



Financial Statements
June 30, 2021 and 2020

Montana State University-Northern Foundation

Montana State University-Northern Foundation

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June 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Billings, Montana
October 1, 2021

Montana State University-Northern Foundation

Statements of Financial Position

June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 252,932	\$ 141,272
Promises to give, net	1,286,430	1,617,216
Prepays	3,750	-
Investments	1,098,299	739,834
Assets held for donor restricted purposes		
Cash and cash equivalents	785,431	753,876
Construction in process	-	1,677,252
Investments	10,639,035	7,935,900
Notes receivable	486,024	513,397
Property and equipment, net of accumulated depreciation of \$18,062 in 2021 and \$16,819 in 2020	1,488	499
Artwork	65,395	65,395
Other assets	4,783	5,212
Total assets	\$ 14,623,567	\$ 13,449,853
Liabilities and Net Assets		
Accounts payable	\$ -	\$ 504
Refundable advance	44,509	45,593
Assets held in custody for others	100,911	100,911
Accrued expenses and other liabilities	22,836	12,939
Liabilities under split-interest agreements	978,600	1,040,068
Notes payable	1,369,522	601,620
Total liabilities	2,516,378	1,801,635
Net Assets		
Without donor restrictions		
Undesignated	1,008,404	665,835
	<u>1,008,404</u>	<u>665,835</u>
With donor restrictions		
Perpetual in nature	6,955,220	6,498,053
Purpose restrictions	4,143,565	4,484,330
	<u>11,098,785</u>	<u>10,982,383</u>
Total net assets	12,107,189	11,648,218
Total liabilities and net assets	\$ 14,623,567	\$ 13,449,853

Montana State University-Northern Foundation

Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions	\$ 49,954	\$ 1,782,199	\$ 1,832,153
Management service revenue	182,204	-	182,204
Net investment return	235,890	2,745,971	2,981,861
Change in value of split-interest agreements	(19,291)	(87,665)	(106,956)
Grant income	150,000	10,000	160,000
Paycheck Protection Program loan forgiveness	45,593	-	45,593
Other income and support	7,402	-	7,402
Reclassification of donor intent	62,294	(62,294)	-
Net assets released from restrictions	4,271,809	(4,271,809)	-
	<u>4,985,855</u>	<u>116,402</u>	<u>5,102,257</u>
Total revenue, support, and gains			
Expenses			
Program expenses			
Scholarships	564,939	-	564,939
Athletic programs	124,066	-	124,066
Special projects	3,501,127	-	3,501,127
Other programs	17,598	-	17,598
	<u>4,207,730</u>	<u>-</u>	<u>4,207,730</u>
Total program expenses			
Supporting services expense			
Management and general	370,096	-	370,096
Fundraising and development	65,460	-	65,460
	<u>435,556</u>	<u>-</u>	<u>435,556</u>
Total supporting services expenses			
Total expenses	<u>4,643,286</u>	<u>-</u>	<u>4,643,286</u>
Change in Net Assets	342,569	116,402	458,971
Net Assets, Beginning of Year	<u>665,835</u>	<u>10,982,383</u>	<u>11,648,218</u>
Net Assets, End of Year	<u>\$ 1,008,404</u>	<u>\$ 11,098,785</u>	<u>\$ 12,107,189</u>

Montana State University-Northern Foundation

Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions	\$ 23,510	\$ 2,631,562	\$ 2,655,072
Management service revenue	182,204	-	182,204
Net investment return	30,258	455,127	485,385
Change in value of split-interest agreements	(21,764)	(101,089)	(122,853)
Other income and support	6,300	-	6,300
Reclassification of donor intent	(79,867)	79,867	-
Net assets released from restrictions	1,369,318	(1,369,318)	-
	<u>1,509,959</u>	<u>1,696,149</u>	<u>3,206,108</u>
Total revenue, support, and gains			
Expenses and Losses			
Program expenses			
Scholarships	535,082	-	535,082
Athletic programs	313,119	-	313,119
Special projects	162,164	-	162,164
Other programs	92,223	-	92,223
	<u>1,102,588</u>	<u>-</u>	<u>1,102,588</u>
Total program expenses			
Supporting services expense			
Management and general	294,367	-	294,367
Fundraising and development	139,578	-	139,578
	<u>433,945</u>	<u>-</u>	<u>433,945</u>
Total supporting services expenses			
Total expenses and losses	<u>1,536,533</u>	<u>-</u>	<u>1,536,533</u>
Change in Net Assets	(26,574)	1,696,149	1,669,575
Net Assets, Beginning of Year	<u>692,409</u>	<u>9,286,234</u>	<u>9,978,643</u>
Net Assets, End of Year	<u>\$ 665,835</u>	<u>\$ 10,982,383</u>	<u>\$ 11,648,218</u>

Montana State University-Northern Foundation

Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 458,971	\$ 1,669,575
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,243	2,260
Realized and unrealized gain on investments	(2,784,552)	(301,711)
Contributions restricted to endowment	(425,039)	(262,512)
Change in value of liabilities under split-interest agreements	106,956	122,853
Paycheck Protection Program loan forgiveness	(45,593)	-
Noncash stadium contribution	3,431,426	-
Changes in operating assets and liabilities		
Promises to give	330,786	(518,840)
Accrued interest receivable	-	9,173
Prepaid expenses and other assets	(3,321)	372
Accounts payable and refundable advance	(1,588)	46,097
Accrued salary and vacation	9,897	7,889
Net Cash from Operating Activities	<u>1,079,186</u>	<u>775,156</u>
Investing Activities		
Purchases of investments	(3,146,995)	(2,167,895)
Proceeds from sales of investments	2,869,947	1,625,273
Purchase of construction in process	(1,754,174)	(1,450,534)
Purchase of property and equipment	(2,232)	-
Receipts on notes receivable	27,373	230,902
Net Cash used for Investing Activities	<u>(2,006,081)</u>	<u>(1,762,254)</u>
Financing Activities		
Proceeds from Paycheck Protection Program loan	45,593	-
Collections of contributions restricted to endowment	425,039	262,512
Proceeds from notes payable	1,247,000	601,620
Principal payments on notes	(479,098)	-
Payments to beneficiaries of split-interest agreements	(168,424)	(190,707)
Net Cash from Financing Activities	<u>1,070,110</u>	<u>673,425</u>
Net Change in Cash and Cash Equivalents	143,215	(313,673)
Cash and Cash Equivalents, and Restricted Cash, Beginning of Year	<u>895,148</u>	<u>1,208,821</u>
Cash and Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 1,038,363</u>	<u>\$ 895,148</u>

Montana State University-Northern Foundation

Statements of Cash Flows Years Ended June 30, 2021 and 2020

	2021	2020
Reconciliation of Cash and Cash Equivalents to the Statements of Financial Position		
Cash and cash equivalents	\$ 252,932	\$ 141,272
Restricted cash and cash equivalents - by donors	785,431	753,876
Cash and Cash Equivalents, and Restricted Cash at End of Year	\$ 1,038,363	\$ 895,148
Supplemental Disclosure of Non-cash Investing Activity		
In-kind contributions of construction in progress	\$ 248,157	\$ 180,663
Contributions of common stock	\$ -	\$ 100,000

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 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, 2021 and 2020.

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, 2021 and 2020, no impairment charge has been recorded.

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, 2021 and 2020 was \$100,911.

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.

Refundable Advance

The Foundation was granted loans under the Paycheck Protection Program (PPP) administered by a Small Business Administration approved partner. The loans are uncollateralized and are fully guaranteed by the Federal government. The Foundation is eligible for loan forgiveness of up to 100% of the loans, upon meeting certain requirements. The Foundation has initially recorded the loans as refundable advances and records the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loans. Proceeds from the loans are eligible for forgiveness if they are used for certain payroll, rent, and utility expenses. The Foundation will be required to repay any remaining balances, plus interest accrued at 1%, in monthly payments commencing upon notification of forgiveness or partial forgiveness.

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, 2021 and 2020 as reclassification of donor intent.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Consequently, at June 30, 2021, contributions of \$44,509, have not been recognized in the accompanying statement of activities because the conditions on which they depend has not yet been met.

The Foundation recognizes management service revenue over the contractual period, which is generally one year. The performance obligation consists of providing support services and management of assets and is recognized ratably as the performance obligations of these services are satisfied. Management fees for 2021 and 2020 were \$182,204 per year.

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. In-kind contributions for donated professional services on the construction of the football stadium was recognized to be \$248,157 and \$180,663 for years ended June 30, 2021 and 2020, respectively.

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.

Subsequent Events

The Foundation has evaluated subsequent events through October 1, 2021, 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, 2021 and 2020, financial assets available for general expenditure within one year are comprised of the following:

	2021	2020
Cash and cash equivalents	\$ 252,932	\$ 141,272
Promises to give, net	1,286,430	1,617,216
Investments	1,098,299	739,834
	\$ 2,637,661	\$ 2,498,322

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.

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 fair value of interest in privately held common stock is based on the fair value of as reported by a local community bank. This is considered to be a Level 3 measurement.

Montana State University-Northern Foundation

Notes to Financial Statements

June 30, 2021 and 2020

The following table presents assets measured at fair value on a recurring basis at June 30, 2021 and 2020:

	Total	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)
2021				
Investments				
Equity securities	\$ 9,570,135	\$ 9,570,135	\$ -	\$ -
Corporate bonds	1,522,738	-	1,522,738	-
Government bonds	508,667	-	508,667	-
Municipal bonds	135,794	-	135,794	-
	<u>\$ 11,737,334</u>	<u>\$ 9,570,135</u>	<u>\$ 2,167,199</u>	<u>\$ -</u>
2020				
Investments				
Equity securities	\$ 6,744,322	\$ 6,744,322	\$ -	\$ -
Corporate bonds	1,224,214	-	1,224,214	-
Government bonds	526,060	-	526,060	-
Privately held common stock	109,200	-	-	109,200
Municipal bonds	71,938	-	71,938	-
	<u>\$ 8,675,734</u>	<u>\$ 6,744,322</u>	<u>\$ 1,822,212</u>	<u>\$ 109,200</u>

Montana State University-Northern Foundation

Notes to Financial Statements

June 30, 2021 and 2020

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2021:

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3):
	<u>Privately Held Common Stock</u>
Balance at June 30, 2020	\$ 109,200
Sales	<u>(109,200)</u>
Balance at June 30, 2021	<u><u>\$ -</u></u>

Note 4 - Net Investment Return

Net investment return consists of the following for the years ended June 30, 2021 and 2020:

	2021	2020
Interest and Dividends	\$ 290,598	\$ 262,838
Net Realized and Unrealized Gain	2,784,552	301,711
Less Investment Management and Custodial Fees	<u>(93,289)</u>	<u>(79,164)</u>
	<u><u>\$ 2,981,861</u></u>	<u><u>\$ 485,385</u></u>

Note 5 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2021 and 2020:

	2021	2020
Within One Year	\$ 401,430	\$ 456,792
in One to Five Years	938,517	1,191,575
Over Five years	<u>-</u>	<u>50,000</u>
	1,339,947	1,698,367
Less Discount to Present Value 2%	(53,517)	(81,151)
Less Allowance for Uncollectible Promises to Give	<u>-</u>	<u>-</u>
	<u><u>\$ 1,286,430</u></u>	<u><u>\$ 1,617,216</u></u>

At June 30, 2021, five donors accounted for approximately 60% of gross promises to give.

Note 6 - Notes Receivable

Notes receivable consist of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
6.0% contract receivable, due in monthly payments of \$2,962, including interest, to June 2032, secured by property	\$ 291,271	\$ 308,825
5.4% contract receivable, due in monthly payments of \$1,375, including interest, to May 2037, secured by property	174,140	181,042
5.5% contract receivable, due in monthly payments of \$344, including interest, to January 2027, secured by property	<u>20,613</u>	<u>23,530</u>
	<u>\$ 486,024</u>	<u>\$ 513,397</u>

Notes receivable are included in the statements of financial position as of June 30, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Notes Receivable, Held for Donor Restricted Purposes	<u>\$ 486,024</u>	<u>\$ 513,397</u>

Note 7 - Paycheck Protection Program Loans

In April 2020, the Foundation was granted a loan in the amount of \$45,593 under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and fully guaranteed by the federal government. The Foundation has elected to account for the funding as a conditional contribution by applying ASC 958-605, *Not-for-Profit – Revenue Recognition*. The Foundation initially recorded the loan as a refundable advance and subsequently recognized contribution revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Foundation has recognized \$45,593 as contribution revenue for the year ended June 30, 2021.

In February 2021, the Foundation was granted a second, \$44,509 loan under PPP. The terms of the second loan are substantially the same as the first loan described above and is recorded as a refundable advance on the Statement of Financial Position as of June 30, 2021.

Note 8 - Notes Payable

Notes payable consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Non-interest bearing line of credit, due in full on June 1, 2025 (imputed interest rate of 5.75%), secured by pledges and gift agreements related to the fundraising campaign for new Football Stadium	\$ 1,369,522	\$ 451,620
2.75% Small Business Administration EIDL program note payable	<u>-</u>	<u>150,000</u>
	<u>\$ 1,369,522</u>	<u>\$ 601,620</u>

Future maturities of notes payable are as follows:

<u>Years Ending June 30,</u>	<u>Total</u>
2026	<u>\$ 1,369,522</u>

Note 9 - 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, 2021 and 2020, the Foundation's contributions to the plan were \$10,851 and \$10,410, respectively.

Note 10 - Net Assets Without Donor Restrictions

Support for various MSUN scholarships as well as programs and capital projects in excess of gifts, including promises to give, totaled approximately \$133,000 as of June 30, 2021. The cumulative deficiency is reported within net assets without donor restrictions, which total \$1,008,404 and \$665,835 as of June 30, 2021 and 2020, respectively. As discussed in Note 5, there are certain promises to fund the Football Stadium at MSUN. As of June 30, 2021, the Foundation has received \$1,339,947 in conditional promises to give related to deficient projects. The Foundation plans to recover the remaining net assets without donor restrictions deficit with future gifts.

Note 11 - Net Assets with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Subject to Expenditure for Specified Purpose		
Scholarships	\$ 89,717	\$ 87,544
Restricted for Trusts	427,630	476,404
Athletics	164,730	118,412
Faculty/Staff	112,460	95,615
Football Stadium	-	948,521
Other	344,076	258,747
Promises to give, the proceeds from which have been restricted by donors for		
Diesel Center	-	42,000
Football Stadium	-	1,575,216
	<u>1,138,613</u>	<u>3,602,459</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for		
Scholarships	<u>3,004,952</u>	<u>881,871</u>
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
Scholarships	6,436,432	5,979,442
Other	<u>518,788</u>	<u>518,611</u>
	<u>6,955,220</u>	<u>6,498,053</u>
	<u>\$ 11,098,785</u>	<u>\$ 10,982,383</u>

Net assets were released from restrictions as follows during the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Football Stadium	\$ 3,302,690	\$ 7,879
Scholarships	564,939	535,082
Athletics	124,066	313,119
Diesel Center	40,740	89,725
Restricted for Trusts	17,327	50,345
Other	<u>222,047</u>	<u>373,168</u>
	<u>\$ 4,271,809</u>	<u>\$ 1,369,318</u>

Note 12 - Endowments

The Foundation’s endowment (the Endowment) consists of 154 and 151 individual funds for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, 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, 2021:

June 30, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	\$ -	\$ 6,955,220	\$ 6,955,220
Accumulated gains	-	3,004,952	3,004,952
	\$ -	\$ 9,960,172	\$ 9,960,172

Montana State University-Northern Foundation

Notes to Financial Statements

June 30, 2021 and 2020

The Foundation had the following endowment net asset composition by type of fund as of June 30, 2020:

June 30, 2020	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	\$ -	\$ 6,498,053	\$ 6,498,053
Accumulated gains	-	881,871	881,871
	<u>\$ -</u>	<u>\$ 7,379,924</u>	<u>\$ 7,379,924</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, 2021 and 2020, 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, 2021 and 2020, 3.25% 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.

Montana State University-Northern Foundation

Notes to Financial Statements

June 30, 2021 and 2020

Changes in Endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

2021:	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ -	\$ 7,379,924	\$ 7,379,924
Investment Return, Net		2,522,052	2,522,052
Contributions	-	425,039	425,039
Reclassification of Donor Intent	-	32,128	32,128
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	-	(398,971)	(398,971)
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 9,960,172</u>	<u>\$ 9,960,172</u>
2020:	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ -	\$ 6,930,189	\$ 6,930,189
Investment Return, Net		436,158	436,158
Contributions	-	262,512	262,512
Reclassification of Donor Intent	-	10,000	10,000
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	-	(258,935)	(258,935)
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 7,379,924</u>	<u>\$ 7,379,924</u>

Montana State University-Northern Foundation

Notes to Financial Statements

June 30, 2021 and 2020

Note 13 - 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 years ended June 30, 2021 and 2020 are as follows:

	2021			Total
	Program Expenses	Management and General	Fundraising and Development	
Grants and other assistance				
Scholarships	\$ 564,939	\$ -	\$ -	\$ 564,939
Athletic programs	124,066	-	-	124,066
Special projects	3,501,127	-	-	3,501,127
Other programs	17,598	-	-	17,598
Salaries and benefits	-	227,220	52,000	279,220
Professional fees	-	24,896	864	25,760
Office expenses	-	55,370	11,584	66,954
Information technology	-	50,159	-	50,159
Insurance	-	4,048	-	4,048
Depreciation	-	1,243	-	1,243
Travel	-	1,012	1,012	2,024
Other	-	6,148	-	6,148
	<u>\$ 4,207,730</u>	<u>\$ 370,096</u>	<u>\$ 65,460</u>	<u>\$ 4,643,286</u>
	2020			Total
	Program Expenses	Management and General	Fundraising and Development	Total
Grants and other assistance				
Scholarships	\$ 535,082	\$ -	\$ -	\$ 535,082
Athletic programs	313,119	-	-	313,119
Special projects	162,164	-	-	162,164
Other programs	92,223	-	-	92,223
Salaries and benefits	-	195,175	44,000	239,175
Professional fees	-	19,155	87,316	106,471
Office expenses	-	29,881	7,470	37,351
Information technology	-	19,704	-	19,704
Travel	-	3,950	-	3,950
Insurance	-	2,260	-	2,260
Depreciation	-	792	792	1,584
Other	-	23,450	-	23,450
	<u>\$ 1,102,588</u>	<u>\$ 294,367</u>	<u>\$ 139,578</u>	<u>\$ 1,536,533</u>

Note 14 - 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, 2021 and 2020.

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 was responsible for all costs incurred related to this project. During fiscal year 2021 this project was completed, and a \$3.4 million non-cash asset was transferred to MSUN.