

**MONTANA HEALTHCARE FOUNDATION
AND SUBSIDIARY**

Consolidated Financial Statements

For the Year Ended December 31, 2023

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Independent Auditor's Report

**To the Board of Trustees
Montana Healthcare Foundation and Subsidiary
Bozeman, Montana**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Montana Healthcare Foundation and Subsidiary (collectively, the Foundation) which comprise the consolidated statement of financial position as of December 31, 2023 and the related consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023 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 audit 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 audit. 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 2022 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 11, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

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.

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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating information presented on pages 21 and 22 is presented for purposes of additional analysis and is not a required part of the 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Clark Nuber P.S.

Certified Public Accountants
May 16, 2024

MONTANA HEALTHCARE FOUNDATION AND SUBSIDIARY

**Consolidated Statement of Financial Position
December 31, 2023
(With Comparative Totals for 2022)**

	<u>2023</u>	<u>2022</u>
Assets:		
Cash and cash equivalents	\$ 229,796	\$ 376,361
Accounts receivable	97,470	69,786
Investments	239,482,614	230,946,448
Program-related investments	1,600,000	500,000
Property and equipment, net	7,781,282	7,390,385
Right-of-use asset	568,934	
Prepays and other assets	51,335	31,994
	<u>249,811,431</u>	<u>239,314,974</u>
Total Assets	<u>\$ 249,811,431</u>	<u>\$ 239,314,974</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 345,066	\$ 96,418
Grants payable	3,766,753	3,940,282
Operating lease liability	575,891	
	<u>4,687,710</u>	<u>4,036,700</u>
Total Liabilities	<u>4,687,710</u>	<u>4,036,700</u>
Net Assets:		
Without donor restriction-		
Undesignated	183,382,496	188,213,950
Board designated - quasi-endowment	49,116,329	47,064,324
Board designated - other	12,624,896	
	<u>245,123,721</u>	<u>235,278,274</u>
Total without donor restriction	<u>245,123,721</u>	<u>235,278,274</u>
Total Net Assets	<u>245,123,721</u>	<u>235,278,274</u>
Total Liabilities and Net Assets	<u>\$ 249,811,431</u>	<u>\$ 239,314,974</u>

See accompanying notes.

MONTANA HEALTHCARE FOUNDATION AND SUBSIDIARY

**Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)**

	<u>2023</u>	<u>2022</u>
Revenues, Gains and Other Support:		
Grants and contributions	\$ 13,581	\$ 21,078,669
Interest and dividends	3,149,069	2,288,662
Realized and unrealized gains (losses) on investments, net of fees	17,757,868	(28,449,089)
Other income	378,907	140,810
	<u>21,299,425</u>	<u>(4,940,948)</u>
Total Revenues, Gains (Losses) and Other Support		
Expenses:		
Program services-		
Grants and initiatives	7,092,833	8,273,967
Other program related expenses	3,287,304	2,723,336
	<u>10,380,137</u>	<u>10,997,303</u>
Total program expenses		
Management and general-		
Administrative	771,841	763,218
Excise taxes	302,000	70,000
	<u>1,073,841</u>	<u>833,218</u>
Total management and general		
Total Expenses	<u>11,453,978</u>	<u>11,830,521</u>
Total Change in Net Assets Without Donor Restrictions	9,845,447	(16,771,469)
Net assets without donor restrictions, beginning of year	<u>235,278,274</u>	<u>252,049,743</u>
Net Assets Without Donor Restrictions, End of Year	<u><u>\$ 245,123,721</u></u>	<u><u>\$ 235,278,274</u></u>

See accompanying notes.

MONTANA HEALTHCARE FOUNDATION AND SUBSIDIARY

**Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)**

	<u>Grants and Initiatives</u>	<u>Other Program</u>	<u>Program Total</u>	<u>Management and General</u>	<u>2023 Total</u>	<u>2022 Total</u>
Initiative grants, technical assistance and support	\$ 7,092,833	\$ -	\$ 7,092,833	\$ -	\$ 7,092,833	\$ 8,273,967
Salaries and related costs		2,314,568	2,314,568	411,788	2,726,356	2,375,454
Other operating costs		283,729	283,729	35,566	319,295	363,231
Professional development, convenings and consultations		163,232	163,232		163,232	137,194
Trustee compensation		111,000	111,000	111,000	222,000	240,000
Excise taxes				302,000	302,000	70,000
Occupancy		255,424	255,424	35,337	290,761	147,314
Professional fees		57,183	57,183	57,183	114,366	103,582
Depreciation		102,168	102,168	120,967	223,135	119,779
Total Expenses	<u>\$ 7,092,833</u>	<u>\$ 3,287,304</u>	<u>\$10,380,137</u>	<u>\$ 1,073,841</u>	<u>\$11,453,978</u>	<u>\$11,830,521</u>

See accompanying notes.

MONTANA HEALTHCARE FOUNDATION AND SUBSIDIARY

**Consolidated Statement of Cash Flows
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)**

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 9,845,447	\$ (16,771,469)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities-		
Depreciation	223,135	119,779
Realized and unrealized (gains) losses on investments	(18,164,252)	28,134,395
Changes in right-of-use asset and operating lease liability, net	6,957	
Changes in assets and liabilities:		
Accounts receivable	(27,684)	(69,786)
Prepaid expenses and other assets	(19,341)	81,919
Accounts payable and accrued liabilities	248,648	(35,813)
Grants payable	(173,529)	1,185,351
Net Cash (Used in) Provided by Operating Activities	(8,060,619)	12,644,376
Cash Flows From Investing Activities:		
Purchase of investments	(5,959,376)	(35,466,943)
Proceeds from sale of investments	14,487,462	30,388,088
Purchase of property and equipment	(614,032)	(7,500,000)
Net Cash Provided by (Used in) Investing Activities	7,914,054	(12,578,855)
Net Change in Cash and Cash Equivalents	(146,565)	65,521
Cash and cash equivalents, beginning of year	376,361	310,840
Cash and Cash Equivalents, End of Year	\$ 229,796	\$ 376,361
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for excise taxes	\$ 302,000	\$ 70,000

See accompanying notes.

MONTANA HEALTHCARE FOUNDATION AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended December 31, 2023

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Activities - Montana Healthcare Foundation (MHCF) is dedicated to improving the health and well-being of all Montanans. MHCF 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. MHCF 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.

MHCF 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. MHCF 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 MHCF's Board of Trustees.

In July 2022, MHCF formed Main St. Holdings, LLC (the LLC), a single member LLC, for the purpose of holding and operating real estate assets. During 2022, the LLC purchased a 50% interest in 777 East Main Street in Bozeman, Montana.

Principles of Consolidation - The accompanying financial statements include the accounts of Montana Healthcare Foundation and its wholly owned subsidiary, Main St. Holdings, LLC. Intra-entity transactions and balances have been eliminated in consolidation. The consolidated entity is referred to as the Foundation in the notes to the consolidated financial statements.

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

Basis of Accounting - MHCF has presented its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). MHCF has presented an unclassified statement of financial position which sequences assets according to the nearness of their conversion to cash and sequences liabilities according to the nearness to their maturity and resulting use of cash.

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

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 \$49.1 million and \$47.1 million of its net assets without donor restriction as a quasi-endowment, as of December 31, 2023 and 2022, respectively. The Foundation has designated approximately \$12.6 million of its net assets without donor restrictions as a board designated fund as of December 31, 2023.

MONTANA HEALTHCARE FOUNDATION AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended December 31, 2023

Note 1 - Continued

Net Assets With Donor Restriction - Net assets whose use is limited by donor-imposed time and or purpose restrictions. There were no net assets with donor restrictions at December 31, 2023 and 2022.

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.

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.

MONTANA HEALTHCARE FOUNDATION AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended December 31, 2023

Note 1 - Continued

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

Program-Related Investment - In 2022, the Foundation developed a program-related investment (PRI) strategy that allows the Foundation to use, as part of its charitable distributions, below-market loans, certificates of deposits, linked deposits, loan guarantees, and other related financing mechanisms for a primary purpose that aligns with the Foundation's exempt purpose. The Foundation's PRI's currently consist of below-market loans that are recorded at the principal balance outstanding. A present value discount and imputed interest have been deemed immaterial. Management reviews collectability of its program-related investments and determined an allowance for impairment is not necessary at December 31, 2023 and 2022. PRI's are treated as qualifying distributions for tax reporting purposes in the year in which the funds are disbursed. Recoveries of invested amounts increase the Foundation's distributable amount for tax purposes in the year in which the recoveries are received.

Property and Equipment - 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
Building	39 years

Leases - The Foundation determines if an arrangement contains a lease at inception. Operating leases are included in right-of-use (ROU) assets and lease liabilities in the consolidated statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Foundation's leases do not provide an implicit rate of return; thus, the Foundation uses the risk-free discount rate, determined using a period comparable with that of the lease term from the later of the lease commencement date or implementation date. The ROU asset also includes prepaid lease payments and unamortized initial direct costs, and excludes lease incentives. The Foundation has lease agreements with lease and non-lease components which are accounted for as a single lease component. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. A ROU asset and operating lease liability is not recognized for leases with an initial term of 12 months or less or when total lease payments are not material to the overall financial statements.

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 cash and investment concentrations.

MONTANA HEALTHCARE FOUNDATION AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended December 31, 2023

Note 1 - Continued

For of the year ended December 31, 2022, 99% of the Foundation's contribution and grant funding came from two donors. Management anticipates no material effect to the Foundation's financial position as a result of these contribution concentrations.

Grants - Grants made and unconditional promises to make future grants are recognized at 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 with 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 arising from the Foundation 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, 2022, from which the summarized information was derived.

Reclassifications of Prior Year Balances - Certain reclassifications have been made to prior year accounts to confirm to the presentation in the current year financial statements. These classifications have no effect on previously reported change in net assets or net asset balances.

Subsequent Events - The Foundation's management has evaluated subsequent events through May 16, 2024, the date on which the financial statements were available to be issued.

Note 2 - Excise Taxes and Required Charitable Grants

MHCF has obtained tax-exempt status from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). However, MHCF is a private foundation as defined in the IRC and is therefore subject to an excise tax at a rate of 1.39% on its net investment income.

MHCF 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.

The LLC is disregarded for federal income tax purposes.

MONTANA HEALTHCARE FOUNDATION AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended December 31, 2023

Note 3 - Investments

Investments consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Investments valued at fair value based on market quotes-		
Money markets	\$ 16,134,620	\$ 13,105,143
Bond mutual funds	18,362,615	18,492,340
Equity mutual funds	<u>78,952,695</u>	<u>78,542,752</u>
	113,449,930	110,140,235
Nonmarketable securities	<u>126,032,684</u>	<u>120,806,213</u>
Total Investments	<u>\$ 239,482,614</u>	<u>\$ 230,946,448</u>

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

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 3,149,069	\$ 2,288,662
Realized and unrealized gains (losses) on investments	18,084,546	(28,134,395)
Investment management fees	<u>(326,678)</u>	<u>(314,694)</u>
Total Investment Return	<u>\$ 20,906,937</u>	<u>\$ (26,160,427)</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

MONTANA HEALTHCARE FOUNDATION AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended December 31, 2023

Note 4 - Continued

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.

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, 2023 and 2022.

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

Bond and Equity Mutual Funds - 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.

MONTANA HEALTHCARE FOUNDATION AND SUBSIDIARY

**Notes to Consolidated Financial Statements
For the Year Ended December 31, 2023**

Note 4 - Continued

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

	Fair Value Measurements as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Money markets	\$ 16,134,620	\$ -	\$ -	\$ 16,134,620
Bond mutual funds	18,362,615			18,362,615
Equity mutual funds-				
U.S. small cap	12,088,286			12,088,286
U.S. large cap	51,010,008			51,010,008
International	15,854,401			15,854,401
Total Investments in the Fair Value Hierarchy	\$ 113,449,930	\$ -	\$ -	113,449,930
Investments measured at NAV				126,032,684
Total Investments at Fair Value				\$ 239,482,614

	Fair Value Measurements as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Money markets	\$ 13,105,143	\$ -	\$ -	\$ 13,105,143
Bond mutual funds	18,492,340			18,492,340
Equity mutual funds-				
U.S. small cap	10,150,810			10,150,810
U.S. large cap	50,697,056			50,697,056
International	17,694,886			17,694,886
Total Investments in the Fair Value Hierarchy	\$ 110,140,235	\$ -	\$ -	110,140,235
Investments measured at NAV				120,806,213
Total Investments at Fair Value				\$ 230,946,448

MONTANA HEALTHCARE FOUNDATION AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended December 31, 2023

Note 4 - Continued

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, 2023	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Other Restrictions
Hedge funds	\$ 30,075,203	\$ -	Monthly - 3 years	30 - 60 days	None
Offshore corporation	14,463,752		Monthly	30 days	None
Partnership and trust	19,683,419		Monthly	7 - 30 days	None
Private markets	61,810,310	35,060,908	None	None	None
	\$126,032,684	\$ 35,060,908			

Note 5 - Program Related Investments

The Foundation has a notes receivable with four nonprofits for borrowings up to \$1,850,000. At December 31, 2023 and 2022, the outstanding notes receivable balance was \$1,600,000 and \$500,000 respectively. The uncollateralized loans bear interest at 1% to 2% and require annual principal payments and mature between 2029 and 2043.

Note 6 - Property and Equipment

Property and equipment consist of the following at December 31:

	2023	2022
Land	\$ 3,225,000	\$ 3,225,000
Building	4,275,000	4,275,000
Software	115,535	50,820
Leasehold improvements	614,033	64,715
	8,229,568	7,615,535
Less accumulated depreciation	(448,286)	(225,150)
Property and Equipment, Net	\$ 7,781,282	\$ 7,390,385

MONTANA HEALTHCARE FOUNDATION AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended December 31, 2023

Note 7 - 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,

2024	\$ 3,466,753
2025	<u>300,000</u>
	<u><u>\$ 3,766,753</u></u>

There were conditional grant commitments outstanding, not recorded on the statement of net position, of \$500,000 and \$1,000,000 as of December 31, 2023 and 2022, respectively. Of the conditional grant commitments outstanding at year end, \$400,000 was due to a related party (Note 11) at both December 31, 2023 and 2022. There is no discount for present value as of December 31, 2023 and 2022.

Note 8 - Operating Lease

During 2022, the Foundation purchased a 50% interest in 777 East Main Street in Bozeman, Montana. The property is administered by the co-owner of the building. In July 2023, the Foundation entered into a five year noncancellable lease agreement for office space within the building. The lease begins on July 1, 2023 and terminates on June 30, 2028, with an option to renew for five additional one year terms. Monthly payments began at \$20,873 per month and increase to \$25,512 over the term of the lease. The Foundation has recorded the right-of-use asset and lease liability at 50% to account for its ownership interest in the building.

Future minimum lease payments of the gross lease obligation are the operating lease agreement are as follows:

For the Year Ending December 31,

2024	\$ 257,437
2025	271,352
2026	285,268
2027	299,183
2028	<u>153,071</u>
Total undiscounted cash flows	1,266,311
Less noncontrolling interest in 777 Main Street	(633,156)
Less present value discount	<u>(57,264)</u>
Total Operating Lease Liability	<u><u>\$ 575,891</u></u>

MONTANA HEALTHCARE FOUNDATION AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended December 31, 2023

Note 8 - Continued

The components of lease expense for the year ended December 31, 2023 are as follows:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 56,144	\$ -
Variable lease cost	108,907	93,087
Short-term and other lease costs	<u>62,610</u>	<u>54,228</u>
Total Leasing Expense	<u>\$ 229,684</u>	<u>\$ 147,315</u>

Supplemental cash flow information related to leases as of December 31, 2023 is as follows:

Cash paid for amounts included in the measurement of lease liabilities- Operating cash flows from operating leases	\$ 56,144
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 628,294
Weighted-average remaining lease term - operating lease	4.5 years
Weighted-average discount rate - operating lease	4.10%

Note 9 - Commitments

Employment Agreements - The Foundation has entered into three employment agreements with key members of management with contracts that expire between December 31, 2024 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 10 - 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, 2023. Matching expense totaled \$122,520 and \$86,511 for the years ended December 31, 2023 and 2022, respectively.

MONTANA HEALTHCARE FOUNDATION AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended December 31, 2023

Note 11 - Related Party Transactions

The Foundation paid stipends totaling \$222,000 and \$240,000 to Board Trustees during both years ended December 31, 2023 and 2022, 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 \$400,000 and \$400,000 during the years ended December 31, 2023 and 2022, respectively. The Foundation had outstanding grants payable to the Institute of \$400,000 and \$400,000 at December 31, 2023 and 2022, respectively.

Note 12 - 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 \$49.1 million and \$47.1 million of its net assets without donor restriction as a quasi-endowment, as of December 31, 2023 and 2022, respectively.

Changes to quasi-endowment net assets are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, December 31, 2022	\$ 47,064,324	\$ -	\$ 47,064,324
Endowment investment return-			
Investment fees	(11,025)		(11,025)
Interest and dividends	445,682		445,682
Realized and unrealized gains	4,083,519		4,083,519
Total endowment investment return	4,518,176		4,518,176
Appropriation of endowment for expenditure	(2,466,171)		(2,466,171)
Endowment Net Assets, December 31, 2023	\$ 49,116,329	\$ -	\$ 49,116,329

MONTANA HEALTHCARE FOUNDATION AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended December 31, 2023

Note 12 - Continued

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, December 31, 2021	\$ 54,831,156	\$ -	\$ 54,831,156
Endowment investment return-			
Investment fees	(72,447)		(72,447)
Interest and dividends	1,937,412		1,937,412
Realized and unrealized losses	<u>(7,019,092)</u>		<u>(7,019,092)</u>
Total endowment investment return	(5,154,127)		(5,154,127)
Appropriation of endowment for expenditure	<u>(2,612,705)</u>		<u>(2,612,705)</u>
Endowment Net Assets, December 31, 2022	<u>\$ 47,064,324</u>	<u>\$ -</u>	<u>\$ 47,064,324</u>

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.

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

Note 13 - 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. Amounts available include donor-restricted amounts that are available for expenditure in the following year.

MONTANA HEALTHCARE FOUNDATION AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended December 31, 2023

Note 13 - Continued

The following table shows the total financial assets held by the Foundation and the amounts of those financial assets that 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 229,796	\$ 376,361
Program-related investments	1,600,000	500,000
Investments	<u>239,482,614</u>	<u>230,946,448</u>
Total financial assets	241,312,410	231,822,809
Less-		
Nonredeemable investment funds	(61,810,310)	(54,375,327)
Board-designated funds	(61,741,225)	(47,064,324)
Program-related investments	(1,600,000)	(500,000)
Add back estimated amount to be appropriated for the following year	<u>2,466,171</u>	<u>2,612,705</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 118,627,046</u></u>	<u><u>\$ 132,495,863</u></u>

SUPPLEMENTARY INFORMATION

MONTANA HEALTHCARE FOUNDATION AND SUBSIDIARY

**Consolidating Statement of Financial Position
December 31, 2023**

	Montana Healthcare Foundation	Main St. Holdings, LLC	Eliminations	Total
Assets:				
Cash and cash equivalents	\$ 147,072	\$ 82,724	\$ -	\$ 229,796
Accounts receivable		97,470		97,470
Investments	239,482,614			239,482,614
Program-related investments	1,600,000			1,600,000
Investment in LLC	7,273,335		(7,273,335)	
Property and equipment, net	500,513	7,280,769		7,781,282
Right-of-use asset	568,934			568,934
Prepays and other assets	51,335			51,335
Total Assets	<u>\$ 249,623,803</u>	<u>\$ 7,460,963</u>	<u>\$ (7,273,335)</u>	<u>\$ 249,811,431</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued liabilities	\$ 344,946	\$ 120	\$ -	\$ 345,066
Grants payable	3,766,753			3,766,753
Operating lease liability	575,891			575,891
Total Liabilities	4,687,590	120		4,687,710
Net Assets:				
Without donor restriction-				
Undesignated	183,194,988	7,460,843	(7,273,335)	183,382,496
Board designated - quasi-endowment	49,116,329			49,116,329
Board designated - other	12,624,896			12,624,896
Total Net Assets Without Donor Restrictions	<u>244,936,213</u>	<u>7,460,843</u>	<u>(7,273,335)</u>	<u>245,123,721</u>
Total Liabilities and Net Assets	<u>\$ 249,623,803</u>	<u>\$ 7,460,963</u>	<u>\$ (7,273,335)</u>	<u>\$ 249,811,431</u>

See independent auditor's report.

MONTANA HEALTHCARE FOUNDATION AND SUBSIDIARY

**Consolidating Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2023**

	Montana Healthcare Foundation	Main St. Holdings, LLC	Eliminations	Total
Changes in Net Assets Without Donor Restrictions				
Accounts Receivable				
Revenues, Gains and Other Support:				
Grants and contributions	\$ 13,581	\$ -	\$ -	\$ 13,581
Interest and dividends	3,149,069			3,149,069
Realized and unrealized gains on investments, net of fees	17,757,868			17,757,868
Other income	38,223	340,684		378,907
Total Revenues, Gains and Other Support	20,958,741	340,684		21,299,425
Expenses:				
Program services-				
Grants and initiatives	7,092,833			7,092,833
Other program related expenses	3,287,304			3,287,304
Total program expenses	10,380,137			10,380,137
Management and general-				
Administrative	661,551	110,290		771,841
Excise taxes	302,000			302,000
Total management and general	963,551	110,290		1,073,841
Total Expenses	11,343,688	110,290		11,453,978
Change in Net Assets Without Donor Restrictions	9,615,053	230,394		9,845,447
Net assets without donor restrictions, beginning of year	235,594,304	7,230,449	(7,546,479)	235,278,274
Return of capital from LLC	(273,144)		273,144	
Net Assets Without Donor Restrictions, End of Year	\$ 244,936,213	\$ 7,460,843	\$ (7,273,335)	\$ 245,123,721

See independent auditor's report.