

MSU-Billings Foundation

Financial Statements

Years Ended June 30, 2021 and 2020

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MSU-Billings Foundation

Years Ended June 30, 2021 and 2020

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Independent Auditor's Report

Board of Directors
MSU-Billings Foundation
Billings, MT

Report on the Financial Statements

We have audited the accompanying financial statements of MSU-Billings Foundation (a nonprofit organization), 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; 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. 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 MSU-Billings Foundation as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Wipfli LLP

Wipfli LLP

Billings, Montana
November 16, 2021

MSU-Billings Foundation

Statements of Financial Position

<i>June 30,</i>	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,404,831	\$ 3,352,526
Accrued investment income	15,847	57,623
Accounts receivable	46,883	-
Contributions receivable, net	170,033	341,681
Total current assets	1,637,594	3,751,830
Property and equipment:		
Buildings and improvements	2,024,999	1,996,357
Computer equipment and software	36,139	13,820
Pianos	206,700	206,700
Accumulated depreciation	(1,371,323)	(1,297,316)
Total property and equipment, net	896,515	919,561
Other assets:		
Marketable equity securities	39,203,238	32,696,671
Other assets	165,581	114,191
Long-term contributions receivable, net of discount and allowances	1,444,467	1,504,419
Total other assets	40,813,286	34,315,281
Total assets	\$ 43,347,395	\$ 38,986,672

MSU-Billings Foundation

Statements of Financial Position (Continued)

<i>June 30,</i>	2021	2020
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable - trade	\$ 25,056	\$ 9,375
Accounts payable - scholarships	1,150,815	1,132,150
Other current liabilities	36,171	36,015
Refundable advance liability	150,000	150,000
Total current liabilities	1,362,042	1,327,540
Other liabilities:		
Investment held in trust	2,336,707	1,850,843
Liability on annuity contracts and trusts	419,335	430,475
Total other liabilities	2,756,042	2,281,318
Total liabilities	4,118,084	3,608,858
Net assets:		
Without donor restrictions:		
Undesignated	2,885,511	2,341,684
Designated by the governing board	2,917,390	2,374,159
Total without donor restrictions	5,802,901	4,715,843
With donor restrictions	33,426,410	30,661,971
Total net assets	39,229,311	35,377,814
Total liabilities and net assets	\$ 43,347,395	\$ 38,986,672

MSU-Billings Foundation

Statements of Activities

Years Ended June 30,	2021		2020	
	Without		Without	
	Donor Restrictions	With Donor Restrictions	Donor Restrictions	With Donor Restrictions
	Total	Total	Total	Total
Support and Revenue:				
Contributions	\$ 189,663	\$ 2,139,557	\$ 2,329,220	\$ 3,402,649
Grants	150,000	-	150,000	-
In-kind contributions	-	105,951	105,951	115,990
Rental revenue, net of rental expenses	484,255	-	484,255	-
Interest and dividends	131,472	361,599	493,071	661,054
Realized and unrealized gains and losses on investments	870,153	6,709,634	7,579,787	206,605
Other revenues	381,183	56,275	437,458	23,616
Change in restriction	(9,955)	9,955	-	10,650
Net assets released from restrictions	6,618,532	(6,618,532)	-	(3,777,719)
Total support and revenue	8,815,303	2,764,439	11,579,742	642,845
Expenses:				
Program expenses:				
Student scholarships	1,802,601	-	1,802,601	-
Academic programs	207,822	-	207,822	-
Campus projects	4,163,650	-	4,163,650	-
Campus and community outreach	491,105	-	491,105	-
Alumni relations	112,220	-	112,220	-
Non-program expenses:				
General and administrative	318,951	-	318,951	-
Investment management and audit	167,048	-	167,048	-
Facilities and maintenance	36,000	-	36,000	-
Fundraising	259,138	-	259,138	-
Cultivation and stewardship	169,710	-	169,710	-
Total expenses	7,728,245	-	7,728,245	5,090,309
Change in net assets	1,087,058	2,764,439	3,851,497	642,845
Net assets at beginning of year	4,715,843	30,661,971	35,377,814	30,019,126
Net assets at end of year	\$ 5,802,901	\$ 33,426,410	\$ 39,229,311	\$ 30,661,971

See accompanying notes to financial statements.

MSU-Billings Foundation

Statements of Cash Flows

<i>Years Ended June 30,</i>	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 3,851,497	\$ 435,168
Adjustments to reconcile increase in net assets to net cash from operations:		
Depreciation	74,007	68,413
Loan converted to grant revenue	(150,000)	-
Unrealized and realized gains on investments	(7,579,787)	(335,819)
Contributions restricted for long-term investment	(623,146)	(334,896)
(Increase) decrease in:		
Accrued investment income	41,776	3,373
Accounts receivable	(46,883)	-
Contributions receivable	231,600	(561,300)
Other assets	(51,390)	(12,226)
Increase (decrease) in:		
Accounts payable - trade	15,681	(4,577)
Accounts payable - scholarships	18,665	35,081
Other current liabilities	156	4,502
Annuity obligations	(11,140)	81,997
<hr/>		
Net cash flows from operating activities	(4,228,964)	(620,284)
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Cash flows from investing activities:		
Change in assets held in trust	485,864	(9,782)
Purchases of property and equipment	(50,961)	(6,582)
Proceeds from sales of investments	73,409,901	11,704,841
Purchases of investments	(72,336,681)	(13,442,301)
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Net cash flows from investing activities	1,508,123	(1,753,824)
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Cash flows from financing activities:		
Contributions and other revenue restricted for investment in endowments	623,146	334,896
Proceeds from refundable advance liability	150,000	150,000
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Net cash flows from financing activities	773,146	484,896
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Net change in cash and equivalents	(1,947,695)	(1,889,212)
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Cash and equivalents, beginning of year	3,352,526	5,241,738
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Cash and equivalents, end of year	\$ 1,404,831	\$ 3,352,526

MSU-Billings Foundation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Activities

The Montana State University Billings Foundation (the Foundation) is a publicly supported, nonprofit corporation founded in 1968 to advance the goals of Montana State University Billings by:

- (1) Establishing lifelong relationships with university students, parents, faculty, alumni, friends, and community partners.
- (2) Creating pathways to success and sustaining them through philanthropy, stewardship, and community engagement.
- (3) Seeking and nurturing innovative partnerships to support the realization of current and emerging university priorities.
- (4) Fostering a culture of inclusivity that celebrates diversity on campus and beyond.

New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU provides guidance on the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous accounting standards and new disclosures on key information about leasing arrangements. The new standard supersedes current leases accounting in FASB Accounting Standards Codification (ASC) Topic 840, *Leases*. When adopted, the amendments in the ASU must be applied using a modified retrospective approach. ASU No. 2016-02 is effective for nonpublic companies for annual periods beginning after December 15, 2021. The Foundation is currently evaluating the impact of the provisions of ASC 842.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States ("GAAP").

Cash and Cash Equivalents

The Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The carrying amounts reported on the statement of financial position approximate their fair value due to their short term maturity and/or liquidity.

MSU-Billings Foundation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Promises to Give

Unconditional promises to give to the Foundation are recorded as receivables in the period the promises are made. If the promise is to be fulfilled in more than a one-year period, the amount promised is discounted and recorded at the present value. The discount rate, based on the prime interest rate, was 4.25% and 4.25% as of June 30, 2021 and 2020, respectively. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Foundation uses the allowance method to determine uncollectible, unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Investments

The Foundation pools its funds for the purposes of investing. The investment pool's assets are divided among cash, fixed income, equity, and alternative investments. Allocation among asset classes and investment managers is guided by the investment policy based upon an investment objective of growth and income. Earnings from the investment portfolios are prorated back to individual funds.

Concentrations of Credit Risk

The Foundation's investment holdings are invested in accordance with the Foundation's investment policies. The policies require that equity and debt investments be diversified in order to provide reasonable assurance that investments in either a single security or single class of securities cannot have an excessive impact on the total investment portfolio.

The Foundation's investments are made in well-established, quality companies whose securities are readily marketable. The Foundation attempts to diversify its investment holdings across various industries as well as in various types of investment classes. At June 30, 2021 and 2020, the Foundation's investment in marketable equity securities included investments in corporations primarily in the financial, information technology, health care, consumer discretionary, natural resources and energy industries. The Foundation's investments in marketable debt securities included bonds issued by domestic corporations, the United States Treasury, international governments and corporations and certificates of deposit.

Investment securities are exposed to various risks, such as interest rate, credit and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

The Foundation's cash and cash equivalent balances are maintained in low-risk money market funds in bank and trust accounts. Periodically, cash balances are in excess of federally insured limits.

MSU-Billings Foundation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurement and Disclosures, provides the framework for measuring fair values. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in an active market. This level includes common stocks, corporate bonds or mutual funds based on closing price reported in the active market where the securities are traded.
- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, inputs that are derived principally from or corroborated by observable market data by correlation or other means. Investment funds valued using net asset value (NAV) per share or its equivalent as reported by investment managers are included within Level 2.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Certain investments in hedge funds, private equity funds, or other private investments valued utilizing unobservable inputs and which have no trading activity or cannot be redeemed at NAV or its equivalent are classified within Level 3. The Foundation's Level 3 assets presented in the accompanying financial statements are based upon the best estimates after considering a variety of internal and external factors.

The general partners of the underlying investment partnerships generally value their investments at fair value and in accordance with accounting principles generally accepted in the United States. Investments with no readily available market are generally valued according to the market-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, and/or the investment, the amount the investment partnerships can reasonably expect to realize upon the sale of securities, and any other factors deemed relevant. An investment can be carried at acquisition price (cost) if little changed since the initial investment of the partnership and is most representative of fair value. Investments with a readily available market (listed on a securities exchange or traded in the over-the-counter market) are valued at quoted market prices or at an appropriate discount from such price if marketability of the securities is restricted.

Although the Foundation uses its best judgment in determining fair value, the values presented herein are not necessarily indicative of the amount that the Foundation could realize in a current transaction. Future events could affect the estimates of fair value and could be material to the financial statements. These events could also affect the amount realized upon redemption of the investments.

MSU-Billings Foundation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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 donor restrictions. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

Property and Equipment

All acquisitions and improvements of property and equipment of \$1,000 or more are capitalized while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Depreciation is computed using the straight-line method over the estimated lives of the assets (3 to 39 years). Purchased property and equipment is carried at cost.

The Foundation reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Scholarships Payable

Scholarships are recognized as liabilities at the time they are authorized for expenditure regardless of the year in which the scholarships are paid. Scholarship amounts are determined by the Foundation's payout policy or when a donor restriction supersedes the payout policy, according to the terms of the gift instrument.

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation 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 certain grantor) restrictions.

MSU-Billings Foundation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

Net assets with donor restrictions: Net assets subject to donor or certain grantor-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 or grantor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor or grantor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contribution Revenue

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a 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.

The Foundation reports gifts of land, buildings, and equipment as support without restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as with restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Foundation does not accept gifts of non-cash assets which are inconsistent and not in accordance with the University's educational mission unless such assets can be converted into a form which allows the Foundation to further the role of the University.

In-Kind Contributions

The Foundation recognized the fair value of donated materials and services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Foundation's various programs. The value of this unpaid volunteer time is not reflected in the accompanying financial statements since the value of these services cannot be objectively determined.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in schedules included in Note 3. The schedules present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

MSU-Billings Foundation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses (Continued)

Program Expenses:

Student Scholarships: Activities that provide direct financial support for MSU Billings students.

Academic Programs: Activities that provide funding to support academic programs at MSU Billings by providing specific resources and faculty development opportunities.

Campus Projects: Activities related to capital expenditures for MSU Billings and expenditures for intercollegiate athletic programs and the MSU Billings Library.

Campus and Community Outreach: Activities related to Foundation public relation efforts to promote MSU Billings throughout the greater community.

Alumni Relations: Activities related to all activities of the MSU Billings Alumni Association.

Non-Program Expenses:

General and Administrative: Activities related to general foundation operating expenses.

Investment Management and Audit: Activities including professional costs relating to investment management and accounting services.

Facilities and Maintenance: Activities cost of the foundation's office space.

Fundraising: Activities related to Foundation development activities.

Cultivation and Stewardship: Outreach activities designed to build friendships and alliances across our various communities.

Compensated Absences

The Foundation recognizes a liability for the cost of unused vacation benefits, payable in the event of employee termination. The liability amounted to \$36,171 and \$36,015 at June 30, 2021 and 2020, respectively, and is included in other current liabilities on the statements of financial position.

Income Taxes

The Foundation is organized as a not-for-profit corporation and is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision or liability for federal income taxes has been included in the accompanying financial statements. The Foundation's tax returns are subject to possible examination by the taxing authorities for the three previous tax years. The Foundation has determined that no uncertain tax positions have been taken. In the event that the Foundation is assessed penalties and/or interest, penalties will be charged to other operating expense and interest will be charged to interest expense.

MSU-Billings Foundation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Change in Accounting Policy

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization adopted this guidance effective July 1, 2020, as it felt it was the most faithful depiction of the timing of revenue reasonably expected to be collected in exchange for goods or services. The Organization applied Topic 606 on a retrospective basis and elected the practical expedient in paragraph FASB ASC 606-10-65-1(f)(1), under which an entity need not restate contracts that begin and are completed within the same annual reporting period. The Foundation has determined that the standard has determined no revenues are subject to the new standard. There was no change to reported revenue, net assets, or the change in net assets for either period presented.

Subsequent Events

The Foundation has evaluated events and transactions for potential recognition or disclosure in the financial statements through November 16, 2021, which is the date the financial statements were available to be issued. There were no events that occurred subsequent to year-end requiring disclosure and inclusion in these financial statements.

Reclassification

Certain amounts as previously reported in the prior-year financial statements have been reclassified to conform to the June 30, 2021, presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

MSU-Billings Foundation

Notes to Financial Statements

Note 2: Liquidity and Availability of Financial Resources

The Foundation has \$3,296,338 of financial assets available within one year of the statement of financial position date consisting of cash held in checking and savings accounts, certificates of deposit, investments, and accounts receivables net of any donor restrictions. These financial assets are not subject to donor or other contractual restrictions that make them unavailable for expenditure within one year of the statement of financial position date. The certificates of deposit are subject to time restrictions, but mature within one year. As part of its liquidity management, the Foundation may draw upon board-designated endowments in the event of an unanticipated liquidity need.

<i>Year Ended June 30,</i>	2021	2020
Total assets, at year-end	\$ 43,347,395	\$ 38,986,672
Less: Property and equipment	(896,515)	(919,561)
Less: Other assets	(165,581)	(114,191)
Less: Long term receivables, net of discounts and allowance	(1,444,467)	(1,504,419)
Financial assets, at year-end	40,840,832	36,448,501
Less: Those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Donor-restricted investment net assets	(33,426,410)	(30,661,971)
Liabilities	(4,118,084)	(3,608,858)
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,296,338	\$ 2,177,672

MSU-Billings Foundation

Notes to Financial Statements

Note 3: Functional Classification of Expenses

The following programs services are reflected in the statement of activities for the year ended June 30, 2021:

Program Expenses	Student Scholarships	Academic Programs	Campus Projects	Campus and Community Outreach	Alumni Relations	Total Program Expenses
Audit fees	\$ -	\$ -	\$ -	\$ -	\$ -	-
Bank charges	-	-	-	-	-	-
Conferences and training	-	-	-	5,929	-	5,929
Consultants	-	-	-	3,835	5,369	9,204
Contract services	-	-	-	5,589	15,140	20,729
Depreciation	-	10,335	-	-	1,611	11,946
Donor relations	-	-	-	6,532	-	6,532
Dues and subscriptions	-	-	-	8,397	69	8,466
Education programs	-	-	-	85	-	85
Employee benefits	3,308	3,110	-	32,741	8,514	47,673
Grants and allocations	-	-	-	-	-	-
In-kind expense	-	3,882	98,926	2,893	163	105,864
Insurance	-	-	-	-	-	-
Investment fees	-	-	-	-	-	-
Legal fees	-	-	-	-	-	-
Payroll taxes	1,646	1,548	-	16,301	4,239	23,734
Postage and shipping	-	-	-	3,347	498	3,845
Printing and duplication	-	66	177	17,552	5,240	23,035
Program expenses	75	168,074	4,056,315	145,424	8,098	4,377,986
Rent	-	-	-	-	-	-
Repairs and maintenance	-	-	8,232	411	1,113	9,756
Salaries and wages	22,120	20,807	-	219,044	56,966	318,937
Stewardship expenses	-	-	-	6,861	-	6,861
Special events	-	-	-	10,538	2,641	13,179
Scholarship expense	1,775,452	-	-	-	-	1,775,452
Sponsorships	-	-	-	3,810	-	3,810
Supplies	-	-	-	1,012	2,157	3,169
Telephone and internet	-	-	-	804	402	1,206
Total program expenses	\$ 1,802,601	\$ 207,822	\$ 4,163,650	\$ 491,105	\$ 112,220	\$ 6,777,398

MSU-Billings Foundation

Notes to Financial Statements

Note 3: Functional Classification of Expenses (Continued)

The following supporting services are reflected in the statement of activities for the year ended June 30, 2021:

Non-Program Expenses	General and Administrative	Investment Management and Audit	Facilities and Maintenance	Fundraising	Cultivation and Stewardship	Total Non- Program Expenses
Audit fees	\$ 23,602	\$ -	\$ -	\$ -	\$ -	23,602
Bank charges	3,622	2,126	-	-	-	5,748
Conferences and training	3,953	-	-	-	9,882	13,835
Consultants	-	-	-	6,136	-	6,136
Contract services	36,723	-	-	10,480	-	47,203
Depreciation	8,218	-	-	-	-	8,218
Donor relations	-	-	-	-	6,532	6,532
Dues and subscriptions	137	-	-	-	8,467	8,604
Education programs	-	-	-	-	85	85
Employee benefits	26,231	-	-	26,442	10,222	62,895
Grants and allocations	-	-	-	-	14,369	14,369
In-kind expense	-	-	-	54	33	87
Insurance	4,483	-	-	-	-	4,483
Investment fees	-	164,922	-	-	-	164,922
Legal fees	5,905	-	-	-	3,618	9,523
Payroll taxes	13,061	-	-	13,165	5,090	31,316
Postage and shipping	2,169	-	-	3,803	2,829	8,801
Printing and duplication	1,512	-	-	14,362	8,644	24,518
Program expenses	7,885	-	-	3,525	7,608	19,018
Rent	-	-	36,000	-	-	36,000
Repairs and maintenance	2,700	-	-	771	-	3,471
Salaries and wages	175,506	-	-	176,904	68,392	420,802
Stewardship expenses	-	-	-	-	4,700	4,700
Special events	-	-	-	1,570	11,659	13,229
Scholarship expense	-	-	-	-	-	-
Sponsorships	-	-	-	-	3,810	3,810
Supplies	2,521	-	-	1,042	2,564	6,127
Telephone and internet	723	-	-	884	1,206	2,813
Total non-program expenses	\$ 318,951	\$ 167,048	\$ 36,000	\$ 259,138	\$ 169,710	\$ 950,847

MSU-Billings Foundation

Notes to Financial Statements

Note 3: Functional Classification of Expenses (Continued)

The following programs services are reflected in the statement of activities for the year ended June 30, 2020:

Program Expenses	Student Scholarship	Academic Progress	Campus Projects	Campus and Community Outreach	Alumni Relations	Total Program Expenses
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	-
Audit fees	-	-	-	-	-	-
Bank charges	-	-	-	-	-	-
Conferences and training	-	-	-	5,693	-	5,693
Consultants	-	-	-	-	-	-
Contract services	-	-	-	-	9,758	9,758
Depreciation	-	10,335	-	-	1,403	11,738
Donor relations	-	47	1,127	556	102	1,832
Dues and subscriptions	-	-	-	6,858	292	7,150
Employee benefits	3,071	1,750	-	22,488	17,344	44,653
Grants and allocations	-	-	-	-	-	-
In-kind expense	-	15,663	95,083	5,146	98	115,990
Insurance	-	-	-	-	-	-
Investment fees	-	-	-	-	-	-
Legal fees	-	-	-	-	-	-
Payroll taxes	1,732	986	-	12,679	10,629	26,026
Postage and shipping	-	-	-	1,044	-	1,044
Printing and duplication	-	-	-	9,110	2,813	11,923
Program expenses	-	168,772	1,142,746	133,221	15,732	1,460,471
Rent	-	-	-	-	-	-
Repairs and maintenance	-	-	-	-	1,200	1,200
Salaries and wages	21,818	12,429	-	159,748	133,556	327,551
Stewardship expenses	-	-	-	16,691	-	16,691
Special events	-	-	-	24,916	11,340	36,256
Scholarship expense	2,102,388	-	-	-	-	2,102,388
Sponsorships	-	-	-	3,516	-	3,516
Supplies	-	-	-	458	883	1,341
Telephone and internet	-	-	-	840	420	1,260
Total program expenses	\$ 2,129,009	\$ 209,982	\$ 1,238,956	\$ 402,964	\$ 205,570	\$ 4,186,481

MSU-Billings Foundation

Notes to Financial Statements

Note 3: Functional Classification of Expenses (Continued)

The following supporting services are reflected in the statement of activities for the year ended June 30, 2020:

Non-Program Expenses	General and Administrative	Investment Management and Audit	Facilities and Maintenance	Fundraising	Cultivation and Stewardship	Total Non- Program Expenses
Audit fees	\$ -	\$ 23,219	\$ -	\$ -	\$ -	\$ 23,219
Bank charges	2,875	470	-	-	-	3,345
Conferences and training	3,795	-	-	-	9,489	13,284
Contract services	22,769	-	-	-	-	22,769
Depreciation	3,274	-	-	-	-	3,274
Donor relations	-	-	-	5	353	358
Dues and subscriptions	584	-	-	-	7,150	7,734
Employee benefits	21,140	-	-	22,767	9,068	52,975
Grants and allocations	-	-	-	-	13,684	13,684
In-kind expense	-	-	-	-	-	-
Insurance	4,209	-	-	-	-	4,209
Investment fees	-	165,615	-	-	-	165,615
Legal fees	-	4,341	-	-	2,894	7,235
Payroll taxes	12,062	-	-	12,978	5,113	30,153
Postage and shipping	1,567	-	-	522	2,089	4,178
Printing and duplication	799	-	-	1,664	9,219	11,682
Program expenses	4,883	-	39	2,136	51,851	58,909
Rent	-	-	36,000	-	-	36,000
Repairs and maintenance	300	-	-	-	-	300
Salaries and wages	151,908	-	-	163,455	64,419	379,782
Stewardship expenses	-	-	-	-	12,923	12,923
Special events	3,442	-	-	34,153	5,491	43,086
Sponsorships	-	-	-	-	3,554	3,554
Supplies	942	-	-	458	1,220	2,620
Telephone and internet	756	-	-	924	1,260	2,940
Total non-program expenses	\$ 235,305	\$ 193,645	\$ 36,039	\$ 239,062	\$ 199,777	\$ 903,828

Note 4: Contributions Receivable

Unconditional promises to give are as follows as of June 30:

	2021	2020
Receivable in less than one year	\$ 188,937	\$ 341,681
Receivable in one to five years	792,000	910,533
Receivable in more than five years	1,356,000	1,338,500
Unconditional promises to give	2,336,937	2,590,714
Less: Discounts to net present value	(706,242)	(732,414)
Less: Allowance for uncollectible promises receivable	(16,195)	(12,200)
Net unconditional promises to give	\$ 1,614,500	\$ 1,846,100

MSU-Billings Foundation

Notes to Financial Statements

Note 5: Property and Equipment

A summary of property and equipment is as follows:

	June 30, 2020	Additions	Disposals	June 30, 2021
Property and equipment:				
Buildings and land	\$ 1,996,357	\$ 28,642	\$ -	\$ 2,024,999
Pianos	206,700	-	-	206,700
Computer equipment and software	13,820	22,319	-	36,139
	2,216,877	50,961	-	2,267,838
Less accumulated depreciation	1,297,316	74,007	-	1,371,323
Total	\$ 919,561	\$ (23,046)	\$ -	\$ 896,515

	June 30, 2019	Additions	Disposals	June 30, 2020
Property and equipment:				
Buildings and land	\$ 1,992,850	\$ 3,507	\$ -	\$ 1,996,357
Pianos	206,700	-	-	206,700
Computer equipment and software	10,745	3,075	-	13,820
	2,210,295	6,582	-	2,216,877
Less accumulated depreciation	1,228,903	68,413	-	1,297,316
Total	\$ 981,392	\$ (61,831)	\$ -	\$ 919,561

Note 6: Other Assets

Other assets consist of the following as of June 30:

	2021	2020
Cash surrender value of life insurance	\$ 53,108	\$ 48,620
Works of art	53,025	53,025
Prepaid expenses	59,448	12,546
Total	\$ 165,581	\$ 114,191

The Foundation capitalizes its art work collections. Accessions are capitalized at appraised or fair value at the date of accession. Gains and losses on deaccessions of donated collections are recorded based on the presence or absence of donor restrictions placed on items at the date of donation.

MSU-Billings Foundation

Notes to Financial Statements

Note 6: Other Assets (Continued)

The Foundation has received gifts of life insurance policies from individual donors with face values ranging from \$10,000 to \$285,000.

The Foundation combined "investments in life insurance policies" with "other" assets for reporting purposes as of June 30, 2021 and 2020, respectively.

Note 7: Investments and Fair Value Measurements

Investments are carried at fair value and consist of the following:

<i>June 30, 2021</i>	Level 1	Level 2	Level 3	Total
Equity securities	\$ 21,921,647	\$ -	\$ -	\$ 21,921,647
Debt securities	10,234,641	-	-	10,234,641
Alternative securities:				
Private equity - global	-	3,592,744	-	3,592,744
Private equity - real estate	-	-	3,454,206	3,454,206
Total	\$ 32,156,288	\$ 3,592,744	\$ 3,454,206	\$ 39,203,238

<i>June 30, 2020</i>	Level 1	Level 2	Level 3	Total
Equity securities	\$ 18,990,582	\$ -	\$ -	\$ 18,990,582
Debt securities	12,815,355	-	-	12,815,355
Alternative securities:				
Commodities	-	3	-	3
Private equity - global	-	158,987	-	158,987
Private equity - real estate	-	-	731,744	731,744
Total	\$ 31,805,937	\$ 158,990	\$ 731,744	\$ 32,696,671

During the fiscal year ended June 30, 2015, the Board of Trustees of the Foundation revised its Investment and Distribution Policy Statement to allow for "Alternative Investments". Alternative investments are defined as investments that are not otherwise classified as equity or fixed income securities. Allowable investments within this class include real estate, other commodities, hedge funds, and private equity as long as they are held as part of a diversified daily traded mutual fund, exchange traded fund and/or limited liability partnership. No direct real estate or holding of physical commodities is permissible unless specifically directed to be held by the Board of Trustees.

Alternative investments are less liquid than the Foundation's other investments. In order to achieve the Foundation's investment objectives regarding return and risk, investment in the alternative investments is desirable.

MSU-Billings Foundation

Notes to Financial Statements

Note 7: Investments and Fair Value Measurements (Continued)

Unrealized gains on investments all relate to assets still held as of June 30, 2021 and 2020, and are included in the line realized and unrealized gains and losses on investments in the statements of activities for the years ended June 30, 2021 and 2020.

Note 8: Annuity Contracts and Trusts

The Foundation has entered into gift annuity agreements with donors whereby in exchange for the gift from the donor, the Foundation is obligated to provide an annuity to the donor or other designated beneficiary for a specific period of time. The Montana Tax Credit for Endowed Philanthropy provides significant tax advantages for donors to structure their charitable gifts in charitable gift annuities or in other planned gift arrangements. The Foundation has also been named as a beneficiary in charitable trusts.

A liability is recognized for the estimated present value of the commitments. The present value of the estimated future payments (\$419,335 and \$430,475 as of June 30, 2021 and 2020, respectively) is calculated using the American Council of Gift Annuities discount rate of 1.20% and 1.75% as of June 30, 2021 and 2020, respectively, and applicable mortality tables. Charitable gift annuity agreements from members of the Board of Trustees are considered to be related party transactions. The liability relating to gift annuity contributions from Foundation Trustees during the years ending June 30, 2021 and 2020, respectively, is \$4,672 and \$2,773.

Note 9: Assets Held in Trust

The Foundation recognizes the assets held in trust for the Montana Center on Disabilities as a liability. The Foundation and its Board of Trustees have no decision-making authority on these assets. The Foundation serves as the administrator of these assets. The following is a reconciliation of assets held in trust during the years ended June 30, 2021 and 2020:

	2021	2020
Balance at beginning of year	\$ 1,850,843	\$ 1,860,625
Interest and dividends	27,141	58,163
Realized/unrealized gains, net	560,936	(12,384)
Total income	588,077	45,779
Program expenses	79,570	36,711
Investment management	10,233	8,706
Administrative fees	12,410	10,144
Total expenses	102,213	55,561
Total	\$ 2,336,707	\$ 1,850,843

MSU-Billings Foundation

Notes to Financial Statements

Note 10: Paycheck Protection Program

At June 30, 2021, the Foundation had a refundable advance liability of \$150,000. This amount represents the receipt of an award from the Small Business Administration's (SBA) Paycheck Protection Program (PPP) as a result of legislation passed to assist businesses in navigating the Coronavirus pandemic. The Foundation has determined the award is a conditional grant and has applied the policy as described in Note 1. Accordingly, the award is reported as a refundable advance liability until the conditions are substantially met or explicitly waived.

The Foundation has interpreted the condition of the award to be the approval of the forgiveness application by the lender and SBA. Should the conditions of the award not be substantially met or explicitly waived, all or a portion of the award will bear interest at 1% be repayable in a single balloon payment, due February 2026. The Foundation anticipates that the conditions of the award will be substantially met and the full amount of the award will be recognized as revenue.

The PPP loan received during the year ended June 30, 2020 was forgiven in the current year. The \$150,000 loan amount was recognized as grant revenue upon forgiveness by the lender and the SBA.

Note 11: Net Assets with Board Designations

The Foundation's Board of Trustees periodically designates net assets that are otherwise unrestricted. Such designations imposed by the Board of Trustees are as follows as of June 30, 2021 and 2020:

	2021	2020
Academic projects	\$ 329,318	\$ 259,693
Campus projects	338,058	327,931
Campus and community outreach	42,799	18,805
Student scholarships	231,183	179,045
KBYM Trust	1,578,418	1,578,418
Other	397,614	10,267
Total	\$ 2,917,390	\$ 2,374,159

In May 1985, the Foundation's Board established the KBYM Trust from the proceeds of the sale of KBYM radio station, which had been donated to the foundation in 1983. The trust created a permanent endowment fund which is managed in accordance with the Foundation's investment and distribution policy. Distributions are used to support the Foundation's programs and activities.

MSU-Billings Foundation

Notes to Financial Statements

Note 12: Net Assets with Donor Restriction

Net assets with donor restrictions are available for the following purposes as of June 30, 2021 and 2020:

	2021			2020		
	Temporary	Permanent	Total	Temporary	Permanent	Total
Academic projects	\$ 2,640,916	\$ 2,036,486	\$ 4,677,402	\$ 1,589,415	\$ 2,028,486	\$ 3,617,901
Alumni relations	80,883	-	80,883	69,628	-	69,628
Campus and community outreach	408,316	-	408,316	229,994	-	229,994
Campus projects	1,725,796	1,554,304	3,280,100	4,844,416	1,536,940	6,381,356
Student scholarships	11,093,823	13,655,197	24,749,020	7,039,408	13,094,777	20,134,185
General and administrative	3,600	227,089	230,689	2,956	225,951	228,907
Total	\$ 15,953,334	\$ 17,473,076	\$ 33,426,410	\$ 13,775,817	\$ 16,886,154	\$ 30,661,971

The University and State of Montana started construction on the new Yellowstone Science and Allied Health Building in July 2019. Construction was substantially completed September 8, 2021. As of June 30, 2021 and 2020, \$930,000 and \$4,429,000, respectively, is included in the "campus projects" line above as net assets with donor restrictions.

Note 13: In-Kind Contributions

The value of donated services is included as contributions in the financial statements as of June 30, 2021 and 2020, and the corresponding expenses are as follows:

	2021	2020
Campus projects	\$ 34,285	\$ 95,083
Academic projects	23,222	15,663
Campus and community outreach	44,296	5,146
Alumni relations	600	98
General and administrative	3,548	-
Total	\$ 105,951	\$ 115,990

Note 14: Operating Leases

In September 1996, the Foundation purchased an office building and land adjacent to the University campus. The Foundation assumed a number of commercial leases with the purchase. From the date of purchase to June 30, 2005, the building went through a transformation. The building was redesigned and renovated to fit the needs of the University. The construction was completed in stages, as office space became available and funds were secured. On June 30, 2005, the construction was complete and the entire building was available for University lease.

MSU-Billings Foundation

Notes to Financial Statements

Note 14: Operating Leases (Continued)

Beginning July 1, 2005, the Foundation and University entered into an agreement in which the University leases the entire building. The University is responsible for ongoing items such as maintenance, janitorial, utilities and insurance while the Foundation is responsible for capital improvements. Effective July 1, 2015, and again effective July 1, 2020, the Foundation and University entered into new five year leases with comparable terms.

Future minimum lease revenue, by year, is as follows:

	Future Minimum Lease Payments
2022	\$ 562,575
2023	562,575
2024	581,343
2025	581,343
Total	\$ 2,287,836

The Foundation recognized rental revenue (net of rental expenses) for the years ended June 30, 2021 and 2020, as follows:

	2021	2020
Rental revenue	\$ 562,575	\$ 562,575
Operating expenses	(21,602)	(22,493)
Property taxes	(2,866)	(2,866)
Depreciation	(53,852)	(53,412)
Total	\$ 484,255	\$ 483,804

In addition, the Foundation entered into a five-year lease with the University commencing on July 1, 2010, and terminating on June 30, 2015, for its offices at 2615 Virginia Lane in Billings, Montana. The lease required monthly rental payments of \$3,000. Effective July 1, 2014 for the mutual benefit of the Foundation and the University, the parties agreed to terminate lease payments to the University and the facilities were provided to the Foundation as an in-kind contribution by the University during the year ended June 30, 2018, at a value of \$36,000. As of July 1, 2018, the Foundation and the University signed a new lease requiring quarterly rental payments of \$9,000. The term of the new agreement is for one year and is renewable every year upon mutual agreement of the Foundation and the University. During the year ended June 30, 2021, the Foundation did renew this lease for another one year term. Accordingly, there are no future minimum lease payments required under the arrangement.

MSU-Billings Foundation

Notes to Financial Statements

Note 15: Retirement Plan

The Foundation has a retirement plan covering all full-time employees. Under this plan, the Foundation will contribute to a retirement account selected by the employee. The amount of contribution is a percentage of the employee's base salary. This percentage is determined at the discretion of the Board of Trustees. The Foundation contributed \$43,892 and \$41,789 for the years ended June 30, 2021 and 2020, respectively.

Note 16: Endowment Funds

Endowment net asset composition by type of fund consists of the following as of June 30, 2021:

	Board- Designated	With Donor Restrictions
Donor-restricted endowment funds	\$ 147,600	\$ 31,296,388
Board-designated endowment funds	2,541,511	-
Total	\$ 2,689,111	\$ 31,296,388

Endowment net asset composition by type of fund consists of the following as of June 30, 2020:

	Board- Designated	With Donor Restrictions
Donor-restricted endowment funds	\$ 134,411	\$ 24,918,324
Board-designated endowment funds	2,002,673	-
Total	\$ 2,137,084	\$ 24,918,324

Changes in endowment net assets for the fiscal year ended June 30, 2021, are listed below:

	Board- Designated	With Donor Restrictions	Total
Endowment net assets - June 30, 2020	\$ 2,137,084	\$ 24,918,324	\$ 27,055,408
Net investment return:			
Interest and dividends	43,472	340,599	384,071
Net realized and unrealized gains	614,845	6,538,427	7,153,272
Total investment return	658,317	6,879,026	7,537,343
Additions	-	497,591	497,591
Appropriation of endowment assets	(106,290)	(998,553)	(1,104,843)
Endowment net assets - June 30, 2021	\$ 2,689,111	\$ 31,296,388	\$ 33,985,499

MSU-Billings Foundation

Notes to Financial Statements

Note 16: Endowment Funds (Continued)

Changes in endowment net assets for the fiscal year ended June 30, 2020, are listed below:

	Board- Designated	With Donor Restrictions	Total
Endowment net assets - June 30, 2019	\$ 2,175,993	\$ 24,629,790	\$ 26,805,783
Investment return:			
Interest and dividends	61,122	600,679	661,801
Net realized and unrealized gains	15,367	207,508	222,875
Total investment return	76,489	808,187	884,676
Additions	-	466,305	466,305
Appropriation of endowment assets	(115,398)	(985,958)	(1,101,356)
Endowment net assets - June 30, 2020	\$ 2,137,084	\$ 24,918,324	\$ 27,055,408

The Foundation's board-designated endowment includes only funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees has adopted an overall investment objective for the Foundation's assets that is expected to earn long-term returns comprised of capital appreciation and current income sufficient to fund current disbursements, and maintain or grow the purchasing power of assets. It is desired that the Fund earn returns higher than the "market", as represented by a mix of indexes reflective of the Foundation's return objectives and risk tolerance. The board constructs the benchmark, or "policy index" for the endowment funds by performing a weighted average on several well-known indexes. The Fund is expected to exceed the average annual return of this benchmark on a risk-adjusted basis over a three- to five-year rolling time period and a full market cycle. The Board of Trustees has analyzed the behavior of the Foundation's assets within different economic environments and is comfortable with a risk level of the Fund as measured by volatility (standard deviation) that is similar to the volatility level of the policy index. The Fund is expected to operate within an overall asset allocation strategy defining the Foundation's mix of asset classes. This strategy sets a long-term percentage target for the amount of the Foundation's market value that is to be invested in any one asset class. The allocation strategy also defines the allowable investment shifts between the asset classes above and below the target allocations.

The Foundation will use the moving average method of determining year-to-year spending in order to smooth distributions/appropriations. The Foundation will distribute 4.0% of the moving average endowment market value annually. The moving average will be based on a three-year rolling average. The average market value for endowments without a three-year history will be determined based on an average of available balances.

MSU-Billings Foundation

Notes to Financial Statements

Note 17: Related Party Transactions

The Foundation receives support, in the form of charitable gift annuities, from members of the Board of Trustees on a periodic basis to help fund the Foundation's mission. New Trustee charitable gift annuity contributions totaled \$41,000 and \$16,500 for the year ended June 30, 2021 and 2020, respectively.

Note 18: Risk Management

In the normal course of business, the Foundation is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. A variety of methods are used to provide insurance for these risks. A commercial policy transferring all risk of loss, except for relatively small deductible amounts, was purchased for property and content damage, employee torts and professional liabilities. The Foundation carries worker's compensation insurance, the levels of which have not changed from the prior year. The Foundation does not carry coverage for environmental damages. The risk of potential loss is low and coverage is not cost beneficial.

Note 19: Risks and Uncertainties

Subject to the Organization, COVID-19 impacted various aspects of operations and financial results for the year ended June 30, 2021, including contribution revenue, special events and expenses for program services. The anticipated increasing demand for program service funding, combined with reduced contribution revenue in the current fiscal year, led management to apply for assistance under the Paycheck Protection Program, as discussed in Note 10. Management believes the Organization has taken appropriate actions in response to the pandemic. However, the full impact of COVID-19 remains unknown and cannot be reasonably estimated as these events are still developing.