



Report of Independent Auditors and Consolidated Financial
Statements with Supplementary Information

Montana Community Foundation

June 30, 2022 and 2021



MOSSADAMS

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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, 2022 and 2021, 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, 2022 and 2021, 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 Consolidated 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 Consolidated 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 Consolidated 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.

Report on 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 32-34 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 supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Moss Adams LLP

Spokane, Washington
December 19, 2022

Consolidated Financial Statements

Montana Community Foundation
Consolidated Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 2,007,680	\$ 1,265,633
Accrued interest receivable	194,765	102,102
Prepaid expenses and other	50,393	50,178
Pledges receivable	271,809	468,595
Beneficial interest in pooled income fund	268,660	614,183
Pooled investments	147,195,517	158,757,403
Cash surrender value of life insurance	158,393	209,535
Net property and equipment	1,941,620	2,021,496
	<u>1,941,620</u>	<u>2,021,496</u>
Total assets	<u>\$ 152,088,837</u>	<u>\$ 163,489,125</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 9,450	\$ 14,314
Accrued expenses	131,246	113,527
Grants, scholarships and distributions payable	1,583,892	1,345,990
Planned gift liabilities	3,677,166	3,750,127
Long-term debt	1,471,137	1,520,435
Funds held as agency endowments	12,685,153	14,186,343
	<u>12,685,153</u>	<u>14,186,343</u>
Total liabilities	<u>19,558,044</u>	<u>20,930,736</u>
NET ASSETS		
Without donor restrictions	<u>1,450,039</u>	<u>1,384,919</u>
With donor restrictions		
Time or purpose	4,224,124	13,458,950
Unappropriated earnings	16,987,963	32,042,849
Perpetuity	109,868,667	95,671,671
	<u>109,868,667</u>	<u>95,671,671</u>
Total with donor restrictions	<u>131,080,754</u>	<u>141,173,470</u>
Total net assets	<u>132,530,793</u>	<u>142,558,389</u>
Total liabilities and net assets	<u>\$ 152,088,837</u>	<u>\$ 163,489,125</u>

See accompanying notes.

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

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
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)
EXPENSES			
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
INCREASE (DECREASE) IN NET ASSETS	65,120	(10,092,716)	(10,027,596)
NET ASSETS , beginning of year	1,384,919	141,173,470	142,558,389
NET ASSETS , end of year	\$ 1,450,039	\$ 131,080,754	\$ 132,530,793

See accompanying notes.

Montana Community Foundation
Consolidated Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants			
Contributions	\$ 57,395	\$ 11,947,103	\$ 12,004,498
Intrafund grants from charitable funds	217,661	82,708	300,369
Total contributions and grants	275,056	12,029,811	12,304,867
Revenue and other additions			
Community impact fees	419,740	-	419,740
Net investment return (loss)	(395,328)	31,582,486	31,187,158
Change in value of beneficial interest in pooled income fund	-	205,360	205,360
Change in value of planned gift liabilities	-	(460,134)	(460,134)
Rental and other income	486,562	-	486,562
Total revenue and other additions	510,974	31,327,712	31,838,686
Net assets released from restrictions	8,379,370	(8,379,370)	-
Total support, revenue, other additions, and net assets released from restrictions	9,165,400	34,978,153	44,143,553
EXPENSES			
Program services			
Grants, scholarships and distributions	5,881,199	-	5,881,199
Intrafund grants to charitable funds	300,369	-	300,369
Program services	487,339	-	487,339
Total program services	6,668,907	-	6,668,907
Operating and administrative expenses			
General and administrative	1,223,174	-	1,223,174
Development and fund-raising	372,595	-	372,595
Total operating and administrative expenses	1,595,769	-	1,595,769
Total expenses	8,264,676	-	8,264,676
INCREASE IN NET ASSETS	900,724	34,978,153	35,878,877
NET ASSETS , beginning of year	484,195	106,195,317	106,679,512
NET ASSETS , end of year	\$ 1,384,919	\$ 141,173,470	\$ 142,558,389

See accompanying notes.

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

	Program Services		
	Grants and Philanthropic Distributions	Program Services	Total Program Services
Salaries and wages	\$ -	\$ 329,713	\$ 329,713
Retirement expenses	-	15,493	15,493
Employee other benefits	-	30,063	30,063
Payroll taxes	-	24,926	24,926
Total salaries and related expenses	-	400,195	400,195
Grants expense	4,077,871	-	4,077,871
Scholarships expense	553,067	-	553,067
Distributions expense	1,720,136	-	1,720,136
Intrafund grants to endowment funds	258,040	-	258,040
Transfer of assets under management	(43,917)	-	(43,917)
Legal services	-	-	-
Accounting services	-	-	-
Other services	-	26,500	26,500
Advertising and promotion	-	2,550	2,550
Office expenses	-	5,957	5,957
Printing and publications	-	8,885	8,885
Information technology	-	28,921	28,921
Occupancy	-	17,828	17,828
Travel expenses	-	4,616	4,616
Interest expense	-	-	-
Insurance	-	-	-
Conferences and meetings	-	6,062	6,062
Dues and other fees	-	8,662	8,662
Meals and entertainment	-	671	671
Program	-	2,356	2,356
Gift annuity reserve payments	-	-	-
Other expenses	-	2,466	2,466
Total operating expenses	6,565,197	115,474	6,680,671
Total expenses before depreciation	6,565,197	515,669	7,080,866
Depreciation expense	-	-	-
Total program expenses	\$ 6,565,197	\$ 515,669	\$ 7,080,866

See accompanying notes.

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

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

See accompanying notes.

Montana Community Foundation
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services		
	Grants and Philanthropic Distributions	Program Services	Total Program Services
Salaries and wages	\$ -	\$ 276,850	\$ 276,850
Retirement expenses	-	14,509	14,509
Employee other benefits	-	17,778	17,778
Payroll taxes	-	20,529	20,529
Total salaries and related expenses	-	329,666	329,666
Grants expense	3,848,019	-	3,848,019
Scholarships expense	402,568	-	402,568
Distributions expense	1,630,612	-	1,630,612
Intrafund grants to endowment funds	300,369	-	300,369
Legal services	-	102	102
Accounting services	-	-	-
Lobbying services	-	-	-
Other services	-	74,582	74,582
Advertising and promotion	-	2,567	2,567
Office expenses	-	6,727	6,727
Printing and publications	-	8,267	8,267
Information technology	-	29,155	29,155
Occupancy	-	14,746	14,746
Travel expenses	-	2,826	2,826
Interest expense	-	-	-
Insurance	-	-	-
Conferences and meetings	-	713	713
Dues and other fees	-	4,908	4,908
Meals and entertainment	-	340	340
Program	-	12,389	12,389
Gift annuity reserve payments	-	-	-
Other expenses	-	351	351
Total operating expenses	6,181,568	157,673	6,339,241
Total expenses before depreciation	6,181,568	487,339	6,668,907
Depreciation expense	-	-	-
Total expenses	\$ 6,181,568	\$ 487,339	\$ 6,668,907

See accompanying notes.

Montana Community Foundation
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	Support Services			
	General and Administrative	Development and Fundraising	Total Support Services	Total Expenses
Salaries and wages	\$ 571,891	\$ 264,790	\$ 836,681	\$ 1,113,531
Retirement expenses	32,965	12,346	45,311	59,820
Employee other benefits	31,265	26,144	57,409	75,187
Payroll taxes	41,266	18,941	60,207	80,736
Total salaries and related expenses	677,387	322,221	999,608	1,329,274
Grants expense	-	-	-	3,848,019
Scholarships expense	-	-	-	402,568
Distributions expense	-	-	-	1,630,612
Intrafund grants to endowment funds	-	-	-	300,369
Legal services	5,269	540	5,809	5,911
Accounting services	69,730	-	69,730	69,730
Lobbying services	5,000	-	5,000	5,000
Other services	31,158	-	31,158	105,740
Advertising and promotion	8,886	2,000	10,886	13,453
Office expenses	20,024	1,908	21,932	28,659
Printing and publications	18,349	2,597	20,946	29,213
Information technology	76,797	23,704	100,501	129,656
Occupancy	91,949	13,956	105,905	120,651
Travel expenses	3,690	1,764	5,454	8,280
Interest expense	65,392	-	65,392	65,392
Insurance	13,800	-	13,800	13,800
Conferences and meetings	18,040	2,835	20,875	21,588
Dues and other fees	28,764	675	29,439	34,347
Meals and entertainment	1,522	108	1,630	1,970
Program	-	-	-	12,389
Gift annuity reserve payments	1,790	-	1,790	1,790
Other expenses	5,447	287	5,734	6,085
Total operating expenses	465,607	50,374	515,981	6,855,222
Total expenses before depreciation	1,142,994	372,595	1,515,589	8,184,496
Depreciation expense	80,180	-	80,180	80,180
Total expenses	\$ 1,223,174	\$ 372,595	\$ 1,595,769	\$ 8,264,676

See accompanying notes.

Montana Community Foundation
Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) Increase in net assets	\$ (10,027,596)	\$ 35,878,877
Adjustments to reconcile net assets to net cash from operating activities		
Cash surrendered from life insurance	51,142	(8,815)
Realized and unrealized (gains) and losses	17,131,162	(29,927,360)
Depreciation	79,876	80,180
Change in value of beneficial interest in pooled income fund	345,523	(205,360)
Change in valuation of planned gift liabilities	(41,129)	460,134
Noncash contributions	(2,355,219)	(3,140,218)
Contributions to permanently restricted endowments	(11,893,407)	(8,917,848)
Forgiveness of debt	-	(192,349)
Change in operating assets and liabilities		
Interest receivable	(92,663)	(34,852)
Prepaid expenses and other	(215)	(11,249)
Pledges receivable	196,786	(467,710)
Accounts payable	(4,864)	(15,580)
Accrued expenses	17,719	25,305
Grants, scholarships and distributions payable	237,902	188,622
Funds held as agency endowments	(1,501,190)	3,215,064
Net cash used in operating activities	<u>(7,856,173)</u>	<u>(3,073,159)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investment securities	162,558,173	63,773,642
Purchase of investment securities	<u>(165,525,025)</u>	<u>(69,874,575)</u>
Net cash used in investing activities	<u>(2,966,852)</u>	<u>(6,100,933)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(49,298)	(63,656)
Contributions to permanently restricted endowments	11,893,407	8,917,848
Payments to annuitants and life income beneficiaries	<u>(279,037)</u>	<u>(267,785)</u>
Net cash from financing activities	<u>11,565,072</u>	<u>8,586,407</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	742,047	(587,685)
Cash and cash equivalents, beginning of year	<u>1,265,633</u>	<u>1,853,318</u>
Cash and cash equivalents, end of year	<u>\$ 2,007,680</u>	<u>\$ 1,265,633</u>
SUPPLEMENTAL DISCLOSURES		
Interest expense	\$ 59,929	\$ 65,392

See accompanying notes.

Montana Community Foundation

Notes to Consolidated Financial Statements

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.

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 in 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, 2022 and 2021, the Foundation held 724 and 695 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 financial statement 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 permanent endowment funds and time restricted funds held for specific projects. The corpus of contributions to permanent 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

Cash and cash equivalents – For financial statement purposes, the Foundation considers all cash accounts and highly liquid debt instruments purchased with a 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, 2022 and 2021, 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 market 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. Example: listed securities.

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. Example: private equity funds.

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.

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.

Montana Community Foundation

Notes to Consolidated Financial Statements

Certain investments in private equity funds or other private investments 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 market value as determined by the investment managers.

The general partners of the underlying investment partnerships 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.

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.

Montana Community Foundation

Notes to Consolidated Financial Statements

The Foundation is the beneficiary 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.

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 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, 2022 and 2021.

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 statement 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.

Funds held as agency endowments – 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 owns the assets of agency endowments; however, in the event the Foundation is dissolved, agency endowments would be returned to the benefitting nonprofit. The Foundation reports the funds as part of pooled investments.

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 permanent endowment. These assets are recorded as an asset of the investment pool and as funds held as agency endowments. 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 market 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

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, 2022 and 2021, 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 statement 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

Availability and liquidity – The following represent Montana Community Foundation’s financial assets available to meet general expenditures over the next year at June 30, 2022 and 2021 :

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	\$ 2,007,680	\$ 1,265,633
Accrued interest receivable	194,765	102,102
Pledge receivable	271,809	468,595
Beneficial interest in pooled income fund	268,660	614,183
Pooled investments	147,195,517	158,757,403
Cash surrender value of life insurance	158,393	209,535
Total financial assets	<u>150,096,824</u>	<u>161,417,451</u>
Less amounts not available to be used within one year:		
Funds held as agency endowments	12,685,153	14,186,343
Beneficial interest in pooled income fund	268,660	614,183
Cash surrender value of life insurance	158,393	209,535
Total net assets with donor restrictions	<u>125,580,754</u>	<u>95,695,317</u>
Total amounts not available to be used within one year:	<u>138,692,960</u>	<u>110,705,378</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 11,403,864</u></u>	<u><u>\$ 50,712,073</u></u>

Montana Community Foundation’s operating and administrative budgeted expenses for fiscal year ending June 30, 2023, are approximately \$3,200,000. The Foundation currently has an operating reserve of approximately \$1,300,000 at June 30, 2022. The total net assets with donor restrictions as of June 30, 2022, has been reduced by managements 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 – FASB issued ASU No. 2020-07 – *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Not-for-Profit (NFP) organizations shall present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. This guidance was applied retrospectively for fiscal year 2022 and resulted in increased the disclosures within Note 2.

FASB issued ASU No. 2016-02, *Leases* (Topic 842), establishing the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. With the adoption of ASU 2020-05 in the prior year, this guidance shall be applied retrospectively for fiscal year ending after June 30, 2023. Management is evaluating the impact of this standard to the financial statements and has not early adopted.

Montana Community Foundation

Notes to Consolidated Financial Statements

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 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 December 19, 2022, 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.

From time to time, the fair value of endowment funds may fall below the amount classified as net assets with donor restrictions. At June 30, 2022 and 2021, the Foundation had deficiencies in 71 funds totaling \$993,334 and four funds totaling \$7,709, respectively. These deficiencies reflect unfavorable market fluctuation during the reporting periods. They are reflected as a reduction to 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.

Montana Community Foundation

Notes to Consolidated Financial Statements

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.

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

The Foundation had pledges receivable as of June 30, 2022 and 2021, as follows:

	<u>2022</u>	<u>2021</u>
Unconditional promises to give	<u>\$ 271,809</u>	<u>\$ 468,595</u>

The Foundation was awarded a \$1,000,000, \$1-to-\$1 matching, challenge grant during the year. This grant is considered a conditional promise to give. Revenue is recognized when the grant conditions are met, by raising the matching revenue for the specified purpose and in compliance with the all the grant conditions. As of June 30, 2022, \$674,494 had been earned, and \$325,506 has not been recorded, as conditions have not been met. No discounts were recorded as the amount was minimal.

Amounts due in	
2023	\$ 200,315
2024	<u>71,494</u>
Total	<u>\$ 271,809</u>

Montana Community Foundation

Notes to Consolidated Financial Statements

Note 5 – Investments and Fair Value Measurements

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

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Pooled investments - redeemable securities				
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
Pooled investments - nonredeemable securities				
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
Beneficial interest in pooled income fund			\$ 268,660	\$ 268,660

Montana Community Foundation
Notes to Consolidated Financial Statements

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Pooled investments - redeemable securities				
Cash and cash equivalents	\$ 11,866,199	\$ -	\$ -	\$ 11,866,199
Equity securities				
Domestic common stocks	3,415,267	-	-	3,415,267
Foreign stocks	283,871	-	-	283,871
Total equity securities	3,699,138	-	-	3,699,138
Debt securities				
Corporate bonds	8,668,797	-	-	8,668,797
US Treasury securities	12,102,164	-	-	12,102,164
Government agency notes	1,351,214	-	-	1,351,214
Municipal bonds	298,178	-	-	298,178
Total debt securities	22,420,353	-	-	22,420,353
Other equity securities				
Mutual funds	33,785,137	-	-	33,785,137
Total other equity securities	33,785,137	-	-	33,785,137
Private equity				
Global opportunities	-	-	1,489,371	1,489,371
Total private equity	-	-	1,489,371	1,489,371
Public equity				
Cash management	-	1,554	-	1,554
Total public equity	-	1,554	-	1,554
Private investments				
Natural resources	-	-	277,391	277,391
Diversifiers	-	-	494,720	494,720
Total private investments	-	-	772,111	772,111
Total redeemable securities	71,770,827	1,554	2,261,482	74,033,863
Pooled investments - nonredeemable securities				
Private equity				
Commercial real estate	-	-	3,305	3,305
Total nonredeemable securities	-	-	3,305	3,305
Total	\$ 71,770,827	\$ 1,554	\$ 2,264,787	74,037,168
Investments measured at NAV practical expedient				84,720,235
Total				\$ 158,757,403
Beneficial interest in pooled income fund			\$ 614,183	\$ 614,183

Montana Community Foundation
Notes to Consolidated Financial Statements

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:

	2022	2021
Hedge fund investments		
Diversifying strategy	\$ 3,085,223	\$ 8,634,272
Growth strategy	14,819,901	12,516,020
Public equity investments		
Developed Ex US equity	17,486,669	17,643,565
Global equity	10,709,104	12,641,991
US equity	24,061,309	17,413,934
Private investments		
Secondaries	15,691,531	12,696,113
Nonredeemable securities		
Commodities	-	3,174,340
	<u>\$ 85,853,737</u>	<u>\$ 84,720,235</u>

Investment returns for the years ended June 30:

	2022	2021
Realized and unrealized gains and (losses)	\$ (17,131,162)	\$ 29,927,360
Interest and dividends	1,740,058	1,634,732
Investment expense	<u>(543,388)</u>	<u>(374,934)</u>
Total investment gain (loss)	<u>\$ (15,934,492)</u>	<u>\$ 31,187,158</u>

Unrealized gains (losses) on investments all relate to assets still held at June 30, 2022 and 2021, and are included in realized and unrealized gains and losses on investments in the consolidated statement of activities for the years ended June 30, 2022 and 2021.

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Notes to Consolidated Financial Statements

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, 2022 and 2021, were as follows:

	Private Investments		Private Equity		Beneficial
	Natural	Diversifiers	Global	Commercial	Interest in Pooled
	Resources		Opportunities	Real Estate	Income Fund
Beginning balance at June 30, 2020	\$ 177,293	\$ 502,199	\$ 1,312,999	\$ 14,270	\$ 408,823
Total unrealized gains (losses)	100,098	(7,479)	176,372	-	-
Purchases	-	-	-	(10,965)	-
Present value adjustment	-	-	-	-	205,360
Ending 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	<u>\$ 424,094</u>	<u>\$ 396,405</u>	<u>\$ 1,014,392</u>	<u>\$ 3,296</u>	<u>\$ 268,660</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, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Strategies and Other Restrictions
Hedge fund investments					
Diversifying strategy	\$ 3,085,223	\$ -	Daily to quarterly	1-45 days	(1)
Diversifying strategy	9,716,612	-	Quarterly	45 - 95 days	(1)
Diversifying strategy	2,559,419	-	Annually	90 days	(1)
Diversifying strategy	2,543,870	-	Bi-Annually	60 days	(1)
Total hedge fund investments	17,905,124	-			
Public equity					
Cash management	1,556	-	Daily	n/a	(2)
Developed Ex US Equity	17,486,669	-	Monthly	10 - 31 days	(2)
Global equity	10,709,104	-	Daily - Quarterly	1 - 31 days	(2)
US Equity	24,061,310	-	Monthly	10 - 31 days	(2)
Total public equity investments	52,258,639	-			
Private equity					
Global opportunities	1,014,392	395,050	Quarterly	30-45 days	(3)
Commercial real estate	3,296	11,750	Illiquid for 3 years	n/a	(3)
Total private equity investments	1,017,688	406,800			
Private investments					
Natural resources	424,094	133,028	Illiquid	n/a	(3)
Opportunistic	5,699,976	3,118,866	Illiquid	n/a	(3)
Diversifiers	396,405	105,366	Illiquid	n/a	(3)
Private equity	5,194,000	4,732,554	Illiquid	n/a	(3)
Venture capital	4,797,555	3,026,769	Illiquid	n/a	(3)
Total private investments	16,512,030	11,116,583			
Total	\$ 87,693,481	\$ 11,523,383			

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

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 \$1,471,137, and \$1,520,435 as of June 30, 2022 and 2021, respectively.

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

2023	\$ 52,166
2024	54,292
2025	56,503
2026	58,805
2027	<u>1,249,371</u>
Total principal payments	<u><u>\$ 1,471,137</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>2022</u>	<u>2021</u>
Net assets with donor restrictions, balance beginning of year	<u>\$ 13,663,043</u>	<u>\$ 10,497,259</u>
Contributions	2,626,272	1,600,150
Interest and dividends	233,604	208,248
Realized/unrealized gains, net	(1,630,927)	3,701,936
Transfers from reserve	2,601	1,790
Change in value of planned gift liabilities	<u>294,843</u>	<u>285,902</u>
Total income	<u>1,526,393</u>	<u>5,798,026</u>
Payments to income beneficiaries	279,037	267,785
Termination/maturity of planned gifts	2,587,049	2,098,587
Community impact fees	220,858	190,501
Investment management and other fees	<u>101,943</u>	<u>75,369</u>
Total expense	<u>3,188,887</u>	<u>2,632,242</u>
Net assets with donor restrictions, balance end of year	<u><u>\$ 12,000,549</u></u>	<u><u>\$ 13,663,043</u></u>

Montana Community Foundation
Notes to Consolidated Financial Statements

Note 8 – Funds Held as Agency Endowments

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

	2022	2021
Balance beginning of year	\$ 14,186,343	\$ 10,971,279
Contributions	337,810	541,767
Interest and dividends	153,750	148,615
Realized/unrealized gains (losses), net	(1,200,413)	3,185,237
Total income	(708,853)	3,875,619
Distributions of earnings	509,974	461,340
Community impact fees	174,406	152,613
Investment management fees	64,040	46,602
Transfer of assets under management	43,917	-
Total expense	792,337	660,555
Balance end of year	\$ 12,685,153	\$ 14,186,343

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:

	2022	2021
Permanent and temporary funds	\$ 1,716,888	\$ 1,478,234
Planned gifts	220,858	190,501
Agency funds	174,406	152,613
Special fees	91,103	76,626
	\$ 2,203,255	\$ 1,897,974

Fees charged to agency funds and charges for services were reported as community impact fee revenue in the consolidated statement 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 permanent endowment 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.

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Notes to Consolidated Financial Statements

Note 10 – Net Assets Released from Restriction

As restrictions are met, assets are released and reclassified from with donor restriction to without donor restriction. 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:

	2022	2021
Payment of grants & scholarships	\$ 4,593,720	\$ 4,220,085
Payment of intrafund grants	205,103	501,000
Payment of community impact and investment manager fees	2,256,908	1,925,003
Annual endowment distributions	1,800,792	1,673,932
Endowment expenses	7,841	3,952
Special projects expense and other	13,471	55,398
	<u>\$ 8,877,835</u>	<u>\$ 8,379,370</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 endowments. 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:

	2022	2021
Grants, scholarships, and distributions	\$ 6,351,074	\$ 5,881,199
Distributions to agencies	509,974	461,340
Intrafund grants to charitable funds	258,040	300,369
	<u>\$ 7,119,088</u>	<u>\$ 6,642,908</u>

Montana Community Foundation

Notes to Consolidated Financial Statements

Note 12 – Endowment Funds

The Foundation has no Board-designated endowments as of June 30, 2022 and 2021. Donor restricted endowment net assets composition as of June 30 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2022	\$ -	\$ 114,856,081	\$ 114,856,081
June 30, 2021	\$ -	\$ 114,051,477	\$ 114,051,477

At June 30, 2022, 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. At June 30, 2021, funds with original gift values of \$41,189, fair values of \$33,480, and deficiencies of \$7,709 were reported in net assets with donor restrictions.

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

	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 gains (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
Total contributions	-	14,458,053	14,458,053
Endowment net assets, June 30, 2022	\$ -	\$ 114,856,081	\$ 114,856,081

Montana Community Foundation
Notes to Consolidated Financial Statements

	June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2020	\$ -	\$ 81,632,154	\$ 81,632,154
Investment return			
Investment income	-	1,122,802	1,122,802
Net unrealized and realized gains (losses)	-	26,468,782	26,468,782
Total investment return	-	27,591,584	27,591,584
Contributions	-	7,387,130	7,387,130
Termination/maturity of planned gifts	-	2,098,587	2,098,587
Intrafund grants to endowment funds	-	50,253	50,253
Net assets released from restrictions	-	(4,708,231)	(4,708,231)
Total contributions	-	4,827,739	4,827,739
Endowment net assets, June 30, 2021	\$ -	\$ 114,051,477	\$ 114,051,477

In fiscal years 2022 and 2021, 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:

	2022	2021
Net assets with a time or purpose donor restriction		
Special projects	\$ 4,224,124	\$ 13,458,950
Unappropriated earnings	16,987,963	32,042,849
	<u>\$ 21,212,087</u>	<u>\$ 45,501,799</u>
Net assets with donor restrictions in perpetuity		
Endowments	\$ 97,868,118	\$ 82,008,628
Irrevocable planned gifts	12,000,549	13,663,043
	<u>\$ 109,868,667</u>	<u>\$ 95,671,671</u>

Montana Community Foundation

Notes to Consolidated Financial Statements

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 \$67,918 and \$59,820 for the years ended June 30, 2022 and 2021, respectively.

Note 15 – Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Building	\$ 2,367,623	\$ 2,367,623
Computer	22,615	22,615
Computer software	7,301	7,301
Furniture and fixtures	2,590	2,590
Office equipment	<u>6,082</u>	<u>14,217</u>
	2,406,211	2,414,346
Less accumulated depreciation	<u>464,591</u>	<u>392,850</u>
	<u><u>\$ 1,941,620</u></u>	<u><u>\$ 2,021,496</u></u>

Depreciation expense for financial statement purposes was \$79,876 and \$80,180 for the years ended June 30, 2022 and 2021, respectively.

Supplementary Information

Montana Community Foundation
Consolidating Schedule of Financial Position
For the Years Ended June 30, 2022 and 2021

ASSETS

	Montana Community Foundation	33 S Last Chance Gulch, LLC.	Eliminating Entries	2022	2021
ASSETS					
Cash and cash equivalents	\$ 1,887,939	\$ 119,741	\$ -	\$ 2,007,680	\$ 1,265,633
Accrued interest receivable	194,765	-	-	194,765	102,102
Prepaid expenses and other	47,312	3,081	-	50,393	50,178
Pledges receivable	271,809	-	-	271,809	468,595
Beneficial interest in pooled income fund	268,660	-	-	268,660	614,183
Pooled investments	147,195,517	-	-	147,195,517	158,757,403
Cash surrender value of life insurance	158,393	-	-	158,393	209,535
Net property and equipment	-	1,941,620	-	1,941,620	2,021,496
Total assets	\$ 150,024,395	\$ 2,064,442	\$ -	\$ 152,088,837	\$ 163,489,125

LIABILITIES AND NET ASSETS

LIABILITIES					
Accounts payable	\$ 5,570	\$ 3,880	\$ -	\$ 9,450	\$ 14,314
Accrued expenses	131,246	-	-	131,246	113,527
Other current liabilities	-	-	-	-	-
Due to/from	(735,536)	735,536	-	-	-
Grants, scholarships and distributions payable	1,583,892	-	-	1,583,892	1,345,990
Planned gift liabilities	3,677,166	-	-	3,677,166	3,750,127
Long-term debt	-	1,471,137	-	1,471,137	1,520,435
Funds held as agency endowments	12,685,153	-	-	12,685,153	14,186,343
Total liabilities	17,347,491	2,210,553	-	19,558,044	20,930,736

NET ASSETS

Without donor restrictions	1,596,150	(146,111)	-	1,450,039	1,384,919
With donor restrictions					
Time or purpose	4,224,124	-	-	4,224,124	13,458,950
Unappropriated earnings	16,987,963	-	-	16,987,963	32,042,849
Perpetuity	109,868,667	-	-	109,868,667	95,671,671
Total with donor restrictions	131,080,754	-	-	131,080,754	141,173,470
Total net assets	132,676,904	(146,111)	-	132,530,793	142,558,389
Total liabilities and net assets	\$ 150,024,395	\$ 2,064,442	\$ -	\$ 152,088,837	\$ 163,489,125

See report of independent auditors.

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

	Montana Community Foundation	33 S Last Chance Gulch, LLC	Eliminating Entries	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
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)
EXPENSES						
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
INCREASE (DECREASE) 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	<u>\$ 1,596,150</u>	<u>\$ (146,111)</u>	<u>\$ -</u>	<u>\$ 1,450,039</u>	<u>\$ 131,080,754</u>	<u>\$ 132,530,793</u>

See report of independent auditors.

Montana Community Foundation

Consolidating Schedule of Activities

For the Year Ended June 30, 2021

	Montana Community Foundation	33 S Last Chance Gulch, LLC	Eliminating Entries	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions						
Contributions	\$ 57,395	\$ -	\$ -	\$ 57,395	\$ 11,947,103	\$ 12,004,498
Intrafund grants from charitable funds	217,661	-	-	217,661	82,708	300,369
Total contributions	275,056	-	-	275,056	12,029,811	12,304,867
Revenue and other additions						
Community impact fees	419,740	-	-	419,740	-	419,740
Net investment return	(375,645)	14	(19,697)	(395,328)	31,582,486	31,187,158
Change in value of beneficial interest in pooled income fund	-	-	-	-	205,360	205,360
Change in value of planned gift liabilities	-	-	-	-	(460,134)	(460,134)
Rental and other income	245,043	301,107	(59,588)	486,562	-	486,562
Total revenue and other additions	289,138	301,121	(79,285)	510,974	31,327,712	31,838,686
Net assets released from restrictions	8,379,370	-	-	8,379,370	(8,379,370)	-
Total support, revenue, other additions, and net assets released from restrictions	8,943,564	301,121	(79,285)	9,165,400	34,978,153	44,143,553
EXPENSES						
Program services						
Grants, scholarships and distributions	5,881,199	-	-	5,881,199	-	5,881,199
Intrafund grants to charitable funds	300,369	-	-	300,369	-	300,369
Program services	487,339	-	-	487,339	-	487,339
Total program services	6,668,907	-	-	6,668,907	-	6,668,907
Operating and administrative expenses						
General and administrative	1,028,440	274,019	(79,285)	1,223,174	-	1,223,174
Development and fund-raising	372,595	-	-	372,595	-	372,595
Total operating and administrative expenses	1,401,035	274,019	(79,285)	1,595,769	-	1,595,769
Total expenses	8,069,942	274,019	(79,285)	8,264,676	-	8,264,676
Adjustment to net assets	-	-	-	-	-	-
INCREASE (DECREASE) IN NET ASSETS	873,622	27,102	-	900,724	34,978,153	35,878,877
NET ASSETS , beginning of year	589,406	(105,211)	-	484,195	106,195,317	106,679,512
NET ASSETS , end of year	\$ 1,463,028	\$ (78,109)	\$ -	\$ 1,384,919	\$ 141,173,470	\$ 142,558,389

See report of independent auditors.

