



Financial Statements
June 30, 2022 and 2021

Montana State University-Northern Foundation

Montana State University-Northern Foundation

Table of Contents
June 30, 2022 and 2021

Independent Auditor’s Report	1
Financial Statements	
Statements of Financial Position	3
Statement of Activities – Year Ended June 30, 2022	4
Statement of Activities – Year Ended June 30, 2021	5
Statements of Cash Flows	6
Notes to Financial Statements	8



Independent Auditor's Report

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

Report on the Financial Statements

Opinion

We have audited the financial statements of Montana State University-Northern Foundation, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Montana State University-Northern Foundation as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of Montana State University-Northern Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Montana State University-Northern Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities of the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Montana State University-Northern Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Montana State University-Northern Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Eide Bailly LLP

Billings, Montana
October 7, 2022

Montana State University-Northern Foundation

Statements of Financial Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 77,805	\$ 252,932
Promises to give, net	799,621	1,286,430
Prepays	22,743	3,750
Investments	1,088,126	1,098,299
Assets held for donor restricted purposes		
Cash and cash equivalents	1,643,009	785,431
Investments	9,682,691	10,639,035
Notes receivable	289,807	486,024
Property and equipment, net of accumulated depreciation of \$18,806 in 2022 and \$18,062 in 2021	744	1,488
Land	1,918,000	-
Artwork	65,395	65,395
Other assets	4,316	4,783
Total assets	<u>\$ 15,592,257</u>	<u>\$ 14,623,567</u>
Liabilities and Net Assets		
Accounts payable	\$ 1,557	\$ -
Refundable advance	-	44,509
Assets held in custody for others	100,911	100,911
Accrued expenses and other liabilities	10,245	22,836
Liabilities under split-interest agreements	861,309	978,600
Notes payable	969,472	1,369,522
Total liabilities	<u>1,943,494</u>	<u>2,516,378</u>
Net Assets		
Without donor restrictions		
Undesignated	<u>919,931</u>	<u>1,008,404</u>
	<u>919,931</u>	<u>1,008,404</u>
With donor restrictions		
Perpetual in nature	7,970,492	6,955,220
Purpose restrictions	4,758,340	4,143,565
	<u>12,728,832</u>	<u>11,098,785</u>
Total net assets	<u>13,648,763</u>	<u>12,107,189</u>
Total liabilities and net assets	<u>\$ 15,592,257</u>	<u>\$ 14,623,567</u>

Montana State University-Northern Foundation

Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions	\$ 52,155	\$ 4,022,923	\$ 4,075,078
Management service revenue	182,204	-	182,204
Net investment return	(182,720)	(974,590)	(1,157,310)
Change in value of split-interest agreements	(20,069)	(89,024)	(109,093)
Paycheck Protection Program loan forgiveness	44,509	-	44,509
Other income and support	7,423	-	7,423
Reclassification of donor intent	849	(849)	-
Net assets released from restrictions	1,328,413	(1,328,413)	-
Total revenue, support, and gains	1,412,764	1,630,047	3,042,811
Expenses			
Program expenses			
Scholarships	559,048	-	559,048
Athletic programs	343,109	-	343,109
Special projects	119,498	-	119,498
Other programs	37,529	-	37,529
Total program expenses	1,059,184	-	1,059,184
Supporting services expense			
Management and general	362,698	-	362,698
Fundraising and development	72,355	-	72,355
Total supporting services expenses	435,053	-	435,053
Loss on uncollectable promises to give	7,000	-	7,000
Total expenses	1,501,237	-	1,501,237
Change in Net Assets	(88,473)	1,630,047	1,541,574
Net Assets, Beginning of Year	1,008,404	11,098,785	12,107,189
Net Assets, End of Year	\$ 919,931	\$ 12,728,832	\$ 13,648,763

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	-	150,000
Paycheck Protection Program loan forgiveness	45,593	-	45,593
Other income and support	7,402	10,000	17,402
Reclassification of donor intent	62,294	(62,294)	-
Net assets released from restrictions	4,271,809	(4,271,809)	-
Total revenue, support, and gains	4,985,855	116,402	5,102,257
Expenses and Losses			
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
Total program expenses	4,207,730	-	4,207,730
Supporting services expense			
Management and general	370,096	-	370,096
Fundraising and development	65,460	-	65,460
Total supporting services expenses	435,556	-	435,556
Total expenses and losses	4,643,286	-	4,643,286
Change in Net Assets	342,569	116,402	458,971
Net Assets, Beginning of Year	665,835	10,982,383	11,648,218
Net Assets, End of Year	\$ 1,008,404	\$ 11,098,785	\$ 12,107,189

Montana State University-Northern Foundation

Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	\$ 1,541,574	\$ 458,971
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	744	1,243
Realized and unrealized gain on investments	1,269,854	(2,784,552)
Contributions restricted to endowment	(930,241)	(425,039)
Change in value of liabilities under split-interest agreements	109,093	106,956
Paycheck Protection Program loan forgiveness	(44,509)	(45,593)
Noncash stadium contribution	-	3,431,426
Changes in operating assets and liabilities		
Promises to give	486,809	330,786
Prepaid expenses and other assets	(18,526)	(3,321)
Accounts payable	1,557	(1,588)
Accrued salary and vacation	(12,591)	9,897
Net Cash from Operating Activities	<u>2,403,764</u>	<u>1,079,186</u>
Investing Activities		
Purchases of investments	(2,706,154)	(3,146,995)
Proceeds from sales of investments	2,402,817	2,869,947
Purchase of construction in process	-	(1,754,174)
Contribution of land	(1,918,000)	-
Purchase of property and equipment	-	(2,232)
Receipts on notes receivable	196,217	27,373
Net Cash used for Investing Activities	<u>(2,025,120)</u>	<u>(2,006,081)</u>
Financing Activities		
Proceeds from Paycheck Protection Program loan	-	45,593
Collections of contributions restricted to endowment	930,241	425,039
Proceeds from notes payable	-	1,247,000
Principal payments on notes	(400,050)	(479,098)
Payments to beneficiaries of split-interest agreements	(226,384)	(168,424)
Net Cash from Financing Activities	<u>303,807</u>	<u>1,070,110</u>
Net Change in Cash and Cash Equivalents	682,451	143,215
Cash and Cash Equivalents, and Restricted Cash and Cash Equivalents Beginning of Year	<u>1,038,363</u>	<u>895,148</u>
Cash and Cash Equivalents, and Restricted Cash and Cash Equivalents End of Year	<u>\$ 1,720,814</u>	<u>\$ 1,038,363</u>

Montana State University-Northern Foundation

Statements of Cash Flows Years Ended June 30, 2022 and 2021

	2022	2021
Reconciliation of Cash and Cash Equivalents to the Statements of Financial Position		
Cash and cash equivalents	\$ 77,805	\$ 252,932
Restricted cash and cash equivalents - by donors	1,643,009	785,431
Cash and Cash Equivalents, and Restricted Cash and Cash Equivalents End of Year	\$ 1,720,814	\$ 1,038,363
Supplemental Disclosure of Non-cash Investing Activity		
In-kind contributions of construction in progress	\$ -	\$ 248,157
Contribution of land	\$ 1,918,000	\$ -

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, 2022 and 2021.

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, 2022 and 2021, 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, 2022 and 2021 was \$100,911.

Land

Land consists of 42.969 acres gifted to the Foundation during year ended June 30, 2022. It was given to hold and establish an Equine Center at MSUN.

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, 2022 and 2021 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, 2022 and 2021, contributions of \$0 and \$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 2022 and 2021 were \$182,204 per year.

Donated Services and In-Kind Contributions

In-kind contributions include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received (Note 15). The Foundation does not sell donated gifts-in-kind. In addition to in-kind contributions, volunteers contribute significant amounts of time to program services, administration, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

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. Note 13 shows how the Foundation reports certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses required allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, travel and other, which are allocated on the basis of estimates of time and effort.

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 7, 2022, 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, 2022 and 2021, financial assets available for general expenditure within one year are comprised of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 77,805	\$ 252,932
Promises to give, net	799,621	1,286,430
Investments	1,088,126	1,098,299
Anticipated endowment administrative fees	<u>219,000</u>	<u>196,000</u>
	<u>\$ 2,184,552</u>	<u>\$ 2,833,661</u>

Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The Foundation assesses an annual administrative fee of 2.75% on each endowment fund. They also assess a one-time 5% administrative fee on all new endowments exceeding \$10,000 in the year of the contribution. The proceeds from the fee are a significant component of the Foundation’s operating budget. Anticipated fees to be assessed one year from the financial position date are presented as a source of liquidity above.

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 and mutual funds 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.

Montana State University-Northern Foundation

Notes to Financial Statements

June 30, 2022 and 2021

The following table presents assets measured at fair value on a recurring basis at June 30, 2022 and 2021:

	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)
2022				
Investments				
Equity securities	\$ 7,113,294	\$ 7,113,294	\$ -	\$ -
Mutual funds	1,382,103	1,382,103	-	-
Corporate bonds	982,096	-	982,096	-
Government bonds	1,235,759	-	1,235,759	-
Municipal bonds	57,565	-	57,565	-
	<u>\$ 10,770,817</u>	<u>\$ 8,495,397</u>	<u>\$ 2,275,420</u>	<u>\$ -</u>
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>

Note 4 - Net Investment Return

Net investment return consists of the following for the years ended June 30, 2022 and 2021:

	2022	2021
Interest and dividends	\$ 230,695	\$ 290,598
Net realized and unrealized gain	(1,269,854)	2,784,552
Less investment management and custodial fees	(118,151)	(93,289)
	<u>\$ (1,157,310)</u>	<u>\$ 2,981,861</u>

Note 5 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Within one year	\$ 361,969	\$ 401,430
In one to five years	<u>460,259</u>	<u>938,517</u>
	822,228	1,339,947
Less discount to present value 2%	(15,607)	(53,517)
Less allowance for uncollectible promises to give	<u>(7,000)</u>	<u>-</u>
	<u>\$ 799,621</u>	<u>\$ 1,286,430</u>

At June 30, 2022, five donors accounted for approximately 67% of gross promises to give.

Note 6 - Notes Receivable

Notes receivable consist of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
6.0% contract receivable, due in monthly payments of \$2,962, including interest, to June 2032, secured by property	\$ 272,771	\$ 291,271
5.5% contract receivable, due in monthly payments of \$344, including interest, to January 2027, secured by property	17,036	20,613
5.4% contract receivable	<u>-</u>	<u>174,140</u>
	<u>\$ 289,807</u>	<u>\$ 486,024</u>

Notes receivable are included in the statements of financial position as of June 30, 2022 and 2021 as follows:

Notes receivable, held for donor restricted purposes	<u>\$ 289,807</u>	<u>\$ 486,024</u>
--	-------------------	-------------------

Note 7 - Paycheck Protection Program Loans

In February 2021, the Foundation was granted a loan in the amount of \$44,509 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 \$44,509 as contribution revenue for the year ended June 30, 2022.

In April 2020, the Foundation was granted a loan in the amount of \$45,593 under the PPP administered by a SBA approved partner. The loan was uncollateralized and fully guaranteed by the federal government. The Foundation recognized \$45,593 as contribution revenue for the year ended June 30, 2021.

Note 8 - Notes Payable

Notes payable consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</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	\$ 969,472	\$ 1,369,522
	<u>\$ 969,472</u>	<u>\$ 1,369,522</u>

Future maturities of notes payable are as follows:

<u>Years Ending June 30,</u>	<u>Total</u>
2025	<u>\$ 969,472</u>

Note 9 - Employee Benefit Plan

The Foundation is the sponsor of a defined contribution 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, 2022 and 2021, the Foundation's contributions to the plan were \$10,532 and \$10,851, 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 \$33,000 and \$133,000 for years ended June 30, 2022 and 2021, respectively. The cumulative deficiency is reported within net assets without donor restrictions, which total \$919,931 and \$1,008,404 as of June 30, 2022 and 2021, respectively. As discussed in Note 5, there are certain promises to fund the Football Stadium at MSUN. As of June 30, 2022, 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:

	2022	2021
Subject to Expenditure for Specified Purpose		
Equine Center	\$ 1,918,000	\$ -
Athletics	260,704	164,730
Restricted for Trusts	166,366	427,630
Scholarships	118,384	89,717
Faculty/Staff	98,655	112,460
Other	381,685	344,076
	<u>2,943,794</u>	<u>1,138,613</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for		
Scholarships	<u>1,814,546</u>	<u>3,004,952</u>
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
Scholarships	7,451,532	6,436,432
Other	518,960	518,788
	<u>7,970,492</u>	<u>6,955,220</u>
	<u>\$ 12,728,832</u>	<u>\$ 11,098,785</u>

Montana State University-Northern Foundation

Notes to Financial Statements

June 30, 2022 and 2021

Net assets were released from restrictions as follows during the years ended June 30, 2022 and 2021:

	2022	2021
Scholarships	\$ 559,048	\$ 564,939
Athletics	343,109	124,066
Faculty development	37,490	9,245
Restricted for trusts	30,228	17,327
Football stadium	-	3,302,690
Diesel center	-	40,740
Other	358,538	212,802
	\$ 1,328,413	\$ 4,271,809

Note 12 - Endowments

The Foundation's endowment (the Endowment) consists of 163 and 154 individual funds for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, 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.

Montana State University-Northern Foundation

Notes to Financial Statements

June 30, 2022 and 2021

The Foundation had the following Endowment net asset composition by type of fund as of June 30, 2022 and 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
2022			
Donor-Restricted Endowment Funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	\$ -	\$ 7,970,492	\$ 7,970,492
Accumulated gains	-	1,814,546	1,814,546
	\$ -	\$ 9,785,038	\$ 9,785,038
2021			
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

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, 2022 and 2021, 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, 2022 and 2021, 3.25% was appropriated for scholarship expenditures and 2.75% was earmarked for management fees.

Montana State University-Northern Foundation

Notes to Financial Statements

June 30, 2022 and 2021

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 years ended June 30, 2022 and 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
2022			
Endowment net assets, beginning of year	\$ -	\$ 9,960,172	\$ 9,960,172
Investment return, net		(942,408)	(942,408)
Contributions	-	930,241	930,241
Reclassification of donor intent	-	85,031	85,031
Appropriation of endowment assets pursuant to spending-rate policy	-	(247,998)	(247,998)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 9,785,038</u>	<u>\$ 9,785,038</u>
2021			
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>

Montana State University-Northern Foundation

Notes to Financial Statements

June 30, 2022 and 2021

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, 2022 and 2021 are as follows:

	2022			Total
	Program Expenses	Management and General	Fundraising and Development	
Grants and other assistance				
Scholarships	\$ 559,048	\$ -	\$ -	\$ 559,048
Athletic programs	343,109	-	-	343,109
Special projects	119,498	-	-	119,498
Other programs	37,529	-	-	37,529
Salaries and benefits	-	213,698	56,000	269,698
Professional fees	-	23,141	-	23,141
Office expenses	-	62,204	15,551	77,755
Information technology	-	51,463	-	51,463
Insurance	-	4,819	-	4,819
Depreciation	-	744	-	744
Travel	-	803	804	1,607
Uncollectable promises to give	-	7,000	-	7,000
Other	-	5,826	-	5,826
	<u>\$ 1,059,184</u>	<u>\$ 369,698</u>	<u>\$ 72,355</u>	<u>\$ 1,501,237</u>

	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
Travel	-	4,048	-	4,048
Insurance	-	1,243	-	1,243
Depreciation	-	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>

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, 2022 and 2021.

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.

Note 15 - In-Kind Contributions

For the years ended June 30, 2022 and 2021, in-kind contributions recognized within the statement of activities included the following:

	<u>2022</u>	<u>2021</u>
Interest expense	\$ 67,246	\$ 65,342
Professional construction services	-	182,815
	<u>\$ 67,246</u>	<u>\$ 248,157</u>

Contributed professional construction services are provided by contractors who assisted with the construction of the new football stadium. Contributed professional construction services are used for program activities and are recognized at fair value on current rates for similar construction services.

Contributed interest expense is related to a non-interest-bearing loan from a bank for the construction of the football stadium. The interest expense is based on the current rate that would have been provided to a commercial borrower at the inception of the note.

The in-kind gifts received during June 30, 2022 were considered without donor restrictions, while the gifts received during June 30, 2021 were considered restricted to a program.