



HEART OF THE ROCKIES INITIATIVE

INDEPENDENT AUDITOR'S REPORT and FINANCIAL STATEMENTS

December 31, 2021

With Comparative Totals for 2020

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Peterson CPA Group, P.C.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Heart of the Rockies Initiative
Missoula, Montana

Opinion

We have audited the accompanying consolidated financial statements of the Heart of the Rockies Initiative (a nonprofit organization) and the Heart of the Rockies Foundation (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Heart of the Rockies Initiative and the Heart of the Rockies Foundation as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit 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 the Heart of the Rockies Initiative and the Heart of the Rockies Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the Heart of the Rockies Initiative and the Heart of the Rockies Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's 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. 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 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 consolidated 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 the Heart of the Rockies Initiative and Heart of the Rockies Foundation'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 the Heart of the Rockies Initiative and the Heart of the Rockies Foundation'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.

Report on Summarized Comparative Information

We have previously audited the Heart of the Rockies Initiative's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Peterson CPA Group, P.C.

Missoula, Montana

July 29, 2022

FINANCIAL STATEMENTS

HEART OF THE ROCKIES INITIATIVE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At December 31, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 413,680	\$ 223,639
Receivables	51,000	550
Prepaid insurance	<u>-</u>	<u>3,015</u>
TOTAL CURRENT ASSETS	464,680	227,204
Restricted cash - Foundation	<u>688,960</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 1,153,640</u></u>	<u><u>\$ 227,204</u></u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 16,116	\$ 13,773
Accrued payroll liabilities	<u>25,454</u>	<u>29,670</u>
TOTAL CURRENT LIABILITIES	<u>41,570</u>	<u>43,443</u>
TOTAL LIABILITIES	<u>41,570</u>	<u>43,443</u>
NET ASSETS		
Without donor restrictions	206,555	94,250
With donor restrictions	<u>905,515</u>	<u>89,511</u>
TOTAL NET ASSETS	<u>1,112,070</u>	<u>183,761</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,153,640</u></u>	<u><u>\$ 227,204</u></u>

The notes to the financial statements are an integral part of this statement

HEART OF THE ROCKIES INITIATIVE
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUE AND SUPPORT				
Public Support				
Pledge revenue	\$ 42,602	\$ -	\$ 42,602	\$ 52,412
Business donations	608	-	608	100
Government grant revenue	360,834	-	360,834	161,071
Non-government grant revenue	486,500	323,500	810,000	435,000
Other grants	-	1,500,000	1,500,000	-
Contract and service fees	1,075	-	1,075	2
Dividends and interest	21	-	21	113
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue and support	891,640	1,823,500	2,715,140	648,698
Net assets released from restrictions	1,007,496	(1,007,496)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	1,899,136	816,004	2,715,140	648,698
EXPENSES				
Program	1,641,819	-	1,641,819	598,359
Management and general	78,663	-	78,663	68,485
Fundraising	66,349	-	66,349	57,511
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENSES	1,786,831	-	1,786,831	724,355
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Change in net assets	112,305	816,004	928,309	(75,657)
NET ASSETS				
Beginning of year	94,250	89,511	183,761	259,418
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
End of year	<u>\$ 206,555</u>	<u>\$ 905,515</u>	<u>\$1,112,070</u>	<u>\$ 183,761</u>

The notes to the financial statements are an integral part of this statement

HEART OF THE ROCKIES INITIATIVE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021
(With Comparative Totals for 2020)

	Program	Management & General	Fundraising	2021 Total	2020 Total
Bank service charges	\$ -	\$ 715	\$ -	\$ 715	\$ 355
Employee benefits	39,711	3,922	5,393	49,026	43,165
Grant disbursements	1,053,574	-	-	1,053,574	3,000
Insurance	-	2,372	-	2,372	466
Meals and accommodations for meetings	3,658	-	55	3,713	24,139
Miscellaneous	-	-	-	-	2,025
Advertising	3,206	-	-	3,206	1,983
Office expenses	15,645	2,904	3,539	22,088	15,889
Payroll expenses	27,821	2,747	3,778	34,346	30,725
Professional fees	93,777	26,867	-	120,644	135,847
Rent	10,420	621	1,449	12,490	9,545
Salaries	373,768	36,107	50,223	460,098	416,871
Supplies	2,203	799	-	3,002	2,818
Training and education	2,227	160	107	2,494	9,562
Travel	2,555	138	-	2,693	15,058
Utilities	8,519	843	1,162	10,524	7,518
Workers compensation	4,735	468	643	5,846	5,389
	<u>\$1,641,819</u>	<u>\$ 78,663</u>	<u>\$ 66,349</u>	<u>\$1,786,831</u>	<u>\$ 724,355</u>
	91.9%	4.4%	3.7%	100.0%	

The notes to the financial statements are an integral part of this statement

HEART OF THE ROCKIES INITIATIVE
CONSOLIDATED STATEMENT OF CASH FLOWS
Years Ended December 31, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 928,309	\$ (75,657)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Forgiveness of PPP loan	(90,800)	-
Changes in operating assets and liabilities		
Prepaid insurance	3,015	53
Receivables	(50,450)	68,215
Accounts payable	2,343	12,100
Accrued payroll liabilities	(4,216)	14,316
Total adjustments	<u>(140,108)</u>	<u>94,684</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>788,201</u>	<u>19,027</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan	90,800	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>90,800</u>	<u>-</u>
CASH AND CASH EQUIVALENTS		
Beginning of year	223,639	204,612
End of year	<u>\$ 1,102,640</u>	<u>\$ 223,639</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS WITH THE STATEMENT OF FINANCIAL POSITION:		
Cash and cash equivalents	\$ 413,680	\$ 223,639
Restricted cash - Foundation	688,960	-
	<u>\$ 1,102,640</u>	<u>\$ 223,639</u>
NONCASH FINANCING ACTIVITIES		
Forgiveness of PPP loan	<u>\$ 90,800</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement

HEART OF THE ROCKIES INITIATIVE
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 1. ORGANIZATION

The Heart of the Rockies Initiative (the Heart of the Rockies) is a land trust partnership that works to conserve and restore the ecologically and culturally diverse landscapes of North America's Central Rockies. The Heart of the Rockies brings together the power of local community supported conservation and large landscape vision to ensure connected habitat and working lands for people and wildlife. The Heart of the Rockies provides a strategic landscape perspective, the latest science, capacity building, and broadly-based collaboration to multiply the impact of conservation work being completed by its 27-land trust members and many other partners. Collectively the Heart of the Rockies partners are increasing the pace of conservation in the Rocky Mountains of Wyoming, Idaho, Montana, British Columbia and Alberta. The Heart of the Rockies is a nonprofit organization whose revenue and support comes primarily from foundation grants, government grants, other grants, pledges and donations from the public.

Prior to December 31, 2013, the Heart of the Rockies activities were conducted as a program of one of its members, Five Valleys Land Trust, Inc., a 501 (c)(3) charitable organization, through a fiscal sponsorship agreement by which all funds were controlled by Five Valleys Land Trust. During the 2013 calendar year, it was determined that the Initiative had matured to the point that it should operate as an independent charitable organization.

The Heart of the Rockies Foundation is a new 509(a) nonprofit organization created to accept donations on behalf of the Heart of the Rockies Initiative and its activities.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as codified by the Financial Accounting Standards Board (FASB). The consolidated financial statements include the accounts of the Heart of the Rockies Initiative (Heart of the Rockies) and the Heart of the Rockies Foundation (Foundation), collectively referred to as the Initiative. All significant inter-company balances and transactions were eliminated in the consolidation process.

HEART OF THE ROCKIES INITIATIVE
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Initiative considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

From time to time, certain bank accounts that are subject to coverage by the Federal Deposit Insurance Corporation (FDIC) exceed their insured limits. Approximately \$861,000 was not insured by the FDIC at December 31, 2021. The Initiative does not believe it is exposed to any significant credit risk on its cash balances.

C. Receivables

Receivables consist primarily of funds due from multi-year grant awards. Receivables are stated at unpaid balances and interest is not charged. Receivables are considered past due if not paid timely in accordance with the underlying terms of the grant agreements. There were no significant receivables considered past due at December 31, 2021.

Management determined an allowance for uncollectible accounts was not necessary based on the nature of the receivables, economic considerations, and history with the grantor. Management reviews accounts receivable subsidiary balances periodically and writes off any receivable determined to be uncollectible. There were no receivables written off in 2021. GAAP requires the allowance method in recognizing bad debts. However, management believes the effect of using the direct write-off method is not materially different from results that would have been obtained using the allowance method.

D. Compensated Absences

Vacation pay accrues based on the employee's employment year and hours worked. Employees have until the end of March to use the previous year's accrued vacation. Therefore, unused vacation may not be used beyond the end of March, the year after it was earned. In the event of termination, the vacation balance is paid at the current pay rate. At December 31, 2021, there were unused balances of \$12,928.

HEART OF THE ROCKIES INITIATIVE
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Net Asset Classification

The Initiative classifies contributions, grants, and other transactions as net assets without donor restrictions or net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and activities that are not subject to donor or grantor restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed or grantor-imposed restrictions. These restrictions include restrictions that expire by either the time restriction ending or the purpose restriction being accomplished. Once restrictions are met, the restrictions are accounted for as net assets released from restriction and reclassified as net assets without donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

F. Revenue Recognition

The Initiative has several significant revenue sources: Non-government grant revenue and government grants and other grants. Revenue from non-government grants, government grants, and other grants, along with public support funds are recognized following guidance from Topic 958. Distinguishing between contributions and exchange transactions determines whether the accounting follows Topic 958 or ASC 606. Contributions are recognized following guidance from ASC 606 and revenue from exchange transactions.

All other revenue sources, which individually are not material to the overall consolidated financial statements, are recognized following guidance from ASC 606 at a point in time for all contracts at the date of initial application.

Activities and operations were negatively impacted by results of the world-wide coronavirus pandemic and the Montana Governor's lockdown orders impacting travel and other activities. The Heart of the Rockies applied for and received a \$90,800 paycheck protection loan in 2021 that was forgiven in 2021 and recorded in 2021 government grant revenue.

HEART OF THE ROCKIES INITIATIVE
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Revenue Recognition, continued

The timing of revenue recognition, billings, and cash receipts results in billed receivables on the consolidated statement of financial position. The balances of receivables for the years ended December 31, 2021, 2020, and 2019 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Receivables	<u>\$ 51,000</u>	<u>\$ 550</u>	<u>\$ 68,765</u>

Contributions that are restricted by the donor or grantor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue was recognized. All other donor or grantor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills and are performed by people with those skills and would otherwise be purchased by the Initiative.

G. Income Tax Status

The Heart of the Rockies and the Foundation are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the increase in net assets is generally not subject to taxation. No provision for income tax has been recorded in the consolidated financial statements because management believes there was no unrelated business income in 2021.

HEART OF THE ROCKIES INITIATIVE
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

I. Functional Expense Allocations

The costs of providing the various program and supporting activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function.

Bank service charges, grant disbursements, and insurance expenses are direct charged. All other expenses are allocated based on a percentage of employees time.

J. Advertising

The Initiative expenses the cost of advertising when first incurred, which totaled \$3,206 in 2021.

K. Risk and Uncertainty

The Initiative is exposed to various risks of losses related to torts, damage or loss of assets, errors or omissions, injuries to employees, economic conditions, and changes in financial markets. The Initiative mitigates its risk through various insurance policies.

L. Recent Accounting Pronouncements

The FASB issued Accounting Standard Update (ASU) 2016-02: *Leases* in February 2016. This ASU requires the recognition of lease assets and liabilities in the consolidated financial statements as a “right-of-use” asset and a lease liability. This ASU supersedes lease accounting requirements of the FASB and requires new, additional disclosures. Lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach.

HEART OF THE ROCKIES INITIATIVE
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Recent Accounting Pronouncements, continued

The FASB issued ASU 2020-05 in June 2020 delaying the effective date of ASU 2016-02 for nonpublic entities and nonprofit organizations for annual reporting periods beginning after December 15, 2021. The Initiative implemented ASU 2016-02 January 1, 2022.

The FASB issued ASU 2020-07: *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* in September 2020. This ASU clarifies the presentation and disclosure of contributed nonfinancial assets (in kind gifts) by requiring presentation as a separate line item in the statement of activities and additional disclosures regarding utilization of these contributed assets and how they were valued. This ASU is effective for annual periods beginning after June 15, 2021. The Initiative implemented this ASU on January 1, 2022.

NOTE 3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditures, without donor or other restrictions limiting their use within one year of the consolidated statement of financial position date, comprise the following:

	<u>2021</u>
Cash and cash equivalents	\$ 413,680
Receivables	<u>51,000</u>
Total financial assets	464,680
Less:	
Receivables	(51,000)
Resources committed to projects	<u>(216,555)</u>
Financial assets available within one year	<u><u>\$ 197,125</u></u>

Financial assets available within one year represent approximately one month of expenses. Additionally, the Heart of the Rockies expects to receive additional grants and donations in 2022 for general expenditures. Receivables are not available for general expenditure (see Note 4).

HEART OF THE ROCKIES INITIATIVE
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 4. RECEIVABLES

Receivables at December 31, 2021 consisted of:

	<u>2021</u>
Donations receivable within 1 year	<u>\$ 51,000</u>
	<u><u>\$ 51,000</u></u>

NOTE 5. OPERATING LEASES

Heart of the Rockies leases office space under terms of two lease agreements. The Montana lease agreement ended December 31, 2021 and called for rent of \$575 per month. The Montana lease agreement was subsequently renewed under substantially the same terms for one year. The Idaho lease agreement is a month-to-month lease of \$190 per month. During 2021, the Heart of the Rockies entered into a lease agreement with Prickly Pear Land Trust leasing office space for \$500 per month. This was a short-term lease that ended within a few months.

Rent expense totaled \$12,490 for the year ended December 31, 2021.

NOTE 6. FUNDRAISING EXPENSES

Fundraising expenses in 2021 totaled \$66,349 comprising approximately 3.7% of total expenses.

NOTE 7. RETIREMENT PLAN

The Heart of the Rockies has a SIMPLE IRA retirement plan covering eligible employees. The Heart of the Rockies contributes up to 3% of eligible employee compensation. Full-time and part-time employees who have satisfactorily completed their probationary period are considered to be eligible employees. Contributions to the plan totaled \$13,566 for the year ended December 31, 2021.

HEART OF THE ROCKIES INITIATIVE
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 8. CONCENTRATIONS

One grantor accounted for 100% of total receivables at December 31, 2021

Revenue from two donors represented approximately 60% of the Initiative's consolidated revenue for the year ended December 31, 2021. This concentration consists of 2 donors comprising approximately 33% of Heart of the Rockies revenue and 2 donors comprising 100% of the Foundation's revenue. Any significant decrease in contracts and agreements with these donors could have a negative impact on future operations and program services of the Heart of the Rockies and the Foundation.

NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes and time periods at December 31, 2021 and 2020:

2021 Purpose and Time Restricted				
(Heart of the Rockies)		Original	Remaining	Expected
Source	Program/Purpose	Amount	Balance	Completion
The Kendeda Fund	High Divide, Rural Dev	\$ 50,000	\$ 40,000	Oct 2022
Hewlett Effectiveness Grant	Training, Policy Review	50,000	29,095	July 2022
Stranahan HD	High Divide	17,500	17,500	June 2022
Stranahan RD	Rural Development	17,500	17,500	June 2022
The Kendeda Reserve Fund	Operating Reserve	30,000	7,498	June 2022
Harder Foundation, NPCA	Carnivore Conflict Reduct	79,000	64,962	Dec 2022
Otto Bremer	Rural Development	30,000	30,000	Sept 2022
AMB West	Rural Development	25,000	10,000	June 2022
		<u>\$ 299,000</u>	<u>\$ 216,555</u>	
(Foundation)				
Liz Claiborne & Art Ortenberg				
Foundation	Land Trust Re-Grants	<u>\$ 1,000,000</u>	<u>\$ 688,960</u>	May 2022

HEART OF THE ROCKIES INITIATIVE
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 10. ECONOMIC CONDITIONS

The coronavirus outbreak was declared a pandemic in March 2020 negatively impacting the national economy, the Montana economy, and financial markets. The Initiative's operations, activities, and financial condition were negatively impacted by the coronavirus throughout 2020 and into 2021. The impact of the coronavirus pandemic to the Initiative's consolidated financial statements is unknown at this time and cannot reasonably be estimated.

Rising borrowing rates, inflation, and volatility in the financial markets, along with other factors, may have a negative impact on the Initiative's financial condition in 2022; however, the impact currently is unknown and cannot reasonably be estimated. Management and the board of directors are closely monitoring these metrics to minimize the potential impact to the Initiative's financial condition.

NOTE 11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 29, 2022, the date which the consolidated financial statements were available for issue.

Subsequent to year end, the Heart of the Rockies entered into a short-term lease agreement in Dillon, Montana calling for monthly rents of \$175 per month.

SUPPLEMENTARY INFORMATION

HEART OF THE ROCKIES INITIATIVE
SCHEDULE 1 – CONSOLIDATING STATEMENT OF FINANCIAL POSITION
At December 31, 2021

	Heart of the Rockies Initiative	Heart of the Rockies Foundation	Eliminating Entries	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 413,680	\$ -	\$ -	\$ 413,680
Receivables	51,000	-	-	51,000
Prepaid insurance	-	-	-	-
TOTAL CURRENT ASSETS	464,680	-	-	464,680
Restricted cash - Foundation	-	688,960	-	688,960
TOTAL ASSETS	<u>\$ 464,680</u>	<u>\$ 688,960</u>	<u>\$ -</u>	<u>\$ 1,153,640</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 16,116	\$ -	\$ -	\$ 16,116
Accrued payroll liabilities	25,454	-	-	25,454
TOTAL CURRENT LIABILITIES	41,570	-	-	41,570
TOTAL LIABILITIES	41,570	-	-	41,570
NET ASSETS				
Without donor restrictions	206,555	-	-	206,555
With donor restrictions	216,555	688,960	-	905,515
TOTAL NET ASSETS	423,110	688,960	-	1,112,070
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 464,680</u>	<u>\$ 688,960</u>	<u>\$ -</u>	<u>\$ 1,153,640</u>

See Independent Auditor's Report

HEART OF THE ROCKIES INITIATIVE
SCHEDULE 2 – CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

	Heart of the Rockies Initiative	Heart of the Rockies Foundation	Eliminating Entries	Total
REVENUE AND SUPPORT				
Public Support				
Pledge revenue	\$ 42,602	\$ -	\$ -	\$ 42,602
Business donations	608	-	-	608
Government grant revenue	360,834	-	-	360,834
Non-government grant revenue	810,000	-	-	810,000
Other grants		1,500,000	-	1,500,000
Contract and service fees	1,075	-	-	1,075
Dividends and interest	21	-		21
	<u>1,215,140</u>	<u>1,500,000</u>	<u>-</u>	<u>2,715,140</u>
Total revenue and support				
	1,215,140	1,500,000	-	2,715,140
Net assets released from restrictions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL	1,215,140	1,500,000	-	2,715,140
EXPENSES				
Program	830,779	811,040	-	1,641,819
Management and general	78,663	-	-	78,663
Fundraising	66,349	-	-	66,349
	<u>975,791</u>	<u>811,040</u>	<u>-</u>	<u>1,786,831</u>
TOTAL EXPENSES	975,791	811,040	-	1,786,831
Change in net assets	239,349	688,960	-	928,309
NET ASSETS				
Beginning of year	183,761	-	-	183,761
	<u>183,761</u>	<u>-</u>	<u>-</u>	<u>183,761</u>
End of year	\$ 423,110	\$ 688,960	\$ -	\$ 1,112,070
	<u>\$ 423,110</u>	<u>\$ 688,960</u>	<u>\$ -</u>	<u>\$ 1,112,070</u>

See Independent Auditor's Report