The Blackfoot Challenge, Inc.

Audited Financial Statements and
Independent Auditors' Report

As of and for the Year Ended
December 31, 2023

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
The Blackfoot Challenge, Inc.
PO Box 103
Ovando, Montana 59854

Opinion

We have audited the accompanying financial statements of The Blackfoot Challenge, Inc. (a nonprofit organization) ("Blackfoot"), which comprise the statement of financial position as of December 31, 2023 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blackfoot as of December 31, 2023 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Blackfoot and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Blackfoot's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Blackfoot's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Blackfoot's ability to continue as a going concern for a reasonable period of time.

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

Linked Accounting, LLP

Kaysville, Utah

June 7, 2024

The Blackfoot Challenge, Inc.
Statement of Financial Position
December 31, 2023

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 1,665,789
Restricted cash	10,980
Accounts receivable, net	241,306
Total Current Assets	1,918,075
NONCURRENT ASSETS	
Investments	467,744
Endowment	1,462,471
BCCA land	1,891,284
Total Assets	$ 5,739,574
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	$ 131,072
Accrued liabilities	115,826
Total Liabilities	246,898
NET ASSETS	
Without donor restrictions	3,172,429
Without donor restrictions - designated	1,687,757
With donor restrictions	632,490
Total Net Assets	5,492,676
Total Liabilities and Net Assets	$ 5,739,574

See independent auditors' report. These accompanying notes are an integral part of these financial statements.

The Blackfoot Challenge, Inc.
Statement of Activities
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Donations	$ 473,384	$ -	$ 473,384
Grants	-	1,678,972	1,678,972
Interest and dividends	118,740	-	118,740
Unrealized gain	201,399	-	201,399
Less: investment fees	(10,885)	-	(10,885)
	782,638	1,678,972	2,461,610
Net assets released from restrictions	1,370,401	(1,370,401)	-
Total Revenue and Support	2,153,039	308,571	2,461,610
EXPENSES			
Program	1,264,884	-	1,264,884
Management and general	398,269	-	398,269
Fundraising	306,714	-	306,714
Total Expenses	1,969,867	-	1,969,867
Change in Net Assets	183,172	308,571	491,743
NET ASSETS			
Beginning of year	4,677,014	323,919	5,000,933
End of year	$ 4,860,186	$ 632,490	$ 5,492,676

See independent auditors' report. These accompanying notes are an integral part of these financial statements.

The Blackfoot Challenge, Inc.
Statement of Functional Expenses
Year Ended December 31, 2023

	Program	Management & General	Fundraising	Total
Salaries and wages	$ 467,506	$ 159,011	$ 128,353	$ 754,870
Payroll taxes and other	45,101	15,342	12,384	72,827
Employee benefits	55,332	18,843	15,210	89,385
Professional services	471,915	160,533	129,581	762,029
Project costs	126,203	-	-	126,203
Advertising	808	275	222	1,305
Bank and service fees	10,245	1,086	-	11,331
Dues and subscriptions	3,955	1,345	1,086	6,386
Equipment costs	6,056	2,060	1,663	9,779
Insurance	5,824	3,580	-	9,404
Meeting expenses	6,977	2,374	1,916	11,267
Miscellaneous	13,653	12,302	3,573	29,528
Office expense	2,272	773	624	3,669
Postage	2,065	702	567	3,334
Printing	5,890	2,004	1,618	9,512
Property taxes	5,924	-	-	5,924
Rent and occupancy	7,189	2,445	1,974	11,608
Supplies	9,927	2,649	-	12,576
Technology	9,197	3,129	2,526	14,852
Telephone and internet	972	331	267	1,570
Training	-	3,104	-	3,104
Travel	18,758	6,381	5,150	30,289
Total expenses by function	1,275,769	398,269	306,714	1,980,752
Less expenses included within revenue and support in the statement of activities				
Investment fees	(10,885)	-	-	(10,885)
Functional expenses reported on the statement of activities	$1,264,884	$ 398,269	$ 306,714	$1,969,867
	64.2%	20.2%	15.6%	100.0%

The Blackfoot Challenge, Inc.
Statement of Cash Flows
Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 491,743
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Unrealized gain on investments and endowment funds	(201,399)
Changes in operating assets and liabilities:	
Accounts receivables	(40,914)
Accounts payable	92,706
Accrued liabilities	8,374
Net Cash Flows from Operating Activities	350,510
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from investments and endowment funds	27,164
Net Cash Flows from Investing Activities	27,164
CASH FLOWS FROM FINANCING ACTIVITIES	-
Net Change in Cash and Cash Equivalents and Restricted Cash	377,674
CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH	
Beginning of year	1,299,095
End of year	$ 1,676,769
SUPPLEMENTAL DISCLOSURE OF CASHFLOW INFORMATION	
Cash paid for interest	$ -

See independent auditors' report. These accompanying notes are an integral part of these financial statements.

Note 1- Organization and Nature of Activities

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.

Note 2- Summary of Significant Accounting Policies

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 (FASB).

Concentration and Credit Risk
Credit risks primarily relate to cash and cash equivalents. Cash and cash equivalents are held at various financial institutions which, at time, may exceed federally insured limits of $250,000 in the aggregate. As of December 31, 2023, Blackfoot deposits exceeded federally insured limits by $1,228,2884. The amount of cash in excess of the federally insured limits are funds invested in government investment accounts that are considered cash equivalents. Blackfoot has not experienced any losses in such accounts nor does management believe there is any significant credit risk on its cash balances.

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

Restricted Cash
Restricted cash consists of investment funds in the investment account that are held in highly liquid cash equivalent accounts.

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 December 31, 2023. 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 receivables written off in 2023. Due to the inherent uncertainties in estimating an allowance for credit loss, it is at least reasonably possible that the estimate used will change in the near term.

Note 2- Summary of Significant Accounting Policies, Continued

<u>Investments</u>
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 as Unrealized Gain or Loss. Interest and dividends are reported as increases in net assets without donor restrictions on the Statement of Activities.

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.

<u>Endowment Funds</u>
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.

<u>BCCA Land</u>
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.

<u>Compensated Absences</u>
All regular full and part-time employees whose salaries are based on service for 12 months are allowed to accumulate paid time off (PTO). PTO begins accruing the first of the month following the date of hire. 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 may carry over a maximum of 20 PTO days into the new calendar year. In the event of termination, the PTO balance is paid at the current rate of pay.

Note 2- Summary of Significant Accounting Policies, Continued

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. Blackfoot is required to file a Return of Organization Exempt from Income Tax Return (Form 990) annually. No provision for income tax has been recorded in the financial statements because management believes there was no unrelated business income in 2023. Management has evaluated Blackfoot's tax positions concluding there are no uncertain tax positions in 2023 or 2022.

Net Assets
Net assets, revenue, support, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Net assets and changes are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and activities that are not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating fund and two quasi-endowment funds.

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.

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, and those differences could be material to the financial statements taken as a whole.

Revenue Recognition
Blackfoot recognizes revenue following guidance of FASB ASU 2018-08 (Topic 958) and FASB ASU 2014-09 (Topic 606).

Topic 606 applies to all contracts with customers, except for leases, insurance contracts, financial instruments, and certain nonmonetary exchanges and certain guarantees. A core principal of Topic 606 is that revenue should be recognized from customers for the transfer of goods or services equal to the amount expected to be received for those goods or services and how an entity should identify performance obligations. Topic 606 requires disclosures about the nature, amount, and timing of revenue and cash flows arising from customer contracts, including significant estimates and judgments.

Distinguishing between contributions and exchange transactions determines whether the accounting follows Topic 958 or Topic 606. An entity follows guidance from Topic 958 for contributions and applies guidance from Topic 606 for exchange transactions. Guidance from Topic 958 indicates that if the possibility 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 net assets with donor restrictions.

Note 2- Summary of Significant Accounting Policies, Continued

Blackfoot's three largest sources of revenue and support are grants, donations, and investment income. Grant and donation revenue are recognized following guidance in Topic 958. All other revenue is recognized at a point in time following guidance of Topic 606. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or the purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

The timing of revenue recognition, billings, and cash receipts results in billed receivables on the statement of financial position.

Functional Expense Allocations
Program and supporting activity costs are summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification of expenses by function.

Certain costs have been allocated among program and supporting services benefited. All expenses are allocated on an internally determined basis of estimated time and effort.

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 management and administrative activities.

Fundraising – includes expenses related to promotional and special events.

Advertising
Blackfoot expenses the cost of advertising when first incurred. Advertising expenses for 2023 totaled $1,305.

Leases
At the inception of a contractual arrangement, Blackfoot determines whether a contract contains a lease by assessing whether the contract conveys to Blackfoot the right to control the use of an identified asset in exchange for consideration over a period of time. Leases are recognized in accordance with ASC Topic 842, Leases ("Topic 842").

Blackfoot measures and records an operating lease liability equal to the present value of the future lease payments. Because most of Blackfoot's leases do not provide an implicit rate, Blackfoot's incremental borrowing rate is used in determining the present value of lease payments. The amount of the operating lease right-of-use asset consists of: (i) the amount of the initial measurement of the operating lease liability; (ii) any lease payments made at or before the commencement date, minus any lease incentives received; and (iii) any initial direct costs incurred. The present value calculation may account for an option to extend or terminate the lease when it is reasonably certain that Blackfoot will exercise the option. Within the provisions of certain leases, there are escalations in payments over the base lease term, which have been reflected in lease expense on a straight-line basis for operating leases over the expected lease term.

Note 2- Summary of Significant Accounting Policies, Continued

Blackfoot has elected not to apply the recognition requirements of Topic 842 to short-term leases (those with terms of 12 months or less) or leases that are under Blackfoot's capitalization threshold of $5,000. Instead, for these types of leases, Blackfoot recognizes rent expense in the Combined Statement of Operations on a straight-line basis over the lease term.

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.

Recently Adopted Accounting Pronouncements
In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 provides guidance for estimating credit losses on certain types of financial instruments, including trade receivables, by introducing an approach based on expected losses. The expected loss approach will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. ASU 2016-13 also amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The guidance requires a modified retrospective transition method and early adoption is permitted. Blackfoot adopted ASU 2016-13 as of January 1, 2023 with no material impact to its combined financial statements.

Subsequent Events
Blackfoot evaluated its December 31, 2023 financial statements for subsequent events through June 7, 2024, the date the financial statements were available to be issued.

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:

Cash and cash equivalents	$ 1,665,789
Accounts receivable	241,306
Investments	467,744
Less: cash emdowment funds restricted	(50,019)
	$ 2,324,820

Blackfoot's management and board of directors monitor cash balances and cash flow monthly and have determined a goal of three to six months of expenses in cash is prudent. Blackfoot had approximately 10 months of expenses in cash at December 31, 2023.

Blackfoot 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.

Note 3 - Liquidity and Availability of Resources, Continued

Blackfoot's endowment is discussed further in Note 5. The board of directors has approved a spending policy. Blackfoot does not intend to spend from the quasi-endowments other than the amount appropriated annually by the board of directors. The actual amount appropriated varies year to year.

Note 4 - 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 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated quotes.

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, Level 2, or Level 3 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. Blackfoot reports mutual funds under Level 1.

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 manage this risk, Blackfoot's professional investment managers oversee the portfolio and monitor its performance. Blackfoot paid $10,885 in fees to investment managers in 2023.

Note 4 – Investments, Continued

The following table presents investments measured at fair value and NAV per share on a recurring basis as of December 31, 2023:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Mutual Funds				
Equities	$ 253,278	-	-	$ 253,278
Fixed Income	175,750	-	-	175,750
Real Estate	38,716	-	-	38,716
Total Mutual Funds	467,744	-	-	467,744
Total Investments	$ 467,744	$ -	$ -	$ 467,744

Note 5 - 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 maintains the principal balances and spends earnings in accordance with the donor's 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.

At December 31, 2023, the composition of endowment funds by net asset type was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund	$ -	$ -	$ -
Quasi-endowment funds	1,512,490	-	1,512,490
Total	$ 1,512,490	$ -	$ 1,512,490

Note 5 – Endowment, Continued

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 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 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 without donor restrictions net assets. Investment income is considered net assets without donor restrictions.

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 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 Blackfoot 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 2023 or 2022.

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 given year may vary from this amount.

Note 5 – Endowment, Continued

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 four 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.

Changes in the endowment net assets composition by fund type for the year ended December 31, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2023	$ 1,328,978	$ -	$ 1,328,978
Investment return			
Investment income	39,447	-	39,447
Net depreciation	153,261	-	153,261
Total investment return	192,708	-	192,708
Appropriations, fees, and other expenses	(9,196)	-	(9,196)
Endowment net assets, December 31, 2023	$ 1,512,490	$ -	$ 1,512,490

Note 5 – Endowment, Continued

The following table presents endowment assets measured at cost or fair value on a recurring basis as of December 31, 2023:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Cumulative Significant Unobservable Inputs (Level 3)	Total Fair Value
Restricted cash	$ 50,019	-	-	-	-
Investments					
Mutual Funds					
Equities	793,056	793,056	-	-	793,056
Fixed Income	548,951	548,951	-	-	548,951
Real Estate	120,464	120,464	-	-	120,464
Total Mutual Funds	1,462,471	1,462,471	-	-	1,462,471
Total Endowment	$ 1,512,490	$ 1,462,471	$ -	$ -	$ 1,462,471

Note 6 - 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 Ecosystem bordering the Bob Marshall and Scapegoat Wilderness areas. The BCCA encompasses an important transition zone between wilderness, national forest and productive valley bottoms with lush 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 acres 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 on the date received at $1,891,284 for the years ended December 31, 2023.

Note 7 - Net Asset Classification

Net assets at December 31, 2023 consisted of the following:

Net Assets Without Donor Restriction:	
Unrestricted	$ 3,172,429
Board Designated	
Operating Fund	175,267
Stewardship Quasi - Endowment Fund	869,667
BCCA Quasi - Endowment Fund	642,823
	1,687,757
	$ 4,860,186
Net Assets with Donor or Grantor Restriction:	
Subject to expenditure for specified purpose and time restriction:	
Program Reserve	$ 322,828
BCP Operating Fund	309,662
	$ 632,490

Note 8 - Leases

Blackfoot leases its space for offices under terms of two leases. Blackfoot classifies both lease agreements as operating leases and records the expense on the statements of functional expenses as “rent and occupancy”. Neither lease contains any material guarantees or restrictive covenants.

The lease for its Ovando, Montana office is a short-term lease that expired in December 2023 with rents of $400 per month in addition to utility costs.

Blackfoot entered into a short-term lease for its Missoula, Montana office in 2023 with an entity that is related to a board member. This agreement was a short-term lease that expired December 31, 2023 and is currently a month-to-month arrangement.

Note 9 - Concentrations

Blackfoot receives a significant level of funding from federal and state agencies. Any significant decrease in this level of funding could result in substantial negative impact on Blackfoot’s operations. One entity represented approximately 10% of total accounts receivable at December 31, 2023.

Note 10 - Related Party Transactions

Blackfoot has a short term lease with a related party (member of the board – see Note 8). Rent paid under this agreement in 2023 totaled $5,200.

Note 11 - 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 $20,479 in 2023.

Note 12 - Contingencies

Blackfoot may be subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its operations and activities from time to time. Management does not believe there are any matters that would have a material adverse effect on its financial position.

Note 13 - In-kind Contributions

Blackfoot had grant agreements requiring certain in-kind contributions or matching funds for the year ended December 31, 2023. A summary of in-kind support and/or matching funds received for federal awards for the year ended December 31, 2023 follows:

	In-Kind/Match Received	In-Kind/Match Required
DNRC WMG-22-0088A	$ 5,018	$ 10,000
DNRC CWD-23-003	-	360,000
DNRC WSF 23-005	-	38,750
DNRC WSF 21-002	76,800	65,625
TNC BC PFWG FY24	-	6,765
BLM L19AC00056-03	-	66,746
USDA-21-CS-11011600-044	2,881	11,052
USDA-23-CS-11015600-003	29,648	41,096
USDA NR200325XXXXC009	34,719	216,671
NFWF 1201.22.073389	-	175,730
	$ 149,066	$ 992,435

In-kind or matching requirements vary depending on the grant, which often are multiple year awards and in-kind or matching funds may be received at varying times in each year. Blackfoot believes it is in compliance with its grants as of December 31, 2023.