



HEART OF THE ROCKIES INITIATIVE

INDEPENDENT AUDITOR'S REPORT and FINANCIAL STATEMENTS

December 31, 2020 and 2019

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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

Report on the Financial Statements

We have audited the accompanying financial statements of the Heart of the Rockies Initiative (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditor's 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 audits 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 auditor's 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 entity'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 entity'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 financial statements referred to above present fairly, in all material respects, the financial position of the Heart of the Rockies Initiative 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.

Peterson CPA Group, P.C.
Missoula, Montana
June 10, 2021

FINANCIAL STATEMENTS

HEART OF THE ROCKIES INITIATIVE
STATEMENTS OF FINANCIAL POSITION
At December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 223,639	\$ 204,612
Receivables	550	68,765
Prepaid insurance	<u>3,015</u>	<u>3,068</u>
TOTAL CURRENT ASSETS	<u>227,204</u>	<u>276,445</u>
TOTAL ASSETS	<u><u>\$ 227,204</u></u>	<u><u>\$ 276,445</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 13,773	\$ 1,673
Accrued payroll liabilities	<u>29,670</u>	<u>15,354</u>
TOTAL CURRENT LIABILITIES	<u>43,443</u>	<u>17,027</u>
TOTAL LIABILITIES	<u>43,443</u>	<u>17,027</u>
NET ASSETS		
Without donor restrictions	94,250	15,275
With donor restrictions	<u>89,511</u>	<u>244,143</u>
TOTAL NET ASSETS	<u>183,761</u>	<u>259,418</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 227,204</u></u>	<u><u>\$ 276,445</u></u>

The notes to the financial statements are an integral part of these statements

HEART OF THE ROCKIES INITIATIVE
STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Public Support			
Pledge revenue	\$ 52,412	\$ -	\$ 52,412
Business donations	100	-	100
Government grant revenue	161,071	-	161,071
Non-government grant revenue	327,500	107,500	435,000
Miscellaneous revenue	2	-	2
Dividends and interest	113	-	113
	<u>541,198</u>	<u>107,500</u>	<u>648,698</u>
Total revenue and support	541,198	107,500	648,698
Net assets released from restrictions	<u>262,132</u>	<u>(262,132)</u>	<u>-</u>
TOTAL	803,330	(154,632)	648,698
EXPENSES			
Program	598,359	-	598,359
Management and general	68,485	-	68,485
Fundraising	57,511	-	57,511
	<u>724,355</u>	<u>-</u>	<u>724,355</u>
TOTAL EXPENSES	724,355	-	724,355
Change in net assets	78,975	(154,632)	(75,657)
NET ASSETS			
Beginning of year	<u>15,275</u>	<u>244,143</u>	<u>259,418</u>
End of year	<u>\$ 94,250</u>	<u>\$ 89,511</u>	<u>\$ 183,761</u>

The notes to the financial statements are an integral part of these statements

HEART OF THE ROCKIES INITIATIVE
STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Public Support			
Pledge revenue	\$ 8,700	\$ -	\$ 8,700
Business donations	2,000	-	2,000
Government grant revenue	4,995	-	4,995
Non-government grant revenue	210,000	266,500	476,500
Contract and service fees	5,600	-	5,600
Miscellaneous revenue	601	-	601
Dividend and interest	241	-	241
	<u>232,137</u>	<u>266,500</u>	<u>498,637</u>
Total Revenue and Support	232,137	266,500	498,637
Net assets released from restrictions	435,762	(435,762)	-
TOTAL	667,899	(169,262)	498,637
EXPENSES			
Program	636,889	-	636,889
Management and general	61,457	-	61,457
Fundraising	41,704	-	41,704
TOTAL EXPENSES	740,050	-	740,050
CHANGE IN NET ASSETS	(72,151)	(169,262)	(241,413)
NET ASSETS			
Beginning of year	87,426	413,405	500,831
End of year	<u>\$ 15,275</u>	<u>\$ 244,143</u>	<u>\$ 259,418</u>

The notes to the financial statements are an integral part of these statements

HEART OF THE ROCKIES INITIATIVE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

	Program	Management & General	Fundraising	Total
Bank service charges	\$ -	\$ 355	\$ -	\$ 355
Employee benefits	34,575	3,885	4,705	43,165
Grant disbursements	3,000	-	-	3,000
Insurance	-	466	-	466
Meals and accommodations for meetings	24,107	32	-	24,139
Miscellaneous	2,025	-	-	2,025
Advertising	1,983	-	-	1,983
Office expenses	12,755	2,501	633	15,889
Payroll expenses	24,611	2,765	3,349	30,725
Professional fees	116,301	19,146	400	135,847
Rent	7,227	589	1,729	9,545
Salaries	336,281	36,374	44,216	416,871
Supplies	1,391	578	849	2,818
Training and education	9,562	-	-	9,562
Travel	14,709	197	152	15,058
Utilities	5,515	1,112	891	7,518
Workers compensation	4,317	485	587	5,389
	<u>\$ 598,359</u>	<u>\$ 68,485</u>	<u>\$ 57,511</u>	<u>\$ 724,355</u>
	82.6%	9.5%	7.9%	100.0%

The notes to the financial statements are an integral part of these statements

HEART OF THE ROCKIES INITIATIVE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	Program	Management & General	Fundraising	Total
Bank service charges	\$ -	\$ 187	\$ -	\$ 187
Employee benefits	27,633	3,237	3,203	34,073
Grant disbursements	116,950	-	-	116,950
Insurance	-	1,432	-	1,432
Meals and accommodations for meetings	38,765	8	31	38,804
Miscellaneous	2,335	-	-	2,335
Office expenses	6,272	1,712	319	8,303
Payroll expenses	19,838	2,324	2,299	24,461
Professional fees	105,989	17,701	2,001	125,691
Rent	7,462	1,608	1,023	10,093
Salaries	267,751	31,364	31,034	330,149
Supplies	161	683	61	905
Training and education	3,955	-	480	4,435
Travel	29,944	49	114	30,107
Utilities	4,438	520	514	5,472
Workers compensation	5,396	632	625	6,653
	<u>\$ 636,889</u>	<u>\$ 61,457</u>	<u>\$ 41,704</u>	<u>\$ 740,050</u>
	86.1%	8.3%	5.6%	100.0%

The notes to the financial statements are an integral part of these statements

HEART OF THE ROCKIES INITIATIVE
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (75,657)	\$ (241,413)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Changes in operating assets and liabilities		
Prepaid insurance	53	(3,068)
Receivables	68,215	31,235
Accounts payable	12,100	(288)
Accrued payroll liabilities	<u>14,316</u>	<u>4,942</u>
Total adjustments	<u>94,684</u>	<u>32,821</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>19,027</u>	<u>(208,592)</u>
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>204,612</u>	<u>413,204</u>
End of year	<u><u>\$ 223,639</u></u>	<u><u>\$ 204,612</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS WITH THE STATEMENT OF FINANCIAL POSITION:		
Cash and cash equivalents	<u><u>\$ 223,639</u></u>	<u><u>\$ 204,612</u></u>

The notes to the financial statements are an integral part of these statements

HEART OF THE ROCKIES INITIATIVE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

NOTE 1. ORGANIZATION

The Heart of the Rockies Initiative (HOTR) is a land trust partnership that works to conserve and restore the ecologically and culturally diverse landscapes of North America's Central Rockies. HOTR brings together the power of local community supported conservation and large landscape vision to conserve both continentally significant ecological values and community values that are prized locally. HOTR 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 26-land trust and conservancy members and many other partners. Collectively the initiative partners are increasing the pace of conservation in the Rocky Mountains of Wyoming, Idaho, Montana, British Columbia and Alberta. HOTR is a nonprofit organization. HOTR's revenue and support comes primarily from foundation grants, government grants, other grants, pledges and donations from the public.

Prior to December 31, 2013, HOTR 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 HOTR had matured to the point that it should operate as an independent charitable organization.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

HOTR's 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).

B. Cash and Cash Equivalents

For purposes of the statement of cash flows, HOTR 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. At December 31, 2020 and 2019, HOTR's bank accounts were fully insured by the FDIC. Accordingly, HOTR 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, 2020 and 2019.

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.

HEART OF THE ROCKIES INITIATIVE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Receivables, continued

There were no receivables written off in 2020 or 2019. Due to the inherent uncertainties in estimating an allowance for uncollectible receivables, it is at least reasonably possible that the estimate used will change in the near term.

D. Compensated Absences

HOTR accrues vacation pay 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, 2020 and 2019, there were unused balances of \$16,739 and \$4,767, respectively.

E. Net Asset Classification

HOTR 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

HOTR has one significant revenue source: Non-government grant revenue. Revenue from non-government 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 financial statements, are recognized following guidance from ASC 606 at a point in time for all contracts at the date of initial application.

HOTR's 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 in 2020. HOTR applied for and received a \$79,200 paycheck protection loan that was forgiven in 2020 and is recorded in 2020 revenue. There were no significant economic factors impacting revenue recognition in 2019.

HEART OF THE ROCKIES INITIATIVE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

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 statement of financial position. The balances of receivables for the years ended December 31, 2020, 2019, and 2018 are as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Receivables	<u>\$ 550</u>	<u>\$ 68,765</u>	<u>\$ 100,000</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 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 HOTR.

G. Income Tax Status

HOTR is a tax-exempt organization 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 financial statements because management believes there was no unrelated business income in 2020 or 2019.

H. Estimates

The preparation of 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 statement of activities. The 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

HOTR expenses the cost of advertising when first incurred, which totaled \$1,983 and \$2,394 in 2020 and 2019, respectively.

HEART OF THE ROCKIES INITIATIVE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Risk and Uncertainty

HOTR 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. HOTR 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 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.

The FASB issued ASU 2019-10 in November 2019 delaying the effective date for leases to fiscal years beginning after December 15, 2020. Early implementation continues to be allowed. HOTR has elected not to early implement and is currently evaluating the impact of this ASU on its financial statements.

M. Subsequent Events

Management has evaluated subsequent events through June 10, 2021, the date which the financial statements were available for issue.

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 statement of financial position date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 223,639	\$ 204,612
Receivables	<u>550</u>	<u>68,765</u>
Total financial assets	224,189	273,377
Less:		
Donor restrictions	-	(65,000)
Resources committed to projects	<u>(89,511)</u>	<u>(128,951)</u>
Financial assets available within one year	<u>\$ 134,678</u>	<u>\$ 79,426</u>

Financial assets available within one year represent approximately 2 months of expenses in 2020 and 1 month of expenses in 2019. Additionally, HOTR expects to receive additional grants and donations in 2021 for general expenditures. Receivables are not available for general expenditure (see Note 4).

HEART OF THE ROCKIES INITIATIVE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

NOTE 4. RECEIVABLES

HOTR was awarded a multi-year grant during 2018 totaling \$150,000 that was recorded in net assets with donor restrictions. HOTR received \$50,000 in November 2018 and November 2019. The remaining \$50,000 was collected in November 2020. These grant funds are restricted for use in the High Divide Collaborate Project and are not available for other uses.

Receivables at December 31, 2020 and 2019 consisted of:

	<u>2020</u>	<u>2019</u>
Donations receivable within 1 year	\$ 550	\$ 3,765
Multi-year grant receivable	-	50,000
Other grants or awards receivable	<u>-</u>	<u>15,000</u>
	<u>\$ 550</u>	<u>\$ 68,765</u>

NOTE 5. OPERATING LEASES

HOTR leases office space under terms of two lease agreements. The Montana lease agreement ended December 31, 2020 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. Rent expense totaled \$9,545 and \$10,093 for the years ended December 31, 2020 and 2019, respectively.

NOTE 6. FUNDRAISING EXPENSES

Fundraising expenses in 2020 and 2019 totaled \$57,511 and \$41,704, respectively. Fundraising expenses represented approximately 7.9% and 5.6% of total expenses.

NOTE 7. RETIREMENT PLAN

HOTR has a SIMPLE IRA retirement plan covering eligible employees. HOTR 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 \$11,915 and \$9,507 for the years ended December 31, 2020 and 2019.

NOTE 8. CONCENTRATIONS

Receivables were insignificant at December 31, 2020. One grantor accounted for approximately 73% of total receivables at December 31, 2019.

Revenue from four donors represented approximately 70% of HOTR's revenue for the year ended December 31, 2020. Revenue from three donors represented approximately 86% of HOTR's revenue for the year ended December 31, 2019.

Any significant decrease in contracts and agreements with these donors could have a negative impact on future operations and program services of HOTR.

HEART OF THE ROCKIES INITIATIVE
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

NOTE 9. RELATED PARTY TRANSACTIONS

Heart of the Rockies Initiative incurred expenses with a board member's organization in the amount of \$95,363 for consulting services and costs relating to the Wildlife Corridor Study in 2019. This board member's term ended in 2019 and was not on the board in 2020.

NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes and time periods at December 31, 2020 and 2019:

2020 Purpose and Time Restricted				
Source	Program/Purpose	Original Amount	Remaining Balance	Expected Completion
The Kendeda Fund	High Divide	\$ 150,000	\$ 44,768	Oct 2021
Stranahan RD	Rural Development	20,000	9,743	Feb 2021
Cross Charitable Foundation	High Divide	20,000	20,000	Oct 2021
Stranahan HD	High Divide	15,000	15,000	Oct 2021
		<u>\$ 205,000</u>	<u>\$ 89,511</u>	

2019 Purpose and Time Restricted				
Source	Program/Purpose	Original Amount	Remaining Balance	Expected Completion
Private Funder	Development	\$ 200,000	\$ 11,022	Mar 2020
The Kendeda Fund	High Divide	150,000	50,000	Mar 2021
William & Flora Hewlett Fndtn	Wildlife Corridor Study	250,000	47,682	Mar 2020
William & Flora Hewlett Fndtn	Strategic Planning	30,000	16,451	Sept 2020
Landscape Conservtn Catalyst	High Divide	12,500	12,500	Sept 2021
Vital Ground Foundation	Grizzly Conflict Reductn	4,500	4,500	Aug 2020
Wilburforce Foundation	Rural Development	50,000	24,000	Dec 2020
Wilburforce Foundation	Rural Development	100,000	56,988	Oct 2020
Patagonia Outlet	High Divide	6,000	6,000	Oct 2020
Cross Charitable Foundation	High Divide	15,000	15,000	Aug 2020
		<u>\$ 818,000</u>	<u>\$ 244,143</u>	

NOTE 11. ECONOMIC CONDITIONS

HOTR has been negatively impacted by the effects of the world-wide coronavirus pandemic. The full impact to HOTR's financial position is not known as of the date of issuance of these financial statements and cannot be reasonably estimated.