



Financial Statements
June 30, 2019 and 2018

Montana State University-Northern Foundation

Montana State University-Northern Foundation

Table of Contents
June 30, 2019 and 2018

Independent Auditor’s Report	1
Financial Statements	
Statements of Financial Position	3
Statement of Activities – Year Ended June 30, 2019	4
Statement of Activities – Year Ended June 30, 2018	5
Statements of Cash Flows	6
Notes to Financial Statements	7



Independent Auditor's Report

The Board of Trustees
Montana State University-Northern Foundation
Havre, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of Montana State University-Northern Foundation, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities 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.

Auditor's 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montana State University-Northern Foundation as of June 30, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the Foundation has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Accordingly, the June 30, 2018 financial statements have been restated to adopt this standard. Our opinion is not modified with respect to this matter.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Billings, Montana
September 27, 2019

Montana State University-Northern Foundation
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 123,570	\$ 288,815
Promises to give, net	1,098,376	653,415
Accrued interest receivable	359	745
Notes receivable	8,036	16,653
Investments	708,875	443,867
Assets held for donor restricted purposes		
Cash and cash equivalents	1,085,251	891,554
Construction in process	226,718	-
Investments	7,122,526	6,578,812
Notes receivable	736,263	971,989
Accrued interest receivable	8,814	18,266
Property and equipment, net of accumulated depreciation of \$14,559 in 2019 and \$12,221 in 2018	2,759	3,601
Artwork	65,395	65,395
Other assets	5,584	10,000
	<u>\$ 11,192,526</u>	<u>\$ 9,943,112</u>
Liabilities and Net Assets		
Assets held in custody for others	\$ 100,911	\$ 100,911
Accrued vacation	5,050	8,803
Liabilities under split-interest agreements	1,107,922	1,207,860
	<u>1,213,883</u>	<u>1,317,574</u>
Net Assets		
Without donor restrictions		
Undesignated	692,409	578,991
	<u>692,409</u>	<u>578,991</u>
With donor restrictions		
Perpetual in nature	6,225,541	5,842,830
Purpose restrictions	3,060,693	2,203,717
	<u>9,286,234</u>	<u>8,046,547</u>
	<u>9,978,643</u>	<u>8,625,538</u>
Total net assets	<u>9,978,643</u>	<u>8,625,538</u>
	<u>\$ 11,192,526</u>	<u>\$ 9,943,112</u>

Montana State University-Northern Foundation

Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions	\$ 62,048	\$ 2,310,106	\$ 2,372,154
Management service revenue	182,204	-	182,204
Net investment return	21,104	560,152	581,256
Change in value of split-interest agreements	(23,599)	(80,014)	(103,613)
Other income and support	5,950	-	5,950
Reclassification of donor intent	3,620	(3,620)	-
Net assets released from restrictions	1,546,937	(1,546,937)	-
Total revenue, support, and gains	1,798,264	1,239,687	3,037,951
Expenses			
Program expenses			
Scholarships	449,171	-	449,171
Athletic programs	239,426	-	239,426
Special projects	419,806	-	419,806
Other programs	139,808	-	139,808
Total program expenses	1,248,211	-	1,248,211
Supporting services expense			
Management and general	277,847	-	277,847
Fundraising and development	158,788	-	158,788
Total supporting services expenses	436,635	-	436,635
Total expenses	1,684,846	-	1,684,846
Change in Net Assets	113,418	1,239,687	1,353,105
Net Assets, Beginning of Year	578,991	8,046,547	8,625,538
Net Assets, End of Year	\$ 692,409	\$ 9,286,234	\$ 9,978,643

Montana State University-Northern Foundation

Statement of Activities
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions	\$ 62,866	\$ 1,049,532	\$ 1,112,398
Management service revenue	182,204	-	182,204
Net investment return	39,947	477,280	517,227
Change in value of split-interest agreements	(20,449)	(103,383)	(123,832)
Other income and support	5,625	880	6,505
Reclassification of donor intent	903	(903)	-
Net assets released from restrictions	1,871,111	(1,871,111)	-
Total revenue, support, and gains	<u>2,142,207</u>	<u>(447,705)</u>	<u>1,694,502</u>
Expenses and Losses			
Program expenses			
Scholarships	452,131	-	452,131
Athletic programs	339,992	-	339,992
Special projects	806,471	-	806,471
Other programs	84,276	-	84,276
Total program expenses	<u>1,682,870</u>	<u>-</u>	<u>1,682,870</u>
Supporting services expense			
Management and general	305,641	-	305,641
Fundraising and development	50,000	-	50,000
Total supporting services expenses	<u>355,641</u>	<u>-</u>	<u>355,641</u>
Loss on sale of property held for investment	-	117,353	117,353
Total expenses and losses	<u>2,038,511</u>	<u>117,353</u>	<u>2,155,864</u>
Change in Net Assets	103,696	(565,058)	(461,362)
Net Assets, Beginning of Year	<u>475,295</u>	<u>8,611,605</u>	<u>9,086,900</u>
Net Assets, End of Year	<u>\$ 578,991</u>	<u>\$ 8,046,547</u>	<u>\$ 8,625,538</u>

Montana State University-Northern Foundation

Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	\$ 1,353,105	\$ (461,362)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	2,338	2,910
Realized and unrealized gain on investments	(391,560)	(360,750)
Loss on sale of property held for investment	-	117,353
Contributions restricted to endowment	(390,961)	(95,620)
Change in value of liabilities under split-interest agreements	103,613	123,832
Changes in operating assets and liabilities		
Promises to give	(444,961)	657,228
Accrued interest receivable	9,838	9,836
Other assets	4,416	-
Accrued vacation	(3,753)	8,803
Net Cash from Operating Activities	<u>242,075</u>	<u>2,230</u>
Investing Activities		
Purchases of investments	(1,765,579)	(1,773,848)
Proceeds from sales of investments	1,348,417	1,081,257
Purchase of construction in process	(226,718)	-
Purchase of property and equipment	(1,496)	(2,138)
Proceeds from sale of assets held for investment	-	41,780
Receipts on notes receivable	244,343	242,939
Net Cash used for Investing Activities	<u>(401,033)</u>	<u>(410,010)</u>
Financing Activities		
Collections of contributions restricted to endowment	390,961	95,620
Payments to beneficiaries of split-interest agreements	(203,551)	(181,081)
Net Cash from (used for) Financing Activities	<u>187,410</u>	<u>(85,461)</u>
Net Change in Cash and Cash Equivalents	28,452	(493,241)
Cash and Cash Equivalents, Beginning of Year	<u>1,180,369</u>	<u>1,673,610</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,208,821</u>	<u>\$ 1,180,369</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Financial Position		
Cash and cash equivalents	\$ 123,570	\$ 288,815
Restricted cash and cash equivalents - by donors	1,085,251	891,554
Cash and Cash Equivalents at End of Year	<u>\$ 1,208,821</u>	<u>\$ 1,180,369</u>

Note 1 - Principal Activity and Significant Accounting Policies**Organization**

Montana State University-Northern Foundation, (Foundation) is a Montana not-for-profit corporation, composed of alumni and friends of Montana State University-Northern (MSUN) who are organized to promote and develop the MSUN through fund raising activities. The Foundation's purpose is to accumulate funds to be used to develop, foster, and encourage excellence at MSUN and to provide public awareness of the educational opportunities and activities of MSUN. The purposes of the Foundation are carried out by a Board of Trustees elected from the Foundation's membership.

Cash and Cash Equivalents

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, to be cash and cash equivalents.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

Notes Receivable

Notes receivable represent amounts from uncollateralized obligations due under extended payments terms exceeding one year. The notes carry interest rates varying from 5.4% - 6.0%, with payments applied first to unpaid interest balances and any remainder to the principal balance. The Foundation evaluates the collectability of the balances based upon historical experience and the specific circumstances of individual notes, with an allowance for uncollectible amounts being provided, if necessary.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment gain/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment management and custodial fees.

For management efficiency, investments of the net assets with and without donor restrictions are pooled, except for certain assets that the Board of Trustees or the donors have designated to be segregated and maintained separately.

Property Held for Investment

Property held for investment consisted of land and buildings. Property held for investment was recorded at cost or if donated, the fair value of the property as of the date of the donation. Property held for investment was sold in June 2018 and a loss on that sale has been recorded during the year ended June 30, 2018 of \$117,353. All of the assets included in property held for investment were used to support MSUN.

Construction in Process

Construction in process consists of engineering and architecture fees for the preliminary design of a football stadium to be constructed on the campus of MSUN.

In June 2018, the Foundation entered into an agreement with MSUN and Montana State University under which Foundation leases a parcel of land from MSUN and Montana State University for the site of a future football stadium. Under the lease, the Board of Regents of the Montana University System has authorized the leasing of this parcel of land. The Foundation has primary responsibility for soliciting, securing, accepting and managing all funds and contributions donated for this project. The Foundation will be responsible for all costs incurred related to this project. Upon completion of this stadium it will be transferred to the MSUN.

Property and Equipment

Property and equipment additions are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 10 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2019 and 2018.

Artwork

Artwork consisting principally of donated paintings, photographs, and sculptures is recorded at the fair value of the artwork as of the date of the donation. The artwork is periodically reviewed for impairment. For the years ended June 30, 2019 and 2018, no impairment charge has been recorded.

Assets Held and Liabilities under Split-Interest Agreements*Charitable Trusts*

The Foundation acts as trustee for various revocable and irrevocable trusts. These trusts are governed by the respective trust agreements, which generally provide for either an income stream or a future distribution of cash or other assets to the Foundation, in whole or in part, for a specified period or upon the occurrence of a specific event, respectively. If a trust is revocable, or if the maker of the trust reserves the right to replace the Foundation as the beneficiary of the trust, the Foundation records the assets placed in trust at fair value, with an equal and offsetting liability until such time the Foundation receives distributions from the trust in accordance with its terms. If the trust is irrevocable, the trust assets are recorded at fair value, and a related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the trust liability is recorded as a with donor restriction contribution until such amount is received via trust distribution and/or is expended in satisfaction of the restricted purpose stipulated by the trust agreement, if any, at which time net assets with donor restrictions are released to net assets without donor restrictions. In subsequent years, the liability for future trust payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the trust, the remaining liability, if any, is removed and recognized as income.

Charitable Gift Annuities

Under charitable gift annuity contracts, the Foundation receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as a contribution without restrictions. In subsequent years, the liability for future payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

Assets Held by Others

Assets held by others is an endowment owned by MSUN that is invested by the Foundation. The balance at June 30, 2019 and 2018 was \$100,911.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-imposed restrictions are released when a restriction expires, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Reclassification of Donor Intent

At times, the Foundation receives requests by donors or their designees to change the use for which the donor's original gift was intended. These donor requests are reviewed by the Foundation for approval, and if approved, may result in the reclassification of net assets between net assets without donor restrictions and net assets with donor restrictions. These reclassifications are reflected in the statements of activities for the years ended June 30, 2019 and 2018 as reclassification of donor intent.

Revenue and Revenue Recognition

Revenue from exchange transactions, investment activities, management fees, other fees and charges, and non-contribution related revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Contributions received with donor restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Contributed goods are recorded at fair value at the date of donation. The Foundation records donated professional services at the respective fair values of the services received. The financial statements do not reflect the value of any donated services, as they do not meet the recognition criteria prescribed by generally accepted accounting principles.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Foundation is organized as a Montana nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Sections 509(a)(1). Accordingly, contributions to it qualify for the charitable contribution deduction under section 170(b)(1)(A). The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, The Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Foundation has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Foundation believes that it has appropriate support for any income tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

The Foundation manages deposit concentration risk by placing cash and investments with financial institutions and investment brokerage firms believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds held at financial institutions. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with accounts and notes receivable and promises to give is considered to be limited due to high historical collection rates.

Investments are managed by an investment manager whose performance is monitored by management and the Board of Trustees. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Trustees believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

New Accounting Pronouncement

As of July 1, 2018, the Foundation adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Foundation's donor restricted endowment funds and underwater endowments. The ASU introduces new disclosure requirements to provide information about what is included or excluded from the Foundation's intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess the Foundation's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses.

The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification, and the disclosure about liquidity and availability of resources. The Foundation has adopted this standard as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting.

Subsequent Events

The Foundation has evaluated subsequent events through September 27, 2019, the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets are considered to be available for general expenditure if there are no donor or other restrictions that would preclude expenditure outright, or in satisfaction of any purpose restriction. At June 30, 2019, financial assets available for general expenditure within one year are comprised of the following:

	<u>2019</u>
Cash and cash equivalents	\$ 123,570
Promises to give, net	1,098,376
Accrued interest receivable	359
Investments	<u>708,875</u>
	<u>\$ 1,931,180</u>

Note 3 - Fair Value of Assets and Liabilities

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk or liquidity profile of the asset or liability.

Montana State University-Northern Foundation

Notes to Financial Statements

June 30, 2019 and 2018

A significant portion of the Foundation's investment assets are classified within Level 1 because they are comprised of equity securities with readily determinable fair values based on daily market prices or redemption values. Corporate, government, and municipal bonds that are not held in mutual funds are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions. These are classified within Level 2.

The following table presents assets measured at fair value on a recurring basis at June 30, 2019 and 2018:

		Fair Value Measurements at Report Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Total		
2019				
Investments				
Equity securities	\$ 6,127,314	\$ 6,127,314	\$ -	\$ -
Corporate bonds	1,105,798	-	1,105,798	-
Government bonds	588,206	-	588,206	-
Municipal bonds	10,083	-	10,083	-
	<u>\$ 7,831,401</u>	<u>\$ 6,127,314</u>	<u>\$ 1,704,087</u>	<u>\$ -</u>
		Fair Value Measurements at Report Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Total		
2018				
Investments				
Equity securities	\$ 5,412,432	\$ 5,412,432	\$ -	\$ -
Corporate bonds	934,353	-	934,353	-
Government bonds	606,867	-	606,867	-
Municipal bonds	69,027	-	69,027	-
	<u>\$ 7,022,679</u>	<u>\$ 5,412,432</u>	<u>\$ 1,610,247</u>	<u>\$ -</u>

Note 4 - Net Investment Return

Net investment return consists of the following for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and Dividends	\$ 262,280	\$ 220,792
Net Realized and Unrealized Gain	391,560	360,750
Less Investment Management and Custodial Fees	<u>(72,584)</u>	<u>(64,315)</u>
	<u>\$ 581,256</u>	<u>\$ 517,227</u>

Note 5 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Within One Year	\$ 470,442	\$ 524,730
in One to Five Years	579,500	134,700
Over Five years	<u>100,000</u>	<u>-</u>
	1,149,942	659,430
Less Discount to Present Value 2%	(51,566)	(6,015)
Less Allowance for Uncollectible Promises to Give	<u>-</u>	<u>-</u>
	<u>\$ 1,098,376</u>	<u>\$ 653,415</u>

At June 30, 2019, two donors accounted for approximately 60% of gross promises to give.

Note 6 - Notes Receivable

Notes receivable consist of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
6.0% note receivable from Montana State University-Northern, due in annual principal installments of \$205,169 on October 1, 2019, plus interest, unsecured	\$ 205,169	\$ 425,169
6.0% contract receivable, due in monthly payments of \$2,962, including interest, to June 2032, secured by property	325,250	340,768
5.4% contract receivable, due in monthly payments of \$1,375, including interest, to May 2037, secured by property	187,582	193,779
5.5% contract receivable, due in monthly payments of \$344, including interest, to January 2027, secured by property	<u>26,298</u>	<u>28,926</u>
	<u>\$ 744,299</u>	<u>\$ 988,642</u>

Notes receivable are included in the statements of financial position as of June 30, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Notes Receivable, Held for Donor Restricted Purposes	\$ 736,263	\$ 971,989
Notes Receivable	<u>8,036</u>	<u>16,653</u>
	<u>\$ 744,299</u>	<u>\$ 988,642</u>

Note 7 - Employee Benefit Plan

The Foundation is the sponsor of a 403(b) retirement plan covering substantially all employees. Under this plan, the Foundation will match 100% of an employee's elective salary deferral up to 6.0% of the employee's compensation. For the years ended June 30, 2019 and 2018, the Foundation's contributions to the plan were \$9,997 and \$9,434, respectively.

Note 8 - Related Party Transactions

The Foundation received a management fee for fundraising and other services from MSUN of \$182,204 for each of the years ended June 30, 2019 and 2018. The Foundation also has a 6.0% note receivable from MSUN of \$205,169 and \$425,169 as of June 30, 2019 and 2018, respectively.

Montana State University-Northern Foundation

Notes to Financial Statements

June 30, 2019 and 2018

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Subject to Expenditure for Specified Purpose		
Scholarships	\$ 149,730	\$ 139,324
Restricted for Trusts	558,416	488,370
Diesel Center	485	-
Football Stadium	341,835	171,500
Faculty/Staff	113,915	114,392
Athletics	117,564	54,721
Other	258,166	320,004
Promises to give, the proceeds from which have been restricted by donors for		
Diesel Center	134,000	421,885
Football Stadium	681,934	-
	<u>2,356,045</u>	<u>1,710,196</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for		
Scholarships	<u>704,648</u>	<u>493,521</u>
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
Scholarships	5,706,931	5,575,180
Other	518,610	267,650
	<u>6,225,541</u>	<u>5,842,830</u>
	<u>\$ 9,286,234</u>	<u>\$ 8,046,547</u>

Net assets were released from restrictions as follows during the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Scholarships	\$ 449,171	\$ 452,131
Diesel Center	284,598	704,750
Athletics	239,426	339,992
Restricted for Trusts	99,401	61,846
Other	474,341	312,392
	<u>\$ 1,546,937</u>	<u>\$ 1,871,111</u>

Note 10 - Endowments

The Foundation's endowment (the Endowment) consists of 148 and 145 individual funds for the years ended June 30, 2019 and 2018, respectively. These were established by donors to provide annual funding for specific activities and general operations. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's Board of Trustees has interpreted the Montana Uniform Prudent Management of Institutional Funds Act (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. At June 30, 2019 and 2018, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

The following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources and the investment policies of the organization.

The Foundation had the following endowment net asset composition by type of fund as of June 30, 2019 and 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2019			
Donor-Restricted Endowment Funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	\$ -	\$ 6,225,541	\$ 6,225,541
Accumulated gains	-	704,648	704,648
	<u>\$ -</u>	<u>\$ 6,930,189</u>	<u>\$ 6,930,189</u>
June 30, 2018			
Donor-Restricted Endowment Funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	\$ -	\$ 5,842,830	\$ 5,842,830
Accumulated gains	-	493,521	493,521
	<u>\$ -</u>	<u>\$ 6,336,351</u>	<u>\$ 6,336,351</u>

From time to time, the certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by the donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2019 and 2018, there were no underwater endowments.

Investment and Spending Policies

The Foundation has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the Endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. Under the Foundation's endowment spending policy, a variable percentage (set annually by the Board of Trustees) of the prior year ending endowment value is budgeted for scholarship expenditures. The Board of Trustees also annually sets a percentage of endowment fund earnings to be used for reasonable management costs of the investments. For the years ended June 30, 2019 and 2018, 3.25% and 3.0%, respectively, was appropriated for scholarship expenditures and 2.75% was earmarked for management fees.

Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

With the exception of certain contributions to be held in perpetuity that the donor requires to be separately invested, all contributions to be held in perpetuity are consolidated in an investment pool. Appreciation, depreciation, income, and expense relative to the pooled endowment investments are allocated to each endowment based upon the ratio of that endowment's investment balance to the total investment pool and are shown as a change in net assets with donor restrictions.

Changes in Endowment net assets for the year ended June 30, 2019 are as follows:

2019:	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ -	\$ 6,336,351	\$ 6,336,351
Investment return, net		465,747	465,747
Contributions	-	390,961	390,961
Reclassification of Donor Intent	-	(8,250)	(8,250)
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	-	(254,620)	(254,620)
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 6,930,189</u>	<u>\$ 6,930,189</u>

Montana State University-Northern Foundation

Notes to Financial Statements

June 30, 2019 and 2018

Changes in Endowment net assets for the year ended June 30, 2018 are as follows:

2018:	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 6,227,129	\$ 6,227,129
Investment return, net		373,948	373,948
Contributions	-	95,620	95,620
Reclassification of Donor Intent	-	(12,008)	(12,008)
Loss on sale of property held for investment	-	(117,353)	(117,353)
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	-	(230,985)	(230,985)
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 6,336,351</u>	<u>\$ 6,336,351</u>

Note 11 - Functional Expenses

The Foundation accumulates funds to be used to develop, foster, and encourage excellence at MSUN and to provide public awareness of the educational opportunities and activities of MSUN. Expenses related to providing these services by functional class for the year ended June 30, 2019 are as follows:

	2019			
	Program Expenses	Management and General	Fundraising and Development	Total
Grants and other assistance				
Scholarships	\$ 449,171	\$ -	\$ -	\$ 449,171
Athletic programs	239,426	-	-	239,426
Special projects	419,806	-	-	419,806
Other programs	139,808	-	-	139,808
Salaries and benefits	-	180,032	50,000	230,032
Professional fees	-	10,220	100,299	110,519
Office expenses	-	45,235	6,177	51,412
Information technology	-	15,279	-	15,279
Travel	-	2,312	2,312	4,624
Insurance	-	3,842	-	3,842
Depreciation	-	2,338	-	2,338
Other	-	18,589	-	18,589
	<u>\$ 1,248,211</u>	<u>\$ 277,847</u>	<u>\$ 158,788</u>	<u>\$ 1,684,846</u>

Note 12 - Restatement Resulting from Change in Accounting Policy

As disclosed in Note 1, the Foundation adopted the provisions of ASU 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities* as of July 1, 2018. As a part of the adoption, changes were made to the presentation of the financial statements and the classification of net assets. Following is a summary of the effects of the change in accounting policy in the Foundation's June 30, 2018 financial statements.

	<u>As Previously Reported</u>	<u>Adoption of ASU 2016-14</u>	<u>As Restated</u>
Statement of Financial Position:			
Unrestricted	\$ 578,991	\$ (578,991)	\$ -
Temporarily restricted net assets	2,203,717	(2,203,717)	-
Permanently restricted net assets	5,842,830	(5,842,830)	-
Net assets without donor restrictions	-	578,991	578,991
Net assets with donor restrictions	-	8,046,547	8,046,547
Statement of Activities:			
Temporarily Restricted Net Assets			
Contributions	983,912	(983,912)	-
Net investment return	477,280	(477,280)	-
Change in value of split-interest agreements	(103,383)	103,383	-
Other income and support	880	(880)	-
Reclassification of donor intent	11,105	(11,105)	-
Net assets released from donor restrictions	(1,871,111)	1,871,111	-
Permanently Restricted Net Assets			
Contributions	95,620	(95,620)	-
Reclassification of donor intent	(12,008)	12,008	-
With Donor Restrictions			
Contributions	-	1,049,532	1,049,532
Net investment return	-	477,280	477,280
Change in value of split-interest agreements	-	(103,383)	(103,383)
Other income and support	-	880	880
Reclassification of donor intent	-	(903)	(903)
Net assets released from donor restrictions	-	(1,871,111)	(1,871,111)