

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

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

**FOR THE EIGHTEEN MONTHS ENDED  
JUNE 30, 2016**

## 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



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## 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, 2016, and the related statements of activities and changes in net assets and cash flows for the year 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, 2016, 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 20, 2016

**University of Montana-Western Foundation**  
**Statement of Financial Position**  
**June 30, 2016**

**Assets**

Cash and cash equivalents	\$ 436,407
Contributions and pledges receivable, net	40,000
Accrued investment income	24,011
Vehicle (net of accumulated depreciation, \$36,000)	7,427
Unrestricted investments	340,861
Temporarily restricted investments	924,623
Endowment investments	<u>4,212,981</u>
 Total Assets	 <u>\$ 5,986,310</u>

**Liabilities**

Accounts payable	\$ 5,006
Notes payable	<u>-</u>
 Total Liabilities	 <u>5,006</u>

**Net Assets**

Unrestricted	344,397
Temporarily restricted	1,423,926
Permanently restricted	<u>4,212,981</u>
 Total Net Assets	 <u>5,981,304</u>
 Total Liabilities and Net Assets	 <u>\$ 5,986,310</u>

See accompanying notes to financial statements.

**University of Montana-Western Foundation**  
**Statements of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenue</b>				
Contributions	\$ 37,716	\$ 866,737	\$ 31,660	\$ 936,113
Special events	22,683	-	-	22,683
Rental income	-	13,370	-	13,370
Net investment income	18,365	59,085	(114,092)	(36,642)
Net assets released from restrictions	920,961	(920,961)	-	-
<b>Total Support and Revenue</b>	999,725	18,231	(82,432)	935,524
<b>Expenses</b>				
Program services:				
Scholarships given	260,698	-	-	260,698
Project expense	540,559	-	-	540,559
<b>Total Program Services</b>	801,257	-	-	801,257
General and administrative	45,178	-	-	45,178
Depreciation	2,400	-	-	2,400
Fundraising	83,929	-	-	83,929
Contracted outside services	69,701	-	-	69,701
<b>Total Expenses</b>	1,002,465	-	-	1,002,465
<b>Change in Net Assets</b>	(2,740)	18,231	(82,432)	(66,941)
<b>Net Assets, Beginning of Year</b>	347,137	1,405,695	4,295,413	6,048,245
<b>Net Assets, End of Year</b>	\$ 344,397	\$ 1,423,926	\$ 4,212,981	\$ 5,981,304

See accompanying notes to financial statements.

**University of Montana-Western Foundation**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2016**

<b>Cash Flows From Operating Activities:</b>	
Change in net assets	\$ (66,941)
Adjustment to reconcile change in net assets to net cash used in operating activities:	
Depreciation expense	2,400
Decrease in contributions and pledges receivable, net	40,000
Increase in accrued investment income	(7,204)
Increase in accounts payable	2,567
Net realized and unrealized losses on investments	145,070
Permanently restricted contributions	<u>(31,660)</u>
Net cash provided by operating activities	<u>84,232</u>
<b>Cash Flows From Investing Activities:</b>	
Purchase of investment securities	(433,225)
Proceeds from redemption of investment securities	<u>387,582</u>
Net cash used in investing activities	<u>(45,643)</u>
<b>Cash Flows From Financing Activities:</b>	
Permanently restricted contributions	<u>31,660</u>
Net cash provided from financing activities	<u>31,660</u>
Net increase in cash and cash equivalents	70,249
<b>Cash and cash equivalents, beginning of year</b>	<u>366,158</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 436,407</u>
<b>Supplementary Data:</b>	
Interest Paid	<u>\$ -</u>

See accompanying notes to financial statements.

**University of Montana-Western Foundation**  
**Notes to Financial Statements**  
**June 30, 2016**

**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, 2016**

**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 \$2,400.

**2. Cash**

The total cash held by the Foundation at June 30, 2016, includes \$183,949 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, 2016, totaled \$40,000 and the allowance for uncollectible contributions and pledges was \$0.



**University of Montana-Western Foundation**  
**Notes to Financial Statements-continued**  
**June 30, 2016**

**4. Investments**

Investments as of June 30, 2016, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Unrestricted:			
Cash and cash equivalents	\$ 3,230	\$ 3,230	\$ 3,230
Bonds and notes	28,352	39,023	39,023
Equities	33,780	59,674	59,674
Real Assets/REITs	6,694	10,013	10,013
Real estate	228,921	228,921	228,921
	<u>\$ 300,977</u>	<u>\$ 340,861</u>	<u>\$ 340,861</u>
Temporarily Restricted:			
Cash and cash equivalents	\$ 44,565	\$ 44,565	\$ 44,565
Bonds and notes	391,335	322,324	322,324
Equities	466,221	475,024	475,024
Real Assets/REITs	92,396	82,710	82,710
	<u>\$ 994,396</u>	<u>\$ 924,623</u>	<u>\$ 924,623</u>
Permanently Restricted:			
Cash and cash equivalents	\$ 159,433	\$ 159,433	\$ 159,433
Bonds and notes	1,400,008	1,411,614	1,411,614
Equities	1,667,916	2,116,102	2,116,102
Real Assets/REITs	330,549	362,227	362,227
Real estate	163,605	163,605	163,605
	<u>\$3,721,511</u>	<u>\$4,212,981</u>	<u>\$4,212,981</u>

Net investment income for the eighteen months ended June 30, 2016, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 21,153	\$ 86,443	\$ 831	\$ 108,427
Net realized gain	877	7,248	31,740	39,865
Net change in unrealized gains	<u>(3,665)</u>	<u>(34,606)</u>	<u>(146,663)</u>	<u>(184,934)</u>
	<u>\$ 18,365</u>	<u>\$ 59,085</u>	<u>\$ (114,092)</u>	<u>\$ (36,642)</u>

Investment advisory fees are netted against interest and dividends. These fees totaled \$29,803 for the year ended June 30, 2016.

**University of Montana-Western Foundation**  
**Notes to Financial Statements-continued**  
**June 30, 2016**

**5. Net Assets**

Restrictions placed upon net assets as of June 30, 2016, and June 30, 2015, are as follows:

Temporarily restricted net assets are available for the following purposes as of June 30, 2016, and June 30, 2015:

	<u>2016</u>	<u>2015</u>
Scholarships	\$ 776,129	\$ 516,887
Booster	13,771	85,931
Alumni	58,821	58,782
Birch Creek Center	321	321
Faculty Development	86	520
Chancellor's Special Projects	3,368	1,505
Director's Special Projects	919	301
Growth	172	124
Campaign	5,314	5,314
Clubs, Departments & Other Programs	<u>565,025</u>	<u>736,010</u>
Total temporarily restricted net assets	<u>\$ 1,423,926</u>	<u>\$ 1,405,695</u>

Net assets were permanently restricted for the following purposes as of June 30, 2016, and June 30, 2015:

	<u>2016</u>	<u>2015</u>
Scholarships	\$ 3,779,869	\$ 3,854,285
Booster	55,284	56,987
Growth	34,534	35,520
Alumni	89,988	91,112
Clubs, Departments & Other Programs	<u>253,306</u>	<u>257,509</u>
Total permanently restricted net assets	<u>\$ 4,212,981</u>	<u>\$ 4,295,413</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>
6/30/2017	\$23,262
6/30/2018	\$23,727
6/30/2019	\$24,204
6/30/2020	\$24,693
6/30/2021	\$25,686