

Bitter Root Land Trust, Inc.

INDEPENDENT AUDITOR'S REPORT and
FINANCIAL STATEMENTS

December 31, 2020 and 2019

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT	1 and 2
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities	4 to 5
Statements of Functional Expenses	6 to 7
Statements of Cash Flows.....	8 and 9
Notes to the Financial Statements.....	10 to 25



Peterson CPA Group, P.C.

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Bitter Root Land Trust, Inc.
Hamilton, Montana

We have audited the accompanying financial statements of the Bitter Root Land Trust, Inc., a nonprofit organization, which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Bitter Root Land Trust, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Bitter Root Land Trust, Inc. as of December 31, 2019 were reviewed by other accountants whose report dated September 14, 2020, expressed an unmodified opinion on those statements. They have not performed any review procedures since September 14, 2020.

Peterson CPA Group, P.C.

Missoula, Montana

August 10, 2021

FINANCIAL STATEMENTS

BITTER ROOT LAND TRUST, INC.
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Cash - checking	\$ 168,928	\$ 141,015
Cash - money market and savings	509,968	288,774
	678,896	429,789
Cash and cash equivalents		
Total Current Assets	678,896	429,789
NONCURRENT ASSETS		
Property and equipment, net	223,553	829,671
Endowment	35,970	12,461
Investments	595,713	479,598
	855,236	1,321,730
Total Noncurrent Assets		
TOTAL ASSETS	\$ 1,534,132	\$ 1,751,519
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 7,019	\$ 23,556
Accrued liabilities	5,037	2,587
	12,056	26,143
Total Current Liabilities		
LONG-TERM LIABILITIES		
Fetch Inn loan	-	380,154
	-	380,154
Total Long-Term Liabilities		
TOTAL LIABILITIES	12,056	406,297
NET ASSETS		
Without donor restrictions	1,211,863	679,658
With donor restrictions	310,213	665,564
	1,522,076	1,345,222
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	\$ 1,534,132	\$ 1,751,519

See the notes to the financial statements.

BITTER ROOT LAND TRUST, INC.**STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 734,686	\$ 58,580	\$ 793,266
Grants	51,976	93,415	145,391
Cares Act	84,128	-	84,128
Forgiveness of PPP Loan	86,450	-	86,450
Fundraising events	1,496	-	1,496
Loss in disposal of assets - donated property	(262,693)	-	(262,693)
Investment income	15,316	-	15,316
Unrealized gain on investments	17,891	-	17,891
Less: investment fees	(3,293)	-	(3,293)
	<u>725,957</u>	<u>151,995</u>	<u>877,952</u>
Net Assets Released from Restriction	<u>507,346</u>	<u>(507,346)</u>	<u>-</u>
Total Revenue and Support	<u>1,233,303</u>	<u>(355,351)</u>	<u>877,952</u>
EXPENSES			
Program services	552,831	-	552,831
Management and general	88,742	-	88,742
Fundraising	59,525	-	59,525
Total Expenses	<u>701,098</u>	<u>-</u>	<u>701,098</u>
Change in Net Assets	532,205	(355,351)	176,854
NET ASSETS			
Beginning of year	<u>679,658</u>	<u>665,564</u>	<u>1,345,222</u>
End of year	<u>\$ 1,211,863</u>	<u>\$ 310,213</u>	<u>\$ 1,522,076</u>

See the notes to the financial statements.

BITTER ROOT LAND TRUST, INC.**STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 313,157	\$ 147,497	\$ 460,654
Grants	17,173	376,070	393,243
Fundraising events	2,688	-	2,688
Investment income	16,423	-	16,423
Unrealized gain on investments	51,118	-	51,118
Less: investment fees	(3,377)	-	(3,377)
	<u>397,182</u>	<u>523,567</u>	<u>920,749</u>
Net Assets Released from Restriction	<u>357,887</u>	<u>(357,887)</u>	<u>-</u>
Total Revenue and Support	<u>755,069</u>	<u>165,680</u>	<u>920,749</u>
EXPENSES			
Program services	500,778	-	500,778
Management and general	76,689	-	76,689
Fundraising	112,475	-	112,475
Total Expenses	<u>689,942</u>	<u>-</u>	<u>689,942</u>
CHANGE IN NET ASSETS	65,127	165,680	230,807
NET ASSETS			
Beginning of year	<u>614,531</u>	<u>499,884</u>	<u>1,114,415</u>
End of year	<u>\$ 679,658</u>	<u>\$ 665,564</u>	<u>\$ 1,345,222</u>

See the notes to the financial statements.

BITTER ROOT LAND TRUST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	Program Services	Management and General	Fundraising	Total
Advertising	\$ -	\$ -	\$ 144	\$ 144
Bank fees	3,293	3,294	-	6,587
Depreciation	-	2,642	-	2,642
Development expenses	1,310	865	445	2,620
Donations	100	-	-	100
Dues and subscriptions	3,360	-	-	3,360
Fundraising and special events	-	-	4,572	4,572
Interest	6,972	-	-	6,972
Insurance	2,455	2,439	-	4,894
Office supplies, services, and other	5,709	1,631	816	8,156
Printing and postage	8,864	-	4,432	13,296
Professional fees	2,220	4,085	2,575	8,880
Project, acquisition and stewardship	169,626	-	-	169,626
Rent	9,720	1,337	1,094	12,151
Telephone and internet	2,490	342	280	3,112
Travel, meals, and entertainment	3,531	662	221	4,414
Utilities	2,010	226	276	2,512
Wages, taxes, and benefits	334,464	71,219	44,670	450,353
Total expenses by function	\$ 556,124 79.0%	\$ 88,742 12.6%	\$ 59,525 8.5%	\$ 704,391 100.0%
Less expenses included in revenue and support on the statement of activities				
Investment fees	(3,293)	-	-	(3,293)
Functional expenses reported on the statement of activities	\$ 552,831 78.9%	\$ 88,742 12.7%	\$ 59,525 8.5%	\$ 701,098 100.0%

See the notes to the financial statements.

BITTER ROOT LAND TRUST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program Services	Management and General	Fundraising	Total
Advertising	\$ -	\$ -	\$ 1,551	\$ 1,551
Bank fees	3,377	3,378	-	6,755
Depreciation	-	3,114	-	3,114
Development expenses	1,664	499	1,164	3,327
Donations	305	-	-	305
Dues and subscriptions	13,295	-	-	13,295
Fundraising and special events	-	-	15,148	15,148
Interest	13,938	282	-	14,220
Insurance	2,184	3,833	-	6,017
Office supplies, services, and other	4,434	1,267	633	6,334
Printing and postage	10,590	-	5,703	16,293
Professional fees	6,938	12,734	7,982	27,654
Project, acquisition and stewardship	150,316	-	-	150,316
Rent	9,229	1,269	1,038	11,536
Telephone and internet	2,816	387	319	3,522
Travel, meals, and entertainment	8,310	1,558	519	10,387
Utilities	2,410	271	331	3,012
Wages, taxes, and benefits	274,349	48,097	78,087	400,533
Total expenses by function	\$ 504,155 72.7%	\$ 76,689 11.1%	\$ 112,475 16.2%	\$ 693,319 100.0%
Less expenses included in revenue and support on the statement of activities				
Investment fees	(3,377)	-	-	(3,377)
Functional expenses reported on the statement of activities	\$ 500,778 72.6%	\$ 76,689 11.1%	\$ 112,475 16.3%	\$ 689,942 100.0%

See the notes to the financial statements.

BITTER ROOT LAND TRUST, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 176,854	\$ 179,689
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	2,642	3,114
Loss on disposal of assets	262,693	-
Unrealized (gain) loss on investments	(17,891)	(51,118)
Changes in operating assets and liabilities:		
Accounts payable	(16,537)	18,672
Accrued liabilities	2,450	(738)
Total adjustments	<u>233,357</u>	<u>(30,070)</u>
Net Cash Flows from Operating Activities	<u>410,211</u>	<u>149,619</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(8,712)	(2,000)
Disposal of property	349,495	-
Deposits and reinvestments of investments	<u>(121,733)</u>	<u>72,462</u>
Net Cash Flows from Investing Activities	<u>219,050</u>	<u>70,462</u>

See the notes to the financial statements.

BITTER ROOT LAND TRUST, INC.
STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
FINANCING ACTIVITIES		
Payments on borrowings	(380,154)	(96,424)
Net Cash Flows from Financing Activities	<u>(380,154)</u>	<u>(96,424)</u>
Net Change in Cash and Cash Equivalents	<u>249,107</u>	<u>123,657</u>
CASH AND CASH EQUIVALENTS		
Beginning of year	429,789	306,132
End of year	<u>\$ 678,896</u>	<u>\$ 429,789</u>
<u>As Presented on the Statements of Financial Position:</u>		
Cash - checking	\$ 168,928	\$ 141,015
Cash - money market and savings	509,968	288,774
	<u>\$ 678,896</u>	<u>\$ 429,789</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Cash paid for interest	<u>\$ 6,972</u>	<u>\$ 10,894</u>

See the notes to the financial statements.

BITTER ROOT LAND TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

NOTE 1. ORGANIZATION AND PURPOSE

The Bitter Root Land Trust, Inc. (BRLT) is a private, nonprofit corporation under Internal Revenue Code Section 501 (c)(3). BRLT's mission is to partner with landowners to conserve clean water, wildlife habitat, and working farms and ranches in and around Montana's Bitterroot Valley for present and future generations.

Contributions and grants typically comprise the majority of BRLT's revenue.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

BRLT'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.

B. Cash and Cash Equivalents

For purposes of the statement of cash flows, BRLT 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) may exceed their insured limits. At December 31, 2020 and 2019, approximately \$92,000 and \$-0- was not fully insured by the FDIC, respectively. BRLT does not believe it is exposed to any significant credit risk on its cash balances.

C. Property and Equipment

Property and equipment are stated at cost if purchased or at fair value on the date of donation. Assets costing \$500 or more are capitalized. Donations of property and equipment are recorded as donations without donor restriction unless the donor has restricted their use, in which case they are recorded as donations with donor restriction. Absent donor stipulations regarding how long those donated assets must be maintained, BRLT reports expirations of donor restrictions when the donated assets are placed in service.

Property and equipment are depreciated on a straight-line basis over the estimated useful lives ranging from five to ten years.

Depreciation expense totaled \$2,642 and \$3,114 for the years ended December 31, 2020 and 2019, respectively.

BITTER ROOT LAND TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Easements

The cost to acquire purchased or donated easements is expensed as acquisition expense when incurred. BRLT held 46 and 43 easements at December 31, 2020 and 2019, respectively.

E. Investments

BRLT reports investments in marketable equities and debt securities at fair value. Cash and money market accounts are valued at their carrying amount, which approximates fair value. Unrealized gains or losses, interest, and dividends are included in the change in net assets on the statement of activities.

BRLT's investments are exposed to various risks, such as interest rate, credit, and market risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the investment balances and amounts reported in the financial statements.

F. Net Asset Classification

BRLT reports information regarding its financial position and activities according to two classes of net assets in accordance with GAAP as follows:

Net Assets Without Donor Restrictions: Net assets without donor restrictions represent funds that are available to support the BRLT's operations with no donor imposed or board of director designated restrictions.

With Donor Restrictions: Net assets with donor restrictions represent funds which are donor-restricted for specific purposes, uses, or use in a specific period. Some may not expire by the passage of time nor be fulfilled or otherwise removed by actions of the BRLT.

Refer to Note 9 for additional disclosures regarding net assets with donor restrictions.

Donor-restricted funds are classified as "with donor restrictions" until the donor restriction expires either by the time restriction ending or the purpose restriction being accomplished, at which time they 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".

Public support and revenue are reported as increases in net assets without donor restrictions, unless use of the related asset is restricted by the donor, in the statement of activities.

BITTER ROOT LAND TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Net Asset Classification, continued

Expenses are reported as decreases in net assets without donor restrictions in the statement of activities. Gains and losses on investment and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless explicit donor stipulation or law restricts their use.

G. Revenue Recognition

Revenue is recognized following guidance of either FASB ASU 2014-09: *Revenue from Contracts with Customers* (Topic 606) or FASB ASU 2018-08: *Not-for-Profit Entities – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958).

BRLT's significant revenue streams are contributions and non-governmental grants. These revenue streams are reporting following guidance from Topic 958. Topic 958 clarified the scope and the accounting guidance for contributions received assisting in the determination of whether the transaction should be accounted for as a contribution (nonreciprocal transaction) or as exchange (reciprocal) transactions. Topic 958 further clarified that if the possibility that a condition will not be met is remote, a conditional promise to give is considered unconditional and contribution revenue is immediately recognized and classified as net assets without donor restrictions or as net assets with donor restrictions. Distinguishing between contributions and exchange transactions determines whether the accounting follows Topic 958 or Topic 606. Contributions are recognized following guidance from Topic 958 and exchange transactions are recognized following guidance from Topic 606.

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 BRLT. There were no donated services recognized in the financial statements for the years ended December 31, 2020 and 2019.

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 to all contracts at the date of initial application.

BITTER ROOT LAND TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Revenue Recognition, continued

BRLT was negatively impacted from the world-wide coronavirus pandemic and lockdown orders by the Montana Governor impacting travel, commerce, and other activities in 2020. There were no significant economic factors impacting revenue recognition in 2019.

H. Functional Expense Allocations

The cost of program, management and general, and fundraising 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 the following functions:

Conservation and Stewardship: program services including all expenses related to carrying out BRLT's mission, focusing on conservation, protection and stewardship of the water resources, wildlife habitat, recreational trails, and working farms and ranches in Montana's Bitterroot Valley.

Management and General: includes all expenses related to management and administrative activities.

Fundraising: includes expenses related to promotional and special events.

Costs have been allocated among the program and supporting services benefited. Costs are direct charged whenever feasible. Costs that cannot reasonably be direct charged are allocated.

<u>Direct Charged</u>	<u>Allocated</u>	<u>Allocation Basis</u>
Advertising	Development expenses	Estimate of activities
Bank fees	Insurance	Estimate of space
Depreciation	Office supplies, services, and other	Proportion of time/space
Donations	Printing and postage	Proportion of time/space
Dues and subscriptions	Professional fees	Proportion of time/space
Fundraising and special events	Rent	Proportion of time/space
Interest	Telephone and internet	Proportion of time/space
Project, acquisition and stewardship	Utilities	Proportion of time/space
	Wages, taxes, and benefits	Estimate of employee time

I. Advertising

Advertising costs are expensed when first incurred. Advertising costs for the years ended December 31, 2020 and 2019 totaled \$144 and \$1,551, respectively.

BITTER ROOT LAND TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. 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 revenue and expenses. Actual amounts could differ from those estimates.

K. Income Tax Status

The BRLT 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 taxes has been recorded in the financial statements as BRLT does not believe it had any unrelated business income in 2020 or 2019.

L. Reclassifications

Certain reclassifications have been made to the prior year to conform to the 2020 format. Total net assets and the change in net assets were unchanged from these reclassifications.

M. Subsequent Events

Management has evaluated subsequent events through August 10, 2021, the date which the financial statements were available for issue. See further discussion in Note 12.

N. 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 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities* on June 3, 2020. This ASU defers the effective date of Topic 606 and Topic 842 for certain entities that had not yet issued their financial statements to support and assist stakeholders as they cope with the challenges and hardships related to the COVID-19 pandemic.

BRLT elected to defer adoption of Topic 842 to annual reporting periods beginning after December 15, 2021.

BITTER ROOT LAND TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

NOTE 3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the statements of financial position date are comprised of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 678,896	\$ 429,789
Investments	595,713	479,598
Total Financial Assets	<u>1,274,609</u>	<u>909,387</u>
Less:		
Donor restricted assets	<u>(302,823)</u>	<u>(658,174)</u>
Financial Assets Available Within One Year	<u><u>\$ 971,786</u></u>	<u><u>\$ 251,213</u></u>

Stewardship funds (See Note 9) have significant board-designated restrictions regarding the use and availability of these funds such that they may not readily be available for general expenditure until other resources have been used.

BRLT has invested funds in excess of monthly expenses and cash flow requirements in various investment funds. These resources are available if needed to meet short-term cash flow needs. See Note 6 for discussion of BRLT's endowment.

NOTE 4. PROPERTY AND EQUIPMENT

Property, equipment, and accumulated depreciation consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 210,000	\$ 210,000
Fetch Inn property	-	612,188
Office equipment	50,410	50,410
Computers	<u>8,712</u>	<u>-</u>
	269,122	872,598
Accumulated depreciation	<u>(45,569)</u>	<u>(42,927)</u>
Property and equipment, net	<u><u>\$ 223,553</u></u>	<u><u>\$ 829,671</u></u>

BRLT disposed of the Fetch Inn property in 2020 as originally intended by giving the property to the City of Hamilton. BRLT recorded a loss on disposal of \$262,693 that is recorded in the statement of activities.

BITTER ROOT LAND TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

NOTE 5. FAIR VALUE MEASUREMENTS

A framework for measuring fair value and defining fair value is provided by GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

GAAP also establishes a fair value hierarchy, which prioritizes the valuation of inputs into broad levels, as described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included in Level 1 for which all significant inputs are observable, either directly, or indirectly.

Level 3 – Significant unobservable prices or inputs where there is little or no market activity for the asset or liability at the measurement date.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. BRLT's policy for determining the timing of significant transfers between Levels 1 and 2 is at the end of the reporting period. There were no transfers between levels in 2020 and 2019.

Cash, money market accounts, and other cash equivalents are valued at their carrying amounts, which approximates fair value.

Mutual funds, exchange traded funds, and real estate investment funds are valued at the net asset value (NAV). NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, divided by the number of shares held by the fund outstanding at year-end. NAV is quoted in an active market. The fair values of common stocks are based on the closing price reported in the active market.

A significant portion of BRLT's investments are subject to the risk of value fluctuation that is inherent in the market. As such, the value of BRLT's investments may change frequently. BRLT paid fees to investment managers totaling \$3,293 and \$3,377 in 2020 and 2019, respectively.

BITTER ROOT LAND TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

NOTE 5. FAIR VALUE MEASUREMENTS, Continued

The preceding methods described may produce a fair value calculation that may not be indicative of near realizable value or reflective of future fair values. Furthermore, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. Investment income on the statement of activities is interest and dividend income from various accounts totaled \$15,316 in 2020 and \$16,423 in 2019.

The following presents BRLT's financial assets, measured on a recurring basis, in the fair value hierarchy as of December 31, 2020:

	<u>Cost</u>	<u>Fair Value</u>	<u>Cumulative Unrealized Gain (Loss)</u>
Money market	\$ 56,138	\$ 56,138	\$ -
Level 1:			
Common stock	191,768	241,576	49,808
Exchange traded funds	76,364	89,061	12,697
Real estate investment trusts	6,575	7,277	702
Total Level 1	<u>274,707</u>	<u>337,914</u>	<u>63,207</u>
Level 2:			
Corporate bonds	150,133	151,022	889
Convertible bonds	5,002	4,989	(13)
Municipal bonds	46,150	45,650	(500)
Total Level 2	<u>201,285</u>	<u>201,661</u>	<u>376</u>
Total Investments	<u>\$ 532,130</u>	<u>\$ 595,713</u>	<u>\$ 63,583</u>

BITTER ROOT LAND TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

NOTE 5. FAIR VALUE MEASUREMENTS, Continued

The following presents BRLT's financial assets, measured on a recurring basis, in the fair value hierarchy as of December 31, 2019:

	<u>Cost</u>	<u>Fair Value</u>	<u>Cumulative Unrealized Gain (Loss)</u>
Level 1:			
Common stock	\$ 157,449	\$ 190,403	\$ 32,954
Exchange traded funds	46,892	48,491	1,599
Real estate investment trusts	9,265	9,590	325
Total Level 1	<u>213,606</u>	<u>248,484</u>	<u>34,878</u>
Level 2:			
U.S. Government securities	49,942	49,991	49
Corporate bonds	113,280	114,994	1,714
Convertible bonds	5,002	5,315	313
Municipal bonds	61,199	60,870	(329)
Total Level 2	<u>229,423</u>	<u>231,170</u>	<u>1,747</u>
Total Investments	<u>\$ 443,029</u>	<u>\$ 479,654</u>	<u>\$ 36,625</u>

NOTE 6. ENDOWMENT FUND

BRLT board of directors created a General Endowment Fund in 2009 for the purpose of setting aside funds in perpetuity for the benefit of BRLT. Earnings on the fund may be distributed and used for operations. As required by GAAP, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

BRLT classifies and reports these endowment funds on the statement of financial position as a quasi-endowment in accordance with FASB ASC 958-204-45.

BITTER ROOT LAND TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

NOTE 6. ENDOWMENT FUND, Continued

The composition of endowment funds by net asset type at December 31, 2020 was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment fund	\$ -	\$ -	\$ -
Quasi-endowment funds	28,580	7,390	35,970
Total	<u>\$ 28,580</u>	<u>\$ 7,390</u>	<u>\$ 35,970</u>

The composition of endowment funds by net asset type at December 31, 2019 was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment fund	\$ -	\$ -	\$ -
Quasi-endowment funds	5,071	7,390	12,461
Total	<u>\$ 5,071</u>	<u>\$ 7,390</u>	<u>\$ 12,461</u>

Interpretation of Relevant Law

The BRLT 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 absent explicit donor stipulations to the contrary. As a result of this interpretation, BRLT classifies as with donor restrictions net assets (a) the original value of gifts donated to the permanent endowment from donors, (b) the original value of subsequent gifts to the permanent endowment from donors, and (c) any accumulations made to the permanent endowment made in accordance with the director of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted permanent endowment fund is not classified in with net assets with donor restrictions until those amounts are appropriated for expenditure by the BRLT's Board of Directors in a manner consistent with the standard of prudence prescribed by MUPMIFA. BRLT's endowment funds are classified as board-designated without donor restrictions net assets. Investment income is considered net assets without donor restrictions.

BITTER ROOT LAND TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

NOTE 6. ENDOWMENT FUND, Continued

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

- The duration and preservation of the fund;
- The purposes of the fund and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the fund and organization;
- The investment policies of the organization

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor, board of directors, or MUPMIFA requires BRLT to retain as a fund of perpetual duration (underwater endowments). In accordance with MUPMIFA and GAAP, deficiencies of this nature are required to be reported as net assets without donor restriction. There were no funds with deficiencies in 2020 or 2019.

Return Objectives and Risk Parameters

BRLT has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and activities supported by its endowment while seeking to maintain the purchasing power of the endowment assets by subjecting the fund to low investment risk and moderate growth. Endowment assets include those assets of donor-restricted funds that BRLT must hold in perpetuity or for a donor-specified period as well as board-designated endowment funds. BRLT expects its endowment funds over time to provide a reasonable level of income to support the spending policy authorized by the Board of Directors and to grow equity assets. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, BRLT relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). BRLT targets a diversified asset allocation including cash and mutual funds to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

BRLT has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk and moderate growth. The endowment funds are held in a mutual fund and are managed by Raymond James Financial Services, Inc. BRLT currently has a policy in place to restrict spending of the investment income from the endowment fund and to allow the endowment fund to grow as a result of investment returns.

BITTER ROOT LAND TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

NOTE 6. ENDOWMENT FUND, Continued

Changes in the endowment net assets composition by fund type for the year ended December 31, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2020	\$ 5,071	\$ 7,390	\$ 12,461
Investment return:			
Investment income	125	-	125
Net appreciation	326	-	326
Total investment return	451	-	451
Contributions	23,058	-	23,058
Appropriations, fees, other expenses	-	-	-
Endowment net assets, December 31, 2020	<u>\$ 28,580</u>	<u>\$ 7,390</u>	<u>\$ 35,970</u>

Approximately \$23,000 was received during 2020 into the endowment to further BRLT's mission and activities.

Changes in the endowment net assets composition by fund type for the year ended December 31, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2019	\$ 3,646	\$ 7,390	\$ 11,036
Investment return:			
Investment income	454	-	454
Net appreciation	1,021	-	1,021
Total investment return	1,475	-	1,475
Contributions	-	-	-
Appropriations, fees, other expenses	(50)	-	(50)
Endowment net assets, December 31, 2019	<u>\$ 5,071</u>	<u>\$ 7,390</u>	<u>\$ 12,461</u>

BITTER ROOT LAND TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

NOTE 6. ENDOWMENT FUND, Continued

The cost, fair value, and net unrealized gain or loss of endowment funds measured on a recurring basis at December 31, 2020 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Cash and cash equivalents	\$ 23,114	\$ 23,114	\$ -
Level 1:			
Mutual funds	<u>7,246</u>	<u>12,856</u>	<u>5,610</u>
Total	<u>\$ 30,360</u>	<u>\$ 35,970</u>	<u>\$ 5,610</u>

The cost, fair value, and net unrealized gain or loss of endowment funds measured on a recurring basis at December 31, 2019 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Cash and cash equivalents	\$ 56	\$ 56	\$ -
Level 1:			
Mutual funds	<u>7,246</u>	<u>12,405</u>	<u>5,159</u>
Total	<u>\$ 7,302</u>	<u>\$ 12,461</u>	<u>\$ 5,159</u>

NOTE 7. NOTE PAYABLE

BRLT financed \$510,000 of the purchase price of the Fetch Inn/Skalkaho Bend property in January 2018 with The Conservation Fund, a Virginia public benefit corporation. The loan was payable at maturity in January 2021 with interest at 3.45%. BRLT repaid the loan in full in July 2020 when BRLT donated the property to the City of Hamilton.

BRLT applied for and received a \$86,450 loan under the Paycheck Protection Program (PPP) in April 2020. This loan was unsecured and fully guaranteed by the Federal government. BRLT received 100% forgiveness of this loan in 2020 and has reported the PPP funds as grant revenue in the statement of activities.

BITTER ROOT LAND TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

NOTE 8. LEASES

BRLT leases its office space under terms of a month-to-month lease. BRLT pays certain utilities with the office space in addition to rent. Rent expense totaled \$12,150 and \$11,536 in 2020 and 2019, respectively.

NOTE 9. NET ASSET CLASSIFICATION AND PRESENTATION

Net assets at December 31, 2020 and 2019 are classified and presented as follows:

	2020	2019
Net assets without donor restrictions		
Board designated: Stewardship Funds	\$ 630,964	\$ 574,129
Without Restrictions	580,899	105,529
	1,211,863	679,658
Net assets with donor restrictions:		
Subject to expenditure for specified purpose or time restriction:		
Besseney conservation easement fund	-	23,153
Fetch Inn Ranch/Salkaho Bend	-	274,568
Other designated program funds	-	4,932
Steve Powell FOLM fund	40,425	30,425
Paddock Easement	10,493	10,096
Sula Land	210,000	210,000
White Memorial	41,905	105,000
	302,823	658,174
Not subject to passage of time:		
Permanent Endowment Fund	7,390	7,390
	7,390	7,390
Total net assets	\$ 1,522,076	\$ 1,345,222

Stewardship Funds – These funds were established for board-designated (restricted) contributions for ongoing stewardship expenses related to BRLT’s completed conservation projects.

Besseney - Daly Mansion Viewshed Conservation Fund – The purpose of this fund is to pay expenses related to protecting the view of the Bitterroot Mountains to the west of the State of Montana’s historic Daly Mansion in Hamilton, Montana. Money in this fund can be utilized to pay staff salaries and costs associated with protecting the public’s view of the Bitterroot Mountains from the Daily mansion. BRLT completed work associated with this project in 2020.

BITTER ROOT LAND TRUST, INC.

NOTES TO THE FINANCIAL STATEMENTS For the Years Ended December 31, 2020 and 2019

NOTE 9. NET ASSET CLASSIFICATION AND PRESENTATION, Continued

Fetch Inn Ranch/Skalkaho Bend – In 2018 BRLT partnered with the Conservation Fund to purchase 70 acres and over a mile of Bitterroot River frontage adjacent to Hamilton, Montana. This land, now known as Skalkaho Bend Park, will be donated to the City of Hamilton to be utilized as natural public open space and recreational access to the Bitterroot River for the community. BRLT donated this property to the City of Hamilton in July of 2020.

Other Designated Program Funds – These funds were specifically designated by various donor-imposed restrictions including fundraising, stewardship and outreach and education. BRLT completed the donor-restricted use of funds during 2020.

Steve Powell FOLM Fund – This fund is utilized to explore and develop conservation easement projects that benefit wildlife habitat and water resources on private lands near the Lee Metcalf National Wildlife Refuge.

Paddock Easement – This fund was capitalized by the Cinnabar Foundation to complete a conservation easement in early 2021 on the historic Paddock Ranch north of Darby and near Lake Como in the Bitterroot Valley.

Sula Land – In December of 2017, BRLT accepted a 12-acre parcel of land along the banks of the East Fork of the Bitterroot River in Sula, Montana. This small parcel will become fishing access and a walking area for the public on a crucial stretch of the East Fork.

White Memorial – In 2019, BRLT partnered with Montana Fish, Wildlife and Parks in an agreement to purchase approximately 100 acres of land along the West Fork of the Bitterroot River near Conner, Montana. This incredible riverfront purchase will provide permanent public fishing access, camping, and access to the Bitterroot National Forest, while protecting some of the most important riparian and fisheries habitat in the West Fork.

NOTE 10. FUNDRAISING EXPENSES

Fundraising expenses in 2020 totaled \$59,525 representing 8.5% of total expenses. Fundraising expenses in 2019 totaled \$112,475 representing 16.3% of total expenses.

NOTE 11. RETIREMENT PLAN

BRLT implemented a SIMPLE IRA plan for its employees who meet the eligibility requirements. BRLT matches up to 3% of employee contributions. BRLT contributed \$9,505 and \$8,711 in 2020 and 2019, respectively.

BITTER ROOT LAND TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

NOTE 12. ECONOMIC CONDITIONS

The World Health Organization declared the outbreak of the coronavirus a pandemic in March 2020. The coronavirus has spread throughout the United States of America and has impacted the national economy, the Montana economy, and shut down certain industries. The BRLT is closely monitoring its operations, liquidity, and capital resources as management works to minimize the financial impact of this unprecedented situation. The impact to BRLT's financial statements is unknown at this time and cannot be reasonably estimated.