

**BOZEMAN AREA COMMUNITY FOUNDATION**

**REVIEWED FINANCIAL STATEMENTS**

**March 31, 2018 and 2017**



**AMATICS**  
CPA GROUP

**BOZEMAN AREA COMMUNITY FOUNDATION  
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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors  
Bozeman Area Community Foundation  
Bozeman, MT

We have reviewed the accompanying financial statements of Bozeman Area Community Foundation (a nonprofit organization), which comprise the statements of financial position as of March 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### Management's Responsibility 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; 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.

### Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Amatics CPA Group*

Bozeman, Montana  
March 4, 2019



**BOZEMAN AREA COMMUNITY FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**March 31, 2018 and 2017**

		<b>March 31</b>	
		<b>2018</b>	<b>2017</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	80,673	\$ 43,607
Annuity reserve		367,659	411,907
Contributions receivable		-	20,000
Total current assets		<u>448,332</u>	<u>475,514</u>
<b>OTHER ASSETS</b>			
Endowment investment		920,898	750,163
Agency investment funds		<u>90,219</u>	<u>93,760</u>
Total other assets		<u>1,011,117</u>	<u>843,923</u>
Total assets	\$	<u><u>1,459,449</u></u>	<u><u>\$ 1,319,437</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Payroll liabilities	\$	4,249	\$ 1,757
Deferred revenue		<u>13,270</u>	<u>9,842</u>
Total current liabilities		<u>17,519</u>	<u>11,599</u>
<b>LONG-TERM LIABILITIES</b>			
Agency funds		93,757	93,760
Annuities payable		<u>104,229</u>	<u>98,205</u>
Total long-term liabilities		<u>197,986</u>	<u>191,965</u>
<b>NET ASSETS</b>			
Unrestricted		18,659	23,117
Temporarily restricted		375,810	389,637
Permanently restricted		<u>849,475</u>	<u>703,119</u>
Total net assets		<u>1,243,944</u>	<u>1,115,873</u>
Total liabilities and net assets	\$	<u><u>1,459,449</u></u>	<u><u>\$ 1,319,437</u></u>

See the accompanying independent accountants' review report and the notes to financial statements.

**BOZEMAN AREA COMMUNITY FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**Year Ended March 31, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Grants and contributions	\$ 84,275	\$ 151,000	\$ 152,053	\$ 387,328
Investment income, net	43,525	16,056	6,482	66,063
In-kind support	28,730	-	-	28,730
Change in value of split-interest agreements	-	-	(12,179)	(12,179)
Program income	<u>18,694</u>	<u>-</u>	<u>-</u>	<u>18,694</u>
Total revenues and gains	175,224	167,056	146,356	488,636
<b>NET ASSET RECLASSIFICATIONS</b>				
Released from restriction	<u>180,883</u>	<u>(180,883)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>356,107</u>	<u>(13,827)</u>	<u>146,356</u>	<u>488,636</u>
<b>EXPENSES</b>				
Program services	270,495	-	-	270,495
Management and general	49,355	-	-	49,355
Fundraising and development	<u>40,715</u>	<u>-</u>	<u>-</u>	<u>40,715</u>
Total expenses	<u>360,565</u>	<u>-</u>	<u>-</u>	<u>360,565</u>
<b>CHANGE IN NET ASSETS</b>	(4,458)	(13,827)	146,356	128,071
Net assets at beginning of year	<u>23,117</u>	<u>389,637</u>	<u>703,119</u>	<u>1,115,873</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 18,659</u>	<u>\$ 375,810</u>	<u>\$ 849,475</u>	<u>\$ 1,243,944</u>

See the accompanying independent accountants' review report and the notes to financial statements.

**BOZEMAN AREA COMMUNITY FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**Year Ended March 31, 2017**

**REVENUES, GAINS, AND OTHER SUPPORT**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Grants and contributions	\$ 108,701	\$ 190,828	\$ 62,069	\$ 361,598
Investment income, net	18,398	53,699	18,444	90,541
In-kind support	27,980	-	-	27,980
Change in value of split-interest agreements	-	-	3,725	3,725
Program income	<u>160</u>	<u>-</u>	<u>-</u>	<u>160</u>
Total revenues and gains	155,239	244,527	84,238	484,004

**NET ASSET RECLASSIFICATIONS**

Released from restriction	17,011	(17,011)	-	-
Change in restrictions	<u>(5,305)</u>	<u>23,325</u>	<u>(18,020)</u>	<u>-</u>
Total revenues, gains, and other support	<u>166,945</u>	<u>250,841</u>	<u>66,218</u>	<u>484,004</u>

**EXPENSES**

Program services	101,060	-	-	101,060
Management and general	27,165	-	-	27,165
Fundraising and development	<u>23,336</u>	<u>-</u>	<u>-</u>	<u>23,336</u>
Total expenses	<u>151,561</u>	<u>-</u>	<u>-</u>	<u>151,561</u>

**CHANGE IN NET ASSETS**

Net assets at beginning of year	15,384	250,841	66,218	332,443
	<u>7,733</u>	<u>138,796</u>	<u>636,901</u>	<u>783,430</u>

**NET ASSETS AT END OF YEAR**

	<u>\$ 23,117</u>	<u>\$ 389,637</u>	<u>\$ 703,119</u>	<u>\$ 1,115,873</u>
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See the accompanying independent accountants' review report and the notes to financial statements.

**BOZEMAN AREA COMMUNITY FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended March 31, 2018**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Accreditation	\$ 5,227	\$ 1,494	\$ 747	\$ 7,468
Advertising and promotional	1,038	-	-	1,038
Bank charges	1,064	-	-	1,064
Computer software	4,484	1,281	641	6,406
Event expense	20,089	5,740	2,870	28,699
Grants	168,291	-	-	168,291
Insurance	1,246	356	178	1,780
Legal and professional	15,697	4,485	2,242	22,424
Miscellaneous	9,132	1,658	829	11,619
Occupancy	3,934	1,124	562	5,620
Office and supplies	2,668	762	381	3,811
Payroll and related expenses	32,072	32,076	32,076	96,224
Program	<u>4,228</u>	<u>-</u>	<u>-</u>	<u>4,228</u>
Travel and meetings	1,325	379	189	1,893
	<u>\$ 270,495</u>	<u>\$ 49,355</u>	<u>\$ 40,715</u>	<u>\$ 360,565</u>

See the accompanying independent accountants' review report and the notes to financial statements.

**BOZEMAN AREA COMMUNITY FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended March 31, 2017**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising and Development</b>	<b>Total</b>
Accreditation	\$ 1,838	\$ 525	\$ 263	\$ 2,626
Advertising and promotional	4,042	1,155	577	5,774
Bank charges	3,850	1,100	550	5,500
Computer software	1,111	318	159	1,588
Contract services	2,913	-	-	2,913
Event expense	33,278	-	-	33,278
Grants	17,885	-	-	17,885
Insurance	905	259	129	1,293
Legal and professional	3,229	923	461	4,613
Miscellaneous	1,174	384	362	1,920
Occupancy	3,300	943	471	4,714
Office and supplies	4,508	1,288	644	6,440
Payroll and related expenses	19,169	19,168	19,168	57,505
Travel and meetings	1,019	291	146	1,456
Vista	2,839	811	406	4,056
	<u>\$ 101,060</u>	<u>\$ 27,165</u>	<u>\$ 23,336</u>	<u>\$ 151,561</u>

See the accompanying independent accountants' review report and the notes to financial statements.



**BOZEMAN AREA COMMUNITY FOUNDATION  
STATEMENT OF CASH FLOWS**

	<b>Years Ended March 31</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 128,071	\$ 332,443
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Unrealized gains	(26,657)	(66,225)
Change in value of annuities payable	12,179	(3,725)
Transfers to permanently restricted endowments	-	(49,189)
(Increase) decrease in current assets	20,000	(9,725)
Increase (decrease) in current liabilities	5,917	10,291
Net cash provided by operating activities	<u>139,510</u>	<u>213,870</u>
<b>CASH FLOWS USED BY INVESTING ACTIVITIES</b>		
Net proceeds from (purchase of) investments	<u>(95,144)</u>	<u>(248,979)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Transfers to permanently restricted endowments	-	49,189
Payments to annuitants	<u>(7,300)</u>	<u>(8,649)</u>
Net cash provided (used) by financing activities	<u>(7,300)</u>	<u>40,540</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	37,066	5,431
Cash and cash equivalents at beginning of year	<u>43,607</u>	<u>38,176</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 80,673</u></u>	<u><u>\$ 43,607</u></u>

See the accompanying independent accountants' review report and the notes to financial statements.

**BOZEMAN AREA COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2018 and 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Bozeman Area Community Foundation (the Foundation) is a Montana nonprofit public charity organization created in 1998. The Bozeman Area Community Foundation improves quality of life for our community by promoting charitable giving, connecting donors with causes they care about and providing leadership on important community issues.

The Foundation is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a)(1) of the Code.

The Foundation administers grants to local charities through an annual grant cycle and by managing endowment funds for nonprofits. In 2009, the Foundation adopted a vision for the organization and community. The Foundation began to offer more programming for our local nonprofits, hosting monthly Nonprofit Café gatherings, distributing a weekly e-newsletter, and offering training opportunities.

In 2011, with the support of the Mountain Sky Guest Ranch Fund, the Foundation conducted a Nonprofit Needs Assessment survey to gain insight about the sector it serves and its challenges and opportunities. In late 2011 and early 2012, the Foundation expanded its board membership and established committees to oversee the focus areas: including Finance, Grants, Advancement, Best Practices, Programming & Outreach, Donor Stewardship & Fundraising, and Executive committees. In 2013, BACF hired their first staff person, a Foundation Manager. In 2017, BACF hired their second staff member, a Program Manager. Since 1999, the Foundation has grown its assets to nearly \$1.5 million and distributed more than \$2.6 million in funding to 190+local nonprofit organizations. The Foundation strives to serve its community through grant-making, supporting local non-profits, nurturing a culture of giving, and undertaking leadership projects.

**Basis of Accounting**

The accompanying financial statements are presented in accordance with U.S. generally accepted accounting principles and the not-for-profit requirements of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), whereby net assets and changes therein are classified according to the existence or absence of time or donor-imposed restrictions.

*Unrestricted net assets* - Net assets that are not subject to time or donor-imposed restrictions.

*Temporarily restricted net assets* - Net assets subject to time or donor-imposed restrictions that will be met either by actions of the Foundation and/or the passage of time.

*Permanently restricted net assets* - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use income earned on related investments for general or specific purposes.

**BOZEMAN AREA COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2018 and 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting (Continued)**

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor-imposed stipulations that limit the use of the donated asset. When a donor imposed restriction expires, that is, the purpose restriction is accomplished or a stipulated time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

In accordance with the standards in FASB ASC, funds that are created by organizations for their own benefit (agency funds) are classified as liabilities, even though the fund holders have explicitly granted the Foundation variance power. Grants disbursed from agency funds reduce these liabilities.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Foundation considers all unrestricted cash and other highly liquid investments with a maturity of less than three months to be cash equivalents. Cash and cash equivalents held as a portion of the Foundation's endowment portfolio are classified as investments and are not considered to be cash equivalents.

**Investments**

Investments in marketable securities with readily determinable fair values are reported at their fair value in the statement of financial position with the annual change in fair value being recorded as unrealized gains and losses in the change in net assets.

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

**Revenue and Other Support**

Contributions, which may include non-cash assets, unconditional promises to give and beneficial interests in irrevocable trusts or other legally-binding agreements, are recognized as revenue at fair value in the period pledged or received. Contributions receivable are reviewed for collectibility and reserves for uncollectible amounts are established when needed. Contributions of services that create or enhance nonfinancial assets or that require specialized skills, and are provided by individuals possessing those skills, are recorded at their fair values in the period received. Contributions with donor-imposed restrictions that are met in the current period are recorded as unrestricted contributions.

**BOZEMAN AREA COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2018 and 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**In Kind Support**

The Foundation records various types of in kind support, including professional services and supplies. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Foundation recognized \$28,730 and \$27,980 of in kind support for the Give Big Gallatin Valley program for the years ended March 31, 2018 and 2017.

**Split-interest Agreements**

The Foundation serves as trustee for irrevocable charitable remainder trusts. Assets held in the trusts are included in investments. The obligation to make payments to the trust beneficiaries is reported as obligations under annuities payable. When trusts are established, the assets transferred to the Foundation are recognized at their fair value, and a liability is established for the present value of the estimated future payments to be made to beneficiaries. The difference between those two amounts is recognized as a restricted contribution. Annually, the obligation is adjusted for changes in the value of assets and actuarial changes in the estimates of future benefits. The annual adjustment is reported in the statement of activities as the change in value of split-interest agreements.

**Agency Funds**

When a not-for-profit organization establishes a fund with the Foundation with its own funds and specifies itself as the beneficiary of that fund, the Foundation accounts for those funds as a liability. The liability is recorded at the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the not-for-profit. The Foundation refers to these funds as agency funds. According to agreements, the Foundation owns the assets of agency endowments; however, in the event the Foundation is dissolved, agency endowments would be returned to the benefiting nonprofit.

The Foundation manages gift annuities for which it is not the remainder beneficiary. Upon maturity or termination, the value of the annuity will be transferred to the benefiting charity to be held as a liability within permanent endowment. These assets are recorded in investments and as funds held as agency endowments.

**Administrative Fees**

An investment management fee is charged annually to the donor advised and endowment funds. Fees range from 1.00% to 4.50%, depending on the type of fund and the balance of the fund.

**Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

**Advertising and Promotion**

Advertising and promotion costs are expensed as incurred.

**BOZEMAN AREA COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2018 and 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes**

The Foundation is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, and therefore has made no provision for federal income taxes in the accompanying financial statements. The Foundation's information returns (Form 990) are open to examination by the IRS, generally, for three years after they were filed or the due date of the return, whichever is later.

**Concentrations of Risk**

*Cash and cash equivalents*

Bozeman Area Community Foundation maintains its cash balances at banks located in Bozeman, Montana. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank, per depositor. The Foundation has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents. As of March 31, 2018 and 2017, cash and cash equivalents did not exceed federally insured limits.

*Investments*

The Foundation maintains the majority of its investments in money market accounts, mutual funds, bonds and equities with brokerage firms. Investments are exposed to various risks, such as interest, market, and credit risks. It is reasonably possible, given the risks associated with investments, that changes in the near term could materially affect the amounts reported in the financial statements. Investments held are insured up to \$500,000 through Securities Investor Protection Corporation (SIPC). To manage risk, the Foundation has formal investment policies.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**2. INVESTMENTS AND FAIR MARKET VALUE MEASUREMENTS**

The Foundation determines the fair value of its investments through the application of FASB ASC 820, which provides a framework for measuring fair value. FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

FASB ASC 820-10 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

**BOZEMAN AREA COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2018 and 2017**

**2. INVESTMENTS AND FAIR MARKET VALUE MEASUREMENTS (Continued)**

The three levels are defined as follows:

Level 1 - observable inputs that are based upon quoted market prices for identical assets or liabilities within active markets.

Level 2 - observable inputs other than Level 1 that are based upon quoted market prices for similar assets or liabilities, based upon quoted prices within inactive markets, or inputs other than quoted market prices that are observable through market data for substantially the full term of the asset or liability.

Level 3 - inputs that are unobservable for the particular asset or liability due to little or no market activity and are significant to the fair value of the asset or liability. These inputs reflect assumptions that market participants would use when valuing the particular asset or liability.

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis: Investments in mutual funds, bonds and securities are valued based upon quoted market prices. Money market funds are valued at closing price reported on the active market on which the individual funds are traded.

Investments at March 31, 2018 and 2017, are as follows:

	<b>Fair Value (Level 1)</b>	
	<b>2018</b>	<b>2017</b>
Money market fund	\$ 331,440	\$ 262,185
Mutual funds	1,047,336	993,645
	<u>\$ 1,378,776</u>	<u>\$ 1,255,830</u>

Investment income for the years ended March 31, 2018 and 2017 includes the following:

	<b>2018</b>	<b>2017</b>
Interest and dividends	\$ 48,919	\$ 21,241
Capital gains (losses)	(33)	10,133
Unrealized gains	26,657	66,225
Investment expenses	<u>(9,480)</u>	<u>(7,058)</u>
Net investment income	<u>\$ 66,063</u>	<u>\$ 90,541</u>

**BOZEMAN AREA COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2018 and 2017**

**3. ENDOWMENT**

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. During the years ended March 31, 2018 and 2017, there were fees of \$28,050 and \$4,637 paid for management of endowment funds.

*Interpretation of Relevant Law*

The Board of Directors has interpreted the Montana Uniform Prudent Management of Institutional Funds Act ("MUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. General economic conditions;
2. The possible effect of inflation and deflation;
3. The expected tax consequences, if any, of investment decisions or strategies;
4. The role that each investment or course of action plays within the Foundation's overall investment portfolio;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Foundation;
7. The needs of the Foundation and a given institutional fund to make distributions and to preserve capital; and
8. An asset's special relationship or special value, if any, to the purpose of the Foundation.

*Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor of MUPMIFA requires the Foundation to retain as a fund of perpetual direction. As of the March 31, 2018, the endowment fund had three accounts with deficiencies in the amount of \$16,470. As of the March 31, 2017, the endowment fund had one account with a deficiency in the amount of \$14,514.

*Return Objectives and Risk Parameters*

The Foundation's long-term investment objective is to preserve the real value of its permanent funds. This means that the Foundation seeks a total rate of return that supports its grantmaking, expenses, investment fees, and inflation. The Foundation will normally measure whether it has achieved that objective over a rolling five-year period.

**BOZEMAN AREA COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2018 and 2017**

**3. ENDOWMENT (Continued)**

The Board has determined that investment managers should avoid unnecessary risk in investing the Foundation's assets. To achieve that goal, investment managers will observe limits put in place in the Foundation's investment and spending policy.

*Strategies Employed for Achieving Objectives*

The long-term horizon of the Foundation's investment portfolio allows for a large allocation to equity-oriented strategies where the potential for long-term capital appreciation exists. Other assets, including but not limited to hedging, derivative, or diversification strategies, may also be used to reduce risk and overall portfolio volatility. The investment portfolio will be diversified across asset classes and managers including, but not limited to, domestic equity, international equity, emerging markets, alternative equity, private equity, and fixed income. In addition, the Investment Committee is encouraged to analyze and propose socially responsible asset class options and managers in addition to more traditional investment classes and managers.

Permanent funds will be invested in one or more of the Foundation's investment pools. Expendable funds generally will be invested in a portfolio of cash equivalent securities in order to preserve the fund's principal. However, the Foundation will consider recommendations from authorized fund representatives to invest expendable fund assets in one or more of the investment options available for permanent funds.

*Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Foundation's sets its annual spending policy for permanent funds by applying a percentage between 4% and 6%, determined annually by the Board of Directors, to a fund's average fair value of the prior 36 months, measured from the fiscal year-end immediately preceding the fiscal year being budgeted and in which the distribution is planned.

Endowment activity and net asset composition by type of fund for the years ended March 31, 2018 and 2017 is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Balance, March 31, 2016	\$ (9,080)	\$ 120,950	\$ 415,875	\$ 527,745
Transfers	-	23,325	49,189	72,514
Investment income, net	941	49,772	-	50,713
Balance, March 31, 2017	(8,139)	194,047	465,064	650,972
Contributions	20	-	128,297	128,317
Investment income, net	(1,695)	14,788	-	13,093
Distributions	(474)	(35,825)	-	(36,299)
Balance, March 31, 2018	<u>\$ (10,288)</u>	<u>\$ 173,010</u>	<u>\$ 593,361</u>	<u>\$ 756,083</u>



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**3. ENDOWMENT (Continued)**

The following is a reconciliation of endowment balances to endowment funds reported on the statement of financial position as of March 31, 2018 and 2017:

	<u><b>2018</b></u>	<u><b>2017</b></u>
Endowment net assets, above	\$ 756,083	\$ 650,972
Non-endowed funds:		
Donor advised funds	176,800	174,755
Due from annuity	(3,602)	(75,564)
Due from operating	<u>(8,383)</u>	<u>-</u>
Endowment investment account	<u><u>\$ 920,898</u></u>	<u><u>\$ 750,163</u></u>

**4. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consists of the following as of March 31, 2018 and 2017:

	<u><b>2018</b></u>	<u><b>2017</b></u>
Unappropriated endowment earnings	\$ 173,010	\$ 194,047
Donor advised funds	176,800	174,755
Grants receivable	-	20,835
Give Big Gallatin Valley	<u>26,000</u>	<u>-</u>
	<u><u>\$ 375,810</u></u>	<u><u>\$ 389,637</u></u>

**5. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consists of the following as of March 31, 2018:

	<u><b>2018</b></u>	<u><b>2017</b></u>
Endowments	\$ 593,361	\$ 465,064
Irrevocable annuities payable	<u>256,114</u>	<u>238,055</u>
	<u><u>\$ 849,475</u></u>	<u><u>\$ 703,119</u></u>

**6. OPERATING LEASE**

The Foundation leases office space under a year-to-year lease. Total lease payments paid during the years ended March 31, 2018 and 2017 were \$3,725 and \$3,326.

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**7. GIVE BIG REVENUE**

In May 2017 and 2016, the Foundation hosted Give Big Gallatin Valley ("GBGV"). GBGV is a 24-hour online and live celebration of giving created to connect generous community members with the causes they care about most. In May 2017, BACF helped raise over \$707,000 through 3,600 donors for 168 local nonprofits in Gallatin County. In May 2016, BACF helped raise over \$415,000 through 3,500 donors for 131 local nonprofits in Gallatin County. BACF acts as an intermediary between the donors and the recipient nonprofits, accordingly, contributions collected on behalf of the designated nonprofits and the associated grants disbursed are not reflected in the statement of activities.

**8. RELATED PARTY TRANSACTIONS**

100% of the Foundation's board members have financially contributed to the organization. For the years ended March 31, 2018 and 2017, the board personally contributed \$21,460 and \$11,668, respectively.

**9. SUBSEQUENT EVENTS**

Date of Management Evaluation

Management has evaluated subsequent events through March 4, 2019, the date on which the financial statements were available to be issued.