



August 31, 2016

Commissioner Clayton Christian
Office of the Commissioner of Higher Education
Montana University System
PO Box 203201
Helena, MT 59620-3201

Dear Commissioner Christian,

I am pleased to provide our campus's annual report as required under BOR Policy 901.9 (Campus Affiliated Foundations). Besides detailing UM funds directed to the University of Montana Foundation over the past three years, the report also provides a summary of fundraising activity (amounts and number of donations), the amount the UM Foundation transferred to the University, and the return on the UM Foundation's long-term investment portfolio. We will provide our audited financial statements when they are available in late September.

The three year Investing in Student Success Initiative concluded at the end of fiscal year 2016. With a goal of \$45 million, the three-year initiative was designed to raise funds for ten significant priorities. These priorities were identified by the University and are intended to (1) expand the number of scholarships available to University students, (2) fund key programs like the Global Leadership Initiative and the Davidson Honors College, and (3) enhance student study and athletic facilities. I am pleased to report that because of the sustained support from committed donors, we exceeded the Initiative's goal by 37 percent, raising a total of \$62 million. The majority of the donations-\$51 million-were directed to student scholarships and fellowships.

Please note that our annual report includes figures relating only to those private support dollars that were received through the Foundation. Our fundraising total reported in the press—\$53.7 million—also includes private support direct to the University (\$11.3 million).

We consider it an honor and privilege to be able to partner with the University in raising private funds. As always, please let me know if you have questions about the content of this report.

A handwritten signature in blue ink that reads "Shane Giese". The signature is fluid and cursive.

Shane Giese
President and CEO

C: Royce C. Engstrom, President, University of Montana
Joe Whittinghill, Chair, University of Montana Foundation Board of Trustees
Chuck Jensen, Deputy Commissioner for Administration and Finance

THE UNIVERSITY OF MONTANA FOUNDATION
TABLE I - FOUNDATION SUPPORT OF UNIVERSITY

	FY2016	FY2015	FY2014
Foundation Funds to University [1]			
Scholarships	\$ 5,263,299	\$ 5,020,747	\$ 4,377,515
Programmatic	\$ 9,643,467	\$ 10,238,198	\$ 7,042,374
Capital	\$ 5,167,377	\$ 5,922,737	\$ 967,033
Contracted Services [2]	\$ 353,266	\$ 338,833	\$ 296,544
Total Foundation Funds Directed to the University	\$ 20,427,409	\$ 21,520,515	\$ 12,683,466
University Funds to Foundation			
Development Services [3]	\$ 550,000	\$ 500,000	\$ 500,000
Investment Administrative Fee [4]	\$ 380,619	\$ 346,499	\$ 330,194
Total University Funds Directed to Foundation	\$ 930,619	\$ 846,499	\$ 830,194
Foundation Funds Directed by University to Foundation			
Development Salaries & Benefits, Cost Share [5]	\$ 427,625	\$ 350,511	\$ 391,500
Unrestricted Bequests [6]	\$ 245,908	\$ 82,059	\$ 253,610
Support for Investing in Student Success Initiative [7]	\$ 126,353	\$ 100,000	\$ 400,000
Total Foundation Funds Directed to Foundation	\$ 799,886	\$ 432,570	\$ 645,110
Total University and University-Directed Funds	\$ 1,730,505	\$ 1,279,069	\$ 1,475,304
Net Foundation Funds to University	\$ 18,696,904	\$ 20,241,446	\$ 11,208,162

[1] Foundation held funds transferred to or on the behalf of the University. Amounts include spending from donor restricted as well as unrestricted gifts and bequests.

[2] Foundation payments for services rendered by the University.

[3] University payments to foundation for contracted services per Operating Agreement.

[4] Administrative Fee assessed on university owned endowment funds managed by the Foundation.

[5] Foundation held funds directed by the University to pay up to 50% of certain development officer salaries and benefits as set out in the Operating Agreement.

[6] Includes the designation of bequest in FY 2012, to assist the Foundation's long term leasing of space in the proposed Gilkey Center for Executive Education as a means of completing the funding for that project.

[7] Funded by unrestricted funds held at the Foundation by the University.

THE UNIVERSITY OF MONTANA FOUNDATION

TABLE II - Investment Management

	FY 2016	FY 2015	FY 2014
<u>Long Term Investment Portfolio Balance</u>			
Foundation Funds	\$ 139,985,688	\$ 143,279,756	\$ 144,844,919
Agency Funds [1]	\$ 16,415,596	\$ 18,089,332	\$ 19,048,860
Related Agency Funds [2]	\$ 1,659,900	\$ 1,695,635	\$ 2,933,473
TOTAL	\$ 158,061,184	\$ 163,064,723	\$ 166,827,252

	Annualized Return - FY 2016			
	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Long Term Investment Portfolio Balance	-3.7%	4.4%	4.8%	4.8%
Benchmark [3]	-3.0%	3.6%	4.2%	4.2%

[1] Funds owned by the University

[2] Funds owned by a third party agency or other university affiliated 501(c)(3)

[3] Index is a diversified benchmark comprised of eleven different indices to encompass all aspects of our portfolio.

(Benchmark is established by the UM Foundation's Investment Committee.)

THE UNIVERSITY OF MONTANA FOUNDATION
TABLE III - SELECTED PERFORMANCE METRICS

	FY 2016		FY2015		FY 2014	
DEVELOPMENT SERVICES						
<u>Fundraising</u>						
Gifts & Pledges						
> \$10,000	311	\$ 18,251,444	267	\$ 31,447,139	245	\$ 21,670,900
\$1,000 - \$10,000	1,452	\$ 3,265,250	1,607	\$ 3,682,526	1,406	\$ 3,627,269
< \$1,000	29,185	\$ 2,136,590	34,834	\$ 2,324,604	13,176	\$ 2,228,552
Conditional Pledges [1]	36	\$ 18,721,861	23	\$ 8,599,504	30	\$ 16,298,034
Total	30,984	\$ 42,375,145	36,731	\$ 46,053,773	14,857	\$ 43,824,755
<u>Invested</u>						
% Endowed	50.5%	\$ 21,420,313	42.1%	\$ 19,381,850	60.0%	\$ 26,304,738
% Current	49.5%	\$ 20,954,832	57.9%	\$ 26,671,923	40.0%	\$ 17,520,017
Total		\$ 42,375,145		\$ 46,053,773		\$ 43,824,755
<u>Restriction</u>						
% Restricted	99.8%	\$ 42,301,111	99.6%	\$ 45,459,415	97.5%	\$ 43,656,368
% Non-Restricted	0.2%	\$ 74,034	0.4%	\$ 594,358	2.5%	\$ 168,387
Total		\$ 42,375,145		\$ 46,053,773		\$ 43,824,755
<u>Purpose</u>						
% Scholarships	40.6%	\$ 17,184,981	30.1%	\$ 8,612,689	26.0%	\$ 13,175,228
% Programmatic	52.2%	\$ 22,130,841	66.7%	\$ 25,586,020	71.2%	\$ 29,211,052
% Capital	7.2%	\$ 3,059,323	3.3%	\$ 11,855,064	2.8%	\$ 1,438,475
Total		\$ 42,375,145		\$ 46,053,773		\$ 43,824,755
<u>Other Activities</u>						
Distributions [3]	3,556	\$ 20,074,143	3,798	\$ 21,181,682	3,691	\$ 12,386,922
Donor Funds [4]	2,277	\$ 237,124,212	2,185	\$ 246,505,316	1,901	\$ 219,533,769
Receipts and Acknowledgements [5]	21,317		20,588		19,140	

[1] Conditional pledges, documented bequests, and revocable commitments

[2] Declining distributions reflect increased bundling of distributions and increased use of ACH transfers

[3] Variation in dollars distributed is due in large part to varying amounts of construction activity.

[4] Amount includes assets of donor funds held by the Foundation.

[5] Receipts and acknowledgements include pledge payments and memo credits and is therefore greater than the number of gifts and pledges made (see above).