

MSU-Billings Foundation

Financial Statements

Years Ended June 30, 2020 and 2019

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MSU-Billings Foundation

Years Ended June 30, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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
October 7, 2020

MSU-Billings Foundation

Statements of Financial Position

<i>June 30,</i>	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,352,526	\$ 5,241,738
Accrued investment income	57,623	60,996
Marketable equity securities	32,696,671	30,623,392
Contributions receivable	341,681	389,456
Total current assets	36,448,501	36,315,582
Property and equipment:		
Buildings and improvements	1,996,357	1,992,850
Computer equipment and software	13,820	10,745
Pianos	206,700	206,700
Accumulated depreciation	(1,297,316)	(1,228,903)
Total property and equipment, net	919,561	981,392
Other assets:		
Other assets	114,191	101,965
Long-term contributions receivable, net of discount and allowances	1,504,419	895,344
Total other assets	1,618,610	997,309
Total assets	\$ 38,986,672	\$ 38,294,283

MSU-Billings Foundation

Statements of Financial Position (Continued)

<i>June 30,</i>	2020	2019
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable - trade	\$ 9,375	\$ 13,952
Accounts payable - scholarships	1,132,150	1,097,069
Other current liabilities	36,015	31,513
Current maturities of long-term notes payable	65,968	-
Total current liabilities	1,243,508	1,142,534
Other liabilities:		
Investment held in trust	1,850,843	1,860,625
Liability on annuity contracts and trusts	430,475	348,478
Notes payable	84,032	-
Total other liabilities	2,365,350	2,209,103
Total liabilities	3,608,858	3,351,637
Net assets:		
Without donor restrictions:		
Undesignated	2,341,684	2,471,907
Designated by the governing board	2,374,159	2,451,613
Total without donor restrictions	4,715,843	4,923,520
With donor restrictions	30,661,971	30,019,126
Total net assets	35,377,814	34,942,646
Total liabilities and net assets	\$ 38,986,672	\$ 38,294,283

MSU-Billings Foundation

Statements of Activities

<i>Years Ended June 30,</i>	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions	\$ 208,953	\$ 3,402,649	\$ 3,611,602	\$ 219,636	\$ 3,222,049	\$ 3,441,685
In-kind contributions	-	115,990	115,990	-	34,464	34,464
Rental revenue, net of rental expenses	483,804	-	483,804	484,141	-	484,141
Interest and dividends	129,103	661,054	790,157	157,192	629,973	787,165
Realized and unrealized gains on investments	129,214	206,605	335,819	207,081	681,873	888,954
Other revenues	164,489	23,616	188,105	148,412	49,294	197,706
Change in restriction	(10,650)	10,650	-	(5,000)	5,000	-
Net assets released from restrictions	3,777,719	(3,777,719)	-	2,386,878	(2,386,878)	-
Total support and revenue	4,882,632	642,845	5,525,477	3,598,340	2,235,775	5,834,115
Expenses:						
Program expenses:						
Student scholarships	2,129,009	-	2,129,009	1,681,396	-	1,681,396
Academic programs	209,982	-	209,982	246,685	-	246,685
Campus projects	1,238,956	-	1,238,956	69,893	-	69,893
Campus and community outreach	402,964	-	402,964	482,275	-	482,275
Alumni relations	205,570	-	205,570	246,545	-	246,545
Non-program expenses:						
General and administrative	235,305	-	235,305	232,189	-	232,189
Investment management and audit	193,645	-	193,645	193,150	-	193,150
Facilities and maintenance	36,039	-	36,039	36,000	-	36,000
Fundraising	239,062	-	239,062	200,685	-	200,685
Cultivation and stewardship	199,777	-	199,777	154,373	-	154,373
Total expenses	5,090,309	-	5,090,309	3,543,191	-	3,543,191
Change in net assets	(207,677)	642,845	435,168	55,149	2,235,775	2,290,924
Net assets at beginning of year	4,923,520	30,019,126	34,942,646	4,868,371	27,783,351	32,651,722
Net assets at end of year	\$ 4,715,843	\$ 30,661,971	\$ 35,377,814	\$ 4,923,520	\$ 30,019,126	\$ 34,942,646

See accompanying notes to financial statements.

MSU-Billings Foundation

Statements of Cash Flows

<i>Years Ended June 30,</i>	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 435,168	\$ 2,290,924
Adjustments to reconcile increase in net assets to net cash from operations:		
Depreciation	68,413	70,378
Unrealized and realized gains on investments	(335,819)	(888,954)
Contributions restricted for long-term investment	(334,896)	(312,388)
Other revenue restricted for long-term investment	-	(3,022)
(Increase) decrease in:		
Accrued investment income	3,373	(427)
Other assets	(12,226)	(401)
Increase (decrease) in:		
Accounts payable - trade	(4,577)	(4,525)
Accounts payable - scholarships	35,081	(72,579)
Other current liabilities	4,502	3,535
Annuity obligations	81,997	20,669
Net cash flows from operating activities	(58,984)	1,103,210
Cash flows from investing activities:		
Change in assets held in trust	(9,782)	55,021
Purchases of fixed assets	(6,582)	(9,010)
Proceeds from sales of investments	11,704,841	9,029,753
Purchases of investments	(13,442,301)	(7,734,490)
Net cash flows from investing activities	(1,753,824)	1,341,274
Cash flows from financing activities:		
Contributions and other revenue restricted for investment in endowments	334,896	315,410
Proceeds from debt issuance	150,000	-
Net cash flows from financing activities	484,896	315,410
Net change in cash and equivalents	(1,327,912)	2,759,894
Cash and equivalents, beginning of year	4,870,738	2,110,844
Cash and equivalents, end of year	\$ 3,542,826	\$ 4,870,738

See accompanying notes to financial statements.

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 May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2019. The Foundation is currently evaluating the impact of the provisions of ASC 606.

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 5.00% as of June 30, 2020 and 2019, 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, 2020 and 2019, 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.

MSU-Billings Foundation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

MSU-Billings Foundation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 \$36,015 and \$31,513 at June 30, 2020 and 2019, respectively, and is included in other current liabilities on the statements of financial position.

MSU-Billings Foundation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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

On June 21, 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU assist in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Subtopic 958-605 or as exchange (reciprocal) transactions subject to Accounting Standards Codification 606 and (2) determining whether a transaction is conditional, which affects the timing of revenue recognized. The Foundation has applied the amendments in this ASU on a modified prospective basis. There was no change on opening balances of net assets and no prior period results were restated. The amendments in this ASU also apply to both resources received by a recipient and resources given by a resource provided. Note that for transactions in which the Foundation serves as a resource provide, the effective date for the amendments in ASU 2018-08 are effective for fiscal years beginning after December 15, 2019.

Subsequent Events

The Foundation has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 7, 2020, 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, 2020, 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 \$2,177,672 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>	2020	2019
Total assets, at year-end	\$ 38,986,672	\$ 38,294,283
Less: Property and equipment	(919,561)	(981,392)
Less: Other assets	(114,191)	(101,965)
Less: Works of art	(1,504,419)	-
Financial assets, at year-end	36,448,501	37,210,926
Less: Those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Donor-restricted investment net assets	(30,661,971)	(30,019,126)
Liabilities	(3,608,858)	(3,351,637)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,177,672	\$ 3,840,163

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, 2020:

Program Expenses	Student Scholarships	Academic Programs	Campus Projects	Campus and Community Outreach	Alumni Relations	Total Program Expenses
Audit fees	\$ -	\$ -	\$ -	\$ -	\$ -	-
Bank charges	-	-	-	-	-	-
Conferences and training	-	-	-	5,693	-	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
Education programs	-	-	-	-	-	-
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
Consultants	-	-	-	-	-	-
Contract services	22,769	-	-	-	-	22,769
Depreciation	3,274	-	-	-	-	3,274
Donor relations	-	-	-	5	353	358
Dues and subscriptions	584	-	-	-	7,150	7,734
Education programs	-	-	-	-	-	-
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
Scholarship expense	-	-	-	-	-	-
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

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, 2019:

Program Expenses	Student Scholarship	Academic Progress	Campus Projects	Campus and Community Outreach	Alumni Relations	Total Program Expenses
Advertising	\$ -	\$ 313	\$ 234	\$ 1,585	\$ 562	\$ 2,694
Audit fees	-	-	-	-	-	-
Bank charges	-	3	2	13	5	23
Conferences and training	-	98	73	5,088	175	5,434
Consultants	-	-	-	-	-	-
Contract services	-	-	-	302	8,123	8,425
Depreciation	-	10,335	-	-	951	11,286
Donor relations	-	1,431	1,067	13,678	2,567	18,743
Dues and subscriptions	-	26	19	5,245	322	5,612
Education programs	-	-	-	993	-	993
Employee benefits	3,134	1,778	-	22,549	19,402	46,863
Grants and allocations	-	-	-	-	-	-
In-kind expense	-	16,669	4,457	13,338	-	34,464
Insurance	-	-	-	-	-	-
Investment fees	-	-	-	-	-	-
Legal fees	-	-	-	-	-	-
Payroll taxes	1,654	938	-	11,898	10,046	24,536
Postage and shipping	-	190	90	2,122	230	2,632
Printing and duplication	-	929	377	9,145	4,754	15,205
Program expenses	-	200,992	63,018	221,763	57,059	542,832
Rent	-	-	-	-	-	-
Repairs and maintenance	-	-	-	-	1,234	1,234
Salaries and wages	21,409	12,151	-	154,022	134,008	321,590
Stewardship expenses	-	-	-	4,062	-	4,062
Special events	-	88	66	5,625	3,012	8,791
Scholarship expense	1,655,199	-	-	40	-	1,655,239
Sponsorships	-	115	34	4,792	15	4,956
Supplies	-	549	410	4,837	3,397	9,193
Telephone and internet	-	80	46	1,178	683	1,987
Total program expenses	\$ 1,681,396	\$ 246,685	\$ 69,893	\$ 482,275	\$ 246,545	\$ 2,726,794

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, 2019:

Non-Program Expenses	General and Administrative	Investment Management and Audit	Facilities and Maintenance	Fundraising	Cultivation and Stewardship	Total Non- Program Expenses
Advertising	\$ -	\$ -	\$ -	79	\$ 960	\$ 1,039
Audit fees	-	22,767	-	-	-	22,767
Bank charges	-	10,128	-	-	-	10,128
Conferences and training	3,063	-	-	25	7,957	11,045
Consultants	-	6,090	-	-	-	6,090
Contract services	18,155	-	-	481	-	18,636
Depreciation	2,219	-	-	-	-	2,219
Donor relations	-	-	-	360	10,818	11,178
Dues and subscriptions	551	-	-	-	5,474	6,025
Education programs	-	-	-	-	994	994
Employee benefits	23,099	-	-	21,818	9,380	54,297
Grants and allocations	-	-	-	-	12,058	12,058
In-kind expense	-	-	-	-	-	-
Insurance	4,309	-	-	-	-	4,309
Investment fees	-	151,195	-	-	-	151,195
Legal fees	-	2,970	-	1,261	1,255	5,486
Payroll taxes	12,156	-	-	11,481	4,949	28,586
Postage and shipping	2,301	-	-	1,035	3,303	6,639
Printing and duplication	1,766	-	-	4,152	3,638	9,556
Program expenses	993	-	-	4,701	14,832	20,526
Rent	-	-	36,000	-	-	36,000
Repairs and maintenance	2,880	-	-	-	-	2,880
Salaries and wages	154,687	-	-	148,860	64,085	367,632
Stewardship expenses	-	-	-	-	2,243	2,243
Special events	955	-	-	2,667	1,856	5,478
Scholarship expense	-	-	-	-	21	21
Sponsorships	-	-	-	-	4,747	4,747
Supplies	2,460	-	-	2,670	4,498	9,628
Telephone and internet	2,595	-	-	1,095	1,305	4,995
Total non-program expenses	\$ 232,189	\$ 193,150	\$ 36,000	\$ 200,685	\$ 154,373	\$ 816,397

MSU-Billings Foundation

Notes to Financial Statements

Note 4: Contributions Receivable

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

	2020	2019
Receivable in less than one year	\$ 341,681	\$ 389,456
Receivable in one to five years	910,533	618,680
Receivable in more than five years	1,338,500	802,500
Unconditional promises to give	2,590,714	1,810,636
Less: Discounts to net present value	(732,414)	(510,307)
Less: Allowance for uncollectible promises receivable	(12,200)	(15,529)
Net unconditional promises to give	\$ 1,846,100	\$ 1,284,800

Note 5: Property and Equipment

A summary of property and equipment is as follows:

	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

	June 30, 2018	Additions	Disposals	June 30, 2019
Property and equipment:				
Buildings and land	\$ 1,989,068	\$ 3,782	\$ -	\$ 1,992,850
Pianos	206,700	-	-	206,700
Computer equipment and software	5,517	5,228	-	10,745
	2,201,285	9,010	-	2,210,295
Less accumulated depreciation	1,158,525	70,378	-	1,228,903
Total	\$ 1,042,760	\$ (61,368)	\$ -	\$ 981,392

MSU-Billings Foundation

Notes to Financial Statements

Note 6: Other Assets

Other assets consist of the following as of June 30:

	2020	2019
Cash surrender value of life insurance	\$ 48,620	\$ 48,365
Works of art	53,025	53,025
Prepaid expenses	12,546	575
Total	\$ 114,191	\$ 101,965

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.

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 due to its immaterial nature for reporting purposes as of June 30, 2020 and 2019, respectively.

Note 7: Investments and Fair Value Measurements

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

<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

MSU-Billings Foundation

Notes to Financial Statements

Note 7: Investments and Fair Value Measurements (Continued)

<i>June 30, 2019</i>	Level 1	Level 2	Level 3	Total
Equity securities	\$ 19,417,236	\$ -	\$ -	\$ 19,417,236
Debt securities	9,905,021	-	-	9,905,021
Alternative securities:				
Commodities	-	209,141	-	209,141
Private equity - global	-	233,937	-	233,937
Private equity - real estate	-	-	858,057	858,057
Total	\$ 29,322,257	\$ 443,078	\$ 858,057	\$ 30,623,392

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.

Unrealized gains on investments all relate to assets still held as of June 30, 2020 and 2019, and are included in the lines realized and unrealized gains and losses on investments in the statements of activities for the years ended June 30, 2020 and 2019.

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 (\$430,475 and \$348,478 as of June 30, 2020 and 2019, respectively) is calculated using the American Council of Gift Annuities discount rate of 1.75% and 2.80% as of June 30, 2020 and 2019, 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, 2020 and 2019, respectively, is \$2,773 and \$2,357.

MSU-Billings Foundation

Notes to Financial Statements

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, 2020 and 2019:

	2020	2019
Balance at beginning of year	\$ 1,860,625	\$ 1,805,604
Interest and dividends	58,163	51,337
Realized/unrealized gains, net	(12,384)	47,102
Total income	45,779	98,439
Program expenses	36,711	24,718
Investment management	8,706	8,366
Administrative fees	10,144	10,334
Total expenses	55,561	43,418
Total	\$ 1,850,843	\$ 1,860,625

Note 10: 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, 2020 and 2019:

	2020	2019
Academic projects	\$ 259,693	\$ 244,215
Campus projects	327,931	325,673
Campus and community outreach	18,805	37,902
Student scholarships	179,045	182,323
KBYM Trust	1,578,418	1,578,162
Other	10,267	83,338
Total	\$ 2,374,159	\$ 2,451,613

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 11: Net Assets with Donor Restriction

Net assets with donor restrictions are available for the following purposes as of June 30, 2020 and 2019:

	2020			2019		
	Temporary	Permanent	Total	Temporary	Permanent	Total
Academic projects	\$ 1,589,415	\$ 2,028,486	\$ 3,617,901	\$ 1,437,734	\$ 2,025,836	\$ 3,463,570
Alumni relations	69,628	-	69,628	57,739	-	57,739
Campus and community outreach	229,994	-	229,994	189,560	-	189,560
Campus projects	4,844,416	1,536,940	6,381,356	5,085,499	1,536,120	6,621,619
Student scholarships	7,039,408	13,094,777	20,134,185	6,677,947	12,779,885	19,457,832
General and administrative	2,956	225,951	228,907	2,855	225,951	228,806
Total	\$ 13,775,817	\$ 16,886,154	\$ 30,661,971	\$ 13,451,334	\$ 16,567,792	\$ 30,019,126

The University and State of Montana started construction on the new Yellowstone Science and Allied Health Building in July 2019. Construction is expected to last approximately 18 months. As of June 30, 2020 and 2019, \$4,429,000 and \$4,375,000, respectively, is included in the "campus projects" line above as net assets with donor restrictions. The Foundation is committed to transferring \$2 million dollars for the construction to the University by June 30, 2021 with the remainder to be transferred in fiscal year 2022.

Note 12: Long-Term Notes Payable

Long-term notes payable consist of the following:

<i>As of June 30, 2020 and 2019</i>	2020	2019
Paycheck Protection Program note held by Stockman Bank. Note bears interest at 1% and matures April 10, 2022. Monthly payments of \$8,442 are due to commence November 10, 2020.	\$ 150,000	\$ -
Less: current maturities of long-term notes payable	(65,968)	-
Total long-term portion of note payable	\$ 84,032	\$ -

During the year ended June 30, 2020, the Foundation took out a loan through the Paycheck Protection Program as a result of legislation passed to assist organizations in navigating the Coronavirus pandemic. The conditions of this note include incurring eligible expenses during a covered period of either 8 or 24 weeks and a formal review and approval of the forgiveness application by the lending institution. Should the lending institution choose to forgive the note, the Foundation will recognize the proceeds as a contribution. The Foundation anticipates that the full amount of the note will be forgiven.

MSU-Billings Foundation

Notes to Financial Statements

Note 13: In-Kind Contributions

The value of donated services is included as contributions in the financial statements as of June 30, 2020 and 2019, and the corresponding expenses are as follows:

	2020	2019
Campus projects	\$ 95,083	\$ 4,457
Academic projects	15,663	16,669
Campus and community outreach	5,146	13,338
Alumni relations	98	-
Total	\$ 115,990	\$ 34,464

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.

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
2021	\$	562,575
2022		562,575
2023		562,575
2024		581,343
2025		581,343
Total	\$	2,850,411

MSU-Billings Foundation

Notes to Financial Statements

Note 14: Operating Leases (Continued)

The Foundation recognized rental revenue (net of rental expenses) for the years ended June 30, 2020 and 2019, as follows:

	2020	2019
Rental revenue	\$ 562,575	\$ 562,575
Operating expenses	(22,493)	(18,726)
Property taxes	(2,866)	(2,866)
Depreciation	(53,412)	(56,842)
Total	\$ 483,804	\$ 484,141

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, 2019, the Foundation did renew this lease for another one year term. Accordingly, there are no future minimum lease payments required under the arrangement.

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 \$41,789 and \$40,611 for the years ended June 30, 2020 and 2019, respectively.

Note 16: Endowment Funds

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

MSU-Billings Foundation

Notes to Financial Statements

Note 16: Endowment Funds (Continued)

Endowment net asset composition by type of fund consists of the following as of June 30, 2019:

	Board- Designated	With Donor Restrictions
Donor-restricted endowment funds	\$ 93,810	\$ 24,629,790
Board-designated endowment funds	2,082,183	-
Total	\$ 2,175,993	\$ 24,629,790

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
Net 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

Changes in endowment net assets for the fiscal year ended June 30, 2019, are listed below:

	Board- Designated	With Donor Restrictions	Total
Endowment net assets - June 30, 2018	\$ 2,154,790	\$ 24,092,823	\$ 26,247,613
Investment return:			
Interest and dividends	58,759	562,474	621,233
Net realized and unrealized gains	69,360	681,523	750,883
Total investment return	128,119	1,243,997	1,372,116
Additions	-	315,410	315,410
Appropriation of endowment assets	(106,916)	(1,022,440)	(1,129,356)
Endowment net assets - June 30, 2019	\$ 2,175,993	\$ 24,629,790	\$ 26,805,783

MSU-Billings Foundation

Notes to Financial Statements

Note 16: Endowment Funds (Continued)

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.

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 \$16,500 and \$22,500 for the year ended June 30, 2020 and 2019, 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.