FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

FLATHEAD LAND TRUST

DECEMBER 31, 2025 AND 2024

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FLATHEAD LAND TRUST

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Flathead Land Trust
Kalispell, Montana

Report on the Audit of the Financial Statements

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, 2025 and 2024, 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 present fairly, in all material respects, the financial position of Flathead Land Trust as of December 31, 2025 and 2024, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the 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.

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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 and *Government 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 and *Government 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 the 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.

Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2026, on our consideration of the Flathead Land Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Flathead Land Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Flathead Land Trust's internal control over financial reporting and compliance.

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

Kalispell, Montana
September 18, 2026

FLATHEAD LAND TRUST
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 240,366	$ 165,805
Other current assets	1,325	2,338
TOTAL CURRENT ASSETS	241,691	168,143
PROPERTY AND EQUIPMENT		
Property and equipment	503,571	502,859
Less: Accumulated depreciation	(50,555)	(32,285)
TOTAL PROPERTY AND EQUIPMENT	453,016	470,574
OTHER ASSETS		
Investments	1,317,721	934,901
Investments - endowment	234,492	206,992
Right of use asset	45,132	-
TOTAL OTHER ASSETS	1,597,345	1,141,893
TOTAL ASSETS	$ 2,292,052	$ 1,780,610
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 21,482	$ 4,834
Accrued liabilities	9,692	10,793
Short-term lease liability	16,515	-
TOTAL CURRENT LIABILITIES	47,689	15,627
LONG-TERM LIABILITIES		
Long-term lease liability	28,860	-
TOTAL LIABILITIES	76,549	15,627
NET ASSETS		
Without donor restrictions	1,206,812	829,202
Without donor restrictions - board designated	5,597	4,941
With donor restrictions	1,003,094	930,840
TOTAL NET ASSETS	2,215,503	1,764,983
TOTAL LIABILITIES AND NET ASSETS	$ 2,292,052	$ 1,780,610

See Notes to Financial Statements

FLATHEAD LAND TRUST
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Contributions income	$ 537,387	$ 123,755	$ 661,142
Grants - general operating	137,019	-	137,019
Grants - project restricted	-	1,089,500	1,089,500
Program service fees	24,918	-	24,918
In-kind donations	7,788	9,968,389	9,976,177
Investment income, net of expenses	62,047	-	62,047
Investment gains and losses	25,356	26,844	52,200
Net assets released from restriction	11,136,234	(11,136,234)	-
TOTAL REVENUE AND OTHER SUPPORT	11,930,749	72,254	12,003,003
EXPENSES			
Program	11,375,515	-	11,375,515
Management and general	119,527	-	119,527
Fundraising	57,441	-	57,441
TOTAL EXPENSES	11,552,483	-	11,552,483
CHANGE IN NET ASSETS	378,266	72,254	450,520
NET ASSETS - BEGINNING OF YEAR	834,143	930,840	1,764,983
NET ASSETS - END OF YEAR	$ 1,212,409	$ 1,003,094	$ 2,215,503

See Notes to Financial Statements

FLATHEAD LAND TRUST
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Contributions income	$ 231,484	$ 244,664	$ 476,148
Grants - general operating	124,739	-	124,739
Grants - project restricted	-	2,504,019	2,504,019
Program service fees	15,065	-	15,065
In-kind donations	2,246	6,251,048	6,253,294
Investment income, net of expenses	33,732	-	33,732
Investment gains and losses	8,189	16,103	24,292
Net assets released from restriction	9,519,895	(9,519,895)	-
TOTAL REVENUE AND OTHER SUPPORT	9,935,350	(504,061)	9,431,289
EXPENSES			
Program	9,688,962	-	9,688,962
Management and general	104,599	-	104,599
Fundraising	43,550	-	43,550
TOTAL EXPENSES	9,837,111	-	9,837,111
CHANGE IN NET ASSETS	98,239	(504,061)	(405,822)
NET ASSETS - BEGINNING OF YEAR	735,904	1,434,901	2,170,805
NET ASSETS - END OF YEAR	$ 834,143	$ 930,840	$ 1,764,983

See Notes to Financial Statements

FLATHEAD LAND TRUST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2025

	Program	Management and General	Fundraising	Total
Depreciation expense	$ 11,876	$ 4,568	$ 1,826	$ 18,270
Dues and subscriptions	13,894	1,985	3,970	19,849
Employee benefits	8,963	3,447	1,379	13,789
Fundraising expenses	-	-	9,458	9,458
In-kind expense - operating	2,241	-	5,297	7,538
In-kind expense - projects	9,968,389	-	-	9,968,389
Insurance	6,248	2,678	-	8,926
Miscellaneous	-	1,184	-	1,184
Office supplies	2,939	2,351	588	5,878
Payroll expenses	188,977	72,684	29,073	290,734
Postage and delivery	1,314	526	788	2,628
Printing and reproduction	3,214	536	1,606	5,356
Professional fees	74,407	22,633	-	97,040
Project expenses	1,068,389	-	-	1,068,389
Repairs and maintenance	4,438	1,707	682	6,827
Rent	10,457	4,022	1,609	16,088
Telephone	3,134	1,206	482	4,822
Training	487	-	-	487
Travel and entertainment	6,148	-	683	6,831
	$11,375,515	$ 119,527	$ 57,441	$11,552,483

See Notes to Financial Statements

FLATHEAD LAND TRUST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2024

	Program	Management and General	Fundraising	Total
Depreciation expense	$ 11,170	$ 4,363	$ 1,920	$ 17,453
Dues and subscriptions	10,119	1,446	2,890	14,455
Employee benefits	4,272	1,669	734	6,675
Fundraising expenses	-	-	4,115	4,115
In-kind expense - operating	1,796	-	450	2,246
In-kind expense - projects	6,251,048	-	-	6,251,048
Insurance	5,870	2,516	-	8,386
Miscellaneous	-	2,639	-	2,639
Office supplies	1,681	1,345	336	3,362
Payroll expenses	159,901	62,462	27,483	249,846
Postage and delivery	1,123	449	673	2,245
Printing and reproduction	1,983	331	991	3,305
Professional fees	116,967	19,817	-	136,784
Project expenses	3,098,000	-	-	3,098,000
Repairs and maintenance	8,968	3,503	1,541	14,012
Rent	7,791	3,044	1,339	12,174
Telephone	2,598	1,015	447	4,060
Travel and entertainment	5,675	-	631	6,306
	$ 9,688,962	$ 104,599	$ 43,550	$ 9,837,111

See Notes to Financial Statements

FLATHEAD LAND TRUST
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 450,520	$ (405,822)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	18,270	17,453
(Gain) loss on investments	(52,200)	(24,292)
Change in operating assets and liabilities:		
Other current assets	1,013	(1,013)
Accounts payable	16,648	(13,343)
Accrued liabilities	(1,101)	(2,647)
Operating lease liabilities	243	-
NET CASH FROM OPERATING ACTIVITIES	433,393	(429,664)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed and intangible assets	(712)	(14,405)
Proceeds from sale of investments	154,351	106,710
Purchase of investments	(512,471)	(414,065)
NET CASH FROM INVESTING ACTIVITIES	(358,832)	(321,760)
NET CHANGE IN CASH	74,561	(751,424)
CASH - BEGINNING OF YEAR	165,805	917,229
CASH - END OF YEAR	$ 240,366	$ 165,805
SUPPLEMENTAL DISCLOSURE		
Noncash operating activities:		
In-kind conservation easements	$ 9,968,389	$ 6,251,048
In-kind goods and services	7,788	2,246
	$ 9,976,177	$ 6,253,294

See Notes to Financial Statements

FLATHEAD LAND TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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.

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.

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

Property and Equipment

Property and equipment is stated at cost and depreciated on the straight line method over estimated useful lives. Property and equipment is depreciated over estimated useful lives of 5 to 39 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:

	2025	2024
Land	$ 197,661	$ 197,661
Land improvements	232,966	232,254
Buildings	58,598	58,598
Office furniture and equipment	14,346	14,346
Accumulated depreciation	(50,555)	(32,285)
	$ 453,016	$ 470,574

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.

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, 2025 and 2024, was $6,575 and $3,413, 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.

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

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, 2025 and 2024.

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. Fixed assets, conservation easements, and professional services were donated and utilized in support of the Organization's mission of conservation. During the years ended December 31, 2025 and 2024, the Organization received the following in-kind donations that have been reflected in the financial statements:

	2025	2024
Easements	$ 9,968,389	$ 6,251,048
Fundraising event supplies	5,297	-
Supplies	80	200
Printing	250	250
Professional services	2,161	1,796
	$ 9,976,177	$ 6,253,294

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:

Expense	Method of Allocation
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
Repairs and maintenance	Historical usage
Telephone	Historical usage
Travel and entertainment	Historical usage

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

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.

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, 2025 and 2024, the Board of Directors had designated $5,597 and $4,941, 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:

	2025		2024	
	Cost	FMV	Cost	FMV
Mutual funds	$ 762,923	$ 761,713	$ 686,625	$ 663,855
Exchange traded & closed end funds	171,360	199,625	80,440	84,232
Stocks	19,459	19,368	-	-
Cash instruments	571,507	571,507	393,806	393,806
Total	$ 1,525,249	$ 1,552,213	$ 1,160,871	$ 1,141,893

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.

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.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2025:				
Investments	$ 1,552,213	$ 1,552,213	$ -	$ -

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2024:				
Investments	$ 1,141,893	$ 1,141,893	$ -	$ -

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, 2025:

	Board Restricted	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 4,941	$ 202,051	$ 206,992
Investment return:			
Net appreciation (depreciation) (realized and unrealized)	656	26,844	27,500
Endowment net assets, end of year	$ 5,597	$ 228,895	$ 234,492

NOTE 4 -- ENDOWMENT (CONTINUED)

Changes in Endowment Net Assets for the year ended December 31, 2024:

	Board Restricted	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 4,547	$ 185,948	$ 190,495
Investment return:			
Net appreciation (depreciation) (realized and unrealized)	394	16,103	16,497
Endowment net assets, end of year	$ 4,941	$ 202,051	$ 206,992

The portion of the endowment whereby the donor has stipulated that the funds be maintained in perpetuity at December 31, 2025 and 2024, was $138,793. There were $90,102 and $63,258 in endowment funds with donor restrictions that are temporary in nature at December 31, 2025 and 2024, 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, 2025 and 2024.

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 leases office space. 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.

Some leases include an option to renew, with renewal terms that can extend the lease term by one year. The exercise of lease renewal options is at the Organization's sole discretion and are not reasonably certain to be exercised.

NOTE 5 -- LEASES AND COMMITMENTS (CONTINUED)

The Organization uses the risk-free discount rate at the commencement date of each lease in determining the present value of lease payments in accordance with the Organization's elected policy. The weighted average operating lease term was 2.6 years for the year ended December 31, 2025. The weighed average discount rate for operating leases was 3.65% for the year ended December 31, 2025.

Additional information about the Organization's leases is as follows:

	2025	2024
Lease costs (included in rent expenses):		
Operating lease cost	$ 6,337	$ -
Short-term lease cost	9,271	11,754
Total lease costs	$ 15,608	$ 11,754

Maturities of operating lease liabilities are as follows for the years ending December 31:

2026	$ 17,846
2027	18,560
2028	11,106
Total lease payments	47,512
Interest	(2,137)
Present value of lease liabilities	$ 45,375

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 $7,889 and $6,675 for the years ended December 31, 2025 and 2024, 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 2025 and 2024.

NOTE 8 -- NET ASSETS

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

	2025	2024
Not subject to appropriation or expenditure:		
Endowed funds	$ 138,793	$ 138,793
Subject to expenditure for specified purpose:		
Land protection assistance	1,716	23,646
Stewardship	451,677	370,689
Projects	270,029	278,406
Land protection specialist position	50,777	56,048
To be appropriated	90,102	63,258
	864,301	792,047
Net assets with donor restrictions	$ 1,003,094	$ 930,840

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

	2025	2024
Undesignated	$ 1,206,812	$ 829,202
Board designated endowment funds	5,597	4,941
Net assets without donor restrictions	$ 1,212,409	$ 834,143

NOTE 9 -- AVAILABILITY AND LIQUIDITY

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

	2025	2024
Financial assets at year end:		
Cash and cash equivalents	$ 240,366	$ 165,805
Investments	1,552,213	1,141,893
Total financial assets	1,792,579	1,307,698
Less amounts not available for use within one year:		
Net assets with donor restrictions	1,003,094	930,840
Net assets designated by the Board	5,597	4,941
	1,008,691	935,781
Financial assets available to meet general expenditures over the next twelve months	$ 783,888	$ 371,917

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 September 18, 2026, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

FLATHEAD LAND TRUST
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2025

Federal Source *Pass-Through Source* Program Name	ALN Number	Contract No.	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Natural Resources Conservation Service			
Agricultural Conservation Easement Program	10.931	5403252419G	$ 487,364
Agricultural Conservation Easement Program	10.931	540325241AI	581,025
TOTAL FEDERAL EXPENDITURES			$ 1,068,389

FLATHEAD LAND TRUST
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2025

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Flathead Land Trust under programs of the federal government for the year ended December 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Flathead Land Trust, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Flathead Land Trust.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE

Flathead Land Trust has elected not to use the 15% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D - SUBRECIPIENTS

Flathead Land Trust did not provide awards to subrecipients during the year ended December 31, 2025.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Flathead Land Trust
Kalispell, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Flathead Land Trust (a nonprofit organization), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2026.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Flathead Land Trust's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Flathead Land Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of Flathead Land Trust's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Flathead Land Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Kalispell, Montana
September 18, 2026

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Flathead Land Trust
Kalispell, Montana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Flathead Land Trust's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Flathead Land Trust's major federal programs for the year ended December 31, 2025. Flathead Land Trust's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Flathead Land Trust complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)**.** Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Flathead Land Trust and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Flathead Land Trust's compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance
Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Flathead Land Trust's federal programs.

Auditors' Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Flathead Land Trust's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Flathead Land Trust's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Flathead Land Trust's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Flathead Land Trust's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Flathead Land Trust's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed**.**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Kalispell, Montana
September 18, 2026

FLATHEAD LAND TRUST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2025

I. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unmodified opinion on whether the financial statements of Flathead Land Trust were prepared in accordance with U.S. GAAP.

2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

3. No instances of noncompliance material to the financial statements of Flathead Land Trust, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies or material weaknesses in internal control over major federal award programs disclosed during the audit are reported in the Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.

5. The independent auditors' report on compliance for the major federal award programs for Flathead Land Trust expresses an unmodified opinion on all major federal programs.

6. There were no audit findings relative to the major federal award programs for Flathead Land Trust.

7. The program tested as a major program: Agricultural Conservation Easement Program ALN 10.931.

8. The threshold for distinguishing Type A and B Programs was $1,000,000 in expenditures.

9. Flathead Land Trust was not determined to be a low-risk auditee.

II. FINDINGS AND QUESTIONED COSTS - FINANCIAL STATEMENTS AUDIT

No matters were reported.

III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

No matters were reported.

IV. STATUS OF PRIOR YEAR FINDINGS

N/A