# UNIVERSITY OF MONTANA FOUNDATION

## AUDITED FINANCIALS

JUNE 30, 2024

UNIVERSITY OF
MONTANA
FOUNDATION

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# 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, 2024 and 2023, 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, 2024 and 2023, and the 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.

Audit Committee
Board of Trustees
University of Montana Foundation

***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

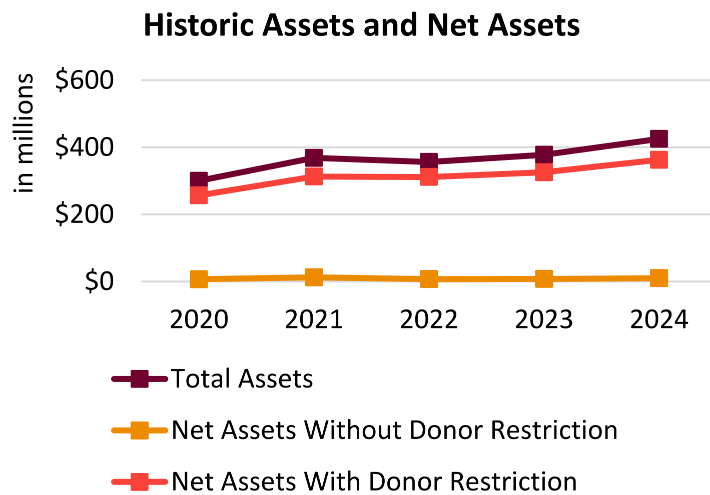
**CliftonLarsonAllen LLP**

Minneapolis, Minnesota
November 19, 2024

# 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, 2024. 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.

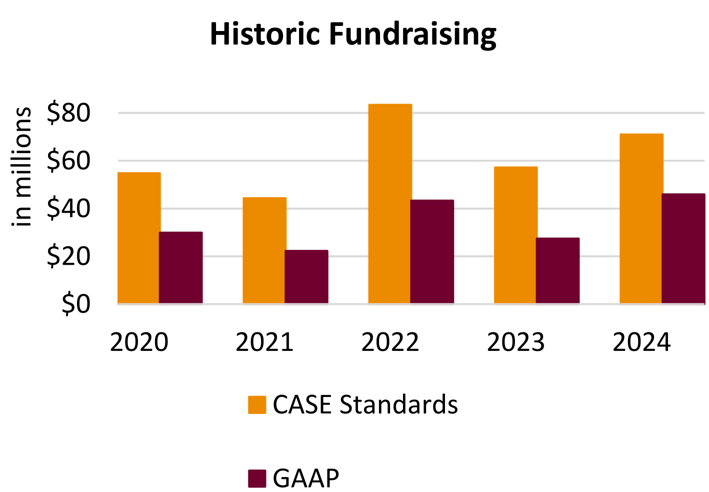



The mission of the Foundation is to inspire philanthropic support to enhance excellence and opportunity at the University of Montana (University). The Foundation was established in 1950 as a 501(c) (3) organization.

**Assets and Net Assets**

At June 30, 2024, the Foundation's total assets amounted to $425 million. Foundation assets consist primarily of long-term investments and contributions receivable. Investments make up approximately 90% of total assets.

The Foundation classifies net assets as without donor restriction and with donor restriction in accordance with donor stipulations and time restrictions. The majority of the Foundation's assets are with donor restriction. Net assets not subject to donor-imposed stipulations are available for internal Foundation operations. 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. Spending allocations from these perpetually restricted assets are made available to the University quarterly or annually. The Foundation also holds assets on behalf of other entities affiliated with the University; these assets are known as custodial funds.

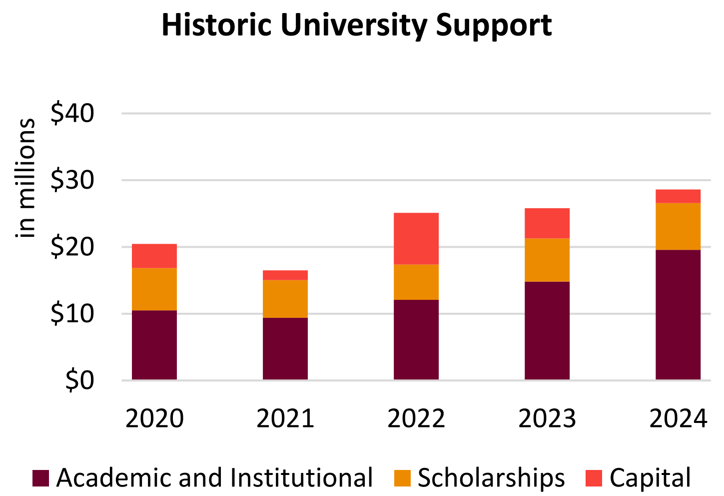



**Fundraising**

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 2024, the Foundation recognized $46 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 $71 and

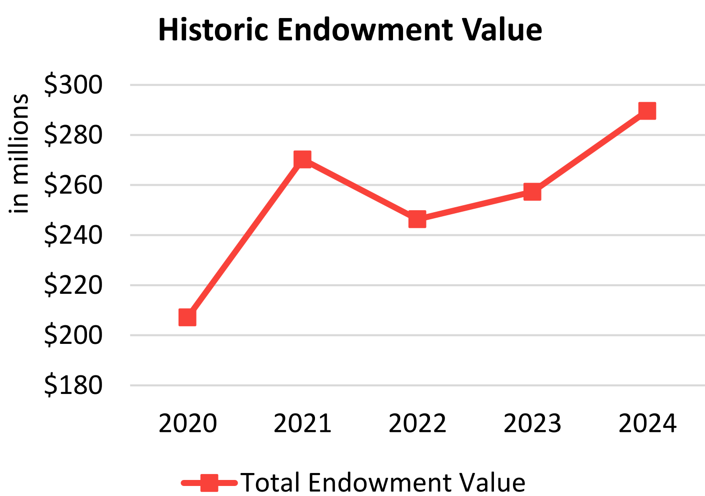
$57 million in contributions in fiscal years 2024 and 2023, respectively.




In fiscal year 2024, approximately 65% of the fundraising total was directed towards academic and institutional support for the University, 34% for scholarships, and 1% directed towards capital expenditures.

**University Support**

In fiscal year 2024, the Foundation provided $29 million in support to the University. Support includes student scholarships, faculty salaries, capital projects, and other expenditures that intend to further the mission of the University. 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.




**UMF Endowments and Investment Return**

The Foundation manages over one thousand endowed funds, valued at approximately $289 million at June 30, 2024, including thirty-two funds valued at approximately $25 million managed on behalf of others.

Endowments managed by the Foundation are invested in a pooled investment portfolio. The following table depicts the annualized one-, three-, five-, and ten-year returns on this portfolio. In fiscal year 2024, the portfolio underperformed its policy return benchmark of 11.4%. The Foundation policy return benchmark consists of 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, and 6.0% S&P Global LargeMidCap Commodity and Resources Index.

| | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|
| Endowment Portfolio | 10.2% | 3.8% | 7.1% | 5.4% |
| Policy Benchmark | 11.4% | 4.1% | 7.2% | 5.7% |

## STATEMENTS OF FINANCIAL POSITION

*as of June 30, 2024 and 2023*

| | 2024 | 2023 |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $ 4,842,660 | $ 5,665,315 |
| Accrued dividends and interest | 490,169 | 423,679 |
| Investments | 381,707,487 | 340,873,308 |
| Contributions receivable, net | 11,062,782 | 12,318,856 |
| Student loans and other receivables | 362,911 | 303,920 |
| Beneficial interests in trusts held by others | 13,190,263 | 9,022,583 |
| Fixed assets, net | 372,939 | 405,907 |
| Right-of-use asset | 2,754,798 | 2,936,755 |
| Property held for sale | - | 1,300,000 |
| Construction in process | 8,923,017 | 3,084,512 |
| Other assets | 1,282,523 | 1,234,373 |
| TOTAL ASSETS | $ 424,989,549 | $ 377,569,208 |

| | 2024 | 2023 |
|---|---|---|
| LIABILITIES AND NET ASSETS | | |
| Payables and accrued expenses | $ 4,944,538 | $ 4,160,007 |
| Compensated absences | 340,235 | 301,833 |
| Lease liability | 2,815,603 | 2,967,157 |
| Liabilities to external beneficiaries | 16,108,098 | 15,500,454 |
| Deferred revenue | 257,000 | 208,500 |
| Custodial funds | 27,848,248 | 21,587,692 |
| TOTAL LIABILITIES | 52,313,722 | 44,725,643 |
| NET ASSETS | | |
| Without donor restriction | 9,952,045 | 7,497,380 |
| With donor restriction | 362,723,782 | 325,346,185 |
| TOTAL NET ASSETS | 372,675,827 | 332,843,565 |
| TOTAL LIABILITIES AND NET ASSETS | $ 424,989,549 | $ 377,569,208 |

## STATEMENT OF ACTIVITIES

*for the period ended as of June 30, 2024*

| | Without Donor Restrictions | With Donor Restriction | Total |
|---|---|---|---|
| REVENUES, GAINS, AND OTHER SUPPORT | | | |
| Contributions | $ 198,733 | $ 45,660,071 | $ 45,858,804 |
| Contributed nonfinancial assets | 53 | 83,648 | 83,701 |
| Net gains (losses) on investments | 4,457,145 | 23,339,749 | 27,796,894 |
| Administrative fee | 474,371 | - | 474,371 |
| Contract for services | 979,500 | - | 979,500 |
| Net revaluation of trusts and split-interest agreements | 2,328 | 1,297,188 | 1,299,516 |
| Income from perpetual trusts | - | 390,493 | 390,493 |
| Other revenues | 11,808 | 1,000,199 | 1,012,007 |
| Net assets released from restrictions | 34,393,751 | (34,393,751) | - |
| TOTAL REVENUES, GAINS, AND OTHER SUPPORT | 40,517,689 | 37,377,597 | 77,895,286 |
| | | | |
| EXPENSES | | | |
| UNIVERSITY SUPPORT | | | |
| Academics and institutional | 19,576,395 | - | 19,576,395 |
| Capital expenses | 2,034,124 | - | 2,034,124 |
| Scholarships and awards | 6,989,033 | - | 6,989,033 |
| TOTAL UNIVERSITY SUPPORT | 28,599,552 | - | 28,599,552 |
| | | | |
| SUPPORTING SERVICES | | | |
| Fundraising | 3,751,936 | - | 3,751,936 |
| Administrative and general | 5,711,536 | - | 5,711,536 |
| TOTAL SUPPORTING SERVICES | 9,463,472 | - | 9,463,472 |
| TOTAL EXPENSES | 38,063,024 | - | 38,063,024 |
| | | | |
| CHANGE IN NET ASSETS | 2,454,665 | 37,377,597 | 39,832,262 |
| NET ASSETS BEGINNING OF YEAR | 7,497,380 | 325,346,185 | 332,843,565 |
| NET ASSETS END OF YEAR | $ 9,952,045 | $ 362,723,782 | $ 372,675,827 |

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

# STATEMENT OF ACTIVITIES

*for the period ended as of June 30, 2023*

| | Without Donor Restrictions | With Donor Restriction | Total |
|---|---|---|---|
| REVENUES, GAINS, AND OTHER SUPPORT | | | |
| Contributions | $ 813,728 | $ 25,965,289 | $ 26,779,017 |
| Contributed nonfinancial assets | - | 666,233 | 666,233 |
| Net gains (losses) on investments | 1,849,159 | 15,891,007 | 17,740,166 |
| Administrative fee | 440,996 | - | 440,996 |
| Contract for services | 793,000 | - | 793,000 |
| Net revaluation of trusts and split-interest agreements | (27,436) | 759,369 | 731,933 |
| Income from perpetual trusts | 1,000 | 371,310 | 372,310 |
| Other revenues | 98,879 | 1,514,713 | 1,613,592 |
| Net assets released from restrictions | 31,107,374 | (31,107,374) | - |
| TOTAL REVENUES, GAINS, AND OTHER SUPPORT | 35,076,700 | 14,060,547 | 49,137,247 |
| | | | |
| EXPENSES | | | |
| UNIVERSITY SUPPORT | | | |
| Academics and institutional | 14,827,869 | - | 14,827,869 |
| Capital expenses | 4,538,993 | - | 4,538,993 |
| Scholarships and awards | 6,443,319 | - | 6,443,319 |
| TOTAL UNIVERSITY SUPPORT | 25,810,181 | - | 25,810,181 |
| | | | |
| SUPPORTING SERVICES | | | |
| Fundraising | 3,616,396 | - | 3,616,396 |
| Administrative and general | 5,148,862 | - | 5,148,862 |
| TOTAL SUPPORTING SERVICES | 8,765,258 | - | 8,765,258 |
| TOTAL EXPENSES | 34,575,439 | - | 34,575,439 |
| | | | |
| CHANGE IN NET ASSETS | 501,261 | 14,060,547 | 14,561,808 |
| NET ASSETS BEGINNING OF YEAR | 6,996,119 | 311,285,638 | 318,281,757 |
| NET ASSETS END OF YEAR | $ 7,497,380 | $ 325,346,185 | $ 332,843,565 |

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, 2024*

| | University Support | Fundraising | Administrative and General | Total |
|---|---|---|---|---|
| Direct University support | $ 28,434,017 | $ - | $ - | $ 28,434,017 |
| Bank and trust manager fees | - | - | 83,955 | 83,955 |
| Contracted services | - | 199,570 | 265,469 | 465,039 |
| Depreciation | - | - | 89,669 | 89,669 |
| In kind donations | 83,648 | - | 53 | 83,701 |
| Insurance | - | - | 75,518 | 75,518 |
| Interest expense | - | - | 582 | 582 |
| Lease | - | - | 299,796 | 299,796 |
| Other expenses | 80,200 | 11,137 | 92,182 | 183,519 |
| Printing and postage | - | 59,193 | 72,455 | 131,648 |
| Professional fees | - | 2,204 | 145,835 | 148,039 |
| Recruitment | - | - | 43,650 | 43,650 |
| Salaries and benefits | - | 3,101,251 | 3,892,621 | 6,993,872 |
| Software acquisition and maintenance | - | 153,855 | 333,132 | 486,987 |
| Special events and entertainment | 471 | 25,734 | 146,839 | 173,044 |
| Supplies and equipment | 1,216 | 1,048 | 38,685 | 40,949 |
| Telephone | - | 16,764 | 34,999 | 51,763 |
| Training and career development | - | 75,673 | 53,902 | 129,575 |
| Travel, meals and lodging | - | 105,507 | 42,194 | 147,701 |
| | $ 28,599,552 | $ 3,751,936 | $ 5,711,536 | $ 38,063,024 |

## STATEMENT OF FUNCTIONAL EXPENSES

*for the period ended as of June 30, 2023*

| | University Support | Fundraising | Administrative and General | Total |
|---|---|---|---|---|
| Direct University support | $ 25,081,276 | $ - | $ - | $ 25,081,276 |
| Bank and trust manager fees | - | - | 68,388 | 68,388 |
| Contracted services | 20,000 | 579,236 | 209,772 | 809,008 |
| Depreciation | - | - | 109,984 | 109,984 |
| In kind donations | 665,983 | - | - | 665,983 |
| Insurance | - | - | 71,230 | 71,230 |
| Lease | - | - | 296,996 | 296,996 |
| Other expenses | 19,983 | 14,847 | 58,415 | 93,245 |
| Printing and postage | - | 44,303 | 68,922 | 113,225 |
| Professional fees | - | 3,036 | 154,402 | 157,438 |
| Recruitment | - | 1,659 | 33,888 | 35,547 |
| Salaries and benefits | - | 2,714,102 | 3,613,442 | 6,327,544 |
| Software acquisition and maintenance | - | 2,556 | 246,518 | 249,074 |
| Special events and entertainment | 10,814 | 22,362 | 98,742 | 131,918 |
| Supplies and equipment | - | 722 | 61,198 | 61,920 |
| Telephone | - | 29,264 | 21,322 | 50,586 |
| Training and career development | 12,125 | 128,723 | 24,488 | 165,336 |
| Travel, meals and lodging | - | 75,586 | 11,155 | 86,741 |
| | $ 25,810,181 | $ 3,616,396 | $ 5,148,862 | $ 34,575,439 |

## CASH FLOW STATEMENTS

*for the period ended as of June 30, 2024 and 2023*

| | 2024 | 2023 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | $ 39,832,262 | $ 14,561,808 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Contributions restricted for investment in endowment | (13,203,821) | (4,507,836) |
| Contributions of investment securities | (5,821,697) | (2,155,278) |
| Net realized and unrealized losses (gains) on investments | (25,315,437) | (16,005,191) |
| Net realized and unrealized losses (gains) on custodial investments | (2,028,786) | (1,395,931) |
| Loss on disposition of property held for sale | 182,494 | - |
| Net revaluation of trusts and split-interest agreements | (954,024) | (761,242) |
| Contributions of trust and split interest agreements | (4,765,563) | (631,646) |
| Non-cash operating lease expense | 30,403 | 30,402 |
| Depreciation and amortization | 89,669 | 109,984 |
| Change in assets and liabilities: | | |
| Accrued dividends and interest | (66,490) | (87,171) |
| Pledges receivable | 1,256,074 | 3,337,898 |
| Other assets | (48,150) | (108,718) |
| Accounts payable and accrued liabilities | 822,933 | 2,276,825 |
| Deferred revenue | 48,500 | 208,500 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | (9,941,633) | (5,127,596) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (5,895,206) | (1,598,935) |
| Sale of property held for sale | 1,117,506 | - |
| Decrease (increase) in loans receivable | (58,991) | (42,413) |
| Purchases of securities | (306,644,909) | (136,729,167) |
| Proceeds from the sale of securities | 302,099,048 | 134,158,609 |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | (9,382,552) | (4,211,906) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on amounts due to beneficiaries | (962,847) | (1,013,288) |
| Contributions restricted for investment in endowment | 13,203,821 | 4,507,836 |
| Change in deposits held in custody | 6,260,556 | 1,355,327 |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | 18,501,530 | 4,849,875 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (822,655) | (4,489,627) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 5,665,315 | 10,154,942 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | $ 4,842,660 | $ 5,665,315 |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITY | | |
| Contributions and pledge payments of investment securities | $ 5,821,697 | $ 2,155,278 |
| Donated material and equipment | $ 83,701 | $ 666,233 |

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 non-profit 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 (FMV), 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, 2024 and 2023. 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, 2024 and 2023, investments totaling $22,132,713 and $20,887,115, 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 are 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. 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 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**

Non-financial assets and professional services donated to the Foundation are recorded at their fair value as of the date of the gift.

**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 $2,500 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 2024 and 2023, the annual administrative fee on pooled investments was 1.86% and 1.93%, respectively, of the of the average unit value for the preceding 12 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 5%. Total fees in 2024 and 2023 were $5,273,618 and $4,869,837, respectively.

**Advertising Costs**

Advertising costs, which relate principally to fundraising activities, are expensed as incurred and totaled $8,955 and $4,170 for 2024 and 2023, 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 2020.

**Subsequent Events**

Management has evaluated subsequent events through November 19, 2024, 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:

| | | 2024 | | 2023 |
|---|---|---|---|---|
| Cash | $ | 6,821,928 | $ | 3,813,204 |
| Cash to be received (invested) | | (1,979,268) | | 1,852,111 |
| Total cash and cash equivalents | $ | 4,842,660 | $ | 5,665,315 |

At June 30, 2024 and 2023, bank balances for these accounts exceeded insured limits by $6,571,927 and $5,415,296, 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. 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, 2024 and 2023, respectively. Spending and fees from the Endowment Portfolio are described in footnotes one and six of these financial statements and are shown in the following tables as Appropriations from Endowment Portfolio.

| | | 2024 | | 2023 |
|---|---|---|---|---|
| Cash and cash equivalents | $ | 2,657,860 | $ | 2,875,537 |
| Accrued dividends and interest | | 490,169 | | 423,679 |
| Appropriations from endowment | | 14,304,525 | | 13,282,737 |
| Contributions receivable | | 4,537,631 | | 4,085,213 |
| Other receivables or assets | | 74,387 | | 36,498 |
| Total available in one year | $ | 22,064,572 | $ | 20,703,664 |

## 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable in excess of one year are discounted to their net present value using a discount rate based on the three-year U.S. Treasury note rate at the time of contribution (the discount rates used varied between 0.18% and 4.58%). The schedule of payments is as follows at June 30:

At June 30, 2024 and 2023, the Foundation had contributions receivable from two donors which represented 41% and 32%, respectively, of total gross contributions receivable.

| | | 2024 | | 2023 |
|---|---|---|---|---|
| In one year or less | $ | 6,239,311 | $ | 5,337,186 |
| Between one and five years | | 6,761,865 | | 8,659,882 |
| Less: discount and allowance for uncollectible pledges | | (1,938,394) | | (1,678,212) |
| Contributions receivable, net | $ | 11,062,782 | $ | 12,318,856 |

Conditional promises to give are not presented in the financial statements and represent revocable gifts contingent upon meeting certain conditions. There were no conditional promises to give as of June 30, 2024. As of June 30, 2023, conditional promises to give were valued at approximately $1 million.

## 5. 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 (NAV).

Alternative investments include holdings in twenty-seven and twenty-three “fund of funds” as of June 30, 2024 and 2023, 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, 2024:

| | Level 1 | Level 2 | Level 3 | At NAV | Total |
|---|---|---|---|---|---|
| Cash and cash equivalents | $ 6,953,201 | $ - | $ - | $ - | $ 6,953,201 |
| Equities | 25,248,176 | - | - | - | 25,248,176 |
| Fixed income | 22,100,971 | 26,126,910 | - | - | 48,227,881 |
| Real assets | 3,258,876 | - | - | - | 3,258,876 |
| U.S. government securities | - | 28,150,174 | - | - | 28,150,174 |
| Alternative investments | | | | | |
| Equities | - | - | - | 155,530,542 | 155,530,542 |
| Diversifying strategies | - | - | - | 27,954,220 | 27,954,220 |
| Fixed income | - | - | - | 47,354,253 | 47,354,253 |
| Real assets | - | - | - | 39,030,164 | 39,030,164 |
| Total investments | 57,561,224 | 54,277,084 | - | 269,869,179 | 381,707,487 |
| Beneficial interests in trusts | - | - | 13,190,263 | - | 13,190,263 |
| Total | $ 57,561,224 | $ 54,277,084 | $ 13,190,263 | $ 269,869,179 | $ 394,897,750 |

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, 2023:

| | Level 1 | Level 2 | Level 3 | At NAV | Total |
|---|---|---|---|---|---|
| Cash and cash equivalents | $ 4,577,416 | $ - | $ - | $ - | $ 4,577,416 |
| Equities | 13,768,414 | - | - | - | 13,768,414 |
| Fixed income | 14,354,279 | 29,666,439 | - | - | 44,020,718 |
| Real assets | 3,009,752 | - | - | - | 3,009,752 |
| U.S. government securities | - | 21,898,420 | - | - | 21,898,420 |
| Alternative investments | | | | | |
| Equities | - | - | - | 144,111,571 | 144,111,571 |
| Diversifying strategies | - | - | - | 25,411,780 | 25,411,780 |
| Fixed income | - | - | - | 45,168,177 | 45,168,177 |
| Real assets | - | - | - | 38,907,060 | 38,907,060 |
| Total investments | 35,709,861 | 51,564,859 | - | 253,598,588 | 340,873,308 |
| Beneficial interests in trusts | - | - | 9,022,583 | - | 9,022,583 |
| Total | $ 35,709,861 | $ 51,564,859 | $ 9,022,583 | $ 253,598,588 | $ 349,895,891 |

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

| Instrument | 2024 | 2023 | Valuation Technique | Unobservable Inputs |
|---|---|---|---|---|
| Beneficial interest in trusts | $ 13,190,263 | $ 9,022,583 | 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, 2024 and 2023:

| Beneficial Interest (Level 3) | | 2024 | | 2023 |
|---|---|---|---|---|
| Balance, beginning of year | $ | 9,022,583 | $ | 8,663,721 |
| New beneficial interest | | 3,884,957 | | - |
| Net (loss)/gain, realized and unrealized | | 1,164,224 | | 731,172 |
| Maturities | | (881,501) | | (372,310) |
| Balance, end of year | $ | 13,190,263 | $ | 9,022,583 |

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, 2024.

| Security Type | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|---|
| Equity | $ 112,932,580 | $ - | Daily to monthly | 1 to 30 days |
| Equity | 42,597,963 | 58,003,376 | Not liquid | N/A |
| Fixed income | 27,511,922 | - | Daily to monthly | 1 to 30 days |
| Fixed income | 6,076,965 | - | Daily to monthly | 1 to 90 days |
| Fixed income | 13,765,367 | 10,055,830 | Not liquid | N/A |
| Real assets | 8,252,923 | - | Daily to monthly | 1 to 30 days |
| Real assets | 5,152,204 | - | Quarterly | 120 days |
| Real assets | 25,625,036 | 35,550,196 | Not liquid | N/A |
| Diversifying strategies | 27,954,219 | - | Quarterly | 1 to 90 days |
| Total | $ 269,869,179 | $ 103,609,402 | | |

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, 2023.

| Security Type | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|---|
| Equity | $ 115,259,715 | $ - | Daily to monthly | 1 to 30 days |
| Equity | 28,851,856 | 46,819,938 | Annual to not liquid | N/A |
| Fixed income | 31,172,616 | - | Daily to monthly | 1 to 90 days |
| Fixed income | 13,995,561 | 10,863,373 | Not liquid | N/A |
| Real assets | 10,097,190 | - | Daily to monthly | 1 to 30 days |
| Real assets | 7,441,525 | - | Quarterly | 120 days |
| Real assets | 21,368,345 | 20,474,047 | Not liquid | N/A |
| Diversifying strategies | 25,411,780 | - | Quarterly | 95 days |
| Total | $ 253,598,588 | $ 78,157,358 | | |

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

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 funds have various redemption and notice of redemption requirements that limit the ability to liquidate them in a short period of time. It is estimated that the majority of underlying assets of the fund will be liquidated over the next 1 to 10 years.

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 funds have various redemption and notice of redemption requirements that limit the ability to liquidate them in a short period of time. 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 funds have various redemption and notice of redemption requirements that limit the ability to liquidate them in a short period of time. 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-driven, relative value, arbitrage, and directional strategies. These funds have various redemption and notice of redemption requirements that limit the ability to liquidate them in a short period of time. It is estimated that the majority of underlying assets of the fund will be liquidated over the next 1 to 10 years.

## 6. ENDOWMENTS MANAGED UNDER UPMIFA

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 12 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, 2024, funds with original gift values of $2,338,164, fair values of $2,294,029, and deficiencies of $44,136 were reported in net assets with donor restrictions. On June 30, 2023, funds with original gift values of $43,631,834, fair values of $41,301,604, and deficiencies of $2,330,230 were reported in net assets with donor 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. Therefore, some funds that are included in the National Association of College and University Business Officers definition of endowments are excluded. The full value of the Foundation's endowment is disclosed in the Management's Discussion and Analysis.

Endowment net asset composition as of June 30 is as follows:

| Donor-restricted permanently endowed funds | | 2024 | | 2023 |
|---|---|---|---|---|
| Original endowment gift | $ | 195,271,286 | $ | 182,067,465 |
| Accumulated earnings | | 36,680,967 | | 25,853,350 |
| Total donor-restricted permanently endowments funds | $ | 231,952,253 | $ | 207,920,815 |

Changes in endowment net assets as of June 30, are as follows:

| | | 2024 | | 2023 |
|---|---|---|---|---|
| Balance, beginning of year | $ | 207,920,815 | $ | 198,449,282 |
| Investment income | | 21,463,223 | | 15,137,105 |
| Contributions | | 13,203,821 | | 4,507,836 |
| Distributions | | (7,091,712) | | (6,698,911) |
| Administrative fees | | (3,543,894) | | (3,474,497) |
| Balance, end of year | $ | 231,952,253 | $ | 207,920,815 |

## 7. FIXED ASSETS

At June 30, fixed assets consisted of:

| | | 2024 | | 2023 |
|---|---|---|---|---|
| Land | $ | 25,000 | $ | 25,000 |
| Computer equipment and software | | 340,352 | | 337,553 |
| Leasehold improvements | | 230,375 | | 176,473 |
| Office furniture and fixtures | | 327,396 | | 337,611 |
| | | 923,123 | | 876,637 |
| Less: accumulated depreciation | | (550,184) | | (470,730) |
| Total fixed assets, net | $ | 372,939 | $ | 405,907 |

Depreciation expense in 2024 and 2023 was $89,669 and $109,984, respectively.

At June 30, 2023, property held for sale consisted of land available for sale in Missoula County. The property held for sale was sold during fiscal year 2024. Additionally, at June 30, 2024 and 2023, the 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.

## 8. OTHER ASSETS

At June 30, other assets consisted of:

| | | 2024 | | 2023 |
|---|---|---|---|---|
| Life insurance cash surrender | $ | 445,862 | $ | 421,970 |
| Investment in UM buildings | | 553,170 | | 553,170 |
| Prepaid expenses | | 242,975 | | 218,566 |
| Other | | 40,516 | | 40,667 |
| Total other assets | $ | 1,282,523 | $ | 1,234,373 |

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.

## 9. LINE OF CREDIT

During the fiscal years ended June 30, 2024 and 2023, the Foundation maintained an unsecured line of credit agreement with a financial institution, allowing for borrowings up to $2,000,000. The interest rate on the line of credit is 0.25% above the Wall Street Journal Prime Rate. As of June 30, 2024 and 2023, the interest rates were 8.75% and 8.50%, respectively. There were no outstanding balances on the line of credit as of June 30, 2024 and 2023. The line of credit is set to expire in April 2025.

During the fiscal year ended June 30, 2024, the Foundation obtained an additional unsecured line of credit related to its corporate credit card program, allowing for borrowings up to $100,000. The line of credit bears no interest. As of June 30, 2024, the outstanding balance on the line of credit was $23,008.

## 10. LEASE COMMITMENTS

The Foundation leases office space under an operating lease agreement that expires March 31, 2036. The lease has an original term of 20 years and contains a renewal option of 10 years, which is not reasonably certain to be exercised. The renewal option is not recognized as part of the right-of-use asset and lease liability presented on the statement of financial position for 2024 and 2023. Payments under the Foundation’s lease arrangement are fixed.

Lease liability maturities as of June 30, 2024 are as follows:

| | | |
|---|---|---|
| Year ending June 30: | | |
| 2025 | $ | 266,593 |
| 2026 | | 273,560 |
| 2027 | | 294,462 |
| 2028 | | 294,462 |
| 2029 | | 294,462 |
| Thereafter | | 2,126,963 |
| Total undiscounted liability | | 3,550,503 |
| Less: Imputed interest | | (734,900) |
| Total lease liability | $ | 2,815,603 |

Upon adoption of ASC 842, the Foundation recorded a $3,112,778 right-of-use asset and a $3,112,778 lease liability on its statement of financial position.

During fiscal year 2024 and 2023, the Foundation made $266,593 in cash payments and incurred $296,996 in lease costs for its operating lease.

The remaining lease term related to the Foundation's lease liability as of June 30, 2024 was 11.75 years.

The discount rate related to the Foundation's lease liability is based on estimates of the Foundation's incremental borrowing rate, as the discount rate implicit in the Foundation's lease cannot be readily determined. The discount rate related to the Foundation's lease liabilities as of June 30, 2024 and 2023 was 4%.

## 11. LIABILITIES TO EXTERNAL BENEFICIAIRIES

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 2024 and 2023 the liability was calculated using standard actuarial tables. Discount rates used in the calculation range from 0.4 % to 7.6%.

At June 30, 2024 and 2023 the liability due to external beneficiaries was $16,108,098 and $15,500,454, respectively. Of those amounts, $2,276,913 and $2,233,705, 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.

## 12. NET ASSETS WITH DONOR RESTRICTIONS

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

| | | 2024 | | 2023 |
|---|---|---|---|---|
| Purpose restrictions, available for spending | | | | |
| Scholarships | $ | 50,275,107 | $ | 39,961,429 |
| Academics and institutional support | | 71,530,650 | | 62,416,098 |
| Capital additions | | 22,872,916 | | 23,521,303 |
| Total purpose restrictions, available for spending | $ | 144,678,673 | $ | 125,898,830 |
| | | | | |
| Restricted in perpetuity | | | | |
| Scholarships | $ | 104,147,070 | $ | 94,002,848 |
| Academics and institutional support | | 113,344,869 | | 104,152,758 |
| Capital additions | | 553,170 | | 1,291,749 |
| Total restricted in perpetuity | | 218,045,109 | | 199,447,355 |
| Total donor restricted net assets | $ | 362,723,782 | $ | 325,346,185 |

## 13. 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 $540,466 and $516,675 for 2024 and 2023, respectively.

## 14. CONTRIBUTED NON-FINANCIAL ASSETS

Contributed services and assets were utilized by the Foundation and the University for their programs. Fair market value is estimated based on prices for similar goods. For the years ended June 30, 2024 and 2023, contributed services and non-financial assets recognized within the statements of activities included the following:

| | | 2024 | | 2023 |
|---|---|---|---|---|
| Art | $ | 1,400 | $ | 604,001 |
| Books, publications, and manuscripts | | 17,900 | | 18,725 |
| Equipment | | 15,913 | | 4,550 |
| Food | | 9,151 | | 2,152 |
| Instruments and music | | - | | 599 |
| Medical equipment | | 7,125 | | 5,046 |
| Services | | 13,196 | | - |
| Supplies | | 18,446 | | 29,606 |
| Other miscellaneous items | | 570 | | 1,554 |
| Total | $ | 83,701 | $ | 666,233 |

## 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 $979,500 and $793,000 for fiscal years 2024 and 2023, 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 2024 and 2023.

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 for this lease with the University was $296,996 and $296,996 in fiscal year 2024 and 2023, respectively.

The Foundation receives cash and non-cash donations to support the programs, faculty, and staff of the University. In fiscal years 2024 and 2023, the Foundation transferred $28.4 million and $25.0 million, respectively, of cash donations to the University. The Foundation also transferred $83,648 and $665,983 of non-cash donations to the University in fiscal years 2024 and 2023, respectively.