

**AMERICAN PRAIRIE FOUNDATION dba
AMERICAN PRAIRIE RESERVE**

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019



AMATICS
CPA GROUP

**AMERICAN PRAIRIE FOUNDATION dba
AMERICAN PRAIRIE RESERVE
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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of American Prairie Foundation dba American Prairie Reserve (a nonprofit organization) and its affiliates, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019 and the related consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Prairie Reserve as of December 31, 2020 and 2019, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of American Prairie Reserve and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about American Prairie Reserve'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 consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.



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

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.

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 consolidated 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 consolidated 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 American Prairie Reserve'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about American Prairie Reserve's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Amatics CPA Group

Bozeman, Montana
April 14, 2021

**AMERICAN PRAIRIE FOUNDATION dba
AMERICAN PRAIRIE RESERVE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		December 31	
		2020	2019
ASSETS			
CURRENT ASSETS			
Cash	\$	14,238,851	\$ 12,921,456
Accounts receivable		463	1,958
Pledges receivable - current portion		2,785,952	1,877,540
Prepaid expense and commission credit		245,593	75,500
Other current assets		22,226	22,415
		17,293,085	14,898,869
FIXED ASSETS			
Buildings		5,235,373	5,181,048
Kestrel Camp		1,515,684	1,515,684
Furniture and fixtures		108,235	108,368
Equipment		3,600,176	3,588,664
Enrico Science and Education Center		1,112,794	1,112,794
Huts		874,519	522,273
Campground		2,615,867	2,615,867
Construction in progress		2,853,495	1,235,954
		17,916,143	15,880,652
Less: accumulated depreciation		(5,355,263)	(4,430,483)
		12,560,880	11,450,169
OTHER ASSETS			
Pledges receivable, net of discount and current portion		3,871,311	5,942,216
Animals, at cost		80,420	98,583
Investments		2,805,668	1,582,499
Conservation lands		67,343,329	67,342,196
		74,100,728	74,965,494
Total assets		\$ 103,954,693	\$ 101,314,532

See the accompanying notes to financial statements.

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

	December 31	
	2020	2019
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 129,979	\$ 260,562
Accrued expenses	67,587	149,011
Accrued variable compensation and compensated absences	104,820	156,747
Flex spending liability	10,001	20,309
Accrued interest	78,406	111,103
SBA Paycheck Protection Program loan	761,300	-
Current portion of notes payable	1,592,753	1,894,450
	2,744,846	2,592,182
OTHER LIABILITIES		
Notes payable, net of current portion and unamortized debt issuance costs	24,087,510	29,282,917
NET ASSETS		
Without donor restrictions	37,961,598	32,660,115
With donor restrictions	39,160,739	36,779,318
	77,122,337	69,439,433
Total liabilities and net assets	\$ 103,954,693	\$ 101,314,532

See the accompanying notes to financial statements.

**AMERICAN PRAIRIE FOUNDATION dba
AMERICAN PRAIRIE RESERVE
CONSOLIDATED STATEMENTS OF ACTIVITIES**

	Years Ended December 31	
	2020	2019
SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS		
Contributions	\$ 8,692,145	\$ 7,500,062
Visitation income	25,292	153,315
Special events, less cost of direct donor benefits of \$0 in 2020 and \$265,504 in 2019	530,000	1,614,370
Net assets released from restrictions	<u>3,269,296</u>	<u>2,527,397</u>
Total support and revenues without donor restrictions	<u>12,516,733</u>	<u>11,795,144</u>
EXPENSES		
Program services	6,218,349	7,528,197
Management and general	1,057,841	1,206,112
Fundraising	<u>1,106,442</u>	<u>2,471,658</u>
Total expenses	<u>8,382,632</u>	<u>11,205,967</u>
OTHER INCOME (EXPENSE)		
Investment return, net	167,355	289,139
Gain on disposal of property and equipment	12,089	48,449
Operations income	<u>987,938</u>	<u>791,948</u>
Total other income (expense)	<u>1,167,382</u>	<u>1,129,536</u>
Increase in net assets without donor restrictions	<u>5,301,483</u>	<u>1,718,713</u>
SUPPORT AND REVENUES WITH DONOR RESTRICTIONS		
Contributions	5,542,544	6,498,233
Investment return, net	108,173	142,218
Net assets released from restrictions	<u>(3,269,296)</u>	<u>(2,527,397)</u>
Total support and revenues with donor restrictions	<u>2,381,421</u>	<u>4,113,054</u>
INCREASE IN NET ASSETS	7,682,904	5,831,767
Net assets, beginning of year	<u>69,439,433</u>	<u>63,607,666</u>
NET ASSETS, END OF YEAR	<u>\$ 77,122,337</u>	<u>\$ 69,439,433</u>

See the accompanying notes to financial statements.

**AMERICAN PRAIRIE FOUNDATION dba
AMERICAN PRAIRIE RESERVE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

	Year Ended December 31, 2020			
	Program Services	Management and General	Fundraising	Totals
Direct project area expenses	\$ 384,562	\$ 9,673	\$ -	\$ 394,235
Salaries and wages	1,700,390	407,035	672,424	2,779,849
Payroll benefits	262,964	104,132	115,606	482,702
Payroll taxes	123,867	30,015	46,739	200,621
Occupancy	7,475	175,395	-	182,870
Professional fees	578,356	49,710	179,984	808,050
Advertising and promotion	227,561	2,406	3,201	233,168
Bad debt	275	749	-	1,024
Conferences, conventions, meetings	12,022	16,078	12,746	40,846
Debt service interest expense	1,190,509	-	-	1,190,509
Depreciation	1,202,517	-	-	1,202,517
Dues and subscriptions	35,830	123,780	21,652	181,262
Finance institution service charges	11,261	6,770	34,430	52,461
Insurance	102,766	28,782	-	131,548
Interest expense	1,136	-	-	1,136
Office expenses	3,749	7,324	-	11,073
Printing and publications	49,367	3,243	520	53,130
Postage and delivery	14,995	12,024	2,813	29,832
Repairs and maintenance	2,912	10,118	-	13,030
Taxes	139,344	508	-	139,852
Telecommunication	31,444	39,662	-	71,106
Travel	135,047	30,437	16,327	181,811
	<u>\$ 6,218,349</u>	<u>\$ 1,057,841</u>	<u>\$ 1,106,442</u>	<u>\$ 8,382,632</u>

In addition to the above, in 2020, the Reserve invested \$2,402,018 in capital expenditures and made \$5,516,610 in debt service principal payments. These expenditures all went directly into program services on the Reserve.

See the accompanying notes to financial statements.

**AMERICAN PRAIRIE FOUNDATION dba
AMERICAN PRAIRIE RESERVE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

	Year Ended December 31, 2019			
	Program Services	Management and General	Fundraising	Totals
Direct project area expenses	\$ 621,538	\$ -	\$ -	\$ 621,538
Salaries and wages	1,920,727	531,141	893,486	3,345,354
Payroll benefits	394,190	97,185	129,793	621,168
Payroll taxes	140,712	26,195	61,559	228,466
Occupancy	6,900	146,234	-	153,134
Professional fees	1,020,600	74,559	1,063,830	2,158,989
Advertising and promotion	238,233	19,625	3,458	261,316
Bad debt	44,674	-	-	44,674
Conferences, conventions, meetings	191,605	13,329	136,532	341,466
Debt service interest expense	1,288,049	-	-	1,288,049
Depreciation	863,608	-	-	863,608
Dues and subscriptions	64,893	73,788	12,194	150,875
Finance institution service charges	3,257	19,141	23,309	45,707
Insurance	107,249	38,406	1,529	147,184
Interest expense	2,684	-	-	2,684
Office expenses	3,079	41,847	12	44,938
Printing and publications	70,973	4,157	46,282	121,412
Postage and delivery	9,677	6,919	18,281	34,877
Repairs and maintenance	4,354	5,709	-	10,063
Taxes	141,122	-	-	141,122
Telecommunication	28,665	39,231	-	67,896
Travel	361,408	68,646	81,393	511,447
	<u>\$ 7,528,197</u>	<u>\$ 1,206,112</u>	<u>\$ 2,471,658</u>	<u>\$ 11,205,967</u>

In addition to the above, in 2019, the Reserve invested \$3,933,316 in capital expenditures and made \$1,382,890 in debt service principal payments. These expenditures all went directly into program services on the Reserve.

See the accompanying notes to financial statements.

**AMERICAN PRAIRIE FOUNDATION dba
AMERICAN PRAIRIE RESERVE
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from donors	\$ 12,804,771	\$ 13,741,333
Other cash receipts	1,543,230	2,562,683
Payments for salaries and related costs	(3,525,407)	(3,314,744)
Payments to vendors	<u>(3,999,083)</u>	<u>(6,569,508)</u>
Net cash provided by operating activities	<u>6,823,511</u>	<u>6,419,764</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	(366,023)	(899,627)
Payments for construction in progress	(2,005,400)	(1,652,825)
Payments for conservation lands	(1,133)	(1,506,228)
Proceeds from sale of property and equipment	88,447	292,063
Payments received on notes receivable	-	25,507
Net purchases (proceeds from sale) of investments	<u>1,533,303</u>	<u>84,017</u>
Net cash used by investing activities	<u>(750,806)</u>	<u>(3,657,093)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from SBA Paycheck Protection Program loan	761,300	-
Principal payments on notes payable	<u>(5,516,610)</u>	<u>(1,391,431)</u>
Net cash used by financing activities	<u>(4,755,310)</u>	<u>(1,391,431)</u>
NET CHANGE IN CASH	1,317,395	1,371,240
Cash at beginning of year	<u>12,921,456</u>	<u>11,550,216</u>
CASH AT END OF YEAR	<u>\$ 14,238,851</u>	<u>\$ 12,921,456</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Conservation lands acquired through issuance of debt	<u>\$ -</u>	<u>\$ 9,000,000</u>
CASH PAID FOR INTEREST	<u>\$ 1,223,207</u>	<u>\$ 1,248,651</u>

See the accompanying notes to financial statements.

**AMERICAN PRAIRIE FOUNDATION dba
AMERICAN PRAIRIE RESERVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019**

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 create the largest nature reserve in the contiguous United States, a refuge for people and wildlife preserved forever as part of America's heritage.

Basis of Presentation

The financial statements are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to nonprofit organizations as codified by the Financial Accounting Standards Board.

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. The governing board has designated, from net assets without donor restrictions, net assets to be held in perpetuity for a board-designated endowment and for land and building acquisitions.
- *Net Assets 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. 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.

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

These consolidated financial statements include the accounts of American Prairie Reserve and its wholly-owned affiliate, 5 Mountain Ranch, LLC (a Montana limited liability company in which the Reserve is the sole member). All inter-entity transactions and accounts are eliminated.

**AMERICAN PRAIRIE FOUNDATION dba
AMERICAN PRAIRIE RESERVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Revenue Recognition

Contributions, including unconditional promises to give (i.e. pledges receivable), are recognized as revenues in the period cash or assets are transferred or pledges are received. Contributions of assets other than cash are recorded at their estimated fair value at date of receipt. 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 increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the cash is received and any purpose restriction is met. The Reserve considers all contributions for the purchase of land as net assets with permanent donor restrictions, consistent with its mission. When the Reserve makes land acquisitions using contributions without donor restrictions, those acquisitions are considered to be Board designated and have been presented accordingly.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows, discounted at the short term prime interest rate (3.25% as of December 31, 2020). Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed. The discount rate used in the present value measurement is revised at each measurement date to reflect current market conditions and the creditworthiness of donors. Receivables are stated at unpaid balances, less an allowance for doubtful accounts. At this time, management believes all pledges receivable are collectible, therefore, no allowance has been recorded as of December 31, 2020 and 2019.

The Reserve receives conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor. Conditional promises to give, are recognized when the conditions on which they depend are substantially met. The Reserve 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 Reserve.

Operations income consists primarily of leases (see Note 13). Revenue under these leases is recognized when lease payments are received, which is not materially different than if revenue were recognized throughout the course of the lease agreements.

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. Directly identifiable expenses are charged to programs and supporting services. Costs that relate to more than one function and are allocated among the programs and supporting services benefited on the basis of estimates of time and effort. The National Prize event expenses are all reported as fundraising, other than direct donor benefits.

**AMERICAN PRAIRIE FOUNDATION dba
AMERICAN PRAIRIE RESERVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 and unrealized gains and losses on investments, interest and dividends) is included in the change in net assets without donor restrictions unless the income or loss is restricted by donor or law.

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:

	<u>Years</u>
Equipment	5 - 7 years
Furniture and fixtures	5 - 7 years
Buildings and improvements	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.

Advertising

Advertising costs are expensed as incurred.

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 donor 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 net assets with donor restrictions to net assets without donor restrictions at that time.

**AMERICAN PRAIRIE FOUNDATION dba
AMERICAN PRAIRIE RESERVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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). In general, the Reserve's information returns (Form 990) remain open to examination by federal tax authorities for three years. These taxing authorities have the authority to examine those tax years until the applicable statutes of limitations expire.

Resources Available and Unavailable for General Expenditure

The Reserve has certain donor-restricted net assets that are available for general expenditures within one year of December 31, 2020, because the restrictions on the net assets are expected to be met by conducting the normal activities of the programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year (Note 14). The Organization has other assets limited to use for donor-restricted purposes that are not expected to be spent in the coming year, which are not included. Additionally, the Board of Directors has designated certain other investments to be held in perpetuity, which are more fully described in Note 11. Because of the Board of Director's designation, those investments are not considered available for general expenditures within the next year; however, the Board could make them available, if necessary.

Financial Statement Presentation

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency. The reclassifications had no impact on previously reported net assets.

**AMERICAN PRAIRIE FOUNDATION dba
AMERICAN PRAIRIE RESERVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019**

2. PROMISES TO GIVE

Pledges receivable (unconditional promises to give) as of December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Amounts due in:		
Less than one year	\$ 2,785,952	\$ 1,877,540
One to five years	<u>4,341,215</u>	<u>6,875,001</u>
	7,127,167	8,752,541
Less: discount to present value	<u>(469,904)</u>	<u>(932,785)</u>
Pledges receivable, net of discount	6,657,263	7,819,756
Less: current portion	<u>(2,785,952)</u>	<u>(1,877,540)</u>
Pledges receivable, net of discount and current portion	<u>\$ 3,871,311</u>	<u>\$ 5,942,216</u>

The Reserve also has \$15,450,413 in conditional promises to give and intentions to give that will be recognized as revenue when the conditions are substantially met. Of this, \$845,000 is restricted to projects and \$7,900,000 is restricted to land acquisition. These conditional promises and intentions are expected to be received as follows: \$6,273,747 in less than one year and \$9,176,666 in one to five years.

3. INVESTMENTS

Investments are comprised of the following as of December 31, 2020:

	<u>Cost</u>	<u>Fair Value</u>	<u>Gross Unrealized Gains (Losses)</u>
Certificates of deposit	\$ 84,858	\$ 84,858	\$ -
Money market funds	288	288	-
Mutual funds			
Large blend	743,072	1,016,367	273,295
Mid-cap blend	223,241	282,658	59,417
Small blend	107,596	133,987	26,391
Intermediate term bond	899,863	930,280	30,417
Emerging markets	63,371	73,281	9,910
Foreign large blend	<u>254,924</u>	<u>283,949</u>	<u>29,025</u>
	<u>\$ 2,377,213</u>	<u>\$ 2,805,668</u>	<u>\$ 428,455</u>

**AMERICAN PRAIRIE FOUNDATION dba
AMERICAN PRAIRIE RESERVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019**

3. INVESTMENTS (Continued)

Investments are comprised of the following as of December 31, 2019:

	<u>Cost</u>	<u>Fair Value</u>	<u>Gross Unrealized Gains (Losses)</u>
Certificates of deposit	\$ 84,165	\$ 84,165	\$ -
Mutual funds			
Large blend	454,197	661,375	207,178
Mid-cap blend	141,332	184,702	43,370
Small blend	67,497	83,514	16,017
Immediate term bond	336,613	348,206	11,593
Emerging markets	15,486	21,684	6,198
Foreign large blend	179,772	198,853	19,081
	<u>\$ 1,279,062</u>	<u>\$ 1,582,499</u>	<u>\$ 303,437</u>

4. 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.

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4. FAIR VALUE MEASUREMENTS (Continued)

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

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Net Asset Value</u>
Mutual funds	\$ 2,720,522	\$ 2,720,522	\$ -	\$ -	\$ -
Certificates of deposit	84,858	-	84,858	-	-
Money market funds	288	-	-	-	288
Pledges receivable	<u>6,657,263</u>	<u>-</u>	<u>-</u>	<u>6,657,263</u>	<u>-</u>
	<u>\$ 9,462,931</u>	<u>\$ 2,720,522</u>	<u>\$ 84,858</u>	<u>\$ 6,657,263</u>	<u>\$ 288</u>

Fair values of assets measured on a recurring basis at December 31, 2019 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Net Asset Value</u>
Mutual funds	\$ 1,498,334	\$ 1,498,334	\$ -	\$ -	\$ -
Certificates of deposit	84,165	-	84,165	-	-
Pledges receivable	<u>7,819,756</u>	<u>-</u>	<u>-</u>	<u>7,819,756</u>	<u>-</u>
	<u>\$ 9,402,255</u>	<u>\$ 1,498,334</u>	<u>\$ 84,165</u>	<u>\$ 7,819,756</u>	<u>\$ -</u>

Marketable securities are valued at the quoted market prices for those securities. Certificates of deposit values are based on the cost of the investment plus accumulated earnings, which approximates fair value due to the short-term nature of these investments.

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 Reserve elected the fair value option in accordance with generally accepted accounting principles. Management believes that the use of fair value reduces the cost of measuring unconditional promises to give in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those promises were measured using present value techniques and historical discount rates. The change in the fair value of the unconditional promises expected to be collected in more than one year is reported as contribution revenue.

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

	<u>2020</u>	<u>2019</u>
Pledges receivable, beginning of year	\$ 7,819,756	\$ 7,620,849
Additional pledges	1,610,000	2,995,000
Payments received	(3,235,374)	(3,130,753)
Change in discount (contribution revenue)	<u>462,881</u>	<u>334,660</u>
Pledges receivable, end of year	<u>\$ 6,657,263</u>	<u>\$ 7,819,756</u>

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5. 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, 2020 and 2019, funds exceeded federally insured limits by \$9,495,263 and \$7,646,671, respectively. As of December 31, 2020 and 2019, funds exceeded SIPC limits by \$5,270,498 and \$3,118,562, respectively.

6. LINE OF CREDIT

The Reserve had a line of credit with First Security Bank of Bozeman, collateralized by real estate owned by the Reserve. The maximum amount available under the line of credit was \$1,500,000, with an interest rate of Wall Street Prime plus 1.0%. The outstanding balance at December 31, 2019 was \$0; the line of credit was not renewed in May 2020.

7. NOTES PAYABLE

The following is a schedule of notes payable as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Note payable to a financial institution; dated July 2012; revised December 2014; due December 2026; interest calculated at Wall Street Prime plus 1.75%; annual payments of \$318,145; secured by mortgages on multiple properties. This note was paid off in 2020.	\$ -	\$ 1,853,641
Note payable to a financial institution; dated May 2016; due December 2035; interest calculated at Wall Street Prime plus 1.50%; annual payments of \$1,173,853; secured by first mortgage on property.	9,603,623	12,161,038
Note payable to a financial institution; dated August 16, 2017; due August 2027; interest calculated at LIBOR plus 2.5%; interest payments due quarterly; annual principal payments of \$308,000 for nine years; all remaining principal and interest due at maturity; secured by first mortgage on property.	4,735,614	5,044,000

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7. NOTES PAYABLE (Continued)

	2020	2019
Note payable to a financial institution; dated June 21, 2018; due June 21, 2028; interest calculated at LIBOR plus 2.5%; interest payments due quarterly; annual principal payments of 5% of loan balance; all remaining principal and interest due at maturity; secured by first mortgage on property.	1,797,521	1,897,667
Note payable to an individual; quarterly installments of interest at 3%; transferred from Montana Prairie Holdings in December 2018; due August 2021; unsecured. This note was paid off in 2020.	-	100,000
Note payable to a trust; quarterly installments of interest at 3%; transferred from Montana Prairie Holdings in December 2018; due December 2021; unsecured. This note was paid off in 2020.	-	100,000
Note payable to a financial institution; dated August 29, 2019; due August 2029; interest calculated at LIBOR plus 2.5%; interest payments due quarterly; nine annual principal payments of \$450,000; remaining principal and interest due at maturity; secured by first mortgage on property.	8,549,310	9,000,000
Note payable to an individual at 2.19% interest; due September 2030; annual payments of \$73,539; secured by first mortgage on property.	1,177,742	1,224,074
	25,863,810	31,380,420
Less: current portion	(1,592,753)	(1,894,450)
Less: unamortized debt issuance costs	(183,547)	(203,053)
Long-term portion, net of unamortized debt issuance costs	\$ 24,087,510	\$ 29,282,917
Notes payable mature as follows:		
2021	\$ 1,592,753	
2022	1,628,581	
2023	1,666,244	
2024	1,705,786	
2025	1,747,301	
Thereafter	17,523,145	
		\$ 25,863,810

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8. SBA PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Reserve was granted a \$761,300 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Reserve has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with the guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return the loan. Proceeds from the loan are eligible for forgiveness if used for payroll costs and other eligible expenses. No contribution revenue has been recorded for the year ended December 31, 2020. If the loan is not forgiven in part or in total, the Reserve will be required to repay any remaining balance, plus accrued interest at 1%.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets are restricted by the donor as of December 31, 2020 and 2019 for the following purposes:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purpose:		
Campground	\$ 200,000	\$ 600,000
Education and economic activities	1,639,765	787,545
Hut-to-Hut	-	187,572
National Prize	-	31,099
National Discovery Center	1,337,878	950,140
Promises to give, proceeds of which have been restricted:		
American Wildlife Forever fund	3,199,792	4,000,000
National Discovery Center	500,000	1,000,000
Education and economic activities	15,000	70,000
	<u>6,892,435</u>	<u>7,626,356</u>
Subject to the passage of time:		
Promises to give with no donor restrictions	<u>2,412,375</u>	<u>2,682,541</u>
Endowments:		
Income on donor restricted funds subject to spending policy	442,274	334,101
Donor-restricted investments held in perpetuity	394,688	394,688
	<u>836,962</u>	<u>728,789</u>
Conservation lands:		
Conservation lands	28,018,967	24,741,632
Conservation land acquisition pledges receivable	1,000,000	1,000,000
	<u>29,018,967</u>	<u>25,741,632</u>
Total net assets with donor restrictions	<u>\$ 39,160,739</u>	<u>\$ 36,779,318</u>

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10. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenditures satisfying the purpose restrictions specified by the donor for the years ended December 31, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Expiration of time restrictions	\$ 1,880,166	\$ 1,205,805
Satisfaction of purpose restrictions		
Hut-to-Hut	187,572	18,015
National Prize	31,099	313,111
Campground	600,000	242,175
National Discovery Center	112,261	49,860
Interpretive Trail	-	100,000
Education and economic activities	458,198	598,431
	<u>\$ 3,269,296</u>	<u>\$ 2,527,397</u>

11. BOARD DESIGNATED NET ASSETS

Net assets the Board of Directors has designated to be held in perpetuity as of December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Board designated funds to be held in perpetuity:		
Endowment	\$ 1,883,849	\$ 769,617
Land and building acquisitions	52,137,407	54,784,185
Less: debt associated with acquisitions	<u>(25,863,811)</u>	<u>(31,180,420)</u>
	28,157,445	24,373,382
Net assets not designated	<u>9,804,153</u>	<u>8,286,733</u>
Total net assets without donor restrictions	<u>\$ 37,961,598</u>	<u>\$ 32,660,115</u>

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12. ENDOWMENT

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 retains in perpetuity (a) the original value of initial and subsequent gift amounts (including fair value of promises to give) donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by MUPMIFA. The Finance 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. 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.

As of December 31, 2020, the Reserve had the following endowment net asset composition:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>December 31, 2020</u>			
Board-designated endowment funds	\$ 1,883,849	\$ -	\$ 1,883,849
Donor-restricted endowment funds			
Original donor-restricted gifts required to be maintained in perpetuity by donor	-	394,688	394,688
Accumulated investment gains	-	442,274	442,274
	<u>\$ 1,883,849</u>	<u>\$ 836,962</u>	<u>\$ 2,720,811</u>

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12. ENDOWMENT (Continued)

As of December 31, 2019, the Reserve had the following endowment net asset composition:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>December 31, 2019</u>			
Board-designated endowment funds	\$ 769,617	\$ -	\$ 769,617
Donor-restricted endowment funds			
Original donor-restricted gifts required to be maintained in perpetuity by donor	-	394,688	394,688
Accumulated investment gains	-	334,101	334,101
	<u>\$ 769,617</u>	<u>\$ 728,789</u>	<u>\$ 1,498,406</u>

Investment and Spending Policies

The Finance Committee of the Board is authorized to oversee the administration and investment of the endowment. The Board of Directors will review, at least annually, an accounting of the assets, income and expenditures of the Endowment. Board-designated endowment funds shall be considered and used as part of the entire endowment fund corpus, unless the Board of Directors votes unanimously those funds should be used because of extraordinary circumstances. The income and/or gain earned by the Endowment Fund is considered unrestricted revenue and may be distributed to the Reserve as general support revenue for its programs. On an annual basis, the Finance Committee of the Board will calculate an amount equal to 4% of the average value of the Endowment Fund over the previous 5 years. As of December 31, 2020, the Finance Committee has not designated any income from the endowment to be used for general operations.

Changes in endowment net assets for the years ended December 31, 2020 and 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, December 31, 2018	\$ 627,169	\$ 586,571	\$ 1,213,740
Investment return, net	<u>142,448</u>	<u>142,218</u>	<u>284,666</u>
Endowment net assets, December 31, 2019	769,617	728,789	1,498,406
Investment return, net	114,232	108,173	222,405
Additional funds designated by board	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Endowment net assets, December 31, 2020	<u>\$ 1,883,849</u>	<u>\$ 836,962</u>	<u>\$ 2,720,811</u>

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13. 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. This option was exercised in November 2014 and the lease agreement has been renewed through September 30, 2021. Rent expense for the Bozeman office was \$132,996 and \$118,891 for the years ended December 31, 2020 and 2019, respectively.

The Reserve entered into a lease agreement on an apartment in Malta in December 2014. The original lease terms ended in November 2015, at which point the lease automatically extended on a month-to-month basis until terminated by either party. Rent paid for the Malta apartment was \$7,475 and \$6,900 for the years ended December 31, 2020 and 2019, respectively.

The Reserve entered into a lease agreement for office space in Lewistown, Montana on May 24, 2018. The lease is for a one year period, at which point the lease automatically extends on a month-to-month basis until terminated by either party. Rent paid for the Lewistown office space was \$8,450 and \$7,800 for the years ended December 31, 2020 and 2019, respectively.

Future minimum rental payments under these leases are as follows:

2021	\$ <u>93,976</u>
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Lessor

The Reserve leases portions of purchased land to operators for agricultural use. The Reserve currently has 14 leases which expire between 2021 and 2025. Lease payments under these leases range from \$1,175 to \$95,000 annually. Lease income under these leases was \$690,600 and \$612,618 for the years ended December 31, 2020 and 2019, respectively.

Estimated future minimum rentals over the remaining lease terms are:

2021	\$ 638,636
2022	95,000
2023	95,000
2024	<u>95,000</u>
	<u>\$ 923,636</u>

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14. LIQUIDITY AND AVAILABILITY

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

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash and cash equivalents	\$ 14,238,851	\$ 12,921,456
Accounts receivable	463	1,958
Pledges receivable	6,657,263	7,819,756
Investments	<u>2,805,668</u>	<u>1,582,499</u>
	<u>23,702,245</u>	<u>22,325,669</u>
Unavailable for general expenditure in one year		
Board designated endowment funds	1,883,849	769,617
Donor restricted permanent endowment funds	394,688	394,688
Donor restricted endowment fund earnings	442,274	334,101
Pledge payments due in more than one year	3,871,311	5,942,216
Donor restricted funds	<u>2,349,645</u>	<u>1,240,710</u>
	<u>8,941,767</u>	<u>8,681,332</u>
Total financial resources available for general expenditure	<u>\$ 14,760,478</u>	<u>\$ 13,644,337</u>

The Organization's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is subject to appropriation by the Finance Committee (see Note 12). Board-designated endowment funds shall be considered and used as part of the entire endowment fund corpus, unless the Board of Directors votes unanimously those funds should be used because of extraordinary circumstances. The income and/or gain earned by the endowment fund is considered unrestricted revenue and may be distributed to the Reserve as general support revenue for its programs, as directed by the Finance Committee. As of December 31, 2020, the Finance Committee has not designated any income from the endowment to be used for general operations.

As part of its liquidity management plan, the Reserve invests cash in excess of daily requirements in short-term investments, certificates of deposit, and money market funds. In the event of an unanticipated liquidity need, the Reserve could draw upon the Board designated endowment funds.

15. 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 up to the IRS contribution limits, with additional contribution amounts allowed for employees over age 50. Management may determine the Reserve's match percentage annually. For the years ended December 31, 2020 and 2019, the Reserve made employer match contributions of \$72,000 and \$63,753, respectively.

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16. CONCENTRATIONS

Contributors

The Reserve is supported by contributions from the public and granting agencies. For the year ended December 31, 2020, eight major contributors provided 68% of the Reserve's combined revenues. The pledges outstanding from these contributors as of December 31, 2020 totaled \$3,599,792. For the year ended December 31, 2019, nine major contributors provided 80% of the Reserve's combined revenues. The pledges outstanding from these contributors as of December 31, 2019 totaled \$6,400,000.

17. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2020 and 2019, \$4,559,135 and \$5,128,761 were contributed and/or pledged to the Reserve by board members. All of these contributions were recorded as revenue.

As of December 31, 2020 and 2019, the balance of outstanding pledges from related parties was \$5,552,333 and \$6,901,588, 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. FoAS transferred \$0 and \$11,043 to the Reserve for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, there were no balances due between FoAS and the Reserve.

18. COMMITMENTS

The Reserve is in the process of constructing the National Discovery Center in Lewistown, Montana. Costs of \$2.83 million have been incurred through December 31, 2020, and are presented in construction in progress. The remaining cost to complete is estimated to be approximately \$3.39 million, with construction expected to be completed in August 2021.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 14, 2021, the date on which the financial statements were available to be issued.