VITAL GROUND FOUNDATION

(A NONPROFIT CORPORATION)

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2025 and 2024

JCCS

THE VITAL GROUND FOUNDATION, INC.

CONTENTS

INDEPENDENT AUDITORS' REPORT

Board of Trustees and Management
The Vital Ground Foundation, Inc.
Missoula, Montana

Opinion

We have audited the accompanying financial statements of The Vital Ground Foundation, Inc. (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 referred to above present fairly, in all material respects, the financial position of The Vital Ground Foundation, Inc., 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. 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 The Vital Ground Foundation, Inc. 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 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 Vital Ground Foundation, Inc.'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.

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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 The Vital Ground Foundation, Inc.'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 Vital Ground Foundation, Inc.'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.

Missoula, Montana
June 4, 2026

THE VITAL GROUND FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	$ 4,449,405	$ 3,808,312
Short-term investments	5,104,601	4,940,679
Accounts and pledges receivable, current	20,000	-
Inventories	16,524	12,409
Prepaids	8,073	5,091
Total Current Assets	9,598,603	8,766,491
Property, Plant and Equipment		
Property and equipment, net	10,775	18,348
Land held for preservation	13,861,385	12,061,381
Land improvements, net	10,255	11,989
Net Property, Plant and Equipment	13,882,415	12,091,718
Other Assets		
Earnest money deposit	5,000	-
CRAT Receivable	-	31,500
Long term investments	4,242,697	3,464,469
Other assets	4,407	4,407
Scriver mold, net	10,267	10,267
Right-of-use asset	-	11,417
Total Other Assets	4,262,371	3,522,060
Total Assets	$ 27,743,389	$ 24,380,269
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 1,229	$ 7,795
Accrued liabilities	90,474	81,043
Split-interest agreement, current	1,080	1,062
Lease liability - short term	-	11,417
Total Current Liabilities	92,783	101,317
Non-Current Liabilities		
Split-interest agreement, net of current portion	6,851	7,932
Total Non-Current Liabilities	6,851	7,932
Total Liabilities	99,634	109,249
Net Assets		
Without donor restrictions	11,161,160	10,094,007
With donor restrictions	16,482,595	14,177,013
Total Net Assets	27,643,755	24,271,020
Total Liabilities and Net Assets	$ 27,743,389	$ 24,380,269

See the independent auditors' report and the accompanying notes to the financial statements.

THE VITAL GROUND FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues			
Public Support			
Donations	$ 2,091,433	$ 1,452,204	$ 3,543,637
Donated land and easements	-	2,664,001	2,664,001
Grant revenue	202,000	3,058,384	3,260,384
Donated goods and services	202,204	-	202,204
Total Public Support	2,495,637	7,174,589	9,670,226
Revenue			
Merchandise sales, net	4,570	-	4,570
Special events, net	95,666	-	95,666
Interest income on accounts and CD's	584,230	-	584,230
Investment income, net	386,968	8,344	395,312
Other revenue	28,655	-	28,655
Total Revenue	1,100,089	8,344	1,108,433
Net assets released from restriction	4,877,351	(4,877,351)	-
Total Public Support and Revenue	8,473,077	2,305,582	10,778,659
Expenses			
Program Services			
Land	5,535,584	-	5,535,584
Education	947,452	-	947,452
Total Program Services	6,483,036	-	6,483,036
Support Services			
Administration	431,835	-	431,835
Fundraising	491,053	-	491,053
Total Support Services	922,888	-	922,888
Total Expenses	7,405,924	-	7,405,924
Change in Net Assets	1,067,153	2,305,582	3,372,735
Net Assets, Beginning of Year	10,094,007	14,177,013	24,271,020
Net Assets, End of Year	$ 11,161,160	$ 16,482,595	$ 27,643,755

THE VITAL GROUND FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues			
Public Support			
Donations	$ 2,404,698	$ 183,332	$ 2,588,030
Donated land and easements	-	80,000	80,000
Grant revenue	86,000	1,664,143	1,750,143
Donated goods and services	45,264	-	45,264
Total Public Support	2,535,962	1,927,475	4,463,437
Revenue			
Merchandise sales, net	2,463	-	2,463
Special events, net	23,082	-	23,082
Interest income on accounts and CD's	494,793	-	494,793
Investment income, net	260,246	9,675	269,921
Other revenue	44,240	-	44,240
Total Revenue	824,824	9,675	834,499
Net assets released from restriction	1,909,988	(1,909,988)	-
Total Public Support and Revenue	5,270,774	27,162	5,297,936
Expenses			
Program Services			
Land	1,074,017	-	1,074,017
Education	800,160	-	800,160
Total Program Services	1,874,177	-	1,874,177
Support Services			
Administration	245,315	-	245,315
Fundraising	290,022	-	290,022
Total Support Services	535,337	-	535,337
Total Expenses	2,409,514	-	2,409,514
Change in Net Assets	2,861,260	27,162	2,888,422
Net Assets, Beginning of Year	7,232,747	14,149,851	21,382,598
Net Assets, End of Year	$ 10,094,007	$ 14,177,013	$ 24,271,020

See the independent auditors' report and the accompanying notes to the financial statements.

THE VITAL GROUND FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2025

	Program	Administration	Fundraising	Total
Advertising	$ 99,600	$ 588	$ -	$ 100,188
Bank service charges	-	2,996	-	2,996
Conservation grants awarded	79,699	-	-	79,699
Conservation easement acquisition	4,779,006	117,029	-	4,896,035
Credit card charges	13,138	6,569	6,569	26,276
Depreciation	-	9,307	-	9,307
Dues and subscriptions	20,646	17,973	28,289	66,908
Employee benefits	54,747	12,442	15,760	82,949
Gifts	1,857	1,024	1,142	4,023
Gift annuity expense	-	292	-	292
Donated goods and services expensed	73,581	525	128,098	202,204
Insurance	17,571	2,854	462	20,887
Internet	2,102	1,050	1,051	4,203
License and taxes	21,350	8,349	-	29,699
Meals and entertainment	9,951	3,631	6,548	20,130
Miscellaneous	-	1,617	-	1,617
Payroll taxes	65,686	14,928	18,910	99,524
Postage	59,450	6,392	7,430	73,272
Printing	131,382	3,525	20,815	155,722
Professional fees	297,203	31,544	12,587	341,334
Rent	15,752	7,327	7,326	30,405
Repairs and maintenance	1,090	6,712	-	7,802
Salaries	689,559	162,045	203,506	1,055,110
Supplies	7,710	3,858	3,855	15,423
Telephone and fax	4,255	2,127	2,128	8,510
Training and education	2,732	2,616	700	6,048
Transaction costs	12,891	-	-	12,891
Travel	19,276	3,114	24,476	46,866
Utilities	2,802	1,401	1,401	5,604
Total Expenses	$ 6,483,036	$ 431,835	$ 491,053	$ 7,405,924
	87.54 %	5.83 %	6.63 %	100.00 %

See the independent auditors' report and the accompanying notes to the financial statements.

THE VITAL GROUND FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2024

	Program	Administration	Fundraising	Total
Advertising	$ 48,404	$ 139	$ -	$ 48,543
Bank service charges	-	1,420	-	1,420
Conservation grants awarded	70,400	-	-	70,400
Conservation easement acquisition	79,999	-	-	79,999
Credit card charges	10,646	5,323	5,324	21,293
Depreciation	4,688	2,345	2,344	9,377
Dues and subscriptions	27,277	9,475	1,345	38,097
Employee benefits	40,494	9,203	11,658	61,355
Gifts	1,247	2,504	1,028	4,779
Gift annuity expense	-	155	-	155
Donated goods and services expensed	44,264	1,000	-	45,264
Insurance	17,971	2,784	291	21,046
Internet	1,997	998	999	3,994
License and taxes	39,716	2,504	1,950	44,170
Meals and entertainment	8,989	6,084	5,420	20,493
Miscellaneous	1,000	126	-	1,126
Payroll taxes	52,234	11,871	15,035	79,140
Postage	31,765	6,471	13,691	51,927
Printing	92,063	2,176	20,924	115,163
Professional fees	631,395	13,121	15,046	659,562
Rent	17,729	7,125	7,125	31,979
Repairs and maintenance	360	7,911	-	8,271
Salaries	604,505	137,388	174,023	915,916
Supplies	6,257	5,062	3,425	14,744
Telephone and fax	3,614	1,807	1,807	7,228
Training and education	1,444	560	10	2,014
Transaction costs	3,883	-	-	3,883
Travel	29,500	6,595	7,409	43,504
Utilities	2,336	1,168	1,168	4,672
Total Expenses	$ 1,874,177	$ 245,315	$ 290,022	$ 2,409,514
	77.78 %	10.18 %	12.04 %	100.00 %

See the independent auditors' report and the accompanying notes to the financial statements.

THE VITAL GROUND FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities		
Change in net assets	$ 3,372,735	$ 2,888,422
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	9,307	9,377
Donated securities	(235,167)	(140,747)
Donated land	(2,664,001)	(80,000)
Noncash land transaction	4,895,997	79,999
Investment income, net	(395,312)	(269,921)
(Increase) decrease in assets		
Accounts and pledges receivable	(20,000)	8,734
Inventories	(4,115)	7,106
Prepaids	(2,982)	-
Earnest money deposits	(5,000)	10,000
CRAT receivable	31,500	10,489
Other assets	-	3
Right-of-use asset	11,417	26,573
Increase (decrease) in liabilities		
Accounts payable	(6,566)	1,595
Accrued liabilities	9,431	14,043
Refundable advances	-	(600,000)
Lease liabilities	(11,417)	(26,573)
Split-interest agreement liability	292	155
Net Cash Flows From Operating Activities	4,986,119	1,939,255
Cash Flows From Investing Activities		
Purchase of property and equipment	-	(3,692)
Purchases of land and conservation easements	(4,032,000)	(682,500)
(Purchases) of and proceeds from investments, net	(311,671)	(1,873,280)
Net Cash Flows From Investing Activities	(4,343,671)	(2,559,472)
Cash Flows From Financing Activities		
Repayment of split-interest agreement	(1,355)	(1,200)
Net Cash Flows From Financing Activities	(1,355)	(1,200)
Net Change in Cash	641,093	(621,417)
Cash - Beginning of Year	3,808,312	4,429,729
Cash - End of Year	$ 4,449,405	$ 3,808,312

See the independent auditors' report and the accompanying notes to the financial statements.

1. Summary of Significant Accounting Policies

Nature of Activities
The Vital Ground Foundation, Inc. ("Vital Ground", "the Organization") is a 501(c)(3) nonprofit corporation. Established in 1990, Vital Ground is a land trust working to restore grizzly bears throughout North America by conserving wildlife habitat and supporting programs that prevent conflicts between bears and people. Vital Ground's support comes primarily from individual, foundation and corporate contributions that allow the Organization to partner with private landowners and various public programs to affect its mission. Vital Ground's current programs include:

Land Conservation: Vital Ground identifies important grizzly bear habitat on private land and works with willing landowners to protect the land's conservation values. This is done through the voluntary placement of donated or purchased conservation easements on the land, or via the outright purchase of land. Vital Ground has a perpetual responsibility to monitor the lands on which it holds conservation easements and ensure adherence to the terms of those easements. Vital Ground works to restore and manage the lands it owns as high-quality habitat for the benefit of grizzly bears and other wildlife. In addition to developing and managing its own projects, Vital Ground occasionally provides grants to agencies and other nonprofit conservation organizations to assist with their efforts to conserve and restore important wildlife habitat.

Conflict Prevention: Vital Ground partners with federal, state and tribal agencies, other nonprofit organizations and local community groups to support programs to prevent conflict between bears and people.

Conservation Education: Vital Ground provides information about grizzly bears and wildlife habitat conservation issues through its publications, special mailers, website, email communications, presentations, videos and other media opportunities.

Other: In addition to its land conservation, conflict prevention and conservation education programs, Vital Ground may also participate in research and management projects designed to promote the conservation and restoration of grizzly bears and their habitat.

Vital Ground received accreditation from the Land Trust Accreditation Commission, an independent program of the Land Trust Alliance, in 2014 and renewed it during 2019 and 2024. Accreditation recognizes organizations that meet and adhere to national quality control standards for protecting natural places forever. By adopting the Land Trust Accreditation Commission's standards and practices, Vital Ground has demonstrated its commitments to excellence in management and upholding the public trust to ensure Vital Ground's conservation efforts are permanent.

Basis of Presentation and Net Assets
The financial statements of Vital Ground are prepared in conformity with the standards promulgated by the Financial Accounting Standards Board in Accounting Standards Codification (FASB ASC) 958, *Not-For-Profit Entities*. Under FASB ASC 958, Vital Ground is required to report information regarding its financial information and activities according to the following categories:

1. Summary of Significant Accounting Policies (continued)

Net assets without donor restrictions represent resources available to support Vital Ground's core activity of preserving and protecting grizzly bear habitat as of December 31, 2025 and 2024. Those resources invested in property and equipment, board-designated for specific purposes, or otherwise limited by contractual arrangements that are not donor imposed. Net assets without donor restrictions include resources available for use in general operations and those resources subject to internal designations by the Board of Directors. Donor-restricted contributions whose restrictions are met in the same reporting period in which they are received are reported as support within net assets without donor restrictions, consistent with the Vital Ground's accounting policy.

Net assets with donor restrictions represent amounts for which donor-imposed restrictions have not been met and funds for which the ultimate purpose is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Vital Ground. This category may include gifts held by Vital Ground pending their use in accordance with donor stipulations, unexpended gifts for capital projects, term endowments, and pledges and living trust agreements where the principal is expendable upon redemption or maturity. Net assets with donor restrictions are also those that may never be wholly spent by Vital Ground, including gifts of endowments, as well as the earnings on those assets when restricted by the donor. Included in this category is land enrolled in the federal Wetlands Reserve Program, which is a permanent conservation easement partially encumbering several of Vital Ground's fee holdings in Boundary and Bonner Counties, Idaho, and the Organization's Alvord Lake parcel, which was purchased by Vital Ground with a federal grant from the Community Forest Program. Vital Ground had $16,482,595 and $14,177,013 net assets with donor restrictions as of December 31, 2025 and 2024, respectively.

<u>Cash and Cash Equivalents</u>
Cash and cash equivalents consist of cash held in checking and savings and insured cash accounts. Vital Ground considers all highly-liquid investments with an original maturity of three months or less and available for general operations when purchased to be cash equivalents. Money market accounts are generally held for periods longer than three months and therefore are not classified as cash equivalents. Vital Ground maintains its cash balances at various financial institutions. At times, balances may be in excess of the FDIC insurance limit. Uninsured cash balances totaled $3,721,379 and $3,039,961 at December 31, 2025 and 2024, respectively.

<u>Accounts and Pledges Receivable</u>
Vital Ground uses the allowance method to determine uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of specific pledges made. Management estimates the allowance to be zero as of December 31, 2025 and 2024.

<u>Inventories</u>
Inventories consist of merchandise for sale or for promotional gifts to donors. Inventories as of December 31, 2025 and 2024 are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

<u>Reclassifications</u>
Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. This reclassification had no effect on the previously reported changes in net assets or the ending balance of total net assets.

1. Summary of Significant Accounting Policies (continued)

Investments

Vital Ground carries investments in marketable securities, mutual funds, and money markets with readily determined fair values and all investments in debt securities at their fair values in the statements of financial position. Quoted market prices in active markets are used as the basis of measurement. Interest, dividends, investment fees, and realized and unrealized gains and losses are included in investment income in the statement of activities and change in net assets. Investment income is reported as net assets without donor restrictions unless otherwise specified by the donor.

Investment Management Policies

Vital Ground has adopted investment and spending policies for each fund to provide necessary guidance for the investment and spending of the organization's financial assets. The investment objectives stress safety and preservation of principal as the primary objective, while seeking rates of return that can be attained through knowledgeable and prudent investing. Investment performance is gauged against industry-standard benchmarks pertinent to the specific investments.

Marketable Securities

Donated marketable securities are recorded at fair value. Unrealized gains and losses are included in the statement of activities and change in net assets. Vital Ground's policy is to liquidate marketable securities as soon as possible after the donation has occurred.

Stewardship & Legal Defense, Forest Legacy Monitoring, and North Cascades Funds

Vital Ground places a minimum of $5,000 in the Stewardship & Legal Defense fund for each conservation easement or land parcel acquired. These funds may be contributed by the landowner, a third-party donor, or transferred from another fund.

The Stewardship and Legal Defense Fund is a board designated fund established for the purposes of monitoring the organization's easements and to cover expenses should Vital Ground ever have to defend against a violation of a conservation easement. Interest from the fund may be used for annual monitoring and stewardship costs associated with Vital Ground's fee lands and conservation easements. The fund is included in net assets without donor restrictions and represents a portion of the board designated net assets. See Note 9 for additional details.

Donations totaling $60,000, held in Vital Ground's Forest Legacy Monitoring Fund are also donor restricted and only the earnings from this fund are used for conservation easement monitoring and stewardship activities related to the four projects from which they originated.

Vital Ground's North Cascades Fund was created via a bequest made by a former Trustee, Carolyn Dobbs. It was Carolyn's wish that her donation be used to acquire important wildlife habitat in the North Cascades Grizzly Recovery Area. Vital Ground continues to monitor the status of grizzly bear recovery in the US portion of the North Cascades, holding the principal of the bequest until such time as an appropriate project is identified.

Property and Equipment

Property and equipment is stated at cost or, if donated, at the approximate fair value at the date of donation, in excess of $5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the respective classes of property, ranging from three to fifteen years. Depreciation expense was $9,307 and $9,377 for the years ended December 31, 2025 and 2024, respectively.

1. Summary of Significant Accounting Policies (continued)

Conservation Easements

Vital Ground records conservation easements as a program expense at fair value on the date acquired, based on a qualified appraisal. If an easement is purchased for less than its appraised fair value or is donated by the landowner, Vital Ground records contribution revenue for the difference between the appraised fair value and the amount paid. Conservation easements are then carried at a nominal amount of $1 on the Statement of Financial Position. These easements help Vital Ground protect open space and preserve grizzly bear habitat, consistent with its mission.

Scriver Mold

In 1995, Vital Ground received a contribution of the original mold of "The Protector," a bronze sculpture of grizzly bears from the artist, Robert Scriver. Bronzes are produced from the mold in limited quantities for use as gifts to major donors. The mold was valued at the estimated present value of the artwork that could be produced from the mold. Amortization is recognized as artwork is produced. No amortization expense was recognized during the years ended December 31, 2025 and 2024.

Compensated Absences

Compensated absences for personal time earned through the last day of active employment is paid upon termination or separation from Vital Ground. Accruals for compensated absences of $69,763 and $59,937 are included in accrued liabilities in the statement of financial position as of December 31, 2025 and 2024, respectively.

Split-Interest Agreements

Some donors enter into trust or other arrangements under which Vital Ground has a beneficial interest. Vital Ground will retain a remainder interest in the donated investments and will pay annuity payments to donors at future dates. For irrevocable agreements whereupon Vital Ground has control of the assets, assets are recorded at their estimated fair market value upon notification of the beneficial interest, provided that reliable information is available. A liability for payments to beneficiaries is estimated at the present value of the expected payments to beneficiaries and is presented as "split-interest agreement" on the statement of financial position. Present value estimates use discount rates of 1.6% and standard actuarial tables for remaining lives of donors and beneficiaries.

Revenue and Revenue Recognition

Vital Ground records revenue from contracts with customers for merchandise sales and special events. Merchandise sales contain a single delivery element and revenue is recognized at a point in time when obligations, risks, and rewards transfer. That is, when control of the merchandise transfers to customers which occurs at the time of sale. Special events normally consist of coordinated trips in which customers pay Vital Ground who then coordinates the trip. Special events normally contain a fixed price and performance obligations are satisfied upon the occurrence of the event. Amounts received in excess of recognized revenue are reflected as contract liabilities.

Public Support

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when 1) an explicit identifying of a barrier, that is more than trivial, and that must be overcome before the revenue can be earned and recognized, and 2) an implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met. Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

1. Summary of Significant Accounting Policies (continued)

Public Support (continued)
Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Restricted and Unrestricted Support
All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as net assets with restrictions support and net assets. When the donor restriction expires, that is, when a stipulated purpose restriction is accomplished, the assets are reclassified to net assets without restrictions.

If the purpose restriction is accomplished by grants to conservation partners or other specified spending, then the net assets with restrictions are reclassified to net assets without restrictions and are reported as net assets released from restrictions. Investment income and gains restricted by donors are reported as increases in net assets with donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Contributed Services and Nonfinancial Assets
Donations of noncash assets are recorded at their fair values in the period received. Donated furniture and equipment is recorded as net assets without donor restrictions, unless the donor stipulates how long the assets must be used.

Donations of services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. See Note 10 for further discussion of donated goods, services, and equipment.

Advertising Costs
Advertising costs are generally charged to operations in the year incurred. Total advertising costs for the years ended December 31, 2025 and 2024 were $100,188 and $48,543, respectively.

Functional Expenses
The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Allocation is based off management's estimate of expenses used in the various areas.

Income Taxes
Vital Ground qualifies as a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is included in these financial statements, as Vital Ground had no revenue unrelated to its exempt activities.

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

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

2. Liquidity

Vital Ground is substantially supported by contributions both with and without donor restrictions. For donor restricted contributions, Vital Ground must maintain adequate resources to meet those responsibilities to donors. Thus, some of Vital Ground's financial assets may not be available for general expenditure within one year of the date of the statement of financial position.

To manage unanticipated short and long term liquidity needs, the board of directors established Vital Ground's Reserve Fund in 2010. In 2018, Vital Ground's board set a goal of establishing a two-year operating budget reserve in the fund, and the corresponding balance has grown steadily since then. The purpose of the Reserve Fund is to hold excess funds without donor restrictions from which the executive director is authorized to provide short-term, interest-free loans to any other Vital Ground fund. Such internal borrowing must be reported to the board finance committee as part of the executive director's monthly financial report. The board may authorize (or designate) a permanent transfer of funds from the Reserve Fund to any of Vital Ground's other fund accounts.

Board designated funds were $7,264,634 and $5,530,082 as of December 31, 2025 and 2024, respectively. These amounts include the Reserve Fund as well as other board designated amounts. The board-designated amounts deducted in the liquidity table below represent only the portion of total board designated funds that were included in cash and short-term investments as of December 31, 2025 and 2024.

The table below reflects Vital Ground's financial assets as of the statement of financial position date, reduced by amounts that are not available for general use due to contractual or donor imposed restrictions within one year of the statement of financial position date as of December 31:

	2025	2024
Cash and cash equivalents	$ 4,449,405	$ 3,808,312
Short-term investments	5,104,601	4,940,679
Accounts and pledges receivable	20,000	-
Total	9,574,006	8,748,991
Less financial assets unavailable for general expenditures within one year:		
Board designated funds	(3,684,150)	(2,647,748)
Financial assets with donor restrictions	(2,090,960)	(1,466,201)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,798,896	$ 4,635,042

3. Cash and Cash Equivalents

The composition of cash and cash equivalents is as follows at December 31:

	2025	2024
Checking accounts	$ 4,221,379	$ 3,539,961
Certificates of deposit	228,026	268,351
Total	$ 4,449,405	$ 3,808,312

There were two certificates of deposit that matured during the year and were subsequently reinvested. The current certificates bear interest at 4.20% and 3.65% and mature in 2026 and 2027, respectively. Any penalties for early withdrawal would not have a material effect on the financial statements.

4. Receivables

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows.

The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of any discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. At December 31, 2025, all accounts and pledges receivable are expected to be collected in less than one year.

During 2006, Vital Ground became an irrevocable remainder beneficiary of one and one-half percent (1.50%) of the total future remainder of a charitable remainder annuity trust. The Trust had been valued at $10,000,000 and therefore, $150,000 was recorded as a receivable. In December 2019, the donor passed away. During the year ended December 31, 2021, Vital Ground received a partial distribution of $60,000. The total impairment taken against this receivable through December 31, 2024 was $58,500. There was an impairment recorded during the year ended 2024 of $10,489. $31,500 was received during year ended December 31, 2025 and no remaining funds are expected.

5. Investments

Investment accounts consist of the following as of December 31:

	2025	2024
Forest Legacy monitoring fund	$ 86,580	$ 76,180
Endowment fund	258,416	221,684
North Cascade fund	435,383	373,496
Stewardship and gift annuity	2,581,604	2,228,065
Reserve fund	4,564,864	3,212,792
Land fund	1,420,451	2,292,931
Total	$ 9,347,298	$ 8,405,148

5. Investments (continued)

Investments in the statement of financial position have readily determinable values and are stated at fair value based on quoted prices in active markets (all Level 1 measurements) and are maintained in accounts with investment firms. Investments are comprised of money market and mutual funds. Money market funds are classified as short-term investments and mutual funds as long term investments.

The basis and fair value of investments is as follows as of December 31:

	2025		2024	
	Basis	Fair Value	Basis	Fair Value
Money market funds	$ 5,104,601	$ 5,104,601	$ 4,940,679	$ 4,940,679
Mutual funds	3,438,270	4,242,697	3,056,791	3,464,469
Total	$ 8,542,871	$ 9,347,298	$ 7,997,470	$ 8,405,148

Investment income reported in the statement of activities consists of realized and unrealized gains and losses for the years ended December 31, 2025 and 2024.

6. Fair Value Measurements

Vital Ground values its investments based on the provisions of FASB ASC 820, Fair Value Measurements, which provides a framework for measuring fair value. 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.

ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. The 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 instruments categorization within the valuation hierarchy is based upon the level of input that is significant to the fair value measurement. Assets in the table on the following page were measured at fair value using the market approach (Level 1).

6. Fair Value Measurements (continued)

The following tables shows the fair value category of assets at December 31:

	Fair Value	Level 1	Level 2	Level 3
December 31, 2025				
Investments				
Mutual funds				
Income funds	$ 346,474	$ 346,474	$ -	$ -
Growth funds	2,354,665	2,354,665	-	-
Moderate funds	1,541,558	1,541,558	-	-
Total mutual funds	4,242,697	4,242,697	-	-
Money market funds	5,104,601	5,104,601	-	-
Total investments	9,347,298	9,347,298	-	-
Total assets at fair value	$ 9,347,298	$ 9,347,298	$ -	$ -

	Fair Value	Level 1	Level 2	Level 3
December 31, 2024				
Investments				
Mutual funds				
Income funds	$ 294,049	$ 294,049	$ -	$ -
Growth funds	1,817,656	1,817,656	-	-
Moderate funds	1,352,763	1,352,763	-	-
Total mutual funds	3,464,469	3,464,469	-	-
Money market funds	4,940,679	4,940,679	-	-
Total investments	8,405,148	8,405,148	-	-
Total assets at fair value	$ 8,405,148	$ 8,405,148	$ -	$ -

7. Endowment

Vital Ground's endowment funds are currently invested in the Vanguard Wellington Investor Fund. Its endowment includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

7. Endowment (continued)

Interpretation of Relevant Law
Management of Vital Ground has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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, Vital Ground classifies as assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, Vital Ground 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 Vital Ground 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 Vital Ground
(7) The investment policies of the Vital Ground

Changes in endowment net assets are as follows for the year ended:

December 31, 2025	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 135,169	$ 86,515	221,684
Investment return:			
Net appreciation, realized and unrealized	36,732	-	36,732
Endowment net assets, end of year	$ 171,901	$ 86,515	$ 258,416

December 31, 2024	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 106,457	$ 86,515	$ 192,972
Investment return:			
Net depreciation, realized and unrealized	28,712	-	28,712
Endowment net assets, end of year	$ 135,169	$ 86,515	$ 221,684

7. Endowment (continued)

The portion of perpetual endowment funds required to be retained permanently either by explicit donor stipulation or by UPMIFA at December 31, 2025 and 2024 was $86,515.

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 UPMIFA requires the Vital Ground to retain as a fund of perpetual duration. There were no such deficiencies during the years ended December 31, 2025 and 2024.

8. Land Held for Preservation and Land Improvements

Land held for preservation by Vital Ground was $13,861,385 and $12,061,381 as of December 31, 2025 and 2024, respectively. These lands at December 31 were:

Fee-title holdings	2025	2024
Boundary Creek (ID)	$ 90,169	$ 90,169
Thorman (ID)	89,567	89,567
Bismark Meadows #1 (ID)	150,192	150,192
Weiler (ID)	225,000	225,000
Bismark Meadows #2 (ID)	75,466	75,466
Bismark Meadows #3 (ID)	240,000	240,000
Bismark Meadows #4 (ID)	675,000	675,000
Yaak Mountain (MT)	372,000	372,000
Alvord Lake (MT)	1,088,656	1,088,656
Wild River Estates #1 (MT)	295,110	295,110
Bismark Meadows #5 (ID)	964,000	964,000
Wild River Estates #2 (MT)	169,478	169,478
Ninemile Linkage #1 (MT)	52,500	52,500
Wild River Estates #3 (MT)	154,215	154,215
Broadie Habitat Preserve (MT)	780,000	780,000
Wild River Estates #4 (MT)	300,000	300,000
Fowler Creek S Property (MT)	1,000,000	1,000,000
Bull River #1 (MT)	450,000	450,000
Simmons Meadow Acquisition (MT)	187,500	187,500
Fowler Creek N Property (MT)	320,000	320,000
Bismark Meadows #6 (ID)	1,190,000	1,190,000
Bull River III (MT)	680,000	680,000
Bull River II (MT)	230,000	230,000
Fowler West (MT)	1,000,000	1,000,000
100 Acre Wood (MT)	600,000	600,000
Evaro Canyon (MT)	82,500	82,500
Wild River Estates #5 (MT)	600,000	600,000
Ruby Creek (MT)	1,500,000	-
Brock Creek (MT)	300,000	-
Total Fee-Title Holdings	13,861,353	12,061,353

8. Land Held for Preservation and Land Improvements (continued)

Conservation easements	2025	2024
Coyote Forest (MT)	1	1
Cooney Creek (MT)	1	1
Mckay Creek (MT)	1	1
Condon Creek (MT)	1	1
Curley Creek #1 (MT)	1	1
Curley Creek #2 (MT)	1	1
Cedar Creek (MT)	1	1
Windfall Creek #1 (MT)	1	1
Windfall Creek #2 (MT)	1	1
Elk Flats Neighbors #1 (MT)	1	1
Elk Flats Neighbors #2 (MT)	1	1
Elk Flats Neighbors #3 (MT)	1	1
Elk Flats Neighbors #4 (MT)	1	1
Elk Flats Neighbors #5 (MT)	1	1
Simmons Meadow (MT)	1	1
Ellis Mountain (MT)	1	1
Meadow Creek (MT)	1	1
Polebridge Palace (MT)	1	1
Glen Willow (MT)	1	1
Lawrence (MT)	1	1
Quinn (MT)	1	1
Hubbard (MT)	1	1
Tamarack (MT)	1	1
Little Creek (MT)	1	1
Donovan Creek (MT)	1	1
Salmon Prairie (MT)	1	1
Grave Creek (MT)	1	1
Clark Creek I (MT)	1	1
Meadow Creek 2 (MT)	1	-
Cut Bank Creek (MT)	1	-
Nellie Creek (MT)	1	-
Teton ALE	1	-
Total conservation easements	32	28
Total land held for preservation	$ 13,861,385	$ 12,061,381

Net land improvements of $10,255 and $11,989 as of December 31, 2025 and 2024, respectively, consist of a well installation on the Bismark Meadows #1 (ID).

9. Net Assets

Net assets are as follows at December 31:

	2025	2024
Net assets without donor restrictions		
Invested in property and equipment, net of depreciation	$ 21,030	$ 30,337
Board designated funds	7,264,634	5,530,082
Undesignated	3,875,496	4,533,588
Total net assets without donor restrictions	11,161,160	10,094,007
Net assets with donor restrictions		
Donations subject to purpose restriction	2,420,960	1,923,201
Land held for preservation	13,861,385	12,061,353
Gift annuity	53,735	45,944
Forest Legacy monitoring funds	60,000	60,000
Endowment investments	86,515	86,515
Total net assets with donor restrictions	16,482,595	14,177,013
Total net assets	$ 27,643,755	$ 24,271,020

10. Donated Goods and Services

During the years ended December 31, 2025 and 2024, Vital Ground received the following contributions of services and nonfinancial assets that have been recognized in the financial statements:

	2025	2024
Advertising	$ 73,051	$ 38,264
Goods donated for auction	129,153	6,000
Other professional services	-	1,000
Total	$ 202,204	$ 45,264

10. Donated Goods and Services (continued)

Contributions of services and nonfinancial assets are recognized at fair value when received using the going rate for similar items observed in the general market. In general, Vital Ground attempts to utilize the donations of contributed services and nonfinancial assets for lands projects and management and general activities, and those that cannot be utilized are sold (monetized). The amounts reflected in the accompanying financial statements as donated goods and services are offset by like amounts included in expenses or additions to assets. No contributed services and nonfinancial assets were recognized as assets during the years ended December 31, 2025 and 2024.

11. Leasing Activities

On June 10, 2008, Vital Ground entered into a three-year lease with the Idaho Department of Fish and Game for the use of the Bismark Meadows - #1 (ID) property. Annual rent is $5 per year, with the tenant assuming all maintenance responsibilities for the premises. The parties may agree, following the expiration of the initial lease term, to renew the lease for three-year renewal terms. This lease was renewed with the same terms during 2023. It is Vital Ground's intent to continue the lease.

During the year ended December 31, 2024, Vital Ground entered into a lease for office space in Missoula, Montana under a noncancelable operating lease. The lease is for a term of two years, matures in May of 2025, and contains two, two-year options to renew upon expiration of the original lease term. Vital Ground has not included the renewal options in the calculation of the lease liability as it is not reasonably certain that the options to renew will be exercised upon expiration of the original lease term. The total monthly payment for the leased office space is $2,300. Total rent expense recognized on operating leases in the statement of functional expenses was $28,405 during the year ended December 31, 2025. The lease converted to a month-to-month basis. The prior year ROU asset and lease liability were fully amortized during 2025.

12. Related Party Transactions

For the years ended December 31, 2025 and 2024, Vital Ground received related party contributions totaling $597,301 and $247,217, respectively, from board members or employees.

13. Subsequent Events

Management has evaluated subsequent events through June 4, 2026, the date on which the financial statements were available to be issued.

On May 15, 2026, subsequent to year-end, Vital Ground closed on the Falls Creek acquisition.