



REPORT OF INDEPENDENT AUDITORS  
AND CONSOLIDATED FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION

**MONTANA COMMUNITY FOUNDATION**

June 30, 2021 and 2020

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## **Report of Independent Auditors**

To the Board of Directors  
Montana Community Foundation  
Helena, Montana

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Montana Community Foundation, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, 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.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Montana Community Foundation as of June 30, 2021 and 2020, and the consolidated changes in the net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters******Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position and the consolidating schedule of statements of activities 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.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Spokane, Washington

January 18, 2022

# Montana Community Foundation

## Consolidated Statements of Financial Position

### ASSETS

	June 30,	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,265,633	\$ 1,853,318
Accrued interest receivable	102,102	67,250
Prepaid expenses and other	50,178	38,929
Pledges receivable	468,595	885
Beneficial interest in pooled income fund	614,183	408,823
Pooled investments	158,757,403	119,369,574
Cash surrender value of life insurance	209,535	200,720
Net property and equipment	2,021,496	2,101,676
	<u>\$ 163,489,125</u>	<u>\$ 124,041,175</u>
Total assets		

### LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 14,314	\$ 29,894
Accrued expenses	113,527	88,222
Grants, scholarships and distributions payable	1,345,990	1,157,368
Planned gift liabilities	3,750,127	3,338,460
Long-term debt	1,520,435	1,776,440
Funds held as agency endowments	14,186,343	10,971,279
	<u>20,930,736</u>	<u>17,361,663</u>
Total liabilities		
NET ASSETS		
Without donor restrictions	1,384,919	484,195
With donor restrictions		
Time or purpose	13,458,950	14,065,904
Unappropriated earnings	32,042,849	8,839,247
Perpetuity	95,671,671	83,290,166
	<u>141,173,470</u>	<u>106,195,317</u>
Total with donor restrictions		
Total net assets	<u>142,558,389</u>	<u>106,679,512</u>
Total liabilities and net assets	<u>\$ 163,489,125</u>	<u>\$ 124,041,175</u>

# Montana Community Foundation

## Consolidated Statements of Activities

	Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Contributions			
Contributions	\$ 57,395	\$ 11,947,103	\$ 12,004,498
Intrafund grants from charitable funds	217,661	82,708	300,369
Total contributions	275,056	12,029,811	12,304,867
Revenue and other additions			
Community impact fees	419,740	-	419,740
Net investment return	(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
<b>EXPENSES</b>			
Program services			
Grants, scholarships and distributions	5,881,199	-	5,881,199
Intrafund grants to charitable funds	300,369	-	300,369
Program support	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 (DECREASE) IN NET ASSETS	900,724	34,978,153	35,878,877
<b>NET ASSETS</b> , beginning of year	484,195	106,195,317	106,679,512
<b>NET ASSETS</b> , end of year	\$ 1,384,919	\$ 141,173,470	\$ 142,558,389

# Montana Community Foundation

## Consolidated Statements of Activities (continued)

	Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Contributions			
Contributions	\$ 133,135	\$ 18,166,108	\$ 18,299,243
Intrafund grants from charitable funds	330,613	252,016	582,629
Total contributions	463,748	18,418,124	18,881,872
Revenue and other additions			
Community impact fees	540,327	-	540,327
Net investment return	(259,612)	2,607,387	2,347,775
Change in value of beneficial interest in pooled income fund	-	83,571	83,571
Change in value of planned gift liabilities	-	(274,700)	(274,700)
Rental and other income	240,137	-	240,137
Total revenue and other additions	520,852	2,416,258	2,937,110
Net assets released from restrictions	5,791,282	(5,791,282)	-
Total support, revenue, other additions, and net assets released from restrictions	6,775,882	15,043,100	21,818,982
<b>EXPENSES</b>			
Program services			
Grants, scholarships and distributions	3,859,610	-	3,859,610
Intrafund grants to charitable funds	582,629	-	582,629
Program services	525,654	-	525,654
Total program services	4,967,893	-	4,967,893
Operating and administrative expenses			
General and administrative	1,211,517	-	1,211,517
Development and fund-raising	410,672	-	410,672
Total operating and administrative expenses	1,622,189	-	1,622,189
Total expenses	6,590,082	-	6,590,082
INCREASE (DECREASE) IN NET ASSETS	185,800	15,043,100	15,228,900
<b>NET ASSETS</b> , beginning of year	298,395	91,152,217	91,450,612
<b>NET ASSETS</b> , end of year	\$ 484,195	\$ 106,195,317	\$ 106,679,512

# **Montana Community Foundation** **Consolidated Statements 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



**Montana Community Foundation**  
**Consolidated Statements of Functional Expenses (continued)**

	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

# **Montana Community Foundation**

## **Consolidated Statements of Functional Expenses**

	Year Ended June 30, 2020		
	Program Services		
	Grants and Philanthropic Distributions	Program Services	Total Program Services
Salaries and wages	\$ -	\$ 233,735	\$ 233,735
Retirement expenses	-	12,692	12,692
Employee other benefits	-	15,819	15,819
Payroll taxes	-	17,645	17,645
Total salaries and related expenses	-	279,891	279,891
Grants expense	2,002,970	-	2,002,970
Scholarships expense	483,785	-	483,785
Distributions expense	1,372,855	-	1,372,855
Intrafund grants to endowment funds	582,629	-	582,629
Legal services	-	75	75
Accounting services	-	-	-
Other services	-	169,954	169,954
Advertising and promotion	-	3,506	3,506
Office expenses	-	5,169	5,169
Printing and publications	-	8,307	8,307
Information technology	-	9,660	9,660
Occupancy	-	30,626	30,626
Travel expenses	-	4,393	4,393
Interest expense	-	-	-
Insurance	-	911	911
Advocacy	-	824	824
Conferences and meetings	-	5,732	5,732
Dues and other fees	-	4,277	4,277
Meals and entertainment	-	256	256
Program	-	2,073	2,073
Gift annuity reserve payments	-	-	-
Other expenses	-	-	-
Total operating expenses	4,442,239	245,763	4,688,002
Total expenses before depreciation	4,442,239	525,654	4,967,893
Depreciation expense	-	-	-
Total expenses	\$ 4,442,239	\$ 525,654	\$ 4,967,893

**Montana Community Foundation**  
**Consolidated Statements of Functional Expenses (continued)**

	Year Ended June 30, 2020			
	Support Services			
	General and Administrative	Development and Fundraising	Total Support Services	Total Expenses
Salaries and wages	\$ 468,477	\$ 295,960	\$ 764,437	\$ 998,172
Retirement expenses	25,179	16,216	41,395	54,087
Employee other benefits	25,419	29,436	54,855	70,674
Payroll taxes	35,759	23,018	58,777	76,422
Total salaries and related expenses	554,834	364,630	919,464	1,199,355
Grants expense	-	-	-	2,002,970
Scholarships expense	-	-	-	483,785
Distributions expense	-	-	-	1,372,855
Intrafund grants to endowment funds	-	-	-	582,629
Legal services	2,146	496	2,642	2,717
Accounting services	76,942	-	76,942	76,942
Other services	29,625	-	29,625	199,579
Advertising and promotion	8,404	500	8,904	12,410
Office expenses	14,926	1,841	16,767	21,936
Printing and publications	9,006	727	9,733	18,040
Information technology	133,317	9,482	142,799	152,459
Occupancy	112,196	18,842	131,038	161,664
Travel expenses	18,306	12,135	30,441	34,834
Interest expense	68,908	-	68,908	68,908
Insurance	12,741	-	12,741	13,652
Advocacy	-	-	-	824
Conferences and meetings	37,840	609	38,449	44,181
Dues and other fees	29,200	244	29,444	33,721
Meals and entertainment	2,171	497	2,668	2,924
Program	-	-	-	2,073
Gift annuity reserve payments	3,570	-	3,570	3,570
Other expenses	3,959	669	4,628	4,628
Total operating expenses	563,257	46,042	609,299	5,297,301
Total expenses before depreciation	1,118,091	410,672	1,528,763	6,496,656
Depreciation expense	93,426	-	93,426	93,426
Total expenses	\$ 1,211,517	\$ 410,672	\$ 1,622,189	\$ 6,590,082

# Montana Community Foundation

## Consolidated Statements of Cash Flows

	Years Ended June 30,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Decrease) Increase in net assets	\$ 35,878,877	\$ 15,228,900
Adjustments to reconcile net assets to net cash from operating activities		
Cash surrendered from life insurance	(8,815)	(6,958)
Realized and unrealized gains and losses	(29,927,360)	(1,182,242)
Depreciation	80,180	93,426
Loss on disposal of PP&E	-	1,249
Change in value of beneficial interest in pooled income fund	(205,360)	(27,994)
Change in valuation of planned gift liabilities	460,134	274,700
Noncash contributions	(3,140,218)	(1,619,679)
Contributions to permanently restricted endowments	(8,917,848)	(4,976,368)
Forgiveness of debt	(192,349)	-
Change in operating assets and liabilities		
Interest receivable	(34,852)	(9,379)
Prepaid expenses	(11,249)	7,710
Pledges receivable	(467,710)	855
Accounts payable	(15,580)	(70,086)
Accrued expense	25,305	(6,178)
Grants, scholarships and distributions payable	188,622	64,675
Other current liabilities	-	(3,514)
Funds held as agency endowments	3,215,064	176,085
Net cash from operating activities	(3,073,159)	7,945,202
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investment securities	63,773,642	76,548,036
Purchase of investment securities	(69,874,575)	(89,563,345)
Proceeds from PPP loan	-	209,825
Net cash from investing activities	(6,100,933)	(12,805,484)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments	(63,656)	(43,135)
Contributions to permanently restricted endowments	8,917,848	4,976,368
Payments to annuitants and life income beneficiaries	(267,785)	(243,220)
Net cash from financing activities	8,586,407	4,690,013
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(587,685)	(170,269)
Cash and cash equivalents, beginning of year	1,853,318	2,023,587
Cash and cash equivalents, end of year	\$ 1,265,633	\$ 1,853,318
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest expense	\$ 65,392	\$ 68,908

# Montana Community Foundation

## Notes to Consolidated Financial Statements

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### Note 1 – General Purpose and Activities

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

On September 13, 2016, the Foundation created 33 S. Last Chance Gulch, LLC. The Foundation holds a 100% interest in 33 S. Last Chance Gulch, LLC.

### 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, 2021 and 2020, the Foundation held 695 and 661 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. This requires the Foundation to report its consolidated financial position and activities according to two classes of net assets: without donor restriction and with donor restriction.

*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

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### Note 2 – Summary of Significant Accounting Policies (continued)

**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 Financial Accounting Standards Board (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, 2021 and 2020, 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.

## Montana Community Foundation

### Notes to Consolidated Financial Statements

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#### **Note 2 – Summary of Significant Accounting Policies (continued)**

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 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.

# Montana Community Foundation

## Notes to Consolidated Financial Statements

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### Note 2 – Summary of Significant Accounting Policies (continued)

**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 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.

**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.



## Montana Community Foundation

### Notes to Consolidated Financial Statements

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#### Note 2 – Summary of Significant Accounting Policies (continued)

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** – 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.

**Community impact fees** – Fees charged for the management of agency funds 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 program support based on the time spent on these functions by specific employees as estimated by senior management. The remaining costs are charged directly to the appropriate functional category.

#### **Concentrations of risk –**

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

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

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

# Montana Community Foundation

## Notes to Consolidated Financial Statements

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### Note 2 – Summary of Significant Accounting Policies (continued)

**Availability and liquidity** – The following represent Montana Community Foundation's financial assets available to meet general expenditures over the next year at June 30, 2021 and 2020 :

	2021	2020
Financial assets at year end		
Cash and cash equivalents	\$ 1,265,633	\$ 1,853,318
Accrued interest receivable	102,102	67,250
Pledges receivable	468,595	885
Beneficial interest in pooled income fund	614,183	408,823
Pooled investments	158,757,403	119,369,574
Cash surrender value of life insurance	209,535	200,720
	<u>161,417,451</u>	<u>121,900,570</u>
Less amounts not available to be used within one year		
Funds held as agency endowments	14,186,343	10,971,279
Beneficial interest in pooled income fund	614,183	408,823
Cash surrender value of life insurance	209,535	200,720
Total net assets with donor restrictions	<u>135,673,470</u>	<u>95,695,317</u>
	<u>150,683,531</u>	<u>107,276,139</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 10,733,920</u>	<u>\$ 14,624,431</u>

Montana Community Foundation's operating and administrative budgeted expenses for fiscal year ending June 30, 2022, are approximately \$2,400,000. The Foundation currently has an operating reserve of approximately \$1,264,780 at June 30, 2021. The total net assets with donor restrictions as of June 30, 2021, 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** – Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), amending revenue recognition guidance and requiring more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation adopted this standard as of July 1, 2020, and the adoption did not result in a material change to how the Foundation accounts for revenue.

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

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#### Note 2 – Summary of Significant Accounting Policies (continued)

ASU 2018-13 – *Fair Value Measurement* (Topic 820): *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*.

Removes the following disclosure requirements:

- Amount of and reasons for transfers between Level 1 and Level 2
- Policy for timing of transfers between levels 2016-18
- Valuation process for Level 3 fair value measurements
- Changes in unrealized gains and losses for Level 3 investments

Modifies the following disclosure requirements:

- Rollforward of Level 3 fair value measurements replaced by disclosure of only transfers into, transfers out of, purchases, and issues of Level 3 assets and liabilities.
- For NAV investments, disclosure of timing of liquidation and date when restrictions from redemption might lapse are only required if this has been communicated to the entity or publicly announced

The adoption did not result in a material change to how the Foundation accounts for investments, and instead decreased the footnotes relating to investments and fair value measurements within footnote 4.

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 shall be applied retrospectively for fiscal years beginning after June 15, 2021, and early adoption is permitted. Management is evaluating the impact of this standard to the financial statements and has not early adopted.

**Reclassifications** – Certain accounts in the prior-year consolidated financial statements have been reclassified for comparative purposes to be in accordance with the presentation in the current-year consolidated financial statements. Total net assets and changes in net assets are unchanged due to these reclassifications.

**Contingencies** – On March 11, 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. The Foundation's results of operations could be adversely affected to the extent that the coronavirus or any other epidemic harms the economy. The Board of Directors and the Foundation's management are monitoring the outbreak and potential financial impact, which are currently uncertain. The duration and intensity of the impact of the coronavirus and resulting disruption to the Foundation's operations are uncertain and could adversely affect financial results. See Note 6 Long-Term Debt, for details surrounding the paycheck protection program (PPP) note.

# Montana Community Foundation

## Notes to Consolidated Financial Statements

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### 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, 2021 and 2020, the Foundation had deficiencies in 4 funds totaling \$7,709 and 40 funds totaling \$174,506, 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.

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 payer 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.

## Montana Community Foundation

### Notes to Consolidated Financial Statements

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#### Note 4 – Pledges Receivable

The Foundation had pledges receivable as of June 30, 2021 and 2020, as follows:

	2021	2020
Unconditional promises to give	<u>\$ 468,595</u>	<u>\$ 885</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, 2021, \$565,781 had been earned, and \$434,219 has not been reported, as conditions have not been met.

Amounts due in:

2022	\$ 302,574
2023	<u>166,021</u>
Total	<u>\$ 468,595</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, 2021			
	Level 1	Level 2	Level 3	Total
<b>Pooled investments - redeemable securities</b>				
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
<b>Pooled investments - nonredeemable securities</b>				
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
<b>Beneficial interest in pooled income fund</b>			\$ 614,183	\$ 614,183

# Montana Community Foundation

## Notes to Consolidated Financial Statements

### Note 5 – Investments and Fair Value Measurements (continued)

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
<b>Pooled investments - redeemable securities</b>				
Cash and cash equivalents	\$ 15,295,402	\$ -	\$ -	\$ 15,295,402
Equity securities				
Domestic common stocks	1,899,143	-	-	1,899,143
Foreign stocks	446,275	-	-	446,275
Other	55,682	-	-	55,682
Total equity securities	2,401,100	-	-	2,401,100
Debt securities				
Corporate bonds	2,615,501	-	-	2,615,501
US Treasury securities	9,765,006	-	-	9,765,006
Municipal bonds	124,815	-	-	124,815
Total debt securities	12,505,322	-	-	12,505,322
Other equity securities				
Mutual funds	28,393,899	-	-	28,393,899
Total other equity securities	28,393,899	-	-	28,393,899
Private equity				
Global opportunities	-	-	1,312,999	1,312,999
Total private equity	-	-	1,312,999	1,312,999
Public equity				
Cash management	-	1,552	-	1,552
Total public equity	-	1,552	-	1,552
Private investments				
Natural resources	-	-	177,293	177,293
Diversifiers	-	-	502,199	502,199
Total private investments	-	-	679,492	679,492
Total redeemable securities	58,595,723	1,552	1,992,491	60,589,766
<b>Pooled investments - nonredeemable securities</b>				
Private equity				
Commercial real estate	-	-	14,270	14,270
Total nonredeemable securities	-	-	14,270	14,270
Total	\$ 58,595,723	\$ 1,552	\$ 2,006,761	60,604,036
Investments measured at NAV practical expedient				58,765,538
Total				\$ 119,369,574
<b>Beneficial interest in pooled income fund</b>			\$ 408,823	\$ 408,823

# Montana Community Foundation

## Notes to Consolidated Financial Statements

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### Note 5 – Investments and Fair Value Measurements (continued)

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:

	2021	2020
Hedge fund investments		
Diversifying strategy	\$ 21,150,292	\$ 15,766,533
Public equity investments		
Developed Ex US equity	17,643,565	12,907,913
Global equity	12,641,991	9,012,072
US equity	17,413,934	13,191,486
Private investments		
Secondaries	12,696,113	6,270,348
Commodity securities		
Commodities	3,174,340	1,617,186
	<u>\$ 84,720,235</u>	<u>\$ 58,765,538</u>

Investment returns for the years ended June 30:

	2021	2020
Realized and unrealized gains and losses	\$ 29,927,360	\$ 1,182,242
Interest and dividends	1,634,732	1,429,467
Investment expenses	<u>(374,934)</u>	<u>(263,934)</u>
Total investment gain, net of expenses	<u>\$ 31,187,158</u>	<u>\$ 2,347,775</u>

Unrealized gains (losses) on investments all relate to assets still held at June 30, 2021 and 2020, and are included in realized and unrealized gains and losses on investments in the consolidated statement of activities for the years ended June 30, 2021 and 2020.



## Montana Community Foundation

### Notes to Consolidated Financial Statements

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#### Note 5 – Investments and Fair Value Measurements (continued)

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, 2021 and 2020, were as follows:

	Private Investments		Private Equity		Beneficial Interest in Pooled Income Fund
	Natural Resources	Diversifiers	Global Opportunities	Commercial Real Estate	
Beginning balance at July 1, 2019	\$ 187,290	\$ 438,341	\$ 1,598,416	\$ 20,315	\$ 380,829
Total unrealized gains (losses)	(9,997)	(10,344)	(370,417)	(6,045)	-
Purchases	-	74,202	85,000	-	-
Present value adjustment	-	-	-	-	27,994
Ending 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	<u>\$ 277,391</u>	<u>\$ 494,720</u>	<u>\$ 1,489,371</u>	<u>\$ 3,305</u>	<u>\$ 614,183</u>

# Montana Community Foundation

## Notes to Consolidated Financial Statements

### Note 5 – Investments and Fair Value Measurements (continued)

Redemption, funding commitments, restrictions, and other information associated with the nature and valuation of applicable investment are as follows:

	Fair Value at June 30, 2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Strategies and Other Restrictions
Hedge fund investments					
Diversifying strategy	\$ 8,634,272	\$ -	Daily to quarterly	1-45 days	(1)
Diversifying strategy	9,151,452	-	Quarterly	45 - 95 days	(1)
Diversifying strategy	1,686,733	-	Annually	90 days	(1)
Diversifying strategy	1,677,835	-	Bi-Annually	60 days	(1)
Total hedge fund investments	21,150,292	-			
Public equity					
Cash management	1,554	-	Daily	1 day	(2)
Developed Ex US Equity	17,643,565	-	Monthly	10 - 31 days	(2)
Global equity	12,641,991	-	Daily - quarterly	1 - 31 days	(2)
US Equity	17,413,934	-	Monthly	10 - 31 days	(2)
Total public equity investments	47,701,044	-			
Private equity					
Global opportunities	1,489,371	395,050	Quarterly	30-45 days	(3)
Commercial real estate	3,305	11,750	Illiquid for 3 years	n/a	(3)
Total private equity investments	1,492,676	406,800			
Private investments					
Natural resources	277,391	192,361	Illiquid	n/a	(3)
Opportunistic	5,935,519	2,236,176	Illiquid	n/a	(3)
Diversifiers	494,720	105,366	Illiquid	n/a	(3)
Private equity	3,780,572	2,752,305	Illiquid	n/a	(3)
Venture capital	2,980,022	1,627,484	Illiquid	n/a	(3)
Total private investments	13,468,224	6,913,692			
Commodity securities					
Commodities	3,174,340	-	Daily	1 day	(4)
Total commodities	3,174,340	-			
Total	\$ 86,986,576	\$ 7,320,492			

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.
4. Commodities include long-only commodity futures strategy to serve as a spending source during periods of inflation.

## Montana Community Foundation

### Notes to Consolidated Financial Statements

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#### Note 6 – Long-Term Debt

33 S. Last Chance Gulch, LLC purchased a building for \$2,150,000 in October 2016 and was funded with a \$1,720,000 ten-year loan at 4.25% and additional down payment made from available board discretionary funds without donor restriction. In April of 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 \$1,520,435, and \$1,584,092 as of June 30, 2021 and 2020, respectively.

In April 2020, the Montana Community Foundation was granted a paycheck protection program (PPP) note in the amount of \$209,825. In fiscal year 2020, the Foundation properly recorded the PPP loan as a financial liability in accordance with ASC Topic 470, Debt. In fiscal year 2021, the Foundation reviewed and complied with each of the loan forgiveness terms, as described in Section 1106 of the federal Corona Aid, Relief, and Economic Security Act (CARES Act) and recognized the amount forgiven on the date that the forgiveness was received from the Small Business Administration (SBA). On December 9, 2020, The SBA approved \$192,348 to be forgiven and was recognized as revenue in the financial statements. A principal payment of \$17,477 and \$126 in interest was paid on the loan as of June 30, 2021.

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

2022	\$ 49,077
2023	51,307
2024	53,397
2025	55,573
2026	57,837
Thereafter	<u>1,253,244</u>
Total principal payments	<u>\$ 1,520,435</u>

# Montana Community Foundation

## Notes to Consolidated Financial Statements

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### 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:

	2021	2020
Net assets with donor restrictions, balance beginning of year	\$ 10,497,259	\$ 9,761,000
Contributions	1,600,150	1,700,591
Interest and dividends	208,248	211,240
Realized/unrealized gains, net	3,701,936	111,982
Transfers from reserve	1,790	3,570
Change in value of planned gift liabilities	285,902	239,698
Total income	5,798,026	2,267,081
Payments to income beneficiaries	267,785	243,220
Termination/maturity of planned gifts	2,098,587	1,008,232
Community impact fees	190,501	179,698
Investment management fees	75,369	99,672
Total expense	2,632,242	1,530,822
Net assets with donor restrictions, balance end of year	\$ 13,663,043	\$ 10,497,259

### 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:

	2021	2020
Balance beginning of year	\$ 10,971,279	\$ 10,795,194
Contributions	541,767	481,151
Interest and dividends	148,615	148,717
Realized/unrealized gains, net	3,185,237	165,369
Total income	3,875,619	795,237
Distributions of earnings	461,340	450,488
Community impact fees	152,613	132,657
Investment management fees	46,602	36,007
Total expense	660,555	619,152
Balance end of year	\$ 14,186,343	\$ 10,971,279

## Montana Community Foundation

### Notes to Consolidated Financial Statements

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#### 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:

	2021	2020
Permanent and temporary funds	\$ 1,478,234	\$ 1,081,160
Planned gifts	190,501	179,698
Agency funds	152,613	132,657
Program Revenue	47,221	54,162
	<u>\$ 1,868,569</u>	<u>\$ 1,447,677</u>

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 statement 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 statement of activities.

#### 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:

	2021	2020
Payment of grants and scholarships	\$ 4,220,085	\$ 2,486,755
Payment of intrafund grants	501,000	355,912
Payment of community impact and investment manager fees	1,925,003	1,426,423
Annual endowment distributions	1,673,932	1,372,856
Endowment expenses	3,952	13,849
Special projects expense and other	55,398	135,487
	<u>\$ 8,379,370</u>	<u>\$ 5,791,282</u>

# Montana Community Foundation

## Notes to Consolidated Financial Statements

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### 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:

	2021	2020
Grants, scholarships, and distributions	\$ 5,881,199	\$ 3,859,610
Distributions to agencies	461,340	450,488
Intrafund grants to charitable funds	300,369	582,629
	<u>\$ 6,642,908</u>	<u>\$ 4,892,727</u>

### Note 12 – Endowment Funds

The Foundation has no Board-designated endowments as of June 30, 2021 and 2020. Donor restricted endowment net assets composition as of June 30 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2021	<u>\$ -</u>	<u>\$ 114,051,477</u>	<u>\$ 114,051,477</u>
June 30, 2020	<u>\$ -</u>	<u>\$ 81,632,154</u>	<u>\$ 81,632,154</u>

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. At June 30, 2020, funds with original gift values of \$5,910,513, fair values of \$5,736,007, and deficiencies of \$174,506 were reported in net assets with donor restrictions.

## Montana Community Foundation

### Notes to Consolidated Financial Statements

#### Note 12 – Endowment Funds (continued)

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

	June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 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
	June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2019	\$ -	\$ 77,206,592	\$ 77,206,592
Investment return			
Investment income	-	1,081,819	1,081,819
Net unrealized and realized gains/ losses	-	881,443	881,443
Total investment return	-	1,963,262	1,963,262
Contributions	-	6,243,359	6,243,359
Termination/maturity of planned gifts	-	1,063,808	1,063,808
Net assets released from restriction	-	(4,854,759)	(4,854,759)
Intrafund grants to endowment funds	-	9,892	9,892
Total contributions	-	2,462,300	2,462,300
Endowment net assets, June 30, 2020	\$ -	\$ 81,632,154	\$ 81,632,154

In fiscal years 2021 and 2020, 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.

# Montana Community Foundation

## Notes to Consolidated Financial Statements

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### Note 13 – Net Assets

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

	2021	2020
Net assets with a time or purpose donor restriction		
Special projects	\$ 13,458,950	\$ 14,065,904
Unappropriated earnings	32,042,849	8,839,247
	<u>\$ 45,501,799</u>	<u>\$ 22,905,151</u>
Net assets with donor restrictions in perpetuity		
Endowments	\$ 82,008,628	\$ 72,792,907
Irrevocable planned gifts	13,663,043	10,497,259
	<u>\$ 95,671,671</u>	<u>\$ 83,290,166</u>
Total with donor restricted net assets	<u>\$ 141,173,470</u>	<u>\$ 106,195,317</u>

### 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 pension plan expense was \$59,820 and \$54,087 for the years ended June 30, 2021 and 2020, respectively.

### Note 15 – Property and Equipment

Property and equipment consist of the following at June 30:

	2021	2020
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	14,217	14,217
	<u>2,414,346</u>	<u>2,414,346</u>
Less accumulated depreciation	<u>392,850</u>	<u>312,670</u>
	<u>\$ 2,021,496</u>	<u>\$ 2,101,676</u>

Depreciation expense for financial statement purposes was \$80,180 and \$93,426 for the years ended June 30, 2021 and 2020, respectively.



## **Supplementary Information**

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# Montana Community Foundation

## Consolidating Schedule of Financial Position

### ASSETS

				June 30,	
	MCF	33 S Last Chance Gulch, LLC.	Eliminating Entries	2021	2020
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,122,053	\$ 143,580	\$ -	\$ 1,265,633	\$ 1,853,318
Accrued interest receivable	102,102	-	-	102,102	67,250
Prepaid expenses and other	47,747	2,431	-	50,178	38,929
Pledges receivable	468,595	-	-	468,595	885
Beneficial interest in pooled income fund	614,183	-	-	614,183	408,823
Pooled investments	158,757,403	-	-	158,757,403	119,369,574
Cash surrender value of life insurance	209,535	-	-	209,535	200,720
Net property and equipment	-	2,021,496	-	2,021,496	2,101,676
<b>Total assets</b>	<b>\$ 161,321,618</b>	<b>\$ 2,167,507</b>	<b>\$ -</b>	<b>\$ 163,489,125</b>	<b>\$ 124,041,175</b>

### LIABILITIES AND NET ASSETS

<b>LIABILITIES</b>					
Accounts payable	\$ 11,122	\$ 3,192	\$ -	\$ 14,314	\$ 29,894
Accrued expenses	113,527	-	-	113,527	88,222
Other current liabilities	-	-	-	-	-
Due to/from	(721,989)	721,989	-	-	-
Grants, scholarships and distributions payable	1,345,990	-	-	1,345,990	1,157,368
Planned gift liabilities	3,750,127	-	-	3,750,127	3,338,460
Long-term debt	-	1,520,435	-	1,520,435	1,776,440
Funds held as agency endowments	14,186,343	-	-	14,186,343	10,971,279
<b>Total liabilities</b>	<b>18,685,120</b>	<b>2,245,616</b>	<b>-</b>	<b>20,930,736</b>	<b>17,361,663</b>
<b>NET ASSETS</b>					
Without donor restrictions	1,463,028	(78,109)	-	1,384,919	484,195
With donor restrictions					
Time or purpose	13,458,950	-	-	13,458,950	14,065,904
Unappropriated earnings	32,042,849	-	-	32,042,849	8,839,247
Perpetuity	95,671,671	-	-	95,671,671	83,290,166
<b>Total with donor restrictions</b>	<b>141,173,470</b>	<b>-</b>	<b>-</b>	<b>141,173,470</b>	<b>106,195,317</b>
<b>Total net assets</b>	<b>142,636,498</b>	<b>(78,109)</b>	<b>-</b>	<b>142,558,389</b>	<b>106,679,512</b>
<b>Total liabilities and net assets</b>	<b>\$ 161,321,618</b>	<b>\$ 2,167,507</b>	<b>\$ -</b>	<b>\$ 163,489,125</b>	<b>\$ 124,041,175</b>

# Montana Community Foundation

## Consolidating Schedule of Activities

	Year Ended June 30, 2021					
	MCF Unrestricted	33 S Last Chance Gulch, LLC	Eliminating Entries	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
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
<b>EXPENSES</b>						
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 support	487,339	-	-	487,339	-	487,339
Transfer of assets under management	-	-	-	-	-	-
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
INCREASE 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

# Montana Community Foundation

## Consolidating Schedule of Activities

Year Ended June 30, 2020

	MCF Unrestricted	33 S LCG	Eliminating Entries	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Contributions						
Contributions	\$ 133,135	\$ -	\$ -	\$ 133,135	\$ 18,166,108	\$ 18,299,243
Intrafund grants from charitable funds	330,613	-	-	330,613	252,016	582,629
Total contributions	463,748	-	-	463,748	18,418,124	18,881,872
Revenue and other additions						
Administrative fees	540,327	-	-	540,327	-	540,327
Net investment return	(236,832)	21	(22,801)	(259,612)	2,607,387	2,347,775
Change in deficit in endowments	-	-	-	-	-	-
Change in value of beneficial interest in pooled income fund	-	-	-	-	83,571	83,571
Change in value of planned gift liabilities	-	-	-	-	(274,700)	(274,700)
Rental and other income	3,979	294,396	(58,238)	240,137	-	240,137
Total revenue and other additions	307,474	294,417	(81,039)	520,852	2,416,258	2,937,110
Net assets released from restrictions	5,791,282	-	-	5,791,282	(5,791,282)	-
Total support, revenue, other additions, and net assets released from restrictions	6,562,504	294,417	(81,039)	6,775,882	15,043,100	21,818,982
<b>EXPENSES</b>						
Program services						
Grants, scholarships and distributions	3,859,610	-	-	3,859,610	-	3,859,610
Intrafund grants to charitable funds	582,629	-	-	582,629	-	582,629
Program support	525,654	-	-	525,654	-	525,654
Transfer of assets under management	-	-	-	-	-	-
Total program services	4,967,893	-	-	4,967,893	-	4,967,893
Operating and administrative expenses						
General and administrative	1,009,048	283,508	(81,039)	1,211,517	-	1,211,517
Development and fund-raising	410,672	-	-	410,672	-	410,672
Total operating and administrative expenses	1,419,720	283,508	(81,039)	1,622,189	-	1,622,189
Total expenses	6,387,613	283,508	(81,039)	6,590,082	-	6,590,082
Adjustment to net assets	-	-	-	-	-	-
INCREASE IN NET ASSETS	174,891	10,909	-	185,800	15,043,100	15,228,900
<b>NET ASSETS</b> , beginning of year	414,515	(116,120)	-	298,395	91,152,217	91,450,612
<b>NET ASSETS</b> , end of year	\$ 589,406	\$ (105,211)	\$ -	\$ 484,195	\$ 106,195,317	\$ 106,679,512

