

MONTANA HEALTHCARE FOUNDATION

Financial Statements

For the Year Ended December 31, 2021

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Independent Auditor's Report

To the Board of Trustees
Montana Healthcare Foundation
Bozeman, Montana

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Montana Healthcare Foundation (the Foundation) which comprise the statement of financial position as of December 31, 2021 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and the results of its operations and its cash flows for the year 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 the 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.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 13, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

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



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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the 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 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

Clark Nuber P.S.

Certified Public Accountants
May 11, 2022

MONTANA HEALTHCARE FOUNDATION

Statement of Financial Position

December 31, 2021

(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Assets:		
Cash and cash equivalents	\$ 310,840	\$ 305,015
Investments	254,501,988	211,452,985
Fixed assets, net	10,164	20,328
Prepays and other assets	<u>113,913</u>	<u>67,146</u>
Total Assets	<u>\$ 254,936,905</u>	<u>\$ 211,845,474</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 132,231	\$ 94,452
Grants payable	<u>2,754,931</u>	<u>2,056,595</u>
Total Liabilities	2,887,162	2,151,047
Net Assets:		
Without donor restriction-		
Undesignated	197,188,587	160,423,520
Board designated quasi-endowment	<u>54,831,156</u>	<u>48,886,551</u>
Total without donor restriction	252,019,743	209,310,071
With donor restriction	<u>30,000</u>	<u>384,356</u>
Total Net Assets	<u>252,049,743</u>	<u>209,694,427</u>
Total Liabilities and Net Assets	<u>\$ 254,936,905</u>	<u>\$ 211,845,474</u>

See accompanying notes.

MONTANA HEALTHCARE FOUNDATION

**Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	Without Donor Restriction	With Donor Restriction	2021 Total	2020 Total
Revenues, Gains and Other Support:				
Grants and contributions	\$ 15,000,300	\$ 300,000	\$ 15,300,300	\$ 10,500,000
Interest and dividends	1,825,359		1,825,359	1,793,712
Realized and unrealized gains on investments, net of fees	35,510,171		35,510,171	19,719,577
Other income	275		275	164,518
Releases	654,356	(654,356)		
Total Revenues, Gains and Other Support	52,990,461	(354,356)	52,636,105	32,177,807
Expenses:				
Program services-				
Grants and initiatives	7,283,790		7,283,790	6,561,558
Other program related expenses	2,293,906		2,293,906	1,714,896
Total program expenses	9,577,696		9,577,696	8,276,454
Management and general-				
Administrative	568,093		568,093	621,335
Excise taxes	135,000		135,000	192,000
Total management and general	703,093		703,093	813,335
Total Expenses	10,280,789		10,280,789	9,089,789
Change in Net Assets	42,709,672	(354,356)	42,355,316	23,088,018
Net assets, beginning of year	209,310,071	384,356	209,694,427	186,606,409
Net Assets, End of Year	\$ 252,019,743	\$ 30,000	\$ 252,049,743	\$ 209,694,427

See accompanying notes.

MONTANA HEALTHCARE FOUNDATION

**Statement of Functional Expenses
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	<u>Grants and Initiatives</u>	<u>Other Program</u>	<u>Program Total</u>	<u>Management and General</u>	<u>2021 Total</u>	<u>2020 Total</u>
Initiative grants, technical assistance and support	\$ 7,283,790	\$ -	\$ 7,283,790	\$ -	\$ 7,283,790	\$ 6,561,558
Salaries and related costs		1,609,729	1,609,729	362,038	1,971,767	1,630,085
Other operating costs		326,255	326,255	35,304	361,559	261,455
Professional development, convenings and consultations		63,147	63,147		63,147	31,420
Trustee compensation		120,000	120,000	120,000	240,000	168,000
Excise taxes				135,000	135,000	192,000
Occupancy		128,092	128,092	14,232	142,324	133,371
Professional fees		36,519	36,519	36,519	73,038	80,164
Depreciation		10,164	10,164		10,164	31,736
Total Expenses	<u>\$ 7,283,790</u>	<u>\$ 2,293,906</u>	<u>\$ 9,577,696</u>	<u>\$ 703,093</u>	<u>\$ 10,280,789</u>	<u>\$ 9,089,789</u>

See accompanying notes.

MONTANA HEALTHCARE FOUNDATION

**Statement of Cash Flows
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 42,355,316	\$ 23,088,018
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation	10,164	31,736
Realized and unrealized gains on investments	(35,804,985)	(20,039,098)
Changes in assets and liabilities:		
Prepaid expenses and other assets	(46,767)	115,212
Accounts payable and accrued liabilities	37,779	30,088
Grants payable	698,336	8,171
	<u>7,249,843</u>	<u>3,234,127</u>
Net Cash Provided by Operating Activities	7,249,843	3,234,127
Cash Flows From Investing Activities:		
Purchase of investments	(16,824,372)	(10,832,525)
Proceeds from sale of investments	9,580,354	4,879,326
	<u>(7,244,018)</u>	<u>(5,953,199)</u>
Net Cash Used by Investing Activities	(7,244,018)	(5,953,199)
Net Change in Cash and Cash Equivalents	5,825	(2,719,072)
Cash and cash equivalents, beginning of year	305,015	3,024,087
	<u>\$ 310,840</u>	<u>\$ 305,015</u>
Cash and Cash Equivalents, End of Year	\$ 310,840	\$ 305,015
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for excise taxes	\$ 135,000	\$ 187,000

See accompanying notes.

MONTANA HEALTHCARE FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2021

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Activities - Montana Healthcare Foundation (the Foundation) is dedicated to improving the health and well-being of all Montanans. The Foundation contributes to a healthier state by making strategic investments that support access to quality and affordable health services, conducting evidence-driven research and analysis, and addressing the upstream influences on health and illness. The Foundation is a 501(c)3 private foundation.

Some Montanans face particularly difficult barriers to health. Health disparities (the higher rates of illness and death that are consistently documented among certain subgroups) are all too common among certain racial and ethnic groups, the social and economic disadvantaged, and young children and older adults. Across all our work, we place an emphasis on reducing health disparities and building healthier Montana communities.

The Foundation was created as a result of the 2013 sale of Blue Cross Blue Shield of Montana. In accordance with state law, the assets from this sale were transferred to a charitable trust to be managed for public benefit. The Foundation spends the income from trust investments (roughly 5% of the total value of the trust each year) so that it can serve as a permanent, stable, and reliable resource for improving health in the state. Spending rates are made according to the spending policy adopted by the Foundation's Board of Trustees.

A summary of the Foundation's significant accounting policies follows:

Basis of Presentation - Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction - Net assets that are not subject to or are no longer subject to donor-imposed restrictions. Changes in this category of net assets include restricted contributions whose donor-imposed restrictions were met during the year. The Foundation has designated approximately \$54.8 million and \$48.9 million of its net assets without donor restriction as a quasi-endowment, as of December 31, 2021 and 2020, respectively.

Net Assets With Donor Restriction - Net assets whose use is limited by donor-imposed time and or purpose restrictions. The Foundation had net assets with donor restrictions of approximately \$30,000 and \$384,000, as of December 31, 2021 and 2020, respectively.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Expiration of donor restrictions on the net assets (i.e., the donor-stipulated purpose had been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions - Contributions are recognized as revenues when the Foundation is notified of the unconditional promise to give. There are no measurable performance barriers, and no right of return for any contributions received.

MONTANA HEALTHCARE FOUNDATION

**Notes to Financial Statements
For the Year Ended December 31, 2021**

Note 1 - Continued

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, at the date of the financial statements, as well as the reported amounts of revenues and expenses, including functional allocations, during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Foundation considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents, other than those included in the investment portfolio.

Investments - Investments are stated at fair value, with both realized and unrealized gains and losses recorded in the statements of activities and changes in net assets as increases or decreases in net assets without donor restriction, unless their use is restricted by explicit donor restrictions or law. Fair value of investments with readily determinable market values is based on quoted market prices. The estimated fair value of certain alternative investments for which quoted market prices are not available, is based on valuations provided by the external investment managers and the management of the investees. The Foundation reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed.

Investments are made according to the Investment Policy Statement adopted by the Foundation's Board of Trustees. These guidelines provide for investments in equities, fixed income, emerging markets and other investments with performance measured against appropriate indices. Outside parties are contracted with by the Foundation for the purpose of providing investment management and consulting.

Investment securities, in general, are exposed to various risks, including interest rate, credit and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably probable that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Dividend income is recorded on the ex-dividend date. Interest income is recorded on an accrual basis when earned.

Fixed Assets - Fixed assets are recorded at cost if purchased or fair value if donated. The Foundation capitalizes all items over \$25,000 that provide a future benefit. Depreciation is provided on a straight-line basis over the estimated useful lives as follows:

Software	3 years
Equipment	3 - 5 years
Leasehold improvements	Lesser of 7 years or lease term
Furniture/fixtures	10 years

Concentrations - Financial instruments that potentially subject the Foundation to concentrations of credit and market risk consist primarily of cash and investments. Cash and investments held by financial institutions exceed federally insured limits. Management anticipates no material effect to the Foundation's financial position as a result of these concentrations.

MONTANA HEALTHCARE FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2021

Note 1 - Continued

For each of the years ended December 31, 2021 and 2020, 98% and 95% of the Foundation's contribution and grant funding came from one organization, respectively.

Grants - Grants made and unconditional promises to make future grants are recognized the earlier of when made or when the promise is conveyed. Grants payable over more than one year are recorded at their discounted present value using a risk adjusted rate of return. Changes in discounts are recognized over the period of the promise as adjustments to grant expenses.

Functional Allocation of Expenses - The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Employee wages and related payroll expenses are based on allocation by each individual employee to the program or service that work was directly performed on. Trustee compensation is allocated equally 50% to program and 50% to general and administrative. Legal, accounting, and professional fees are allocated 50% to program based on invoices for program and research contract review and 50% to general and administrative. Occupancy allocation is based on full time equivalent employees. Depreciation is allocated solely to program expense as the software and video conference assets are used primarily for programming.

Comparative Totals - The financial information includes certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Subsequent Events - The Foundation's management has evaluated subsequent events through May 11, 2022, the date on which the financial statements were available to be issued.

Note 2 - Excise Taxes and Required Charitable Grants

The Foundation has obtained tax-exempt status from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). However, the Foundation is a private foundation as defined in the IRC, and is therefore subject to an excise tax on its net investment income.

The Foundation is also required under the IRC to make minimum charitable distributions based on the fair value of its assets. Charitable distributions made in excess of the required minimum in any year may be used to reduce the minimum distributions required in future years, subject to a five-year carryover limitation. Failure to make the minimum charitable distributions could result in additional taxes and possible penalties.

MONTANA HEALTHCARE FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2021

Note 3 - Investments

Investments consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Investments valued at fair value based on market quotes-		
Money markets	\$ 1,470,681	\$ 5,818,081
Bond mutual fund	23,205,488	12,425,480
Equity mutual funds	<u>109,894,622</u>	<u>88,558,122</u>
	134,570,791	106,801,683
Nonmarketable securities	<u>119,931,197</u>	<u>104,651,302</u>
Total Investments	<u>\$ 254,501,988</u>	<u>\$ 211,452,985</u>

Investment return consisted of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 1,825,359	\$ 1,793,712
Realized and unrealized gains on investments	35,804,985	20,039,098
Investment management fees	<u>(294,814)</u>	<u>(319,521)</u>
Total Investment Return	<u>\$ 37,335,530</u>	<u>\$ 21,513,289</u>

Note 4 - Fair Value Measurements

U.S. GAAP has established a framework that requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants.

To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy which prioritizes the inputs to valuation approaches into three broad levels based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Foundation's market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 - Inputs are unadjusted and represent quoted prices in active markets for identical assets at the measurement date;

Level 2 - Inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, and model-derived valuations whose inputs are observable; or

Level 3 - Inputs are unobservable and reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and/or the risk inherent in the inputs to the model.

MONTANA HEALTHCARE FOUNDATION

**Notes to Financial Statements
For the Year Ended December 31, 2021**

Note 4 - Continued

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020.

Money Markets - Money market funds are valued at cost plus accrued interest, which approximates fair value.

Bond and Equity Mutual Fund - Valued at the closing price reported on the active market in which the securities are traded.

Nonmarketable Securities - Valued at the net asset value (NAV) as reported by the general partner or investment manager unless specific evidence indicates that NAV should be adjusted. This may involve significant unobservable inputs. The valuation methods utilized by the investment managers are subject to regular review by the Foundation.

Management determines the Foundation's fair value measurements valuation policies and procedures, including those reported at NAV. The Foundation's Board of Trustees assesses and approves these policies and procedures.

In accordance with U.S. GAAP, certain investments that were measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the tables below are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position.

Fair values of assets measured on a recurring basis were as follows:

	Fair Value Measurements as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Money markets	\$ 1,470,681	\$ -	\$ -	\$ 1,470,681
Bond mutual fund	23,205,488			23,205,488
Equity mutual funds-				
U.S. small cap	12,781,708			12,781,708
U.S. large cap	74,180,288			74,180,288
International	22,932,626			22,932,626
Total Investments in the Fair Value Hierarchy	\$ 134,570,791	\$ -	\$ -	134,570,791
Investments measured at NAV				119,931,197
Total Investments at Fair Value				\$ 254,501,988

MONTANA HEALTHCARE FOUNDATION

Notes to Financial Statements
For the Year Ended December 31, 2021

Note 4 - Continued

	Fair Value Measurements as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Money markets	\$ 5,818,081	\$ -	\$ -	\$ 5,818,081
Bond mutual fund	12,425,480			12,425,480
Equity mutual funds-				
U.S. small cap	10,712,316			10,712,316
U.S. large cap	60,010,251			60,010,251
International	17,835,555			17,835,555
Total Investments in the Fair Value Hierarchy	\$ 106,801,683	\$ -	\$ -	106,801,683
Investments measured at NAV				104,651,302
Total Investments at Fair Value				\$ 211,452,985

The table below summarizes significant terms of the agreements with certain investment companies for nonmarketable investments. There are no significant redemption restrictions or unfunded commitments on other types of investments.

Asset Class	Net Asset Value December 31, 2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Other Restrictions
Hedge funds	\$ 36,904,509	\$ -	Monthly - 3 years	30 - 60 days	None
Offshore corporation	14,434,004		Monthly	30 days	None
Partnership and trust	23,659,415		Monthly	7 - 30 days	None
Private markets	44,933,269	33,955,453	None	None	None
	\$ 119,931,197	\$ 33,955,453			

MONTANA HEALTHCARE FOUNDATION

**Notes to Financial Statements
For the Year Ended December 31, 2021**

Note 5 - Fixed Assets

Fixed assets consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Software	\$ 50,820	\$ 50,820
Leasehold improvements	<u>64,715</u>	<u>64,715</u>
	115,535	115,535
Less accumulated depreciation	<u>(105,371)</u>	<u>(95,207)</u>
Fixed Assets, Net	<u>\$ 10,164</u>	<u>\$ 20,328</u>

Depreciation expense totaled \$10,164 and \$31,736 for the years ended December 31, 2021 and 2020, respectively.

Note 6 - Grants Payable

Grants authorized but unpaid at year end are reported as liabilities. Grants authorized are payable as follows:

For the Year Ending December 31,

2022	\$ 2,336,726
2023	<u>418,205</u>
	<u>\$ 2,754,931</u>

There were conditional grant commitments to a related party (Note 10) of \$800,000 and \$1,200,000 as of December 31, 2021 and 2020, respectively. There is no discount to present value as of December 31, 2021 and 2020.

Note 7 - Net Assets With Donor Restriction

At December 31, 2021, net assets with donor restrictions consisted of one contribution restricted for use related to food security. At December 31, 2020, net assets with donor restrictions consisted of two contributions restricted for use related to improving substance abuse prevention and treatment in Montana.

MONTANA HEALTHCARE FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2021

Note 8 - Commitments

Operating Lease - The Foundation entered into a lease for office space that began on December 1, 2018 and terminates on November 30, 2023, with an option to renew for an additional five years with 90 days written notice. Monthly payments began at \$7,869 per month and increase to \$8,719 over the term of the lease. Future minimum lease payments are as follows:

For the Year Ending December 31,

2022	\$	102,296
2023		<u>95,909</u>
	\$	<u><u>198,205</u></u>

Rental expense for the years ended December 31, 2021 and 2020, totaled \$142,324 and \$133,371, respectively, and included CAM charges incurred during the year.

Employment Agreement - The Foundation has entered into four employment agreements with key members of management with contracts that expire between December 31, 2022 and 2026. All agreements would require payments to the employee for the remaining term of the contract if the Foundation were to terminate the agreement without good cause.

Note 9 - Retirement Plan

The Foundation has established a 401(k) Plan. All employees are eligible to enroll a month after beginning their employment. The Foundation matches up to 100% of employees' contributions up to 6% of participants' eligible compensation as of December 31, 2021. Matching expense totaled \$86,511 and \$55,151 for the years ended December 31, 2021 and 2020, respectively.

Note 10 - Related Party Transactions

The Foundation paid stipends totaling \$240,000 and \$168,000 to Board Trustees during each of the years ended December 31, 2021 and 2020, respectively.

During 2020, the Foundation issued its largest grant of \$1,850,000 to a newly formed nonprofit, the Montana Public Health Institute (the Institute). This grant is conditional and payable over five years. The CEO and a trustee of the Foundation serve on the board of the Institute. The Foundation made payments to the Institute of \$200,000 and \$450,000 during the years ended December 31, 2021 and 2020, respectively. The Foundation had outstanding grants payable to the Institute of \$400,000 and \$200,000 at December 31, 2021 and 2020, respectively.

Note 11 - Quasi-Endowment

In 2016, the Foundation established a quasi-endowment to segregate the management of the initial \$40,200,000 of assets transferred to the Foundation upon its initial formation in 2013, as described in Note 1. The Foundation had \$54.8 million and \$48.9 million of its net assets without donor restriction as a quasi-endowment, as of December 31, 2021 and 2020, respectively.

MONTANA HEALTHCARE FOUNDATION

**Notes to Financial Statements
For the Year Ended December 31, 2021**

Note 11 - Continued

Changes to quasi-endowment net assets are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets, December 31, 2020	\$ 48,886,551	\$ -	\$ 48,886,551
Endowment investment income-			
Investment fees	(72,447)		(72,447)
Interest and dividends	1,937,412		1,937,412
Realized and unrealized gains	6,739,068		6,739,068
Total endowment investment income	8,604,033		8,604,033
Appropriation of endowment for expenditure	(2,659,428)		(2,659,428)
Endowment Net Assets, December 31, 2021	\$ 54,831,156	\$ -	\$ 54,831,156

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, December 31, 2019	\$ 46,027,117	\$ -	\$ 46,027,117
Endowment investment income-			
Investment fees	(79,880)		(79,880)
Interest and dividends	448,428		448,428
Realized and unrealized gains	4,924,570		4,924,570
Total endowment investment income	5,293,118		5,293,118
Appropriation of endowment for expenditure	(2,433,684)		(2,433,684)
Endowment Net Assets, December 31, 2020	\$ 48,886,551	\$ -	\$ 48,886,551

Return Objectives and Risk Parameters - The Foundation has adopted investment policies for endowment assets that attempts to earn a return that preserves the trust assets in perpetuity and maximizes the income available to fulfill the Foundation's charitable purpose. The endowment assets are diversified among several asset classes to achieve the Foundation's return goal while maintaining acceptable levels of risk.

Strategies Employed for Achieving Objectives - To satisfy its long-term return goal, the Foundation relies on a total return strategy in which investment returns are achieved through both income and net realized and unrealized capital gains. The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return goal.

MONTANA HEALTHCARE FOUNDATION

**Notes to Financial Statements
For the Year Ended December 31, 2021**

Note 11 - Continued

Spending Policy - The Foundation's policy for its quasi-endowment is to spend 5% of the annual average of the endowment balance.

Note 12 - Liquidity and Availability of Financial Assets

Liquidity - The Foundation has a goal to maintain financial assets to meet its targeted return goal which assumes a moderate degree of illiquidity as a maximum of 25% of investments are made in funds with a 5-10 year holding period. The Foundation has a policy to structure its financial assets to be available as its grant, programmatic expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Foundation invests cash in excess of daily requirements in various short-term investments, including money market accounts and short-term treasury instruments. The target allocation to cash and highly liquid cash equivalent investments is 10% which covers 200% of annual budgeted expenditures.

Availability - The following reflects the Foundation's financial assets as of the date of the statement of financial position, reduced by amounts not available for general use within one year because of donor-imposed restrictions or internal designations. Amount available include donor-restricted amounts that are available for expenditure in the following year.

The following table shows the total financial assets held by the Foundation and the amounts of those financial assets could readily be made available within one year of the date of the statement of financial position at December 31 to meet general expenditures:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 310,840	\$ 305,015
Investments	<u>254,501,988</u>	<u>211,452,985</u>
Total financial assets	254,812,828	211,758,000
Less-		
Nonredeemable investment funds	(44,933,269)	(32,529,065)
Quasi-endowment funds	(54,831,156)	(48,886,551)
Add back estimated amount to be appropriated for the following year	2,659,428	2,859,435
Other donor restricted funds	<u>(30,000)</u>	<u>(384,356)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 157,677,831</u>	<u>\$ 132,817,463</u>