

During the years ended December 31, 2022 and 2021, the Organization paid professional fees for services to a business of a board member in the amount of $14,217 and $12,687, respectively.

During the years ended December 31, 2022 and 2021, the Organization purchased a vehicle from a dealership owned by a board member in the amount of $38,876 and $34,652, respectively.

13. CONCENTRATIONS

During 2022, the Organization received $699,064 in revenue and support from one donor, which represents 14% of its revenue and support for the year. In addition, 66% of pledges were receivable from two donors at December 31, 2022.

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.

14. RETIREMENT PLAN

The Organization sponsors a SIMPLE IRA plan. The Organization also sponsors a Canadian Common Good Plan for eligible participants. The Organization matches participant contributions for both Plans up to 3% of the individual participant's compensation. Total expense for the years ended December 31, 2022 and 2021 was $34,771 and $25,836, 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:

	2022	2021
Financial assets		
Cash and cash equivalents	$ 2,526,544	$ 2,017,945
Accounts receivable	27,256	129,663
Pledges receivable	937,479	793,244
	3,491,279	2,940,852
Unavailable for general expenditure in one year		
Pledges receivable - due in more than one year	357,733	470,492
Total financial resources available for general expenditure	$ 3,133,546	$ 2,470,360

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.

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, 2022. 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.

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 $58,956 through December 31, 2022. The amount provided by the Organization through December 31, 2022 and 2021 totaled $46,271 and $30,887, respectively.

19. CONSTRUCTION CONTRACT DEPOSIT AND LIABILITY

The Organization has been in a dispute with the construction contractor regarding the construction of one of its buildings in Canada since 2019. During that time the Organization has sought remedy from the contractor to complete certain deficiencies in the building. In 2019, the Organization deposited with its attorney the estimated amount of the remaining contract to hold in escrow as a good faith deposit for the contractor. During, that time the Organization capitalized the amount that had been billed by the contractor but that was paid to the attorney instead of the contractor due to the deficiencies and recorded the remaining estimated contract amount paid to its attorney as a construction contract deposit. See Note 1. During 2022, the Organization's attorney returned the funds to the Organization. During 2022, the Organization elected to capitalize the remaining estimated amount of the contract, $123,300, not yet invoiced into buildings and recorded a liability for the total estimated liability of $498,618 at December 31, 2022. The statute of limitations for negligence or breach of contract in the construction industry for the recovery of these construction funds by a contractor in Canada is six years, at December 31, 2022, there were four years left. Once the statute of limitations of six years has expired without demand of payment from the contractor or other resolution, the Organization may relieve the payable through contributions.

20. SUBSEQUENT EVENTS

Date of Management Evaluation
Management has evaluated subsequent events through May 10, 2023, the date on which the financial statements were available to be issued.