

MONTANA HEALTHCARE FOUNDATION

Financial Statements

For the Year Ended December 31, 2020

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Montana Healthcare Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2020, and the change in its net assets and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 8, 2020. In our opinion, the summarized comparative information presented herein as of and for the year then ended, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Clark Nuber P.S.

Certified Public Accountants
May 13, 2021

MONTANA HEALTHCARE FOUNDATION

Statement of Financial Position

December 31, 2020

(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
Assets:		
Cash and cash equivalents	\$ 305,015	\$ 3,024,087
Investments	211,452,985	185,460,688
Fixed assets, net	20,328	52,064
Prepays and other assets	<u>67,146</u>	<u>182,358</u>
Total Assets	<u>\$ 211,845,474</u>	<u>\$ 188,719,197</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 94,452	\$ 64,364
Grants payable	<u>2,056,595</u>	<u>2,048,424</u>
Total Liabilities	2,151,047	2,112,788
Net Assets:		
Without donor restriction-		
Undesignated	160,423,520	139,452,098
Board designated quasi-endowment	<u>48,886,551</u>	<u>46,027,117</u>
Total without donor restriction	209,310,071	185,479,215
With donor restriction	<u>384,356</u>	<u>1,127,194</u>
Total Net Assets	<u>209,694,427</u>	<u>186,606,409</u>
Total Liabilities and Net Assets	<u>\$ 211,845,474</u>	<u>\$ 188,719,197</u>

See accompanying notes.

MONTANA HEALTHCARE FOUNDATION

**Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)**

	Without Donor Restriction	With Donor Restriction	2020 Total	2019 Total
Revenues, Gains and Other Support:				
Grants and contributions	\$ 10,500,000	\$ -	\$ 10,500,000	\$ 5,000,000
Interest and dividends	1,793,712		1,793,712	2,138,155
Realized and unrealized gains on investments, net of fees	19,719,577		19,719,577	27,295,952
Other income	164,518		164,518	57,754
Releases	742,838	(742,838)		
Total Revenues, Gains and Other Support	32,920,645	(742,838)	32,177,807	34,491,861
Expenses:				
Program services-				
Grants and initiatives	6,561,558		6,561,558	7,187,766
Other program related expenses	1,714,896		1,714,896	1,657,719
Total program expenses	8,276,454		8,276,454	8,845,485
Management and general-				
Administrative	621,335		621,335	469,418
Excise taxes	192,000		192,000	126,764
Total management and general	813,335		813,335	596,182
Total Expenses	9,089,789		9,089,789	9,441,667
Change in Net Assets	23,830,856	(742,838)	23,088,018	25,050,194
Net assets, beginning of year	185,479,215	1,127,194	186,606,409	161,556,215
Net Assets, End of Year	\$ 209,310,071	\$ 384,356	\$ 209,694,427	\$ 186,606,409

See accompanying notes.

MONTANA HEALTHCARE FOUNDATION

**Statement of Functional Expenses
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)**

	<u>Grants and Initiatives</u>	<u>Other Program</u>	<u>Program Total</u>	<u>Management and General</u>	<u>2020 Total</u>	<u>2019 Total</u>
Initiative grants, technical assistance and support	\$ 6,561,558	\$ -	\$ 6,561,558	\$ -	\$ 6,561,558	\$ 7,187,766
Salaries and related costs		1,195,315	1,195,315	434,770	1,630,085	1,393,633
Other operating costs		231,822	231,822	29,633	261,455	201,928
Professional development, convenings and consultations		25,245	25,245	6,175	31,420	123,213
Trustee compensation		84,000	84,000	84,000	168,000	168,000
Excise taxes				192,000	192,000	126,764
Occupancy		106,697	106,697	26,674	133,371	132,235
Professional fees		40,081	40,081	40,083	80,164	76,393
Depreciation		31,736	31,736		31,736	31,735
Total Expenses	<u>\$ 6,561,558</u>	<u>\$ 1,714,896</u>	<u>\$ 8,276,454</u>	<u>\$ 813,335</u>	<u>\$ 9,089,789</u>	<u>\$ 9,441,667</u>

See accompanying notes.

MONTANA HEALTHCARE FOUNDATION

**Statement of Cash Flows
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)**

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 23,088,018	\$ 25,050,194
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities-		
Depreciation	31,736	31,735
Realized and unrealized gains on investments	(20,039,098)	(27,638,199)
Changes in assets and liabilities:		
Contribution receivable		215,000
Prepaid expenses and other assets	115,212	4,862
Accounts payable and accrued liabilities	30,088	(40,556)
Grants payable	8,171	627,219
	<u>3,234,127</u>	<u>(1,749,745)</u>
Net Cash Provided (Used) by Operating Activities	3,234,127	(1,749,745)
Cash Flows From Investing Activities:		
Purchase of investments	(10,832,525)	(31,752,532)
Proceeds from sale of investments	4,879,326	24,854,251
	<u>(5,953,199)</u>	<u>(6,898,281)</u>
Net Cash Used by Investing Activities	(5,953,199)	(6,898,281)
Net Change in Cash and Cash Equivalents	(2,719,072)	(8,648,026)
Cash and cash equivalents, beginning of year	3,024,087	11,672,113
	<u>\$ 305,015</u>	<u>\$ 3,024,087</u>
Cash and Cash Equivalents, End of Year	\$ 305,015	\$ 3,024,087
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for excise taxes	\$ 187,000	\$ 122,559

See accompanying notes.

MONTANA HEALTHCARE FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2020

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 \$48.9 million and \$46.0 million of its net assets without donor restriction as a quasi-endowment, as of December 31, 2020 and 2019, 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 \$384,000 and \$1.1 million, as of December 31, 2020 and 2019, 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, 2020**

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 balance sheets.

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

MONTANA HEALTHCARE FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2020

Note 1 - Continued

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.

For each of the years ended December 31, 2020 and 2019, 95% and 99% 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, 2019, from which the summarized information was derived.

Subsequent Events - The Foundation's management has evaluated subsequent events through May 13, 2021, 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, 2020

Note 3 - Investments

Investments consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Investments valued at fair value based on market quotes-		
Money markets	\$ 5,818,081	\$ 9,271,446
Bond mutual fund	12,425,480	16,721,924
Equity mutual funds	<u>88,558,122</u>	<u>68,359,994</u>
	106,801,683	94,353,364
Nonmarketable securities	<u>104,651,302</u>	<u>91,107,324</u>
Total Investments	<u>\$ 211,452,985</u>	<u>\$ 185,460,688</u>

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

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 1,793,712	\$ 2,138,155
Realized and unrealized gains on investments	20,039,098	27,638,199
Investment management fees	<u>(319,521)</u>	<u>(342,247)</u>
Total Investment Return	<u>\$ 21,513,289</u>	<u>\$ 29,434,107</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, 2020**

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, 2020 and 2019.

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, 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. large cap	12,697,671			12,697,671
U.S. small cap	58,024,896			58,024,896
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

MONTANA HEALTHCARE FOUNDATION

Notes to Financial Statements
For the Year Ended December 31, 2020

Note 4 - Continued

	Fair Value Measurements as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Money markets	\$ 9,271,446	\$ -	\$ -	\$ 9,271,446
Bond mutual fund	16,721,924			16,721,924
Equity mutual funds-				
U.S. large cap	13,342,452			13,342,452
U.S. small cap	35,945,159			35,945,159
International	19,072,383			19,072,383
Total Investments in the Fair Value Hierarchy	\$ 94,353,364	\$ -	\$ -	94,353,364
Investments measured at NAV				91,107,324
Total Investments at Fair Value				\$ 185,460,688

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	Fair Value December 31, 2020	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Other Restrictions
Hedge funds	\$ 17,950,291	\$ -	Monthly - 3 years	30 - 60 days	None
Offshore corporation	18,175,312		Monthly	30 days	None
Partnership and trust	35,996,634		Monthly	7 - 30 days	None
Private markets	32,529,065	26,837,994	None	None	None
	\$ 104,651,302	\$ 26,837,994			

MONTANA HEALTHCARE FOUNDATION

**Notes to Financial Statements
For the Year Ended December 31, 2020**

Note 5 - Fixed Assets

Fixed assets consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Software	\$ 50,820	\$ 50,820
Leasehold improvements	<u>64,715</u>	<u>64,715</u>
	115,535	115,535
Less accumulated depreciation	<u>(95,207)</u>	<u>(63,471)</u>
Fixed Assets, Net	<u>\$ 20,328</u>	<u>\$ 52,064</u>

Depreciation expense totaled \$31,736 and \$31,735 for the years ended December 31, 2020 and 2019, 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,

2021	\$ 1,856,509
2022	<u>200,086</u>
	<u>\$ 2,056,595</u>

There were conditional grant commitments of \$1,200,000 and \$0 as of December 31, 2020 and 2019, respectively. There is no discount to present value as of December 31, 2020 and 2019.

Note 7 - Net Assets With Donor Restriction

At December 31, 2020 and 2019, 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, 2020

Note 8 - Commitments

Operating Lease - The Foundation entered into a lease for office space that began on December 1, 2018 and terminates on November 31, 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,

2021	\$	99,741
2022		102,296
2023		<u>95,909</u>
	\$	<u><u>297,946</u></u>

Rental expense for the years ended December 31, 2020 and 2019, totaled \$133,371 and \$132,235, 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 Dec 31, 2021 and Dec 31, 2024. 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 4% of participants' eligible compensation as of December 31, 2020. Matching expense totaled \$55,151 and \$46,708 for the years ended December 31, 2020 and 2019, respectively.

Note 10 - Related Party Transactions

The Foundation paid stipends totaling \$168,000 to Board Trustees during each of the years ended December 31, 2020 and 2019.

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.

Note 11 - Quasi-Endowment

In 2016, the Foundation established a quasi-endowment to preserve the initial \$40,200,000 of assets transferred to the Foundation upon formation. The Foundation had \$48.9 million and \$46.0 million of its net assets without donor restriction as a quasi-endowment, as of December 31, 2020 and 2019, respectively.

MONTANA HEALTHCARE FOUNDATION

**Notes to Financial Statements
For the Year Ended December 31, 2020**

Note 11 - Continued

Changes to quasi-endowment net assets are as follows:

	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

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, December 31, 2018	\$ 40,824,087	\$ -	\$ 40,824,087
Endowment investment income-			
Investment fees	(84,737)		(84,737)
Interest and dividends	531,710		531,710
Realized and unrealized losses	6,983,011		6,983,011
Total endowment investment income	7,429,984		7,429,984
Appropriation of endowment for expenditure	(2,226,954)		(2,226,954)
Endowment Net Assets, December 31, 2019	\$ 46,027,117	\$ -	\$ 46,027,117

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, 2020**

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 305,015	\$ 3,024,087
Investments	<u>211,452,985</u>	<u>185,460,688</u>
Total financial assets	211,758,000	188,484,775
Less-		
Nonredeemable investment funds	(32,529,065)	(10,812,857)
Quasi-endowment funds	(48,886,551)	(46,027,117)
Add back estimated endowment appropriation	2,859,435	2,433,684
Other donor restricted funds	<u>(384,356)</u>	<u>(1,127,194)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 132,817,463</u>	<u>\$ 132,951,291</u>

In December 2019, a novel strain of coronavirus (COVID-19) was identified, and the World Health Organization declared the outbreak to constitute a “Public Health Emergency of International Concern.” The COVID-19 pandemic caused business disruption through mandated and voluntary closing of multiple businesses and organizations. While the situation is expected to be temporary, the extent of the impact of COVID-19 on the Foundation’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the effect on the Foundation’s investments and grantees, none of which can be reliably predicted at this time. Management continues to monitor events and conditions as they unfold and has established strategies to respond accordingly.