

Report of Independent Auditors
and Consolidated Financial Statements
with Supplementary Information

Montana Community Foundation

June 30, 2025 and 2024

 **bakertilly**

Table of Contents

	Page
Report of Independent Auditors	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5
Consolidated Statements of Functional Expenses	7
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10
Supplementary Information	
Consolidating Schedule of Financial Position	30
Consolidating Schedules of Activities	31

Report of Independent Auditors

The Board of Directors
Montana Community Foundation

Report on the Audit of the 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, 2025 and 2024, 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, 2025 and 2024, 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.

Baker Tilly US, LLP

Spokane, Washington
January 30, 2026

Consolidated Financial Statements

Montana Community Foundation
Consolidated Statements of Financial Position
June 30, 2025 and 2024

	2025	2024
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 5,276,491	\$ 4,340,496
Accrued interest receivable	278,277	238,722
Prepaid expenses and other	90,725	59,205
Beneficial interest in pooled income fund	152,786	214,624
Pooled investments	206,978,836	181,729,362
Cash surrender value of life insurance	145,147	140,957
Loans receivable, net	814,206	-
Property and equipment, net	<u>1,743,261</u>	<u>1,784,543</u>
 Total assets	 <u>\$ 215,479,729</u>	 <u>\$ 188,507,909</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 23,901	\$ 2,542
Accrued expenses	163,800	174,657
Grants, scholarships, and distributions payable	2,338,028	3,595,890
Planned gift liabilities	5,038,062	5,080,897
Long-term debt	1,311,022	1,366,589
Funds held as agency endowments	<u>17,246,602</u>	<u>14,565,793</u>
 Total liabilities	 <u>26,121,415</u>	 <u>24,786,368</u>
NET ASSETS		
Without donor restrictions	<u>1,395,288</u>	<u>1,277,947</u>
With donor restrictions		
Time or purpose	8,868,024	4,964,283
Unappropriated earnings	41,299,199	33,482,973
Perpetuity	<u>137,795,803</u>	<u>123,996,338</u>
 Total with donor restrictions	 <u>187,963,026</u>	 <u>162,443,594</u>
 Total net assets	 <u>189,358,314</u>	 <u>163,721,541</u>
 Total liabilities and net assets	 <u>\$ 215,479,729</u>	 <u>\$ 188,507,909</u>

See accompanying notes.

Montana Community Foundation
Consolidated Statement of Activities
Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 283,432	\$ 19,249,989	\$ 19,533,421
Total contributions and grants	<u>283,432</u>	<u>19,249,989</u>	<u>19,533,421</u>
Revenue and other additions			
Community impact fees	805,441	-	805,441
Net investment return (loss)	(396,064)	19,947,268	19,551,204
Change in value of beneficial interest in pooled income fund	-	94,391	94,391
Change in value of planned gift liabilities	-	(539,787)	(539,787)
Rental and other income	<u>347,606</u>	<u>-</u>	<u>347,606</u>
Total revenue and other additions	<u>756,983</u>	<u>19,501,872</u>	<u>20,258,855</u>
Net assets released from restrictions	<u>13,109,131</u>	<u>(13,109,131)</u>	<u>-</u>
Total support, revenue, other additions, and net assets released from restrictions	<u>14,149,546</u>	<u>25,642,730</u>	<u>39,792,276</u>
EXPENSES			
Program services			
Grants, scholarships, and distributions	9,370,168	-	9,370,168
Program services	1,406,867	-	1,406,867
Transfer of assets under management	-	123,298	123,298
Total program services	<u>10,777,035</u>	<u>123,298</u>	<u>10,900,333</u>
Operating and administrative expenses			
General and administrative	2,163,487	-	2,163,487
Development and fund-raising	1,091,683	-	1,091,683
Total operating and administrative expenses	<u>3,255,170</u>	<u>-</u>	<u>3,255,170</u>
Total expenses	<u>14,032,205</u>	<u>123,298</u>	<u>14,155,503</u>
INCREASE IN NET ASSETS	117,341	25,519,432	25,636,773
NET ASSETS , beginning of year	<u>1,277,947</u>	<u>162,443,594</u>	<u>163,721,541</u>
NET ASSETS , end of year	<u>\$ 1,395,288</u>	<u>\$ 187,963,026</u>	<u>\$ 189,358,314</u>

See accompanying notes.

Montana Community Foundation
Consolidated Statement of Activities
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 308,957	\$ 10,729,265	\$ 11,038,222
Total contributions and grants	308,957	10,729,265	11,038,222
Revenue and other additions			
Community impact fees	747,798	-	747,798
Net investment return (loss)	(271,919)	19,626,381	19,354,462
Change in value of beneficial interest in pooled income fund	-	(28,401)	(28,401)
Change in value of planned gift liabilities	-	(705,970)	(705,970)
Rental and other income	276,036	-	276,036
Total revenue and other additions	751,915	18,892,010	19,643,925
Net assets released from restrictions	10,283,522	(10,283,522)	-
Total support, revenue, other additions, and net assets released from restrictions	11,344,394	19,337,753	30,682,147
EXPENSES			
Program services			
Grants, scholarships, and distributions	7,777,111	-	7,777,111
Program services	813,318	-	813,318
Total program services	8,590,429	-	8,590,429
Operating and administrative expenses			
General and administrative	1,627,177	-	1,627,177
Development and fund-raising	1,043,464	-	1,043,464
Total operating and administrative expenses	2,670,641	-	2,670,641
Total expenses	11,261,070	-	11,261,070
INCREASE IN NET ASSETS	83,324	19,337,753	19,421,077
NET ASSETS , beginning of year	1,194,623	143,105,841	144,300,464
NET ASSETS , end of year	<u>\$ 1,277,947</u>	<u>\$ 162,443,594</u>	<u>\$ 163,721,541</u>

See accompanying notes.

Montana Community Foundation
Consolidated Statement of Functional Expenses
Year Ended June 30, 2025

	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	\$ -	\$ 427,337	\$ 427,337	\$ 765,373	\$ 768,328	\$ 1,533,701	\$ 1,961,038	
Retirement expenses	-	22,188	22,188	43,648	41,911	85,559	107,747	
Employee other benefits	-	71,325	71,325	98,115	87,164	185,279	256,604	
Payroll taxes	-	31,929	31,929	59,926	57,706	117,632	149,561	
Total salaries and related expenses	-	552,779	552,779	967,062	955,109	1,922,171	2,474,950	
Grants expense	6,167,266	-	6,167,266	-	-	-	6,167,266	
Scholarships expense	903,190	-	903,190	-	-	-	903,190	
Distributions expense	2,299,712	-	2,299,712	-	-	-	2,299,712	
Impact loan expenses	-	157,851	157,851	-	-	-	157,851	
Transfer of assets under management	123,298	-	123,298	-	-	-	123,298	
Legal services	-	481	481	10,353	-	10,353	10,834	
Accounting services	-	-	-	93,013	-	93,013	93,013	
Lobbying services	-	10,125	10,125	20,000	-	20,000	30,125	
Other services	-	31,769	31,769	151,768	750	152,518	184,287	
Advertising and promotion	-	253,794	253,794	47,750	10,090	57,840	311,634	
Office expenses	-	4,483	4,483	23,364	1,073	24,437	28,920	
Printing and publications	-	12,465	12,465	35,057	4,654	39,711	52,176	
Information technology	-	42,329	42,329	111,426	38,925	150,351	192,680	
Occupancy	-	28,412	28,412	400,941	24,714	425,655	454,067	
Travel expenses	-	16,218	16,218	21,740	34,934	56,674	72,892	
Interest expense	-	-	-	45,526	-	45,526	45,526	
Insurance	-	-	-	24,801	-	24,801	24,801	
Conferences and meetings	-	24,363	24,363	55,961	10,589	66,550	90,913	
Dues and other fees	-	14,495	14,495	49,771	1,664	51,435	65,930	
Meals and entertainment	-	1,771	1,771	7,492	7,276	14,768	16,539	
Program	-	255,199	255,199	-	-	-	255,199	
Gift annuity reserve payments	-	-	-	4,510	-	4,510	4,510	
Other expenses	-	333	333	10,060	1,905	11,965	12,298	
Total operating expenses	9,493,466	854,088	10,347,554	1,113,533	136,574	1,250,107	11,597,661	
Total expenses before depreciation	9,493,466	1,406,867	10,900,333	2,080,595	1,091,683	3,172,278	14,072,611	
Depreciation expense	-	-	-	82,892	-	82,892	82,892	
Total program expenses	\$ 9,493,466	\$ 1,406,867	\$ 10,900,333	\$ 2,163,487	\$ 1,091,683	\$ 3,255,170	\$ 14,155,503	

See accompanying notes.

Montana Community Foundation
Consolidated Statement of Functional Expenses
Year Ended June 30, 2024

	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	\$ -	\$ 369,017	\$ 369,017	\$ 708,088	\$ 699,039	\$ 1,407,127	\$ 1,776,144	
Retirement expenses	-	20,185	20,185	40,038	34,049	74,087	94,272	
Employee other benefits	-	56,730	56,730	91,630	89,453	181,083	237,813	
Payroll taxes	-	27,380	27,380	53,138	50,747	103,885	131,265	
Total salaries and related expenses	-	473,312	473,312	892,894	873,288	1,766,182	2,239,494	
Grants expense	4,902,505	-	4,902,505	-	-	-	4,902,505	
Scholarships expense	848,670	-	848,670	-	-	-	848,670	
Distributions expense	2,025,936	-	2,025,936	-	-	-	2,025,936	
Impact loan expenses	-	-	-	-	-	-	-	
Transfer of assets under management	-	-	-	-	-	-	-	
Accounting services	-	-	-	117,746	-	117,746	117,746	
Lobbying services	-	-	-	-	-	-	-	
Other services	-	18,946	18,946	111,100	3,500	114,600	133,546	
Advertising and promotion	-	17,777	17,777	32,431	22,329	54,760	72,537	
Office expenses	-	4,655	4,655	17,770	2,894	20,664	25,319	
Printing and publications	-	7,330	7,330	21,119	8,213	29,332	36,662	
Information technology	-	38,643	38,643	64,943	41,494	106,437	145,080	
Occupancy	-	21,415	21,415	86,283	26,837	113,120	134,535	
Travel expenses	-	11,947	11,947	19,127	50,445	69,572	81,519	
Interest expense	-	-	-	55,674	-	55,674	55,674	
Insurance	-	26	26	18,415	-	18,415	18,441	
Conferences and meetings	-	24,483	24,483	38,544	2,079	40,623	65,106	
Dues and other fees	-	10,552	10,552	42,466	1,645	44,111	54,663	
Meals and entertainment	-	1,473	1,473	13,567	9,466	23,033	24,506	
Program	-	180,508	180,508	-	-	-	180,508	
Gift annuity reserve payments	-	-	-	6,293	-	6,293	6,293	
Other expenses	-	2,251	2,251	10,076	1,274	11,350	13,601	
Total operating expenses	7,777,111	340,006	8,117,117	655,554	170,176	825,730	8,942,847	
Total expenses before depreciation	7,777,111	813,318	8,590,429	1,548,448	1,043,464	2,591,912	11,182,341	
Depreciation expense	-	-	-	78,729	-	78,729	78,729	
Total program expenses	\$ 7,777,111	\$ 813,318	\$ 8,590,429	\$ 1,627,177	\$ 1,043,464	\$ 2,670,641	\$ 11,261,070	

See accompanying notes.

Montana Community Foundation
Consolidated Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 25,636,773	\$ 19,421,077
Adjustments to reconcile net assets to net cash from operating activities		
Change in cash surrender value of life insurance	(4,190)	20,962
Realized and unrealized gains	(17,662,289)	(17,944,281)
Depreciation	82,892	78,729
Change in value of beneficial interest in pooled income fund	61,838	28,401
Change in valuation of planned gift liabilities	539,787	705,970
Change in present value discount of loans receivable	146,093	-
Stock contributions	(9,294,741)	(3,344,807)
Contributions to with donor restrictions in perpetuity	(10,795,754)	(5,814,687)
Change in operating assets and liabilities		
Interest receivable	(39,555)	(50,044)
Prepaid expenses and other	(31,520)	(2,153)
Pledges receivable	-	400,000
Accounts payable	21,359	(6,496)
Accrued expenses	(10,857)	25,060
Grants, scholarships, and distributions payable	(1,257,862)	1,757,462
Funds held as agency endowments	2,680,809	1,412,603
Net cash used in operating activities	<u>(9,927,217)</u>	<u>(3,312,204)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Issuance of loans	(1,000,000)	-
Collection on loans receivable	39,701	-
Proceeds from sales and maturities of investment securities	65,767,774	72,161,037
Purchase of investment securities	(63,627,269)	(71,057,340)
Purchase of capital assets	(41,610)	-
Net cash from investing activities	<u>1,138,596</u>	<u>1,103,697</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(55,567)	(53,554)
Contributions to partially restricted endowments	10,795,754	5,814,687
Payments to annuitants and life income beneficiaries	(1,015,571)	(908,052)
Net cash from financing activities	<u>9,724,616</u>	<u>4,853,081</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	935,995	2,644,574
Cash and cash equivalents, beginning of year	<u>4,340,496</u>	<u>1,695,922</u>
Cash and cash equivalents, end of year	<u>\$ 5,276,491</u>	<u>\$ 4,340,496</u>
SUPPLEMENTAL DISCLOSURES		
Interest expense	<u>\$ 45,526</u>	<u>\$ 55,674</u>

See accompanying notes.

Montana Community Foundation

Notes to Consolidated Financial Statements

Note 1 – General Purpose and Activities

Montana Community 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.

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.

The accompanying consolidated financial statements include the organizations of Montana Community Foundation and 33 S. Last Chance Gulch, LLC (collectively, the "Foundation").

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 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, 2025 and 2024, the Foundation held 809 and 762 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 and purpose restricted funds held for specific projects. The corpus of contributions to perpetual endowments is never spent.

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 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, 2025 and 2024, 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.

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 and cash equivalents, mutual funds, debt securities, and certain domestic and foreign 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

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 consolidated 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

Loans receivable, net – Impact investments include loans made by the foundation to other not-for-profit organizations that support activities within its mission. These investments are aligned with at least one of the Foundation's impact areas including education, equity and culture, community and economic vitality, land and resiliency, and health and wellbeing. These loans are reported at cost, less any principal payments the Foundation has received from the borrower since the purchase date. Allowances for credit losses are established based on prior collection experience and current and reasonably supportable future economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. In addition, this forecast period extends through the expected collection period of the receivables. The Foundation has no recorded losses on the loan made through June 30, 2025, therefore, the allowance for credit losses was zero for the years ended June 30, 2025 and 2024.

Property and equipment, net – 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, as all grants are unconditional. 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 and in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). There were no conditional grants made during the years ended June 30, 2025 and 2024.

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 0.6% to 8.2%, 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 benefitting 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.

Montana Community Foundation

Notes to Consolidated Financial Statements

Contributed 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.

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, 2025 and 2024, 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. Fee revenue is recognized as the related services are performed. (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 internally for the purpose of reflecting all grant support from the Foundation's funds, and then eliminated in the consolidated financial statements in accordance with GAAP.

Grants, scholarships, and distributions – The Foundation recognizes grant, scholarship, and distribution expense when grant awards have been approved by the Board of Directors or the appropriate committee, and the conditions for payment have been met. Grant expenses are recorded on an accrual basis, reflecting the Foundation's obligation to disburse funds to recipients in accordance with the terms of the grant agreements. Grant expenses consist primarily of funds awarded to third-party organizations or individuals to support charitable, educational, or other mission-related activities.

The Foundation recognizes grant expenses when the recipient has met the eligibility requirements and any contingencies specified in the grant agreement, and there is reasonable assurance that the grant funds will be disbursed. The Foundation monitors compliance with grant terms and conditions to ensure proper use of funds.

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.

Montana Community Foundation

Notes to Consolidated Financial Statements

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. This is monitored quarterly by the Foundation's investment committee.

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.

Availability and liquidity – The following represent the Foundation's financial assets available to meet general expenditures over the next year at June 30, 2025 and 2024:

	2025	2024
Financial assets at year end		
Cash and cash equivalents	\$ 5,276,491	\$ 4,340,496
Accrued interest receivable	278,277	238,722
Beneficial interest in pooled income fund	152,786	214,624
Pooled investments	206,978,836	181,729,362
Cash surrender value of life insurance	145,147	140,957
Loans receivable, net	<u>814,206</u>	-
 Total financial assets	 <u>213,645,743</u>	 <u>186,664,161</u>
 Less amounts not available to be used within one year		
Funds held as agency endowments	17,246,602	14,565,793
Beneficial interest in pooled income fund	152,786	214,624
Cash surrender value of life insurance	145,147	140,957
Loans receivable, net	814,206	-
Total net assets with donor restrictions	<u>181,963,026</u>	<u>156,443,594</u>
 Total amounts not available to be used within one year	 <u>200,321,767</u>	 <u>171,364,968</u>
 Financial assets available to meet general expenditures over the next twelve months	 <u>\$ 13,323,976</u>	 <u>\$ 15,299,193</u>

Montana Community Foundation's operating and administrative budgeted expenses for fiscal year ended June 30, 2025, are approximately \$3,875,900. The Foundation currently has an operating reserve of approximately \$820,000 at June 30, 2025. The total net assets with donor restrictions as of June 30, 2025, 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.

Montana Community Foundation

Notes to Consolidated Financial Statements

Reclassification – Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications had no impact on the Foundation's net assets or change in net assets. The reclassifications were made to improve comparability and consistency of the consolidated financial statements.

Subsequent events – Subsequent events are events or transactions that occur after the consolidated statements 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 statements 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 statements of financial position but arose after the consolidated statements of financial position date and before the consolidated financial statements are available to be issued.

The Foundation has evaluated subsequent events through January 30, 2026, 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

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 – Investments and Fair Value Measurements

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

	June 30, 2025			
	Level 1	Level 2	Level 3	Total
Pooled investments - redeemable securities				
Cash and cash equivalents	\$ 5,823,739	\$ -	\$ -	\$ 5,823,739
Equity securities				
Domestic common stocks	4,225,426	-	-	4,225,426
Total equity securities	4,225,426	-	-	4,225,426
Debt securities				
Corporate bonds	2,601,985	-	-	2,601,985
US Treasury securities	19,062,240	-	-	19,062,240
Total debt securities	21,664,225	-	-	21,664,225
Other equity securities				
Mutual funds	50,391,324	-	-	50,391,324
Total other equity securities	50,391,324	-	-	50,391,324
Private equity				
Global opportunities	-	-	513,416	513,416
Total private equity	-	-	513,416	513,416
Public equity				
Cash management	-	1,777	-	1,777
Total public equity	-	1,777	-	1,777
Private investments				
Natural resources	-	-	344,348	344,348
Diversifiers	-	-	85,107	85,107
Total private investments	-	-	429,455	429,455
Total redeemable securities	82,104,714	1,777	942,871	83,049,362
Pooled investments - nonredeemable securities				
Private equity				
Commercial real estate	-	-	987	987
Total nonredeemable securities	-	-	987	987
Total	\$ 82,104,714	\$ 1,777	\$ 943,858	\$ 83,050,349
Investments measured at NAV practical expedient				123,928,487
Total				\$ 206,978,836
Beneficial interest in pooled income fund				<u>\$ 152,786</u>
				<u>\$ 152,786</u>

Montana Community Foundation
Notes to Consolidated Financial Statements

	June 30, 2024			
	Level 1	Level 2	Level 3	Total
Pooled investments - redeemable securities				
Cash and cash equivalents	\$ 6,204,902	\$ -	\$ -	\$ 6,204,902
Equity securities				
Domestic common stocks	3,211,935	-	-	3,211,935
Foreign stocks	381,214	-	-	381,214
Total equity securities	3,593,149	-	-	3,593,149
Debt securities				
Corporate bonds	1,749,302	-	-	1,749,302
US Treasury securities	16,190,499	-	-	16,190,499
Total debt securities	17,939,801	-	-	17,939,801
Other equity securities				
Mutual funds	40,944,468	-	-	40,944,468
Total other equity securities	40,944,468	-	-	40,944,468
Private equity				
Global opportunities	-	-	662,415	662,415
Total private equity	-	-	662,415	662,415
Public equity				
Cash management	-	1,698	-	1,698
Total public equity	-	1,698	-	1,698
Private investments				
Natural resources	-	-	477,229	477,229
Diversifiers	-	-	413,884	413,884
Total private investments	-	-	891,113	891,113
Total redeemable securities	68,682,320	1,698	1,553,528	70,237,546
Pooled investments - nonredeemable securities				
Private equity				
Commercial real estate	-	-	1,026	1,026
Total nonredeemable securities	-	-	1,026	1,026
Total	\$ 68,682,320	\$ 1,698	\$ 1,554,554	\$ 70,238,572
Investments measured at NAV practical expedient				\$ 111,490,790
Total				\$ 181,729,362
Beneficial interest in pooled income fund				<u>\$ 214,624</u>

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:

	2025	2024
Hedge fund investments		
Diversifying strategy	\$ 19,476,639	\$ 19,169,904
Public equity investments		
Developed Ex-US equity	20,497,514	17,639,678
Emerging markets equity	4,589,209	4,074,401
Global equity	14,337,802	13,006,167
US equity	42,307,192	37,719,853
Private investments		
Opportunistic	6,415,421	5,967,159
Private equity	8,056,393	7,022,671
Venture capital	8,248,317	6,890,957
	<hr/> <u>\$ 123,928,487</u>	<hr/> <u>\$ 111,490,790</u>

Investment returns for the years ended June 30:

	2025	2024
Realized and unrealized gains		
Interest and dividends	\$ 17,662,289	\$ 17,944,281
Investment expense	2,406,397	1,784,961
	<hr/> <u>(517,482)</u>	<hr/> <u>(374,780)</u>
Total investment gain	<hr/> <u>\$ 19,551,204</u>	<hr/> <u>\$ 19,354,462</u>

Montana Community Foundation

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, 2025 and 2024, were as follows:

	Private Investments		Private Equity		Beneficial Interest in Pooled Income Fund
	Natural Resources	Diversifiers	Global Opportunities	Commercial Real Estate	
Beginning balance at June 30, 2023	\$ 428,251	\$ 374,536	\$ 747,466	\$ 5,537	\$ 243,025
Total unrealized gains (losses)	48,978	39,348	(85,051)	(4,511)	-
Present value adjustment	-	-	-	-	(28,401)
Ending balance at June 30, 2024	477,229	413,884	662,415	1,026	214,624
Total unrealized gains (losses)	(132,881)	(86,217)	(148,999)	(39)	-
Sales	-	(242,560)		-	-
Present value adjustment	-	-	-	-	(61,838)
Ending balance at June 30, 2025	<u>\$ 344,348</u>	<u>\$ 85,107</u>	<u>\$ 513,416</u>	<u>\$ 987</u>	<u>\$ 152,786</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, 2025	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Strategies and Other Restrictions
Hedge fund					
Diversifying strategy	\$ 4,002,943	\$ -	Daily - Quarterly	1-45 days	(1)
Diversifying strategy	13,522,975	-	Quarterly	45 - 95 days	(1)
Diversifying strategy	1,135,024	-	Annually	90 days	(1)
Diversifying strategy	<u>815,697</u>	<u>-</u>	Bi-Annually	60 days	(1)
Total hedge fund investments	<u>19,476,639</u>	<u>-</u>			
Public equity					
Developed Ex-US equity	20,497,514	-	Monthly	10 - 31 days	(2)
Emerging markets equity	4,589,209	-	Semi-Monthly	20 days	(2)
Global equity	14,337,802	-	Daily - Quarterly	1 - 31 days	(2)
US equity	<u>42,307,192</u>	<u>-</u>	Monthly	10 - 31 days	(2)
Total public equity investments	<u>81,731,717</u>	<u>-</u>			
Private equity					
Global opportunities	513,416	282,500	Quarterly	30-45 days	(3)
Commercial real estate	<u>987</u>	<u>5,000</u>	Illiquid for 3 years	n/a	(3)
Total private equity investments	<u>514,403</u>	<u>287,500</u>			
Private investments					
Natural resources	344,348	90,832	Illiquid	n/a	(3)
Opportunistic	6,415,421	6,124,950	Illiquid	n/a	(3)
Diversifiers	85,107	105,366	Illiquid	n/a	(3)
Private equity	8,056,393	8,569,526	Illiquid	n/a	(3)
Venture capital	<u>8,248,317</u>	<u>5,694,433</u>	Illiquid	n/a	(3)
Total private investments	<u>23,149,586</u>	<u>20,585,107</u>			
Total	<u><u>\$ 124,872,345</u></u>	<u><u>\$ 20,872,607</u></u>			

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 that typically invest in securities acquired through private transactions. Typical strategies include natural resources, opportunistic, diversifiers, private equity, venture capital, global opportunities, and real estate. Private investments serve as a means to enhance asset growth. Unfunded commitments are expected to be called within the next ten years.

Montana Community Foundation

Notes to Consolidated Financial Statements

Note 5 – Loans receivable, net

The Foundation has one unsecured impact investment initiated December 31, 2024, with an initial principal amount of \$1,000,000, bearing interest of 1% and maturing in January, 2035. The Foundation imputed interest in accordance with ASC 835, Interest, and recorded the impact investment at the present value of future cash flows using a discount rate of 4.58% and 0% for 2025 and 2024, respectively, which represents management's estimate of the market rate for a similar unsecured investment at the date of issuance.

Interest income totaling \$4,101 and \$0 was charged received from impact investments for the years ended June 30, 2025 and 2024, respectively.

A summary of impact investments follows as of June 30:

	2025	2024
Principal balance	\$ 960,299	\$ -
Less unamortized discount	<u>(146,093)</u>	<u>-</u>
	<u><u>\$ 814,206</u></u>	<u><u>\$ -</u></u>

Principal payments on impact investments are expected as follows during the following periods ending June 30:

2026	\$ 95,961
2027	96,925
2028	97,899
2029	98,882
2030	99,876
Thereafter	<u>470,756</u>
	<u><u>\$ 960,299</u></u>

The Foundation continues to monitor the credit quality of the impact investment and will adjust the allowance for credit losses as necessary. Management believes, based on an assessment of the credit history for this investment, current economic conditions, and reasonable forecasts that the allowance for credit losses at year-end will be minimal. There was no allowance for credit losses recorded at June 30, 2025 and 2024.

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 \$1,311,022 and \$1,366,589 as of June 30, 2025 and 2024, respectively.

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

2026	\$ 57,839
2027	<u>1,253,183</u>
Total principal payments	<u>\$ 1,311,022</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:

	2025	2024
Net assets with donor restrictions, balance beginning of year	<u>\$ 15,782,207</u>	<u>\$ 13,463,604</u>
Contributions	4,093,285	2,674,235
Interest and dividends	365,836	256,584
Realized/unrealized gains, net	3,124,722	1,981,338
Transfers from reserve	4,510	6,293
Change in value of planned gift liabilities	<u>539,787</u>	<u>176,292</u>
 Total income	 8,128,140	 5,094,742
Payments to income beneficiaries	323,985	360,356
Termination/maturity of planned gifts	2,812,013	1,859,183
Community impact fees	548,677	465,868
Investment management and other fees	<u>117,030</u>	<u>90,732</u>
 Total expense	 3,801,705	 2,776,139
 Net assets with donor restrictions, balance end of year	 <u>\$ 20,108,642</u>	 <u>\$ 15,782,207</u>

Montana Community Foundation

Notes to Consolidated Financial Statements

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:

	2025	2024
Balance beginning of year	<u>\$ 14,565,793</u>	<u>\$ 13,153,190</u>
Contributions	1,015,085	547,976
Interest and dividends	197,550	149,523
Realized/unrealized gains, net	<u>2,332,243</u>	<u>1,491,375</u>
 Total income	 <u>3,544,878</u>	 <u>2,188,874</u>
 Distributions of earnings	 584,729	 570,169
Community impact fees	192,250	165,145
Investment management fees	54,159	40,957
Transfer of assets under management	<u>32,931</u>	<u>-</u>
 Total expense	 <u>864,069</u>	 <u>776,271</u>
 Balance end of year	 <u>\$ 17,246,602</u>	 <u>\$ 14,565,793</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:

	2025	2024
Perpetual endowments and special projects funds	\$ 2,237,489	\$ 1,879,655
Planned gifts	548,677	465,868
Agency funds	192,250	165,145
Special fees	<u>64,514</u>	<u>116,785</u>
 	 <u>\$ 3,042,930</u>	 <u>\$ 2,627,453</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

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:

	2025	2024
Payment of grants and scholarships	\$ 7,250,868	\$ 5,675,358
Payment of community impact and investment manager fees	2,749,980	2,250,093
Annual endowment distributions	2,487,597	2,177,146
Endowment expenses	175,904	65,258
Special projects expense and other	<u>444,782</u>	<u>115,667</u>
	<hr/> <u>\$ 13,109,131</u>	<hr/> <u>\$ 10,283,522</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 GAAP, 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:

	2025	2024
Grants, scholarships, and distributions	\$ 9,370,168	\$ 7,777,111
Distributions to agencies	<u>584,729</u>	<u>570,169</u>
	<hr/> <u>\$ 9,954,897</u>	<hr/> <u>\$ 8,347,280</u>

Montana Community Foundation

Notes to Consolidated Financial Statements

Note 12 – Endowment Funds

The Foundation has no Board-designated endowments as of June 30, 2025 and 2024. Donor restricted endowment net assets composition as of June 30 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowments	\$ -	\$ 117,687,161	\$ 117,687,161
Unappropriated earnings	- -	41,299,199	41,299,199
 June 30, 2025	 \$ -	 \$ 158,986,360	 \$ 158,986,360
Endowments	\$ -	\$ 108,214,131	\$ 108,214,131
Unappropriated earnings	- -	33,482,973	33,482,973
 June 30, 2024	 \$ -	 \$ 141,697,104	 \$ 141,697,104

At June 30, 2025, one fund with an original gift value of \$47,503, a fair value of \$32,497, and a deficiency of \$15,006 was reported in net assets with donor restrictions. At June 30, 2024, 13 funds with original gift values of \$5,985,829, fair values of \$5,872,343, and deficiencies of \$113,486 were reported in net assets with donor restrictions.

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

	June 30, 2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2024	\$ -	\$ 141,697,104	\$ 141,697,104
 Investment return			
Investment income	- -	706,253	706,253
Net unrealized and realized gains	- -	15,554,269	15,554,269
 Total investment return	- -	16,260,522	16,260,522
 Contributions	- -	7,031,817	7,031,817
Termination/maturity of planned gifts	- -	2,655,783	2,655,783
Intrafund grants to endowment funds	- -	409,516	409,516
Net assets released from restrictions	- -	(9,101,313)	(9,101,313)
Transfers of assets under management	- -	32,931	32,931
 Changes in endowment net assets	- -	1,028,734	1,028,734
 Endowment net assets, June 30, 2025	 \$ -	 \$ 158,986,360	 \$ 158,986,360

Montana Community Foundation
Notes to Consolidated Financial Statements

	June 30, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2023	\$ -	<u>\$ 124,974,453</u>	<u>\$ 124,974,453</u>
Investment return			
Investment income	- -	1,345,556	1,345,556
Net unrealized and realized gains	- -	<u>15,872,335</u>	<u>15,872,335</u>
Total investment return	- -	<u>17,217,891</u>	<u>17,217,891</u>
Contributions	- -	3,570,194	3,570,194
Termination/maturity of planned gifts	- -	1,859,183	1,859,183
Intrafund grants to endowment funds	- -	530,727	530,727
Net assets released from restrictions	- -	<u>(6,455,344)</u>	<u>(6,455,344)</u>
Changes in endowment net assets	- -	<u>(495,240)</u>	<u>(495,240)</u>
Endowment net assets, June 30, 2024	<u>\$ -</u>	<u>\$ 141,697,104</u>	<u>\$ 141,697,104</u>

In fiscal years 2025 and 2024, the Foundation had \$123,298 and \$0 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:

	2025	2024
Net assets with a time or purpose donor restriction		
Special projects	\$ 8,868,024	\$ 4,964,283
Unappropriated earnings (Note 12)	<u>41,299,199</u>	<u>33,482,973</u>
	<u>\$ 50,167,223</u>	<u>\$ 38,447,256</u>
Net assets with donor restrictions in perpetuity		
Endowments (Note 12)	\$ 117,687,161	\$ 108,214,131
Irrevocable planned gifts (Note 7)	<u>20,108,642</u>	<u>15,782,207</u>
	<u>\$ 137,795,803</u>	<u>\$ 123,996,338</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 \$107,747 and \$94,272 for the years ended June 30, 2025 and 2024, respectively.

Note 15 – Property and Equipment, net

Property and equipment consist of the following at June 30:

	2025	2024
Building	\$ 2,367,623	\$ 2,367,623
Furniture and fixtures	41,610	-
	<hr/>	<hr/>
	2,409,233	2,367,623
Less accumulated depreciation	665,972	583,080
	<hr/>	<hr/>
	\$ 1,743,261	\$ 1,784,543

Depreciation expense was \$82,892 and \$78,729 for the years ended June 30, 2025 and 2024, respectively.

Supplementary Information

Montana Community Foundation
Consolidating Schedule of Financial Position
June 30, 2025 with Summarized Prior Year Information

	Montana Community Foundation	33 S Last Chance Gulch, LLC.	Eliminating Entries	2025	2024
ASSETS					
Cash and cash equivalents	\$ 4,933,359	\$ 343,132	\$ -	\$ 5,276,491	\$ 4,340,496
Accrued interest receivable	274,586	3,691	-	278,277	238,722
Prepaid expenses and other	90,725	-	-	90,725	59,205
Beneficial interest in pooled income fund	152,786	-	-	152,786	214,624
Pooled investments	206,978,836	-	-	206,978,836	181,729,362
Cash surrender value of life insurance	145,147	-	-	145,147	140,957
Loans receivable, net	814,206	-	-	814,206	-
Net property and equipment	-	1,743,261	-	1,743,261	1,784,543
Total assets	\$ 213,389,645	\$ 2,090,084	\$ -	\$ 215,479,729	\$ 188,507,909
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable	\$ 10,399	\$ 13,502	\$ -	\$ 23,901	\$ 2,542
Accrued expenses	163,800	-	-	163,800	174,657
Due to/from	(385,416)	385,416	-	-	-
Grants, scholarships and distributions payable	2,338,028	-	-	2,338,028	3,595,890
Planned gift liabilities	5,038,062	-	-	5,038,062	5,080,897
Long-term debt	-	1,311,022	-	1,311,022	1,366,589
Funds held as agency endowments	17,246,602	-	-	17,246,602	14,565,793
Total liabilities	24,411,475	1,709,940	-	26,121,415	24,786,368
NET ASSETS					
Without donor restrictions	1,015,144	380,144	-	1,395,288	1,277,947
With donor restrictions					
Time or purpose	8,868,024	-	-	8,868,024	4,964,283
Unappropriated earnings	41,299,199	-	-	41,299,199	33,482,973
Perpetuity	137,795,803	-	-	137,795,803	123,996,338
Total with donor restrictions	187,963,026	-	-	187,963,026	162,443,594
Total net assets	188,978,170	380,144	-	189,358,314	163,721,541
Total liabilities and net assets	\$ 213,389,645	\$ 2,090,084	\$ -	\$ 215,479,729	\$ 188,507,909

See report of independent auditors.

Montana Community Foundation
Consolidating Schedule of Activities
Year Ended June 30, 2025

	MCF Without Restrictions	33 S LCG	Eliminating Entries	Total Without Restrictions	Time and Purpose Restricted	Restricted in Perpetuity	Total
SUPPORT AND REVENUE							
Contributions and grants	\$ 283,432	\$ 767,343	\$ (767,343)	\$ 283,432	\$ 8,454,235	\$ 10,795,754	\$ 19,533,421
Total contributions	283,432	767,343	(767,343)	283,432	8,454,235	10,795,754	19,533,421
Revenue and other additions							
Community impact fees	805,441	-	-	805,441	-	-	805,441
Interest and dividends	108,635	22	(24,536)	84,121	1,944,682	377,594	2,406,397
Realized and unrealized gains and losses on investments	37,297	-	-	37,297	14,495,687	3,129,305	17,662,289
Change in value of beneficial interest in pooled income fund	-	-	-	-	-	94,391	94,391
Change in value of planned gift liabilities	-	-	-	-	-	(539,787)	(539,787)
Rental and other income	126,422	309,815	(88,631)	347,606	-	-	347,606
Total revenue and other additions	1,077,795	309,837	(113,167)	1,274,465	16,440,369	3,061,503	20,776,337
Net assets released from restrictions	13,109,131	-	-	13,109,131	(13,015,750)	(93,381)	-
Total support, revenue, other additions, and net assets released from restrictions	14,470,358	1,077,180	(880,510)	14,667,028	11,878,854	13,763,876	40,309,758
EXPENSES							
Grants and philanthropic distributions							
Grants, scholarships and distributions	9,370,168	-	-	9,370,168	-	-	9,370,168
Transfer of assets under management	-	-	-	-	158,887	(35,589)	123,298
Total grant and philanthropic distributions	9,370,168	-	-	9,370,168	158,887	(35,589)	9,493,466
Endowment expenses							
Investment fees	517,482	-	-	517,482	-	-	517,482
Impact loan expenses	157,851	-	-	157,851	-	-	157,851
Total endowment expenses	675,333	-	-	675,333	-	-	675,333
Operating and administrative expenses							
General and administrative	2,402,350	641,647	(880,510)	2,163,487	-	-	2,163,487
Development and fundraising	1,091,683	-	-	1,091,683	-	-	1,091,683
Program support	1,249,016	-	-	1,249,016	-	-	1,249,016
Total operating and administrative expenses	4,743,049	641,647	(880,510)	4,504,186	-	-	4,504,186
Total expenses	14,788,550	641,647	(880,510)	14,549,687	158,887	(35,589)	14,672,985
INCREASE (DECREASE) IN NET ASSETS	(318,192)	435,533	-	117,341	11,719,967	13,799,465	25,636,773
NET ASSETS , beginning of year	1,333,336	(55,389)	-	1,277,947	38,447,256	123,996,338	163,721,541
NET ASSETS , end of year	<u>\$ 1,015,144</u>	<u>\$ 380,144</u>	<u>\$ -</u>	<u>\$ 1,395,288</u>	<u>\$ 50,167,223</u>	<u>\$ 137,795,803</u>	<u>\$ 189,358,314</u>

See report of independent auditors.

Montana Community Foundation
Consolidating Schedule of Activities
Year Ended June 30, 2024

	MCF Without Restrictions	33 S LCG	Eliminating Entries	Total Without Restrictions	Time and Purpose Restricted	Restricted in Perpetuity	Total
SUPPORT AND REVENUE							
Contributions and grants	\$ 308,957	\$ -	\$ -	\$ 308,957	\$ 4,914,578	\$ 5,814,687	\$ 11,038,222
Total contributions and grants	308,957	-	-	308,957	4,914,578	5,814,687	11,038,222
Revenue and other additions							
Community impact fees	747,798	-	-	747,798	-	-	747,798
Interest and dividends	112,769	20	(16,919)	95,870	1,432,507	256,584	1,784,961
Realized and unrealized gains and losses on investments	6,991	-	-	6,991	15,953,023	1,984,267	17944281
Change in value of beneficial interest in pooled income fund	-	-	-	-	-	(28,401)	-28401
Change in value of planned gift liabilities	-	-	-	-	-	(705,970)	(705,970)
Rental and other income	18,718	325,592	(68,274)	276,036	-	-	276,036
Total revenue and other additions	886,276	325,612	(85,193)	1,126,695	17,385,530	1,506,480	20,018,705
Net assets released from restrictions	10,283,522	-	-	10,283,522	(11,162,744)	879,222	-
Total support, revenue, other additions, and net assets released from restrictions	11,478,755	325,612	(85,193)	11,719,174	11,137,364	8,200,389	31,056,927
EXPENSES							
Grants and philanthropic distributions							
Grants, scholarships and distributions	7,777,111	-	-	7,777,111	-	-	7,777,111
Total grant and philanthropic distributions	7,777,111	-	-	7,777,111	-	-	7,777,111
Endowment expenses							
Investment fees	374,780	-	-	374,780	-	-	374,780
Total endowment expenses	374,780	-	-	374,780	-	-	374,780
Operating and administrative expenses							
General and administrative	1,448,100	264,270	(85,193)	1,627,177	-	-	1,627,177
Development and fundraising	1,043,464	-	-	1,043,464	-	-	1,043,464
Program support	813,318	-	-	813,318	-	-	813,318
Total operating and administrative expenses	3,304,882	264,270	(85,193)	3,483,959	-	-	3,483,959
Total expenses	11,456,773	264,270	(85,193)	11,635,850	-	-	11,635,850
INCREASE IN NET ASSETS	21,982	61,342	-	83,324	11,137,364	8,200,389	19,421,077
NET ASSETS , beginning of year	1,311,354	(116,731)	-	1,194,623	27,309,892	115,795,949	144,300,464
NET ASSETS , end of year	<u>\$ 1,333,336</u>	<u>\$ (55,389)</u>	<u>\$ -</u>	<u>\$ 1,277,947</u>	<u>\$ 38,447,256</u>	<u>\$ 123,996,338</u>	<u>\$ 163,721,541</u>

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