



AUDITED FINANCIALS

JUNE 30, 2022

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT _____ 4

MANAGEMENT'S DISCUSSION AND ANALYSIS _____ 6

FINANCIAL STATEMENTS

 Statements of Financial Position _____ 9

 Statements of Activities _____ 10

 Statements of Functional Expenses _____ 12

 Statements of Cash Flows _____ 14

 Notes to Financial Statements _____ 15



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of University of Montana Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University of Montana Foundation as of June 30, 2022 and 2021, and its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of University of Montana Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about University of Montana Foundation's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University of Montana Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about University of Montana Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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
October 28, 2022

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, 2022. 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.

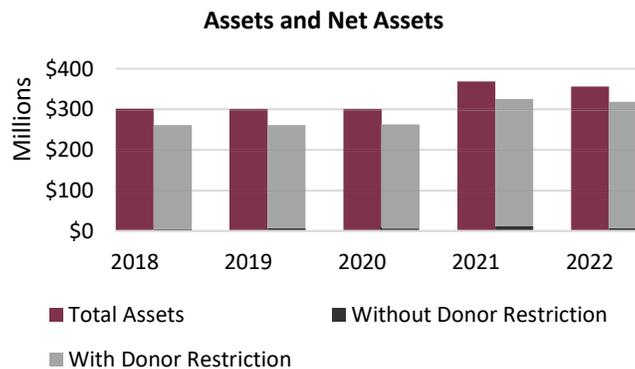
The mission of the Foundation is to inspire philanthropic support to enhance excellence and opportunity at the University of Montana (University). The Foundation was established in 1950 as a 501(c) (3) organization.

Assets and Net Assets

At June 30, 2022, the Foundation's total assets amounted to \$356.3 million. Foundation assets consist primarily of short and long-term investments and contributions receivable. Investments make up approximately 89% of total assets.

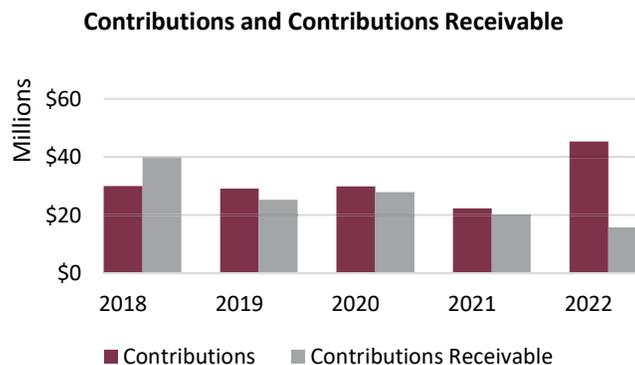
The Foundation classifies net assets as without donor restriction and with donor restriction in accordance with donor stipulations and time restrictions. Net assets not subject to donor-imposed stipulations are available for internal Foundation operations. Net assets with donor restriction: a) restrict 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.



Contributions and Contributions Receivable

Contributions receivable at June 30, 2022 amounted to approximately \$15.7 million, 22% lower than at June 30, 2021. The decrease is attributable to current year payments on two large receivables.

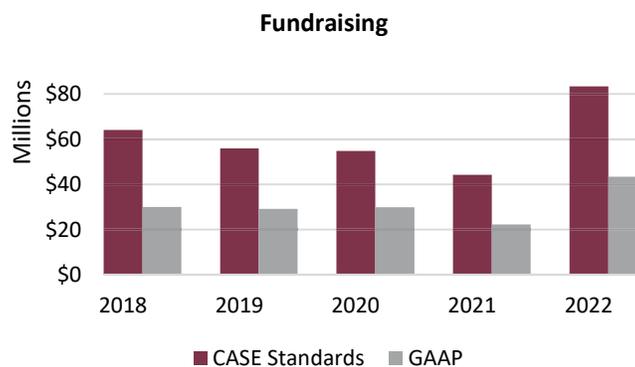


Fundraising

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 2022, the Foundation recognized \$45.3 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 \$83.1 and \$44.3 million in contributions in fiscal years 2022 and 2021, respectively.

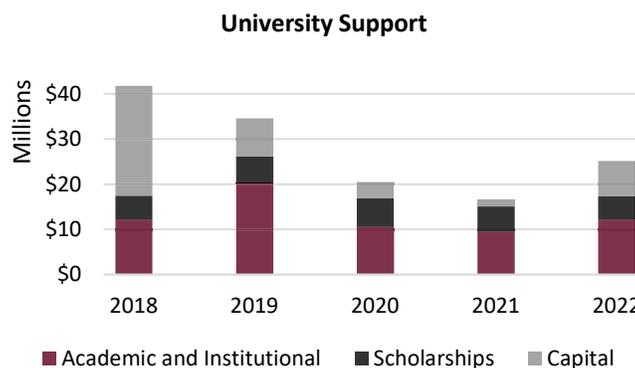
The following chart depicts GAAP and CASE fundraising totals over the past five years.



In fiscal year 2022, approximately 53% of the fundraising total was directed towards academic and institutional support for the University, 30% for scholarships, and 17% directed towards capital expenditures.

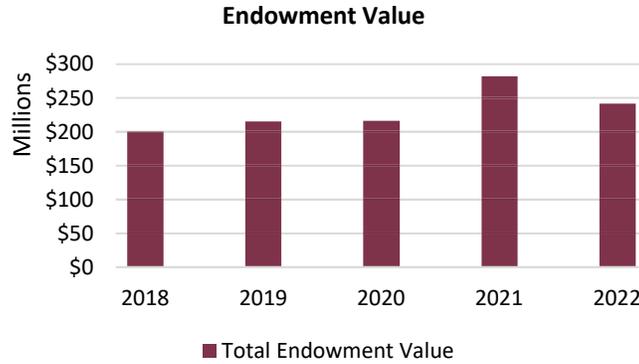
University Support

The Foundation provides funding for students, faculty and programs at the University. In fiscal year 2022, the Foundation provided \$25.1 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. Of note, academic and institutional support for 2019 includes a generous donation of art. Scholarship support has remained consistent throughout the five-year period. Capital support can vary significantly from year to year as building projects on campus can fluctuate greatly. Capital expenses over the past five years included the expansion and renovation of the Phyllis J. Washington College of Education building, the renovation of Eck Hall, the renovation of the Adams Center, the renovation of the Music building and the construction of the Montana Museum of Art and Culture.



Endowments

The Foundation manages over one thousand endowed funds, valued at approximately \$241.6 million at June 30, 2022, 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 endowment investment portfolio.



UMF Endowment Investment Portfolio Return

Endowments managed by the Foundation are invested in a pooled investment portfolio. The following table depicts the one-, three-, five-, and ten- year returns on this portfolio. In fiscal year 2022, the portfolio outperformed its policy benchmark (55.0% MSCI AC World Index Net; 13.0% Bloomberg Barclays US Aggregate Bond Index; 10.0% HFRI FOF Conservative Index; 9.0% NCREIF ODCE; 7.0% ICE Bank of America Merrill Lynch Hi-Yield Master; 6.0% S&P Global LargeMidCap Commodity and Resources Index) return of -8.2%.

	1 Yr	3 Yr	5 Yr	10 Yr
Endowment Portfolio	-5.7%	5.9%	5.9%	6.6%
Policy Benchmark	-8.2%	4.9%	5.5%	6.4%

Note: annualized returns

STATEMENTS OF FINANCIAL POSITION

as of June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 10,154,942	\$ 10,337,729
Short-term investments	-	4,836,861
Accrued dividends and interest	336,508	127,255
Investments	316,764,385	320,843,808
Contributions receivable, net	15,656,754	20,144,583
Student loans and other receivables	261,507	270,873
Beneficial interests in trusts held by others	8,663,721	9,986,212
Fixed assets, net	455,394	413,234
Property held for sale	1,300,000	-
Construction in process	1,546,074	-
Other assets	1,125,655	1,296,580
TOTAL ASSETS	\$ 356,264,940	\$ 368,257,135
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 1,693,460	\$ 952,154
Accrued expenses	185,926	153,940
Compensated absences	305,629	297,966
Liabilities to external beneficiaries	15,565,803	18,678,052
Custodial funds	20,232,365	22,960,352
TOTAL LIABILITIES	37,983,183	43,042,464
NET ASSETS		
Without donor restriction	6,996,119	12,412,824
With donor restriction	311,285,638	312,801,847
TOTAL NET ASSETS	318,281,757	325,214,671
TOTAL LIABILITIES AND NET ASSETS	\$ 356,264,940	\$ 368,257,135

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

STATEMENT OF ACTIVITIES

for the period ended as of June 30, 2022

	Without Donor Restrictions	With Donor Restriction	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 68,384	\$ 43,244,244	\$ 43,312,628
Contributed nonfinancial assets	4,540	2,016,640	2,021,180
Net gains (losses) on investments	(4,366,874)	(15,626,666)	(19,993,540)
Administrative fees	393,223	-	393,223
Contract for services	580,000	-	580,000
Net revaluation of trusts and split-interest agreements	(38,185)	(2,499,497)	(2,537,682)
Income from perpetual trusts	1,250	378,814	380,064
Other	127,888	1,641,247	1,769,135
Net assets released from restrictions	30,670,991	(30,670,991)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	27,441,217	(1,516,209)	25,925,008
EXPENSES			
UNIVERSITY SUPPORT			
Academics and institutional	12,088,879	-	12,088,879
Capital expenses	7,736,338	-	7,736,338
Scholarships and awards	5,281,282	-	5,281,282
TOTAL UNIVERSITY SUPPORT	25,106,499	-	25,106,499
SUPPORTING SERVICES			
Fundraising	2,964,172	-	2,964,172
Administrative and general	4,787,251	-	4,787,251
TOTAL SUPPORTING SERVICES	7,751,423	-	7,751,423
TOTAL EXPENSES	32,857,922	-	32,857,922
CHANGE IN NET ASSETS	(5,416,705)	(1,516,209)	(6,932,914)
NET ASSETS BEGINNING OF YEAR	12,412,824	312,801,847	325,214,671
NET ASSETS END OF YEAR	\$ 6,996,119	\$ 311,285,638	\$ 318,281,757

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

STATEMENT OF ACTIVITIES

for the period ended as of June 30, 2021

	Without Donor Restrictions	With Donor Restriction	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 677,063	\$ 21,449,917	\$ 22,126,980
Contributed nonfinancial assets	-	156,661	156,661
Net gains (losses) on investments	5,564,537	51,158,471	56,723,008
Gain on loan forgiveness	760,000	-	760,000
Administrative fees	447,115	-	447,115
Contract for services	550,000	-	550,000
Net revaluation of trusts and split-interest agreements	(77,199)	3,833,604	3,756,405
Income from perpetual trusts	-	383,858	383,858
Other	1,005	823,051	824,056
Net assets released from restrictions	21,534,182	(21,534,182)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	29,456,703	56,271,380	85,728,083
EXPENSES			
UNIVERSITY SUPPORT			
Academics and institutional	9,392,822	-	9,392,822
Capital expenses	1,463,115	-	1,463,115
Scholarships and awards	5,642,030	-	5,642,030
TOTAL UNIVERSITY SUPPORT	16,497,967	-	16,497,967
SUPPORTING SERVICES			
Fundraising	3,142,583	-	3,142,583
Administrative and general	4,087,465	-	4,087,465
TOTAL SUPPORTING SERVICES	7,230,048	-	7,230,048
TOTAL EXPENSES	23,728,015	-	23,728,015
CHANGE IN NET ASSETS	5,728,688	56,271,380	62,000,068
NET ASSETS BEGINNING OF YEAR	6,684,136	256,530,467	263,214,603
NET ASSETS END OF YEAR	\$ 12,412,824	\$ 312,801,847	\$ 325,214,671

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

STATEMENT OF FUNCTIONAL EXPENSES

for the period ended as of June 30, 2022

	University Support	Fundraising	Administrative and General	Total
Direct University support	\$ 24,045,894	\$ -	\$ -	\$ 24,045,894
Accounting and auditing	-	-	67,557	67,557
Advertising and promotion	-	2,139	2,716	4,855
Bank and trust manager fees	-	301	141,707	142,008
Contracted services and honorariums	-	501,304	181,774	683,078
Depreciation	-	-	79,461	79,461
Dues and publications	-	2,768	11,294	14,062
Entertainment	5,294	24,080	128,843	158,217
In Kind Donations	714,766	-	4,540	719,306
Insurance	-	-	38,712	38,712
Legal expense	-	4,143	55,841	59,984
Licenses and taxes	-	435	17,274	17,709
Office	14,038	3,752	55,896	73,686
Postage	-	22,660	27,643	50,303
Printing	-	5,370	39,293	44,663
Professional development	-	53,385	59,255	112,640
Recruitment	-	1,702	42,547	44,249
Rent	-	-	266,593	266,593
Repairs and maintenance	-	-	150	150
Salaries and fringe benefits	-	2,251,693	3,133,004	5,384,697
Software acquisition and maintenance	-	1,543	345,104	346,647
Supplies	326,209	2,863	47,900	376,972
Telephone	-	36,657	28,679	65,336
Travel, lodging and relocation	298	49,377	11,468	61,143
	<u>\$ 25,106,499</u>	<u>\$ 2,964,172</u>	<u>\$ 4,787,251</u>	<u>\$ 32,857,922</u>

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

STATEMENT OF FUNCTIONAL EXPENSES

for the period ended as of June 30, 2021

	University Support	Fundraising	Administrative and General	Total
Direct University support	\$ 15,818,544	\$ -	\$ -	\$ 15,818,544
Accounting and auditing	-	-	58,944	58,944
Advertising and promotion	-	1,712	2,410	4,122
Bank and trust manager fees	220	-	132,494	132,714
Contracted services and honorariums	-	487,567	130,808	618,375
Depreciation	-	-	54,819	54,819
Dues and publications	-	8,269	10,254	18,523
Entertainment	3,178	5,514	19,533	28,225
In Kind Donations	156,661	-	-	156,661
Insurance	-	-	33,623	33,623
Legal expense	-	370	48,210	48,580
Licenses and taxes	-	635	16,027	16,662
Office	96,557	3,683	64,297	164,537
Postage	-	25,422	33,150	58,572
Printing	-	15,922	28,117	44,039
Professional development	-	927	5,490	6,417
Recruitment	-	-	7,761	7,761
Rent	-	-	246,501	246,501
Repairs and maintenance	43	-	-	43
Salaries and fringe benefits	-	2,549,850	2,930,086	5,479,936
Software acquisition and maintenance	-	22,601	223,713	246,314
Supplies	422,517	910	31,186	454,613
Telephone	-	15,427	10,042	25,469
Travel, lodging and relocation	247	3,774	-	4,021
	<u>\$ 16,497,967</u>	<u>\$ 3,142,583</u>	<u>\$ 4,087,465</u>	<u>\$ 23,728,015</u>

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

CASH FLOW STATEMENTS

for the period ended as of June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (6,932,914)	\$ 62,000,068
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Contributions restricted for investment in endowment	(11,247,897)	(11,600,754)
Contributions of investment securities	(7,462,577)	(4,108,511)
Net gain on investments	20,759,035	(53,795,309)
Net gain on investment held for others	1,310,052	(4,775,371)
Gain on debt forgiveness	-	(760,000)
Net revaluation of trusts and split-interest agreements	2,537,682	(3,756,405)
Contributions of trust and split interest agreements	(789,138)	(1,024,738)
Depreciation and amortization	79,461	54,819
Change in assets and liabilities:		
Accrued dividends and interest	(209,253)	146,555
Pledges receivable	4,487,829	7,245,780
Property held for sale	(1,300,000)	-
Other assets	170,925	36,667
Accounts payable and accrued liabilities	780,955	115,086
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,184,160	(10,222,113)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in short-term investments	4,836,861	(26,959)
Capital expenditures	(1,667,695)	(97,439)
Decrease in notes receivable	9,366	24,595
Purchases of securities	(261,741,126)	(722,908,223)
Proceeds from the sale of securities	248,841,670	722,628,633
NET CASH USED BY INVESTING ACTIVITIES	(9,720,924)	(379,393)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on amounts due beneficiaries	(1,165,933)	(1,054,740)
Contributions restricted for investment in endowment	11,247,897	11,600,754
Change in deposits held in custody	(2,727,987)	3,908,840
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	7,353,977	14,454,854
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(182,787)	3,853,348
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,337,729	6,484,381
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 10,154,942	\$ 10,337,729
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY		
Contributions and pledge payments of investment securities	\$ 7,462,577	\$ 4,108,511
Donated material and equipment	\$ 2,021,180	\$ 156,661

The notes to the financial statement 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, 2022 and 2021. The fair values of alternative investments not publicly traded on national security exchanges represent the Foundation's pro-rata interest in the net assets of each investment partnership as provided by its managing partner. Because of inherent uncertainties in the valuation of these non-publicly traded alternative investments, those estimated fair values may differ materially from the values that might ultimately be realized.

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

At June 30, 2022 and 2021 investments totaling \$20,832,841 and \$25,641,001, 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

Contributed assets were valued based on the fair market value of actual or similar assets 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 2022 and 2021 the annual administrative fee on pooled investments was 2.0% of the of the average unit value for the preceding twelve quarters multiplied by the number of units held by an individual endowed fund.

The Foundation assesses a one-time development fee on current gifts. Gifts secured through the phonathon are assessed a one-time fee of 15%. Proceeds from the sale of real property are assessed a one-time fee of 10%. All other outright non-scholarship, non-endowed gifts, and realized bequests are assessed a one-time fee of 6%. Total fees in 2022 and 2021 were \$5,533,956 and \$5,113,670, respectively.

Advertising Costs

Advertising costs, which relate principally to fundraising activities, are expensed as incurred and totaled \$4,855 and \$4,122 for 2022 and 2021, 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 2018.

Change in Accounting Principle

The Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2020-07 (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. The implementation of this standard had no impact on the change in net assets previously reported.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

Management has evaluated subsequent events through October 28, 2022, 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:

	2022		2021	
Cash	\$	7,659,211	\$	7,724,803
Money market funds		-		270,101
Cash to be received (invested)		2,495,731		2,342,825
Total cash and cash equivalents	\$	10,154,942	\$	10,337,729

At June 30, 2022 and 2021, bank balances for these accounts exceeded insured limits by \$6,951,189 and \$7,632,580, 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 endowment 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:

	2022		2021	
Certificates of deposit	\$	-	\$	200,450
U.S. Treasury and federal obligations		-		4,636,411
Total short-term investments	\$	-	\$	4,836,861

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, 2022 and 2021, respectively. Spending and fees from the Endowment Portfolio are described in footnotes one and seven of these financial statements and are shown in the following tables as Appropriations from Endowment Portfolio.

	2022
Cash and cash equivalents	\$ 8,045,347
Short-term investments	-
Accrued dividends and Interest	328,820
Appropriations from endowment portfolio	14,283,579
Contributions receivable	5,049,512
Other receivables or assets	5,876
Total available in one year	\$ 27,713,134

	2021
Cash and cash equivalents	\$ 8,428,310
Short-term investments	2,663,428
Accrued dividends and interest	120,511
Appropriations from endowment portfolio	12,308,387
Contributions receivable	7,041,911
Other receivables or assets	33,023
Total available in one year	\$ 30,595,570

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 2.99%). The schedule of payments is as follows at June 30:

At June 30, 2022 and 2021 the Foundation had contributions receivable from two donors which represented 34% and 47%, respectively, of total gross contributions receivable.

	2022	2021
In one year or less	\$ 6,232,241	\$ 7,648,895
Between one and five years	10,751,672	13,094,839
Less: discount and allowance for uncollectible pledges	(1,327,159)	(599,151)
Contributions receivable, net	\$ 15,656,754	\$ 20,144,583

Conditional promises to give are not presented in the financial statements and represent bequests and other revocable gifts. As of June 30, 2022 and 2021, conditional promises to give were valued at approximately \$116.7 million and \$101.3 million respectively.

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.

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).

Income Approach—Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

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 twenty and eleven “fund of funds” as of June 30, 2022 and 2021, 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, 2022:

	Level 1	Level 2	Level 3	At NAV	Total
Investments					
U.S. government securities	\$ -	\$ 22,256,166	\$ -	\$ -	\$ 22,256,166
Corporate stocks	2,139,055	-	-	-	2,139,055
Mutual funds	17,028,734	-	-	-	17,028,734
Corporate bonds	-	23,871,176	-	-	23,871,176
Separately managed account					
Global equities	-	-	-	133,730,034	133,730,034
Global fixed income	987,521	-	-	43,369,348	44,356,869
Real assets	-	-	-	38,111,305	38,111,305
Diversifying strategies	3,137,183	-	-	27,316,954	30,454,137
Cash and short-term investments	4,816,909	-	-	-	4,816,909
Total investments	28,109,402	46,127,342	-	242,527,641	316,764,385
Beneficial interest	-	-	8,663,721	-	8,663,721
Total	\$ 28,109,402	\$ 46,127,342	\$ 8,663,721	242,527,641	\$ 325,428,106

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, 2021:

	Level 1	Level 2	Level 3	At NAV	Total
Investments					
U.S. government securities	\$ -	\$ 11,103,972	\$ -	\$ -	\$ 11,103,972
Corporate stocks	2,289,756	-	-	-	2,289,756
Mutual funds	21,136,340	-	-	-	21,136,340
Corporate bonds	-	8,776,859	-	-	8,776,859
Separately managed account					
Global equities	-	-	-	185,324,883	185,324,883
Global fixed income	4,023,351	-	-	19,679,878	23,703,229
Real assets	3,903,527	-	-	24,622,364	28,525,891
Diversifying strategies	7,547,435	-	-	26,774,634	34,322,069
Cash and short-term investments	10,497,670	-	-	-	10,497,670
Total investments	49,398,079	19,880,831	-	256,401,759	325,680,669
Beneficial interest	-	-	9,986,212	-	9,986,212
Total	\$ 49,398,079	\$ 19,880,831	\$ 9,986,212	\$ 256,401,759	\$ 335,666,881

The following is a summarization of the Level 3 significant unobservable inputs:

Instrument	2022	2021	Principal Valuation Technique	Unobservable Inputs
Beneficial interest in trusts	\$ 8,663,721	\$ 9,986,212	FMV of Trust Instruments	Value of Underlying Assets

Changes in assets for which fair value is measured based on Level 3 inputs are summarized below for the years ended June 30, 2022 and 2021:

Beneficial Interest (Level 3)	2022	2021
Balance, beginning of year	\$ 9,986,212	\$ 8,147,608
Net (loss)/gain, realized and unrealized	(942,427)	2,222,462
Maturities	(380,064)	(383,858)
Balance, end of year	\$ 8,663,721	\$ 9,986,212

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, 2022.

Security Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global equities	\$ 111,282,610	\$ -	Daily	1 day to 5 days
Global equities	22,447,424	45,136,791	Not liquid	N/A
Global fixed income	29,612,359	-	Daily to quarterly	1 to 90 days
Global fixed income	13,756,989	5,862,119	Not liquid	N/A
Real assets	12,109,996	-	Daily	5 days
Real assets	7,877,192	-	Quarterly	120 days
Real assets	18,124,117	19,867,112	Not liquid	N/A
Diversifying strategies	27,316,954	-	Quarterly to semi-annually	65-95 days
Total	\$ 242,527,641	\$ 70,866,022		

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, 2021.

Security Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global equities	\$ 169,131,536	\$ -	Daily	1 day to 5 days
Global equities	16,193,347	38,414,356	Not liquid	N/A
Global fixed income	5,318,561	-	Daily to quarterly	1 to 90 days
Global fixed income	14,361,317	7,326,384	Not liquid	N/A
Real assets	9,158,789	-	Daily	5 days
Real assets	15,463,575	28,352,641	Not liquid	N/A
Diversifying strategies	26,774,634	-	Quarterly to semi-annually	65-95 days
Total	\$ 256,401,759	\$ 74,093,381		

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, which 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 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
- (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.

Endowment 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 unit value for the preceding twelve quarters multiplied by the number of units held by an individual endowed fund. 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.

Endowment 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. On June 30, 2022, funds with original gift values of \$50,723,245, fair values of \$44,867,037, and deficiencies of \$5,856,208 were reported in net assets with donor restrictions. On June 30, 2021, there were no funds with fair values less than their original gift values.

Endowment net asset composition by type of fund as of June 30, 2022, is as follows:

	With Donor Restriction
Donor-restricted endowments	
Original endowment gift	\$ 177,559,629
Accumulated earnings	20,889,653
	<u>\$ 198,449,282</u>

Endowment net asset composition by type of fund as of June 30, 2021, is as follows:

	With Donor Restriction
Donor-restricted endowments	
Original endowment gift	\$ 166,311,732
Accumulated earnings	44,838,532
	<u>\$ 211,150,264</u>

Changes in net assets composition by type of fund for the two years ended June 30, 2022 and 2021, are as follows:

	With Donor Restriction
Balance, June 30, 2020	\$ 161,651,453
Investment income	46,728,998
Contributions	11,660,753
Distributions	(5,575,274)
Fees	(3,315,666)
Balance, June 30, 2021	\$ 211,150,264
Investment income	(14,256,539)
Contributions	11,247,897
Distributions	(6,222,648)
Fees	(3,469,692)
Balance, June 30, 2022	\$ 198,449,282

8. FIXED ASSETS

At June 30, fixed assets consisted of:

	2022	2021
Land	\$ 25,000	\$ 25,000
Computer equip. & software	343,956	232,193
Leasehold improvements	149,208	149,208
Office furniture and fixtures	339,508	334,130
	857,672	740,531
Less accumulated depreciation	(402,278)	(327,297)
Total fixed assets, net	\$ 455,394	\$ 413,234

Depreciation expense in 2022 and 2021 was \$79,461 and \$54,819, respectively.

At June 30, 2022 the \$1,300,000 property held for sale consisted of land available for sale in Missoula County. Additionally at June 30, 2022 the \$1,546,074 construction in process asset consisted of an athletic facility on the University of Montana campus that will be donated to the University of Montana upon completion.

9. OTHER ASSETS

At June 30, other assets consisted of:

	2022	2021
Life Insurance cash surrender	\$ 402,902	\$ 554,614
Investment in UM buildings	553,170	553,170
Other	169,583	188,796
Total other assets	\$ 1,125,655	\$ 1,296,580

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. The U.S. Small Business Administration forgave this loan in December 2020, and this is reflected within other income on the statement of activities in fiscal year 2021.

11. LINE OF CREDIT

During the years ended June 30, 2022 and 2021, 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 has an interest rate of .25% over the Wall Street Journal Prime. The interest rate was 5.0% and 3.5% as of June 30, 2022 and 2021, respectively. The line of credit is unsecured and had no balance throughout all of fiscal years 2022 and 2021. The line of credit expires in April of 2023.

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:	
2023	\$ 266,593
2024	266,593
2025	266,593
2026	273,560
2027	294,462
Thereafter	2,715,888
	<hr/>
	\$ 4,083,689
	<hr/>

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 2022 and 2021 the liability was calculated using standard actuarial tables. Discount rates used in the calculation range from 0.4 % to 7.6%.

At June 30, 2022 and 2021 the liability due to external beneficiaries was \$15,565,803 and \$18,678,052, respectively. Of those amounts, \$2,323,163 and \$2,349,089, 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:

	2022	2021
Purpose restrictions, available for spending		
Scholarships	\$ 37,757,897	\$ 41,689,234
Academics and institutional support	59,899,155	66,113,922
Capital additions	18,545,359	15,272,991
<u>Total</u>	<u>\$ 116,202,411</u>	<u>\$ 123,076,147</u>
Restricted in perpetuity		
Scholarships	\$ 91,704,156	\$ 89,796,827
Academics and institutional support	102,254,379	99,375,703
Capital additions	1,124,692	553,170
<u>Total</u>	<u>195,083,227</u>	<u>189,725,700</u>
<u>Total donor restricted net assets</u>	<u>\$ 311,285,638</u>	<u>\$ 312,801,847</u>

15. RETIREMENT PLAN

The Foundation has a qualified tax deferred annuity plan, which covers substantially all permanent employees. Employer contributions to the plan are 11% 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 \$434,127 and \$442,508 for 2022 and 2021, respectively.

16. CONTRIBUTED NONFINANCIAL ASSETS

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statements of activities included the following:

	2022	2021
Land (held for sale)	\$ 1,300,000	\$ -
Art	614,994	92,095
Equipment	-	6,251
Food	3,107	3,556
Instruments and music	3,000	41,550
Medical equipment	85,455	-
Supplies	1,592	10,087
Other miscellaneous items	13,032	3,122
<u>Total</u>	<u>\$ 2,021,180</u>	<u>\$ 156,661</u>

Contributed assets aside from the gift of land were utilized by the University of Montana for their programs. The gift of land is held for sale, sale proceeds are restricted for the use of the University of Montana.

17. 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 \$580,000 and \$550,000 for fiscal years 2022 and 2021, respectively, 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 2022 and 2021.

In 2016 the Foundation entered into an operating lease with the University for office space. The lease period runs from April 1, 2016 through March 31, 2036. Rent expense was \$266,593 and \$246,501 in fiscal year 2022 and 2021, respectively.

The Foundation receives cash and non-cash donations to support the programs, faculty, and staff of the University. In fiscal years 2022 and 2021, the Foundation transferred \$24.0 million and \$15.8 million, respectively, of cash donations to the University. The Foundation also transferred \$719,306 and \$156,661 of non-cash donations to the University in fiscal years 2022 and 2021, respectively.