



The accompanying financial statements and report are intended for the original recipient.

They must be presented in their entirety and may not be modified in any manner.



FINANCIAL REPORT

June 30, 2011 and 2010

C O N T E N T S

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2 and 3
Statements of Activities.....	4 and 5
Statements of Cash Flows.....	6 and 7
Notes to Financial Statements	8 to 25
SUPPLEMENTARY INFORMATION	
Schedule 1 – Statements of Financial Position – Fund Equity Presentation	26
Schedule 2 – Statements of Activities – Fund Equity Presentation.....	27
Schedule 3 – Statements of Activities – Natural Classifications by Fund Group	28
Schedule 4 – Investments by Fund Manager	29

INDEPENDENT AUDITOR'S REPORT

Audit Committee
Board of Trustees
The University of Montana Foundation
Missoula, Montana

We have audited the accompanying statements of financial position of The University of Montana Foundation as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The University of Montana Foundation at June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Schedules 1-4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Butte, Montana
September 26, 2011

FINANCIAL STATEMENTS

THE UNIVERSITY OF MONTANA FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
Cash and Cash Equivalents	\$ 5,102,237	\$ 4,130,599
Short-Term Investments	4,023,659	3,176,752
Accrued Dividends and Interest	112,137	134,574
Investments	151,399,581	128,119,556
Contributions Receivable, Net	6,146,006	9,667,721
Student Loans and Other Receivables	296,260	267,306
Beneficial Interests in Trusts Held by Others	602,612	544,202
Property, Building and Equipment Net of Accumulated Depreciation	3,857,132	3,949,828
Other Assets	<u>823,642</u>	<u>801,751</u>
Total assets	<u>\$ 172,363,266</u>	<u>\$ 150,792,289</u>

The Notes to Financial Statements are an integral part of these statements.

LIABILITIES AND NET ASSETS	<u>2011</u>	<u>2010</u>
Accounts Payable	\$ 290,584	\$ 163,801
Accrued Expenses	104,966	84,513
Compensated Absences	241,466	249,556
Liabilities to External Beneficiaries	2,914,112	2,909,791
Deferred Revenue	108,525	-
Custodial Funds	<u>21,409,363</u>	<u>17,896,198</u>
Total liabilities	<u>25,069,016</u>	<u>21,303,859</u>
NET ASSETS		
Unrestricted		
Undesignated	<u>6,444,330</u>	<u>161,371</u>
	<u>6,444,330</u>	<u>161,371</u>
Restricted		
Temporarily restricted	48,409,866	37,971,152
Permanently restricted	<u>92,440,054</u>	<u>91,355,907</u>
	<u>140,849,920</u>	<u>129,327,059</u>
Total net assets	<u>147,294,250</u>	<u>129,488,430</u>
Total liabilities and net assets	<u>\$ 172,363,266</u>	<u>\$ 150,792,289</u>

THE UNIVERSITY OF MONTANA FOUNDATION
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2011 and 2010

	2011			TOTAL
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	
Revenues, Gains and Other Support				
Contributions	\$ 128,381	\$ 6,940,914	\$ 1,285,093	\$ 8,354,388
Interest and dividend income	453,654	2,561,286	-	3,014,940
Net realized and unrealized gains on investments	6,038,728	15,050,979	-	21,089,707
Development and administrative fees	437,477	-	-	437,477
Contract for services	425,000	-	-	425,000
Other	54,569	1,619,127	-	1,673,696
Net assets released from restrictions - satisfaction of program restrictions	<u>14,948,158</u>	<u>(14,948,158)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>22,485,967</u>	<u>11,224,148</u>	<u>1,285,093</u>	<u>34,995,208</u>
Expenses				
Program services				
University support				
Academics and institutional	4,982,662	-	-	4,982,662
Capital expenses	3,369,845	-	-	3,369,845
Scholarships and awards	3,318,191	-	-	3,318,191
Pledge adjustments	(677)	603,309	34,496	637,128
Supporting services				
Fund-raising	2,114,343	-	-	2,114,343
Administrative and general	2,428,068	-	-	2,428,068
Payments to beneficiaries and change in liabilities to external beneficiaries	<u>(9,424)</u>	<u>348,575</u>	<u>-</u>	<u>339,151</u>
Total expenses	<u>16,203,008</u>	<u>951,884</u>	<u>34,496</u>	<u>17,189,388</u>
Change in net assets before reclassification items	6,282,959	10,272,264	1,250,597	17,805,820
Reclassification of Net Assets	<u>-</u>	<u>166,450</u>	<u>(166,450)</u>	<u>-</u>
Change in net assets	6,282,959	10,438,714	1,084,147	17,805,820
Net Assets				
Beginning of year	<u>161,371</u>	<u>37,971,152</u>	<u>91,355,907</u>	<u>129,488,430</u>
End of year	<u>\$ 6,444,330</u>	<u>\$ 48,409,866</u>	<u>\$ 92,440,054</u>	<u>\$ 147,294,250</u>

The Notes to Financial Statements are an integral part of these statements.

	2010			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Revenues, Gains and Other Support				
Contributions	\$ 137,857	\$ 4,721,344	\$ 2,876,017	\$ 7,735,218
Interest and dividend income	540,682	2,389,001	-	2,929,683
Net realized and unrealized gains on investments	4,783,644	6,438,331	-	11,221,975
Gain on sale of asset	6,501	-	-	6,501
Development and administrative fees	440,664	-	-	440,664
Contract for services	400,000	-	-	400,000
Other	11,951	1,739,810	-	1,751,761
Reclassification of Net Assets				
Net assets released from restrictions - satisfaction of program restrictions	<u>16,248,724</u>	<u>(16,248,724)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>22,570,023</u>	<u>(960,238)</u>	<u>2,876,017</u>	<u>24,485,802</u>
Expenses				
Program services				
University support				
Academics and institutional	5,697,364	-	-	5,697,364
Capital expenses	3,864,615	-	-	3,864,615
Scholarships and awards	3,857,300	-	-	3,857,300
Pledge adjustments	2,587	99,180	87,502	189,269
Supporting services				
Fund-raising	2,091,532	-	-	2,091,532
Administrative and general	2,028,853	-	-	2,028,853
Payments to beneficiaries and change in liabilities to external beneficiaries	<u>6,044</u>	<u>80,465</u>	<u>-</u>	<u>86,509</u>
Total expenses	<u>17,548,295</u>	<u>179,645</u>	<u>87,502</u>	<u>17,815,442</u>
Change in net assets before reclassification items	5,021,728	(1,139,883)	2,788,515	6,670,360
Reclassification of Net Assets	<u>-</u>	<u>1,022</u>	<u>2,178,817</u>	<u>2,179,839</u>
Change in net assets	5,021,728	(1,138,861)	4,967,332	8,850,199
Net Assets				
Beginning of year	<u>(4,860,357)</u>	<u>39,110,013</u>	<u>86,388,575</u>	<u>120,638,231</u>
End of year	<u>\$ 161,371</u>	<u>\$ 37,971,152</u>	<u>\$ 91,355,907</u>	<u>\$ 129,488,430</u>

THE UNIVERSITY OF MONTANA FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Contributions received	\$ 9,887,171	\$ 7,621,646
Loss (return) on investments	(3,304,677)	2,987,271
Other operating receipts and payments	2,615,744	1,898,569
Cash paid for University support	(12,307,826)	(12,667,585)
Cash paid for support services	(4,308,562)	(4,292,673)
Nonoperating payments	(334,830)	(317,386)
Net custodial funds activity	<u>3,513,165</u>	<u>2,317,161</u>
Cash flows from operating activities	<u>(4,239,815)</u>	<u>(2,452,997)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase (sales) of short-term investments, net	(223,369)	2,515,873
Investments		
Purchases	(16,813,645)	(35,986,873)
Withdrawals	20,965,381	34,499,727
Payments received on contracts and notes receivable	-	209,330
Proceeds from sale of property	-	27,500
Purchase of depreciable assets and real property	<u>(2,007)</u>	<u>-</u>
Cash flows from investing activities	<u>3,926,360</u>	<u>1,265,557</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable to bank	-	(123,140)
Contributions to permanently restricted endowments	<u>1,285,093</u>	<u>2,876,017</u>
Cash flows from financing activities	<u>1,285,093</u>	<u>2,752,877</u>
Net change in cash and cash equivalents	971,638	1,565,437
Cash and cash equivalents		
Beginning of year	<u>4,130,599</u>	<u>2,565,162</u>
End of year	<u>\$ 5,102,237</u>	<u>\$ 4,130,599</u>

The Notes to Financial Statements are an integral part of these statements.

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF CHANGES IN NET ASSETS TO		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 17,805,820	\$ 8,850,199
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	94,703	103,357
Undistributed interest and dividends	(2,904,432)	(2,673,495)
Net gain on investments	(24,527,329)	(8,548,480)
Gain on disposal of assets	-	(6,501)
Permanently restricted contributions	(1,285,093)	(2,876,017)
Noncash marketable securities donations	(623,538)	(542,890)
Contributions receivable	3,521,715	3,312,541
Other receivables	(6,517)	153,653
Beneficial interests in trusts held by others	(58,410)	(28,765)
Other assets, net	(21,891)	2,161
Accounts payable, accrued expenses, compensated absences and other liabilities	247,671	(105,205)
Liabilities to external beneficiaries	4,321	(230,877)
Custodial funds	3,513,165	137,322
Cash flows from operating activities	<u>\$ (4,239,815)</u>	<u>\$ (2,452,997)</u>

THE UNIVERSITY OF MONTANA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations:

The University of Montana Foundation (the Foundation) is a nonprofit corporation incorporated under the laws of Montana. The purpose of the Foundation is to promote and support The University of Montana. The activities of the Foundation include fund-raising and administration of donated assets.

Basis of Presentation:

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash funds on deposit with investment managers are excluded from cash and cash equivalents since they are restricted for investment use.

Short-Term Investments:

Short-term investments consist of certificates of deposit, U.S. Treasury securities, and obligations of federal agencies or affiliates. Short-term investments are carried at fair value, which approximates cost.

Classification of Net Assets:

The Foundation classifies contributions as unrestricted, temporarily restricted, and permanently restricted net assets in accordance with donor stipulations. Permanently restricted net assets consist primarily of endowment gifts where donors have specified investment in perpetuity to generate returns for specified restricted or unrestricted purposes. Temporarily restricted net assets include term endowments, quasi-endowments (managed as endowments by directive of the Foundation's Board of Trustees), and other gifts restricted as to purpose or time.

When a donor restriction expires (time restriction ends or purpose restriction accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All expenses are reported in unrestricted net assets, after applicable restrictions have been satisfied.

The Foundation reports gifts of land or other real or personal property as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Unrestricted resources are used for internal operations and administration and to benefit the University at the discretion of the Foundation's Board of Trustees.

THE UNIVERSITY OF MONTANA FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Custodial Funds:

Net assets where the Foundation acts only as a custodian or agent are excluded from the statement of activities and reported as a liability on the statement of financial position.

Investments:

The Foundation has significant investments in stocks, bonds and alternative investments, and is therefore subject to the impact of material fluctuations on the market value of these investments. Investments are made primarily by investment managers engaged by the Foundation with the guidance of an investment consultant and the investments are monitored by management and the Investment Committee of the Board of Trustees. Though the market values of the investments are subject to fluctuation on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of the Foundation.

Investments consist primarily of marketable debt and equity securities purchased through institutional mutual funds. Investments in marketable debt and equity securities are carried at fair value, determined primarily by quoted market prices. Increases or decreases in fair value are recognized in the current period as investment gains or losses.

The fair values of alternative investments publicly traded on national security exchanges are stated at their closing market prices as of June 30, 2011 and 2010. The fair values of alternative investments not publicly traded on national security exchanges represent the Foundation's pro-rata interest in the net assets of each investment partnership as provided by its managing partner. Because of inherent uncertainties in the valuation of these non-publicly traded alternative investments, those estimated fair values may differ materially from the values that might ultimately be realized.

Investment Pool:

Most permanently restricted net assets and certain temporarily restricted net assets participate in an investment pool that operates under the "market value unit method." Under this method, each account is assigned a number of units based on the relationship of the fair value of all investments at the time of entry into the pool. Quarterly, the pooled assets are valued and new unit values are calculated. The new unit value is used to determine the number of units allocated to new accounts entering the pool or to calculate the equity of accounts withdrawing from the pool. Investment pool income, gains, and losses are allocated quarterly to participating accounts based on the number of units held during the period.

In order to maintain the real value of permanently restricted net assets, the Foundation has adopted a policy whereby a portion of pooled investment return in excess of the spending rate is classified as temporarily restricted net assets. During 2011, the annual spending rate was 4.25% of the average of the fair value of the preceding twelve quarter-ends, with the average of the past four quarter-ends weighted at 70%, and the average of the previous eight quarter-ends weighted at 30%. During 2010, the annual spending rate was 4.25% of the average of the fair value at the end of the preceding three years.

THE UNIVERSITY OF MONTANA FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fees:

The Foundation assesses an administrative fee on the pooled investments based on the market value of the pool as of June 30 each year. The annual administrative fee was 2% for June 30, 2011 and 2010. The Foundation also assesses a one-time operating fee on current non-scholarship gifts. The amount of the fee is determined by the size of the gift, ranging from 2.5% to 5.0%. Total Foundation fees in 2011 and 2010 were \$2,808,682 and \$2,581,245, respectively.

Contributions:

Contributions, including unconditional promises to give, are recognized as unrestricted, temporarily restricted, or permanently restricted revenue in accordance with donor stipulations. The estimated allowance for uncollectible promises to give is based on the Foundation's historical collection percentages. Unconditional promises to give are valued using discount rates as of the date of gift.

Deferred Revenue:

Funds received in advance of services rendered are reported as deferred revenue.

Split-Interest Agreements:

Some donors enter into trust or other arrangements under which the Foundation has a beneficial interest. The Foundation has either a remainder interest or a lead interest, where distributions are received during the term of the agreement. Frequently, the term of the agreement is for the remaining life of the individual(s) designated by the donor. For irrevocable agreements where the Foundation has control of the assets, assets are recorded at their estimated fair market value upon notification of the beneficial interest, provided that reliable information is available. A liability for payments to other beneficiaries is estimated at the present value of the expected future payments to those beneficiaries. For irrevocable agreements where the Foundation does not have control over the assets (generally held in an outside trust), the present value of the Foundation's beneficial interest is recorded as beneficial interests in trusts held by others, provided that reliable information is available. For revocable agreements where the Foundation has control over the assets, the assets are recorded as a refundable advance and included in the liability to external beneficiaries. Revocable interests where the Foundation does not have control over the assets are considered conditional promises to give, and, accordingly, are not recorded. For fiscal years 2011 and 2010, present value calculations used discount rates as of the date of gift and standard actuarial tables for estimating remaining lives of donors and beneficiaries.

THE UNIVERSITY OF MONTANA FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements:

GAAP defines fair value 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 valuation 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—Quoted prices in active markets as of the measurement date;
- Level 2—Quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable (either directly or indirectly) for substantially the full term of the asset or liability; and
- Level 3—Significant unobservable prices or inputs where there is little or no market activity for the asset or liability at the measurement date.

There are three general valuation techniques that may be used to measure fair value, as describe below:

- Market Approach—Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;
- Cost Approach—Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
- Income Approach—Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Contributed Assets and Donated Services:

Assets donated to the Foundation are recorded at fair value as of the date of the gift. No amounts have been reflected in the statements for donated services because no objective basis is available to measure the value of such services.

Supporting Services:

Certain personnel and other costs are allocated to administrative and fund-raising services on the basis of estimated time identifiable with such services.

Scholarships:

The Foundation provides scholarships to University of Montana students. The University awards these scholarships under an agreement with the Foundation.

THE UNIVERSITY OF MONTANA FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Assets:

Real property investments and other assets are reported at the lower of the appraised value at the time of donation or the estimated fair value.

Depreciable Assets:

Depreciable assets consist of office furniture and equipment, computer equipment, and buildings. Items are stated at cost (or original fair value if contributed) and depreciation is charged on a straight-line basis over estimated useful lives of five to forty years. Capital assets purchased on behalf of University of Montana departments are classified as an expense by the Foundation since the University assumes control immediately after purchase. Repair and maintenance costs are expensed as incurred and betterments in excess of \$1,500 are capitalized.

Advertising Costs:

Advertising costs, which relate principally to fund-raising activities, are expensed as incurred and totaled \$55,760 and \$100,682, respectively, for 2011 and 2010.

Estimates:

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

Income Taxes:

The Foundation is exempt from state and federal income taxes under Internal Revenue Code Section 501(c)(3).

With few exceptions, the Foundation is no longer subject to examinations by federal tax authorities for years before 2008.

Subsequent Events:

Management has evaluated subsequent events through September 26, 2011, the date which the financial statements were available for issue.

THE UNIVERSITY OF MONTANA FOUNDATION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2011 and 2010

NOTE 2. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows at June 30:

	<u>2011</u>	<u>2010</u>
Cash	\$ 4,320,335	\$ 1,875,428
Money market funds	<u>781,902</u>	<u>2,255,171</u>
Total	<u>\$ 5,102,237</u>	<u>\$ 4,130,599</u>

At June 30, 2011 and 2010, there were no bank deposits in excess of FDIC insurance limits. The Foundation routinely invests available cash in bank repurchase agreements, which are backed by U.S. Government and U.S. Government Agency Securities.

NOTE 3. SHORT-TERM INVESTMENTS

The components of short-term investments are as follows at June 30:

	<u>2011</u>	
	<u>Cost</u>	<u>Fair Value</u>
Certificates of Deposit	\$ 500,000	\$ 500,000
U.S. Treasury and Federal Agency Obligations	2,000,436	2,007,791
Mutual Funds	1,495,188	1,494,398
Marketable Securities	<u>21,470</u>	<u>21,470</u>
Total	<u>\$ 4,017,094</u>	<u>\$ 4,023,659</u>

	<u>2010</u>	
	<u>Cost</u>	<u>Fair Value</u>
Certificates of Deposit	\$ 450,000	\$ 450,000
U.S. Treasury and Federal Agency Obligations	<u>2,729,126</u>	<u>2,726,752</u>
Total	<u>\$ 3,179,126</u>	<u>\$ 3,176,752</u>

Under GAAP, U.S. Treasury and Federal Agency Obligations are valued using Level 2 inputs which are quoted prices for similar assets in active markets (market approach).

THE UNIVERSITY OF MONTANA FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

NOTE 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable in excess of one year are discounted to their net present value using a discount rate based on the three-year U.S. Treasury note rate at the time of contribution (the discount rate used varied between 0.8% and 6.3%). The unamortized discount at June 30, 2011 and 2010, was \$869,862 and \$1,041,401, respectively. A schedule of maturities for contributions receivable at June 30, 2011, follows:

<u>Year Ending June 30,</u>	<u>Gross</u>	<u>Present Value</u>
2012	\$ 1,979,008	\$ 1,979,008
2013	1,165,358	1,037,361
2014	758,964	659,222
2015	2,164,096	2,068,388
2016	687,085	228,028
Later years	<u>400,000</u>	<u>312,642</u>
	7,154,511	6,284,649
Less allowance for uncollectible contributions	<u>(138,643)</u>	<u>(138,643)</u>
	<u>\$ 7,015,868</u>	<u>\$ 6,146,006</u>

	<u>Contributions Receivable</u>
July 1, 2009	\$ 12,980,262
Change in present value calculation	327,135
Additions	878,502
Payments and write offs	(4,504,529)
Change in allowance	<u>(13,649)</u>
June 30, 2010	9,667,721
Change in present value calculation	171,539
Additions	1,659,153
Payments and write offs	(5,363,733)
Change in allowance	<u>11,326</u>
June 30, 2011	<u>\$ 6,146,006</u>

THE UNIVERSITY OF MONTANA FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

NOTE 4. CONTRIBUTIONS RECEIVABLE (CONTINUED)

At June 30, 2011, the Foundation had contributions receivable from two donors which represented 35% of total contributions receivable. At June 30, 2010, the Foundation had contributions receivable from two donors which represented 46% of total contributions receivable.

Conditional promises to give are not presented in the financial statements and represent bequests and other revocable gifts. As of June 30, 2011 and 2010 conditional promises to give were valued at approximately \$26,600,000 and \$18,200,000, respectively.

NOTE 5. INVESTMENTS

Investments are stated at fair value, determined based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Cost is determined using the specific identification method. The Foundation determined the fair value of its marketable securities through the application of GAAP.

As required by GAAP, investments are classified within the level of lowest significant input considered in determining fair value. Investments classified within Level 3 whose fair value measurement considers several inputs may include Level 1 or Level 2 inputs as components of the overall fair value measurement.

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices with active markets (market approach). Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets (market approach). Financial assets valued using Level 3 inputs are based on significant unobservable prices or inputs where there is little or no market activity for the asset at the measurement date. Level 3 assets include: hedge funds, alternative investments, real estate and equities. Fair value for the hedge funds aggregate values reported by each underlying fund as reported to the Foundation on a monthly basis. Alternative investments at June 30, 2011 include holdings in seven "funds of funds." Each funds of funds is structured as a limited partnership that in turn invests in a portfolio of underlying partnerships most of which make and hold investments in privately owned companies. These underlying investments as well as the limited partnerships holding them are illiquid investments with values periodically determined by each managing partner using the market approach. Fair value for the equities is based on an independent appraised value of the shares held each quarter using the market approach. Fair value for the real estate is based on an independent appraisal of the real estate at the date contributed to the Foundation.

THE UNIVERSITY OF MONTANA FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011 and 2010

NOTE 5. INVESTMENTS (CONTINUED)

Investments itemized below were measured at fair value using the market approach.

<u>Investments</u>	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Cash and Cash Equivalents Restricted for Investment	\$ 578,730	\$ 578,730	\$ 922,236	\$ 922,236
Level 1				
Equities				
Consumer Discretionary	59,667	69,780	110,429	170,692
Consumer Staples	38,398	56,134	76,538	130,018
Energy	194,743	325,500	247,873	330,070
Financials	914,018	814,778	1,096,121	1,070,349
Health Care	72,581	94,786	146,350	154,352
Industrials	76,429	116,947	148,396	211,171
Information Technology	182,668	289,117	277,837	351,057
Materials	21,084	23,576	17,039	12,187
Telecommunication Services	-	-	72,419	93,696
Utility	13,249	20,513	52,208	59,276
International Equities	127,263	136,554	46,944	56,613
Other	45,085	55,778	48,821	47,741
Mutual Funds				
Fixed Income	12,245,356	12,509,887	10,482,090	11,261,400
International Equities	31,002,219	33,074,244	29,404,963	24,478,917
Domestic Equities	31,592,693	38,872,117	40,385,216	37,481,616
REITS	5,299,841	4,220,884	5,113,050	3,213,326
Hybrid	13,917,388	14,138,827	9,131,433	9,130,992
Other	1,135,714	1,364,145	843,185	869,260
Level 2				
Government Obligations	5,906,562	5,990,070	3,872,844	3,978,919
Agencies	2,179,290	2,198,550	3,016,445	3,054,599
Corporate Obligations				
AAA rated bond	529,674	565,147	251,796	252,002
AA rated bond	1,177,961	1,240,380	933,375	981,599
A rated bond	2,182,461	2,311,743	3,821,814	4,003,269
BBB rated bond	201,275	204,926	-	-
BB rated bond	194,660	197,112	235,773	253,323
B rated bond	215,757	220,413	-	-
Mortgage Security Bonds	176,836	176,718	575,000	585,021

THE UNIVERSITY OF MONTANA FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

NOTE 5. INVESTMENTS (CONTINUED)

<u>Investments</u>	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Level 3				
Investment Partnerships				
Equities	9,406,039	11,659,744	6,543,407	6,906,566
Fixed Income	2,730,487	3,727,415	2,700,147	3,303,534
Hedge Fund of Funds	13,872,892	16,801,232	12,864,063	14,641,981
Real Estate	184,442	151,556	-	-
Alternative Investment				
Managed Futures	14,776	20,408	32,259	35,170
Real Estate	<u>80,020</u>	<u>80,020</u>	<u>80,020</u>	<u>80,020</u>
Total	136,570,258	152,307,731	133,550,091	128,120,972
Due to managers	<u>(908,150)</u>	<u>(908,150)</u>	<u>(1,416)</u>	<u>(1,416)</u>
Total Net Investments	<u>\$ 135,662,108</u>	<u>\$ 151,399,581</u>	<u>\$ 133,548,675</u>	<u>\$ 128,119,556</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are as follows:

	Limited Partnership: Equities	Limited Partnership: Fixed Income	Limited Partnership: Hedge fund of funds	Investment Partnership: Real Estate	Equities: Financial	Managed Futures	Real Estate	Total
July 1, 2009	\$ 4,197,618	\$ 1,875,861	\$ 11,418,012	\$ -	\$ 924,211	\$ 36,135	\$ 80,020	\$ 18,531,857
Total gains or losses (realized/unrealized)	511,869	466,869	1,223,424	-	-	(965)	-	2,201,197
Purchases, issuance, and settlements	2,197,078	960,804	2,000,546	-	-	-	-	5,158,428
Transfers out of Level 3	-	-	-	-	(924,211)	-	-	(924,211)
June 30, 2010	6,906,565	3,303,534	14,641,982	-	-	35,170	80,020	24,967,271
Total gains or losses (realized/unrealized)	2,062,605	476,439	1,159,252	(10,426)	-	2,721	-	3,690,591
Purchases, issuance, and settlements	2,690,574	(52,558)	999,998	161,982	-	(17,483)	-	3,782,513
June 30, 2011	<u>\$ 11,659,744</u>	<u>\$ 3,727,415</u>	<u>\$ 16,801,232</u>	<u>\$ 151,556</u>	<u>\$ -</u>	<u>\$ 20,408</u>	<u>\$ 80,020</u>	<u>\$ 32,440,375</u>

THE UNIVERSITY OF MONTANA FOUNDATION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2011 and 2010

NOTE 5. INVESTMENTS (CONTINUED)

Limited Partnership: Equities	Limited Partnership: Fixed Income	Limited Partnership: Hedge fund of funds	Investment Partnership: Real Estate	Equities: Financial	Managed Futures	Real Estate	Total
-------------------------------------	-----------------------------------------	---------------------------------------------------	-------------------------------------------	------------------------	--------------------	-------------	-------

The amount of gains or losses for the year ended June 30, 2011, included in net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date

\$ 2,062,605	\$ 476,439	\$ 1,159,252	\$ (10,426)	\$ -	\$ 2,721	\$ -	\$ 3,690,591
--------------	------------	--------------	-------------	------	----------	------	--------------

The amount of gains or losses for the year ended June 30, 2010, included in net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date

\$ 511,869	\$ 466,869	\$ 1,223,424	\$ -	\$ -	\$ (965)	\$ -	\$ 2,201,197
------------	------------	--------------	------	------	----------	------	--------------

The Foundation's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstance that caused the transfer.

At June 30, 2011 and 2010, investments totaling \$7,846,288 and \$7,240,376, respectively, relate to split-interest agreements.

The total return on investments was approximately 21.1% and 13.9% in 2011 and 2010, respectively. The total return on long-term pooled investments only was approximately 23.4% and 15.3% in 2011 and 2010, respectively.

At June 30, 2011, the Foundation was obligated to fund up to \$11.8 million in future investment partnership commitments.

Investment income is reported net of investment manager fees, which range from .1% to 1.2% of investment value.

THE UNIVERSITY OF MONTANA FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

NOTE 6. ENDOWMENT

The Foundation's endowment consists of numerous individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees has interpreted the Montana Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as allowing the prudent spending 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 classifies 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 made 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) The duration and preservation of the fund;
- (2) The purposes of the Foundation and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation or deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Foundation; and
- (7) The investment policies of the Foundation.

THE UNIVERSITY OF MONTANA FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

NOTE 6. ENDOWMENT (CONTINUED)

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 the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were total deficiencies as of June 30, 2011 and 2010 of \$295,964 and \$5,304,626, respectively.

Return Objectives and Risk Parameters

The Foundation 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 the Foundation must hold in perpetuity or for a donor-specified period(s) as well certain unrestricted funds, as well as a portion of its restricted current funds. Accordingly the Foundation's investment policy is designed to produce investment returns that exceed the sum of its spending policy, investment fees, and estimated long-term inflation.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation 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). The Foundation targets a diversified asset allocation including cash equivalents, fixed income, and equity securities to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 4.25% of the average fair value of its endowment fund's average fair value at the end of the preceding twelve quarters. The average is weighted, with the average of the past four quarter-ends receiving a 70% weight, and the average of remaining eight quarter-ends receiving a 30% weight. For fiscal year 2010 the Foundation's policy was to appropriate for distribution 4.25% of its endowment fund's average of the fair value at the end of the preceding three years. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow.

THE UNIVERSITY OF MONTANA FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

NOTE 6. ENDOWMENT (CONTINUED)

Endowment net asset composition by type of fund as of June 30, 2011, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment fund	\$ (295,964)	\$ 18,903,662	\$ 92,440,054	\$ 111,047,752
Board-designated endowment funds	<u>505,711</u>	<u>-</u>	<u>-</u>	<u>505,711</u>
	<u>\$ 209,747</u>	<u>\$ 18,903,662</u>	<u>\$ 92,440,054</u>	<u>\$ 111,553,463</u>

Changes in net assets composition by type of fund for the year ended June 30, 2011, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (4,882,417)	\$ 8,287,021	\$ 91,355,907	\$ 94,760,511
Investment return Appreciation (realized and unrealized), net of interest and dividends	5,105,999	15,727,804	-	20,833,803
Contributions	-	-	1,285,093	1,285,093
Other Changes Reclassification of assets	-	166,450	(166,450)	-
Pledge adjustment			(34,496)	(34,496)
Appropriation of endowment assets for expenditures	(13,835)	(3,450,405)	-	(3,464,240)
Fees	<u>-</u>	<u>(1,827,208)</u>	<u>-</u>	<u>(1,827,208)</u>
Endowment net assets, end of year	<u>\$ 209,747</u>	<u>\$ 18,903,662</u>	<u>\$ 92,440,054</u>	<u>\$ 111,553,463</u>

THE UNIVERSITY OF MONTANA FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

NOTE 6. ENDOWMENT (CONTINUED)

Endowment net asset composition by type of fund as of June 30, 2010, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment fund	\$ (5,304,625)	\$ 8,287,021	\$ 91,355,907	\$ 94,338,303
Board-designated endowment funds	<u>422,208</u>	<u>-</u>	<u>-</u>	<u>422,208</u>
	<u>\$ (4,882,417)</u>	<u>\$ 8,287,021</u>	<u>\$ 91,355,907</u>	<u>\$ 94,760,511</u>

Changes in net assets composition by type of fund for the year ended June 30, 2010, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (8,355,408)	\$ 4,978,436	\$ 86,388,575	\$ 83,011,603
Investment return Appreciation (realized and unrealized), net of interest and dividends	4,311,396	7,368,568	-	11,679,964
Contributions	-	-	2,876,017	2,876,017
Other Changes Reclassification of assets	(820,161)	-	2,178,817	1,358,656
Pledge adjustment	-	-	(87,502)	(87,502)
Appropriation of endowment assets for expenditures	(18,244)	(2,392,086)	-	(2,410,330)
Fees	<u>-</u>	<u>(1,667,897)</u>	<u>-</u>	<u>(1,667,897)</u>
Endowment net assets, end of year	<u>\$ (4,882,417)</u>	<u>\$ 8,287,021</u>	<u>\$ 91,355,907</u>	<u>\$ 94,760,511</u>

THE UNIVERSITY OF MONTANA FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

NOTE 7. PROPERTY, BUILDING, AND EQUIPMENT

At June 30, property, building and equipment consisted of:

	<u>2011</u>	<u>2010</u>
Land	\$ 1,097,609	\$ 1,097,609
Building	3,852,000	3,852,000
Computer equipment and software	190,474	213,456
Office furniture and fixtures	<u>131,999</u>	<u>144,983</u>
	5,272,082	5,308,048
Less accumulated depreciation	<u>(1,414,950)</u>	<u>(1,358,220)</u>
	<u>\$ 3,857,132</u>	<u>\$ 3,949,828</u>

Depreciation expense was \$94,703 and \$103,357 in 2011 and 2010, respectively.

Sourdough Island accounts for \$963,000 of the land and \$3,852,000 of the building in the above totals. Depreciation expense relating to this property was \$77,040 in 2011 and 2010, and accumulated depreciation at June 30, 2011 and 2010, was \$1,117,080 and \$1,040,040, respectively.

NOTE 8. LIABILITIES TO EXTERNAL BENEFICIARIES

Some donors enter into trust or other arrangements under which the Foundation has a beneficial interest. For irrevocable agreements where the Foundation has control of the assets, assets are recorded at their estimated fair value upon notification of the beneficial interest, provided that reliable information is available. A liability for payments to other beneficiaries is estimated at the present value of the expected future payments to the beneficiaries using an income approach, calculated by using an IRS life expectancy table and the discount rate determined at the date of the gift. For fiscal year 2011 and 2010 the liability was calculated using IRS table 2000CM. Discount rates used in the calculation range from 2.0% to 10.6%.

At June 30, 2011 and 2010, the liability due to external beneficiaries was \$2,914,112 and \$2,909,791 respectively. Changes in the liability from year to year occur when the present value calculation is updated.

THE UNIVERSITY OF MONTANA FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

NOTE 9. RESTRICTED NET ASSETS

At June 30, restricted net assets were available for the following purposes:

	<u>2011</u>	<u>2010</u>
Temporarily Restricted		
Scholarships	\$ 12,842,033	\$ 10,747,159
Academics and institutional support	22,271,278	16,996,509
Capital additions	<u>13,296,555</u>	<u>10,227,484</u>
Total temporarily restricted net assets	<u>\$ 48,409,866</u>	<u>\$ 37,971,152</u>
Permanently Restricted		
Scholarships	\$ 42,208,860	\$ 41,792,722
Academics and institutional support	49,756,132	49,107,472
Capital additions	<u>475,062</u>	<u>455,713</u>
Total permanently restricted net assets	<u>\$ 92,440,054</u>	<u>\$ 91,355,907</u>

NOTE 10. RETIREMENT PLAN

The Foundation has a qualified tax deferred annuity plan, which covers substantially all permanent employees. Effective May 1, 2010 employer contributions to the plan are eleven percent of eligible employees' salaries beginning after six months of service. For the period between July 1, 2009 and May 1, 2010 the percent contributed to the plan was five percent. Each employee allocates contributions to one or more investment funds sponsored by the custodial agent. The annuity payments under the plan depend on the amounts contributed by the Foundation, and the investment performance of invested contributions. Foundation contributions to the plan amounted to \$243,040 and \$125,624 for 2011 and 2010, respectively.

NOTE 11. RELATED PARTY TRANSACTIONS

The Foundation performs certain fund-raising services for The University of Montana under an annual contractual agreement. During 2011 and 2010, the annual revenue was \$425,000 and \$400,000, respectively. Prior to June 30, 2011, the Foundation received \$106,250 from the University for services to be performed in fiscal year 2012. This amount was recorded as deferred revenue as the services had not yet been performed. Additionally, as part of the agreement for performing fund-raising services, the University provided the Foundation with certain computer services, and other related items. The Foundation was party to an operating lease with the University of Montana for office space. Terms of the lease include annual rent of \$140,940 through June 30, 2013. Rent expense for 2011 and 2010 was \$140,940.

THE UNIVERSITY OF MONTANA FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011 and 2010

NOTE 11. RELATED PARTY TRANSACTIONS (CONTINUED)

The Foundation receives cash and non-cash donations to support the programs, faculty and staff of the University of Montana. In fiscal year 2011 and 2010, the Foundation provided \$9,459,011 and \$9,926,971, respectively of direct support to the University. The Foundation also transferred \$398,484 and \$778,467 of non-cash donations to the University in fiscal year 2011 and 2010, respectively.

NOTE 12. COMMITMENTS AND CONTINGENCIES

During 1996, the Foundation received a real property contribution (Sourdough Island) valued at \$4,815,000. Upon eventual sale of the property, the donor agreement provides for allocation of the net sales proceeds to all campuses under the jurisdiction of The University of Montana. The Foundation leases the facility to the University for a nominal annual fee. The lease agreement continues indefinitely unless the University or the Foundation elects to terminate the agreement.

NOTE 13. RECLASSIFICATIONS

In fiscal year 2011, certain funds were reclassified in the statements of activities to reflect management's determination of the funds' proper net assets classification. Net assets and changes in net assets are unchanged due to these reclassifications.

For fiscal years 2011 and 2010, pledge adjustments, resulting from revised collection estimates, were reclassified in the statements of activities as a program service. Previous to 2010, such adjustments were classified as a supporting service under the general and administrative expenses category. Management believes this reclassification is more representative of the nature of these expenses. Net assets and changes in net assets are unchanged due to these reclassifications.

In fiscal year 2010, the Foundation reclassified approximately \$2.2 million in custodial funds based on an agreement with a donor. The agreement specified the donor would contribute the current balance of a \$2.4 million endowed gift if the Foundation raised \$3 million in matching funds. In fiscal year 2010 the Foundation received communication from the donor, acknowledging that the match had been met, and releasing the funds from its custodial obligation.

This Page intentionally left blank

SUPPLEMENTARY INFORMATION

THE UNIVERSITY OF MONTANA FOUNDATION
SCHEDULE 1
STATEMENTS OF FINANCIAL POSITION – FUND EQUITY PRESENTATION
June 30, 2011
(With Comparative Totals for June 30, 2010)

ASSETS	UNRESTRICTED	RESTRICTED FUNDS			TOTALS	
	FUNDS	TEMPORARILY	PERMANENT	CUSTODIAL	2011	2010
Cash and Cash Equivalents	\$ (14,908,569)	\$ 14,448,880	\$ 3,147,951	\$ 2,413,975	\$ 5,102,237	\$ 4,130,599
Short-Term Investments	4,002,189	21,470	-	-	4,023,659	3,176,752
Accrued Dividends and Interest	38,517	302	73,222	96	112,137	134,574
Investments	12,503,957	10,360,515	109,521,275	19,013,834	151,399,581	128,119,556
Contributions Receivable, Net	-	5,350,974	790,234	4,798	6,146,006	9,667,721
Student Loans and Other Receivables	5,890	6,373	242,795	41,202	296,260	267,306
Beneficial Interest in Trusts Held by Others	196,881	24,048	381,683	-	602,612	544,202
Property, Building and Equipment, Net	3,747,523	107,500	2,109	-	3,857,132	3,949,828
Other Assets	66,009	206,007	550,881	745	823,642	801,751
Total assets	<u>\$ 5,652,397</u>	<u>\$ 30,526,069</u>	<u>\$ 114,710,150</u>	<u>\$ 21,474,650</u>	<u>\$ 172,363,266</u>	<u>\$ 150,792,289</u>
 LIABILITIES AND FUND EQUITY						
Accounts Payable	\$ 62,644	\$ 185,875	\$ 14,670	\$ 27,395	\$ 290,584	\$ 163,801
Accrued Expenses	104,966	-	-	-	104,966	84,513
Compensated Absences	241,466	-	-	-	241,466	249,556
Liabilities to External Beneficiaries	41,427	71,996	2,765,072	35,617	2,914,112	2,909,791
Deferred Revenue	106,250	-	-	2,275	108,525	-
Custodial Funds	-	-	-	21,409,363	21,409,363	17,896,198
Total liabilities	<u>556,753</u>	<u>257,871</u>	<u>2,779,742</u>	<u>21,474,650</u>	<u>25,069,016</u>	<u>21,303,859</u>
 FUND EQUITY						
Unrestricted funds						
Undesignated	5,095,644	-	-	-	5,095,644	4,503,640
	<u>5,095,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,095,644</u>	<u>4,503,640</u>
Restricted funds						
Temporarily	-	30,268,198	-	-	30,268,198	30,614,767
Permanent	-	-	111,930,408	-	111,930,408	94,370,023
	<u>-</u>	<u>30,268,198</u>	<u>111,930,408</u>	<u>-</u>	<u>142,198,606</u>	<u>124,984,790</u>
Total fund equity	<u>5,095,644</u>	<u>30,268,198</u>	<u>111,930,408</u>	<u>-</u>	<u>147,294,250</u>	<u>129,488,430</u>
Total liabilities and fund equity	<u>\$ 5,652,397</u>	<u>\$ 30,526,069</u>	<u>\$ 114,710,150</u>	<u>\$ 21,474,650</u>	<u>\$ 172,363,266</u>	<u>\$ 150,792,289</u>

See Independent Auditor's Report on the Supplementary Information.

THE UNIVERSITY OF MONTANA FOUNDATION
SCHEDULE 2
STATEMENTS OF ACTIVITIES – FUND EQUITY PRESENTATION
For the Year Ended June 30, 2011
(With Comparative Totals for the Year Ended June 30, 2010)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTALS	
				2011	2010
Revenues, Gains and Interfund Transfers					
Contributions	\$ 83,894	\$ 6,115,077	\$ 2,155,417	\$ 8,354,388	\$ 7,735,217
Interest and dividend income	453,654	230,803	2,330,483	3,014,940	2,929,683
Net realized and unrealized gains on investments	1,030,064	1,748,003	18,311,640	21,089,707	11,221,975
Gain on sale of assets	-	-	-	-	6,501
Development and administrative fees	2,808,682	-	-	2,808,682	2,581,245
Contract for services	425,000	-	-	425,000	400,000
Other	54,569	1,286,348	57,538	1,398,455	1,785,608
Interfund transfers, net	284,191	(156,468)	147,518	275,241	(33,846)
Total revenues, gains and interfund transfers	<u>5,140,054</u>	<u>9,223,763</u>	<u>23,002,596</u>	<u>37,366,413</u>	<u>26,626,383</u>
Expenses					
Program services					
University support					
Academics and institutional	2,612	3,470,820	1,509,229	4,982,661	5,697,364
Capital expenses	-	3,365,845	4,000	3,369,845	3,864,615
Scholarships and awards	-	1,676,934	1,641,257	3,318,191	3,857,300
Supporting services					
Fund-raising	1,995,947	115,057	3,339	2,114,343	2,091,532
Administrative and general	2,558,915	1,092,320	1,785,167	5,436,402	4,358,703
Payments to beneficiaries and change in liabilities to external beneficiaries	(9,424)	15,806	332,769	339,151	86,509
Total expenses	<u>4,548,050</u>	<u>9,736,782</u>	<u>5,275,761</u>	<u>19,560,593</u>	<u>19,956,023</u>
Change in fund equity before reclassification items	592,004	(513,019)	17,726,835	17,805,820	6,670,360
Reclassification of Fund Equity	-	166,450	(166,450)	-	2,179,839
Change in fund equity	592,004	(346,569)	17,560,385	17,805,820	8,850,199
Fund Equity					
Beginning of year	<u>4,503,640</u>	<u>30,614,767</u>	<u>94,370,023</u>	<u>129,488,430</u>	<u>120,638,231</u>
End of year	<u>\$ 5,095,644</u>	<u>\$ 30,268,198</u>	<u>\$ 111,930,408</u>	<u>\$ 147,294,250</u>	<u>\$ 129,488,430</u>

See Independent Auditor's Report on the Supplementary Information.

THE UNIVERSITY OF MONTANA FOUNDATION
SCHEDULE 3
STATEMENTS OF ACTIVITIES – NATURAL CLASSIFICATIONS BY FUND GROUP
For the Year Ended June 30, 2011
(With Comparative Totals for the Year Ended June 30, 2010)

	UNRESTRICTED	RESTRICTED	TOTAL ALL FUNDS	
	FUNDS	FUNDS	2011	2010
Revenues, Gains and Interfund Transfers				
Contributions	\$ 83,894	\$ 8,270,494	\$ 8,354,388	\$ 7,735,218
Interest and dividend income	453,654	2,561,286	3,014,940	2,929,683
Net realized and unrealized gains				
on investments	1,030,064	20,059,643	21,089,707	11,221,975
Gain on sale of assets	-	-	-	6,501
Contract for services	425,000	-	425,000	400,000
Development and administrative fees	2,808,682	-	2,808,682	2,581,245
Other revenues and interfund transfers (net)	338,760	1,334,936	1,673,696	1,751,761
Total revenues, gains and interfund transfers	<u>5,140,054</u>	<u>32,226,359</u>	<u>37,366,413</u>	<u>26,626,383</u>
Expenses				
Salaries and fringe benefits	3,173,679	(30)	3,173,649	2,905,586
Contracted services and honorariums	193,099	226,161	419,260	508,242
Direct University support	-	9,459,011	9,459,011	9,926,972
Travel, lodging and relocation	112,831	302,447	415,278	429,542
Professional development	16,817	21,476	38,293	46,870
Entertainment	113,024	341,836	454,860	490,067
Accounting and auditing	38,985	-	38,985	36,204
Advertising and promotion	21,665	34,095	55,760	100,682
Depreciation	94,703	-	94,703	103,357
Dues and publications	7,246	29,278	36,524	41,667
Insurance	17,441	724	18,165	15,882
Interest	14	-	14	19,648
Real estate selling costs	-	-	-	3,215
Licenses and taxes	720	430	1,150	13,744
Office	35,556	754,134	789,690	140,041
Postage	39,058	2,240	41,298	38,295
Printing	61,596	10,195	71,791	63,297
Repairs and maintenance	2,291	1,408	3,699	9,532
Rent	140,940	19,286	160,226	156,082
Recruitment	41,211	3,884	45,095	36,297
Supplies	39,714	467,078	506,792	2,132,978
Software acquisition and maintenance	115,905	17,812	133,717	99,464
Legal expense	36,039	3,783	39,822	29,703
Bank and trust manager fees	103,798	88,510	192,308	126,161
Telephone	61,775	2,585	64,360	66,137
Uncollectible pledges	(677)	637,805	637,128	189,269
Foundation fees	90,044	2,239,820	2,329,864	2,140,580
Payments and change in liabilities to external beneficiaries	(9,424)	348,575	339,151	86,509
Total expenses	<u>4,548,050</u>	<u>15,012,543</u>	<u>19,560,593</u>	<u>19,956,023</u>
Change in fund equity before reclassification items	592,004	17,213,816	17,805,820	6,670,360
Reclassification of fund equity	-	-	-	2,179,839
Change in fund equity	<u>\$ 592,004</u>	<u>\$ 17,213,816</u>	<u>\$ 17,805,820</u>	<u>\$ 8,850,199</u>

See Independent Auditor's Report on the Supplementary Information.

THE UNIVERSITY OF MONTANA FOUNDATION
SCHEDULE 4
INVESTMENTS BY FUND MANAGER
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Pooled Investments		
Vanguard S&P 500 Index Fund	\$ 19,745,780	\$ 16,870,862
Pacific Income Advisors	12,298,091	11,889,769
Pimco All Asset Fund	12,084,051	7,370,425
DFA International Value Fund	10,839,659	8,130,909
Artisan International Fund	10,171,161	7,697,970
Vanguard Mid-Cap Vipers Exchange Traded Fund	9,269,220	9,000,079
DFA Emerging Markets Value Fund	5,723,036	4,472,482
Common Sense Long-Biased Offshore Shares Fund, Ltd.	5,636,882	4,435,926
Ironwood International, Ltd.	5,599,297	4,973,909
The Weatherlow Fund I, Ltd.	5,430,622	5,108,606
DFA International Small Cap Value Fund	5,227,811	3,838,422
Cohen & Steers Institutional Global Realty Fund	4,220,884	3,213,326
DFA US Targeted Value Fund	4,040,236	6,651,479
Siguler Guff Distressed Opportunities Fund III, L.P.	3,727,415	3,303,534
Coller International Partners V-A, L.P.	3,579,677	2,327,944
Franklin Templeton Global Bond Fund	2,763,067	-
Amberbrook V L.L.C.	1,954,986	1,182,139
WCP Real Estate Fund II (B) L.P.	1,666,913	600,000
Commonfund Capital Natural Resources Partners VII, L.P.	1,388,890	973,389
Northgate IV, L.P.	1,241,999	635,469
Q-BLK Real Assets II (Parallel) L.P.	1,098,826	733,599
Abbott Capital Private Equity Fund VI, L.P.	458,637	228,494
VIA Energy, L.P.	426,247	255,979
Och-Ziff Real Estate Parallel Fund II B, L.P.	159,056	-
AXA Rosenberg Small/Mid Cap Fund	-	33,493
Western Asset Core Bond Fund	-	2,530,086
	<u>128,752,443</u>	<u>106,458,290</u>
Pooled distribution activity at June 30	<u>(908,150)</u>	<u>(1,416)</u>
Pooled investments fair value	<u>127,844,293</u>	<u>106,456,874</u>
Non-Pooled Investments and Outside Trusts		
Wells Fargo	6,783,762	6,025,810
Morgan Stanley	554,168	490,348
First Interstate Bank	666,130	5,739,097
Davidson Investment Advisors	5,255,253	-
Safe Deposit Box	461,998	405,062
PIMCO All Asset Fund	1,987,689	1,761,989
Non-pooled investments fair value	<u>15,709,000</u>	<u>14,422,306</u>
Annuities and Inside Trusts		
TIAA-CREF	<u>7,846,288</u>	<u>7,240,376</u>
Annuities and inside trusts fair value	<u>7,846,288</u>	<u>7,240,376</u>
Total investments	<u>\$ 151,399,581</u>	<u>\$ 128,119,556</u>

See Independent Auditor's Report on the Supplementary Information.