

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

FLATHEAD LAND TRUST

DECEMBER 31, 2022 AND 2021



FLATHEAD LAND TRUST

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Flathead Land Trust
Kalispell, Montana

Opinion

We have audited the accompanying financial statements of Flathead Land Trust, (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 Flathead Land Trust, as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Flathead Land Trust and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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; 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.

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

Junkermier, Clark, Campanella, Stevens, P.C.

Kalispell, Montana
October 31, 2023

FLATHEAD LAND TRUST
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 534,969	\$ 145,858
Accounts receivable	-	5,763
Other current assets	10,440	1,325
TOTAL CURRENT ASSETS	545,409	152,946
PROPERTY AND EQUIPMENT		
Property and equipment	211,895	13,167
Less: Accumulated depreciation	(12,259)	(11,795)
TOTAL PROPERTY AND EQUIPMENT	199,636	1,372
OTHER ASSETS		
Investments	517,092	772,634
Investments - endowment	166,864	142,228
TOTAL OTHER ASSETS	683,956	914,862
TOTAL ASSETS	\$ 1,429,001	\$ 1,069,180
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 10,157	\$ 4,807
Accrued liabilities	10,577	8,257
TOTAL CURRENT LIABILITIES	20,734	13,064
NET ASSETS		
Without donor restrictions	469,444	225,388
Without donor restrictions - board designated	4,011	5,505
With donor restrictions	934,812	825,223
TOTAL NET ASSETS	1,408,267	1,056,116
TOTAL LIABILITIES AND NET ASSETS	\$ 1,429,001	\$ 1,069,180

See Notes to Financial Statements

FLATHEAD LAND TRUST
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Contributions income	\$ 192,488	\$ 357,407	\$ 549,895
Grants - general operating	194,044	-	194,044
Grants - project restricted	-	695,761	695,761
Program service fees	999	-	999
In-kind donations	742	5,367,779	5,368,521
Investment income, net of expenses	3,189	-	3,189
Investment gains and losses	(81,490)	(27,378)	(108,868)
Net assets released from restriction	<u>6,283,980</u>	<u>(6,283,980)</u>	<u>-</u>
TOTAL REVENUE AND OTHER SUPPORT	<u>6,593,952</u>	<u>109,589</u>	<u>6,703,541</u>
EXPENSES			
Program	6,227,181	-	6,227,181
Management and general	64,535	-	64,535
Fundraising	<u>59,674</u>	<u>-</u>	<u>59,674</u>
TOTAL EXPENSES	<u>6,351,390</u>	<u>-</u>	<u>6,351,390</u>
CHANGE IN NET ASSETS	242,562	109,589	352,151
NET ASSETS - BEGINNING OF YEAR	<u>230,893</u>	<u>825,223</u>	<u>1,056,116</u>
NET ASSETS - END OF YEAR	<u>\$ 473,455</u>	<u>\$ 934,812</u>	<u>\$ 1,408,267</u>

See Notes to Financial Statements

FLATHEAD LAND TRUST
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Contributions income	\$ 122,623	\$ 739,729	\$ 862,352
Grants - general operating	98,321	-	98,321
Grants - project restricted	-	114,898	114,898
Program service fees	6,113	-	6,113
In-kind donations	5,990	401,000	406,990
Investment income, net of expenses	29,462	-	29,462
Investment gains and losses	6,379	12,313	18,692
Net assets released from restriction	<u>951,074</u>	<u>(951,074)</u>	<u>-</u>
TOTAL REVENUE AND OTHER SUPPORT	<u>1,219,962</u>	<u>316,866</u>	<u>1,536,828</u>
EXPENSES			
Program	1,083,551	-	1,083,551
Management and general	51,444	-	51,444
Fundraising	<u>33,320</u>	<u>-</u>	<u>33,320</u>
TOTAL EXPENSES	<u>1,168,315</u>	<u>-</u>	<u>1,168,315</u>
CHANGE IN NET ASSETS	51,647	316,866	368,513
NET ASSETS - BEGINNING OF YEAR	<u>179,246</u>	<u>508,357</u>	<u>687,603</u>
NET ASSETS - END OF YEAR	<u>\$ 230,893</u>	<u>\$ 825,223</u>	<u>\$ 1,056,116</u>

See Notes to Financial Statements

FLATHEAD LAND TRUST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Depreciation expense	\$ 311	\$ 84	\$ 69	\$ 464
Dues and subscriptions	8,609	1,230	2,459	12,298
Employee benefits	3,551	954	795	5,300
Fundraising expenses	-	-	10,225	10,225
In-kind expense - operating	-	-	742	742
In-kind expense - projects	5,170,118	-	-	5,170,118
Insurance	4,403	1,887	-	6,290
Miscellaneous	-	2,286	-	2,286
Office supplies	1,640	1,312	328	3,280
Payroll expenses	131,656	35,370	29,476	196,502
Postage and delivery	797	319	478	1,594
Printing and reproduction	4,029	672	2,014	6,715
Professional fees	65,006	17,465	10,000	92,471
Project expenses	819,257	-	-	819,257
Rent	8,431	2,265	1,888	12,584
Telephone	2,573	691	577	3,841
Training	1,190	-	-	1,190
Travel and entertainment	5,610	-	623	6,233
	<u>\$ 6,227,181</u>	<u>\$ 64,535</u>	<u>\$ 59,674</u>	<u>\$ 6,351,390</u>

See Notes to Financial Statements

FLATHEAD LAND TRUST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Depreciation expense	\$ 394	\$ 89	\$ 72	\$ 555
Dues and subscriptions	7,410	1,059	2,116	10,585
Employee benefits	2,565	578	470	3,613
Fundraising expenses	-	-	2,731	2,731
In-kind expense - operating	2,163	-	3,827	5,990
In-kind expense - projects	401,000	-	-	401,000
Insurance	4,317	1,850	-	6,167
Miscellaneous	-	3,072	-	3,072
Office supplies	1,211	969	242	2,422
Payroll expenses	109,856	24,756	20,115	154,727
Postage and delivery	894	358	536	1,788
Printing and reproduction	2,400	400	1,200	4,000
Professional fees	24,817	16,025	-	40,842
Project expenses	515,000	-	-	515,000
Rent	8,391	1,891	1,537	11,819
Telephone	1,762	397	322	2,481
Travel and entertainment	1,371	-	152	1,523
	<u>\$ 1,083,551</u>	<u>\$ 51,444</u>	<u>\$ 33,320</u>	<u>\$ 1,168,315</u>

See Notes to Financial Statements

FLATHEAD LAND TRUST
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 352,151	\$ 368,513
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	464	555
(Gain) loss on investments	108,868	(18,692)
In-kind land donation	(197,661)	-
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	5,763	(5,763)
Other current assets	(9,115)	-
Increase (decrease) in:		
Accounts payable	5,350	83
Accrued liabilities	<u>2,320</u>	<u>(6,238)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>268,140</u>	<u>338,458</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed and intangible assets	(1,067)	-
Proceeds from sale of investments	305,131	532,198
Purchase of investments	<u>(183,093)</u>	<u>(898,503)</u>
NET CASH FROM INVESTING ACTIVITIES	<u>120,971</u>	<u>(366,305)</u>
NET CHANGE IN CASH	389,111	(27,847)
CASH - BEGINNING OF YEAR	<u>145,858</u>	<u>173,705</u>
CASH - END OF YEAR	<u>\$ 534,969</u>	<u>\$ 145,858</u>
SUPPLEMENTAL DISCLOSURE		
Noncash operating activities:		
In-kind conservation easements	\$ 5,170,118	\$ 401,000
In-kind goods and services	<u>742</u>	<u>5,990</u>
	<u>\$ 5,170,860</u>	<u>\$ 406,990</u>

See Notes to Financial Statements

FLATHEAD LAND TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Flathead Land Trust is a non-profit organization incorporated under the laws of Montana in 1985 as a membership organization. It is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization is dedicated to the conservation of Northwest Montana's land and water legacy through voluntary conservation easement agreements with private landowners. The Organization partners with community members to preserve the natural resources, scenic beauty and rural character of the Flathead Valley. These voluntary conservation easements preclude changes that would negatively affect the property, primarily subdivision and development. The Organization's support comes primarily from individual and business contributions as well as private and federal grants.

Basis of Reporting

The Organization prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; whereby revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2020-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

The Organization adopted Topic 842 using a retrospective method and therefore, the ASUs have been applied to all periods presented. The Organization elected the practical expedient that permitted the Organization to not reassess under the new standard the prior conclusions about lease identification, lease classification, and initial direct costs. The Organization has analyzed the provisions of FASB's ASC Topic 842, Leases, and has concluded that no changes are necessary to conform with the new standard.

The Organization adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

FLATHEAD LAND TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents. At times the cash balances may exceed FDIC insurance limits. The Organization will monitor the cash balances for any activity that results in balances exceeding the maximum FDIC insurance, then take action to ensure that the Organization's cash balances are fully insured.

Property and Equipment

Property and equipment is stated at cost and depreciated on the straight line method over estimated useful lives. Office furniture and equipment is depreciated over estimated useful lives of 5 to 7 years. Repairs, maintenance, and purchases of minor equipment (equipment costing less than \$500) are not capitalized.

The composition of property and equipment at December 31, is as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 197,661	\$ -
Office furniture and equipment	14,234	13,167
Accumulated depreciation	<u>(12,259)</u>	<u>(11,795)</u>
	<u>\$ 199,636</u>	<u>\$ 1,372</u>

Investments

Investments are reported at fair value based on quoted market prices. Interest, dividends, and realized and unrealized gains and losses are included in investment income.

FLATHEAD LAND TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Leave Payable

Employees earn paid leave based on years of service with a maximum of 10 days of vacation carryover allowed per calendar year for full-time employees. Part-time employees accrue vacation at a pro-rated rate. The amount of accrued leave at December 31, 2022 and 2021, was \$4,119 and \$3,027, respectively.

Contributions

Contributions, including unconditional promises to give, are recognized as either with donor restrictions or without donor restrictions in accordance with donor stipulations. Unconditional promises to give with payments due in future periods are recognized as revenue with donor restrictions. Unconditional and conditional promises to give are valued at the present value of amounts expected in future years, provided that reliable information is available.

In-Kind Donations

The Organization seeks and receives the volunteer efforts of many members of the community in attaining its goals. Only services for which the donor has specialized skills and would ordinarily receive compensation are considered donations in-kind. The Organization recognizes the fair value of contributed conservation easements at their appraised or estimated values. All donated goods are considered gifts in-kind and are valued at their fair market value estimated from quoted prices in active markets for similar items at the time of donation. The value of donated services are determined by the donors as the usual fees they would receive for such services in the normal course of their business. Donors are provided receipts showing estimated fair market value for their in-kind donations; these values are established by the donors. There were no donor imposed restrictions on donated goods and services at December 31, 2022 and 2021.

The Organization's policy related to in-kind donations is to utilize the donations to carry out the mission of the Organization unless the donation was made in connection with a fundraising event in which case the donation is intended to be utilized or monetized as part of the event. Land, conservation easements, and professional services were donated and utilized in support of the Organization's mission of conservation. During the years ended December 31, 2022 and 2021, the Organization received the following in-kind donations that have been reflected in the financial statements:

	<u>2022</u>	<u>2021</u>
Easements	\$ 5,170,118	\$ 401,000
Land	197,661	-
Fundraising event supplies	742	3,827
Professional services	-	2,163
	<u>\$ 5,368,521</u>	<u>\$ 406,990</u>

FLATHEAD LAND TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Depreciation expense	Historical usage
Dues and subscriptions	Historical usage
Employee benefits	Time and effort
Insurance	Historical usage
Office supplies	Historical usage
Payroll expenses	Time and effort
Postage and delivery	Historical usage
Printing and reproduction	Historical usage
Rent	Historical usage
Telephone	Historical usage
Travel and entertainment	Historical usage

Advertising Costs

The cost of advertising and marketing is expensed as incurred.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal Return of Organization Exempt From Income Tax (Form 990) is subject to examination by the taxing authorities, generally, for three years after they were filed or the due date of the return; whichever is later.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FLATHEAD LAND TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 -- INVESTMENTS

Investments are presented in the financial statements at fair market value. Investments are maintained in custodial accounts with investment firms and are primarily composed of equities, mutual funds, certificates of deposit, and cash instruments at their listed prices. As of December 31, 2022 and 2021, the Board of Directors had designated \$4,011 and \$5,505, respectively, of net assets without donor restrictions as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The investments' basis and market value information is as follows as of December 31:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>FMV</u>	<u>Cost</u>	<u>FMV</u>
Equities	\$ -	\$ -	\$ 61,425	\$ 62,252
Mutual funds	635,795	535,806	577,943	585,358
Certificates of deposit	5,361	5,361	7,237	7,237
Cash instruments	<u>142,789</u>	<u>142,789</u>	<u>260,015</u>	<u>260,015</u>
Total	<u>\$ 783,945</u>	<u>\$ 683,956</u>	<u>\$ 906,620</u>	<u>\$ 914,862</u>

NOTE 3 -- FAIR VALUE MEASUREMENTS

The Organization follows FASB ASC 820, which provides a framework for measuring fair value. FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

FLATHEAD LAND TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 3 -- FAIR VALUE MEASUREMENTS (CONTINUED)

FASB ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. The three levels are defined as follows:

Level 1 - observable inputs that are based upon quoted market prices for identical assets or liabilities within active markets.

Level 2 - observable inputs other than Level 1 that are based upon quoted market prices for similar assets or liabilities, based upon quoted prices within inactive markets, or inputs other than quoted market prices that are observable through market data for substantially the full term of the asset or liability.

Level 3 - inputs that are unobservable for the particular asset or liability due to little or no market activity and are significant to the fair value of the asset or liability. These inputs reflect assumptions that market participants would use when valuing the particular asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets and liabilities itemized below were measured at fair value during the year ended using the market and income approaches. The market approach was used for Level 1.

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
December 31, 2022:				
Investments	<u>\$ 683,956</u>	<u>\$ 683,956</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
December 31, 2021:				
Investments	<u>\$ 914,862</u>	<u>\$ 914,862</u>	<u>\$ -</u>	<u>\$ -</u>

FLATHEAD LAND TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 -- ENDOWMENT

The Organization's endowment consists of mutual funds and includes donor-restricted endowment funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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 of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies the following as net assets with donor restrictions that are perpetual in nature (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as perpetual is classified as temporary in nature until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by MUPMIFA.

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

- (1) The duration and preservation of the fund;
- (2) The purposes of the Organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Organization; and
- (7) The investment policies of the Organization.

Changes in Endowment Net Assets for the year ended December 31, 2022:

	<u>Board Restricted</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 5,505	\$ 136,723	\$ 142,228
Investment return:			
Net appreciation (depreciation) (realized and unrealized)	(1,494)	(27,378)	(28,872)
Contributions	<u>-</u>	<u>53,508</u>	<u>53,508</u>
Endowment net assets, end of year	<u>\$ 4,011</u>	<u>\$ 162,853</u>	<u>\$ 166,864</u>

FLATHEAD LAND TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 -- ENDOWMENT (CONTINUED)

Changes in Endowment Net Assets for the year ended December 31, 2021:

	<u>Board Restricted</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 6,413	\$ 85,245	\$ 91,658
Investment return:			
Net appreciation (depreciation) (realized and unrealized)	(908)	12,313	11,405
Contributions	<u>-</u>	<u>39,165</u>	<u>39,165</u>
Endowment net assets, end of year	<u>\$ 5,505</u>	<u>\$ 136,723</u>	<u>\$ 142,228</u>

The portion of the endowment whereby the donor has stipulated that the funds be maintained in perpetuity at December 31, 2022 and 2021, was \$137,793 and \$84,285, respectively. There were \$25,060 and \$52,438 in endowment funds with donor restrictions that are temporary in nature at December 31, 2022 and 2021, respectively.

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 or MUPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2022 and 2021.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to operations while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s).

NOTE 5 -- LEASES AND COMMITMENTS

The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term. The exercise of lease renewal options is at the Organization's sole discretion and are not reasonably certain to be exercised. The Organization leases office space with monthly payments of \$902 as of August 1, 2022 and \$875 as of August 1, 2020. Payments on the lease for the years ended December 31, 2022 and 2021, were \$10,635 and \$10,500.

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NOTE 6 -- RETIREMENT PLAN

The Organization has a voluntary SIMPLE IRA plan, which covers all employees. The Organization matches employee contributions up to 3% of their wages and employees can contribute additional amounts as permitted by law. The amount contributed to the retirement plan by the Organization was \$5,300 and \$4,383 for the years ended December 31, 2022 and 2021, respectively.

NOTE 7 -- RISK MANAGEMENT

The Organization faces a number of risks including (a) loss or damage to property, (b) general liability, (c) workers compensation, (d) and employee medical insurance. The risks are mitigated through the use of commercial insurance and there were no significant changes in how the Organization covered its risks in 2022 and 2021.

NOTE 8 -- NET ASSETS

Net assets with donor restrictions were as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Not subject to appropriation or expenditure:		
Endowed funds	\$ <u>137,793</u>	\$ <u>137,048</u>
Subject to expenditure for specified purpose:		
Land protection assistance	26,137	5,870
Stewardship	350,780	328,560
Projects	395,042	301,307
To be appropriated	<u>25,060</u>	<u>52,438</u>
	<u>797,019</u>	<u>688,175</u>
Net assets with donor restrictions	<u>\$ 934,812</u>	<u>\$ 825,223</u>

Net assets without donor restrictions were as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 469,444	\$ 225,388
Board designated endowment funds	<u>4,011</u>	<u>5,505</u>
Net assets without donor restrictions	<u>\$ 473,455</u>	<u>\$ 230,893</u>

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NOTE 9 -- AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 534,969	\$ 145,858
Investments	<u>683,956</u>	<u>914,862</u>
Total financial assets	<u>1,218,925</u>	<u>1,060,720</u>
Less amounts not available for use within one year:		
Net assets with donor restrictions	934,812	825,223
Net assets designated by the Board	<u>4,011</u>	<u>5,505</u>
	<u>938,823</u>	<u>830,728</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 280,102</u>	<u>\$ 229,992</u>

The Organization currently maintains an average of three months of operating expenses in reserves. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. If these amounts are insufficient to meet cash flow needs, the board has the ability to apply for a line of credit.

NOTE 10 -- SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 31, 2023, the date on which the financial statements were available to be issued.