

Financial Statements
June 30, 2025 and 2024

Montana State University Billings Foundation

Montana State University Billings Foundation

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June 30, 2025 and 2024

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Independent Auditor's Report

To the Board of Directors
Montana State University Billings Foundation
Billings, Montana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Montana State University Billings Foundation, which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Montana State University Billings Foundation as of June 30, 2025 and 2024, 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 of America.

Basis for Opinion

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

Correction of Error

As discussed in Note 15 to the financial statements, certain errors resulting in understatement of amounts previously reported for beneficial interests held by others, and change in value of beneficial interest held by others as of and for the year ended June 30, 2024 were discovered by management of Montana State University Billings Foundation during the current year. Accordingly, amounts reported for beneficial interests held by others and the change in value of beneficial interest held by others have been restated in the 2024 financial statements now presented, and an adjustment has been made to net assets as of June 30, 2024, to correct the error. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Montana State University Billings Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Montana State University Billings Foundation's ability to continue as a going concern for a reasonable period of time.

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

Eide Bailly LLP

Spokane, Washington

October 9, 2025

Montana State University Billings Foundation

Statements of Financial Position

June 30, 2025 and 2024

| | <u>2025</u> | <u>(As Restated) 2024</u> |
|---|----------------------|-------------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 193,647 | \$ 1,282,819 |
| Accrued investment income | 18,761 | 33,846 |
| Promises to give, net | 762,076 | 1,945,779 |
| Rent receivable | 54,114 | - |
| Prepaid expenses | 48,933 | 57,562 |
| Property and equipment, net | 760,150 | 747,677 |
| Cash surrender value of life insurance | 54,028 | 46,735 |
| Beneficial interest in charitable trusts held by others | 2,382,615 | 2,581,795 |
| Investments | <u>50,094,910</u> | <u>42,707,232</u> |
| Total assets | <u>\$ 54,369,234</u> | <u>\$ 49,403,445</u> |
| Liabilities and Net Assets | | |
| Accounts payable | \$ 44,372 | \$ 36,776 |
| Accrued expenses and other liabilities | 92,951 | 17,403 |
| Scholarships payable | 941,078 | 1,015,609 |
| Liabilities under annuity agreements | 430,311 | 386,394 |
| Investments held in trust | <u>2,534,546</u> | <u>2,357,993</u> |
| Total liabilities | <u>4,043,258</u> | <u>3,814,175</u> |
| Net Assets | | |
| Without donor restriction | | |
| Undesignated | 3,373,239 | 2,996,518 |
| Designated by the Board | <u>2,958,970</u> | <u>2,936,163</u> |
| | 6,332,209 | 5,932,681 |
| With donor restriction | <u>43,993,767</u> | <u>39,656,589</u> |
| Total net assets | <u>50,325,976</u> | <u>45,589,270</u> |
| Total liabilities and net assets | <u>\$ 54,369,234</u> | <u>\$ 49,403,445</u> |

Montana State University Billings Foundation

Statement of Activities
Year Ended June 30, 2025

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|----------------------|
| Revenue, Support, and Gains | | | |
| Contributions | \$ 35,185 | \$ 3,153,435 | \$ 3,188,620 |
| In-kind contribution | - | 65,764 | 65,764 |
| University contract | 125,000 | - | 125,000 |
| Net investment return | 681,774 | 3,655,940 | 4,337,714 |
| Rental revenue, net | 484,674 | - | 484,674 |
| Other revenue | 34,632 | 76,908 | 111,540 |
| Special events revenue, net | 186,696 | - | 186,696 |
| Distributions from and change in value of beneficial interests held by others | - | 499,872 | 499,872 |
| Net assets released from restrictions | 3,114,741 | (3,114,741) | - |
| Total revenue, support, and gains | 4,662,702 | 4,337,178 | 8,999,880 |
| Expenses and Losses | | | |
| Program services expense | | | |
| Campus programs and scholarships | 2,395,809 | - | 2,395,809 |
| Campus projects | 228,501 | - | 228,501 |
| Campus and community outreach | 458,682 | - | 458,682 |
| Alumni relations | 178,808 | - | 178,808 |
| Total program services expenses | 3,261,800 | - | 3,261,800 |
| Supporting services expense | | | |
| General and administrative | 509,361 | - | 509,361 |
| Fundraising and development | 492,013 | - | 492,013 |
| Total supporting services expenses | 1,001,374 | - | 1,001,374 |
| Total expenses and losses | 4,263,174 | - | 4,263,174 |
| Change in Net Assets | 399,528 | 4,337,178 | 4,736,706 |
| Net Assets, Beginning of Year | 5,932,681 | 39,656,589 | 45,589,270 |
| Net Assets, End of Year | \$ 6,332,209 | \$ 43,993,767 | \$ 50,325,976 |

Montana State University Billings Foundation

Statement of Activities

Year Ended June 30, 2024 (As Restated)

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|----------------------|
| Revenue, Support, and Gains | | | |
| Contributions | \$ 96,134 | \$ 4,905,970 | \$ 5,002,104 |
| In-kind contribution | - | 191,217 | 191,217 |
| University contract | 125,000 | - | 125,000 |
| Net investment return | 627,288 | 3,585,642 | 4,212,930 |
| Rental revenue, net | 575,423 | - | 575,423 |
| Other revenue | 28,140 | 54,409 | 82,549 |
| Net special events revenue | 133,542 | - | 133,542 |
| Distributions from and change in value of beneficial interests held by others | - | 277,877 | 277,877 |
| Net assets released from restrictions | 3,200,549 | (3,200,549) | - |
| | 4,786,076 | 5,814,566 | 10,600,642 |
| Expenses | | | |
| Program services expense | | | |
| Campus programs and scholarships | 2,357,636 | - | 2,357,636 |
| Campus projects | 230,097 | - | 230,097 |
| Campus and community outreach | 441,382 | - | 441,382 |
| Alumni relations | 176,426 | - | 176,426 |
| | 3,205,541 | - | 3,205,541 |
| Supporting services expense | | | |
| General and administrative | 397,677 | - | 397,677 |
| Fundraising and development | 411,656 | - | 411,656 |
| | 809,333 | - | 809,333 |
| | 4,014,874 | - | 4,014,874 |
| Change in Net Assets | 771,202 | 5,814,566 | 6,585,768 |
| Net Assets, Beginning of Year | 5,161,479 | 33,842,023 | 39,003,502 |
| Net Assets, End of Year | \$ 5,932,681 | \$ 39,656,589 | \$ 45,589,270 |

Montana State University Billings Foundation

Statement of Functional Expenses

Year Ended June 30, 2025

| | Program Expenses | | | | Total | General and Administrative | Fundraising and Development | Total |
|--|----------------------------------|-------------------|-------------------------------|-------------------|---------------------|----------------------------|-----------------------------|---------------------|
| | Campus Programs and Scholarships | Campus Projects | Campus and Community Outreach | Alumni Relations | | | | |
| Audit fees | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 32,155 | \$ - | \$ 32,155 |
| Bank charges | - | - | - | - | - | 7,087 | - | 7,087 |
| Conferences and training | - | - | 14,272 | - | 14,272 | 10,386 | 24,160 | 48,818 |
| Consultants | - | - | 22,553 | - | 22,553 | 102,949 | 22,553 | 148,055 |
| Contract services | - | - | - | 29,839 | 29,839 | 69,625 | - | 99,464 |
| Depreciation | 10,335 | - | - | 1,661 | 11,996 | 8,339 | - | 20,335 |
| Dues and subscriptions | - | - | 8,923 | 201 | 9,124 | 401 | 9,123 | 18,648 |
| Employee benefits | 6,982 | - | 25,019 | 13,036 | 45,037 | 28,649 | 37,522 | 111,208 |
| Grants and allocations | - | - | - | - | - | - | 12,067 | 12,067 |
| In-kind expense | 65,764 | - | - | - | 65,764 | - | - | 65,764 |
| Insurance | - | - | - | - | - | 7,167 | - | 7,167 |
| Legal fees | - | - | - | - | - | 1,506 | 502 | 2,008 |
| Payroll taxes | 3,361 | - | 12,044 | 6,275 | 21,680 | 13,791 | 18,063 | 53,534 |
| Postage and shipping | - | - | 706 | - | 706 | - | 1,766 | 2,472 |
| Printing and duplication | - | - | 23,549 | 7,018 | 30,567 | 1,394 | 27,421 | 59,382 |
| Program expenses | 244,872 | 228,501 | 153,065 | 32,644 | 659,082 | 2,600 | 50,314 | 711,996 |
| Rent | - | - | - | - | - | 36,000 | - | 36,000 |
| Repairs and maintenance | - | - | - | - | - | 800 | 3,200 | 4,000 |
| Salaries and wages | 44,207 | - | 158,419 | 82,541 | 285,167 | 181,399 | 237,584 | 704,150 |
| Stewardship expenses | - | - | 13,216 | - | 13,216 | - | 13,216 | 26,432 |
| Special events | - | - | 13,430 | - | 13,430 | - | 11,721 | 25,151 |
| Scholarship expense | 2,020,288 | - | - | - | 2,020,288 | - | - | 2,020,288 |
| Sponsorships | - | - | 9,793 | - | 9,793 | - | 9,793 | 19,586 |
| Supplies | - | - | 3,193 | 5,343 | 8,536 | 4,663 | 11,707 | 24,906 |
| Telephone and internet | - | - | 500 | 250 | 750 | 450 | 1,301 | 2,501 |
| Total Expenses included in the expense section on the statement of activities | \$ 2,395,809 | \$ 228,501 | \$ 458,682 | \$ 178,808 | \$ 3,261,800 | \$ 509,361 | \$ 492,013 | \$ 4,263,174 |

Montana State University Billings Foundation

Statement of Functional Expenses

Year Ended June 30, 2024

| | Program Expenses | | | | Total | General and Administrative | Fundraising and Development | Total |
|--|----------------------------------|-------------------|-------------------------------|-------------------|---------------------|----------------------------|-----------------------------|---------------------|
| | Campus Programs and Scholarships | Campus Projects | Campus and Community Outreach | Alumni Relations | | | | |
| Audit fees | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 43,304 | \$ - | \$ 43,304 |
| Bank charges | - | - | - | - | - | 7,275 | - | 7,275 |
| Conferences and training | - | - | 6,370 | - | 6,370 | 5,097 | 10,981 | 22,448 |
| Consultants | - | - | 10,907 | - | 10,907 | 10,907 | 10,907 | 32,721 |
| Contract services | - | - | - | 23,407 | 23,407 | 103,274 | - | 126,681 |
| Depreciation | 10,335 | - | - | 142 | 10,477 | 4,796 | - | 15,273 |
| Dues and subscriptions | - | - | 5,490 | 30 | 5,520 | 60 | 5,520 | 11,100 |
| Employee benefits | 4,853 | - | 23,787 | 13,589 | 42,229 | 21,100 | 30,179 | 93,508 |
| Grants and allocations | - | - | - | - | - | - | 17,780 | 17,780 |
| In-kind expense | 185,835 | 4,882 | - | - | 190,717 | - | - | 190,717 |
| Insurance | - | - | - | - | - | 2,716 | - | 2,716 |
| Legal fees | - | - | - | - | - | 3,362 | 1,121 | 4,483 |
| Payroll taxes | 2,491 | - | 12,211 | 6,975 | 21,677 | 10,831 | 15,492 | 48,000 |
| Postage and shipping | - | - | 803 | - | 803 | - | 2,009 | 2,812 |
| Printing and duplication | - | - | 26,974 | 8,836 | 35,810 | 2,187 | 30,605 | 68,602 |
| Program expenses | 236,052 | 225,215 | 154,716 | 30,617 | 646,600 | 3,445 | 40,437 | 690,482 |
| Rent | - | - | - | - | - | 36,000 | - | 36,000 |
| Repairs and maintenance | - | - | - | - | - | 600 | 2,400 | 3,000 |
| Salaries and wages | 32,172 | - | 157,700 | 90,088 | 279,960 | 139,889 | 200,077 | 619,926 |
| Stewardship expenses | - | - | 13,877 | - | 13,877 | - | 13,877 | 27,754 |
| Special events | - | - | 21,518 | - | 21,518 | - | 18,075 | 39,593 |
| Scholarship expense | 1,885,898 | - | - | - | 1,885,898 | - | - | 1,885,898 |
| Sponsorships | - | - | 4,701 | - | 4,701 | - | 4,701 | 9,402 |
| Supplies | - | - | 1,351 | 2,253 | 3,604 | 1,955 | 4,954 | 10,513 |
| Telephone and internet | - | - | 977 | 489 | 1,466 | 879 | 2,541 | 4,886 |
| Total Expenses included in the expense section on the statement of activities | \$ 2,357,636 | \$ 230,097 | \$ 441,382 | \$ 176,426 | \$ 3,205,541 | \$ 397,677 | \$ 411,656 | \$ 4,014,874 |

Montana State University Billings Foundation

Statements of Cash Flows
Years Ended June 30, 2025 and 2024

| | 2025 | (As Restated) 2024 |
|--|--------------|-----------------------|
| Operating Activities | | |
| Change in net assets | \$ 4,736,706 | \$ 6,585,768 |
| Adjustments to reconcile change in net assets to net cash from (used for) operating activities | | |
| Depreciation | 77,317 | 77,435 |
| Realized and unrealized gain on investments | (4,404,195) | (5,235,483) |
| Change in beneficial interest in assets held by others | 199,180 | (277,877) |
| Contributions restricted to endowment | (1,790,153) | (1,760,401) |
| Changes in operating assets and liabilities | | |
| Promises to give, net | 1,183,703 | (1,514,821) |
| Rent receivable | (54,114) | - |
| Accrued investment income | 15,085 | (10,023) |
| Cash surrender value of life insurance | (7,293) | 2,749 |
| Prepaid expenses | 8,629 | 4,275 |
| Accounts payable | 7,596 | (20,029) |
| Scholarships payable | (74,531) | 366,680 |
| Accrued expenses and other liabilities | 75,548 | (2,360) |
| Liabilities under annuity agreements | 43,917 | (11,551) |
| Net Cash from (used for) Operating Activities | 17,395 | (1,795,638) |
| Investing Activities | | |
| Change in assets held in trust | 176,553 | 229,092 |
| Purchase of property and equipment | (89,790) | (5,591) |
| Proceeds from sale of investments | 41,368,267 | 38,998,326 |
| Purchases of investments | (44,351,750) | (38,381,714) |
| Net Cash from (used for) Investing Activities | (2,896,720) | 840,113 |
| Financing Activities | | |
| Collections of contributions restricted to endowment | 1,790,153 | 1,760,401 |
| Net Cash from Financing Activities | 1,790,153 | 1,760,401 |
| Net Change in Cash and Cash Equivalents | (1,089,172) | 804,876 |
| Cash and Cash Equivalents, Beginning of Year | 1,282,819 | 477,943 |
| Cash and Cash Equivalents, End of Year | \$ 193,647 | \$ 1,282,819 |

Note 1 - Principal Activity and Significant Accounting Policies**Organization**

Montana State University Billings Foundation (the Foundation) is a nonprofit corporation founded in 1968 to advance the goals of Montana State University Billings (the University). The Foundation works to 1) establish lifelong relationships with university students, parents, faculty, alumni, friends, and community partners, 2) create pathways to success and sustaining them through philanthropy, stewardship, and community engagement, 3) seek and nurture innovative partnerships to support the realization of current and emerging university priorities, 4) foster a culture of inclusivity that celebrates diversity on campus and beyond.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to endowment or other long-term purposes are excluded from this definition.

Receivables and Allowance for Credit Losses

Accounts receivable consist primarily of noninterest-bearing amounts due for the University contract services and lease revenue. Allowance for credit losses is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. Management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. There was no allowance at June 30, 2025 and 2024.

Promises to Give

The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. There was no allowance at June 30, 2025 and 2024.

Collections

The Foundation has capitalized its collections since its inception. If purchased, items accessioned into the collection are capitalized at cost, and if donated, they are capitalized at their appraised or fair value on the acquisition date. Gains or losses on the deaccession of collection items are classified on the statements of activities depending on donor restrictions, if any, placed on the item at the time of accession. Collections are included in property and equipment in the statements of financial position.

Property and Equipment

Property and equipment additions over \$2,500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to thirty-nine years. Collections of art are not depreciated. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2025 and 2024.

Liabilities Under Annuity Agreements*Charitable Gift Annuities*

Under charitable gift annuity contracts, the Foundation receives immediate and unrestricted title to contributed assets and agree 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. Charitable gift annuity agreements from members of the Board of Trustees are considered to be related party transactions.

Beneficial Interests in Charitable Trusts Held by Others

The Foundation has been named as an irrevocable beneficiary of several charitable trusts held and administered by independent trustees. These trusts were created independently by donors and are administered by outside agents designated by the donors. The Foundation has neither possession nor control over the assets of the trusts. At the date the Foundation receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the statements of activities and a beneficial interest in charitable trusts held by others is recorded in the statements of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the trusts are reported at fair value in the statements of financial position, with changes in fair value recognized in the statements of activities.

Upon receipt of trust distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, if any, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions. Trust distributions with donor-imposed restrictions that are perpetual in nature are transferred to the endowment, in which case, net assets with donor-restrictions are not released.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Beneficial Interests in Perpetual Trusts

In 1985 the Foundation's Board of Directors established a perpetual trust from the proceeds of the sale of KBMY radio station, which had been donated to the Foundation in 1983. The trust is held and administered by an independent trustee with the Foundation named as the irrevocable beneficiary. Perpetual trusts provide for the distribution of the net income of the trusts to the Foundation; however, the Foundation will never receive the assets of the trusts. At the date the Foundation receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statements of activities and a beneficial interest in perpetual trust is recorded in the statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

Included in investments on the statements of financial position is the Foundation's beneficial interest in the KBMY perpetual trust of \$0 and \$1,762,667 as of June 30, 2025 and 2024, respectively. In May 2025, the KBMY perpetual trust was dissolved and the balance of the trust was transferred to the Foundation.

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.

Assets Held in Trust

The Foundation recognizes the assets held in trust for the Montana Center for Inclusive Education 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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions 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.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Foundation recognizes service revenue over the contractual period, which is generally one year. The performance obligation consists of providing support services and management of assets to the University and is recognized ratably as the performance obligations of these services are satisfied. Foundation assessments revenue consists of administrative fees to provide investment management services for donors throughout Montana. Revenue is recognized over time in the period the service is provided. Rental income is recognized in the month in which it is earned.

In-kind Contributions

Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received (Note 11). In addition to in-kind contributions, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated on the basis of estimates of time and effort.

Income Taxes

Montana State University Billings Foundation is organized as a Montana nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under Section 501(a) as Foundations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction, and have been determined not to be private foundations. The Foundation is annually required to file a Return of Foundation Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Foundation files an Exempt Foundation Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

Management believes that the Foundation has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Foundation to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash and money market accounts with financial institutions believed by the Foundation to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give are limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from donors supportive of the Foundation’s mission. Investments are made by diversified investment managers whose performance is monitored by the Foundation and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Foundation and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Subsequent Events

The Foundation has evaluated subsequent events through October 9, 2025, the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

| | 2025 | 2024 |
|--|--------------|--------------|
| Cash and cash equivalents | \$ 163,388 | \$ 1,282,819 |
| Endowment spending-rate distributions and appropriations | 1,448,060 | 1,200,000 |
| | \$ 1,611,448 | \$ 2,482,819 |

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. As part of its liquidity management, the Foundation may draw upon board-designated endowments in the event of an unanticipated liquidity need.

Note 3 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, considering factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. The Foundation invests in CDs traded in the financial markets. Those CDs and bond fund obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions and are classified within Level 2. The fair values of beneficial interests in charitable trusts are determined using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees. These are considered Level 3 measurements.

Montana State University Billings Foundation

Notes to Financial Statements

June 30, 2025 and 2024

The Foundation uses net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate the fair values of certain hedge funds, private equity funds, funds of funds, and limited partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified in the following, at June 30, 2025:

| | Total | Fair Value Measurements at Report Date Using | | |
|--|----------------------|--|--|---|
| | | Quoted Prices in Active Markets for Identical Asset (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments | | | | |
| Equity securities | \$ 2,281,712 | \$ 2,281,712 | \$ - | \$ - |
| Money market (at cost) | 1,357,839 | - | - | - |
| Fixed income bond funds | 1,909,537 | - | 1,909,537 | - |
| Certificates of deposit | 271,868 | - | 271,868 | - |
| At NAV | | | | |
| Global equity funds | 25,519,031 | - | - | - |
| Private capital | 5,201,089 | - | - | - |
| Fixed income funds | 6,654,846 | - | - | - |
| Real estate and natural resource funds | 3,852,586 | - | - | - |
| Diversifying strategy funds | 3,046,402 | - | - | - |
| | <u>\$ 50,094,910</u> | <u>\$ 2,281,712</u> | <u>\$ 2,181,405</u> | <u>\$ -</u> |
| Beneficial interest in | | | | |
| Charitable trusts held by others | <u>\$ 2,382,615</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,382,615</u> |

Montana State University Billings Foundation

Notes to Financial Statements

June 30, 2025 and 2024

The following table presents assets measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified in the following, at June 30, 2024:

| | Total | Fair Value Measurements at Report Date Using | | |
|--|----------------------|---|---|---|
| | | Quoted Prices in Active Markets for Identical Asset (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments | | | | |
| Equity securities | \$ 1,470,246 | \$ 1,470,246 | \$ - | \$ - |
| Money market (at cost) | 1,762,667 | - | - | - |
| Fixed income bond funds | 2,087,226 | - | 2,087,226 | - |
| Certificates of deposit | 606,694 | - | 606,694 | - |
| At NAV | | | | |
| Global equity funds | 18,492,915 | - | - | - |
| Private capital | 3,637,464 | - | - | - |
| Fixed income funds | 6,517,990 | - | - | - |
| Real estate and natural resource funds | 4,554,150 | - | - | - |
| Diversifying strategy funds | 3,577,880 | - | - | - |
| | <u>\$ 42,707,232</u> | <u>\$ 1,470,246</u> | <u>\$ 2,693,920</u> | <u>\$ -</u> |
| Beneficial interest in | | | | |
| Charitable trusts held by others | <u>\$ 2,581,795</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,581,795</u> |

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2025 and 2024:

| | Beneficial interest in Charitable trusts held by others | |
|------------------------|---|---------------------|
| | 2025 | 2024 |
| Beginning of year | \$ 2,581,795 | \$ 2,303,918 |
| Investment return, net | 499,872 | 277,877 |
| Distributions | (699,052) | - |
| End of year | <u>\$ 2,382,615</u> | <u>\$ 2,581,795</u> |

Montana State University Billings Foundation

Notes to Financial Statements

June 30, 2025 and 2024

Investments in certain entities that are measured at fair value using NAV per share as a practical expedient are as follows at June 30, 2025:

| | Number of Investments | Fair value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|--------------------------|----------------------|-------------------------|-------------------------|-----------------------------|
| Global equity funds | 2 | \$ 25,519,031 | \$ - | Monthly | Monthly |
| Private capital | 10 | 5,201,089 | 5,997,178 | Illiquid | None |
| Fixed income funds | 5 | 6,654,846 | - | Monthly | Monthly |
| Real estate and natural resource funds | 4 | 3,852,586 | - | Monthly | Monthly |
| Diversifying strategy funds | 1 | 3,046,402 | - | Monthly | Monthly |
| | | <u>\$ 44,273,954</u> | <u>\$ 5,997,178</u> | | |

Investments in certain entities that are measured at fair value using NAV per share as a practical expedient are as follows at June 30, 2024:

| | Number of Investments | Fair value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|--------------------------|----------------------|-------------------------|-------------------------|-----------------------------|
| Global equity funds | 2 | \$ 18,492,915 | \$ - | Monthly | Monthly |
| Private capital | 10 | 3,637,464 | 5,997,178 | Illiquid | None |
| Fixed income funds | 5 | 6,517,990 | - | Monthly | Monthly |
| Real estate and natural resource funds | 4 | 4,554,150 | - | Monthly | Monthly |
| Diversifying strategy funds | 1 | 3,577,880 | - | Monthly | Monthly |
| | | <u>\$ 36,780,399</u> | <u>\$ 5,997,178</u> | | |

Global Equity Funds – Funds focused on private equity investments primarily in foreign markets, including emerging markets.

Private Capital – Funds focus on growth in equity of United States and global securities along with real assets and sustainability. These investments are non-marketable alternative investments which are illiquid and constructed as limited partnerships that do not offer access to redemptions during the life of the partnerships. Fair values have been estimated using the practical expedient provided by the fund manager.

Fixed Income Funds – Funds focused on a broad spectrum of fixed income securities of United States companies. These investments are readily redeemable. Fair values have been estimated using the practical expedient provided by the fund manager.

Real Estate and Natural Resource Funds – Funds focused on real estate and natural resource assets primarily located in the United States. These investments are readily redeemable. Fair values have been estimated using the practical expedient provided by the fund manager.

Montana State University Billings Foundation

Notes to Financial Statements

June 30, 2025 and 2024

Diversifying Strategy Funds – Funds focused on growth in equity of United States and global securities. These investments are readily redeemable. Fair values have been estimated using the practical expedient provided by the fund manager.

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2025 and 2024:

| | 2025 | 2024 |
|--|------------|--------------|
| Within one year | \$ 574,897 | \$ 1,077,969 |
| In one to five years | 282,340 | 1,053,689 |
| Over five years | - | 132,000 |
| | 857,237 | 2,263,658 |
| Less discount to net present value at rates ranging from 7.5% to 8.5% | (95,161) | (317,879) |
| | \$ 762,076 | \$ 1,945,779 |

Note 5 - Property and Equipment

Property and equipment consists of the following at June 30, 2025 and 2024:

| | 2025 | 2024 |
|---------------------------------|--------------|--------------|
| Buildings and improvements | \$ 2,142,259 | \$ 2,051,469 |
| Pianos | 206,700 | 206,700 |
| Computer equipment and software | 41,641 | 41,641 |
| | 2,390,600 | 2,299,810 |
| Less accumulated depreciation | (1,680,725) | (1,603,408) |
| | 709,875 | 696,402 |
| Collections of art | 50,275 | 51,275 |
| | \$ 760,150 | \$ 747,677 |

Note 6 - Leases

Lessor

The Foundation and the University entered into an agreement in which the University leases the McDonald Hall building. The University is responsible for ongoing items such as maintenance, janitorial, utilities and insurance while the Foundation is responsible for capital improvements. On July 1, 2020, the Foundation and University entered into a new five-year lease, which was terminated February 20, 2024, before the end of the lease.

On July 1, 2024, the Foundation entered into a seven-year lease with an unrelated party for the McDonald Hall building. The tenant is responsible for ongoing items such as maintenance, janitorial, utilities, and insurance, while the Foundation is reasonable for capital improvements.

The Foundation recognized rental revenue (net of rental expenses) for the years ended June 30, 2025 and 2024, as follows:

| | <u>2025</u> | <u>2024</u> |
|--------------------|-------------------|-------------------|
| Rental revenue | \$ 914,218 | \$ 646,632 |
| Operating expenses | (147,374) | (11,264) |
| Commision | (221,254) | - |
| Property taxes | (2,129) | (2,546) |
| Depreciation | <u>(58,787)</u> | <u>(57,399)</u> |
| Total | <u>\$ 484,674</u> | <u>\$ 575,423</u> |

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease payments to be received as of June 30, 2025:

| <u>Years Ending June 30,</u> | <u>Amounts</u> |
|------------------------------|---------------------|
| 2026 | \$ 589,204 |
| 2027 | 606,831 |
| 2028 | 624,833 |
| 2029 | 643,586 |
| 2030 | 663,088 |
| Thereafter | <u>682,966</u> |
| | <u>\$ 3,810,508</u> |

Lessee

The Foundation has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short term leases are recognized on straight-line basis. The Foundation and the University entered into an agreement in which the Foundation leases its offices at 2615 Virginia Lane in Billings, Montana. The lease requires payments annually for the use of the building. During the year ended June 30, 2025, the Foundation renewed this lease for another one-year term. Total rent expense from this lease arrangement was \$36,000 for the years ended June 30, 2025 and 2024.

Note 7 - Assets Held in Trust

The following is a reconciliation of assets held in trust during the years ended June 30, 2025 and 2024:

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|---------------------|
| Balance at beginning of year | \$ 2,357,993 | \$ 2,128,901 |
| Net investment return | 254,200 | 262,121 |
| Program expenses | (32,809) | (9,000) |
| Scholarship expenses | (10,500) | - |
| Investment management and administrative fees | <u>(34,338)</u> | <u>(24,029)</u> |
| Balance at end of year | <u>\$ 2,534,546</u> | <u>\$ 2,357,993</u> |

Note 8 - Endowment

The Foundation’s endowment (the Endowment) consists of funds established by donors to provide annual funding for scholarships, specific activities, and general operations. The Endowment also includes certain net assets without donor restrictions designated for endowment by the Board of Directors.

The Board of Directors of the Foundation has interpreted the Montana Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2025 and 2024, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

As of June 30, 2025, endowment net asset composition by type of fund is as follows:

| | Without Donor Restriction | With Donor Restrictions | Total |
|--|------------------------------|----------------------------|---------------|
| Board-designated endowment funds | \$ 2,252,203 | \$ - | \$ 2,252,203 |
| Donor-restricted endowment funds | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | - | 23,127,316 | 23,127,316 |
| Accumulated investment gains | - | 15,621,134 | 15,621,134 |
| | \$ 2,252,203 | \$ 38,748,450 | \$ 41,000,653 |

Montana State University Billings Foundation

Notes to Financial Statements

June 30, 2025 and 2024

As of June 30, 2024, endowment net asset composition by type of fund is as follows:

| | Without Donor Restriction | With Donor Restrictions | Total |
|--|------------------------------|----------------------------|---------------|
| Board-designated endowment funds | \$ 2,248,835 | \$ - | \$ 2,248,835 |
| Donor-restricted endowment funds | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | - | 20,674,860 | 20,674,860 |
| Accumulated investment gains | - | 13,830,330 | 13,830,330 |
| | \$ 2,248,835 | \$ 34,505,190 | \$ 36,754,025 |

From time to time, certain donor-restricted endowment funds may have fair values less than the required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2025 and 2024, there were no underwater endowments.

Investment and Spending Policies

Investment and spending policies for the Endowment were adopted that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets to provide the necessary capital to fund the spending policy and to cover the costs of managing the Endowment investments. 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. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

An endowment spending-rate formula is used to determine the maximum amount to spend from the Endowment, including those endowments deemed to be underwater, each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the average fair value of the Endowment investments for the prior 3 years at June 30 of each year to determine the spending amount for the upcoming year. During 2025 and 2024, the spending rate maximum was 4 percent. In establishing this policy, the Board of Directors considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

Montana State University Billings Foundation

Notes to Financial Statements

June 30, 2025 and 2024

Changes in Endowment net assets for the year ended June 30, 2025 are as follows:

| | Without Donor Restriction | With Donor Restrictions | Total |
|---|------------------------------|----------------------------|---------------|
| Endowment net assets, beginning of year | \$ 2,248,835 | \$ 34,505,190 | \$ 36,754,025 |
| Investment return, net | 84,820 | 3,656,940 | 3,741,760 |
| Contributions | - | 2,203,597 | 2,203,597 |
| Appropriation of endowment assets pursuant to spending-rate policy | - | (1,617,277) | (1,617,277) |
| Distribution from board-designated endowment pursuant to distribution policy | (81,452) | - | (81,452) |
| Endowment net assets, end of year | \$ 2,252,203 | \$ 38,748,450 | \$ 41,000,653 |

Changes in Endowment net assets for the year ended June 30, 2024 are as follows:

| | Without Donor Restriction | With Donor Restrictions | Total |
|---|------------------------------|----------------------------|---------------|
| Endowment net assets, beginning of year | \$ 2,253,057 | \$ 30,337,499 | \$ 32,590,556 |
| Investment return, net | 183,994 | 3,585,642 | 3,769,636 |
| Contributions | - | 1,772,940 | 1,772,940 |
| Appropriation of endowment assets pursuant to spending-rate policy | - | (1,190,891) | (1,190,891) |
| Distribution from board-designated endowment pursuant to distribution policy | (188,216) | - | (188,216) |
| Endowment net assets, end of year | \$ 2,248,835 | \$ 34,505,190 | \$ 36,754,025 |

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of June 30, 2025 and 2024:

| | <u>2025</u> | <u>2024</u> |
|---|----------------------|----------------------|
| Subject to Expenditure for Specified Purpose | | |
| Alumni relations | \$ 44,294 | \$ 52,495 |
| Campus and community outreach | 645,942 | 394,421 |
| Campus projects | 233,851 | 796,166 |
| Campus programs and student scholarships | 1,937,000 | 1,326,522 |
| General and administrative | 1,615 | - |
| | <u>2,862,702</u> | <u>2,569,604</u> |
| Subject to the Passage of Time | | |
| Beneficial interests in charitable trusts held by others | <u>2,382,615</u> | <u>2,581,795</u> |
| Endowments | | |
| Perpetual in nature, earnings from which are subject to endowment spending policy appropriation | | |
| Campus programs and student scholarships | 38,257,587 | 32,838,201 |
| Campus projects | 163,764 | 1,430,750 |
| General and administrative | 327,099 | 236,239 |
| | <u>38,748,450</u> | <u>34,505,190</u> |
| | <u>\$ 43,993,767</u> | <u>\$ 39,656,589</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows for the years ended June 30, 2025 and 2024:

| | <u>2025</u> | <u>2024</u> |
|--|---------------------|---------------------|
| Satisfaction of purpose restrictions | | |
| Campus programs and student scholarships | \$ 1,916,145 | \$ 1,873,859 |
| General and administrative | 732,374 | 509,850 |
| Support provided to the University | 400,458 | 625,623 |
| Other | 65,764 | 191,217 |
| | <u>\$ 3,114,741</u> | <u>\$ 3,200,549</u> |

Note 10 - Net Assets with Board Designated Restrictions

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, 2025 and 2024:

| | <u>2025</u> | <u>2024</u> |
|--|---------------------|---------------------|
| Campus projects | \$ 246,024 | \$ 197,000 |
| Campus and community outreach | 157,346 | 151,883 |
| Campus programs and student scholarships | 844,079 | 824,613 |
| Other | <u>1,711,521</u> | <u>1,762,667</u> |
| | <u>\$ 2,958,970</u> | <u>\$ 2,936,163</u> |

Note 11 - Contributed Nonfinancial Assets

For the years ended June 30, 2025 and 2024, contributed nonfinancial assets recognized within the statements of activities included the following:

| | <u>2025</u> | <u>2024</u> |
|-----------------------|------------------|-------------------|
| Supplies | \$ 8,717 | \$ 2,600 |
| Artwork | - | 826 |
| Equipment | 40,000 | 170,934 |
| Professional services | 5,325 | 4,856 |
| Vehicles | <u>11,722</u> | <u>12,000</u> |
| | <u>\$ 65,764</u> | <u>\$ 191,216</u> |

Contributed artwork is valued based on fair market value, based upon appraised value or the price of the commission for the piece of artwork.

Contributed supplies, equipment, and vehicles are valued using estimated U.S. wholesale prices (principal market) of identical or similar products using pricing data under a "like-kind" methodology considering the goods' condition and utility for use at the time of the contribution.

Contributed professional services are recognized at fair value based on current rates for similar professional services.

Note 12 - 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. Trustee charitable gift annuity contributions totaled \$71,828 and \$61,150 for the years ended June 30, 2025 and 2024, respectively.

Note 13 - Special Events

Special event revenue consists of the following for the years ended June 30, 2025 and 2024:

| | <u>2025</u> | <u>2024</u> |
|--|-------------------|-------------------|
| Gross special events revenue | \$ 453,731 | \$ 398,315 |
| Less cost of direct benefits to donors | <u>(267,035)</u> | <u>(264,773)</u> |
| | <u>\$ 186,696</u> | <u>\$ 133,542</u> |

Note 14 - 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 \$40,847 and \$36,061 for the years ended June 30, 2025 and 2024, respectively.

Note 15 - Restatement

During 2025, the Foundation identified misstatements within the 2024 financial statements related to beneficial interests in charitable trusts held by others.

The Foundation restated its previously issued financial statements to appropriately reflect the June 30, 2024, beneficial interest in charitable trusts held by others, distributions from and change in value of beneficial interests held by others, and net assets for the year ended June 30, 2024.

The following is a summary of the effects of the restatement in the Foundation's June 30, 2024 statement of financial position:

| | <u>As Previously Reported</u> | <u>Adjustment</u> | <u>As Restated</u> |
|---|-----------------------------------|-------------------|--------------------|
| As of June 30, 2024 | | | |
| Beneficial interest in charitable trusts held by others | \$ 904,070 | \$ 1,677,725 | \$ 2,581,795 |
| Total assets | 47,725,720 | 1,677,725 | 49,403,445 |
| Net assets with donor restriction | 37,978,864 | 1,677,725 | 39,656,589 |
| Total net assets | 43,911,545 | 1,677,725 | 45,589,270 |
| Total liabilities and net assets | 47,725,720 | 1,677,725 | 49,403,445 |

Montana State University Billings Foundation

Notes to Financial Statements

June 30, 2025 and 2024

The following is a summary of the effects of the restatement in the Foundation's June 30, 2024 statement of activities:

| | As Previously Reported | Adjustment | As Restated |
|--|---------------------------|------------|-------------|
| Year Ended June 30, 2024 | | | |
| With Donor Restriction: | | | |
| Distributions from and change in value of beneficial interests held by others | \$ 63,315 | \$ 214,562 | \$ 277,877 |
| Total revenue, support, and gains | 5,600,004 | 214,562 | 5,814,566 |
| Change in net assets | 5,600,004 | 214,562 | 5,814,566 |
| Net assets, beginning of year | 32,378,860 | 1,463,163 | 33,842,023 |
| Net assets, end of year | 37,978,864 | 1,677,725 | 39,656,589 |
| Total: | | | |
| Distributions from and change in value of beneficial interests held by others | \$ 63,315 | \$ 214,562 | \$ 277,877 |
| Total revenue, support, and gains | 10,386,080 | 214,562 | 10,600,642 |
| Change in net assets | 6,371,206 | 214,562 | 6,585,768 |
| Net assets, beginning of year | 37,540,339 | 1,463,163 | 39,003,502 |
| Net assets, end of year | 43,911,545 | 1,677,725 | 45,589,270 |

The following is a summary of the effects of the restatement in the Foundation's June 30, 2024, statement of cash flows:

| | As Previously Reported | Adjustment | As Restated |
|---|---------------------------|------------|--------------|
| Year Ended June 30, 2024 | | | |
| Change in net assets | \$ 6,371,206 | \$ 214,562 | \$ 6,585,768 |
| Change in beneficial interest in assets held by others | (63,315) | (214,562) | (277,877) |