The Blackfoot Challenge, Inc.

AUDITED
FINANCIAL STATEMENTS

December 31, 2017 and 2016

The Blackfoot Challenge, Inc.

TABLE OF CONTENTS

	Page(s)
Independent Auditor's Report	1 and 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4 and 5
Statements of Cash Flows	6
Notes to the Financial Statements	7 to 18
Supplementary Information	
Schedules of Functional Expenses	19 and 20

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
The Blackfoot Challenge, Inc.
Ovando, Montana

Report on the Financial Statements
We have audited the accompanying financial statements of The Blackfoot Challenge, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities 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 Blackfoot Challenge, Inc. as of December 31, 2017 and 2016 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.

P.O. Box 5667 ♦ Missoula, MT 59806 ♦ (406) 214-3121

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Peterson CPA Group, P.C.

Peterson CPA Group, P.C.
Missoula, Montana
April 24, 2018

P.O. Box 5667 ♦ Missoula, MT 59806 ♦ (406) 214-3121

FINANCIAL STATEMENTS

The Blackfoot Challenge, Inc.

STATEMENTS OF FINANCIAL POSITION
As of December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 266,954	$ 247,585
Accounts receivable	129,734	41,079
Investments	395,952	340,713
Endowment	1,130,487	1,047,772
BCCA Land	1,891,284	1,891,284
TOTAL ASSETS	$ 3,814,411	$ 3,568,433
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 1,928	$ 14,151
Accrued liabilities	67,844	68,322
TOTAL LIABILITIES	$ 69,772	$ 82,473
NET ASSETS		
Unrestricted		
Unrestricted	$ 2,059,943	$ 1,934,883
Quasi-endowment funds	1,130,487	1,047,772
Board designated - other	143,757	135,011
	3,334,187	3,117,666
Temporarily restricted	410,452	368,294
TOTAL NET ASSETS	$ 3,744,639	$ 3,485,960
TOTAL LIABILITIES AND NET ASSETS	$ 3,814,411	$ 3,568,433

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

The Blackfoot Challenge, Inc.

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Donations	$ 147,513	$ -	$ 147,513
Grants	-	1,293,127	1,293,127
Events and outreach	1,618	-	1,618
Interest and dividends	-	32,291	32,291
Net realized & unrealized gain	-	146,872	146,872
Subtotal	149,131	1,472,290	1,621,421
Net assets released from restrictions	1,430,132	(1,430,132)	-
TOTAL REVENUE AND SUPPORT	$ 1,579,263	$ 42,158	$ 1,621,421
EXPENSES			
Program	$ 1,117,802	$ -	$ 1,117,802
Management and general	193,497	-	193,497
Fundraising	51,443	-	51,443
TOTAL EXPENSES	$ 1,362,742	$ -	$ 1,362,742
CHANGE IN NET ASSETS	216,521	42,158	258,679
NET ASSETS			
Beginning of year	3,117,666	368,294	3,485,960
End of year	$ 3,334,187	$ 410,452	$ 3,744,639

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

The Blackfoot Challenge, Inc.

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Donations	$ 134,580	$ -	$ 134,580
Grants	-	979,501	979,501
Events and outreach	2,194	-	2,194
Interest and dividends	-	32,585	32,585
Net realized & unrealized gain	-	46,398	46,398
Subtotal	136,774	1,058,484	1,195,258
Net assets released from restrictions	1,020,030	(1,020,030)	-
TOTAL REVENUE AND SUPPORT	$ 1,156,804	$ 38,454	$ 1,195,258
EXPENSES			
Program	$ 966,536	$ -	$ 966,536
Management and general	174,718	-	174,718
Fundraising	76,400	-	76,400
TOTAL EXPENSES	$ 1,217,654	$ -	$ 1,217,654
CHANGE IN NET ASSETS	(60,850)	38,454	(22,396)
NET ASSETS			
Beginning of year	3,178,516	329,840	3,508,356
End of year	$ 3,117,666	$ 368,294	$ 3,485,960

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

The Blackfoot Challenge, Inc.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 258,679	$ (22,396)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Realized and unrealized gains	(146,872)	(45,166)
Changes in operating assets and liabilities		
Accounts receivables	(88,655)	44,385
Accounts payable	(12,223)	(12,062)
Accrued liabilities	(478)	15,183
Total adjustments	(248,228)	2,340
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 10,451	$ (20,056)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments and endowment funds	$ 626,594	$ 24,967
Purchase of investments and endowment funds	(617,676)	(20,037)
NET CASH FLOWS FROM INVESTING ACTIVITIES	$ 8,918	$ 4,930
Net change in cash and cash equivalents	19,369	(15,126)
CASH AND CASH EQUIVALENTS		
Beginning of year	247,585	262,711
End of year	$ 266,954	$ 247,585

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

The Blackfoot Challenge, Inc.

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Blackfoot Challenge, Inc. is a landowner-based nonprofit organization that coordinates management of the Blackfoot River, its tributaries, and adjacent lands. The Blackfoot Challenge, Inc. was founded in 1993 as an organization exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code.

The Blackfoot Challenge, Inc. (Blackfoot) coordinates efforts that will conserve and enhance the natural resources and rural way of life in the Blackfoot River Valley for present and future generations. Blackfoot's funding is primarily from individual contributions and a combination of private and public sector grants.

B. Basis of Accounting

Blackfoot'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.

C. Cash and Cash Equivalents

For purposes of the statement of cash flows, Blackfoot 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, 2017 and 2016, approximately $372,000 and $45,000, respectively, of such bank accounts were not insured by the FDIC. Blackfoot does not believe it is exposed to any significant credit risk on its cash balances.

D. Accounts Receivable

Accounts receivable consists primarily of funds due from grants as reimbursement for expenses incurred. Receivables are stated at unpaid balances and interest is not charged. Receivables are considered past due if not paid timely in accordance with grant agreements. There were no significant receivables considered past due at Decmber 31, 2017 or 2016. Management determined an allowance was not necessary based on the nature of the receivable, 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 write offs in 2017 or 2016. 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.

E. Investments

Blackfoot carries its marketable equity and debt securities at fair value. Cash and money market accounts are valued at their carrying amounts, which approximates fair value. Increases or decreases in fair value are recognized in the current period and reported on the Statement of Activities and included in the "Net realized & unrealized gain (loss)" category. Interest and dividends are reported as increases in unrestricted and temporarily restricted net assets on the statement of activities.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Investements (continued)
Blackfoot's investments in securities 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 investment securities will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the financial statements.

F. Endowment Funds
The board of directors created the Blackfoot Stewardship Endowment Fund in November 2008 and made an initial contribution of $33,000 and created the Blackfoot Challenge Endowment Committee to administer the fund.

The board of directors created the Blackfoot Community Conservation Area (BCCA) Endowment Fund in May 2010 and made an initial contribution of $300,000 to fund the account held at US Bank and designated the Blackfoot Challenge Endowment Committee to administer the fund.

Earnings from the endowments are used to benefit the BCCA. The BCCA is an innovated effort involving community forest ownership and cooperative ecosystem management across public and private lands in the heart of the 1.5 million acre Blackfoot watershed. The BCCA borders the Bob Marshall and Scapegoat Wilderness areas.

G. BCCA Land
Land was donated to Blackfoot in 2008 and was recorded at fair value at the time of the donation. The land is part of the BCAA and is managed and administered by a 15 member committee of the Blackfoot Challenge, the BCCA Council. The land is used for developing a working landscape that balances ecological diversity with local economic sustainability for the future benefit of the Blackfoot Watershed Community.

H. Compensated Absences
All regular full-time staff members with at least twelve months of service are allowed to accumulated paid time off (PTO). The PTO accrual is based on a graduated schedule of length of employment ranging from 12 days per year to a maximum of 24 days per year. Employees cannot accrue more than twenty days of PTO. In the event of termination, the PTO balance is paid at the current pay rate.

I. Net Asset Classification
Donor-restricted funds are classified as temporarily restricted 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 unrestricted net assts. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Temporarily restricted net assets totaled $410,452 and $368,294 at December 31, 2017 and 2016, respectively.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Net Asset Classification (continued)
Donor-restricted contributions that neither expire by the passage of time nor are fulfilled or otherwise are removed by actions of Blackfoot are classified as permanently restricted. There were no permanently restricted net assets in 2017 or 2016.

The board of directors has adopted a policy of designating certain unrestricted net assets for future use. Additionally, the board of directors created two endowment funds. Board-designated net assets at December 31, 2017 and 2016 totaled $1,274,244 and $1,182,783, respectively.

J. Income Tax Status
Blackfoot 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 2017 or 2016.

K. 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.

L. Expense Allocations
Administrative expenses are allocated to program expenses according to the portion of costs benefiting the program.

Blackfoot reports expenses by the following functions:

Program - includes all expenses related to carrying out Blackfoot's mission focusing on conservation strategies, restoration activities, stewardship, outreach and education activities.

Management and General – includes expenses related to Blackfoot's administrative activities.

Fundraising – includes expenses related to promotional and special events.

M. Advertising
Blackfoot expenses the cost of advertising as incurred. Advertising expenses totaled $2,169 and $2,108 in 2017 and 2016, respectively.

N. Risk and Uncertainty
Blackfoot 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. Blackfoot mitigates its risk through various insurance policies.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Subsequent Events
Management has evaluated subsequent events through April 24, 2018, the date which the financial statements were available for issue.

NOTE 2. INVESTMENTS

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 three 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 – Quoted prices in markets that are not considered to be active or financial instruments 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. Blackfoot's policy for determining the timing of significant transfers between Level 1 and Level 2 is at the end of the reporting period.

Cash, money market accounts, and other cash equivalents are valued at their carrying amount, which approximates fair value. Marketable equity securities are stated at fair value based on quoted market prices in active markets.

Mutual funds are valued at the net asset value (NAV). The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares held by the fund outstanding at year end. The NAV is quoted in an active market.

The following summarizes investment income in the statements of activities:

	2017	2016
Interest and dividends	$ 32,291	$ 32,585
Realized gains	30,651	-
Unrealized gains (losses), net	116,221	46,398
	$ 179,163	$ 78,983

NOTE 2. INVESTMENTS (continued)

Amortized cost or cost, fair value, and net unrealized gain or loss of investments at December 31, 2017 are as follows:

	Amortized Cost or Cost	Fair Value	Unrealized Gain (Loss)
Cash and Cash Equivalents	$ 20,600	$ 20,600	$ -
Level 1			
Mutual Funds			
Equities - U.S.	$ 132,317	$ 163,331	$ 31,014
Equities - Foreign	36,116	42,408	6,292
Fixed Income	145,983	144,816	(1,167)
Real Estate	16,262	16,263	1
Commodities	8,463	8,534	71
Total Mutual Funds	$ 339,141	$ 375,352	$ 36,211
Total Investments	$ 359,741	$ 395,952	$ 36,211

Amortized cost or cost, fair value, and net unrealized gain or loss of investments at December 31, 2016 are as follows:

	Amortized Cost or Cost	Fair Value	Unrealized Gain (Loss)
Cash and Cash Equivalents	$ 16,842	$ 16,842	$ -
Level 1			
Mutual Funds			
Equities - U.S.	$ 132,990	$ 144,613	$ 11,623
Equities - Foreign	34,958	33,043	(1,915)
Fixed Income	127,692	124,602	(3,090)
Real Estate	14,855	14,607	(248)
Commodities	7,335	7,006	(329)
Total Mutual Funds	$ 317,830	$ 323,871	$ 6,041
Total Investments	$ 334,672	$ 340,713	$ 6,041

A significant portion of Blackfoot's investments are subject to the risk of value fluctuation that is inherent in the market. As such, the value of Blackfoot's assets may change frequently. To help management this risk, Blackfoot's professional investment managers oversee the portfolio and monitor its performance. Total investment fees paid to the investment managers during 2017 and 2016 totaled $9,420 and $8,762, respectively.

NOTE 3. ENDOWMENT

Blackfoot's endowment consists of two funds established by its board of directors for the purpose of benefiting the BCCA. 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. The endowment funds were funded by grants from The Nature Conservancy. Blackfoot has established the Blackfoot Challenge Endowment Committee to administer the endowment funds. Blackfoot's policy is to adopt a spending policy that essentially maintains the principal balances and spends earnings in accordance with the donors request.

Blackfoot classifies and reports these endowment funds on the statement of financial position as a quasi-endowment in accordance with FASB ASC 958-204-45. As of December 31, 2017 and 2016, the composition of endowment funds consisted of quasi-endowment funds all of which were classified as unrestricted net assets. At December 31, 2017 and 2016, these funds were recorded on the statement of financial position in the amount of $1,130,487 and $1,1047,772, respectively.

Interpretation of Relevant Law
The Board of Directors has interpreted the Montana Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, Blackfoot classifies as permanently restricted 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 that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Blackfoot Challenge Endowment Committee in a manner consistent with the standard of prudence prescribed by MUPMIFA. Blackfoot's endowment funds are classified as board-designated unrestricted net assets.

In accordance with MUPMIFA, Blackfoot 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;
- The investment policies of the fund

NOTE 3. ENDOWMENT (continued)

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 Blackfoot to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are required to be reported in unrestricted net assets. There were no funds with deficiencies in 2017 or 2016.

Return Objectives and Risk Parameters
Blackfoot 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. Endowment assets include those assets of donor-restricted funds that Blackfoot must hold in perpetuity or for a donor-specified period as well as board-designated endowment funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield of 5%. Blackfoot 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 give year may vary from this amount.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, Blackfoot 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). Blackfoot targets a diversified asset allocation including cash, cash equivalents, equity securities, 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
Blackfoot's spending policy allows for an annual distribution up to 5% of the three-year average market value of the funds as calculated on 4 quarters ending December 31, not to exceed the average net earnings, growth, and income of the three-year period. Blackfoot expects its spending policy to allow the endowment to grow and to maintain the purchasing power of the endowment assets.

NOTE 3. ENDOWMENT (continued)

Changes in the endowment net assets composition by fund type for the year ended December 31, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Total
Endowment net assets, January 1, 2017	$ 1,047,772	$ -	$ 1,047,772
Investment return			
Investment income	-	23,460	23,460
Net appreciation	-	127,710	127,710
Total investment return	-	151,170	151,170
Transfer	144,230	(144,230)	-
Appropriations, fees, and other expenses	(61,515)	(6,940)	(68,455)
Endowment net assets, December 31, 2017	$ 1,130,487	$ -	$ 1,130,487

Changes in the endowment net assets composition by fund type for the year ended December 31, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Total
Endowment net assets, January 1, 2016	$ 1,035,908	$ -	$ 1,035,908
Investment return			
Investment income	-	24,966	24,966
Net appreciation	-	43,744	43,744
Total investment return	-	68,710	68,710
Transfer	66,566	(66,566)	-
Appropriations, fees, and other expenses	(54,702)	(2,144)	(56,846)
Endowment net assets, December 31, 2016	$ 1,047,772	$ -	$ 1,047,772

NOTE 3. ENDOWMENT (continued)

Amortized cost or cost, fair value, and net unrealized gain or loss of endowment funds at December 31, 2017 and 2016 are as follows:

	2017			2016		
	Cost	Fair Value	Unrealized Gain (Loss)	Cost	Fair Value	Unrealized Gain (Loss)
Cash	$ 60,192	$ 60,192	$ -	$ 44,602	$ 44,602	$ -
Level 1						
Mutual Funds						
Equities - U.S.	$ 316,409	$ 467,978	$ 151,569	$ 355,111	$ 450,322	$ 95,211
Equities - Foreign	103,868	121,454	17,586	101,841	99,724	(2,117)
Fixed Income	412,814	408,367	(4,447)	392,769	381,608	(11,161)
Real Estate	50,398	52,473	2,075	50,411	50,688	277
Commodities	2,048	20,023	17,975	22,150	20,828	(1,322)
Total Mutual Funds	$ 885,537	$ 1,070,295	$ 184,758	$ 922,282	$ 1,003,170	$ 80,888
Total Investments	$ 945,729	$ 1,130,487	$ 184,758	$ 966,884	$ 1,047,772	$ 80,888

NOTE 4. BCCA LAND

The Blackfoot Community Conservation Area (BCCA) is an innovative effort involving community forest ownership and cooperative ecosystem management across public and private lands in the heart of the 1.5 million acre Blackfoot watershed. The BCCA is located at the southern end of the Crown of the Continent Ecosytem bordering the Bob Marshall and Scapegoat Wilderness areas. The BCCA encompasses an important transition zone between wilderness, national forest and productive vally bottoms withlush riparian and wetland areas and important wildlife habitat.

The BCCA Project involves two distinct phases. Phase I involves local ownership and management of approximately 5,600 acreas of former Plum Creek Timber Company lands transferred from The Nature Conservancy to Blackfoot in 2008. Phase II involves joint management of these lands with the larger BCCA itself – the surrounding public and private lands comprising a 41,000-acre multiple-use demonstration area for the watershed. BCCA land is a crucial component of Blackfoot's mission and program activities. A management plan for BCCA was updated in June 2017 guiding land management decisions. The plan is intended to be a dynamic document pooling technical planning resources and local community-based knowledge. Significant management goals include: managing habitat promoting diverse wildlife populations; sustainable forestry management; managing fuel levels utilizing prescribed fire, thinning, or other management practices; implementing riparian and wetland restoration and conservation strategies; prevention of noxious and invasive weed infestations; providing responsible recreation uses; promoting natural resource education, research, and learning opportunities; and developing an economically self-sustaining resource supporting the management of BCCA.

BCCA land is presented in the statement of financial position at fair value of $1,891,284 for the years ended December 31, 2017 and 2016.

NOTE 5. NET ASSETS

Net assets at December 31, 2017 and 2016 consisted of the following:

	December 31, 2017	December 31, 2016
Unrestricted Net Assets	$ 2,059,943	$ 1,934,883
Board Designated		
Operating Fund	$ 143,757	$ 135,011
Stewardship Quasi - Endowment Fund	697,825	643,487
BCCA Quasi - Endowment Fund	432,662	404,285
	1,274,244	1,182,783
Total Unrestricted Net Assets	$ 3,334,187	$ 3,117,666
Temporarily Restricted Net Assets		
Program Reserve	$ 37,569	$ 62,174
Program Funds	120,688	100,418
BCP Operating Fund	252,195	205,702
Total Temporarily Restricted Net Assets	$ 410,452	$ 368,294

NOTE 6. OPERATING LEASES

Blackfoot leases offices space under terms of a month-to-month lease. Terms of this lease require the lessee to pay the actual cost of heat for the office space. Rent expense totaled $4,796 and $4,463 for the years ended December 31, 2017 and 2016, respectively.

NOTE 7. CONCENTRATIONS

Blackfoot receives a significant level of funding from federal agencies. Any significant decrease in this level of funding could result in substantial negative impact on Blackfoot's operations.

NOTE 8. FUNDRAISING EXPENSES

Fundraising expenses in 2017 totaled $51,443 representing approximately 3.8% of total expenses. Fundraising expenses in 2016 totaled $76,400 representing approximately 6.3% of total expenses.

NOTE 9. RETIREMENT PLAN

Blackfoot implemented a SIMPLE IRA plan for its employees who meet the eligibility requirements in December 2015. Blackfoot will match up to 3% of employee contributions. Blackfoot contributed $13,812 and $11,738 during 2017 and 2016, respectively.

NOTE 10. IN-KIND CONTRIBUTIONS

Blackfoot has grant agreements requiring certain in-kind contributions for the years ended December 31, 2017 and 2016.

A summary of in-kind support received for federal awards for the year ended December 31, 2017 are as follows:

	In-Kind Received	In-Kind Required
USFWS CA F13AC00983	$ 13,500	$ 13,500
Bureau of Land Mngmt L14AC00070	125,119	59,305
Bureau of Land Mngmt L15AC00056	16,376	49,835
USDA FS 14-PA-11011200-024	3,904	4,055
USDA FS 14-PA-11011200-025	3,912	4,162
USDA FS 14-CS-11015600-053	58,349	58,349
USDA FS 14-JV-11221637-088	5,180	5,180
USDA FS 15-CS-11011600-019	9,921	9,972
USDA FS 15-CS-11011600-043	27,307	27,506
USDA FS16-CS-11015600-040	10,903	28,216
USDA FS16-CS-11015600-041	9,462	8,810
USDA FS16-PA-11011600-062	510	13,000
DEQ 217006	117,000	243,550
DNRC WSF-15-002	113,951	90,000
DNRC WSF-16-001	141,921	90,000
DNRC HZF-16-001	56,600	20,361
MCWD DNRC - AIS	11,339	11,339
Livestock Loss Prevention	30,100	27,739
	$ 755,354	$ 764,879

NOTE 10. IN-KIND CONTRIBUTIONS (continued)

A summary of in-kind support received for federal awards for the year ended December 31, 2016 were as follows:

	In-Kind Received	In-Kind Required
Bureau of Reclamation R14AP00161	$ 50,551	$ 50,551
USFWS CA F13AC00983	13,500	13,500
Bureau of Land Mngmt L14AC00070	59,305	118,941
Bureau of Land Mngmt L15AC00056	49,835	16,376
NRCS CA 65-0325-12-044	65,000	65,000
USDA FS 11-PA-11011200-051	49,636	49,849
USDA FS 13-PA-11011200-019	37,291	37,291
USDA FS 14-PA-11011200-024	4,055	3,254
USDA FS 14-PA-11011200-025	4,162	3,696
USDA FS 14-CS-11015600-053	58,348	57,611
USDA FS 14-JV-11221637-088	5,180	5,180
USDA FS 15-CS-11011600-019	6,818	6,818
USDA FS 15-CS-11011600-043	16,857	12,097
USDA FS16-CS-11015600-040	66,882	2,709
USDA FS16-CS-11015600-041	6,670	3,362
DNRC HZF 14-005	20,244	20,244
DNRC WSF-15-002	90,000	76,094
DNRC WSF-16-001	90,000	97,709
DNRC HZF-16-001	20,361	50,100
DNRC FIF 15-004	114,420	114,420
Livestock Loss Prevention	18,200	11,000
	$ 847,315	$ 815,802

In-kind requirements vary depending on the grant, which often are multiple year awards and in-kind may be received at varying times in each year. Blackfoot believes it is in compliance with its grants as of December 31, 2017 and 2016.

SUPPLEMENTARY INFORMATION

The Blackfoot Challenge, Inc.

SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	PROGRAM	MANAGEMENT & GENERAL	FUNDRAISING	TOTAL
Salaries and wages	$ 281,236	$ 118,340	$ 35,547	$ 435,123
Payroll taxes and other	34,347	11,582	3,470	49,399
Employee benefits	49,006	21,587	4,758	75,351
Professional services	449,734	12,674	-	462,408
Project costs	64,502	-	27	64,529
Advertising	1,070	1,099	-	2,169
Bank and service fees	9,420	895	-	10,315
Dues and registration	1,933	1,067	672	3,672
Equipment costs	14,639	1,588	-	16,227
Insurance	4,317	3,727	-	8,044
Meeting expenses	5,321	1,043	-	6,364
Miscellaneous	26,227	51	25	26,303
Office expense	-	797	-	797
Postage	1,250	1,504	1,306	4,060
Printing	4,717	1,577	3,731	10,025
Property taxes	6,000	-	-	6,000
Rent and occupancy	2,400	2,396	-	4,796
Sub Awards	118,963	-	-	118,963
Supplies	310	352	-	662
Technology	435	4,661	-	5,096
Telephone and internet	1,553	2,319	13	3,885
Training	723	1,743	-	2,466
Travel	39,699	4,495	1,894	46,088
	$ 1,117,802	$ 193,497	$ 51,443	$ 1,362,742
	82.0%	14.2%	3.8%	100.0%

The Blackfoot Challenge, Inc.

SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	PROGRAM	MANAGEMENT & GENERAL	FUNDRAISING	TOTAL
Salaries and wages	$ 249,604	$ 107,244	$ 53,910	$ 410,758
Payroll taxes and other	22,172	10,677	5,063	37,912
Employee benefits	45,027	15,758	8,402	69,187
Professional services	466,419	14,535	-	480,954
Project costs	83,534	272	-	83,806
Advertising	2,073	35	-	2,108
Bank and service fees	8,927	149	469	9,545
Dues and registration	300	584	1,499	2,383
Equipment costs	335	415	-	750
Insurance	3,859	3,722	-	7,581
Meeting expenses	10,531	663	49	11,243
Miscellaneous	326	3,143	4,000	7,469
Office expense	-	1,324	-	1,324
Postage	471	838	485	1,794
Printing	3,934	1,800	1,287	7,021
Property taxes	5,795	-	-	5,795
Rent and occupancy	2,400	2,063	-	4,463
Supplies	3,520	-	-	3,520
Technology	484	3,591	-	4,075
Telephone and internet	478	2,967	21	3,466
Training	626	205	-	831
Travel	55,721	4,733	1,215	61,669
	$ 966,536	$ 174,718	$ 76,400	$ 1,217,654
	79.4%	14.3%	6.3%	100.0%

See accompanying independent auditor's report