

University of Montana Foundation

Financial Report

June 30, 2019

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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, 2019 and 2018, 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, 2019 and 2018, 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

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 3, 2019

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, 2019. 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.

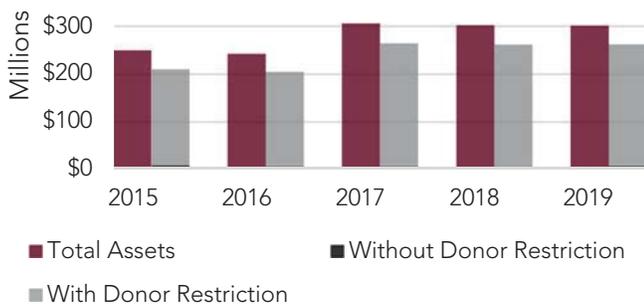
Assets and Net Assets

At June 30, 2019, the Foundation's total assets amounted to \$301 million. Foundation assets consist primarily of short and long-term investments and contributions receivable. Investments make up approximately 82% 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

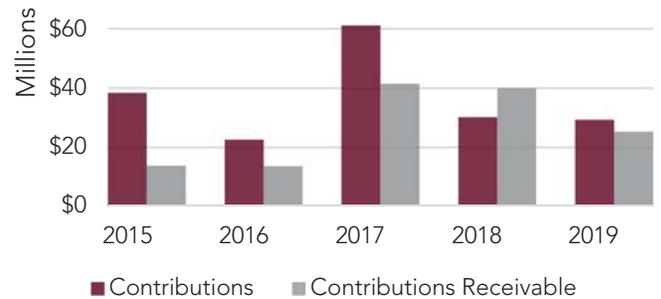


Contributions and Contributions Receivable

Contributions receivable at June 30, 2019 amounted to

approximately \$25.2 million, 37% lower than at June 30, 2018.

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. In fiscal year 2019, the Foundation recognized \$29.2 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 \$55.9 and \$64.1 million in contributions in fiscal years 2019 and 2018, respectively.

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

Fundraising



In fiscal year 2019, approximately 77% of the fundraising total was directed towards academic and institutional support for

the University, 22% for scholarships, and 1% directed towards capital expenditures.

University Support

The Foundation provides funding for students, faculty and programs at the University. In fiscal year 2019, the Foundation provided \$34.6 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 is up significantly over 2018 as a result of a generous donation of art. 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. Fiscal year 2018 capital expenses included the Washington-Grizzly Champions Center. In both fiscal year 2018 and 2019 capital expenses included the expansion of the Phyllis J. Washington College of Education building and the renovation of Eck Hall.

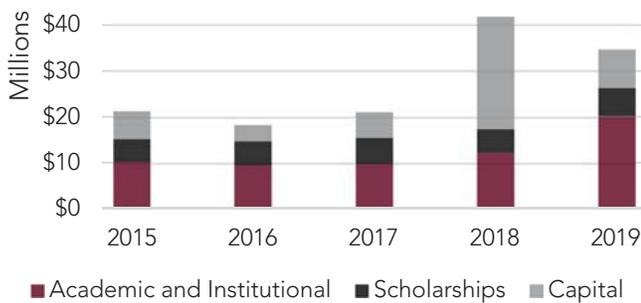
Long-Term Investment Portfolio Return

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 2019, the portfolio underperformed its balanced (broad policy) benchmark (65% MSCI ACWI Index and 35% Barclays U.S. Aggregate Bond Index) return of % due to the portfolio’s slight tilt to emerging markets 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	3.8%	7.3%	3.7%	8.3%
Balanced Index	6.8%	8.4%	5.2%	8.2%
Target Weighted Index	4.8%	8.1%	5.0%	8.7%

Note: annualized returns

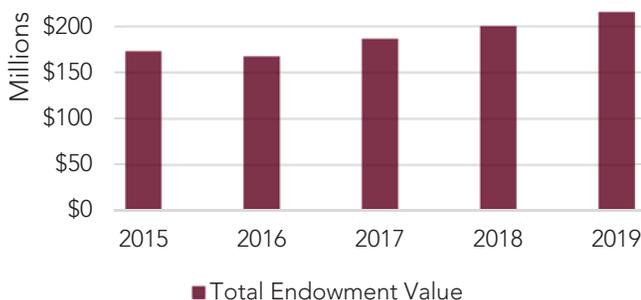
University Support



Endowments

The Foundation manages over one thousand endowed funds, valued at approximately \$215 million at June 30, 2019, including twenty-eight funds valued at approximately \$18 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.

Endowment Value



STATEMENT OF FINANCIAL POSITION

as of June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 12,239,584	\$ 8,688,007
Short-Term Investments	5,079,280	11,206,480
Accrued Dividends and Interest	287,622	202,640
Investments	247,376,371	231,120,034
Contributions Receivable, Net	25,193,728	39,890,701
Student Loans and Other Receivables	297,874	263,395
Beneficial Interests in Trusts Held by Others	8,596,035	8,720,098
Fixed Assets, net	362,871	397,639
Other Assets	1,454,910	1,292,857
Total assets	\$ 300,888,275	\$ 301,781,851
 LIABILITIES AND NET ASSETS		
Accounts Payable	\$ 1,033,479	\$ 2,034,625
Accrued Expenses	84,461	72,255
Compensated Absences	257,820	228,348
Liabilities to External Beneficiaries	16,527,696	16,890,032
Custodial Funds	21,253,895	21,727,223
Total liabilities	39,157,351	40,952,483
 NET ASSETS		
Without Donor Restriction	7,193,084	5,523,977
With Donor Restriction	254,537,840	255,305,391
Total net assets	261,730,924	260,829,368
Total liabilities and net assets	\$ 300,888,275	\$ 301,781,851

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

STATEMENT OF ACTIVITES

for the period ended as of June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
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)	-
Total revenues, gains and other support	43,081,447	(771,277)	42,310,170
Expenses			
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
Total University support	34,594,764	-	34,594,764
Supporting services			
Fundraising	2,682,213	-	2,682,213
Administrative and general	4,135,363	-	4,135,363
Total expenses	41,412,340	-	41,412,340
Change in net assets before non-operating items	1,669,107	(771,277)	897,830
Non-operating Revenues (Expenses)			
Loss on disposition of asset	-	3,726	3,726
Total Non-Operating Revenues (Expenses)	-	3,726	3,726
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
Net assets end of year	\$ 7,193,084	\$ 254,537,840	\$ 261,730,924

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

STATEMENT OF ACTIVITES

for the period ended as of June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	\$ 81,495	\$ 29,967,728	\$ 30,049,223
Interest and dividend income	839,090	2,055,086	2,894,176
Net realized and unrealized gains on investments	12,301	8,227,304	8,239,605
Administrative fees	845,834	-	845,834
Contract for services	550,000	-	550,000
Net revaluation of trusts and split-interest agreements	(664)	570,176	569,512
Income from perpetual trusts	-	417,688	417,688
Other	177,937	2,494,318	2,672,255
Net assets released from restrictions	45,467,097	(45,467,097)	-
Total revenues, gains and other support	47,973,090	(1,734,797)	46,238,293
Expenses			
University support			
Academics and institutional	12,215,945	-	12,215,945
Capital expenses	24,328,973	-	24,328,973
Scholarships and awards	5,199,442	-	5,199,442
Total University support	41,744,360	-	41,744,360
Supporting services			
Fundraising	2,327,622	-	2,327,622
Administrative and general	4,054,884	-	4,054,884
Total expenses	48,126,866	-	48,126,866
Change in net assets before non-operating items	(153,776)	(1,734,797)	(1,888,573)
Non-operating Revenues (Expenses)			
Loss on disposition of asset	(844,212)	-	(844,212)
Total Non-Operating Revenues (Expenses)	(844,212)	-	(844,212)
Change in net assets	(997,988)	(1,734,797)	(2,732,785)
Net assets beginning of year	6,521,965	257,040,188	263,562,153
Net assets end of year	\$ 5,523,977	\$ 255,305,391	\$ 260,829,368

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

STATEMENT OF FUNCTIONAL EXPENSES

for the period ended as of June 30, 2018

	University support	Fundraising	Administrative and general	Total
Direct University Support	\$ 24,038,101	\$ 4,195	\$ -	\$ 24,042,296
Accounting and auditing	-	-	56,905	56,905
Advertising and promotion	51,393	900	12,786	65,079
Bank and trust manager fees	257	-	109,780	110,037
Capital expenditures	15,568,514	-	-	15,568,514
Contracted services and honorariums	565,380	363,135	228,282	1,156,797
Depreciation	-	-	64,770	64,770
Dues and publications	57,844	5,879	15,848	79,571
Entertainment	240,406	26,849	132,634	399,889
Insurance	1,844	-	19,160	21,004
Legal expense	2,592	1,347	49,122	53,061
Licenses and taxes	3,219	280	5,532	9,031
Office	503,014	21,754	82,747	607,515
Postage	2,576	22,360	23,512	48,448
Printing	13,184	9,864	27,650	50,698
Professional development	12,581	4,487	57,256	74,324
Recruitment	8,322	125	32,220	40,667
Rent	8,228	-	246,329	254,557
Repairs and maintenance	381	-	9,475	9,856
Salaries and fringe benefits	-	1,736,592	2,565,236	4,301,828
Software acquisition and maintenance	25,245	295	165,669	191,209
Supplies	465,911	3,728	67,940	537,579
Telephone	-	28,310	32,898	61,208
Travel, lodging and relocation	175,368	97,522	49,133	322,023
	\$ 41,744,360	\$ 2,327,622	\$ 4,054,884	\$ 48,126,866

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

CASH FLOW STATEMENT

for the period ended as of June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 901,556	\$ (2,732,785)
Adjustments to reconcile change in net assets to		
Net cash provided by operating activities:		
Contributions restricted for investment in endowment	(17,423,823)	(8,138,860)
Contributions of investment securities	(2,517,018)	(9,237,911)
Net gain on investments	(5,339,793)	(8,239,605)
Net gain on investment held for others	(762,327)	(1,221,401)
Loss on sale of held for sale property	-	844,212
Non-cash transfer of Washington-Grizzly Champions Center	-	13,963,976
Net revaluation of trusts and split-interest agreements	(350,005)	(569,512)
Contributions of trust and split interest agreements	(568,907)	(663,660)
Depreciation and amortization	63,085	64,770
Change in assets and liabilities:		
Accrued dividends and interest	(84,982)	(26,667)
Pledges receivable	14,696,973	866,920
Other assets	(162,053)	(60,753)
Accounts payable and accrued liabilities	(959,468)	(658,098)
Net cash provided by operating activities	(12,506,762)	(15,809,374)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in short term investments	6,127,200	(3,729,037)
Proceeds from sale of held for sale property		1,505,148
Capital expenditures	(28,317)	(3,249,404)
Decrease in notes receivable	(34,479)	20,909
Purchases of securities	(119,230,085)	(48,385,582)
Proceeds from the sale of securities	113,290,458	55,386,990
Net cash used by investing activities	124,777	1,549,024
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on amounts due beneficiaries	(1,016,933)	(1,074,508)
Contributions restricted for investment in endowment	17,423,823	8,845,573
Change in deposits held in custody	(473,328)	(340,325)
Net cash used by financing activities	15,933,562	7,430,740
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,551,577	(6,829,610)
Cash and Cash Equivalents, beginning of year	8,688,007	15,517,617
Cash and Cash Equivalents, end of year	\$ 12,239,584	\$ 8,688,007
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY		
Contributions and pledge payments of investment securities	\$ 2,517,018	\$ 9,237,911
Donated Material and Equipment	\$ 10,061,290	\$ 347,357

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, 2019 and 2018. 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 4.0% in fiscal year 2019 and 6.2% in fiscal year 2018. Additionally, the total return on only the long-term pooled investments was approximately 3.8% in fiscal year 2019 and 6.7% in fiscal year 2018.

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

At June 30, 2019 and 2018 investments totaling \$22,139,207 and \$22,532,472, 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 no objective basis is available to measure the value of such services.

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 2019 and 2018 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 2019 and 2018 were \$5,384,394 and \$5,337,340, respectively.

Advertising Costs

Advertising costs, which relate principally to fundraising activities, are expensed as incurred and totaled \$84,972 and \$65,079 for 2019 and 2018, 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 2015.

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.

Additionally, certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. The reclassifications have no effect on the change in net assets or total net assets as previously reported.

Change in Accounting Principles

The Foundation implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.

The unrestricted net asset class has been renamed net assets without donor restrictions.

The financial statements include a disclosure about liquidity and availability of resources (note 4).

At July 1, 2017, the classification of funds to be held in perpetuity with \$798,787 of deficiencies changed from unrestricted net assets to net assets with donor restrictions.

The changes have the following effect on net assets at July 1, 2017:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted	\$ 5,723,178	\$ -
Temporarily Restricted	98,901,977	-
Permanently Restricted	158,936,998	-
Without Donor Restriction	-	6,521,965
With Donor Restriction	-	257,040,188
Total	\$ 263,562,153	\$ 263,562,153

Subsequent Events

Management has evaluated subsequent events through October 3, 2019 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:

	2019		2018	
Cash	\$	5,562,535	\$	7,962,053
Money Market Funds		5,663,113		304,073
Cash to be Received (Invested)		1,013,936		421,881
Total Cash and Cash Equivalents	\$	12,239,584	\$	8,688,007

At June 30, 2019 and 2018, bank balances for these accounts exceeded insured limits by \$10,844,151 and \$7,407,424, 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:

	2019		2018	
Certificates of Deposit	\$	202,255	\$	1,020,000
U.S. Treasury and Federal Obligations		4,877,025		10,186,480
Total Short-Term Investments	\$	5,079,280	\$	11,206,480

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 table reflects the Foundation's financial assets available for general expenditure within

one year as of June 30, 2019. 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 table as Appropriations from Long-Term Portfolio.

	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	\$ 25,401,797

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 0.7% and 2.6%). The schedule of payments is as follows at June 30:

	2019	2018
In one year or less	\$ 5,399,436	\$ 9,163,305
Between one and five years	24,415,566	33,401,193
Less: discount and allowance for uncollectible pledges	(1,621,274)	(2,673,797)
Contributions receivable, net	\$ 25,193,728	\$ 39,890,701

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

At June 30, 2019 and 2018 the Foundation had a contribution from one donor which represented 49% and 55%, 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, 2019 and 2018, conditional promises to give were valued at approximately \$88,500,000 and \$76,400,000 respectively.

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.

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 twelve and eighteen “fund of funds” as of June 30, 2019 and 2018, 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, 2019:

	Level 1	Level 2	Level 3	At NAV	Total
Investments					
U.S. Government Securities	-	\$ 5,033,985	-	-	\$ 5,033,985
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	-	-	10,866,572	12,872,863
Real Assets	4,742,396	19,572,742	-	32,239,561	56,554,699
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	33,135,077	-	83,479,372	247,376,371
Beneficial Interest	-	-	8,596,035	-	8,596,035
Total	\$ 130,761,922	\$ 33,135,077	\$ 8,596,035	\$ 83,479,372	\$ 255,972,406

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.

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, 2018:

	Level 1	Level 2	Level 3	At NAV	Total
Investments					
U.S. Government Securities	-	\$ 5,749,460	-	-	\$ 5,749,460
Corporate Stocks	2,262,395	-	-	-	2,262,395
Mutual Funds	22,612,016	-	-	-	22,612,016
Corporate Bonds	-	7,478,424	-	-	7,478,424
Separately Managed Account					
Global Equities	60,131,044	-	-	19,533,192	79,664,236
Global Fixed Income	8,678,749	9,832,975	-	10,544,562	29,056,286
Real Assets	6,366,448	-	-	32,250,154	38,616,602
Diversifying Strategies	17,715,506	-	-	24,917,839	42,633,345
Cash and short-term investments	3,047,270	-	-	-	3,047,270
Total Investments	120,813,428	23,060,859	-	87,245,747	231,120,034
Beneficial Interest	-	-	8,720,098	-	8,720,098
Total	\$ 120,813,428	\$ 23,060,859	\$ 8,720,098	\$ 87,245,747	\$ 239,840,132

Changes in assets for which fair value is measured based on Level 3 inputs are summarized below for the years ended June 30, 2019 and 2018:

Beneficial Interest (Level 3)		2019	2018
Balance, Beginning of Year	\$	8,720,098	\$ 8,628,183
Net (loss)/gain, realized and unrealized		268,527	509,603
Maturities		(392,590)	(417,688)
Balance, End of Year	\$	8,596,035	\$ 8,720,098

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	\$ 5,510,055	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 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, 2018.

Security Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global Equities	\$ 19,533,192	\$ 7,175,054	Annual to Not Liquid	100 days
Global Fixed Income	10,544,562	4,817,690	Not Liquid	N/A
Real Assets	32,250,154	6,187,276	Not Liquid	N/A
Diversifying Strategies	24,917,839	-	Quarterly to Semi-Annually	65-95 days
Total	\$ 87,245,747	\$ 18,180,020		

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, 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. At June 30, 2018, funds with original gift values of \$19,198,799, fair values of \$18,516,035, and deficiencies of \$682,794 were reported in net assets with donor restrictions.

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

Endowment net asset composition by type of fund as of June 30, 2018, is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowments			
Original endowment gift	-	\$ 127,350,026	\$ 127,350,026
Accumulated earnings	-	19,694,710	19,694,710
Total donor-restricted endowments	-	147,044,736	147,044,736
Board-designated endowments	478,505	-	478,505
	\$ 478,505	\$ 147,044,736	\$ 147,523,241

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, 2017	\$ 484,855	\$ 136,272,986	\$ 136,757,841
Investment income	13,579	9,037,563	9,051,142
Contributions	-	8,845,573	8,845,573
Distributions	(19,929)	(4,191,161)	(4,211,090)
Fees	-	(2,920,225)	(2,920,225)
Balance, June 30, 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

8. FIXED ASSETS

At June 30, fixed assets consisted of:

	2019	2018
Land	\$ 25,000	\$ 25,000
Computer equip. & software	77,676	51,552
Leasehold improvements	144,829	144,829
Office furniture and fixtures	330,717	330,717
	578,222	552,098
Less accumulated depreciation	(215,351)	(154,459)
Total Fixed Assets, net	\$ 362,871	\$ 397,639

Depreciation expense in 2019 and 2018 was \$63,085 and \$64,770, respectively.

9. OTHER ASSETS

At June 30, other assets consisted of:

	2019	2018
Life Insurance cash surrender	\$ 580,609	\$ 597,394
Investment in UM buildings	553,170	553,170
Other	321,131	142,293
Total Other Assets	\$ 1,454,910	\$ 1,292,857

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.

10. Line of Credit

During the years ended June 30, 2019 and 2018, the Foundation had an agreement for a line of credit with a financial institution in which the Foundation can borrow up to \$1,000,000. The line of credit has an interest rate of .25%

11. 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:	
2020	\$ 239,804
2021	239,804
2022	266,593
2023	266,593
2024	266,593
Thereafter	3,536,568
	<u>\$ 4,815,955</u>

12. 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,

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.

over the Wall Street Journal Prime. The interest rate was 5.75% and 5.25% as of June 30, 2019 and 2018, respectively. The line of credit is unsecured and had no balance throughout all of fiscal years 2019 and 2018.

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 2019 and 2018 the liability was calculated using standard actuarial tables. Discount rates used in the calculation range from 1.2% to 7.6%.

At June 30, 2019 and 2018 the liability due to external beneficiaries was \$16,527,696 and \$16,890,032, respectively. Of those amounts, \$2,225,382 and \$2,294,646, 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.

13. NET ASSETS WITH DONOR RESTRICTIONS

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

	2019	2018
Purpose Restrictions, Available for Spending:		
Scholarships	\$ 27,202,009	\$ 28,131,635
Academics and institutional support	46,231,354	44,501,633
Capital additions	7,583,411	15,023,698
Total	\$ 81,016,774	\$ 87,656,966
Restricted in Perpetuity		
Scholarships	\$ 82,161,791	\$ 79,333,913
Academics and institutional support	90,801,329	87,756,711
Capital additions	557,946	557,801
Total	\$ 173,521,066	\$ 167,648,425
Total Donor Restricted Net Assets	\$ 254,537,840	\$ 255,305,391

14. 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 \$331,038 and \$307,093 for 2019 and 2018, respectively.

15. 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 2019 and 2018 for services provided by the Foundation. Additionally, as part of the agreement for performing fundraising services, the University provided the Foundation with certain information technology services and other related items in 2019 and 2018.

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 2019 and 2018.

The Foundation receives cash and non-cash donations to support the programs, faculty and staff of the University. In fiscal year 2019 and 2018, the Foundation transferred \$22.7 million and \$24.2 million respectively of cash donations to the University. The Foundation also transferred \$10.1 million

and \$347 thousand of non-cash donations to the University in fiscal years 2019 and 2018, 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.

In February 2015, the Foundation entered into an agreement with the Board of Regents (BOR) of the Montana University System under which the BOR leased a parcel of land between the Washington Grizzly Stadium and the Adams Center to the Foundation. The lease required the Foundation to plan, design and construct the Washington-Grizzly Champions Center. Under the lease the BOR agreed to the use of private donations, ticket sales and other financing to reimburse the Foundation for all costs incurred related to this expansion project and to indemnify the Foundation for any claims or liabilities related to the project. Simultaneous with this lease, the Foundation entered into a memorandum of understanding with the

University under which the University managed all aspects of the project on the Foundation's behalf. During fiscal year 2018 this project was completed and a \$14 million non-cash asset was transferred to the University.