



Report of Independent Auditors  
and Consolidated Financial Statements  
with Supplementary Information

**Montana Community Foundation**

June 30, 2023 and 2022



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## **Report of Independent Auditors**

The Board of Directors  
Montana Community Foundation

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the consolidated financial statements of Montana Community Foundation, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Montana Community Foundation as of June 30, 2023 and 2022, and the changes in their net assets and their 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 (GAAS). 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 Montana Community Foundation 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 consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Montana Community Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Montana Community Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Montana Community Foundation'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 consolidated financial statements as a whole. The Consolidated Schedule of Financial Position and Consolidated Schedules of Activities (supplementary information) on pages 30 through 32 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



Portland, Oregon  
January 8, 2024

## **Consolidated Financial Statements**

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**Montana Community Foundation**  
**Consolidated Statements of Financial Position**  
**June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,695,922	\$ 2,007,680
Accrued interest receivable	188,678	194,765
Prepaid expenses and other	57,052	50,393
Pledges receivable	400,000	271,809
Beneficial interest in pooled income fund	243,025	268,660
Pooled investments	161,326,176	147,195,517
Cash surrender value of life insurance	161,919	158,393
Net property and equipment	<u>1,863,272</u>	<u>1,941,620</u>
Total assets	<u><u>\$ 165,936,044</u></u>	<u><u>\$ 152,088,837</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 9,038	\$ 9,450
Accrued expenses	149,597	131,246
Grants, scholarships, and distributions payable	1,838,428	1,583,892
Planned gift liabilities	5,065,184	3,677,166
Long-term debt	1,420,143	1,471,137
Funds held as agency funds	<u>13,153,190</u>	<u>12,685,153</u>
Total liabilities	<u>21,635,580</u>	<u>19,558,044</u>
<b>NET ASSETS</b>		
Without donor restrictions	<u>1,194,623</u>	<u>1,450,039</u>
With donor restrictions		
Time or purpose	4,667,784	4,224,124
Unappropriated earnings	22,642,108	16,987,963
Perpetuity	<u>115,795,949</u>	<u>109,868,667</u>
Total with donor restrictions	<u>143,105,841</u>	<u>131,080,754</u>
Total net assets	<u>144,300,464</u>	<u>132,530,793</u>
Total liabilities and net assets	<u><u>\$ 165,936,044</u></u>	<u><u>\$ 152,088,837</u></u>

See accompanying notes.

**Montana Community Foundation**  
**Consolidated Statement of Activities**  
**Year Ended June 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Contributions and grants			
Contributions	\$ 255,007	\$ 8,514,744	\$ 8,769,751
Intrafund grants from charitable funds	264,451	188,267	452,718
Total contributions and grants	519,458	8,703,011	9,222,469
Revenue and other additions			
Community impact fees	400,665	-	400,665
Net investment return (loss)	(432,603)	13,598,133	13,165,530
Change in value of beneficial interest in pooled income fund	-	(20,179)	(20,179)
Change in value of planned gift liabilities	-	(1,615,947)	(1,615,947)
Rental and other income	280,334	-	280,334
Total revenue and other additions	248,396	11,962,007	12,210,403
Net assets released from restrictions	8,639,931	(8,639,931)	-
Total support, revenue, other additions, and net assets released from restrictions	9,407,785	12,025,087	21,432,872
<b>EXPENSES</b>			
Program services			
Grants, scholarships, and distributions	5,927,963	-	5,927,963
Intrafund grants to charitable funds	452,718	-	452,718
Program services	782,993	-	782,993
Total program services	7,163,674	-	7,163,674
Operating and administrative expenses			
General and administrative	1,667,592	-	1,667,592
Development and fund-raising	831,935	-	831,935
Total operating and administrative expenses	2,499,527	-	2,499,527
Total expenses	9,663,201	-	9,663,201
CHANGES IN NET ASSETS	(255,416)	12,025,087	11,769,671
<b>NET ASSETS</b> , beginning of year	1,450,039	131,080,754	132,530,793
<b>NET ASSETS</b> , end of year	\$ 1,194,623	\$ 143,105,841	\$ 144,300,464

See accompanying notes.

**Montana Community Foundation**  
**Consolidated Statement of Activities**  
**Year Ended June 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Contributions and grants			
Contributions	\$ 75,179	\$ 14,160,308	\$ 14,235,487
Intrafund grants from charitable funds	87,150	170,890	258,040
Total contributions and grants	162,329	14,331,198	14,493,527
Revenue and other additions			
Community impact fees	486,367	-	486,367
Net investment return (loss)	(648,890)	(15,285,602)	(15,934,492)
Change in value of beneficial interest in pooled income fund	-	(345,523)	(345,523)
Change in value of planned gift liabilities	-	41,129	41,129
Rental and other income	306,605	-	306,605
Total revenue and other additions	144,082	(15,589,996)	(15,445,914)
Net assets released from restrictions	8,877,835	(8,877,835)	-
Total support, revenue, other additions, and net assets released from restrictions	9,184,246	(10,136,633)	(952,387)
<b>EXPENSES</b>			
Program services			
Grants, scholarships, and distributions	6,351,074	-	6,351,074
Intrafund grants to charitable funds	258,040	-	258,040
Program services	515,669	-	515,669
Transfer of assets under management	-	(43,917)	(43,917)
Total program services	7,124,783	(43,917)	7,080,866
Operating and administrative expenses			
General and administrative	1,470,873	-	1,470,873
Development and fund-raising	523,470	-	523,470
Total operating and administrative expenses	1,994,343	-	1,994,343
Total expenses	9,119,126	(43,917)	9,075,209
CHANGES IN NET ASSETS	65,120	(10,092,716)	(10,027,596)
<b>NET ASSETS</b> , beginning of year	1,384,919	141,173,470	142,558,389
<b>NET ASSETS</b> , end of year	\$ 1,450,039	\$ 131,080,754	\$ 132,530,793

See accompanying notes.



**Montana Community Foundation**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2023**

	Program Services			Support Services			
	Grants and Philanthropic Distributions	Program Services	Total Program Services	General and Administrative	Development and Fundraising	Total Support Services	Total Expenses
Salaries and wages	\$ -	\$ 351,480	\$ 351,480	\$ 675,924	\$ 555,123	\$ 1,231,047	\$ 1,582,527
Retirement expenses	-	14,639	14,639	40,157	31,451	71,608	86,247
Employee other benefits	-	47,095	47,095	81,108	68,193	149,301	196,396
Payroll taxes	-	26,301	26,301	52,734	40,607	93,341	119,642
Total salaries and related expenses	-	439,515	439,515	849,923	695,374	1,545,297	1,984,812
Grants expense	3,319,106	-	3,319,106	-	-	-	3,319,106
Scholarships expense	637,000	-	637,000	-	-	-	637,000
Distributions expense	1,971,857	-	1,971,857	-	-	-	1,971,857
Intrafund grants to endowment funds	452,718	-	452,718	-	-	-	452,718
Legal services	-	-	-	4,360	-	4,360	4,360
Accounting services	-	-	-	83,349	-	83,349	83,349
Lobbying services	-	5,000	5,000	25,000	-	25,000	30,000
Other services	-	66,354	66,354	161,962	4,000	165,962	232,316
Advertising and promotion	-	111,636	111,636	58,763	6,078	64,841	176,477
Office expenses	-	4,342	4,342	19,558	2,300	21,858	26,200
Printing and publications	-	9,894	9,894	21,326	9,135	30,461	40,355
Information technology	-	36,456	36,456	72,506	36,930	109,436	145,892
Occupancy	-	16,741	16,741	111,202	23,836	135,038	151,779
Travel expenses	-	9,169	9,169	14,066	35,497	49,563	58,732
Interest expense	-	-	-	58,290	-	58,290	58,290
Insurance	-	175	175	16,447	-	16,447	16,622
Conferences and meetings	-	25,021	25,021	39,240	12,011	51,251	76,272
Dues and other fees	-	17,100	17,100	35,472	744	36,216	53,316
Meals and entertainment	-	1,178	1,178	6,977	4,954	11,931	13,109
Program	-	34,265	34,265	-	-	-	34,265
Gift annuity reserve payments	-	-	-	5,010	-	5,010	5,010
Other expenses	-	6,147	6,147	5,793	1,076	6,869	13,016
Total operating expenses	6,380,681	343,478	6,724,159	739,321	136,561	875,882	7,600,041
Total expenses before depreciation	6,380,681	782,993	7,163,674	1,589,244	831,935	2,421,179	9,584,853
Depreciation expense	-	-	-	78,348	-	78,348	78,348
Total expenses	\$ 6,380,681	\$ 782,993	\$ 7,163,674	\$ 1,667,592	\$ 831,935	\$ 2,499,527	\$ 9,663,201

See accompanying notes.

**Montana Community Foundation**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2022**

	Program Services			Support Services			
	Grants and Philanthropic Distributions	Program Services	Total Program Services	General and Administrative	Development and Fundraising	Total Support Services	Total Expenses
Salaries and wages	\$ -	\$ 329,713	\$ 329,713	\$ 656,022	\$ 333,017	\$ 989,039	\$ 1,318,752
Retirement expenses	-	15,493	15,493	37,684	14,741	52,425	67,918
Employee other benefits	-	30,063	30,063	58,567	36,115	94,682	124,745
Payroll taxes	-	24,926	24,926	50,305	23,154	73,459	98,385
Total salaries and related expenses	-	400,195	400,195	802,578	407,027	1,209,605	1,609,800
Grants expense	4,077,871	-	4,077,871	-	-	-	4,077,871
Scholarships expense	553,067	-	553,067	-	-	-	553,067
Distributions expense	1,720,136	-	1,720,136	-	-	-	1,720,136
Intrafund grants to endowment funds	258,040	-	258,040	-	-	-	258,040
Transfer of assets under management	(43,917)	-	(43,917)	-	-	-	(43,917)
Legal services	-	-	-	1,490	-	1,490	1,490
Accounting services	-	-	-	79,527	-	79,527	79,527
Other services	-	26,500	26,500	69,806	2,520	72,326	98,826
Advertising and promotion	-	2,550	2,550	7,539	4,800	12,339	14,889
Office expenses	-	5,957	5,957	17,627	3,019	20,646	26,603
Printing and publications	-	8,885	8,885	19,662	7,789	27,451	36,336
Information technology	-	28,921	28,921	75,078	36,236	111,314	140,235
Occupancy	-	17,828	17,828	160,141	19,889	180,030	197,858
Travel expenses	-	4,616	4,616	7,977	26,457	34,434	39,050
Interest expense	-	-	-	59,929	-	59,929	59,929
Insurance	-	-	-	15,104	-	15,104	15,104
Conferences and meetings	-	6,062	6,062	31,324	8,012	39,336	45,398
Dues and other fees	-	8,662	8,662	35,604	633	36,237	44,899
Meals and entertainment	-	671	671	1,267	6,121	7,388	8,059
Program	-	2,356	2,356	-	-	-	2,356
Gift annuity reserve payments	-	-	-	2,601	-	2,601	2,601
Other expenses	-	2,466	2,466	3,743	967	4,710	7,176
Total operating expenses	6,565,197	115,474	6,680,671	588,419	116,443	704,862	7,385,533
Total expenses before depreciation	6,565,197	515,669	7,080,866	1,390,997	523,470	1,914,467	8,995,333
Depreciation expense	-	-	-	79,876	-	79,876	79,876
Total program expenses	\$ 6,565,197	\$ 515,669	\$ 7,080,866	\$ 1,470,873	\$ 523,470	\$ 1,994,343	\$ 9,075,209

See accompanying notes.

**Montana Community Foundation**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) Increase in net assets	\$ 11,769,671	\$ (10,027,596)
Adjustments to reconcile net assets to net cash from operating activities		
Cash surrendered from life insurance	(3,526)	51,142
Realized and unrealized investment (gains) losses	(11,906,727)	17,131,162
Depreciation	78,348	79,876
Change in value of beneficial interest in pooled income fund	21,179	345,523
Change in valuation of planned gift liabilities	1,615,947	(41,129)
Noncash financial contributions	(2,786,234)	(2,355,219)
Contributions to perpetual endowments	(5,647,753)	(11,893,407)
Change in operating assets and liabilities		
Interest receivable	6,087	(92,663)
Prepaid expenses and other	(6,659)	(215)
Pledges receivable	(128,191)	196,786
Accounts payable	(412)	(4,864)
Accrued expenses	18,351	17,719
Grants, scholarships, and distributions payable	254,536	237,902
Funds held as agency funds	468,037	(1,501,190)
Net cash from operating activities	<u>(6,247,346)</u>	<u>(7,856,173)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investment securities	80,147,905	162,558,173
Purchase of investment securities	<u>(79,234,920)</u>	<u>(165,525,025)</u>
Net cash from investing activities	<u>912,985</u>	<u>(2,966,852)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(50,994)	(49,298)
Contributions to perpetual endowments	5,647,753	11,893,407
Payments to annuitants and life income beneficiaries	<u>(574,156)</u>	<u>(279,037)</u>
Net cash from financing activities	<u>5,022,603</u>	<u>11,565,072</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(311,758)	742,047
Cash and cash equivalents, beginning of year	<u>2,007,680</u>	<u>1,265,633</u>
Cash and cash equivalents, end of year	<u>\$ 1,695,922</u>	<u>\$ 2,007,680</u>
SUPPLEMENTAL DISCLOSURES		
Interest expense	\$ 58,290	\$ 59,929

See accompanying notes.

# Montana Community Foundation

## Notes to Consolidated Financial Statements

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### Note 1 – General Purpose and Activities

Montana Community Foundation (Foundation) is a Montana public benefit corporation whose mission is to cultivate a culture of giving so Montana communities can flourish. It accomplishes this by working with donors who want to provide long-term support for charitable services, communities to build unrestricted funds to meet changing needs, and policy makers to implement systemic changes to improve the quality of life for Montanans. The majority of gifts received are endowment gifts, which are preserved in perpetuity. Each year a prudent spending rate is applied to the Foundation's endowments, and the spendable portion of these endowments are granted to Montana public benefit charities or to award scholarships. The Foundation was incorporated on January 29, 1988.

On September 13, 2016, the Foundation created 33 S. Last Chance Gulch, LLC. The Foundation holds a 100% interest in 33 S. Last Chance Gulch, LLC, which serves as a holding company for the Foundation's building it currently utilizes for its operations in Helena Montana.

### Note 2 – Summary of Significant Accounting Policies

**Basis of presentation** – The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Principles of consolidation** – The consolidated financial statements include the accounts of Montana Community Foundation and its wholly owned subsidiary, 33 S. Last Chance Gulch, LLC (33 S LCG). All significant intercompany balances and transactions have been eliminated upon consolidation.

**Fund accounting** – The accounts of the Foundation are maintained in accordance with the principles of fund accounting. As such, contributions are classified into funds based upon their particular purpose and nature. For the purpose of investing funds, the Foundation pools them according to their purpose or whether they are considered net assets with donor restrictions. At June 30, 2023 and 2022, the Foundation held 745 and 724 endowment funds, respectively.

**Classification of net assets** – In order to report limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation and consolidated financial statements presentation are maintained in accordance with the requirements of the Financial Accounting Standards Board (FASB). This requires the Foundation to report its consolidated financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

*Net assets without donor restrictions* – Resources that are not restricted by donor-imposed stipulations. Generally, these assets represent the operating assets of the Foundation.

*Net assets with donor restrictions* – Resources that are either limited by donor stipulations that expire with the passage of time, upon completion of charitable goals, or restricted in perpetuity. This category consists of undistributed earnings on perpetual endowment funds and time restricted funds held for specific projects. The corpus of contributions to perpetual endowments is never spent. In some cases, the terms of the gift agreement require appreciated earnings to also be held in perpetuity.

## **Montana Community Foundation**

### **Notes to Consolidated Financial Statements**

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**Cash and cash equivalents** – For financial statement purposes, the Foundation considers all cash accounts and highly liquid debt instruments purchased with an original maturity of 90 days or less as cash equivalents. This amount is available to support the operating needs of the Foundation. Cash and cash equivalents are also held by investment managers for future investment in securities and are reported as part of pooled investments.

**Income taxes** – The Foundation is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), except to the extent of unrelated business taxable income as defined under IRC Sections 511 through 515. The Foundation complies with the FASB Accounting Standards Codification (ASC) 740-10, relating to accounting for uncertain tax positions. ASC 740-10 prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various related matters such as derecognition, interest, penalties, and disclosures required. As of June 30, 2023 and 2022, the Foundation had no uncertain tax positions requiring accrual.

**Fair value measurement of investments** – Investments are stated at fair value following applicable requirements of accounting principles generally accepted in the United States of America. Fair value is defined as the price the Foundation would receive upon selling an asset in an orderly transaction between market participants at the measurement date. Fair values are determined by the most relevant available and observable valuation inputs and are classified into three levels.

**Level 1** – Quoted prices in active markets for identical assets or liabilities.

**Level 2** – Directly or indirectly observable inputs other than quoted prices included in Level 1.  
Example: thinly traded securities.

**Level 3** – Unobservable inputs that are not corroborated by market data and reflect the entity's assumptions for pricing.

Inputs are used in applying the valuation techniques and broadly refer to the assumptions the Foundation uses to make valuation decisions, including assumptions about risk. Inputs may include quoted market prices, recent transactions, manager statements, periodicals, newspapers, provisions within agreements with investment managers, and other factors. An investment's level within the fair value hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Foundation's perceived risk of that investment.

Investments in cash equivalents, mutual funds, debt securities, and certain domestic and international equities are valued based on quoted market prices, and are therefore, typically classified within Level 1.

Investments in cash management funds, where cash deposits are invested in a diversified network of banks are classified within Level 2.

Certain investment partnerships classified as level 3 generally value their investments at fair value and in accordance with accounting principles generally accepted in the United States of America. Investments with no readily available market are generally valued according to the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, and/or the income approach. Consideration is also given to financial condition and operating results of the investment, the amount the investment partnerships can reasonably expect to realize upon the sale of the securities, and any other factors deemed relevant.

## **Montana Community Foundation**

### **Notes to Consolidated Financial Statements**

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Investment funds valued using net asset value per share (NAV) or its equivalent as reported by investment managers and have trading activity and the ability to redeem at NAV on or near the reporting date, are evaluated outside of the fair value hierarchy.

Certain investments in private equity funds or other private investments that do not follow the investment company Topic 946, are valued utilizing unobservable inputs and have had no trading activity or cannot be redeemed at NAV or its equivalent on or near the reporting date are therefore, classified within Level 3. These assets are presented in the accompanying consolidated financial statements at estimated fair value. The Foundation's determination of fair value is based upon the best available information provided by the investment manager and may incorporate management assumptions and best estimates after considering a variety of internal and external factors. Such value generally represents the Foundation's proportionate share of the partner's capital of the investment partnerships as reported by their general partners. For these investments, the Foundation, through its monitoring activities, agrees with the fair value as determined by the investment managers.

Although the Foundation uses its best judgment in determining the fair value, the values presented herein are not necessarily indicative of the amount the Foundation could realize in a current transaction. Future events could affect the estimates of fair value and could be material to the financial statements. These events could also affect the amount realized upon redemption of the investments.

**Beneficial interest in pooled income fund** – The Foundation is the beneficiary of irrevocable pooled income gifts that are managed as a trust by a third party trustee. The value of the Foundation's estimated irrevocable remainder interest is the discounted present value of cash flows and is shown as a beneficial interest in pooled income fund.

Beneficial interest in pooled income fund is valued under the income approach, based on the underlying assets held in trust as reported by the trust adjusted by a discounted cash flow analysis that considers the expected future value of the fund after payment of beneficiary payments of interest and dividends earned by the respective interest in the fund. The primary unobservable inputs for the beneficial interest in pooled income fund are the reported fair value of assets contained in the fund reported by the trustee, the applicable internal revenue service discount rate at period end, a five-year average rate of return and mortality table applicable to the original gift.

**Pooled investments** – The Foundation pools its funds for the purposes of investing. The Foundation uses two investment pools; one holds endowment and agency funds (Investment Pool) and the second holds all other funds that are designated as with donor restrictions or without donor restrictions (Short Term Pool). The Investment Pool's assets are divided among cash, fixed income, equity, and alternative investments. Allocation among asset classes and investment managers is guided by an investment policy based upon an investment objective of growth and income. The Short Term Pool's assets are cash and fixed income investments and investing is guided by an investment policy based on preserving contribution value. Earnings from the pooled investment portfolios are prorated back to individual funds.

The Foundation is the beneficiary and trustee of irrevocable planned gifts (split interest agreements) – gift annuities, charitable remainder unitrusts, and charitable remainder annuity trusts. The remainder amount of all planned gifts benefits funds that are with donor restrictions and, therefore, planned gift assets are invested in the Investment Pool.

## **Montana Community Foundation**

### **Notes to Consolidated Financial Statements**

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**Property and equipment** – Property and equipment are carried at cost if purchased and at fair value at the date of the gift if donated. Depreciation is computed using the straight-line method over a period of 3 to 30 years. The Foundation capitalizes expenditures for items over \$5,000 that have a useful life over one year.

**Grants, scholarships, and distributions payable** – Grants are recognized as liabilities at the time they are authorized for expenditure regardless of the year the grants are paid. Grant amounts are determined by the Foundation's payout policy or when a donor restriction supersedes the payout policy, according to the terms of the gift instrument. There were no conditional grants made during the years ended June 30, 2023 and 2022.

**Planned gift liabilities (split interest agreements)** – The Foundation records an amount due to income beneficiaries of charitable gift annuities and charitable remainder trusts when it acts as trustee. The liability is based on the present value of the estimated future payments to be distributed during the income beneficiary's expected life. Annual adjustments to the liability reflect revaluation of the present value of the estimated future payments to the income beneficiary and are recognized in the consolidated statements of activities as a change in value of planned gifts. The present value of the estimated future payments was calculated using discount rates, ranging from 1.2% to 8.0%, at the date of gift and applicable mortality tables.

The Foundation manages gift annuities for which it is not the remainder beneficiary. Upon maturity or termination, the value of the annuity will be transferred to the Foundation's endowment for the benefiting charity to be held as a liability within perpetual endowment.

**Funds held as agency funds** – The Foundation follows the accounting standards for transfers of assets to not-for-profit organizations and charitable trusts that raise or hold contributions for others. When a not-for-profit organization establishes a fund with the Foundation with its own funds and specifies itself as the beneficiary of that fund, the Foundation must account for the fund as a liability. The liability is recorded at the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the not-for-profit. The Foundation refers to these funds as agency funds. According to the Foundation's agency agreements, the Foundation invests the assets of agency funds; however, in the event the Foundation is dissolved, agency funds would be returned to the benefiting nonprofit. These assets are recorded as an asset of the investment pool and as funds held as agency funds. The Foundation receives a fee for this arrangement.

**Contributions of financial assets** – Contributions are recognized as revenue when received or unconditionally promised. Contributions of public stock are recorded at fair value on the date of donation. Contributions of life insurance policies are recorded at cash surrender value on the date of donation.

## **Montana Community Foundation**

### **Notes to Consolidated Financial Statements**

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**Contributed nonfinancial assets** – Contributed nonfinancial assets, or in-kind contributions, are recorded as of the date received and managed consistent with donor intent. The Foundation will evaluate each contributed asset to determine whether it will be utilized or monetized depending on the nature of the asset. Outside sources for valuation verification are performed for significant contributions, where possible. There were no contributed nonfinancial assets received in the fiscal years ending June 30, 2023 and 2022, by the Foundation.

**Community impact fees** – Fees charged for the management of agency funds, planned gifts and special fees are reported as revenue. Fees charged for the management of other funds are reported as net assets released from restriction (see Note 9).

**Intrafund grants to/from charitable funds** – This is the amount granted from one Foundation fund to another based on donor recommendations and Foundation approval. These grants are both expenses and revenues at the fund level. They are reported as intrafund grants to charitable funds and intrafund grants from charitable funds on the consolidated statements of activities for the purpose of reflecting all grant support from the Foundation's funds. Although this is not in accordance with GAAP, the amounts are deemed immaterial for elimination and have no impact on the total change in net assets.

**Functional expenses** – Expenses, which apply to more than one functional category, are allocated between general and administrative, development and fundraising, and program services based on the time spent on these functions by specific employees as estimated by senior management. The remaining costs are charged directly to the appropriate functional category.

#### **Concentrations of risk –**

*Cash equivalents* – In the normal course of business, the Foundation may maintain balances at a bank in excess of the federally insured limits.

*Investments* – Investments are exposed to various risks, such as interest, market, and credit risks. It is reasonably possible given the risks associated with investments that changes in the near term could materially affect the amounts reported in the consolidated financial statements. To manage risk, the Foundation has formal investment policies. The Foundation engages the services of a third-party investment consultant that assists with compliance with the policies and evaluation of performance.

**Accounting estimates** – The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



# Montana Community Foundation

## Notes to Consolidated Financial Statements

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**Availability and liquidity** – The following represent Montana Community Foundation’s financial assets available to meet general expenditures over the next year at June 30, 2023 and 2022 :

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	\$ 1,695,922	\$ 2,007,680
Accrued interest receivable	188,678	194,765
Pledge receivable	400,000	271,809
Beneficial interest in pooled income fund	243,025	268,660
Pooled investments	161,326,176	147,195,517
Cash surrender value of life insurance	161,919	158,393
	<hr/>	<hr/>
Total financial assets	164,015,720	150,096,824
	<hr/>	<hr/>
Less amounts not available to be used within one year:		
Funds held as agency funds	13,153,190	12,685,153
Beneficial interest in pooled income fund	243,025	268,660
Cash surrender value of life insurance	161,919	158,393
Total net assets with donor restrictions	137,605,841	125,580,754
	<hr/>	<hr/>
Total amounts not available to be used within one year:	151,163,975	138,692,960
	<hr/>	<hr/>
Financial assets available to meet general expenditures over the next twelve months	\$ 12,851,745	\$ 11,403,864
	<hr/>	<hr/>

Montana Community Foundation’s operating and administrative budgeted expenses for fiscal year ending June 30, 2023, are approximately \$4,000,000. The Foundation currently has an operating reserve of approximately \$1,100,000 at June 30, 2023. The total net assets with donor restrictions as of June 30, 2023, has been reduced by management’s estimate of gifts to be distributed in the next 12 months. As part of its liquidity plan, non-endowment funds used for granting purposes are invested in short-term investments.

**New accounting pronouncements** – As of July 1, 2022, the Foundation adopted Accounting Standards Codification (ASC) 842, *Leases*. The standard establishes a new accounting model for leases, which requires lessees to recognize right-of-use assets and lease liabilities on the consolidated statement of financial position but lease expense will be recognized on the consolidated statement of activities in a manner similar to previous requirements. The Foundation’s existing leases are not significant. Therefore, adoption of this new standard did not have a material impact on the Foundation’s consolidated financial statements and related disclosures.

## **Montana Community Foundation**

### **Notes to Consolidated Financial Statements**

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**Subsequent events** – Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are available to be issued. The Foundation recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Foundation's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before the consolidated financial statements are available to be issued.

The Foundation has evaluated subsequent events through January 8, 2024, which is the date the consolidated financial statements were available to be issued.

#### **Note 3 – Interpretation of Relevant Laws**

**Uniform Prudent Management of Institutional Funds Act (UPMIFA) (Montana Code Annotated [MCA] 72-30-101)** – The Board of Directors, in consultation with its legal counsel, determined it holds net assets that meet the definition of endowment funds under UPMIFA. As a result, the Foundation classifies contributions made to endowment funds as net assets with donor restrictions. The value is established on the date of contribution. Earnings on endowment funds are classified as net assets with donor restrictions until appropriated for expenditure by the Foundation unless required to be added to the corpus and then the earnings are classified as net assets with donor restrictions.

**Foundation's investment and payout policies – Endowment funds** – The Foundation has adopted investment and spending policies for endowment assets that are designed and intended to provide a predictable stream of funding to programs while seeking to maintain the purchasing power of the Foundation's endowment assets. The Foundation's investment and payout policies work together to achieve these objectives. The investment policy attempts to establish an achievable return objective through diversification of and prescribed allocation among asset classes, restrictions on asset quality, and limitations on concentrations of holdings by sector and company. The current long-term return objective is 5.5% plus inflation. Actual returns in any given year may vary from this objective. To achieve its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and income (interest and dividends). The Foundation's asset allocation places a greater emphasis on equity-based investments in order to achieve its long-term return objectives within prudent risk parameters.

The payout policy calculates the amount of money distributed annually from the Foundation's endowed funds. The payout policy was 4.5% for both years, with the exception of underwater funds that payout at 4.0%, of the three year daily average fund balance calculated each December 31 for the years reported. The payout policy is subject to annual review and modification by the Board of Directors. Changes to the payout policy are guided by the standards described in UPMIFA.

## Montana Community Foundation

### Notes to Consolidated Financial Statements

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**Qualified endowment credit (MCA 15-30-165)** – Montana law provides for a tax credit against Montana income tax liability for individuals and businesses in exchange for planned gifts made by an individual tax payor to a qualified endowment or a direct gift made by a business to a qualified endowment.

**Montana Charitable Gift Annuity Exemption Act (MCA 33-20-701)** – Montana law requires charitable organizations that offer charitable gift annuities to meet certain requirements set forth by the Montana insurance commissioner. Annual registration is required.

#### **Note 4 – Pledges Receivable**

Pledge receivables are recorded when grant conditions are met, or when a unconditional pledge is made by a donor. The Foundation was awarded a \$1,000,000, \$1-to-\$1 matching, challenge grant. This grant is considered a conditional promise to give. As of June 30, 2023, the entire \$1,000,000 had been earned and has been recorded as all conditions have been met. The remaining balance is expected to be collected in the next fiscal year ending June 30, 2024, and no allowance was recorded either year, as the pledge was deemed to be fully collectible.

The Foundation had pledges receivable as of June 30, 2023 and 2022, as follows:

	<u>2023</u>	<u>2022</u>
Unconditional promises to give	<u>\$ 400,000</u>	<u>\$ 271,809</u>

**Montana Community Foundation**  
**Notes to Consolidated Financial Statements**

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**Note 5 – Investments and Fair Value Measurements**

Investments are carried at fair value and consist of the following as of June 30:

	June 30, 2023			Total
	Level 1	Level 2	Level 3	
<b>Pooled investments - redeemable securities</b>				
Cash and cash equivalents	\$ 6,229,243	\$ -	\$ -	\$ 6,229,243
Equity securities				
Domestic common stocks	4,254,602	-	-	4,254,602
Foreign stocks	683,611	-	-	683,611
Total equity securities	4,938,213	-	-	4,938,213
Debt securities				
Corporate bonds	1,923,093	-	-	1,923,093
US Treasury securities	15,048,616	-	-	15,048,616
Total debt securities	16,971,709	-	-	16,971,709
Other equity securities				
Mutual funds	36,073,411	-	-	36,073,411
Total other equity securities	36,073,411	-	-	36,073,411
Private equity				
Global opportunities	-	-	747,466	747,466
Total private equity	-	-	747,466	747,466
Public equity				
Cash management	-	1,612	-	1,612
Total public equity	-	1,612	-	1,612
Private investments				
Natural resources	-	-	428,251	428,251
Diversifiers	-	-	374,536	374,536
Total private investments	-	-	802,787	802,787
Total redeemable securities	64,212,576	1,612	1,550,253	65,764,441
<b>Pooled investments - nonredeemable securities</b>				
Private equity				-
Commercial real estate	-	-	5,537	5,537
Total nonredeemable securities	-	-	5,537	5,537
Total	\$ 64,212,576	\$ 1,612	\$ 1,555,790	65,769,978
Investments measured at NAV practical expedient				95,556,198
Total				\$ 161,326,176
<b>Beneficial interest in pooled income fund</b>			\$ 243,025	\$ 243,025

**Montana Community Foundation**  
**Notes to Consolidated Financial Statements**

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
<b>Pooled investments - redeemable securities</b>				
Cash and cash equivalents	\$ 5,947,891	\$ -	\$ -	\$ 5,947,891
Equity securities				
Domestic common stocks	3,709,137	-	-	3,709,137
Foreign stocks	423,440	-	-	423,440
Total equity securities	4,132,577	-	-	4,132,577
Debt securities				
Corporate bonds	2,031,615	-	-	2,031,615
US Treasury securities	13,349,523	-	-	13,349,523
Government agency notes	1,262,733	-	-	1,262,733
Municipal bonds	21,453	-	-	21,453
Total debt securities	16,665,324	-	-	16,665,324
Other equity securities				
Mutual funds	32,756,245	-	-	32,756,245
Total other equity securities	32,756,245	-	-	32,756,245
Private equity				
Global opportunities	-	-	1,014,392	1,014,392
Total private equity	-	-	1,014,392	1,014,392
Public equity				
Cash management	-	1,556	-	1,556
Total public equity	-	1,556	-	1,556
Private investments				
Natural resources	-	-	424,094	424,094
Diversifiers	-	-	396,405	396,405
Total private investments	-	-	820,499	820,499
Total redeemable securities	59,502,037	1,556	1,834,891	61,338,484
<b>Pooled investments - nonredeemable securities</b>				
Private equity				-
Commercial real estate	-	-	3,296	3,296
Total nonredeemable securities	-	-	3,296	3,296
Total	\$ 59,502,037	\$ 1,556	\$ 1,838,187	61,341,780
Investments measured at NAV practical expedient				85,853,737
Total				\$ 147,195,517
<b>Beneficial interest in pooled income fund</b>			\$ 268,660	\$ 268,660

**Montana Community Foundation**  
**Notes to Consolidated Financial Statements**

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The following table presents information regarding funds with fair value that is determined using the NAV (or its equivalent), per the practical expedient, provided by the fund as of June 30:

	<u>2023</u>	<u>2022</u>
Hedge fund investments		
Diversifying strategy	\$ 3,161,185	\$ 3,085,223
Growth strategy	14,794,230	14,819,901
Public equity investments		
Developed Ex US equity	19,830,897	17,486,669
Global equity	11,386,341	10,709,104
US equity	29,104,298	24,061,309
Private investments		
Secondaries	17,279,247	15,691,531
	<u>\$ 95,556,198</u>	<u>\$ 85,853,737</u>

Investment returns for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Realized and unrealized gains and (losses)	\$ 11,906,727	\$ (17,131,162)
Interest and dividends	1,722,039	1,740,058
Investment expense	<u>(463,236)</u>	<u>(543,388)</u>
Total investment gain (loss)	<u>\$ 13,165,530</u>	<u>\$ (15,934,492)</u>

Unrealized gains (losses) on investments all relate to assets still held at June 30, 2023 and 2022, and are included in realized and unrealized gains and losses on investments in the consolidated statements of activities for the years ended June 30, 2023 and 2022.

# Montana Community Foundation

## Notes to Consolidated Financial Statements

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The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Foundation has classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category may include changes in fair value that were attributable to both observable and unobservable inputs.

Changes in Level 3 assets measured at fair value for the period ended June 30, 2023 and 2022, were as follows:

	Private Investments		Private Equity		Beneficial
	Natural Resources	Diversifiers	Global Opportunities	Commercial Real Estate	Interest in Pooled Income Fund
Beginning balance at June 30, 2021	\$ 277,391	\$ 494,720	\$ 1,489,371	\$ 3,305	\$ 614,183
Total unrealized gains (losses)	139,231	(98,315)	(219,846)	(9)	-
Purchases	7,472	-	-	-	-
Sales	-	-	(255,133)	-	-
Present value adjustment	-	-	-	-	(345,523)
Ending balance at June 30, 2022	424,094	396,405	1,014,392	3,296	268,660
Total unrealized gains (losses)	4,157	(21,869)	(266,926)	2,241	-
Present value adjustment	-	-	-	-	(25,635)
Ending balance at June 30, 2023	<u>\$ 428,251</u>	<u>\$ 374,536</u>	<u>\$ 747,466</u>	<u>\$ 5,537</u>	<u>\$ 243,025</u>

# Montana Community Foundation

## Notes to Consolidated Financial Statements

For the investments valued at Level 3 and NAV, excluding beneficial interest, the below table represents redemption, funding commitments, restrictions, and other information associated with the nature and valuation of applicable investment are as follows:

	Fair Value at June 30, 2023	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Strategies and Other Restrictions
Hedge fund investments					
Diversifying strategy	\$ 3,161,185	\$ -	Daily to quarterly	1-45 days	(1)
Diversifying strategy	10,794,159	-	Quarterly	45 - 95 days	(1)
Diversifying strategy	2,457,143	-	Annually	90 days	(1)
Diversifying strategy	1,542,928	-	Bi-Annually	60 days	(1)
Total hedge fund investments	17,955,415	-			
Public equity					
Developed Ex US Equity	19,830,897	-	Monthly	10 - 31 days	(2)
Global equity	11,386,341	-	Daily - Quarterly	1 - 31 days	(2)
US Equity	29,104,298	-	Monthly	10 - 31 days	(2)
Total public equity investments	60,321,536	-			
Private equity					
Global opportunities	747,466	282,500	Quarterly	30-45 days	(3)
Commercial real estate	5,537	5,000	Illiquid for 3 years	n/a	(3)
Total private equity investments	753,003	287,500			
Private investments					
Natural resources	428,251	80,454	Illiquid	n/a	(3)
Opportunistic	5,487,338	2,270,670	Illiquid	n/a	(3)
Diversifiers	374,536	105,366	Illiquid	n/a	(3)
Private equity	6,212,909	5,051,962	Illiquid	n/a	(3)
Venture capital	5,579,000	2,544,994	Illiquid	n/a	(3)
Total private investments	18,082,034	10,053,446			
Total	\$ 97,111,988	\$ 10,340,946			

1. Hedge funds include investment vehicles and accounts that typically invest primarily in publicly traded securities using strategies such as long/short equity, market neutral equity, long/short credit, global macro, and managed futures. Hedge Fund investments serve as a means to mitigate equity risk and provide diversified returns.
2. Public equities include investment vehicles or accounts that typically use long-only or long-biased strategies, including long-biased long/short strategies, to invest primarily in publicly traded securities. Public equity investments serve as a means to generate asset growth.
3. Private investments and equities include investment vehicles and accounts that typically invest in securities acquired through private transactions. Typical strategies include venture capital, private equity, natural resources private equity, and real estate. Private investments serve as a means to enhance asset growth. Unfunded commitments are expected to be called within the next 10 years.



# Montana Community Foundation

## Notes to Consolidated Financial Statements

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### Note 6 – Long-Term Debt

33 S. Last Chance Gulch, LLC purchased a building for \$2,150,000 in October 2016 and was funded with a \$1,720,000 ten-year loan at 4.25% and additional down payment made from available board discretionary funds without donor restriction. In April 2021, the interest rate was negotiated to 4.0%, with all other terms remaining the same. The loan is collateralized by the building and guaranteed by the Foundation. The loan requires monthly principal and interest payments of \$9,320 with a balloon payment at maturity on October 3, 2026. The balance remaining on the loan was \$1,420,143 and \$1,471,137 as of June 30, 2023 and 2022, respectively.

The following schedule presents the minimum principal payments due in future years:

2024	\$ 53,783
2025	55,585
2026	57,849
2027	<u>1,252,926</u>
Total principal payments	<u><u>\$ 1,420,143</u></u>

### Note 7 – Planned Gifts

The Foundation's irrevocable interest in gift annuities, charitable remainder trusts, life insurance policies, and pooled income funds (which are a portion of the net assets with donor restrictions) had the following changes during the years ended June 30:

	<u>2023</u>	<u>2022</u>
Planned gifts balance beginning of year	<u>\$ 12,000,549</u>	<u>\$ 13,663,043</u>
Contributions	2,980,902	2,626,272
Interest and dividends	232,200	233,604
Realized/unrealized gains (losses), net	1,395,265	(1,630,927)
Transfers from reserve	5,010	2,601
Change in value of planned gift liabilities	<u>(1,064,359)</u>	<u>294,843</u>
Total income	<u>3,549,018</u>	<u>1,526,393</u>
Payments to income beneficiaries	279,733	279,037
Termination/maturity of planned gifts	1,509,186	2,587,049
Community impact fees	207,429	220,858
Investment management and other fees	<u>89,615</u>	<u>101,943</u>
Total expense	<u>2,085,963</u>	<u>3,188,887</u>
Planned gifts balance end of year	<u><u>\$ 13,463,604</u></u>	<u><u>\$ 12,000,549</u></u>

# Montana Community Foundation

## Notes to Consolidated Financial Statements

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### Note 8 – Funds Held as Agency Funds

The following is a reconciliation of changes in funds held as agency funds during the years ended June 30:

	2023	2022
	<u>\$ 12,685,153</u>	<u>\$ 14,186,343</u>
Balance beginning of year		
Contributions	371,399	337,810
Interest and dividends	151,658	153,750
Realized/unrealized gains (losses), net	<u>699,052</u>	<u>(1,200,413)</u>
Total income	<u>1,222,109</u>	<u>(708,853)</u>
Distributions of earnings	545,347	509,974
Community impact fees	156,266	174,406
Investment management fees	52,459	64,040
Transfer of assets under management	<u>-</u>	<u>43,917</u>
Total expense	<u>754,072</u>	<u>792,337</u>
Balance end of year	<u><u>\$ 13,153,190</u></u>	<u><u>\$ 12,685,153</u></u>

### Note 9 – Community Impact and Investment Fees

The Foundation charges community impact fees for its services and for the professional management of assets. For the years ended June 30, those amounts were charged as follows:

	2023	2022
Perpetual and temporary funds	\$ 1,643,542	\$ 1,716,888
Planned gifts	207,429	220,858
Agency funds	156,266	174,406
Special fees	<u>36,970</u>	<u>91,103</u>
	<u><u>\$ 2,044,207</u></u>	<u><u>\$ 2,203,255</u></u>

Agency funds, planned gifts, and special fees for services were reported as community impact fee revenue in the consolidated statements of activities. Fees charged to planned gifts were reflected in the change in value of planned gift liabilities in the consolidated statements of activities. Amounts for fees charged to perpetual endowments and donor restricted special projects funds were released from restriction to cover administrative expenses and are part of the total net assets released from restriction in the consolidated statements of activities.

# Montana Community Foundation

## Notes to Consolidated Financial Statements

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### Note 10 – Net Assets Released from Restrictions

As restrictions are met, assets are released and reclassified from with donor restrictions to without donor restrictions. The released assets are used for grant making and the payment of community impact and investment management fees. Uses of released net assets were as follows for the years ended June 30:

	2023	2022
Payment of grants & scholarships	\$ 4,044,314	\$ 4,593,720
Payment of intrafund grants	203,453	205,103
Payment of community impact and investment manager fees	2,102,547	2,256,908
Annual endowment distributions	2,080,172	1,800,792
Endowment expenses	9,855	7,841
Special projects expense and other	199,590	13,471
	<u>\$ 8,639,931</u>	<u>\$ 8,877,835</u>

### Note 11 – Grants and Distributions

The Foundation supports charitable work by making grants, distributing earnings to nonprofits under agency agreements, and transferring distributable earnings among the Foundation's own funds. Under accounting principles generally accepted in the United States of America, distributions to nonprofits under agency agreements are recorded as reductions in funds held as agency funds. Grants made from one Foundation fund to another are shown as intrafund grants. The following is summary of total charitable support as of the years ended June 30:

	2023	2022
Grants, scholarships, and distributions	\$ 5,927,963	\$ 6,351,074
Distributions to agencies	545,347	509,974
Intrafund grants to charitable funds	452,718	258,040
	<u>\$ 6,926,028</u>	<u>\$ 7,119,088</u>

# Montana Community Foundation

## Notes to Consolidated Financial Statements

### Note 12 – Endowment Funds

The Foundation has no Board-designated endowments as of June 30, 2023 and 2022. Donor restricted endowment net assets composition as of June 30 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowments	\$ -	\$ 102,332,345	\$ 102,332,345
Unappropriated earnings	-	22,642,108	22,642,108
June 30, 2023	<u>\$ -</u>	<u>\$ 124,974,453</u>	<u>\$ 124,974,453</u>
Endowments	\$ -	\$ 97,868,118	\$ 97,868,118
Unappropriated earnings	-	16,987,963	16,987,963
June 30, 2022	<u>\$ -</u>	<u>\$ 114,856,081</u>	<u>\$ 114,856,081</u>

At June 30, 2023, 52 funds with original gift values of \$10,087,078 fair values of \$9,397,330 and deficiencies of \$689,748 were reported in net assets with donor restrictions. At June 30, 2022, 71 funds with original gift values of \$11,714,759 fair values of \$10,721,425 and deficiencies of \$993,334 were reported in net assets with donor restrictions. These deficiencies reflect unfavorable market fluctuation during the reporting periods.

Change in donor restricted endowment net assets for the fiscal years ended June 30:

	June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2022	<u>\$ -</u>	<u>\$ 114,856,081</u>	<u>\$ 114,856,081</u>
Investment return			
Investment income	-	1,343,588	1,343,588
Net unrealized and realized gains	-	10,559,600	10,559,600
Total investment return	-	11,903,188	11,903,188
Contributions	-	2,848,531	2,848,531
Termination/maturity of planned gifts	-	1,509,186	1,509,186
Intrafund grants to endowment funds	-	127,647	127,647
Net assets released from restrictions	-	(6,270,180)	(6,270,180)
Changes in endowment net assets	-	(1,784,816)	(1,784,816)
Endowment net assets, June 30, 2023	<u>\$ -</u>	<u>\$ 124,974,453</u>	<u>\$ 124,974,453</u>

**Montana Community Foundation**  
**Notes to Consolidated Financial Statements**

	June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2021	\$ -	\$ 114,051,477	\$ 114,051,477
Investment return			
Investment income	-	1,275,226	1,275,226
Net unrealized and realized losses	-	(14,928,675)	(14,928,675)
Total investment return	-	(13,653,449)	(13,653,449)
Contributions	-	9,602,790	9,602,790
Termination/maturity of planned gifts	-	2,587,049	2,587,049
Intrafund grants to endowment funds	-	219,475	219,475
Net assets released from restrictions	-	(5,226,002)	(5,226,002)
Transfers of assets under management	-	7,274,741	7,274,741
Changes in endowment net assets	-	14,458,053	14,458,053
Endowment net assets, June 30, 2022	\$ -	\$ 114,856,081	\$ 114,856,081

In fiscal years 2023 and 2022, the Foundation had no transfers of charitable assets to other organizations, respectively, which is shown as a reduction in the net asset category in which the funds were held.

**Note 13 – Net Assets**

Net assets with donor restrictions at June 30 are available for the following purposes:

	2023	2022
Net assets with a time or purpose donor restriction		
Special projects	\$ 4,667,784	\$ 4,224,124
Unappropriated earnings (Note 12)	22,642,108	16,987,963
	<u>\$ 27,309,892</u>	<u>\$ 21,212,087</u>
Net assets with donor restrictions in perpetuity		
Endowments (Note 12)	\$ 102,332,345	\$ 97,868,118
Irrevocable planned gifts (Note 7)	13,463,604	12,000,549
	<u>\$ 115,795,949</u>	<u>\$ 109,868,667</u>
Total with donor restriction net assets	<u>\$ 143,105,841</u>	<u>\$ 131,080,754</u>

## Montana Community Foundation

### Notes to Consolidated Financial Statements

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#### Note 14 – Retirement Plan

The Foundation has established a simplified employee pension plan for employees. The Foundation contributes up to 6% of the participants' annual salaries per year. The Foundation's retirement expense was \$86,247 and \$67,918 for the years ended June 30, 2023 and 2022, respectively.

#### Note 15 – Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Building	\$ 2,367,623	\$ 2,367,623
Computer	-	22,615
Computer software	-	7,301
Furniture and fixtures	-	2,590
Office equipment	<u>6,082</u>	<u>6,082</u>
	2,373,705	2,406,211
Less accumulated depreciation	<u>510,433</u>	<u>464,591</u>
	<u><u>\$ 1,863,272</u></u>	<u><u>\$ 1,941,620</u></u>

Depreciation expense was \$78,348 and \$79,876 for the years ended June 30, 2023 and 2022, respectively.

## **Supplementary Information**

**Montana Community Foundation**  
**Consolidating Schedule of Financial Position**  
**June 30, 2023 and 2022**

**ASSETS**

	<b>Montana Community Foundation</b>	<b>33 S Last Chance Gulch, LLC.</b>	<b>Eliminating Entries</b>	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,507,300	\$ 188,622	\$ -	\$ 1,695,922	\$ 2,007,680
Accrued interest receivable	184,753	3,925	-	188,678	194,765
Prepaid expenses and other	57,052	-	-	57,052	50,393
Pledges receivable	400,000	-	-	400,000	271,809
Beneficial interest in pooled income fund	243,025	-	-	243,025	268,660
Pooled investments	161,326,176	-	-	161,326,176	147,195,517
Cash surrender value of life insurance	161,919	-	-	161,919	158,393
Net property and equipment	-	1,863,272	-	1,863,272	1,941,620
	<u>\$ 163,880,225</u>	<u>\$ 2,055,819</u>	<u>\$ -</u>	<u>\$ 165,936,044</u>	<u>\$ 152,088,837</u>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>					
Accounts payable	\$ 6,325	\$ 2,713	\$ -	\$ 9,038	\$ 9,450
Accrued expenses	149,597	-	-	149,597	131,246
Due to/from	(749,694)	749,694	-	-	-
Grants, scholarships, and distributions payable	1,838,428	-	-	1,838,428	1,583,892
Planned gift liabilities	5,065,184	-	-	5,065,184	3,677,166
Long-term debt	-	1,420,143	-	1,420,143	1,471,137
Funds held as agency funds	13,153,190	-	-	13,153,190	12,685,153
	<u>19,463,030</u>	<u>2,172,550</u>	<u>-</u>	<u>21,635,580</u>	<u>19,558,044</u>
<b>NET ASSETS</b>					
Without donor restrictions	<u>1,311,354</u>	<u>(116,731)</u>	<u>-</u>	<u>1,194,623</u>	<u>1,450,039</u>
With donor restrictions					
Time or purpose	4,667,784	-	-	4,667,784	4,224,124
Unappropriated earnings	22,642,108	-	-	22,642,108	16,987,963
Perpetuity	115,795,949	-	-	115,795,949	109,868,667
	<u>143,105,841</u>	<u>-</u>	<u>-</u>	<u>143,105,841</u>	<u>131,080,754</u>
Total with donor restrictions	<u>143,105,841</u>	<u>-</u>	<u>-</u>	<u>143,105,841</u>	<u>131,080,754</u>
Total net assets	<u>144,417,195</u>	<u>(116,731)</u>	<u>-</u>	<u>144,300,464</u>	<u>132,530,793</u>
Total liabilities and net assets	<u>\$ 163,880,225</u>	<u>\$ 2,055,819</u>	<u>\$ -</u>	<u>\$ 165,936,044</u>	<u>\$ 152,088,837</u>

See report of independent auditors.



**Montana Community Foundation**  
**Consolidating Schedule of Activities**  
**For the Year Ended June 30, 2023**

	Montana Community Foundation	33 S Last Chance Gulch, LLC	Eliminating Entries	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Contributions						
Contributions	\$ 255,007	\$ -	\$ -	\$ 255,007	\$ 8,514,744	\$ 8,769,751
Intrafund grants from charitable funds	264,451	-	-	264,451	188,267	452,718
Total contributions	519,458	-	-	519,458	8,703,011	9,222,469
Revenue and other additions						
Community impact fees	400,665	-	-	400,665	-	400,665
Net investment return	(415,234)	11	(17,380)	(432,603)	13,598,133	13,165,530
Change in value of beneficial interest in pooled income fund	-	-	-	-	(20,179)	(20,179)
Change in value of planned gift liabilities	-	-	-	-	(1,615,947)	(1,615,947)
Rental and other income	42,282	309,741	(71,689)	280,334	-	280,334
Total revenue and other additions	27,713	309,752	(89,069)	248,396	11,962,007	12,210,403
Net assets released from restrictions	8,639,931	-	-	8,639,931	(8,639,931)	-
Total support, revenue, other additions, and net assets released from restrictions	9,187,102	309,752	(89,069)	9,407,785	12,025,087	21,432,872
<b>EXPENSES</b>						
Program services						
Grants, scholarships, and distributions	5,927,963	-	-	5,927,963	-	5,927,963
Intrafund grants to charitable funds	452,718	-	-	452,718	-	452,718
Program services	782,993	-	-	782,993	-	782,993
Total program services	7,163,674	-	-	7,163,674	-	7,163,674
Operating and administrative expenses						
General and administrative	1,476,289	280,372	(89,069)	1,667,592	-	1,667,592
Development and fund-raising	831,935	-	-	831,935	-	831,935
Total operating and administrative expenses	2,308,224	280,372	(89,069)	2,499,527	-	2,499,527
Total expenses	9,471,898	280,372	(89,069)	9,663,201	-	9,663,201
CHANGES IN NET ASSETS	(284,796)	29,380	-	(255,416)	12,025,087	11,769,671
<b>NET ASSETS</b> , beginning of year	1,596,150	(146,111)	-	1,450,039	131,080,754	132,530,793
<b>NET ASSETS</b> , end of year	\$ 1,311,354	\$ (116,731)	\$ -	\$ 1,194,623	\$ 143,105,841	\$ 144,300,464

See report of independent auditors.

**Montana Community Foundation**  
**Consolidating Schedule of Activities**  
**For the Year Ended June 30, 2022**

	<b>Montana Community Foundation</b>	<b>33 S Last Chance Gulch, LLC</b>	<b>Eliminating Entries</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>						
Contributions						
Contributions	\$ 75,179	\$ -	\$ -	\$ 75,179	\$ 14,160,308	\$ 14,235,487
Intrafund grants from charitable funds	87,150	-	-	87,150	170,890	258,040
Total contributions	162,329	-	-	162,329	14,331,198	14,493,527
Revenue and other additions						
Administrative fees	486,367	-	-	486,367	-	486,367
Net investment return	(630,119)	13	(18,784)	(648,890)	(15,285,602)	(15,934,492)
Change in value of beneficial interest in pooled income fund	-	-	-	-	(345,523)	(345,523)
Change in value of planned gift liabilities	-	-	-	-	41,129	41,129
Rental and other income	67,216	301,167	(61,778)	306,605	-	306,605
Total revenue and other additions	(76,536)	301,180	(80,562)	144,082	(15,589,996)	(15,445,914)
Net assets released from restrictions	8,877,835	-	-	8,877,835	(8,877,835)	-
Total support, revenue, other additions, and net assets released from restrictions	8,963,628	301,180	(80,562)	9,184,246	(10,136,633)	(952,387)
<b>EXPENSES</b>						
Program services						
Grants, scholarships, and distributions	6,351,074	-	-	6,351,074	-	6,351,074
Intrafund grants to charitable funds	258,040	-	-	258,040	-	258,040
Program services	515,669	-	-	515,669	-	515,669
Transfer of assets under management	-	-	-	-	(43,917)	(43,917)
Total program services	7,124,783	-	-	7,124,783	(43,917)	7,080,866
Operating and administrative expenses						
General and administrative	1,182,253	369,182	(80,562)	1,470,873	-	1,470,873
Development and fund-raising	523,470	-	-	523,470	-	523,470
Total operating and administrative expenses	1,705,723	369,182	(80,562)	1,994,343	-	1,994,343
Total expenses	8,830,506	369,182	(80,562)	9,119,126	(43,917)	9,075,209
CHANGES IN NET ASSETS	133,122	(68,002)	-	65,120	(10,092,716)	(10,027,596)
NET ASSETS, beginning of year	1,463,028	(78,109)	-	1,384,919	141,173,470	142,558,389
NET ASSETS, end of year	\$ 1,596,150	\$ (146,111)	\$ -	\$ 1,450,039	\$ 131,080,754	\$ 132,530,793

See report of independent auditors.

