



2018 ANNUAL REPORT

Dear Friends,



Dale Woolhiser
Board Chair



Mary K. Rutherford
President & CEO

Anyone and everyone can be a philanthropist. From its earliest meaning “love of humanity,” we see philanthropy in action every day across Montana and beyond. Philanthropy isn’t something reserved for the wealthy. At MCF, we are focused on preserving those things people care about forever. Montana has wonderful tools to help us, like the Montana Charitable Endowment Tax Credit. Another remarkable tool, is the Montana Community Foundation (MCF) and the community foundation model itself. Not only do we help you support many causes through a single fund, but we also offer a diverse range of ways you can give. If you’ve worked with our staff, you know they find creative options to help people make the most of their philanthropic giving.

We are the agent of the philanthropist. Here at MCF we now have more than 1,100 funds, a number that far exceeds most of our peers in the field. While administering this number of funds is certainly a challenge, it also represents one of our greatest strengths as an organization and as Montanans. Most of those funds weren’t started with large gifts; they were started with small gifts that have grown over the years. Many were created with planned gifts made year after year by someone with a passion for a cause, organization, or many causes and organizations.

You won’t find many millionaires in Montana. Our median household income is less than \$50,000 a year. What you will find though, are a whole lot of folks who care about our state. What you also will find, is a whole lot of folks who can come together and accomplish amazing things. And you’ll find philanthropists from all walks of life and income levels creating amazing legacies through their generosity.

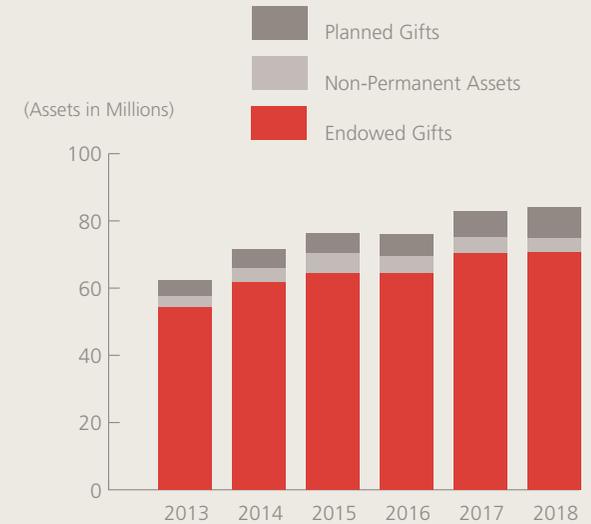
If you’re reading our annual report, it means you’re one of those who are a part of the network that makes philanthropy happen. Maybe you work for a huge nonprofit or maybe you volunteer for a small one. Maybe you’re a professional advisor who has helped their clients with their charitable giving. Maybe you’re someone who has benefitted from the generosity of others. Regardless, you are a part of Montana philanthropy and part of why this Last Best Place is cherished and will be cherished forever. Your generosity matters a lot. Forever. Thank you for your partnership.

Sincerely,

Dale Woolhiser
Board Chair

Mary K. Rutherford
President & CEO

Ensuring Montana’s Future



As of June 30

MCF by the Numbers (as of June 30, 2018)

- \$123 billion estimated intergenerational transfer of wealth in Montana 2010 – 2060
- \$68 million reinvested in Montana through scholarships, grants and operations since 1988
- 82 affiliated funds serving 44 communities
- \$47.4 million in contributions in last 10 years
- \$100.5 million in total assets
- \$81.2 million in endowed assets
- 475 planned gifts totaling more than \$12.1 million

Anyone can be a Philanthropist



On the surface, Bill Pratt seems like a pretty ordinary person. Digging deeper though, you'll discover Bill isn't ordinary. He's a middle class guy who has worked hard in a number of different fields throughout his life. He's been frugal and he's also taken advantage of many different retirement vehicles allowing him to save – an IRA, a Roth IRA, Deferred Compensation with the state, and even a 403(b)(7) plan, which is a tax-deferred retirement plan that's often available to employees of public schools or, in Bill's case, to nonprofit organizations.

One of the reasons that last one is important is because Bill has worked in philanthropy in various forms throughout his career, including time as an employee here at MCF. Bill's passion lies in art – indigenous, traditional, folk and media art. Back in the day he played with a group of musicians that performed traditional songs and bluegrass numbers. He also worked as a blacksmith at Bent's Old Fort National Historic Site, and subsequently as a craftsman in forged iron. In addition, Bill served in various roles, from production assistant to producer, for industrial and documentary films. When it came time to look at his finances and how they relate to his philanthropic interests, he knew, with the help of MCF, he could find a way to use the money he'd saved throughout his life to create a personal legacy and gift to Montana, which would make a real impact.

By shifting a Donor Advised Fund he had with Vanguard Charitable, making a charitable distribution directly from his IRA, as well as creating a Deferred Gift Annuity using an appreciated growth mutual fund, (which enabled him to take advantage of the Montana Charitable Endowment Tax Credit), Bill was able to establish a field-of-interest fund for the arts at MCF which will support a competitive grant program. He's also taken advantage of "bunching," which allows him to consolidate two years of charitable giving into a single year, in turn, letting him itemize and use the federal charitable deduction when the bunched gift is combined with other eligible expenses to exceed the standard deduction.

Bill's fund will grant about \$5,000 a year beginning in 2020, but when he passes, the fund may distribute as much as \$75,000 a year as a result of his bequest. Armed with knowledge, foresight, and some help from MCF, Bill will create an incredible legacy supporting something he loves. "I want to showcase Montana to itself and the world," Bill said when talking about his passion for indigenous, traditional, folk and media art. With this fund, we think Bill will do just that.

"I want to showcase Montana
to itself and the world."



Renewing Excellence

You may remember a story that appeared in our 2016 Annual Report about earning accreditation from the National Standards Board for U.S. Community Foundations. The National Standards were created to demonstrate effectiveness and accountability to policymakers, regulators, and the public, establishing legal, ethical, and effective practices for community foundations. It encompasses, examines, and qualifies every aspect of a community foundation's work.

At the time, we were the only community foundation to have earned this accreditation. Today, there is only one other community foundation in Montana who has. Earning the accreditation isn't just a one-time affair. As an accredited foundation, we're required to renew regularly. This means we're also required to ensure we maintain the rigorous standards set by the National Standards, rigorous standards we have indeed maintained to earn our re-accreditation each year.

When you partner with us in your philanthropy, we know you're placing a huge amount of trust in us as an organization. The National Standards assures our donors, nonprofit partners, professional advisors, and the public that we are not only following legal guidelines, but also have made a commitment to operational excellence, accountability, and sound policies and procedures. It assures you you've found your go-to place for philanthropy.

Be Will-Full



We as Montanans take great care and pride in our family, friends, and property. However, that fact holds true in life, but not often in death. A staggering seven out of 10 Montanans make no provisions for the management and distribution of their property when it's needed the most – after their death. It may seem odd to some to include a story like this in an annual report, but MCF is about legacy. We're here to ensure Montana's future and we accomplish that through legacy. The legacy of philanthropists like you and thousands more still out there who care deeply about this place we call Big Sky Country.

It's no secret we have an aging population here in Montana. Combine that with 70 percent of Montanans having nothing formal in place as to how their assets be distributed following their death, and you arrive in a daunting place. Montana law does provide for the disposition of real and personal property when someone passes without a will. In some circumstances this may suffice. However, there are many instances where a person's wishes wouldn't align with these laws.

We live in a complicated world when it comes to "family" with multiple marriages, step children, siblings and half-siblings, grandparents, and more. We also live in a complicated world when it comes to property. Imagine if custody of your children went to someone other than who you wanted. Imagine if your ranch ended up being sold off to the highest bidder, rather than going to someone in your family who intended to keep and work it. Imagine too, if your favorite charities that you'd supported your entire life and who you wanted to benefit when you died, received nothing.

At the end of the day, we each have to take responsibility for what will happen to our estate after we die. "I don't want someone else to make those decisions for me," said Ginny Abbott, Director of Development & Major Gifts at St. Peter's Health Foundation in Helena. Ginny, who has worked most of her life in the nonprofit sector – first in Ohio and now here – updated her estate plan after making the move to Montana. Now that she's here, she wants to support the causes and organizations she cares about in her new home. "If you don't have a will, there's no guarantee that what is important to you will be honored upon your death," she said.

In general, we as Montanans don't like to talk about money or death. But for your sake, the sake of your family, and the sake of the things you care most about, don't wait to plan your estate.

For Montana's Women & Girls



Mary K. Rutherford (MCF President & CEO), Jen Euell (Women's Foundation of Montana Program Director), and Letty Bass (Merle Chambers Fund Executive Director) gather at the WFM Trailblazers Celebration.

Twenty years ago, a small group of women with a big idea came together to see if they could make it a reality. In 1999 with a \$500,000 challenge grant from the Chambers Family Fund (now the Merle Chambers Fund) to the Montana Community Foundation, the Women's Foundation of Montana (WFM) was established. In January of 2005, the \$500,000 challenge was met through the hard work and generosity of many incredible donors. WFM had built a \$1 million permanent endowment dedicated to working for the good of Montana women and girls forever.

In the last 20 years, WFM has grown to become the leading organization in the state helping advance the economic independence of women. The organization's work encompasses a number of areas, including closing the gender pay gap, increasing financial education for women and girls, tracking the status of women, advancing women's economic and leadership opportunities, providing STEAM (Science, Technology, Engineering, Art and Math) programs for girls, leading policy change and more. Through their strategic grantmaking, WFM has awarded more than \$800,000 to organizations across Montana.

WFM isn't simply a funder, however. They're also creating innovative initiatives. PowerHouse Montana is an online platform that connects Montana women with the resources, mentors, and opportunities they need to create thriving businesses and thriving lives. Another one of its goals is increasing the number of Montana women in leadership by providing a go-to source for organizations and companies looking for their next CEO or board chair. The PowerHouse network has grown to nearly 500 members and their MentorMondayMT monthly meetings connect hundreds of participants each year from Kalispell to Wolf Point, Billings to Missoula, and many places in between. You can find it at powerhousemt.org.

In the two decades of its existence, WFM has more than proven its worth to Montana, yet there is still so much work to be done. We know that investing in women and girls doesn't simply benefit those women and girls. Research shows that an investment in women and girls ultimately advances the communities where they live and leads to a better place for everyone. Investing in WFM is a smart investment in a brighter, more successful future for all Montanans. You can learn more about the Women's Foundation of Montana at wfmontana.org.

PPREPPing for Disaster

When MCF jumped headlong into philanthropic support for the devastation caused by the 2017 wildfire season, we didn't know where it would take us. We saw a need and stepped up to help fill it. Ultimately, the Montana Wildfire Relief Fund, (now the Montana Disaster Relief Fund), distributed more than \$600,000, primarily to rural volunteer fire departments for much needed equipment. MCF also held two statewide convenings, bringing together folks to discuss the wildfire season, the impacts, the lessons learned, and most importantly, what needed to happen to better prepare for the next disaster. While we were spared another fire season like the one in 2017, MCF has still been busy in our work related to disaster philanthropy.

MCF has become a part of the Montana Disaster and Emergency Services' Donation Management Core Group, meeting regularly with other organizations and agencies around the state to best fulfill philanthropic services during disasters. We've also become a member of Montana's VOAD, (Volunteer Organizations Active in Disaster), a network of organizations across the state who help respond to disasters.

Perhaps some of our most important disaster work has been with PREPP, or the Philanthropic Preparedness, Resiliency and Emergency Partnership, a program of the Funders' Network. PPREP provides participating community foundations with knowledge, skills, tools and resources about disasters and the unique roles that community foundations can play within the cycle of disasters: preparedness (including strengthening resilience and adaptation), response and recovery. The program includes four primary components: learning, tools and technical assistance, grants, and network stewardship. The Center for Disaster Philanthropy serves as the curriculum development and technical assistance partner for the program. PPREP was created to provide resources for community foundations to build their skills and leadership capacity in order to be better informed and prepared should a natural disaster strike their community.

There will always be a need for disaster philanthropy, since there will always be disasters. We here at MCF are excited to continue our commitment to disaster philanthropy in Montana.

A Legacy of Local Partnership

Montana is home to 75 local community foundations (LCFs). Some represent cities or towns, while others represent entire counties or larger regions of the states. The joke in the community foundation world has always been, “If you’ve seen one community foundation, you’ve seen one community foundation.” That holds true here in Montana, where the community foundations are as diverse as the landscapes in which you’ll find them.

An enormous part of MCF’s work ensuring Montana communities flourish is our work with LCFs. MCF has been incubating and supporting LCFs for more than 20 years, our first being the “Beacon” communities of Blackfeet Reservation, Powder River County and Daniels County. This work is rooted in local knowledge and flexes its muscle when local communities themselves identify and address local challenges.

Our work with LCFs is the intersection of MCF’s history, vision and capacity. It is rooted in our history of amplifying local communities and has evolved to meet the developing needs of our state. Those evolutions have taken many forms. The original Beacon Communities, Horizons and the Renaissance Fund, the USDA Rural Community Development Initiative, the LCF+ Program, and the Community Leadership and Development Initiative are all iterations of MCF’s work to foster new community foundations, increase their capacity, build their endowments, and ultimately, help ensure their communities thrive.

Our work with LCFs across the state has resulted in some incredible successes. It’s brought communities together and placed those LCFs who are willing to put in the work, on the path to sustainable philanthropy and positive results in their towns, counties, or regions. LCFs are making for a better, stronger, more resilient Montana.

“With MCF’s expert guidance, we look ahead to our future with a sharper focus on our mission, more refined goals and an unwavering confidence in the impact HCCF can foster for Hill County and its residents.”

– Pam Veis, Board Chair, Hill County Community Foundation

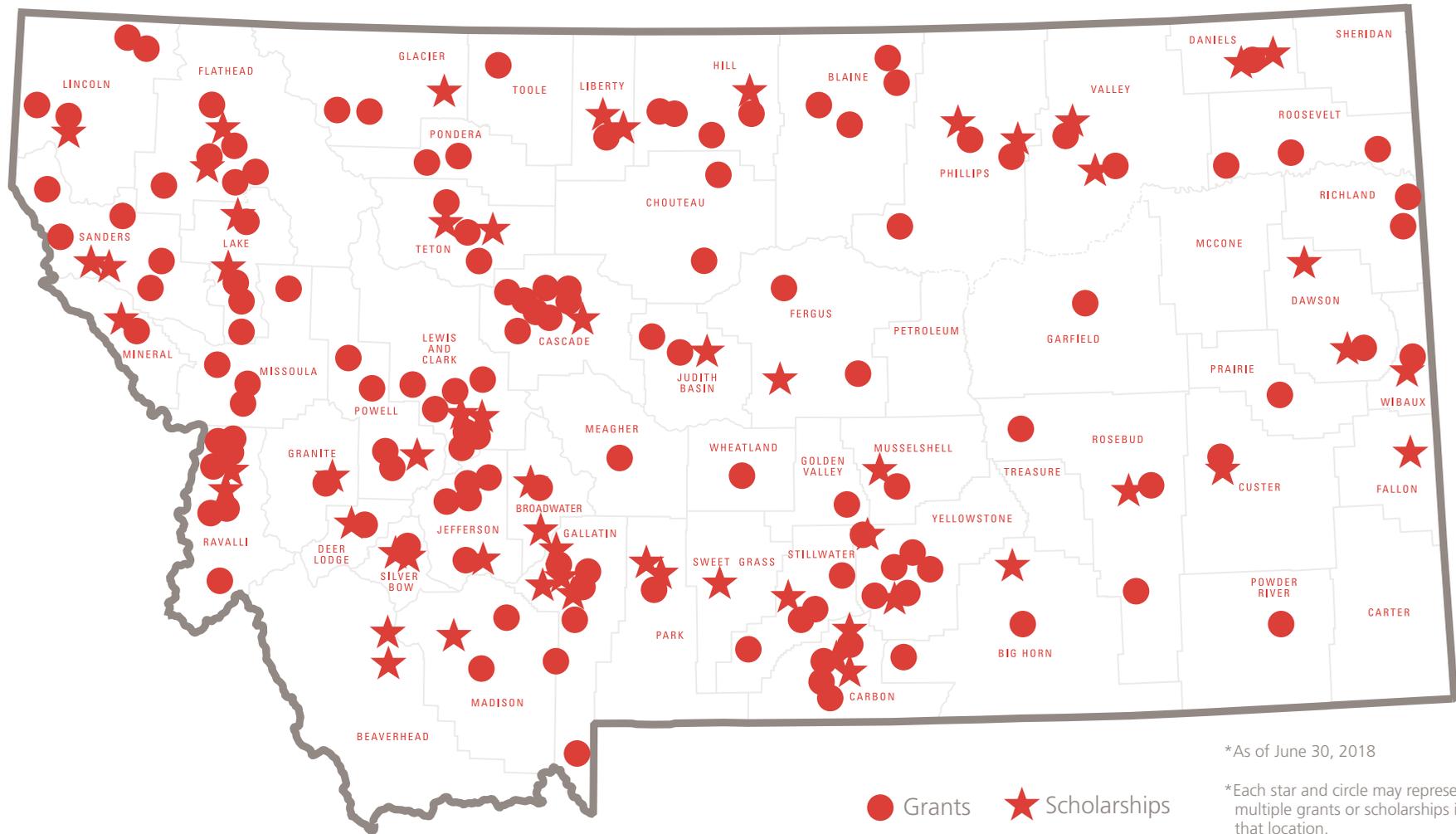
“Columbus Community Foundation is an all-volunteer board and our capacity is elevated due to our partnership with MCF.”

– Marissa Hauge, President,
Columbus Community Foundation



Where Generosity is at Work

The generosity of our donors is making a difference in communities throughout the great state of Montana. The map below denotes the locations where more than \$4 million in grants and distributions were made last year, including the hometowns of scholarship recipients.



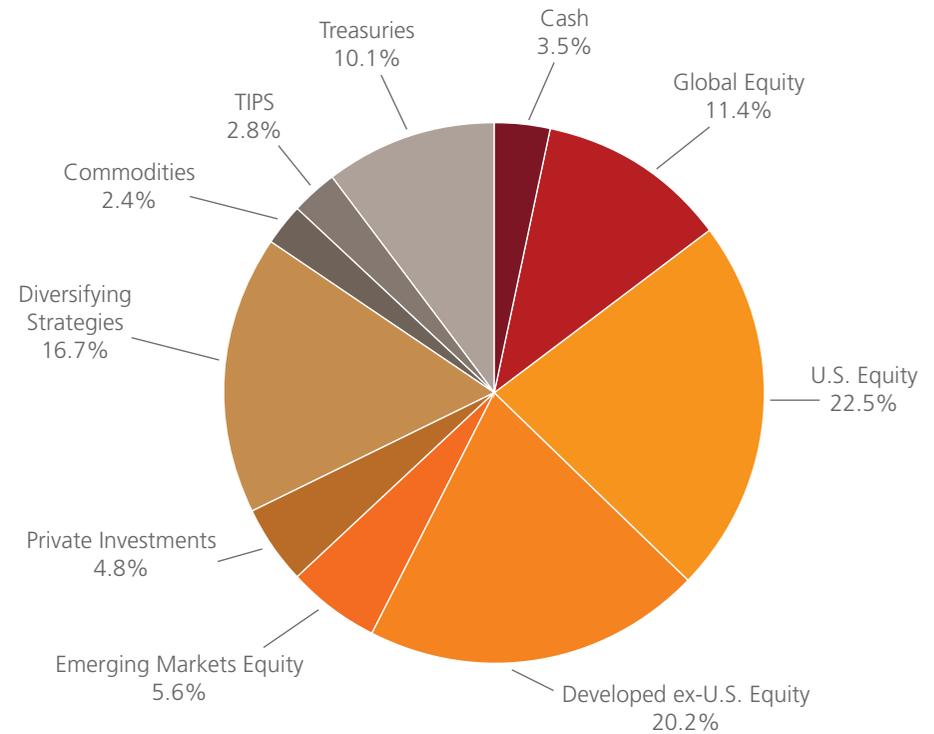
Investment Philosophy & Portfolio Positioning

*As of December 31, 2018

Investment Philosophy

- A long-term investment horizon
- A consistent application of a strategic framework integrating the Foundation's unique needs
- High conviction active managers where we expect they will add value
- Modest valuation-based tactical tilts
- Risk management embedded in every step of the investment process

Portfolio Positioning



Consolidated Statement of Financial Position

*As of June 30

	2018	2017
ASSETS		
Cash and cash equivalents	\$2,523,146	\$3,952,461
Accrued interest receivable	49,646	58,884
Prepaid expenses and other	107,976	162,959
Beneficial interest in pooled income fund	383,038	511,676
Pooled investments	94,910,771	80,709,496
Cash surrender value of life insurance	268,686	245,057
Net property and equipment	2,292,781	2,391,291
Total assets	<u>\$100,536,044</u>	<u>\$88,031,824</u>
LIABILITIES		
Accounts payable	\$97,896	\$61,534
Accrued expenses	103,078	74,422
Other current liabilities	29,620	7,261
Grants and distributions payable	1,115,753	1,071,634
Planned gift liabilities	3,078,137	2,211,880
Long-term debt	1,653,307	1,693,581
Funds held as agency endowments	10,608,229	9,790,275
Total liabilities	<u>\$16,686,020</u>	<u>\$14,910,587</u>
NET ASSETS		
Unrestricted net assets		
Unrestricted - for operating purposes	\$103,312	\$273,782
Unrestricted - deficit in endowment assets	(14,313)	(19,844)
Total unrestricted net assets	88,999	253,938
Temporarily restricted net assets	16,091,450	14,624,857
Permanently restricted net assets	67,669,575	58,242,442
Total net assets	<u>83,850,024</u>	<u>73,121,237</u>
Total liabilities and net assets	<u>\$100,536,044</u>	<u>\$88,031,824</u>

Consolidated Statement of Activities

*For year ended June 30

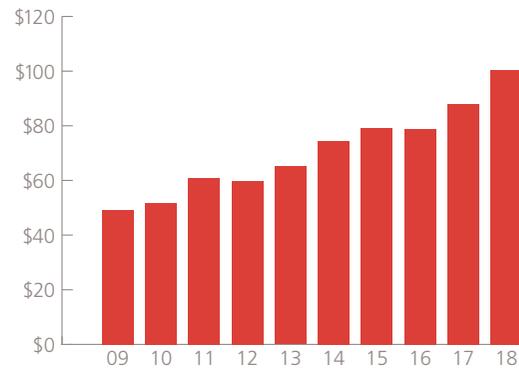
	2018	2017
SUPPORT AND REVENUE		
Contributions	\$11,167,739	\$6,273,436
Revenue and other additions		
Administrative fees	351,616	178,577
Interest and dividends	1,099,189	514,412
Realized and unrealized gains and (losses) on investments	4,673,955	5,123,453
Change in value of beneficial interest in pooled income fund	(128,638)	(113,813)
Change in value of planned gift liabilities	(172,080)	(218,734)
Rental and other income	219,118	114,107
Total revenue and other additions	<u>6,043,160</u>	<u>5,598,002</u>
Total support and revenue	<u>\$17,210,899</u>	<u>\$11,871,438</u>
EXPENSES		
Grants and philanthropic distributions	\$3,950,758	\$3,408,122
Endowment expenses	224,742	209,347
Operating and administrative expenses		
General and administrative	1,140,664	1,124,142
Development and fund-raising	513,217	491,455
Program support	652,731	552,290
Total operating and administrative expenses	<u>2,306,612</u>	<u>2,167,887</u>
Total expenses	<u>\$6,482,112</u>	<u>\$5,785,357</u>
CHANGE IN NET ASSETS		
Increase (decrease) in net assets	10,728,787	6,086,081
Net assets, beginning of year	73,121,237	67,035,156
Net assets, end of year	<u>\$83,850,024</u>	<u>\$73,121,237</u>

Assets, Disbursements and Contributions

of the Montana Community Foundation, Inc.

Total Assets

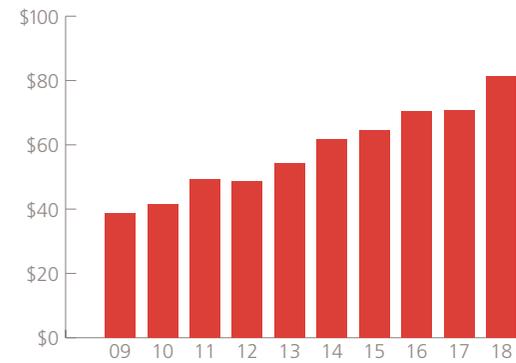
(in Millions)



As of June 30, 2018

Endowed Assets

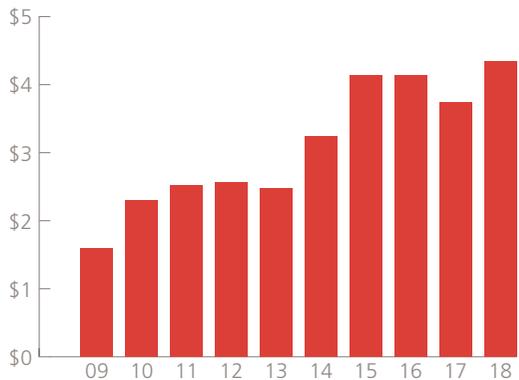
(in Millions)



As of June 30, 2018

Grants and Distributions

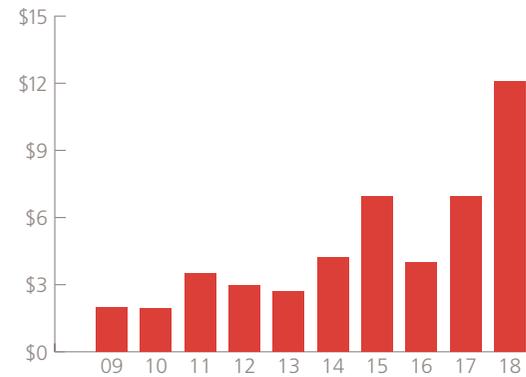
(in Millions)



Fiscal Year

Contributions

(in Millions)



Fiscal Year

Meet the People of MCF

Like you, we love Montana. That's why we serve as board members and staff. Every day, we get to help preserve the things we love about our state forever.

2018 Board Members



Dale Woolhiser
Board Chair
Missoula



Laura Brehm
Vice Chair
Missoula



Kelly Bruggeman
Secretary
Billings



Barbara Byrne
Ulm



Ed Eck
Missoula



Jo Ann Eder
Red Lodge



Greg Hanson
Philipsburg



Karen Latka
Helena



Scott Pankratz
Missoula



Bryson Pelc
Kalispell



Mary Ann Phipps
Glendive



Tawnya Rupe
Wilsall



Cami Skinner
Sidney



Cynthia Woods
Treasurer
Billings

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