

University of Montana Foundation

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# Financial Report

June 30, 2021



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## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of the University of Montana Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Audit Committee  
Board of Trustees  
University of Montana Foundation

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Montana Foundation as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
September 22, 2021

# 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, 2021. 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.

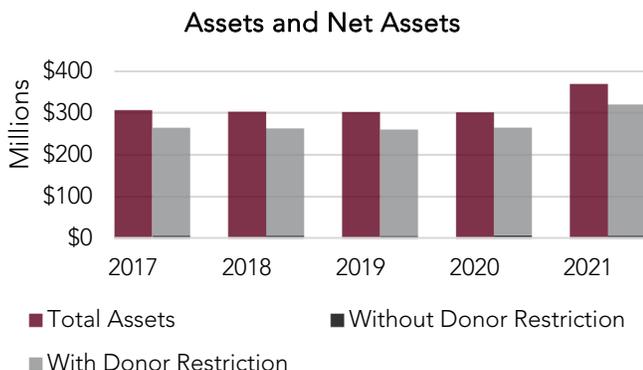
The mission of the Foundation is to inspire philanthropic support to enhance excellence and opportunity at the University of Montana (University). The Foundation was established in 1950 as a 501(c) (3) organization.

## Assets and Net Assets

At June 30, 2021, the Foundation's total assets amounted to \$368.3 million. Foundation assets consist primarily of short and long-term investments and contributions receivable. Investments make up approximately 87% of total assets.

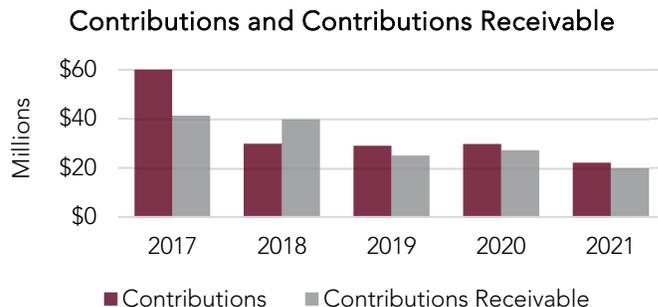
The Foundation classifies net assets as without donor restriction and with donor restriction in accordance with donor stipulations and time restrictions. Net assets not subject to donor-imposed stipulations are available for internal Foundation operations. Net assets with donor restriction: a) restrict 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, 2021 amounted to approximately \$20.1 million, 26% lower than at June 30, 2020. The decrease is attributable to current year payments to one large receivable.

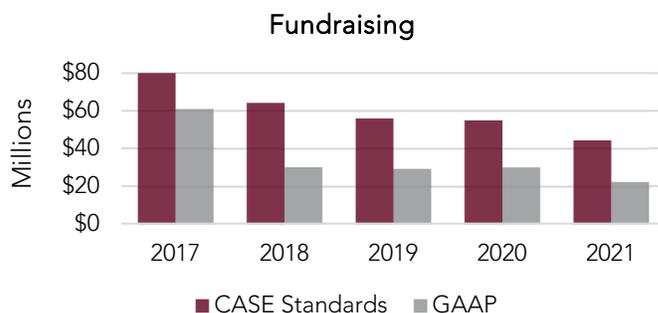


## Fundraising

The Foundation reports on fundraising in two ways. The financial statements reflect contributions according to generally accepted accounting principles (GAAP). GAAP does not recognize conditional contributions or bequest contributions as revenue until the condition is met, or until the bequest is realized. Under GAAP, in fiscal year 2021, the Foundation recognized \$22.3 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 \$44.3 and \$54.8 million in contributions in fiscal years 2021 and 2020, respectively.

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



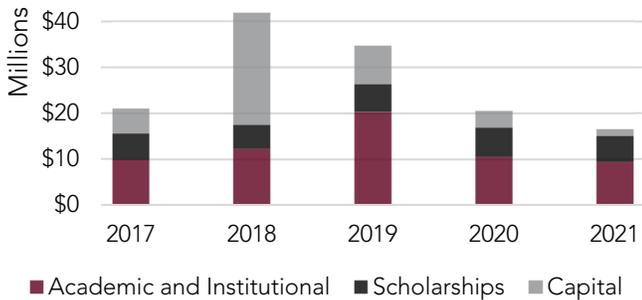
**Fundraising Continued**

In fiscal year 2021, approximately 61% of the fundraising total was directed towards academic and institutional support for the University, 29% for scholarships, and 10% directed towards capital expenditures.

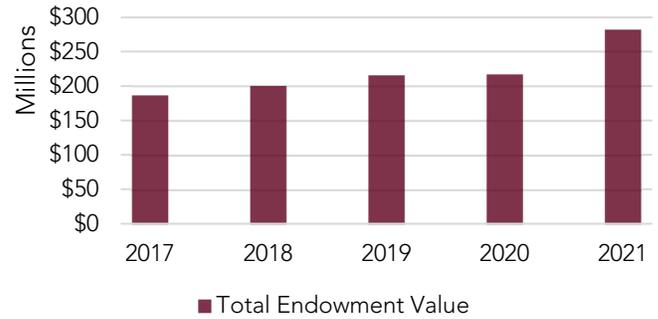
**University Support**

The Foundation provides funding for students, faculty and programs at the University. In fiscal year 2021, the Foundation provided \$16.5 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, and the renovation of the Montana Museum of Art and Culture.

**University Support**



**Endowment Value**



**UMF Endowment Investment Portfolio Return**

Endowments managed by the Foundation are invested in a pooled investment portfolio. The following chart depicts the one-, three-, five-, and ten- year returns on this portfolio. In fiscal year 2021, the portfolio outperformed its policy benchmark (55% MSCI ACWI Index, 20% Weighted Fixed Income Composite, 10% HFRI Fund of Funds Conservative and 15% Weighted Real Asset Composite) return of 25.8%.

	1 Yr	3 Yr	5 Yr	10 Yr
Endowment Portfolio	28.9%	9.5%	9.3%	7.0%
Policy Benchmark	25.8%	9.6%	9.4%	7.0%

Note: annualized returns

**Endowments**

The Foundation manages over one thousand endowed funds, valued at approximately \$281.9 million at June 30, 2021, including twenty-eight funds valued at approximately \$20.7 million managed on behalf of others. A substantial portion of these funds are managed by the Board of Trustee’s investment committee as part of the Foundation’s endowment investment portfolio.



## STATEMENTS OF FINANCIAL POSITION

as of June 30, 2021 and 2020

	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 10,337,729	\$ 6,484,381
Short-term Investments	4,836,861	4,809,902
Accrued Dividends and Interest	127,255	273,810
Investments	320,843,808	251,036,046
Contributions receivable, net	20,144,583	27,390,363
Student Loans and Other Receivables	270,873	295,468
Beneficial Interests in Trusts Held by Others	9,986,212	8,147,608
Fixed Assets, net	413,234	370,614
Other assets	1,296,580	1,333,247
<b>TOTAL ASSETS</b>	<b>\$ 368,257,135</b>	<b>\$ 300,141,439</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 952,154	\$ 882,527
Accrued expenses	153,940	127,037
Compensated absences	297,966	279,410
Note payable	-	760,000
Liabilities to External Beneficiaries	18,678,052	15,826,350
Custodial funds	22,960,352	19,051,512
<b>TOTAL LIABILITIES</b>	<b>43,042,464</b>	<b>36,926,836</b>
<b>NET ASSETS</b>		
Without donor restriction	12,412,824	6,684,136
With donor restriction	312,801,847	256,530,467
<b>TOTAL NET ASSETS</b>	<b>325,214,671</b>	<b>263,214,603</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 368,257,135</b>	<b>\$ 300,141,439</b>

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

## STATEMENT OF ACTIVITIES

for the period ended as of June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Contributions	\$ 677,063	\$ 21,606,578	\$ 22,283,641
Interest and dividend income	1,247,654	1,680,045	2,927,699
Net realized and unrealized gains on investments	4,316,883	49,478,426	53,795,309
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)	-
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>29,456,703</b>	<b>56,271,380</b>	<b>85,728,083</b>
<b>EXPENSES</b>			
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
<b>TOTAL UNIVERSITY SUPPORT</b>	<b>16,497,967</b>	<b>-</b>	<b>16,497,967</b>
Supporting services			
Fundraising	3,142,583	-	3,142,583
Administrative and general	4,087,465	-	4,087,465
<b>TOTAL EXPENSES</b>	<b>23,728,015</b>	<b>-</b>	<b>23,728,015</b>
<b>CHANGE IN NET ASSETS</b>	<b>5,728,688</b>	<b>56,271,380</b>	<b>62,000,068</b>
<b>NET ASSETS BEGINNING OF YEAR</b>	<b>6,684,136</b>	<b>256,530,467</b>	<b>263,214,603</b>
<b>NET ASSETS END OF YEAR</b>	<b>\$ 12,412,824</b>	<b>\$ 312,801,847</b>	<b>\$ 325,214,671</b>

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

## STATEMENT OF ACTIVITIES

for the period ended as of June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Contributions	\$ 77,689	\$ 29,840,024	\$ 29,917,713
Interest and dividend income	996,168	3,209,000	4,205,168
Net realized and unrealized gains on investments	(613,012)	(6,738,404)	(7,351,416)
Administrative fees	476,946	-	476,946
Contract for services	550,000	-	550,000
Net revaluation of trusts and split-interest agreements	(840)	(455,515)	(456,355)
Income from perpetual trusts	-	376,807	376,807
Other	121,427	1,454,283	1,575,710
Net assets released from restrictions	25,694,369	(25,694,369)	-
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>27,302,747</b>	<b>1,991,826</b>	<b>29,294,573</b>
<b>EXPENSES</b>			
University support			
Academics and institutional	10,502,368	-	10,502,368
Capital expenses	3,601,449	-	3,601,449
Scholarships and awards	6,340,333	-	6,340,333
<b>TOTAL UNIVERSITY SUPPORT</b>	<b>20,444,150</b>	<b>-</b>	<b>20,444,150</b>
Supporting services			
Fundraising	3,169,618	-	3,169,618
Administrative and general	4,197,927	-	4,197,927
<b>TOTAL EXPENSES</b>	<b>27,811,695</b>	<b>-</b>	<b>27,811,695</b>
<b>CHANGE IN NET ASSETS BEFORE NON-OPERATING ITEMS</b>	<b>(508,948)</b>	<b>1,991,826</b>	<b>1,482,878</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Gain on disposition of asset	-	801	801
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>-</b>	<b>801</b>	<b>801</b>
<b>CHANGE IN NET ASSETS</b>	<b>(508,948)</b>	<b>1,992,627</b>	<b>1,483,679</b>
<b>NET ASSETS BEGINNING OF YEAR</b>	<b>7,193,084</b>	<b>254,537,840</b>	<b>261,730,924</b>
<b>NET ASSETS END OF YEAR</b>	<b>\$ 6,684,136</b>	<b>\$ 256,530,467</b>	<b>\$ 263,214,603</b>

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

## STATEMENT OF 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
	\$ 16,497,967	\$ 3,142,583	\$ 4,087,465	\$ 23,728,015

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## STATEMENT OF FUNCTIONAL EXPENSES

for the period ended as of June 30, 2020

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

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

## CASH FLOW STATEMENTS

for the period ended as of June 30, 2021 and 2020

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 62,000,068	\$ 1,483,679
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Contributions restricted for investment in endowment	(11,600,754)	(9,777,370)
Contributions of investment securities	(4,108,511)	(4,132,566)
Net gain on investments	(53,795,309)	7,351,416
Net gain on investment held for others	(4,775,371)	375,012
Gain on debt forgiveness	(760,000)	-
Net revaluation of trusts and split-interest agreements	(3,756,405)	456,355
Contributions of trust and split interest agreements	(1,024,738)	(743,868)
Depreciation and amortization	54,819	57,126
Change in assets and liabilities:		
Accrued dividends and interest	146,555	13,812
Pledges receivable	7,245,780	(2,196,635)
Other assets	36,667	121,663
Accounts payable and accrued liabilities	115,086	(86,786)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>(10,222,113)</b>	<b>(7,078,162)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net change in short-term investments	(26,959)	269,378
Capital expenditures	(97,439)	(64,869)
Decrease in notes receivable	24,595	2,406
Purchases of securities	(722,908,223)	(88,327,775)
Proceeds from the sale of securities	722,628,633	82,108,689
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(379,393)</b>	<b>(6,012,171)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from note payable	-	760,000
Payments on amounts due beneficiaries	(1,054,740)	(999,857)
Contributions restricted for investment in endowment	11,600,754	9,777,370
Change in deposits held in custody	3,908,840	(2,202,383)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b>14,454,854</b>	<b>7,335,130</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,853,348</b>	<b>(5,755,203)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>6,484,381</b>	<b>12,239,584</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 10,337,729</b>	<b>\$ 6,484,381</b>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY</b>		
Contributions and pledge payments of investment securities	\$ 4,108,511	\$ 4,132,556
Donated material and equipment	\$ 156,661	\$ 143,500

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

# 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## Nature of Operations

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

## Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board.

## Estimates

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

## Classification of Net Assets

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

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

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

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

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

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

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

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

## Custodial Funds

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

## Cash and Cash Equivalents

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

## Short-Term Investments

The Foundation invests cash in excess of its immediate needs in certificates of deposit, U.S. Treasury securities, and obligations of federal agencies or affiliates. Short-term investments are carried at fair value, which approximates cost.

## Investments

The Foundation has significant investments in stocks, bonds and alternative investments, and is therefore subject to the impact of material fluctuations on the market value of these investments. Investments are made primarily by investment managers engaged by the Foundation with the guidance of an investment consultant. The investments are monitored

by management and the Investment Committee of the Board of Trustees. Though the market values of the investments are subject to fluctuation on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of the Foundation.

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

The fair values of alternative investments publicly traded on national security exchanges are stated at their closing market prices as of June 30, 2021 and 2020. The fair values of alternative investments not publicly traded on national security exchanges represent the Foundation's pro-rata interest in the net assets of each investment partnership as provided by its managing partner. Because of inherent uncertainties in the valuation of these non-publicly traded alternative investments, those estimated fair values may differ materially from the values that might ultimately be realized.

The total return on all Foundation investments was approximately 23.3% in fiscal year 2021 and -1.5% in fiscal year 2020. Additionally, the total return on only the endowment pooled investments was approximately 28.9% in fiscal year 2021 and -2.0% in fiscal year 2020.

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

At June 30, 2021 and 2020 investments totaling \$25,641,001 and \$21,276,585, respectively, relate to split-interest agreements.

### **Split-Interest Agreements**

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

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

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

### **Contributions and Contributions Receivable**

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

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

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

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

### **Fixed Assets**

Depreciable assets consist of office furniture and equipment, computer equipment, and leasehold improvements. Items are stated at cost (or original fair value if contributed) and depreciation is charged on a straight-line basis over estimated useful lives of five to twenty years. Capital assets purchased on behalf of the University are classified as expenses by the Foundation since the University assumes control immediately after purchase.

Repair and maintenance costs are expensed as incurred and betterments in excess of \$1,500 are capitalized.

#### Other Assets

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

#### Deferred Revenue

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

#### Fees

During 2021 the annual administrative fee on pooled investments was 2.0% of the average of the fair value of the preceding twelve quarter-ends. During 2020 the annual administrative fee on pooled investments was 2.25% of the average of the fair value of the preceding twelve quarter-ends, with the average of the past four quarter-ends weighted at 70%, and the average of the previous eight quarter-ends weighted at 30%.

The Foundation assesses a one-time development fee on current gifts. Gifts secured through the phonathon are assessed a one-time fee of 15%. Realized bequests and proceeds from the sale of real property are assessed a one-time fee of 10%. All other outright non-scholarship, non-endowed gifts are assessed a one-time fee of 6%. Total fees in 2021 and 2020 were \$5,113,670 and \$5,390,997, respectively.

#### Advertising Costs

Advertising costs, which relate principally to fundraising activities, are expensed as incurred and totaled \$4,122 and \$51,734 for 2021 and 2020, respectively.

#### Functional Expense Allocations

For most expenses, the Foundation can directly identify the appropriate functional expense category to assign.

## 2. CASH AND CASH EQUIVALENTS

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

	2021		2020	
Cash	\$	7,724,803	\$	5,895,006
Money market funds		270,101		296,819
Cash to be received (invested)		2,342,825		292,556
Total cash and cash equivalents	\$	10,337,729	\$	6,484,381

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

#### Income Taxes

The Foundation is exempt from state and federal income taxes under Internal Revenue Code Section 501(c) (3). With few exceptions, the Foundation is no longer subject to examinations by tax authorities for years before 2016.

#### Reclassifications

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

#### Change in Accounting Principle

Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-13 Fair Value Measurement (Topic 820): *Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU removes and modifies disclosure requirements after December 15, 2019 with the early adoption permitted.

#### Subsequent Events

Management has evaluated subsequent events through September 23, 2021, the date which the financial statements were available for issue.

At June 30, 2021 and 2020, bank balances for these accounts exceeded insured limits by \$7,632,580 and \$5,861,478, 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:

	2021		2020	
Certificates of deposit	\$	200,450	\$	205,655
U.S. Treasury and federal obligations		4,636,411		4,604,247
Total short-term investments	\$	4,836,861	\$	4,809,902

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, 2021 and 2020, 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.

	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

	2020	
Cash and cash equivalents	\$	4,556,332
Short-term investments		1,823,570
Accrued dividends and interest		129,058
Appropriations from endowment portfolio		8,831,133
Contributions receivable		7,447,746
Other receivables or assets		10,525
Total available in one year	\$	22,798,364

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

### 5. CONTRIBUTIONS RECEIVABLE

Contributions receivable in excess of one year are discounted to their net present value using a discount rate based on the three-year U.S. Treasury note rate at the time of contribution (the discount rates used varied between 0.18% and 2.6%). The schedule of payments is as follows at June 30:

	2021		2020	
In one year or less	\$	7,648,895	\$	7,984,921
Between one and five years		13,094,839		20,588,853
Less: discount and allowance for uncollectible pledges		(599,151)		(1,183,411)
Contributions receivable, net	\$	20,144,583	\$	27,390,363

At June 30, 2021 and 2020 the Foundation had a contribution from one donor which represented 25% and 33%, respectively, of total gross contributions receivable.

Conditional promises to give are not presented in the financial statements and represent bequests and other revocable gifts. As of June 30, 2021 and 2020, conditional promises to give were valued at approximately \$101.3 million and \$95.8 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; and

Level 3—Significant unobservable prices or inputs where there is little or no market activity for the asset or liability at the measurement date.

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

Market Approach—Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;

Cost Approach—Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and

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

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

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

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

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

Alternative investments include holdings in eleven and twelve “fund of funds” as of June 30, 2021 and 2020, 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, 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 table is a summary of the levels within the fair value hierarchy for those investment assets and liabilities subject to fair value measurement as of June 30, 2020:

	Level 1	Level 2	Level 3	At NAV	Total
Investments					
U.S. government securities	\$ -	\$ 10,833,197	\$ -	\$ -	\$ 10,833,197
Corporate stocks	1,761,068	-	-	-	1,761,068
Mutual funds	17,539,139	-	-	-	17,539,139
Corporate bonds	-	8,946,500	-	-	8,946,500
Separately managed account					
Global equities	106,090,236	-	-	13,954,929	120,045,165
Global fixed income	3,723,653	23,850,764	-	10,706,359	38,280,776
Real assets	3,099,683	-	-	25,149,242	28,248,925
Diversifying strategies	5,825,877	-	-	21,492,188	27,318,065
Cash and short-term investments	2,873,113	-	-	-	2,873,113
Total investments	140,912,769	43,630,461	-	71,302,718	255,845,948
Beneficial interest	-	-	8,147,608	-	8,147,608
Total	\$ 140,912,769	\$ 43,630,461	\$ 8,147,608	\$ 71,302,718	\$ 263,993,556

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

Instrument	Fair Value		Principal Valuation Technique	Unobservable Inputs
	2021	2020		
Beneficial interest in trusts	\$ 9,986,212	\$ 8,147,608	FMV of Trust Instruments	Value of Underlying Assets
Total	\$ 9,986,212	\$ 8,147,608		

Changes in assets for which fair value is measured based on Level 3 inputs are summarized below for the years ended June 30, 2021 and 2020:

Beneficial Interest (Level 3)	2021	2020
Balance, beginning of year	\$ 8,147,608	\$ 8,596,035
Net (loss)/gain, realized and unrealized	2,222,462	(71,620)
Maturities	(383,858)	(376,807)
Balance, end of year	\$ 9,986,212	\$ 8,147,608

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

Security Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global equities	\$ 13,954,929	\$ 4,308,154	Annual to not liquid	100 days
Global fixed income	10,706,359	8,164,075	Not liquid	N/A
Real assets	25,149,242	4,740,236	Not liquid	N/A
Diversifying strategies	21,492,188	-	Quarterly to semi-annually	65-95 days
Total	\$ 71,302,718	\$ 17,212,465		

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

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

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

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

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

## 7. ENDOWMENTS MANAGED UNDER UPMIFA

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

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

### *Interpretation of Relevant Law*

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

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

- (1) The duration and preservation of the fund;
- (2) The purposes of the Foundation and the donor-restricted endowment fund;
- (3) General economic conditions;

- (4) The possible effect of inflation or deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Foundation; and
- (7) The investment policies of the Foundation.

### *Return Objectives and Risk Parameters*

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Accordingly, the Foundation's investment policy is designed to produce investment returns that exceed the sum of its spending policy, investment fees, and estimated long-term inflation.

### *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation including cash equivalents, fixed income, and equity securities to achieve its long-term return objectives within prudent risk constraints.

### *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 fair value of its endowment fund's average fair value at the end of the preceding twelve quarters. During 2020 the average was weighted, with the average of the past four quarter-ends receiving a 70% weight, and the average of remaining eight quarter-ends receiving a 30% weight. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow.

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

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

*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. At June 30, 2021, there were no funds with fair values less than their original gift values. At June 30, 2020, funds with original gift values of \$79,337,266, fair values of \$74,922,389, and deficiencies of \$4,414,877 were reported in net assets with donor restrictions.

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

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowments			
Original endowment gift	\$ -	\$ 166,311,732	\$ 166,311,732
Accumulated earnings	-	44,838,532	44,838,532
Total donor-restricted endowments	-	211,150,264	211,150,264
Board-designated endowments	4,023,202	-	4,023,202
	\$ 4,023,202	\$ 211,150,264	\$ 215,173,466

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

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

Changes in net assets composition by type of fund for the two years ended June 30, 2021 and 2020, are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Balance, July 1, 2019	\$ 490,330	\$ 163,187,029	\$ 163,677,359
Investment income	24,847	(2,831,380)	(2,806,533)
Contributions	-	9,777,370	9,777,370
Distributions	-	(5,180,916)	(5,180,916)
Fees	-	(3,300,650)	(3,300,650)
Balance, June 30, 2020	515,177	161,651,453	162,166,630
Investment income	8,025	46,728,998	46,737,023
Contributions	3,500,000	11,660,753	15,160,753
Distributions	-	(5,575,274)	(5,575,274)
Fees	-	(3,315,666)	(3,315,666)
Balance, June 30, 2021	\$ 4,023,202	\$ 211,150,264	\$ 215,173,466

## 8. FIXED ASSETS

At June 30, fixed assets consisted of:

	2021	2020
Land	\$ 25,000	\$ 25,000
Computer equip. & software	232,193	134,753
Leasehold improvements	149,208	149,208
Office furniture and fixtures	334,130	334,130
	740,531	643,091
Less accumulated depreciation	(327,297)	(272,477)
Total fixed assets, net	\$ 413,234	\$ 370,614

Depreciation expense in 2021 and 2020 was \$54,819 and \$57,126, respectively.

## 9. OTHER ASSETS

At June 30, other assets consisted of:

	2021	2020
Life Insurance cash surrender	\$ 554,614	\$ 527,183
Investment in UM buildings	553,170	553,170
Other	188,796	252,894
Total other assets	\$ 1,296,580	\$ 1,333,247

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 as within other income on the statement of activities.

## 11. LINE OF CREDIT

During the years ended June 30, 2021 and 2020, 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 3.5% as of June 30, 2021 and 2020. The line of credit is unsecured and had no balance throughout all of fiscal years 2021 and 2020. The line of credit expires in April of 2022.

## 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:	
2022	\$ 266,593
2023	266,593
2024	266,593
2025	266,593
2026	273,560
Thereafter	3,010,350
	<u>\$ 4,350,282</u>

## 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 2021 and 2020 the liability was calculated using standard actuarial tables. Discount rates used in the calculation range from 0.4 % to 7.6%.

At June 30, 2021 and 2020 the liability due to external beneficiaries was \$18,678,052 and \$15,826,350, respectively. Of those amounts, \$2,349,089 and \$2,383,111, 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:

	2021	2020
Purpose restrictions, available for spending		
Scholarships	\$ 41,689,234	\$ 20,935,359
Academics and institutional support	66,113,922	42,410,353
Capital additions	15,272,991	13,656,888
<u>Total</u>	<u>\$ 123,076,147</u>	<u>\$ 77,002,600</u>
Restricted in perpetuity		
Scholarships	\$ 89,796,827	\$ 84,505,263
Academics and institutional support	99,375,703	94,469,434
Capital additions	553,170	553,170
<u>Total</u>	<u>189,725,700</u>	<u>179,527,867</u>
<u>Total donor restricted net assets</u>	<u>\$ 312,801,847</u>	<u>\$ 256,530,467</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 \$442,508 and \$408,274 for 2021 and 2020, respectively.

## 16. RELATED PARTY TRANSACTIONS

The relationship between the Foundation and the University is governed by an operating agreement. Under the terms of that agreement, the University paid \$550,000 during both 2021 and 2020 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 2021 and 2020.

annual rent of approximately \$240,000 with the lease period running from April 1, 2016 through March 31, 2036. Rent expense was \$246,501 and \$239,804 in fiscal year 2021 and 2020, respectively.

The Foundation receives cash and non-cash donations to support the programs, faculty and staff of the University. In fiscal years 2021 and 2020, the Foundation transferred \$15.8 million and \$18.6 million, respectively, of cash donations to the University. The Foundation also transferred \$156,661 and \$143,500 of non-cash donations to the University in fiscal years 2021 and 2020, respectively.

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