AMERICAN PRAIRIE FOUNDATION dba
AMERICAN PRAIRIE RESERVE

AUDITED FINANCIAL STATEMENTS

December 31, 2013 and 2012

AMATICS
CPA GROUP

AMERICAN PRAIRIE FOUNDATION dba
AMERICAN PRAIRIE RESERVE
CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
American Prairie Foundation dba American Prairie Reserve
Bozeman, MT

We have audited the accompanying consolidated financial statements of American Prairie Foundation (a nonprofit corporation) dba American Prairie Reserve (the Reserve) and affiliate, which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. We have also audited the accompanying financial statements of American Prairie Reserve, which comprise the statement of financial position as of December 31, 2012, and the related statements of income, retained earnings, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

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

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

Opinion
In our opinion, the 2013 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Prairie Reserve and affiliate as of December 31, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the 2012 financial statements present fairly, in all material respects, the financial position of American Prairie Reserve as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Amatics CPA Group
Bozeman, Montana
June 10, 2014

AMERICAN PRAIRIE FOUNDATION dba
AMERICAN PRAIRIE RESERVE
STATEMENTS OF FINANCIAL POSITION

	December 31 2013	December 31 2012
ASSETS		
CURRENT ASSETS		
Cash	$ 3,536,224	$ 18,471,411
Cash, temporarily restricted	108,090	13,090
Cash - Wild Sky, LLC	61,595	-
Accounts receivable - Wild Sky, LLC	2,501	-
Pledges receivable - current portion	1,461,250	1,086,250
Grants receivable	-	136,717
Prepaid expenses	52,905	-
Other current assets	7,465	7,465
	5,230,030	19,714,933
FIXED ASSETS		
Buildings	1,826,963	1,423,236
Kestrel Camp	1,520,207	-
Furniture and fixtures	75,379	72,700
Equipment	1,049,719	783,542
Construction in process	15,000	1,012,989
	4,487,268	3,292,467
Less: accumulated depreciation	(1,181,531)	(968,446)
	3,305,737	2,324,021
OTHER ASSETS		
Pledges receivable, net of discount and current portion	2,720,058	1,675,033
Board restricted cash	49,123	45,975
Animals, at cost	97,206	97,206
Software, net of $24,278 and $23,419 of accumulated amortization	-	859
Investments	11,095,238	894,659
Conservation lands	24,210,159	24,204,789
	38,171,784	26,918,521
Total assets	$ 46,707,551	$ 48,957,475

See the accompanying notes to financial statements.

AMERICAN PRAIRIE FOUNDATION dba
AMERICAN PRAIRIE RESERVE
STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	December 31	
	2013	**2012**
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 72,211	$ 101,978
Accounts payable - Wild Sky, LLC	4,014	-
Accrued expenses	41,474	39,049
Accrued variable compensation and compensated absences	48,113	35,656
Flex spending liability	5,582	4,148
Accrued interest	99,071	118,549
Current portion of lease payable	-	2,237
Current portion of notes payable	951,282	659,455
	1,221,747	961,072
OTHER LIABILITIES		
Lease payable, net of current portion	-	3,012
Notes payable, net of current portion	6,647,707	10,468,718
	6,647,707	10,471,730
NET ASSETS		
Unrestricted net assets	20,363,358	21,663,035
Temporarily restricted net assets	2,240,152	3,079,274
Permanently restricted net assets	16,234,587	12,782,364
	38,838,097	37,524,673
Total liabilities and net assets	$ 46,707,551	$ 48,957,475

See the accompanying notes to financial statements.

AMERICAN PRAIRIE FOUNDATION dba
AMERICAN PRAIRIE RESERVE
STATEMENTS OF ACTIVITIES

	Years Ended December 31	
	2013	**2012**
UNRESTRICTED SUPPORT AND REVENUES		
Donations - unrestricted	$ 1,058,296	$ 11,668,038
Grants	1,600	-
In-kind contributions	13,911	42,747
Visitation income	105,840	5,485
Miscellaneous income	6,827	1,890
Net assets released from restrictions	1,287,580	10,400,989
Total unrestricted support and revenues	2,474,054	22,119,149
EXPENSES		
Program services	2,553,090	2,305,935
Management and general	929,720	784,021
Fundraising	609,230	677,102
Total expenses	4,092,040	3,767,058
OTHER INCOME (EXPENSE)		
Investment income	3,163	151,046
Loss on disposal of property and equipment	(686)	(6,922)
Lease income	297,547	243,907
Unrealized gains on investments	37,187	5,270
Wild Sky, LLC income, net of $3,965 in cost of goods sold and $17,329 in operating expenses (See Note 9)	(18,902)	-
Total other income (expense)	318,309	393,301
Increase (decrease) in unrestricted net assets	(1,299,677)	18,745,392
TEMPORARILY RESTRICTED NET ASSETS		
Donations - restricted	400,000	105,000
Grants	-	272,000
Investment income	48,458	9,198
Net assets released from restrictions	(1,287,580)	(10,400,989)
Decrease in temporarily restricted net assets	(839,122)	(10,014,791)
PERMANENTLY RESTRICTED NET ASSETS		
Donations - restricted	3,452,223	1,405,241
Increase in permanently restricted net assets	3,452,223	1,405,241
INCREASE IN NET ASSETS	1,313,424	10,135,842
Net assets, beginning of year	37,524,673	27,388,831
NET ASSETS, END OF YEAR	$ 38,838,097	$ 37,524,673

See the accompanying notes to financial statements.

AMERICAN PRAIRIE FOUNDATION dba
AMERICAN PRAIRIE RESERVE
STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2013			
	Program Services	Management and General	Fundraising	Totals
Amortization	$ -	$ 859	$ -	$ 859
Communications/marketing	61,869	17,505	26,267	105,641
Communications/infrastructure	40,883	7,165	6,513	54,561
Contracted services	77,229	45,701	13,973	136,903
Depreciation	-	279,269	-	279,269
Events and meetings	21,186	77,874	891	99,951
Interest expense	572,760	-	-	572,760
Office expenses	180,289	33,993	28,799	243,081
Officer compensation	237,476	71,243	166,233	474,952
Other salaries	622,695	274,252	178,245	1,075,192
Payroll taxes and employee benefits	202,607	66,078	70,704	339,389
Professional fees	64,509	27,730	7,563	99,802
Project area	265,266	-	-	265,266
Rent	61,173	19,626	17,842	98,641
Travel	145,148	8,425	92,200	245,773
	$ 2,553,090	$ 929,720	$ 609,230	$ 4,092,040

	Year Ended December 31, 2012			
	Program Services	Management and General	Fundraising	Totals
Amortization	$ -	$ 2,585	$ -	$ 2,585
Communications/marketing	63,296	8,044	35,938	107,278
Communications/infrastructure	30,600	11,607	10,551	52,758
Contracted services	38,458	42,535	15,000	95,993
Depreciation	-	199,388	-	199,388
Events and meetings	-	-	44,088	44,088
Interest expense	559,676	5,609	-	565,285
Office expenses	122,851	54,838	25,289	202,978
Officer compensation	224,041	67,212	156,830	448,083
Other salaries	590,187	223,864	203,512	1,017,563
Payroll taxes and employee benefits	173,979	65,992	59,992	299,963
Professional fees	217,974	8,265	-	226,239
Project area	143,916	-	-	143,916
Rent	62,721	23,791	21,627	108,139
Travel	78,236	70,291	104,275	252,802
	$ 2,305,935	$ 784,021	$ 677,102	$ 3,767,058

See the accompanying notes to financial statements.

AMERICAN PRAIRIE FOUNDATION dba
AMERICAN PRAIRIE RESERVE
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 1,313,424	$ 10,135,842
Adjustments to reconcile changes in net assets to cash provided (used) by operating activities:		
Amortization	859	2,585
Depreciation	279,269	199,388
Donated securities	(156,468)	(11,407,252)
Loss on disposal of property and equipment	686	6,922
Unrealized gains on investments	(37,187)	(5,270)
Contributions restricted for capital acquisition	(3,452,223)	(1,405,241)
Reinvested earnings on investments	(35,921)	(15,767)
Change in:		
(Increase) decrease in current assets:		
Pledges receivable	(1,420,025)	9,464,220
Grants receivable	136,717	(136,717)
Other current assets	(55,406)	36,993
Increase (decrease) in current liabilities:		
Accounts payable	(25,753)	(67,953)
Accrued expenses	2,425	(6,984)
Accrued compensation and compensated absences	12,457	11,550
Flex spending liability	1,434	2,306
Accrued interest	(19,478)	(7,862)
Net cash provided (used) by operating activities	(3,455,190)	6,806,760
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for animals	-	(26,133)
Payments for property and equipment	(1,246,671)	(65,350)
Payments for construction in progress	(15,000)	(1,012,989)
Payments for conservation lands	(5,370)	(504,774)
Proceeds from sale of property and equipment	-	2,250
Proceeds from sale of investments	1,299,924	11,447,587
Purchase of investments	(11,274,075)	(45,000)
Net cash provided (used) by investing activities	(11,241,192)	9,795,591

(continued)

See the accompanying notes to financial statements.

AMERICAN PRAIRIE FOUNDATION dba
AMERICAN PRAIRIE RESERVE
STATEMENTS OF CASH FLOWS (CONTINUED)

	Years Ended December 31	
	2013	**2012**
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for capital acquisition	$ 3,452,223	$ 1,405,241
Payments on line of credit	-	(400,000)
Payments on short term note payable	-	(100,000)
Principal payments on leases payable	(5,249)	(1,806)
Proceeds from notes payable	-	200,233
Principal payments on notes payable	(3,529,184)	(740,485)
Net cash provided (used) by financing activities	(82,210)	363,183
NET INCREASE (DECREASE) IN CASH	(14,778,592)	16,965,534
Cash at beginning of year	18,484,501	1,518,967
CASH AT END OF YEAR	$ 3,705,909	$ 18,484,501
CASH IS COMPRISED OF:		
Cash	$ 3,536,224	$ 18,471,411
Cash, temporarily restricted	108,090	13,090
Cash - Wild Sky, LLC	61,595	-
	$ 3,705,909	$ 18,484,501
NON-CASH INVESTING AND FINANCING		
Debt paid through issuance of debt	$ -	$ 5,695,616
Conservation lands acquired through issuance of debt	$ -	$ 4,750,000
Conservation lands acquired through application of options	$ -	$ 100,000
Increase in board restricted cash through proceeds from investments	$ 3,127	$ 20,000
CASH PAID FOR INTEREST	$ 592,238	$ 573,147

See the accompanying notes to financial statements.

AMERICAN PRAIRIE FOUNDATION dba
AMERICAN PRAIRIE RESERVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

The American Prairie Foundation dba American Prairie Reserve (the Reserve) is a tax-exempt organization as provided by Section 501(c)(3) and Section 509 of the Internal Revenue Code. The Reserve's mission is to meet the need for a nonprofit land trust to acquire, hold and manage properties for the American Prairie Reserve. The Reserve's goal is to assemble a prairie-based wildlife reserve that will protect a unique natural habitat, provide lasting economic benefits and improve public access.

Basis of Accounting:

The financial statements are reported on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Reserve and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate unrestricted net assets for specific purposes or programs.

- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Reserve and/or the passage of time.

- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that permanently restrict the use of the assets to be maintained by the Reserve in perpetuity. Generally, the donors of these assets permit the Reserve to use income earned on related investments for general or specific purposes.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Principles of Consolidation:

The consolidated 2013 financial statements include the accounts of American Prairie Reserve and its affiliate Wild Sky, LLC (a single-member LLC in which the Reserve holds 100% interest). See Note 9.

Cash and Cash Equivalents:

For purposes of the statements of cash flows, the Reserve considers cash and cash equivalents to be cash on hand, cash deposited with banks and financial institutions and all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents. For purposes of the cash flow statement, cash does not include board restricted cash.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable:

As required by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, pledges receivable to be paid in more than one year from the date of the financial statements are discounted at the prime interest rate, 3.25% at December 31, 2013 and 2012. As a result of adopting the FASB's Fair Value Measurement guidance, including the Fair Value Option for Financial Assets and Financial Liabilities, the discount rate used in the present value technique to determine fair value of pledges receivable is revised at each measurement date to reflect current market conditions and the creditworthiness of donors. Subsequent changes in the fair value of pledges receivable are reported in the statement of activities as contribution revenue. At this time, management believes all pledges receivable are collectible, therefore, no allowance has been recorded as of December 31, 2013 and 2012.

Property and Equipment:

Purchased property and equipment are stated at historical cost for purchased items and fair value for contributed items. The Reserve's minimum capitalization threshold is $1,000. The assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Equipment	5 - 7 years
Furniture and fixtures	5 - 7 years
Buildings	7 - 40 years

Expenditures for maintenance, repairs and minor replacements are charged to operations, and expenditures for major replacements and betterments are capitalized to property and equipment.

Options:

Options payments refer to payments to obtain the right to purchase property at a set price at a specified time in the future or under specified conditions. These payments remain in the option account until the Reserve legally gains possession of the asset or the option expires.

Investments:

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the change in unrestricted net assets unless the income or loss is restricted by donor or law.

Conservation Lands and Easements:

The Reserve records all land and land interests at cost, if purchased, or at fair value at the date of acquisition, if all or part of the land was received as a donation. Fair value is generally determined by appraisal. Conservation lands represent real property with significant ecological value. Some of the conservation lands may be purchased subject to conservation easements, or the Reserve may grant conservation easements on some of its lands. These properties are managed in an effort to protect the natural biological diversity of the property in perpetuity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions:

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When temporary restrictions expire, temporarily restricted net assets are reported in the statement of activities as net assets released from restriction. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Reserve records the support as unrestricted. The Reserve considers all contributions for the purchase of land as permanently restricted consistent with its mission. Unrestricted contributions used for land acquisition are considered to be Board designated and have been presented accordingly.

In-Kind Contributions:

The Reserve records various types of in-kind support including professional services and property and equipment. 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. Contributed services have been primarily reduced commissions related to the acquisition of land.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Reserve reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Reserve reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Income Taxes:

The Reserve is a nonprofit organization that is exempt from income taxes under 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 Reserve 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 as provided in Section 170(b)(1)(a)(vi). The Reserve'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.

Advertising:

Advertising costs are expensed as incurred.

Financial Statement Presentation:

Certain numbers have been reclassified in the 2012 financial statements for comparability with the 2013 financial statements.

2. PLEDGES RECEIVABLE

Pledges receivable as of December 31, 2013 and 2012 are as follows:

	2013	2012
Amounts due in:		
Less than one year	$ 1,461,250	$ 1,086,250
One to five years	2,582,413	1,802,572
Greater than five years	499,296	-
	4,542,959	2,888,822
Less: discount to present value	(361,651)	(127,539)
Pledges receivable, net of discount	4,181,308	2,761,283
Less: current portion	(1,461,250)	(1,086,250)
Pledges receivable, net of discount and current portion	$ 2,720,058	$ 1,675,033

In 2013, the Reserve received a matching pledge donation from John and Adrienne Mars. They pledged a $10 million matching donation over the next five years, with the objective of providing incentive for $20 million in matching funds. The gift will be made in $2 million payments over each of the next five years, beginning in 2014, provided that the Reserve raises the necessary donations and/or pledges in each of the years to fulfill the requirements of the matching pledge. Because this pledge depends on the Reserve's ability to raise matching donations, it is considered a conditional promise to give and is not recorded as pledges receivable and contribution revenue until those conditions have been met.

3. OTHER ASSETS

The following is a summary of amortizable intangible assets as of December 31, 2013 and 2012:

	2013	2012
Software	$ 24,278	$ 24,278
Accumulated amortization	(24,278)	(23,419)
	$ -	$ 859

Amortization expense for the years ended December 31, 2013 and 2012 was $859 and $2,585, respectively.

4. INVESTMENTS

Investments are recorded at market value. Investments are comprised of the following as of December 31, 2013:

	Cost	Fair Value	Gross Unrealized Gains (Losses)
Certificates of deposit	$ 10,212,757	$ 10,191,375	$ (21,382)
Mutual funds	847,773	903,661	55,888
Stocks	175	202	27
	$ 11,060,705	$ 11,095,238	$ 34,533

Investments are comprised of the following as of December 31, 2012:

	Cost	Fair Value	Gross Unrealized Gains (Losses)
Certificates of deposit	$ 882,024	$ 888,209	$ 6,185
Stocks	6,341	6,450	109
	$ 888,365	$ 894,659	$ 6,294

As of December 31, 2013 and 2012, investments of $394,688 are permanently restricted.

Unrestricted investment income is comprised of the following for the years ended December 31, 2013 and 2012:

	2013	2012
Interest and dividends	$ 6,336	$ 8,787
Net realized gains (losses) on sale of investments	(3,173)	142,259
	$ 3,163	$ 151,046

5. LINE OF CREDIT

The Reserve has a line of credit with First Security Bank of Bozeman, which is collateralized by real estate owned by the Reserve. The maximum amount available under this line of credit is $1,000,000, and it matures December 15, 2014. This line of credit bears interest at Wall Street Prime plus 1.75%, with a floor of 6.00%. The outstanding balance at December 31, 2013 and 2012 was $0 and the interest rate was 6.00% for both years.

6. NOTES PAYABLE

The following is a schedule of notes payable as of December 31, 2013 and 2012:

	2013	2012
Note payable to a financial institution; dated July 2012; revised September 2013; due December 2026; interest calculated at Wall Street Prime plus 1.75%; annual payments of $287,586; secured by mortgages on multiple properties.	$ 2,947,751	$ 5,476,791
Note payable to a partnership; dated August 2012; due August 2019; interest at 5.25%; one payment of $500,000 due August 2013; annual payments of $1,034,806 thereafter; secured by first mortgage on property.	4,487,077	4,750,000
Note payable to a financial institution; dated September 2008; due September 2017; interest at 6.75%; annual payments of $157,752; secured by land. This note was paid off in 2013.	-	650,574
Note payable to an individual at 6.50% imputed interest; due May 2018; annual payments of $39,600; unsecured.	164,161	191,300
Note payable to an equipment company at 6.96% imputed interest; dated May 2010; due May 2016; monthly payments of $1,671; secured by equipment. This note was paid off in 2013.	-	59,508
	7,598,989	11,128,173
Less: current portion	(951,282)	(659,455)
	$ 6,647,707	$ 10,468,718

Notes payable mature as follows:

2014	$ 951,282	
2015	1,013,889	
2016	1,067,788	
2017	1,125,311	
2018	1,183,739	
Thereafter	2,256,980	
		$ 7,598,989

7. CAPITAL LEASE OBLIGATION

During 2010, the Reserve purchased a copier through a capital lease in the amount of $10,193. Monthly payments of $233 beginning March 2010 through March 2015 include interest imputed at 13.3%. Amortization of this asset is included in depreciation expense in the Statements of Activities. As of December 31, 2013, the cost of the copier was $10,193 and accumulated amortization was $4,125. This lease was paid off in 2013.

8. CREDIT RISK

The Reserve maintains some of its cash in bank deposit accounts which, at times, may exceed federally insured limits. Account balances and certificates of deposit held in financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank, per depositor. The Reserve also maintains cash in money market fund accounts which sometimes exceed the protected limit set by the Securities Investor Protection Corporation (SIPC). The Reserve has not experienced any losses in such accounts. The Reserve believes it is not exposed to any significant credit risk on cash and cash equivalents. As of December 31, 2013 and 2012, funds exceeded federally insured limits by $77,453 and $99,625, respectively. As of December 31, 2013 and 2012, funds exceeded SIPC limits by $2,890,813 and $17,196,267, respectively.

9. WILD SKY, LLC

Wild Sky, LLC was formed in 2013, with American Prairie Reserve as the sole member. The LLC sells beef and pays ranchers invited to participate a premium for their beef raised in compliance with the Reserve's wildlife-friendly ranching protocols. Wild Sky, LLC's activity and balances are included in the Reserve's 2013 consolidated financial statements, in accordance with generally accepted accounting principles. Significant balances and transactions between the two entities have been eliminated.

Wild Sky, LLC's income statement for the year ended December 31, 2013 follows:

Sales		$ 2,392
Cost of sales		3,965
Gross profit (loss)		(1,573)
Operating expenses		
Marketing	$ 1,811	
Office expenses	275	
Payroll expenses	5,751	
Professional fees	499	
Samples	793	
Trade shows	7,864	
Travel, meals and entertainment	336	
		17,329
Net loss		$ (18,902)

10. BOARD DESIGNATED NET ASSETS

Unrestricted net assets the Board of Directors has designated to be held in perpetuity as of December 31, 2013 and 2012 are as follows:

	2013	2012
Board designated funds to be held in perpetuity:		
Endowment	$ 468,993	$ 418,751
Land and building acquisitions	14,862,881	14,248,789
Less: debt associated with acquisitions	(7,598,989)	(11,040,835)
	7,732,885	3,626,705
Unrestricted, not designated	12,630,473	18,036,330
Total unrestricted net assets	$ 20,363,358	$ 21,663,035

11. TEMPORARILY RESTRICTED NET ASSETS

Net assets temporarily restricted by the donor as of December 31, 2013 and 2012 are as follows:

	2013	2012
Pledges receivable	$ 2,042,959	$ 2,888,822
Grants receivable	-	136,717
Endowment fund earnings	89,103	40,645
Bison program	50,000	-
Camp improvements	50,000	-
Education and economic activities	8,090	13,090
	$ 2,240,152	$ 3,079,274

12. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by the donor for the years ended December 31, 2013 and 2012 as follows:

	2013	2012
Bison program	$ -	$ 34,652
Reserve management	-	1,586
Education and economic activities	5,000	2,910
Grants receivable collections	136,717	135,283
Pledges receivable collections	1,145,863	10,226,558
	$ 1,287,580	$ 10,400,989

13. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of donor-restricted assets and assets received for the purchase of land. As of December 31, 2013 and 2012, permanently restricted net assets are summarized as follows:

	2013	2012
Conservation lands	$ 12,709,448	$ 12,242,225
Conservation land acquisition cash and investments	630,451	145,451
Conservation land acquisition pledges receivable	2,500,000	-
Investments held in perpetuity, donor-restricted endowments	394,688	394,688
	$ 16,234,587	$ 12,782,364

The Reserve accounts for endowments in accordance with accounting principles generally accepted in the United States of America (GAAP). This provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization.

The Reserve's endowment consists of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law
The Reserve's Board of Directors has interpreted the Montana Uniform Prudent Management of Institutional Funds Act ("MUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Reserve classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. Earnings on the endowment are not restricted by the donor. These earnings are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Reserve in a manner consistent with the standard of prudence prescribed by MUPMIFA. The Endowment Investment Committee is responsible for recommending and reviewing investment policies and objectives, monitoring performance of the portfolio, and overseeing certain administrative duties, including providing regular reports to the Board of Directors. The Committee determines how much of the earnings from the endowment may be used to cover land management costs and reviews, at least annually, an accounting of the assets, income and expenditures of the endowment. The investment policy has been established to provide reasonable and sustainable flow of funds to maximize the capital in support of the Reserve's conservation and education activities.

In accordance with MUPMIFA, the Reserve considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(a) The duration and preservation of the fund;
(b) The purposes of the Reserve and the donor-restricted endowment fund;
(c) General economic conditions;
(d) The possible effect of inflation and deflation;
(e) The expected total return from income and the appreciation of investments;
(f) Other resources of the Reserve; and
(g) The investment policies of the Reserve.

13. PERMANENTLY RESTRICTED NET ASSETS (Continued)

The composition of endowment net assets by fund as of December 31, 2013 and 2012 is as follows:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 89,103	$ 394,688	$ 483,791
Board-designated endowment funds	468,993	-	-	468,993
	$ 468,993	$ 89,103	$ 394,688	$ 952,784

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 40,645	$ 394,688	$ 435,333
Board-designated endowment funds	418,751	-	-	418,751
	$ 418,751	$ 40,645	$ 394,688	$ 854,084

Changes in net asset composition by type of funds for the years ended December 31, 2013 and 2012 are as follows:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year	$ 418,751	$ 40,645	$ 394,688	$ 854,084
Interest and dividends	6,986	6,738	-	13,724
Net gains (realized and unrealized)	43,256	41,720	-	84,976
Endowment net assets at December 31, 2013	$ 468,993	$ 89,103	$ 394,688	$ 952,784

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year	$ 409,214	$ 31,447	$ 394,688	$ 835,349
Interest and dividends	7,763	7,486	-	15,249
Net losses (realized and unrealized)	1,774	1,712	-	3,486
Endowment net assets at December 31, 2012	$ 418,751	$ 40,645	$ 394,688	$ 854,084

14. 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.

Following is a description of the valuation methodologies used for assets measured at fair value.

Marketable securities - the fair value of marketable securities are based on quoted market prices for those securities.

Certificates of deposit - the fair value of certificates of deposit are based on cost of the investment plus accumulated earnings.

Pledges receivable - the fair value of pledges receivable is the net present value of expected future cash flows at a 3.25% discount rate.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Reserve believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

14. FAIR VALUE MEASUREMENTS (Continued)

The follow tables set forth by level, within the fair value hierarchy, the Reserve's assets at fair value as of December 31, 2013 and 2012:

	2013	2012
Marketable securities - Level 1	$ 202	$ 6,450
Mutual funds - Level 1	$ 903,661	$ -
Certificates of deposit - Level 2	$ 10,191,375	$ 888,209
Net present value of pledges receivable - Level 3	$ 4,181,308	$ 2,761,283

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:

	2013	2012
Pledges receivable, beginning of year	$ 2,761,283	$ 12,225,503
Additional pledges	3,300,000	95,000
Payments received	(1,645,863)	(10,226,558)
Change in discount	(234,112)	667,338
Pledges receivable, end of year	$ 4,181,308	$ 2,761,283

15. DONATED GOODS AND SERVICES

The Reserve received and recognized the following donated goods and services at fair market value for the years ended December 31, 2013 and 2012:

	2013	2012
Contracted services	$ 991	$ 4,680
Interest expense	-	38,067
Kestrel Camp	12,731	-
Project area	189	-
	$ 13,911	$ 42,747

16. RETIREMENT ARRANGEMENT WITH EMPLOYEES

The Reserve offers employees the opportunity for participation in a contributory retirement plan. Under the plan, employees are allowed to contribute a maximum annual amount of $17,500 for 2013 and 2012. For those employees over age 50, the plan allows an additional contribution of up to $5,500. Management may determine the Reserve's match percentage annually. For the years ended December 31, 2013 and 2012, no match was made.

17. OPERATING LEASES

Lessee

The Reserve leases office space under operating leases.

The Reserve leases its main office space in Bozeman, Montana. On October 1, 2011, the Reserve began leasing its current facility. The lease is for a five year period, with an option to renew for an additional five years. Rent expense for the Bozeman office was $88,252 and $94,284 for the years ended December 31, 2013 and 2012, respectively.

The Reserve entered into a two year lease on a Missoula office in May 2013. The Reserve no longer occupies this office space and has entered into a sub-lease arrangement, under which the Reserve is still responsible for $100 per month through the term of the lease. Rent expense for this facility was $10,389 and $12,200 for the years ended December 31, 2013 and 2012, respectively.

Future minimum rental payments under these leases are as follows:

2014	$ 99,689	
2015	101,154	
2016	76,862	
		$ 277,705

Lessor

The Reserve leases portions of purchased land back to the sellers for agricultural use. The Reserve currently has eight leases which expire between 2013 and 2021. Lease payments under these leases range from $5,463 to $95,000 annually. Lease income under these leases was $297,547 and $243,907 for the years ended December 31, 2013 and 2012, respectively.

Estimated future minimum rentals over the remaining lease terms are:

2014	$ 300,863	
2015	100,463	
2016	100,463	
2017	100,463	
2018	95,000	
Thereafter	570,000	
		$ 1,267,252

18. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2013 and 2012, the following amounts were contributed and/or pledged to the Reserve by related parties. All of these contributions were recorded as donation revenue.

	2013	2012
Board members	$ 107,200	$ 454,700
Employees	1,075	1,517
	$ 108,275	$ 456,217

As of December 31, 2013 and 2012, the present value of the outstanding pledges from related parties was $3,298,511 and $2,241,668, respectively.

The Friends of the American Serengeti Germany (FoAS) is an independent, tax-privileged organization in Germany formed to provide supporting funds for the Reserve. The FoAS was formed January 24, 2011, and is governed by its own, separate Board of Directors, of which the Reserve currently holds two of the seven positions. Before funds can be transferred from FoAS to the Reserve, the FoAS Board of Directors will ensure that the Reserve will use the funds in accordance with the German Charity Law and provisions of the Cooperation Agreement between FoAS and the Reserve. The Reserve paid $53,644 in legal fees to assist with the formation of FoAS. FoAS transferred $392,223 and $1,122,047 to the Reserve for the years ended December 31, 2013 and 2012, respectively. As of December 31, 2013 and 2012, there were no balances due between FoAS and the Reserve.

19. CONCENTRATIONS

Contributors
The Reserve is supported by contributors from the public and granting agencies. For the year ended December 31, 2013, five major contributors provided 82% of the Reserve's combined revenues. The net present value of pledges outstanding from these contributors as of December 31, 2013 totaled $2,674,255. For the year ended December 31, 2012, six major contributors provided 84% of the Reserve's combined revenues. The net present value of pledges outstanding from these contributors as of December 31, 2012 totaled $2,241,668.

Major Lender
As of December 31, 2013 and 2012, the majority of the Foundation's financing activities were through one financial institution.

20. SUBSEQUENT EVENTS

In accordance with FASB ASC 855, management has evaluated subsequent events through June 10, 2014, the date on which the financial statements were available to be issued.