

**UNIVERSITY OF MONTANA-WESTERN FOUNDATION  
DILLON, MONTANA**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE EIGHTEEN MONTHS ENDED  
JUNE 30, 2015**

---

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5-8

---



America Counts on CPAs<sup>SM</sup>

312 South Pacific St.  
PO Box 1046  
Dillon, Montana 59725

Telephone: (406)683-4254  
Facsimile: (406)683-4255

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
University of Montana-Western Foundation  
Dillon, MT 59725

We have audited the accompanying financial statements of the University of Montana-Western Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets and cash flows for the eighteen months then ended and the related notes to 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.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Montana-Western Foundation as of June 30, 2015, and the results of their activities and changes in net assets and cash flows for the eighteen months then ended in accordance with accounting principles generally accepted in the United States of America.

*Peck & Peck, CPAs PC*

Dillon, Montana  
September 14, 2015

**University of Montana-Western Foundation**  
**Statement of Financial Position**  
**June 30, 2015**

**Assets**

Cash and cash equivalents	\$ 366,158
Contributions and pledges receivable, net	80,000
Accrued investment income	16,803
Vehicle (net of accumulated depreciation, \$33,600)	9,827
Unrestricted investments	330,500
Temporarily restricted investments	951,982
Endowment investments	<u>4,295,413</u>
 Total Assets	 <u>\$ 6,050,683</u>

**Liabilities**

Accounts payable	\$ 2,438
Notes payable	<u>-</u>
 Total Liabilities	 <u>2,438</u>

**Net Assets**

Unrestricted	347,137
Temporarily restricted	1,405,695
Permanently restricted	<u>4,295,413</u>
 Total Net Assets	 <u>6,048,245</u>
 Total Liabilities and Net Assets	 <u>\$ 6,050,683</u>

See accompanying notes to financial statements.

**University of Montana-Western Foundation**  
**Statements of Activities and Changes in Net Assets**  
**For the Eighteen Months Ended June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and Revenue</b>				
Contributions	\$ 62,855	\$ 1,234,046	\$ 65,331	\$ 1,362,232
Special events	38,091	-	-	38,091
Rental income	-	27,648	-	27,648
Net investment income	37,649	96,599	51,103	185,351
Net assets released from restrictions	<u>961,290</u>	<u>(961,290)</u>	<u>-</u>	<u>-</u>
<b>Total Support and Revenue</b>	<u>1,099,885</u>	<u>397,003</u>	<u>116,434</u>	<u>1,613,322</u>
<b>Expenses</b>				
Program services:				
Scholarships given	327,852	-	-	327,852
Project expense	<u>514,342</u>	<u>-</u>	<u>-</u>	<u>514,342</u>
<b>Total Program Services</b>	842,194	-	-	842,194
General and administrative	66,159	-	-	66,159
Depreciation	10,800	-	-	10,800
Fundraising	77,840	-	-	77,840
Interest expense	408	-	-	408
Contracted outside services	<u>78,129</u>	<u>-</u>	<u>-</u>	<u>78,129</u>
<b>Total Expenses</b>	<u>1,075,530</u>	<u>-</u>	<u>-</u>	<u>1,075,530</u>
<b>Change in Net Assets</b>	24,355	397,003	116,434	537,792
<b>Net Assets, Beginning of Year</b>	<u>322,782</u>	<u>1,008,692</u>	<u>4,178,979</u>	<u>5,510,453</u>
<b>Net Assets, End of Year</b>	<u>\$ 347,137</u>	<u>\$ 1,405,695</u>	<u>\$ 4,295,413</u>	<u>\$ 6,048,245</u>

See accompanying notes to financial statements.

**University of Montana-Western Foundation**  
**Statement of Cash Flows**  
**For the Eighteen Months Ended June 30, 2015**

<b>Cash Flows From Operating Activities:</b>	
Change in net assets	\$ 537,792
Adjustment to reconcile change in net assets to net cash used in operating activities:	
Depreciation expense	10,800
Increase in contributions and pledges receivable, net	(70,000)
Decrease in accrued investment income	9,637
Decrease in accounts payable	(2,759)
Net realized and unrealized gains on investments	(50,513)
Permanently restricted contributions	<u>(65,331)</u>
Net cash provided by operating activities	<u>369,626</u>
<b>Cash Flows From Investing Activities:</b>	
Purchase of investment securities	(1,109,518)
Proceeds from redemption of investment securities	<u>596,461</u>
Net cash used in investing activities	<u>(513,057)</u>
<b>Cash Flows From Financing Activities:</b>	
Repayment of notes payable	(17,855)
Permanently restricted contributions	<u>65,331</u>
Net cash provided from financing activities	<u>47,476</u>
Net decrease in cash and cash equivalents	(95,955)
<b>Cash and cash equivalents, beginning of year</b>	<u>462,113</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 366,158</u></u>
<b>Supplementary Data:</b>	
Interest Paid	<u><u>\$ 408</u></u>

See accompanying notes to financial statements.

**University of Montana-Western Foundation**  
**Notes to Financial Statements**  
**June 30, 2015**

**1. Summary of Significant Accounting Policies**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**Nature of Activities**

University of Montana-Western Foundation (the Foundation) was formed as a non-profit corporation under the laws for the State of Montana to promote the educational objectives of University of Montana-Western.

**Basis of Accounting**

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of *Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets:

*Unrestricted net assets* – net assets that are not subject to donor-imposed restrictions.

*Temporarily restricted net assets* – net assets subject to donor-imposed restrictions that may or will be met either by actions of the Foundation and/or the passage of time.

*Permanently restricted net assets* – net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation.

**Revenue Recognition**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**University of Montana-Western Foundation**  
**Notes to Financial Statements-continued**  
**June 30, 2015**

**1. Summary of Significant Accounting Policies- continued**

**Income Taxes**

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**Cash and Cash Equivalents**

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Investments**

Investments are composed of securities as managed by Wells Fargo Investment Management and Trust and real estate. All investments with readily determinable fair values are stated at fair value based upon quoted market prices. Unrealized gains and losses are included in the change in net assets. Restricted gains and investment income are generally reported as increases to temporarily restricted investment income and upon expiration of the restrictions are reclassified to unrestricted investment income. Investments with no readily determinable fair values are carried at cost.

**Pledges Receivable**

The Foundation reports unconditional promises to give (pledges) at net realizable value. An allowance for uncollectible pledges is estimated based upon the Foundation's collection history and is netted against the gross pledges receivable.

**Fair Value of Financial Instruments**

Cash, receivables and accounts payable, as reflected in the financial statements, approximate fair value due to the short-term nature of those instruments. The fair value of the Foundation's investments is estimated based on quoted market prices or other third party information for those investments, and are disclosed in note 4.

**Depreciation**

The Foundation's vehicle is depreciated using the straight-line method of accounting for financial reporting purposes and amounted to \$10,800.

---

**2. Cash**

The total cash held by the Foundation at June 30, 2015, includes \$91,180 in monies that are not covered by insurance provided by the federal government. It is the opinion of management that the solvency of the referenced financial institution is not of particular concern at this time.

**3. Contributions and Pledges Receivable**

Contributions and pledges receivable outstanding at June 30, 2015, totaled \$80,000 and the allowance for uncollectible contributions and pledges was \$0.



**University of Montana-Western Foundation**  
**Notes to Financial Statements-continued**  
**June 30, 2015**

**4. Investments**

Investments as of June 30, 2015, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
<b>Unrestricted:</b>			
Cash and cash equivalents	\$ 2,345	\$ 2,345	\$ 5,325
Bonds and notes	28,523	34,716	34,716
Equities	32,548	55,338	55,338
Real Assets/REITs	7,308	9,180	9,180
Real estate	<u>228,921</u>	<u>228,921</u>	<u>228,921</u>
	<u>\$ 299,645</u>	<u>\$ 330,500</u>	<u>\$ 330,500</u>
	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
<b>Temporarily Restricted:</b>			
Cash and cash equivalents	\$ 32,351	\$ 32,351	\$ 32,351
Bonds and notes	393,691	325,346	325,346
Equities	449,222	508,249	508,249
Real Assets/REITs	<u>100,865</u>	<u>86,036</u>	<u>86,036</u>
	<u>\$ 976,129</u>	<u>\$ 951,982</u>	<u>\$ 951,982</u>
<b>Permanently Restricted:</b>			
Cash and cash equivalents	\$ 115,734	\$ 115,734	\$ 115,734
Bonds and notes	1,408,437	1,412,070	1,412,070
Equities	1,607,102	2,230,589	2,230,589
Real Assets/REITs	360,849	373,415	373,415
Real estate	<u>163,605</u>	<u>163,605</u>	<u>163,605</u>
	<u>\$3,655,727</u>	<u>\$4,295,413</u>	<u>\$4,295,413</u>

Net investment income for the eighteen months ended June 30, 2015, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 21,370	\$ 112,074	\$ 1,396	\$ 134,840
Net realized gain	3,522	21,144	142,885	167,551
Net change in unrealized gains	<u>12,757</u>	<u>(36,619)</u>	<u>(93,178)</u>	<u>(117,040)</u>
	<u>\$ 37,649</u>	<u>\$ 96,599</u>	<u>\$ 51,103</u>	<u>\$ 185,351</u>

Investment advisory fees are netted against interest and dividends. These fees totaled \$45,921 for the eighteen months ended June 30, 2015.

**University of Montana-Western Foundation**  
**Notes to Financial Statements-continued**  
**June 30, 2015**

**5. Net Assets**

Restrictions placed upon net assets as of June 30, 2015 and December 31, 2013, are as follows:

Temporarily restricted net assets are available for the following purposes as of June 30, 2015 and December 31, 2013:

	<u>2015</u>	<u>2013</u>
Scholarships	\$ 516,887	\$ 544,526
Booster	85,931	105,392
Alumni	58,782	66,795
Birch Creek Center	321	321
Faculty Development	520	393
Chancellor's Special Projects	1,505	1,956
Director's Special Projects	301	528
Growth	124	204
Campaign	5,314	5,397
Clubs, Departments & Other Programs	<u>736,010</u>	<u>283,180</u>
Total temporarily restricted net assets	<u>\$ 1,405,695</u>	<u>\$ 1,008,692</u>

Net assets were permanently restricted for the following purposes as of June 30, 2015 and December 31, 2013:

	<u>2015</u>	<u>2013</u>
Scholarships	\$ 3,854,285	\$ 3,741,435
Booster	56,987	56,293
Growth	35,520	35,079
Alumni	91,112	90,598
Clubs, Departments & Other Programs	<u>257,509</u>	<u>255,664</u>
Total permanently restricted net assets	<u>\$ 4,295,413</u>	<u>\$ 4,178,979</u>

**6. Leases in the Financial Statements of Lessors**

On November 21, 2012, the Foundation (lessor) executed a new twenty-three year agreement to lease the property and equipment known as the Sparky's Garage (Restaurant) effective as of October 1, 2012. The monthly lease payments are \$1,800. The rate of \$1,800 will increase 2% on each anniversary of the lease. The lease payments were waived from January 1, 2013 to March 31, 2013.

Future minimum lease payments to be received are as follows:

<u>Year</u>	<u>Amount</u>
6/30/2016	\$22,809
6/30/2017	\$23,262
6/30/2018	\$23,727
6/30/2019	\$24,204
6/30/2020	\$24,693