

University of Montana Foundation

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# Financial Report

June 30, 2020



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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the University of Montana Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

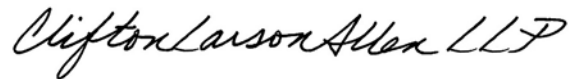
Audit Committee  
Board of Trustees  
University of Montana Foundation

**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 as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Disclaimer of Opinion on Management's Discussion and Analysis**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Management's Discussion and Analysis, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
September 24, 2020

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Overview

The following discussion and analysis presents an overview of the financial performance of the University of Montana Foundation (Foundation) for the five years ended June 30, 2020. It should be read in conjunction with the related financial statements and footnotes. The financial statements, footnotes and this discussion and analysis were prepared by management and are the responsibility of management.

The mission of the Foundation is to inspire philanthropic support to enhance excellence and opportunity at the University of Montana (University). The Foundation was established in 1950 as a 501(c) (3) organization.

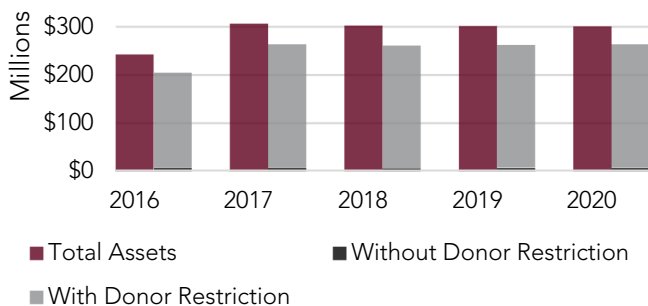
## Assets and Net Assets

At June 30, 2020, the Foundation's total assets amounted to \$300 million. Foundation assets consist primarily of short and long-term investments and contributions receivable. Investments make up approximately 84% of total assets.

The Foundation classifies net assets as without donor restriction and with donor restriction in accordance with donor stipulations and time restrictions. Net assets not subject to donor-imposed stipulations are available for internal Foundation operations. Net assets with donor restriction: a) restrict their use to a specific purpose but are available for immediate use by the University; or b) require that they be maintained in perpetuity by the Foundation. Spending allocations from these perpetually restricted assets are made available to the University quarterly. The Foundation also holds assets on behalf of other entities affiliated with the University; these assets are known as custodial funds.

As illustrated below, the majority of the Foundation's assets are with donor restriction.

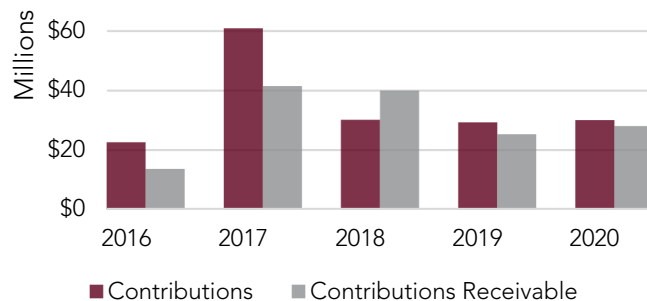
**Assets and Net Assets**



## Contributions and Contributions Receivable

Contributions receivable at June 30, 2020 amounted to approximately \$27.4 million, 9% higher than at June 30, 2019.

**Contributions and Contributions Receivable**



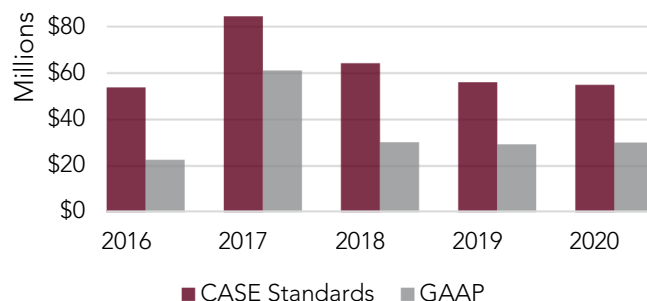
## Fundraising

The Foundation reports on fundraising in two ways. The financial statements reflect contributions according to generally accepted accounting principles (GAAP). GAAP does not recognize conditional contributions or bequest contributions as revenue until the condition is met, or until the bequest is realized. Under GAAP, in fiscal year 2020, the Foundation recognized \$29.9 million in contributions.

The Foundation also reports its annual fundraising totals using standards published by the Council for Advancement and Support of Education (CASE). CASE allows conditional and bequest contributions to be counted in fundraising totals. CASE also allows for all direct private support to be included in fundraising totals; this would include any private support received directly by the University. Using this broader definition, the Foundation raised approximately \$54.8 and \$55.9 million in contributions in fiscal years 2020 and 2019, respectively.

The following chart depicts GAAP and CASE fundraising totals over the past five years.

**Fundraising**



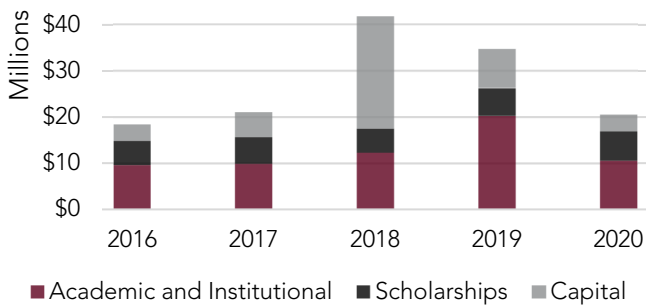
In fiscal year 2020, approximately 67% of the fundraising total

was directed towards academic and institutional support for the University, 16% for scholarships, and 17% directed towards capital expenditures.

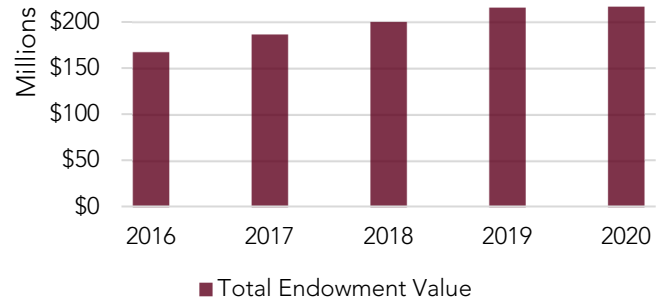
**University Support**

The Foundation provides funding for students, faculty and programs at the University. In fiscal year 2020, the Foundation provided \$20.4 million in support to the University. Support includes student scholarships, faculty salaries, equipment purchases, as well as other expenditures that intend to further the mission of the University. Academic and institutional support for 2020 is less when compared to 2019 primarily as the result of a generous donation of art that was received in 2019. Scholarship support increased over the past year as a result of positive fundraising. Capital support can vary significantly from year to year as building projects on campus can fluctuate greatly. Prior year capital expenses exceeded 2020 capital expenses as a result of two large capital projects on campus in 2019; the expansion and renovation of the Phyllis J. Washington College of Education building and the renovation of Eck Hall.

**University Support**



**Endowment Value**



**Long-Term Investment Portfolio Return**

Endowments managed by the Foundation are invested in a long-term investment portfolio. The following chart depicts the one-, three-, five-, and ten- year returns on this portfolio. In fiscal year 2020, the portfolio underperformed its balanced (broad policy) benchmark (72.5% MSCI ACWI Index and 27.5% Barclays U.S. Aggregate Bond Index) return of 4.4% due to the portfolio’s slight tilt to emerging markets and value and its relative underweight to U.S. stocks. However, the portfolio is well-diversified and is expected to outperform the broad policy benchmark with less volatility (risk) over the long-term cycles.

	1 Yr	3 Yr	5 Yr	10 Yr
Long-Term Portfolio	-2.0%	3.2%	3.3%	6.6%
Balanced Index	4.4%	6.0%	5.9%	7.5%
Target Weighted Index	-1.5%	3.7%	3.9%	6.6%

Note: annualized returns

**Endowments**

The Foundation manages over one thousand endowed funds, valued at approximately \$216.5 million at June 30, 2020, including twenty-eight funds valued at approximately \$16.7 million managed on behalf of others. A substantial portion of these funds are managed by the Board of Trustee’s investment committee as part of the Foundation’s long-term investment portfolio.





## STATEMENT OF FINANCIAL POSITION

as of June 30, 2020 and 2019

	2020	2019
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 6,484,381	\$ 12,239,584
Short-Term Investments	4,809,902	5,079,280
Accrued Dividends and Interest	273,810	287,622
Investments	251,036,046	247,376,371
Contributions Receivable, Net	27,390,363	25,193,728
Student Loans and Other Receivables	295,468	297,874
Beneficial Interests in Trusts Held by Others	8,147,608	8,596,035
Fixed Assets, net	370,614	362,871
Other Assets	1,333,247	1,454,910
Total assets	\$ 300,141,439	\$ 300,888,275
 <b>LIABILITIES AND NET ASSETS</b>		
Accounts Payable	\$ 882,527	\$ 1,033,479
Accrued Expenses	127,037	84,461
Compensated Absences	279,410	257,820
Note Payable	760,000	-
Liabilities to External Beneficiaries	15,826,350	16,527,696
Custodial Funds	19,051,512	21,253,895
Total liabilities	36,926,836	39,157,351
 <b>NET ASSETS</b>		
Without Donor Restriction	6,684,136	7,193,084
With Donor Restriction	256,530,467	254,537,840
Total net assets	263,214,603	261,730,924
Total liabilities and net assets	\$ 300,141,439	\$ 300,888,275

The notes to the financial statements are an integral part of these statements

## STATEMENT OF ACTIVITIES

for the period ended as of June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Other Support</b>			
Contributions	\$ 77,689	\$ 29,840,024	\$ 29,917,713
Interest and dividend income	996,168	3,209,000	4,205,168
Net realized and unrealized gains on investments	(613,012)	(6,738,404)	(7,351,416)
Administrative fees	476,946	-	476,946
Contract for services	550,000	-	550,000
Net revaluation of trusts and split-interest agreements	(840)	(455,515)	(456,355)
Income from perpetual trusts	-	376,807	376,807
Other	121,427	1,454,283	1,575,710
Net assets released from restrictions	25,694,369	(25,694,369)	-
<b>Total revenues, gains and other support</b>	<b>27,302,747</b>	<b>1,991,826</b>	<b>29,294,573</b>
<b>Expenses</b>			
University support			
Academics and institutional	10,502,368	-	10,502,368
Capital expenses	3,601,449	-	3,601,449
Scholarships and awards	6,340,333	-	6,340,333
<b>Total University support</b>	<b>20,444,150</b>	<b>-</b>	<b>20,444,150</b>
Supporting services			
Fundraising	3,169,618	-	3,169,618
Administrative and general	4,197,927	-	4,197,927
<b>Total expenses</b>	<b>27,811,695</b>	<b>-</b>	<b>27,811,695</b>
Change in net assets before non-operating items	(508,948)	1,991,826	1,482,878
Non-operating Revenues (Expenses)			
Loss on disposition of asset	-	801	801
<b>Total Non-Operating Revenues (Expenses)</b>	<b>-</b>	<b>801</b>	<b>801</b>
Change in net assets	(508,948)	1,992,627	1,483,679
Net assets beginning of year	7,193,084	254,537,840	261,730,924
<b>Net assets end of year</b>	<b>\$ 6,684,136</b>	<b>\$ 256,530,467</b>	<b>\$ 263,214,603</b>

The notes to the financial statements are an integral part of these statements

## STATEMENT OF ACTIVITIES

for the period ended as of June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Other Support</b>			
Contributions	\$ 69,451	\$ 29,114,906	\$ 29,184,357
Interest and dividend income	1,049,618	3,032,454	4,082,072
Net realized and unrealized gains on investments	702,337	4,637,456	5,339,793
Administrative fees	1,017,548	-	1,017,548
Contract for services	550,000	-	550,000
Net revaluation of trusts and split-interest agreements	(10,293)	360,298	350,005
Income from perpetual trusts	-	392,590	392,590
Other	112,174	1,281,631	1,393,805
Net assets released from restrictions	39,590,612	(39,590,612)	-
<b>Total revenues, gains and other support</b>	<b>43,081,447</b>	<b>(771,277)</b>	<b>42,310,170</b>
<b>Expenses</b>			
University support			
Academics and institutional	20,156,797	-	20,156,797
Capital expenses	8,394,570	-	8,394,570
Scholarships and awards	6,043,397	-	6,043,397
<b>Total University support</b>	<b>34,594,764</b>	<b>-</b>	<b>34,594,764</b>
Supporting services			
Fundraising	2,682,213	-	2,682,213
Administrative and general	4,135,363	-	4,135,363
<b>Total expenses</b>	<b>41,412,340</b>	<b>-</b>	<b>41,412,340</b>
Change in net assets before non-operating items	1,669,107	(771,277)	897,830
<b>Non-operating Revenues (Expenses)</b>			
Loss on disposition of asset	-	3,726	3,726
<b>Total Non-Operating Revenues (Expenses)</b>			
Change in net assets	1,669,107	(767,551)	901,556
Net assets beginning of year	5,523,977	255,305,391	260,829,368
<b>Net assets end of year</b>	<b>\$ 7,193,084</b>	<b>\$ 254,537,840</b>	<b>\$ 261,730,924</b>

The notes to the financial statements are an integral part of these statements

## STATEMENT OF FUNCTIONAL EXPENSES

for the period ended as of June 30, 2020

	University support	Fundraising	Administrative and general	Total
Direct University Support	\$ 18,577,435	\$ -	\$ -	\$ 18,577,435
Accounting and auditing	-	-	51,096	51,096
Advertising and promotion	40,019	900	10,815	51,734
Bank and trust manager fees	103	-	127,101	127,204
Capital expenditures	141,107	-	-	141,107
Contracted services and honorariums	533,866	421,494	106,992	1,062,352
Depreciation	-	-	57,126	57,126
Dues and publications	27,165	7,054	16,789	51,008
Entertainment	205,060	29,543	82,419	317,022
In Kind Donations	118,500	-	25,000	143,500
Insurance	-	-	25,044	25,044
Legal expense	-	94	22,904	22,998
Licenses and taxes	250	150	8,056	8,456
Office	146,277	5,508	110,978	262,763
Postage	9,634	22,442	16,749	48,825
Printing	9,583	22,546	30,381	62,510
Professional development	3,225	19,140	22,389	44,754
Recruitment	384	74	2,593	3,051
Rent	750	-	239,804	240,554
Repairs and maintenance	824	-	-	824
Salaries and fringe benefits	-	2,504,600	2,861,417	5,366,017
Software acquisition and maintenance	16,380	9,223	304,004	329,607
Supplies	484,960	3,766	39,885	528,611
Telephone	-	34,272	27,357	61,629
Travel, lodging and relocation	128,628	88,812	9,028	226,468
	\$ 20,444,150	\$ 3,169,618	\$ 4,197,927	\$ 27,811,695

The notes to the financial statements are an integral part of these statements

## STATEMENT OF FUNCTIONAL EXPENSES

for the period ended as of June 30, 2019

	University support	Fundraising	Administrative and general	Total
Direct University Support	\$ 22,655,650	\$ -	\$ -	\$ 22,655,650
Accounting and auditing	-	-	59,167	59,167
Advertising and promotion	51,263	3,591	30,118	84,972
Bank and trust manager fees	203	-	121,297	121,500
Capital expenditures	311,185	-	-	311,185
Contracted services and honorariums	349,445	337,865	120,272	807,582
Depreciation	-	-	63,085	63,085
Dues and publications	38,137	7,312	9,996	55,445
Entertainment	187,185	31,941	136,693	355,819
In Kind Donations	10,060,108	1,182	-	10,061,290
Insurance	498	-	23,864	24,362
Legal expense	3,180	-	30,581	33,761
Licenses and taxes	362	351	8,408	9,121
Office	194,167	2,784	70,913	267,864
Postage	1,845	27,524	21,408	50,777
Printing	12,646	20,630	44,372	77,648
Professional development	11,668	9,938	45,139	66,745
Recruitment	2,161	-	10,188	12,349
Rent	150	-	239,804	239,954
Repairs and maintenance	3,057	-	103	3,160
Salaries and fringe benefits	-	2,122,771	2,772,529	4,895,300
Software acquisition and maintenance	22,600	4,974	204,935	232,509
Supplies	473,056	1,058	46,488	520,602
Telephone	306	33,071	29,594	62,971
Travel, lodging and relocation	215,892	77,221	46,409	339,522
	\$ 34,594,764	\$ 2,682,213	\$ 4,135,363	\$ 41,412,340

The notes to the financial statements are an integral part of these statements

## CASH FLOW STATEMENT

for the period ended as of June 30, 2020 and 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,483,679	\$ 901,556
Adjustments to reconcile change in net assets to		
Net cash provided by operating activities:		
Contributions restricted for investment in endowment	(9,777,370)	(17,423,823)
Contributions of investment securities	(4,132,566)	(2,517,018)
Net gain on investments	7,351,416	(5,339,793)
Net gain on investment held for others	375,012	(762,327)
Net revaluation of trusts and split-interest agreements	456,355	(350,005)
Contributions of trust and split interest agreements	(743,868)	(568,907)
Depreciation and amortization	57,126	63,085
Change in assets and liabilities:		
Accrued dividends and interest	13,812	(84,982)
Pledges receivable	(2,196,635)	14,696,973
Other assets	121,663	(162,053)
Accounts payable and accrued liabilities	(86,786)	(959,468)
Net cash provided by operating activities	(7,078,162)	(12,506,762)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net change in short term investments	269,378	6,127,200
Capital expenditures	(64,869)	(28,317)
Decrease in notes receivable	2,406	(34,479)
Purchases of securities	(88,327,775)	(119,230,085)
Proceeds from the sale of securities	82,108,689	113,290,458
Net cash used by investing activities	(6,012,171)	124,777
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from note payable	760,000	-
Payments on amounts due beneficiaries	(999,857)	(1,016,933)
Contributions restricted for investment in endowment	9,777,370	17,423,823
Change in deposits held in custody	(2,202,383)	(473,328)
Net cash used by financing activities	7,335,130	15,933,562
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(5,755,203)</b>	<b>3,551,577</b>
Cash and Cash Equivalents, beginning of year	12,237,584	8,688,007
Cash and Cash Equivalents, end of year	\$ 6,484,381	\$ 12,239,584
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY</b>		
Contributions and pledge payments of investment securities	\$ 4,132,556	\$ 2,517,018
Donated Material and Equipment	\$ 143,500	\$ 10,061,290

The notes to the financial statements are an integral part of these statements

# 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## Nature of Operations

The University of Montana Foundation (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 (University). The activities of the Foundation include fundraising and administration of donated assets.

## Basis of Presentation

The accompanying 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.

## 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.

## Classification of Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

**Net Assets Without Donor Restrictions** - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

**Net Assets With Donor Restrictions** - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Foundation must continue to use the resources in accordance with the donor's instructions.

The Foundation's unspent contributions are included in this class if the donor limited their use, as are its donor-

restricted endowment funds and its beneficial interests in perpetual charitable trusts held by bank trustees.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

The Foundation reports gifts of land or other real or personal property as without donor restriction unless explicit donor stipulations specify how the donated assets must be used.

**Classification of Transactions** - All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

## Custodial Funds

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

## Cash and Cash Equivalents

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

The Foundation invests cash in excess of its immediate needs in 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.

## 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. 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.

A significant portion of the investments are 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, 2020 and 2019. 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.

The total return on all Foundation investments was approximately -1.5% in fiscal year 2020 and 4.0% in fiscal year 2019. Additionally, the total return on only the long-term pooled investments was approximately -2.0% in fiscal year 2020 and 3.8% in fiscal year 2019.

Investment income is reported net of investment manager fees, which range from .1% to 2% of investment value.

At June 30, 2020 and 2019 investments totaling \$21,276,585 and \$22,139,207, respectively, relate to split-interest agreements.

### **Split-Interest Agreements**

The Foundation's split-interest agreements consist principally of charitable gift annuities and irrevocable charitable remainder trusts for which the Foundation serves as trustee. Contribution revenue is recognized at the date a gift annuity or trust is established after recording a liability at fair value of the estimated future payments to be made to beneficiaries. Estimated future payments to beneficiaries are discounted at a risk-adjusted rate. Liabilities are adjusted during the terms of the agreements to reflect payments to beneficiaries, returns on trust assets, accretion of discounts, and other considerations that affect the estimates of future payments. Net adjustments to the liabilities are recorded as net revaluation of trusts and split-interest agreements.

### **Beneficial Interests in Trusts Held by Others**

The Foundation is the irrevocable beneficiary for several perpetual charitable trusts held by various bank trustees. The beneficial interests in these trusts is reported at their fair value, which is estimated as the fair value of the underlying trust assets. Distributions from the trust assets are restricted to use for either scholarships or academic and institutional support and are reported as income from perpetual trusts increasing net assets with donor restrictions. The value of the beneficial interests in these trusts is adjusted annually for the change in its estimated fair value. Those changes in value are also reported as increases in net assets with donor restrictions, because the trust assets will never be distributed to the Foundation.

### **Contributions and Contributions Receivable**

Gifts and pledges that represent unconditional promises to give are recorded when received or made, respectively. Contributions are reported in their appropriate net asset group, subject to the existence or absence of donor-imposed stipulations. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Pledges are recorded net of an allowance for risk associated with collectability. The estimated allowance for uncollectible pledges is based on the Foundation's historical collection percentages. Pledges that will be paid over periods in excess of one year are discounted to present value at U.S. Treasury note interest rates.

The Foundation is a beneficiary under several donors' wills. Contributions from bequests are recognized as contributions receivable when the probate court declares that the will is valid and a final accounting for the estate is provided.

### **Contributed Assets and Donated Services**

Assets donated to the Foundation are recorded at their fair value as of the date of the gift. No amounts have been reflected in the statements for donated services because they do not meet the criteria to record under GAAP.

### **Fixed Assets**

Depreciable assets consist of office furniture and equipment, computer equipment, and leasehold improvements. 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 twenty years. Capital assets purchased on behalf of the University are classified as expenses 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.

#### **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.

#### **Deferred Revenue**

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

#### **Fees**

During 2020 and 2019 the annual administrative fee on pooled investments was 2.25% 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%.

The Foundation assesses a one-time development fee on current gifts. Gifts secured through the phonathon are assessed a one-time fee of 15%. Realized bequests and proceeds from the sale of real property are assessed a one-time fee of 10%. All other outright non-scholarship, non-endowed gifts are assessed a one-time fee of 6%. Total fees in 2020 and 2019 were \$5,390,997 and \$5,384,394, respectively.

#### **Advertising Costs**

Advertising costs, which relate principally to fundraising activities, are expensed as incurred and totaled \$51,734 and \$84,972 for 2020 and 2019, respectively.

#### **Functional Expense Allocations**

For most expenses, the Foundation can directly identify the appropriate functional expense category to assign. However, these financial statements report certain categories of expenses that are attributable to more than one function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. For the few expenses where direct identification is not possible, the Foundation allocates costs between fundraising and administrative and general based on the number of full-time equivalents in each area. The expenses that are allocated based on this method include telephone and postage.

#### **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 tax authorities for years before 2016.

#### **Reclassifications**

Certain funds have been reclassified in the statement of activities to reflect management's determination of the funds' proper net asset classification, or as directed by donors.

#### **Change in Accounting Principle**

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Subsequent to May 2014, the FASB has issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. These financial statements reflect the application of ASC 606 guidance beginning in fiscal year 2019. No cumulative-effect adjustment in net assets was recorded as the adoption of ASU 2014-09 did not significantly impact the Foundation's reported historical revenue.

Additionally in June 2018, FASB issued Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received*. This ASU was issued to clarify accounting guidance for contributions received. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (non reciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional. These financial statements reflect the adoption of ASU 2018-08 beginning in fiscal year 2020. The implementation of this standard did not impact the Foundation's reported revenue and has been applied prospectively.

#### **COVID**

Just prior to year-end, a pandemic of the Corona Virus (COVID-19) was declared by the World Health Organization. Future contributions and expenses of the Foundation are less certain due to the potential impact on the market, travel, convenings and other economic conditions. In addition, domestic equity markets have experienced significant fluctuation since March 31, 2020. As of September 24, 2020, the future financial impact relating to these events remains uncertain.

## Subsequent Events

Management has evaluated subsequent events through September 24, 2020 the date which the financial statements were available for issue.

## 2. CASH AND CASH EQUIVALENTS

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

	2020		2019	
Cash	\$	5,895,006	\$	5,562,535
Money Market Funds		296,819		5,663,113
Cash to be Received (Invested)		292,556		1,013,936
Total Cash and Cash Equivalents	\$	6,484,381	\$	12,239,584

At June 30, 2020 and 2019, bank balances for these accounts exceeded insured limits by \$5,861,478 and \$10,844,151, respectively. The Foundation invests available cash in bank repurchase agreements, which are backed by U.S. Government and U.S. Government Agency Securities.

In accordance with GAAP, cash to be invested in long-term investments is considered investments when received and is reflected in these statements as such.

## 3. SHORT TERM INVESTMENTS

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

	2020		2019	
Certificates of Deposit	\$	205,655	\$	202,255
U.S. Treasury and Federal Obligations		4,604,247		4,877,025
Total Short-Term Investments	\$	4,809,902	\$	5,079,280

Under GAAP, U.S. Treasury and Federal Agency Obligations are considered Level 2 inputs which are quoted prices for similar assets in active markets (market approach). Mutual funds and marketable securities are valued using Level 1 inputs which are quoted prices for identical assets in active markets (market approach).

## 4. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation regularly monitors the liquidity required for its operating and programmatic needs while also striving to maximize the investment of its available funds. It is the Foundation's policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation considers all expenditures related to ongoing fundraising operations and programmatic support of the University to be general expenditures. As such, donor restricted assets that can be used within one year are not excluded in determining the financial assets that are available to meet cash needs for general expenditures within one year.

The following financial assets are considered unavailable for general expenditure within one year: assets that are illiquid or not convertible to cash within one year, trust assets, assets held for others, endowments and accumulated earnings net of the appropriations that will be made available within one year, and board designated endowments. The following tables reflect the Foundation's financial assets available for general expenditure within one year as of June 30, 2020 and 2019, respectively. Spending and fees from the Long-Term Portfolio are described in footnotes one and seven of these

financial statements and are shown in the following tables as Appropriations from Long-Term Portfolio.

	2020	
Cash and Cash Equivalents	\$	4,556,332
Short-Term Investments		1,823,570
Accrued Dividends and Interest		129,058
Appropriations from Long-Term Portfolio		8,831,133
Contributions Receivable		7,447,746
Other Receivable or Assets		10,525
Total Available in One Year	\$	22,798,364

	2019	
Cash and Cash Equivalents	\$	9,244,378
Short-Term Investments		3,215,267
Accrued Dividends and Interest		112,937
Appropriations from Long-Term Portfolio		7,885,000
Contributions Receivable		4,863,031
Other Receivable or Assets		81,184
Total Available in One Year	\$	25,041,797

Distributions from the Foundation's board designated endowment are made at the request and approval of the Foundation's Board of Trustees. The Foundation does not intend to make any distributions from the endowment in the next year, however the board designated endowment could be drawn upon if the board approves that action.

## 5. 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 rates used varied between 0.18% and 2.6%). The schedule of payments is as follows at June 30:

	2020	2019
In one year or less	\$ 7,984,921	\$ 5,399,436
Between one and five years	20,588,853	24,415,566
Less: discount and allowance for uncollectible pledges	(1,183,411)	(1,621,274)
Contributions receivable, net	\$ 27,390,363	\$ 25,193,728

## 6. FAIR VALUE MEASUREMENT

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 which are not active, 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 described 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

At June 30, 2020 and 2019 the Foundation had a contribution from one donor which represented 33% and 49%, respectively, of total gross contributions receivable.

Conditional promises to give are not presented in the financial statements and represent bequests and other revocable gifts. As of June 30, 2020 and 2019, conditional promises to give were valued at approximately \$95.8 million and \$88.5 million respectively.

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.

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.

The following is a description of the valuation methodology used for assets measured at fair value:

Fair value for the hedge funds aggregate values reported by each underlying fund as reported to the Foundation on a monthly basis are based on net asset value.

Alternative investments include holdings in eleven and twelve “fund of funds” as of June 30, 2020 and 2019, respectively. Each “fund 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 and are based on net asset value.

Fair value for equities is based on an independent appraised value of the held shares each quarter.

Fair value for real estate is based on an independent appraisal of the real estate at the date contributed to the Foundation.

Beneficial interests in perpetual trust assets are valued at the current fair value of the underlying assets using

observable market inputs based on its beneficial interest in the trust. The assets are categorized as Level 3. The primary unobservable inputs used in the fair value measurement of the perpetual trust assets are the underlying securities held by the trust that are outside of the control and management of the Foundation.

The following table is a summary of the levels within the fair value hierarchy for those investment assets and liabilities subject to fair value measurement as of June 30, 2020:

	Level 1	Level 2	Level 3	At NAV	Total
Investments					
U.S. Government Securities	-	\$ 10,833,197	-	-	\$ 10,833,197
Corporate Stocks	1,761,068	-	-	-	1,761,068
Mutual Funds	17,539,139	-	-	-	17,539,139
Corporate Bonds	-	8,946,500	-	-	8,946,500
Separately Managed Account					
Global Equities	106,090,236	-	-	13,954,929	120,045,165
Global Fixed Income	3,723,653	23,850,764	-	10,706,359	38,280,776
Real Assets	3,099,683	-	-	25,149,242	28,248,925
Diversifying Strategies	5,825,877	-	-	21,492,188	27,318,065
Cash and short-term investments	2,873,113	-	-	-	2,873,113
Total Investments	140,912,769	43,630,461	-	71,302,718	255,845,948
Beneficial Interest	-	-	8,147,608	-	8,147,608
Total	\$ 140,912,769	\$ 43,630,461	\$ 8,147,608	\$ 71,302,718	\$ 263,993,556

The following table is a summary of the levels within the fair value hierarchy for those investment assets and liabilities subject to fair value measurement as of June 30, 2019:

	Level 1	Level 2	Level 3	At NAV	Total
Investments					
U.S. Government Securities	-	\$ 10,113,265	-	-	\$ 10,113,265
Corporate Stocks	2,230,425	-	-	-	2,230,425
Mutual Funds	18,272,217	-	-	-	18,272,217
Corporate Bonds	-	8,528,350	-	-	8,528,350
Separately Managed Account					
Global Equities	83,515,532	-	-	20,411,742	103,927,274
Global Fixed Income	2,006,291	19,572,742	-	10,866,572	32,445,605
Real Assets	4,742,396	-	-	32,239,561	36,981,957
Diversifying Strategies	13,722,806	-	-	19,961,497	33,684,303
Cash and short-term investments	6,272,255	-	-	-	6,272,255
Total Investments	130,761,922	38,214,357	-	83,479,372	252,455,651
Beneficial Interest	-	-	8,596,035	-	8,596,035
Total	\$ 130,761,922	\$ 38,214,357	\$ 8,596,035	\$ 83,479,372	\$ 261,051,686

In fiscal year 2019, the Foundation requested a \$6,795,240 redemption of a semi-liquid global equity investment. At June 30, 2019 this redemption was outstanding and is reflected in the table above as a global equity valued at net asset value. Proceeds from the redemption were subsequently used to purchase liquid global equity investments.

Changes in assets for which fair value is measured based on Level 3 inputs are summarized below for the years ended June 30, 2020 and 2019:

Beneficial Interest (Level 3)		2020	2019
Balance, Beginning of Year	\$	8,596,035	\$ 8,720,098
Net (loss)/gain, realized and unrealized		(71,620)	268,527
Maturities		(376,807)	(392,590)
Balance, End of Year	\$	8,147,608	\$ 8,596,035

The investments that are valued using net asset values calculated by the investment managers are subject to capital calls and specific redemption terms as detailed in the table below as of June 30, 2020.

Security Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global Equities	13,954,929	4,308,154	Annual to Not Liquid	100 days
Global Fixed Income	10,706,359	8,164,075	Not Liquid	N/A
Real Assets	25,149,242	4,740,236	Not Liquid	N/A
Diversifying Strategies	21,492,188	-	Quarterly to Semi-Annually	65-95 days
Total	71,302,718	17,212,465		

The investments that are valued using net asset values calculated by the investment managers are subject to capital calls and specific redemption terms as detailed in the table below as of June 30, 2019.

Security Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global Equities	\$ 20,411,742	\$ 5,410,055	Annual to Not Liquid	100 days
Global Fixed Income	10,866,572	3,704,462	Not Liquid	N/A
Real Assets	32,239,561	5,486,796	Not Liquid	N/A
Diversifying Strategies	19,961,497	-	Quarterly to Semi-Annually	65-95 days
Total	\$ 83,479,372	\$ 14,601,313		

The following describes each of the security types reported at net asset value:

**Global Equity** – This category includes direct investments in private equity funds, generally through limited partnerships, that invest in private companies, private debt, intellectual property, structured products, and special situations. The fair values of these investments have been estimated using the percentage share of the Foundation’s ownership interest in partner’s capital. Distributions from each fund are received when the underlying investments in the funds create distributable cash flow and when underlying investments are liquidated. These investments cannot be redeemed. It is estimated that the majority of underlying assets of the fund will be liquidated over the next 1 to 10 years.

**Global Fixed Income** – This category includes direct investments in private funds that invest in debt securities. The fair values of these investments have been estimated using the percentage share of the Foundation’s ownership interest in partner’s capital. Distributions from each fund are received when the underlying investments in the funds create distributable cash flow and when underlying investments are liquidated. These investments cannot be redeemed. It is estimated that the majority of

underlying assets of the fund will be liquidated over the next 1 to 10 years.

**Real Assets** - This category includes direct investments in private funds that invest in natural resource, real estate and infrastructure securities. The fair values of these investments have been estimated using the percentage share of the Foundation’s ownership interest in partner’s capital. Distributions from each fund are received when the underlying investments in the funds create distributable cash flow and when underlying investments are liquidated. These investments cannot be redeemed. It is estimated that the majority of underlying assets of the fund will be liquidated over the next 1 to 10 years.

**Diversifying Strategies** – This category includes investments in hedge funds that invest in equity, debt, structured products, and derivative securities. The managers of these funds have the flexibility to change their exposure based on their view of particular securities and the overall market. The strategies of these funds include event-drive, relative value, arbitrage, and directional strategies. Certain of these funds have various redemption and notice of redemption requirements that generally limit the ability to liquidate them in a short period of time. The fair values of these investments have been estimated using the net asset value per share of investments.

## 7. ENDOWMENTS MANAGED UNDER UPMIFA

The Foundation's endowment consists of numerous individual funds established for a variety of purposes. The 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.

The endowment disclosed under this footnote is limited to the donor restricted endowed funds to be held in perpetuity that are managed by the Foundation under UPMIFA and the funds designated by the Board of Trustees to function as endowments. Therefore, some funds that are included in the NACUBO definition of endowments are excluded. The full value of the Foundation's endowment, including the assets that are excluded from this footnote, is disclosed in the Management's Discussion and Analysis.

### *Interpretation of Relevant Law*

The state of Montana enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective June 30, 2009. UPMIFA establishes law for the management and investment of donor-restricted endowment funds. Donor-restricted endowment funds are subject to a time restriction imposed by UPMIFA until amounts are appropriated for expenditure by the Foundation. In addition, most donor restricted endowment funds are subject to restrictions on the use of the appropriated amounts. Note 12 describes the purposes for which donor-restricted endowments may be used. Donor-restricted endowment funds are classified as net assets with donor restrictions.

UPMIFA permits the Foundation to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund as it determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. In making its determination to appropriate or accumulate, the Foundation must act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and it must consider, if relevant, the following factors:

- (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.

### *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. 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.

### *Long-Term Portfolio 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. 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 Board of Trustees of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds unless there are explicit donor stipulations to the contrary. The original gift is defined by the Foundation as (a) the original value of gifts donated to all donor-restricted endowments, (b) the original value of any subsequent gifts to donor-restricted endowments, and (c) the original value of accumulations to donor-restricted endowments made in accordance with the direction of the

applicable donor gift instrument at the time the accumulation is added to the fund. As a result of this interpretation, if the value of a donor-restricted endowment fund falls below 90% of its original gift, the Board of Directors will cease applying the spending rate to the fund until its value exceeds the original gift.

*Long Term Portfolio 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 UPMIFA requires the Foundation to retain as a fund of perpetual duration. At June 30, 2020, funds with original gift values of \$79,337,266, fair values of \$74,922,389, and deficiencies of \$4,414,877 were reported in net assets with donor restrictions. At June 30, 2019, funds with original gift values of \$22,787,909, fair values of \$21,730,356, and deficiencies of \$1,057,553 were reported in net assets with donor restrictions.

Endowment net asset composition by type of fund as of June 30, 2020, is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowments			
Original endowment gift	-	\$ 154,650,979	\$ 154,650,979
Accumulated earnings	-	7,000,474	7,000,474
Total donor-restricted endowments	-	161,651,453	161,651,453
Board-designated endowments	515,177	-	515,177
	\$ 515,177	\$ 161,651,453	\$ 162,166,630

Endowment net asset composition by type of fund as of June 30, 2019, is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowments			
Original endowment gift	-	\$ 144,873,608	\$ 144,873,608
Accumulated earnings	-	18,313,421	18,313,421
Total donor-restricted endowments	-	163,187,029	163,187,029
Board-designated endowments	490,330	-	490,330
	\$ 490,330	\$ 163,187,029	\$ 163,677,359

Changes in net assets composition by type of fund for the two years ended June 30, 2019 and 2018, are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Balance, July 1, 2018	\$ 478,505	\$ 147,044,736	\$ 147,523,241
Investment income	26,805	6,848,922	6,875,727
Contributions	-	17,423,823	17,423,823
Reclassification of net assets	-	102,898	102,898
Distributions	(14,980)	(5,107,597)	(5,122,577)
Fees	-	(3,125,753)	(3,125,753)
Balance, June 30, 2019	490,330	163,187,029	163,677,359
Investment income	24,847	(2,831,380)	(2,806,533)
Contributions	-	9,777,370	9,777,370
Distributions	-	(5,180,916)	(5,180,916)
Fees	-	(3,300,650)	(3,300,650)
Balance, June 30, 2020	\$ 515,177	\$ 161,651,453	\$ 162,166,630

## 8. FIXED ASSETS

At June 30, fixed assets consisted of:

	2020	2019
Land	\$ 25,000	\$ 25,000
Computer equip. & software	134,753	77,676
Leasehold improvements	149,208	144,829
Office furniture and fixtures	334,130	330,717
	643,091	578,222
Less accumulated depreciation	(272,477)	(215,351)
Total Fixed Assets, net	\$ 370,614	\$ 362,871

Depreciation expense in 2020 and 2019 was \$57,123 and \$63,085, respectively.

## 9. OTHER ASSETS

At June 30, other assets consisted of:

	2020	2019
Life Insurance cash surrender	\$ 527,183	\$ 580,609
Investment in UM buildings	553,170	553,170
Other	252,894	321,131
Total Other Assets	\$ 1,333,247	\$ 1,454,910

In previous years under the Montana Endowment Tax Credit, donors were allowed to designate their endowed annuity gift for building construction purposes. Donors gave under this tax credit to the Alexander Blewett III School of Law, the College of Business, and the Phyllis J.

Washington Education Center. As a result, the Foundation holds a small interest in both buildings.

In June 2012, the Foundation acquired, through an estate gift, a 31.67% interest in Stone Mountain, Ltd. The Foundation has the ability to exercise significant influence as a result of the acquired interest, and therefore accounts for this interest in Stone Mountain using the equity method for investments. As of year-end, the foundation maintains its ownership interest in Stone Mountain but no dollar value is assigned to the ownership interest.

## 10. NOTE PAYABLE

During fiscal year 2020, the Foundation received a loan in the amount of \$760,000 to fund payroll, rent and utilities through the federal Paycheck Protection Program. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program through the U.S. Small

Business Administration. The loan originated on April 15, 2020 at a 1% fixed interest rate. If terms for complete forgiveness are not met, payments are deferred for the first 6 months and then 18 monthly payments are required until paid in full on April 15, 2022. The amount outstanding of the loan as of June 30, 2020 was \$760,000

## 11. LINE OF CREDIT

During the years ended June 30, 2020 and 2019, the Foundation had an agreement for a line of credit with a financial institution in which the Foundation can borrow up to \$2,000,000. The line of credit available was increased from \$1,000,000 to \$2,000,000 in December of 2019. The line of credit has an interest rate of .25% over the Wall

Street Journal Prime. The interest rate was 3.5% and 5.75% as of June 30, 2020 and 2019, respectively. The line of credit is unsecured and had no balance throughout all of fiscal years 2020 and 2019. The line of credit expires in December of 2020.

## 12. LEASE COMMITMENTS

The foundation leases office space under an operating lease agreement that expires March 31, 2036. Future minimum lease payments under this lease are as follows:

Year ending June 30:	
2021	\$ 246,501
2022	266,593
2023	266,593
2024	266,593
2025	266,593
Thereafter	3,283,910
	\$ 4,596,783



## 13. 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 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 beneficiaries, calculated by using an IRS life expectancy table and the discount rate determined at the date of the gift.

For fiscal years 2020 and 2019 the liability was calculated using standard actuarial tables. Discount rates used in the calculation range from 0.6% to 7.6%.

At June 30, 2020 and 2019 the liability due to external beneficiaries was \$15,826,350 and \$16,527,696, respectively. Of those amounts, \$2,383,111 and \$2,225,382, respectively, were for the liability related to gift annuities. Changes in the liability from year to year occur when the present value calculation is updated.

## 14. NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Purpose Restrictions, Available for Spending:		
Scholarships	\$ 20,935,359	\$ 27,202,009
Academics and institutional support	42,410,353	46,231,354
Capital additions	13,656,888	7,583,411
Total	\$ 77,002,600	\$ 81,016,774
Restricted in Perpetuity		
Scholarships	\$ 84,505,263	\$ 82,161,791
Academics and institutional support	94,469,434	90,801,329
Capital additions	553,170	557,946
Total	\$ 179,527,867	\$ 173,521,066
Total Donor Restricted Net Assets	\$ 256,530,467	\$ 254,537,840

## 15. RETIREMENT PLAN

The Foundation has a qualified tax deferred annuity plan, which covers substantially all permanent employees. Employer contributions to the plan are eleven percent of eligible employees' salaries beginning after six months of service. 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 \$408,274 and \$331,038 for 2020 and 2019, respectively.

## 16. RELATED PARTY TRANSACTIONS

The relationship between the Foundation and the University is governed by an operating agreement. Under the terms of that agreement, the University paid \$550,000 during both 2020 and 2019 for services provided by the Foundation. These services are provided to the University evenly over the course of the fiscal year, therefore, the revenue is recognized evenly over time. As a part of the agreement for performing fundraising services, the University provided the Foundation with certain information technology services and other related items in 2020 and 2019.

In 2016 the Foundation entered into an operating lease with the University for office space. Terms of the lease include

annual rent of approximately \$240,000 with the lease period running from April 1, 2016 through March 31, 2036. Rent expense was \$239,804 in both fiscal year 2020 and 2019.

The Foundation receives cash and non-cash donations to support the programs, faculty and staff of the University. In fiscal year 2020 and 2019, the Foundation transferred \$18.6 million and \$22.7 million, respectively, of cash donations to the University. The Foundation also transferred \$143,500 and \$10.1 million of non-cash donations to the University in fiscal years 2020 and 2019, respectively. In 2019 a high value art donation was made to the Foundation and in turn was transferred to the University. A total of \$9.6 million is shown

as both Contribution Revenue and In-Kind Expense related to this art donation.