



MCS

**Missoula Catholic Schools
Foundation**

**MISSOULA CATHOLIC
SCHOOLS FOUNDATION**

FINANCIAL REPORT

For the Years Ended
June 30, 2023 and 2022

MISSOULA CATHOLIC SCHOOLS FOUNDATION

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Missoula Catholic Schools Foundation

We have reviewed the accompanying financial statements of Missoula Catholic Schools Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 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 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.

Accountant's 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.

We are required to be independent of Missoula Catholic Schools Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Accountant's Conclusion

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

Carver Florek & James, CPA's

Carver Florek & James, CPA's
Missoula, Montana
October 31, 2023

MISSOULA CATHOLIC SCHOOLS FOUNDATION
STATEMENTS OF FINANCIAL POSITION
As of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 186,642	\$ 107,098
Investments	1,063,511	1,128,729
Cash value of life insurance policies	35,777	35,332
Endowment investments	5,459,751	5,065,453
Endowment building	1,682,218	1,682,218
Construction in process	514,400	502,976
Property and equipment, net	<u>721,057</u>	<u>697,664</u>
TOTAL ASSETS	\$ <u>9,663,356</u>	\$ <u>9,219,470</u>
LIABILITIES		
Accrued payroll and payroll taxes	\$ 1,703	\$ 1,976
Compensated absences	2,928	4,061
Notes payable	<u>74,000</u>	<u>74,000</u>
TOTAL LIABILITIES	<u>78,631</u>	<u>80,037</u>
NET ASSETS		
Without donor restrictions	1,453,245	1,334,032
With donor restrictions	<u>8,131,480</u>	<u>7,805,401</u>
TOTAL NET ASSETS	<u>9,584,725</u>	<u>9,139,433</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>9,663,356</u>	\$ <u>9,219,470</u>

See Accompanying Notes and Independent Accountant's Review Report.

MISSOULA CATHOLIC SCHOOLS FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 540,771	\$ 23,184	\$ 563,955
Special events	201,449	-	201,449
Booster club contributions	41,800	-	41,800
Booster club sales	42,349	-	42,349
Investment income, net	(74,359)	626,693	552,334
Thrift store sales	137,162	-	137,162
Rental income	83,541	76,959	160,500
Net assets released from restrictions	400,757	(400,757)	-
TOTAL REVENUE AND SUPPORT	<u>1,373,470</u>	<u>326,079</u>	<u>1,699,549</u>
EXPENSES			
Program services	1,059,773	-	1,059,773
Management and general	68,226	-	68,226
Fundraising	126,258	-	126,258
TOTAL EXPENSES	<u>1,254,257</u>	<u>-</u>	<u>1,254,257</u>
CHANGE IN NET ASSETS	119,213	326,079	445,292
NET ASSETS			
Beginning of year	<u>1,334,032</u>	<u>7,805,401</u>	<u>9,139,433</u>
End of year	<u>\$ 1,453,245</u>	<u>\$ 8,131,480</u>	<u>\$ 9,584,725</u>

See Accompanying Notes and Independent Accountant's Review Report.

MISSOULA CATHOLIC SCHOOLS FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 648,584	\$ 34,148	\$ 682,732
Special events	217,833	-	217,833
Booster club contributions	76,700	-	76,700
Booster club sales	19,187	-	19,187
Investment income (loss), net	(175,396)	(610,868)	(786,264)
Thrift store sales	140,521	-	140,521
Rental income	83,541	76,959	160,500
Miscellaneous	41,600	-	41,600
Net assets released from restrictions	316,980	(316,980)	-
TOTAL REVENUE AND SUPPORT	1,369,550	(816,741)	552,809
EXPENSES			
Program services	859,980	-	859,980
Management and general	68,747	-	68,747
Fundraising	146,758	-	146,758
TOTAL EXPENSES	1,075,485	-	1,075,485
CHANGE IN NET ASSETS	294,065	(816,741)	(522,676)
NET ASSETS			
Beginning of year	1,039,967	8,622,142	9,662,109
End of year	\$ 1,334,032	\$ 7,805,401	\$ 9,139,433

See Accompanying Notes and Independent Accountant's Review Report.

MISSOULA CATHOLIC SCHOOLS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2023

DESCRIPTION	Program Services	Management & General	Fundraising	Total
Direct assistance - curricular	\$ 20,750	\$ -	\$ -	\$ 20,750
Direct assistance - financial aid	563,277	-	-	563,277
Direct assistance - general	160,500	-	-	160,500
Direct assistance - scholarships	23,814	-	-	23,814
Direct assistance - other	8,344	-	-	8,344
Donations and awards	-	-	6,079	6,079
Apparel, flowers, and wreaths	11,570	-	21,085	32,655
Auction items	-	-	22,388	22,388
Salaries, wages, contract staffing	128,656	12,029	33,646	174,331
Payroll taxes and worker's compensation	10,057	940	2,631	13,628
Marketing and outreach	766	24	-	790
Occupancy	28,137	919	1,578	30,634
Office costs	12,494	493	3,447	16,434
Communications	7,439	249	606	8,294
Contract services	-	27,605	6,965	34,570
Repairs and maintenance	11,361	351	1	11,713
Supplies	10,969	1,056	23,160	35,185
Travel and training	7,559	234	-	7,793
Insurance	8,002	247	-	8,249
Bank fees and credit card charges	741	167	4,650	5,558
Depreciation	44,919	23,910	-	68,829
Other miscellaneous	48	2	22	72
Interest	370	-	-	370
TOTAL EXPENSES	\$ 1,059,773	\$ 68,226	\$ 126,258	\$ 1,254,257

See Accompanying Notes and Independent Accountant's Review Report.

MISSOULA CATHOLIC SCHOOLS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

DESCRIPTION	Program Services	Management & General	Fundraising	Total
Direct assistance - curricular	\$ 78,043	\$ -	\$ -	\$ 78,043
Direct assistance - financial aid	205,007	-	-	205,007
Direct assistance - general	270,500	-	-	270,500
Direct assistance - scholarships	21,026	-	-	21,026
Direct assistance - other	9,046	-	-	9,046
Donations and awards	262	408	12,923	13,593
Apparel, flowers, and wreaths	3,174	-	11,823	14,997
Auction items	-	-	27,889	27,889
Salaries, wages, contract staffing	134,759	12,599	35,242	182,600
Payroll taxes and worker's compensation	10,224	956	2,673	13,853
Marketing and outreach	1,546	465	13,485	15,496
Occupancy	28,089	979	3,557	32,625
Office costs	9,289	416	4,162	13,867
Communications	7,122	245	790	8,157
Contract services	-	30,723	11,132	41,855
Repairs and maintenance	12,314	381	13	12,708
Supplies	13,608	1,116	22,471	37,195
Travel and training	625	26	220	871
Insurance	7,478	231	-	7,709
Bank fees and credit card charges	2,345	84	378	2,807
Depreciation	44,919	20,111	-	65,030
Other miscellaneous	234	7	-	241
Interest	370	-	-	370
TOTAL EXPENSES	\$ 859,980	\$ 68,747	\$ 146,758	\$ 1,075,485

See Accompanying Notes and Independent Accountant's Review Report.

MISSOULA CATHOLIC SCHOOLS FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts:		
Contributions	\$ 784,020	\$ 943,117
Interest and dividends	590,846	63,243
Sales	179,511	159,708
Other	160,500	160,500
Cash Payments:		
Employees	(189,365)	(198,440)
Direct assistance	(776,685)	(583,622)
Cost of sales	(32,655)	(14,997)
Vendors	(187,759)	(215,013)
Interest	(370)	(370)
Net Cash Flows from Operating Activities	<u>528,043</u>	<u>314,126</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(619,140)	(87,886)
Cash received on sale of investments	251,103	57,700
Purchase of property and equipment	<u>(103,646)</u>	<u>(354,837)</u>
Net Cash Flows from Investing Activities	<u>(471,683)</u>	<u>(385,023)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions to endowment	<u>23,184</u>	<u>34,148</u>
Net Cash Flows from Financing Activities	<u>23,184</u>	<u>34,148</u>
Net change in cash and cash equivalents	79,544	(36,749)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>107,098</u>	<u>143,847</u>
End of year	<u>\$ 186,642</u>	<u>\$ 107,098</u>

See Accompanying Notes and Independent Accountant's Review Report.

MISSOULA CATHOLIC SCHOOLS FOUNDATION
STATEMENTS OF CASH FLOWS, Continued
For the Years Ended June 30, 2023 and 2022

	2023	2022
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 445,292	\$ (522,676)
Adjustments to reconcile change in net assets to Net Cash Flows from Operating Activities		
Items not affecting cash:		
Depreciation	68,829	65,030
Unrealized (gain) loss on investments	38,957	849,926
Endowment contributions	(23,184)	(34,148)
Changes in operating assets and liabilities		
Change in:		
Cash value of life insurance	(445)	(419)
Deferred Revenue	-	(41,600)
Payroll liabilities	(1,406)	(1,987)
Net Cash Flows from Operating Activities	\$ 528,043	\$ 314,126

See Accompanying Notes and Independent Accountant's Review Report.

MISSOULA CATHOLIC SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

The Missoula Catholic Schools Foundation (MCSF), founded in 1960, is a not-for-profit corporation under Internal Revenue Code 501(c)(3) located in Missoula, Montana. The mission of MCSF is dedicated to supporting the long term financial stability of Missoula Catholic Schools, and to ensuring its accessibility and affordability to the greater Missoula region by inspiring donors to invest in high quality, Catholic education. Missoula Catholic Schools maintains and operates St. Joseph Elementary and Middle School, and Loyola Sacred Heart High School.

As the leader in supporting quality, values-based education in Montana, MCSF is committed to providing significant resources to Missoula Catholic Schools by focusing on five key goals:

1. Generating a level of tuition and program assistance capable of making Catholic education affordable for any family.
2. Accessing local and national grants to provide equipment, technology and other specific needs for the schools.
3. Growing MCSF's planned giving and endowment funds to guarantee the long-term future of Catholic education in our community.
4. Delivering educational excellence by attracting and keeping the highest quality teachers in Montana.
5. Fostering lasting and close relationships with all alumni.

MCSF is managed by a professional paid staff that is governed by a Board of Directors. The Board comprises selected members from a variety of backgrounds who are expected to enhance MCSF's operation. Board members are asked to serve for one three-year term, after which they can be reappointed to serve another term. Board terms are staggered for year-to-year stability.

Basis of Accounting

MCSF's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as codified by the Financial Accounting Standards Board.

MISSOULA CATHOLIC SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, MCSF considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Certain bank accounts subject to coverage by the Federal Deposit Insurance Corporation (FDIC) may exceed their insured limits during the year. At June 30, 2023, there was approximately \$655,000 in excess of FDIC limits. At June 30, 2022, all amounts were insured by the FDIC. MCSF does not believe it is exposed to any significant credit risk on its cash balances.

Receivables

Accounts receivable represent amounts owing to MCSF for amounts due for auction items from fundraising activities. Accounts receivable are stated at unpaid balances. Interest is not charged on accounts receivable. No receivables were considered impaired or past due at June 30, 2023 and 2022. Management considers all amounts fully collectible; therefore, no provision for bad debt has been made for 2023 or 2022.

Pledges receivable represent unconditional promises to give through written agreements to contribute cash or other assets to MCSF. These promises to give are reported as contribution revenue and receivables even if the promise is not legally enforceable. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires it is reclassified to net assets without donor restrictions.

Unconditional promises to give expected to be collected within one year are measured at their net realizable value. Unconditional promises to give that are expected to be collected in future years are required by GAAP to be reported at the present value of their estimated future cash flows and discounted using a risk free rate of return on the date of the contribution. The discount is then amortized over the term of the promise to give and included in contribution revenue. No amounts have been recorded for present value discounts as the amount is not considered significant to the financial statements.

MISSOULA CATHOLIC SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables, continued

GAAP requires an allowance for uncollectible pledges be recognized in the year of contribution. MCSF uses the direct write off method to determine uncollectible promises to give by evaluating payments received to scheduled payments, which is a method other than generally accepted. When management determines it is unlikely the pledge will be fulfilled, management writes off the pledge. The difference between these two methods is not considered significant to the financial statements.

Inventories

MCSF does not record the value of inventory donated to its Thrift Store in its financial statements. While the donations are considered to have great value in supporting the mission of MCSF, management believes that there is no reasonable method to value such items until determined by sale to the public.

Investments

MCSF carries its marketable equity and debt securities at fair value. Interest and dividends are reported as increases in net assets without donor restrictions if restrictions are met in the reporting period in which the income and gains are recognized – otherwise they are reported as increases in net assets with donor restrictions on the statements of activities. Unrealized gains and losses are included in the change in net assets. Investments in real estate without readily determinable fair values are stated at cost.

Cash Surrender Value of Life Insurance Policies

MCSF is a beneficiary of certain life insurance policies with death benefits ranging from \$2,500 to \$5,000. Cash values of these life insurance policies are reported at stated value at June 30, 2023 and 2022 of \$35,777 and \$35,332, respectively.

Property and Equipment

MCSF capitalizes property and equipment with a significant purchase price and an expected life of at least three years. Property and equipment are carried at cost. Straight-line depreciation is used to depreciate assets over estimated lives of three to 39 years.

MISSOULA CATHOLIC SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

MCSF provides vacation and sick leave to eligible employees after a six-month probation period. Earned vacation leave ranges from 40 hours to 192 hours per year depending on the years of service. Employees may carry over no more than their maximum yearly total to the following fiscal year. Vacation is paid at the current employee's pay rate upon termination. Sick leave is accrued at up to eight hours per month from the date of hire. Sick leave benefits may be carried over from year to year up to a maximum of 63 days, but are not paid to the employee upon termination. MCSF records a liability for vacation leave as it is earned. The accrued liability for vacation leave was \$2,928 and \$4,061, as of June 30, 2023 and 2022, respectively.

Net Asset Classification

Net assets are classified as *without donor restrictions* in the absence of donor-imposed restrictions. This category includes net amounts that have been earned and expended according to donor and contract conditions and generally unrestricted activities. Net assets without donor restrictions are used to benefit schools at the discretion of the Board of Directors, and for internal operations and administration. This also may include net assets that are restricted by the Board of Directors of MCSF.

Net assets are classified as *with donor restrictions* have donor-imposed restrictions have not been met. Such restrictions may be met by the passage of time or use for a specific purpose, or the assets may be expected to be maintained in perpetuity.

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as without donor restrictions. Donor restrictions that expire by either the passage of time or purpose restriction(s) being accomplished are accounted for as net assets released from restriction and reclassified as net assets without donor restrictions.

Revenue Recognition

Contributed service revenue results when donated services create or enhance nonfinancial assets or when they require specialized skills provided by people possessing those skills that would typically be purchased if not provided by donation. Contributed goods are valued at their estimated fair value at the date of contribution.

MISSOULA CATHOLIC SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cost Allocation and Program Activities

MCSF allocates costs that can be identified specifically with a particular final cost objective directly related to the services benefiting. Joint costs are allocated directly to fundraising, management and general, and to program services on the basis of estimated time identifiable with such services. The primary activity groups and their related purposes are summarized as follows:

Program Services – Consists of funds utilized to support the long-term financial stability of Missoula Catholic Schools, and ensuring accessibility and affordability to families in the greater Missoula region. Services include family financial assistance, and grants to provide equipment, technology and other specific needs of the schools.

Management and General – Consists of funds that are used to administer MCSF, maintain oversight of funds, and process donor contributions.

Fundraising – Funds for these activities and events are designed to create public awareness and support for MCSF’s programs, principally its grant making to guarantee the long-term future of Catholic education in the community.

Marketing/Outreach

MCSF expenses marketing and outreach costs as incurred. Total marketing and outreach costs for the years ended June 30, 2023 and 2022 were \$790 and \$15,496, respectively.

Concentration of Risks

MCSF has risks regarding its revenue sources and investments. The majority of revenue comes from individual and business donations and investment returns. Investments comprise more than two-thirds of MCSF’s total assets. A substantial change in market values of the investments or changes in the donor contributions may have a significant effect on operations.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosures of contingent assets and liabilities, and revenues and expenses. Actual results could differ from those estimates.

MISSOULA CATHOLIC SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

MCSF is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in these financial statements as MCSF believes it had no income unrelated to its exempt purposes in 2023 or 2022. With few exceptions, MCSF's informational return (I.R.S. Form 990) is not subject to examination by tax authorities for years prior to 2020.

2. INVESTMENTS

A framework for measuring fair value and defining fair value is provided by GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP requires that evaluation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. GAAP also establishes a fair value hierarchy, which prioritizes the valuation of inputs into three broad levels as described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 – Significant unobservable prices or inputs where there is little or no market activity for the asset or liability at the measurement date.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. MCSF's policy for determining the timing of significant transfers between Levels 1 and 2 is at the end of the reporting period.

Marketable equity securities are stated at fair value based on quoted market prices in active markets. Mutual funds are valued at the net asset value (NAV). The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares held by the fund outstanding at year-end. The NAV is quoted in an active market. MCSF's investment accounts hold cash or cash equivalents valued at their carrying amounts, which approximates fair value. MCSF also counts cash surrender values of life insurance policies as investments and values at carrying amounts to approximate fair value. Real estate is valued at cost as there is no readily determinable fair value.

MISSOULA CATHOLIC SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

2. INVESTMENTS (CONTINUED)

Amortized cost, cost, fair value, and net unrealized gain or loss of investments at June 30, 2023 is as follows:

	Cost or Amortized Cost	Fair Value	Net Unrealized Gain (Loss)
Cash held in investments	\$ 760,384	\$ 760,384	-
Level 1			
Certificates of Deposit	360,000	360,000	-
Equity	1,295,921	1,830,139	534,218
Fixed income	222,800	206,795	(16,005)
Mutual funds	2,821,864	3,365,944	544,080
Total Level 1	<u>4,700,585</u>	<u>5,762,878</u>	<u>1,062,293</u>
Level 2			
Cash surrender value of life insurance	35,777	35,777	-
Total Level 2	<u>35,777</u>	<u>35,777</u>	<u>-</u>
Level 3			
Endowment - Building at cost	1,682,218	1,682,218	-
Total Level 3	<u>1,682,218</u>	<u>1,682,218</u>	<u>-</u>
Total Investments	<u>\$ 7,178,964</u>	<u>\$ 8,241,257</u>	<u>1,062,293</u>

MISSOULA CATHOLIC SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

2. INVESTMENTS (CONTINUED)

Amortized cost, cost, fair value, and net unrealized gain or loss of investments at June 30, 2022 is as follows:

	Cost or Amortized Cost	Fair Value	Net Unrealized Gain (Loss)
	<u> </u>	<u> </u>	<u> </u>
Cash held in investments	\$ 1,313,911	\$ 1,313,911	\$ -
Level 1			
Equity	1,331,713	1,685,308	353,595
Fixed income	221,842	202,799	(19,043)
Mutual funds	<u>2,759,297</u>	<u>2,992,164</u>	<u>232,867</u>
Total Level 1	<u>4,312,852</u>	<u>4,880,271</u>	<u>567,419</u>
Level 2			
Cash surrender value of life insurance	<u>35,332</u>	<u>35,332</u>	<u>-</u>
Total Level 2	<u>35,332</u>	<u>35,332</u>	<u>-</u>
Level 3			
Endowment - Building at cost	<u>1,682,218</u>	<u>1,682,218</u>	<u>-</u>
Total Level 3	<u>1,682,218</u>	<u>1,682,218</u>	<u>-</u>
Total Investments	<u>\$ 7,344,313</u>	<u>\$ 7,911,732</u>	<u>\$ 567,419</u>

MISSOULA CATHOLIC SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

2. INVESTMENTS (CONTINUED)

The following is a summary of investment return and classification on the statement of activities:

	<u>2023</u>	<u>2022</u>
Interest, dividends, gains	\$ 620,474	\$ 1,532,094
Unrealized gains (losses), net	<u>(68,140)</u>	<u>(2,318,358)</u>
Investment income (loss), net	<u>\$ 552,334</u>	<u>\$ (786,264)</u>

A significant portion of MCSF's investments are subject to the risk of value fluctuation that is inherent in the market. As such, the value of MCSF's assets may change frequently. To help management this risk, MCSF's professional investment managers oversee MCSF's portfolio and monitor its performance. Investment fees are reported net with investment income on the statements of activities.

3. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 800,000	\$ 800,000
Artwork	128,239	94,705
Furniture and equipment	46,134	53,277
Buildings and improvements	2,726,551	2,667,866
Construction in process	<u>514,400</u>	<u>502,976</u>
Property and equipment at cost	4,215,324	4,118,824
Accumulated depreciation	<u>(1,297,649)</u>	<u>(1,235,966)</u>
Total property and equipment, net of depreciation	<u>\$ 2,917,675</u>	<u>\$ 2,882,858</u>

Reported on the Statements of Financial Position as:

Endowment building	\$ 1,682,218	\$ 1,682,218
Property and equipment, net	\$ 721,057	\$ 697,664
Construction in process	\$ 514,400	\$ 502,976

Depreciation expense totaled \$68,829 and \$65,030 for the years ended June 30, 2023 and 2022, respectively.

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4. LOANS PAYABLE

MCSF's loans payable at June 30, 2023 and 2022 consisted of the following:

	2023	2022
Unsecured note payable to a private party in the original amount of \$100,000 with interest at 0.50% payable monthly; unpaid interest and principal are due at maturity on June 1, 2020. MCSF is currently paying interest due on the note as the lender does not want repayment at this time.	\$ 74,000	\$ 74,000

Interest expense totaled \$370 and \$370 for the years ended June 30, 2023 and 2022, respectively.

Annual maturities of loans payable at June 30, 2023 are as follows:

	Years Ending June 30,
2024	\$ 74,000
2025	-
2026	-
2027	-
2028	-
Thereafter	-
	\$ 74,000

5. ENDOWMENT

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, MCSF classifies as net assets with donor restrictions the original value of the gifts donated to the permanent endowment, the original value of the subsequent gifts to the permanent endowment, and 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.

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5. ENDOWMENT (CONTINUED)

Interpretation of Relevant Law, Continued

The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions, until those amounts are appropriated for expenditure by MCSF in a manner consistent with the standard of prudence prescribed by MUPMIFA.

MCSF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of MCSF and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of MCSF
7. The investment policies of MCSF

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 or MUPMIFA requires MCSF to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with donor restrictions. These deficiencies result from unfavorable market fluctuations that occur during the investment of the permanently restricted contribution and continued appropriation for certain programs that are deemed prudent by the Board of Directors. There were no such deficiencies as of June 30, 2023 and 2022.

Return Objectives and Risk Parameters

MCSF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that MCSF must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, endowment assets are invested in a manner that is intended to produce results that exceed market average while assuming a prudent level of investment risk at or below the volatility level of appropriate market and peer benchmarks identified. MCSF targets a diversified asset allocation of equities, international equities, fixed income, cash equivalents, and mutual fund investments.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, MCSF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). MCSF targets a diversified asset allocation including cash, cash equivalents, bonds, equity securities, and mutual funds to achieve its long-term return objectives within prudent risk constraints.

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5. ENDOWMENT (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

MCSF has adopted a distribution policy. Unless specifically instructed by the donor, MCSF will not make a distribution from a fund until it has been existence for a full fiscal year. The distribution policy is 4.5% of an average fair market value of the invested assets representing the fund balance. A 1% administrative fee is charged annually. Distributions only occur if the invested assets exceed the amount of cumulative contributions to the endowment fund.

Endowment Net Asset Composition and Changes in Endowment Net Assets

Changes in MCSF's endowment net asset composition by donor-restricted fund types for the years ended June 30, 2023 and 2022 are as follows:

	Endowment Earnings Restricted by Use	CORPUS	Total
Endowment net assets, June 30, 2021	\$ 2,742,334	\$ 4,858,662	\$ 7,600,996
Investment Return			
Investment income	279,590	-	279,590
Net depreciation (realized and unrealized)	(890,458)	-	(890,458)
Total Investment Return	(610,868)	-	(610,868)
Contributions	-	34,148	34,148
Appropriations for expenditures	(275,176)	-	(275,176)
Fees and other expenses	(1,429)	-	(1,429)
Endowment net assets, June 30, 2022	\$ <u>1,854,861</u>	\$ <u>4,892,810</u>	\$ <u>6,747,671</u>
Investment Return			
Investment income	\$ 174,005	\$ -	\$ 174,005
Net appreciation (realized and unrealized)	452,688	-	452,688
Total Investment Return	626,693	-	626,693
Contributions	-	23,184	23,184
Appropriations for expenditures	(255,193)	-	(255,193)
Fees and other expenses	(386)	-	(386)
Endowment net assets, June 30, 2023	\$ <u>2,225,975</u>	\$ <u>4,915,994</u>	\$ <u>7,141,969</u>

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6. CHARITABLE GIFT ANNUITY AGREEMENTS

MCSF has entered into several deferred charitable gift annuity agreements with private donors. All of the deferred charitable gift annuity agreements contain a limited durable power of attorney that cancels the deferred charitable annuity agreement five years and one day following the date the agreement was signed. Once the deferred charitable gift annuity agreement is cancelled, MCSF is released from the obligation to thereafter pay the annual annuity payment and the deferred gift reverts to MCSF.

A summary of the charitable gift annuity agreements held as of June 30, 2023 is as follows:

Year Annuity Signed	Limited Durable Power of Attorney Effective Date	Annuity Start Date	Amount
2009-2010	2014-2015	2024-2057	\$23,240
2010-2011	2015-2016	2024	\$5,000
2012-2013	2017-2018	2024-2054	\$30,000
2013-2014	2018-2019	2024-2078	\$256,826
2014-2015	2019-2020	2023-2078	\$211,600
2015-2016	2020-2021	2026-2078	\$109,750
2016-2017	2021-2022	2025-2102	\$45,462
2017-2018	2022-2023	2025-2061	\$30,000
2018-2019	2023-2024	2027-2056	\$14,540
2019-2020	2024-2025	2033-2056	\$44,612
2020-2021	2025-2026	2056-2063	\$23,638
2022-2023	2026-2027	2060	\$10,024

7. RELATED PARTY

MCSF provides financial support to Loyola Sacred Heart High School and St. Joseph Elementary & Middle School. For the years ended June 30, 2023 and 2022 MCSF paid \$433,544 and \$374,214 in support and \$30,201 and \$29,213 in wages for MCSF staff to Loyola Sacred Heart High School, respectively. For the years ended June 30, 2023 and 2022 MCSF paid \$343,141 and \$209,408 in support to St. Joseph Elementary & Middle School, respectively. At June 30, 2023 and 2022 MCSF had no payables due to Loyola Sacred Heart High School or St. Joseph Elementary & Middle School.

MISSOULA CATHOLIC SCHOOLS FOUNDATION
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8. RISK MANAGEMENT

MCSF faces a number of risks including (1) loss or damage to property, (2) general liability, and (3) director and officer liability insurance. Commercial insurance policies are purchased for loss or damage to property, general liability, and director and officer liability insurance.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consists of three categories (donor restrictions by use, endowment earnings restricted by use, and CORPUS) at June 30, 2023 and 2022. Net assets with donor restrictions by use comprised the following:

	<u>2023</u>	<u>2022</u>
Donor Restrictions by Use		
Myles Flood	\$ 536,463	\$ 539,006
Capital Campaign/Activity Facilities	21,321	45,319
AFC Concession/Rollin Maintenance	7,639	7,639
LSH Athletic Uniforms	1,500	1,500
LSH Co-Curricular	10,000	10,000
LSH Mike Lee Scholarship	-	1,000
LSH Scholarships - Hamper	-	2,111
LSH Scholarships - Holden	550	-
LSH Scholarships - Petit	7,330	7,330
LSH Scholarships - Marcelli	9,766	9,766
LSH Speech and Debate	1,936	1,936
MCS Events	3,465	3,465
MCS Guardian/Bash/SSO	298,022	397,668
MCS Heritage History	869	365
MCS Maintenance Reserve	10,296	10,296
MCS Technology + Bash	3,353	1,610
MCS Staff/SJS Counselor	66,685	-
SJS Maintenance	421	11,845
Encompass	250	250
Pleiades Foundation	500	500
Swanson Foundation	8,832	5,832
Valentine Foundation	154	154
Interest and Fees Not Specific to Grant	159	138
Donor Restrictions by Use	<u>\$ 989,511</u>	<u>\$ 1,057,730</u>

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9. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Endowment earnings restricted by use comprised the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Endowment Earnings Restricted by Use		
LSH Financial Aid	\$ 942,092	\$ 800,278
LSH Scholarship	166,110	130,957
LSH Other	40,181	34,249
SJS Financial Aid	166,515	141,683
SJS Scholarship	16,867	13,990
MCS Financial Aid	773,070	636,922
MCS Other	121,140	96,782
Endowment Earnings Restricted by Use	<u>\$ 2,225,975</u>	<u>\$ 1,854,861</u>

CORPUS comprised the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
CORPUS		
LSH Financial Aid	\$ 1,468,504	\$ 1,458,480
LSH Scholarship	432,692	421,032
LSH Other	60,600	60,600
SJS Financial Aid	255,349	255,349
SJS Scholarship	32,140	31,140
MCS Financial Aid	1,539,960	1,539,460
MCS Other	292,666	292,666
LSH Hauck Locker Room	99,000	99,000
North Locker Room Construction	205,000	205,000
LSH Concessions Construction	530,083	530,083
TOTAL CORPUS	<u>\$ 4,915,994</u>	<u>\$ 4,892,810</u>

10. LIQUIDITY AND AVAILABILITY OF RESOURCES

MCSF receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the MCSF receives support without donor restrictions; with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

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10. LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

MCSF considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the MCSF's fiscal year.

MCSF's budget is developed to fund the needs of Missoula Catholic Schools. Missoula Catholic Schools presents assistance requests along with any capital improvement requests to MCSF which are approved by June 30th of each year. MCSF may not have the ability to meet Missoula Catholic School's assistance requests due to budget shortfalls, fundraising efforts, or other economic factors. Payments are made to Missoula Catholic Schools in installments of 25% in July and January and 50% in May of each year.

The table below presents financial assets available for general expenditures within one year at June 30, 2023 and 2022:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	\$ 186,642	\$ 107,098
Investments	1,063,511	1,128,729
Endowment investments	5,459,751	5,065,453
Total financial assets	6,709,904	6,301,280
Less amounts not available to be used within one year:		
Donor restricted by use	(989,511)	(1,057,730)
Endowment earnings restricted by use	(2,225,975)	(1,854,861)
CORPUS	(3,233,776)	(3,210,592)
Financial assets not available to be used within one year	(6,449,262)	(6,123,183)
Financial assets available to meet general expenditures within one year	\$ 260,642	\$ 178,097

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 31, 2023, the date on which the financial statements were available for issue.