

THE UNIVERSITY OF MONTANA WESTERN FOUNDATION

**Financial Statements
with
Independent Auditors' Report**

June 30, 2024

THE UNIVERSITY OF MONTANA WESTERN FOUNDATION
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RUDD & COMPANY^{INC.}

certified public accountants | business consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of The University of Montana Western Foundation

Opinion

We have audited the accompanying financial statements of The University of Montana Western Foundation (a nonprofit organization) ("Foundation"), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2024, and the changes in its net assets and its cash flows for the year 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. 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 the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 the 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 the 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.

Rudd & Company, PLLC

Bozeman, Montana
May 13, 2025

THE UNIVERSITY OF MONTANA WESTERN FOUNDATION
Statement of Financial Position
As of June 30, 2024

Assets

Current Assets

Cash and cash equivalents	\$ 139,169
Restricted cash	921,412
Pledges receivable, current portion	378,279
Accrued investment income	63,459
Total Current Assets	<u>1,502,319</u>

Property and equipment, net of accumulated depreciation	<u>7,427</u>
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Investments

Investments - Without Donor Restrictions	346,166
Investments - With Donor Restrictions	2,125,272
Endowments	8,872,701
Total Investments	<u>11,344,139</u>

Long-term pledges receivable, net of current portion and discount	<u>787,349</u>
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Total Assets	<u>\$ 13,641,234</u>
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Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 340,684
Total Current Liabilities	<u>340,684</u>

Total Liabilities	<u>340,684</u>
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Net Assets

With Donor Restrictions (Note 5)

Temporarily restricted funds	3,907,417
Endowment funds	8,928,548
Total With Donor Restrictions	<u>12,835,965</u>

Without Donor Restrictions	<u>464,585</u>
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Total Net Assets	<u>13,300,550</u>
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Total Liabilities and Net Assets	<u>\$ 13,641,234</u>
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The accompanying notes are an integral part of the Financial Statements.

THE UNIVERSITY OF MONTANA WESTERN FOUNDATION
Statement of Activities
For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Support			
Contributions	\$ 12,761	\$ 2,141,581	\$ 2,154,342
Management income	159,937	-	159,937
Investment income, net	(49,426)	1,213,881	1,164,455
Rental income	26,724	-	26,724
Special events	-	386,519	386,519
Net assets released from restrictions	2,727,548	(2,727,548)	-
Total Revenues and Support	2,877,544	1,014,433	3,891,977
Expenses			
University support			
Scholarships given	552,414	-	552,414
Academics and institutional	2,863,581	-	2,863,581
Total University support	3,415,995	-	3,415,995
Supporting services			
General and administrative	56,919	-	56,919
Fundraising	313,927	-	313,927
Total Supporting Services	370,846	-	370,846
Total Expenses	3,786,841	-	3,786,841
Change in Net Assets	(909,297)	1,014,433	105,136
Net Assets, Beginning of Year	1,371,939	11,111,564	12,483,503
Prior Period Adjustment (See Note 11)	1,943	709,968	711,911
Net Assets, Beginning of Year, restated	1,373,882	11,821,532	13,195,414
Net Assets, End of Year	\$ 464,585	\$ 12,835,965	\$ 13,300,550

The accompanying notes are an integral part of the Financial Statements.

THE UNIVERSITY OF MONTANA WESTERN FOUNDATION
Statement of Functional Expenses
For the Year Ended June 30, 2024

	University Support	General and Administrative	Fundraising	Totals
Direct University support	\$ 3,205,276	\$ -	\$ -	\$ 3,205,276
Accounting and auditing	2,700	8,750	-	11,450
Advertising and promotional	1,000	-	281,406	282,406
Dues and subscriptions	11,212	330	-	11,542
Entertainment and meetings	17,388	1,797	-	19,185
Gifts	1,148	-	-	1,148
Insurance	19,113	2,800	-	21,913
Office supplies, printage and postage	4,202	6,272	-	10,474
Salaries and fringe benefits	135,097	32,521	32,521	200,139
Travel and meals	18,859	4,449	-	23,308
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Total	\$ 3,415,995	\$ 56,919	\$ 313,927	\$ 3,786,841
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The accompanying notes are an integral part of the Financial Statements.

THE UNIVERSITY OF MONTANA WESTERN FOUNDATION
Statement of Cash Flows
For the Year Ended June 30, 2024

Cash Flows from Operating Activities

Change in net assets	\$ 105,136
Adjustment to reconcile change in net assets to net cash used in operating activities	
Realized and unrealized gains on investments	(831,049)
(Increase) decrease in operating assets	
Pledges receivable	80,616
Accrued investment income	(12,031)
Increase (decrease) in operating liabilities	
Accounts payable	(9,493)
Net cash from operating activities	<u>(666,821)</u>

Cash Flows from Investing Activities

Purchase of investments	(1,027,629)
Proceeds from sale of investments	<u>1,699,097</u>
Net cash from investing activities	<u>671,468</u>
Net change in cash and cash equivalents	4,647
Cash and cash equivalents, beginning of year	<u>1,055,934</u>
Cash and cash equivalents, end of year	<u>\$ 1,060,581</u>

Reconciliation of Cash

Unrestricted Cash	\$ 139,169
Restricted Cash	<u>921,412</u>
	<u>\$ 1,060,581</u>

The accompanying notes are an integral part of the Financial Statements.

THE UNIVERSITY OF MONTANA WESTERN FOUNDATION
Notes to the Financial Statements
For the Year Ended June 30, 2024

1. Activities and Significant Accounting Policies

Organization

The University of Montana Western Foundation (“Foundation”) was formed as a non-profit corporation under the laws of the State of Montana to promote the educational objectives of the University of Montana Western (“University”).

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”), as codified by the Financial Accounting Standards Board (“FASB”).

Fund Accounting

The accounts of the Foundation are maintained internally in accordance with the principles of fund accounting. As a result, contributions are classified into funds based upon their particular purpose and nature. For the purpose of investing funds, the Foundation pools them according to their purpose or whether they are considered net assets with donor restrictions. Fund totals are consolidated for financial statement presentation purposes.

Classification of Net Assets

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

Net Assets With Donor Restrictions

Net assets with donor restrictions represents net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. The Foundation reports contributions received as increases in either net assets without donor restrictions or net assets with donor restriction, depending on the existence or nature of any donor restrictions. When a donor restriction expires, through the passage of time or when the purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Endowment Funds – Endowment funds are intended to exist in perpetuity, providing an annual distribution pursuant to the Foundation’s spending policy that may be used for any of the grantmaking or operating activities. See Note 8 for additional details.

Net Assets Without Donor Restrictions

Net assets without donor restrictions represents net amounts that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have been expired or fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

THE UNIVERSITY OF MONTANA WESTERN FOUNDATION
Notes to the Financial Statements
For the Year Ended June 30, 2024

1. Activities and Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Foundation considers all cash accounts and highly liquid investments with a maturity at purchase of three months or less to be cash equivalents. Cash and cash equivalents that are held as a portion of the Foundation's investment portfolio are classified as investments and are not considered to be cash equivalents.

Restricted Cash represents cash with temporary or permanent restriction on its use. Those funds are released as the purpose or timing restrictions are met.

Pledges Receivable

Pledges receivable are measured at fair value on the date a written unconditional promise to give is received from the donor. The fair value is measured using an income approach which incorporates inputs including estimated timing of cash receipts and an appropriate present value discount factor if receivables are expected to be collected in future years. Conditional pledges are not recognized until they become unconditional, that is, when the conditions on which they depend on are substantially met. As of June 30, 2024, \$787,349 of pledges receivable are considered long-term as their collection period is greater than one year. All other pledges receivable are considered to be current, as they are expected to be collected within one year. Pledges have been discounted using a 3% discount rate as per internal policy.

Allowance for Doubtful Accounts

The Foundation provides for amounts that may be uncollectible on pledges receivable. Management estimates the amount based on a variety of factors, including prior collection history and the ability of the donor to pay. For the year ended June 30, 2024, no allowance was deemed necessary.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Net investment income includes dividends, interest, and realized and unrealized gains and losses on investments less management fees and direct administrative costs. Unrealized gains and losses are included in the change in net assets.

The Foundation's Board of Directors has adopted policies for the allocation of investment income and administrative expenses to various funds for which the underlying assets are "pooled". Investment income earned by these pooled assets is allocated to each fund participating in the pool based on the percentage of dollars the fund has invested in the pool. Certain investments related to donor advised and designated funds are maintained outside the pooled assets. Investment return for these funds is based on the actual investment performance of the related assets.

THE UNIVERSITY OF MONTANA WESTERN FOUNDATION
Notes to the Financial Statements
For the Year Ended June 30, 2024

1. Activities and Significant Accounting Policies (continued)

Property and Equipment

The Foundation's capitalization policy is to capitalize any fixed asset with a cost or fair value in excess of \$5,000. Fixed assets is limited to a vehicle, and the estimated useful life was determined to be 5 years.

Revenue Recognition

Contributions

The Foundation's primary sources of revenue are contributions and grants. Contributions, which may include noncash assets and unconditional promises to give are recognized as revenue at fair value as of the date pledged or received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Contributions received are reported as increases in either net assets without donor restrictions or net assets with donor restriction, depending on the existence or nature of any donor restrictions. When a donor restriction expires, through the passage of time or when the purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Management Income

The Foundation assesses an administrative fee on endowments that have been established and on the books for 18 months. In July of the next fiscal year, a 1.5% fee is assessed against the 18-month average of the endowment. For the year ended June 30, 2024, the annual fee was 1.5% of the 18-month average. In addition, a gift fee was established at the October 2023 foundation board meeting. Any new donation received by the UMW Foundation is assessed a 5% initial gift fee. Total management income for the year ended June 30, 2024 was \$159,937.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Whenever possible, costs are included in a function on a basis of specific identification. When that is not practical, certain costs are allocated among the functions benefited. The expenses are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits. All shared costs are allocated based on the estimates of time and efforts of full-time equivalent employees expressed as a percentage of total payroll expenses.

THE UNIVERSITY OF MONTANA WESTERN FOUNDATION
Notes to the Financial Statements
For the Year Ended June 30, 2024

1. Activities and Significant Accounting Policies (continued)

Donated Materials and Services

Contributions of services are recognized in the financial statements if services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donations of materials, land, and other nonfinancial assets are recorded as support without donor restriction at their estimated fair value based upon current market rates for similar materials at the time of receipt.

University of Montana Western – Related Party

The relationship between the Foundation and the University is governed by an operating agreement. Under the terms of that agreement, the University paid \$10,000 for fiscal year 2024, for services provided by the Foundation. These services are provided to the University evenly over the course of the fiscal year; therefore, the revenue is recognized evenly over time. As a part of the agreement for performing fundraising services, the University provided the Foundation with adequate space and facilities, and other related items in 2024. The University also provides salary support to the Foundation's administrative staff, including 30% of the Executive Director's salary, and 100% of the Special Events and Alumni Coordinator, and Development Officer's salaries. These costs are listed as Salaries and fringe benefits in the Foundation's Statement of Functional Expenditures.

Advertising

Advertising and promotion costs are expensed as incurred.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1, defined as observable inputs such as quoted market prices in active markets;
- Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions.

The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

THE UNIVERSITY OF MONTANA WESTERN FOUNDATION
Notes to the Financial Statements
For the Year Ended June 30, 2024

1. Activities and Significant Accounting Policies (continued)

Use of Estimates

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

Income Taxes

The Foundation is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and therefore has made no provision for federal income taxes in the accompanying financial statements. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(a)(vi). The Foundation's information returns (Form 990) are open to examination by the IRS, generally, for three years after they were filed or the due date of the return, whichever is later.

Adoption of New Accounting Standard

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13 – *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measures at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. There were no financial assets in the Foundation subject to the provisions of these requirements. There was no impact on fund balance.

Subsequent Events

Management has evaluated subsequent events through May 13, 2025, the date which the financial statements were available for release. Subsequent to year end, the Foundation made the decision to provide short term cash flow of unrestricted funds to support the continuation of the stadium project. These unrestricted funds will be paid back from restricted pledges as they are received over the next ten years. In addition, the Foundation has entered into a conduit bond agreement for \$1 million to further support the stadium construction. These funds are anticipated to be repaid over twenty years from operations unrestricted funds consisting mostly of the principal and earnings of unrestricted investments and the administrative fees from restricted investments. There were no other subsequent type events identified by management as needing to be disclosed.

THE UNIVERSITY OF MONTANA WESTERN FOUNDATION
Notes to the Financial Statements
For the Year Ended June 30, 2024

2. Concentrations of Risk

Cash and cash equivalents – The Foundation maintains a cash balance at a financial institution. Accounts at the financial institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Foundation has not experienced any loss in such accounts. As of June 30, 2024, cash and cash equivalents held in the financial institution in excess of the FDIC Federal Deposit limits was \$871,574. The Foundation believes it is not exposed to any significant credit risk on its cash balances.

Investments – Investments are exposed to various risks, such as interest, market, and credit risks. It is reasonably possible given the risks associated with investments that changes in the near term could materially affect the amounts reported in the financial statements. To manage risk, the Foundation has formal investment policies and engages the services of third-party investment consultants that assist with compliance with the policies and evaluation of performance.

The Foundation maintains the majority of its cash, money market, fixed income, mutual funds, equities, and exchange-traded products with a brokerage firm. Investments held by the investment firm is insured up to \$500,000 through the Securities Investor Protection Corporation (SIPC). As of June 30, 2024, \$10,606,472 was above the SIPC insurance, respectively.

Major contributions – During the year ended June 30, 2024, the Foundation received donations of \$750,250 from two donors. This contribution amounted to approximately 30% of total contributions for the year.

3. Liquidity and Availability of Resources

The Foundation's financial assets available to meet general expenditures within one year of the statement of financial position date comprise the following at June 30, 2024:

Financial assets at year end:	
Cash and cash equivalents	\$ 1,060,581
Pledges receivable, current portion	378,279
Investments	11,344,139
Accrued investment income	63,459
Total financial assets	<u>12,846,458</u>
Less amounts not available to be used within one year:	
With donor restrictions	<u>11,919,385</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 927,073</u>

THE UNIVERSITY OF MONTANA WESTERN FOUNDATION
Notes to the Financial Statements
For the Year Ended June 30, 2024

3. Liquidity and Availability of Resources (continued)

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation invests excess cash in accordance with its investment policy in order to manage investment risk and optimize investment returns within acceptable parameters.

4. Donated Materials and Services

The University of Montana Western provides payroll services on behalf of the Foundation, receiving reimbursement for all but a portion of the Foundation's Executive Director, Development Director and Alumni Director's salaries. The majority of this unreimbursed portion represents anticipated value for services rendered for unrelated departmental activities. Management has determined any variance between what is reimbursed and the allocable amount of the salary required to oversee the Foundation is deemed immaterial to the overall financial statements and has not been recorded.

5. Pledges Receivables

Pledges receivable represent amounts due from donors for multiyear unconditional pledges. Pledges receivable are shown net of a discount on future collections. As of June 30, 2024, payments on the pledges are expected to be received as follows:

Amounts due in:	
Less than one year	\$ 378,279
One to five years	771,307
Five years or more	<u>120,000</u>
Total pledges receivable	1,269,586
Less unamortized discount	<u>(103,958)</u>
Pledges receivable, net	<u>\$ 1,165,628</u>

THE UNIVERSITY OF MONTANA WESTERN FOUNDATION
Notes to the Financial Statements
For the Year Ended June 30, 2024

6. Investments

The Board of Directors reviews and approves the Foundation's investments policies and procedures annually.

The following table presents the balance of assets carried at fair value on the statement of financial position as of June 30, 2024:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Cash and cash equivalents	\$ 1,037,515	\$ 1,037,515	\$ -	\$ -
Government obligations	1,875,203	-	1,875,203	-
Corporate bonds	1,599,604	-	1,599,604	-
Mortgage pools and asset backed	42,020	-	42,020	-
Equity securities and mutual funds				
Corporate stocks	5,400,755	5,400,755	-	-
ETF	1,087,918	1,087,918	-	-
Real estate	301,124	-	-	301,124
Total Investments	<u>\$ 11,344,139</u>	<u>\$ 7,526,188</u>	<u>\$ 3,516,827</u>	<u>\$ 301,124</u>

There has been no change in the Level 3 assets since the prior year, so a reconciliation from opening to ending balances is not presented.

Components of investment income, net for the year ended June 30, 2024 consist of the following:

Interest and dividend income	\$ 373,815
Realized and unrealized gains	831,049
Investment fees	(40,409)
	<u>\$ 1,164,455</u>

THE UNIVERSITY OF MONTANA WESTERN FOUNDATION
Notes to the Financial Statements
For the Year Ended June 30, 2024

7. Net Assets With Donor Restrictions

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

Endowments - corpus	
Scholarships	\$ 6,595,973
Alumni	39,537
Booster	56,404
Growth	35,183
Other	143,866
Scholarships	3,959,879
Clubs, Departments and Other Programs	1,260,630
Booster	618,825
Alumni	103,843
Campaign	5,000
Chancellor's Special Projects	4,701
Director's Special Projects	2,079
Birch Creek Center	321
Growth	9,724
Total	<u>\$ 12,835,965</u>

8. Endowment Net Assets

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. During the year ended June 30, 2024, fees for management of endowment funds were \$94,097.

Interpretation of Relevant Law

The Board of Directors and the Finance and Investment Committee (the "Committee") have interpreted the Montana Uniform Prudent Management of Institutional Funds Act ("MUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classified as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowments, (b) the original value of subsequent gifts to the permanent endowments, and (c) any accumulations to the permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

THE UNIVERSITY OF MONTANA WESTERN FOUNDATION
Notes to the Financial Statements
For the Year Ended June 30, 2024

8. Endowment Net Assets (continued)

The remaining portion of the donor-restricted endowment funds are also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MUPMIFA.

In accordance with MUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) General economic conditions;
- (2) The possible effect of inflation and deflation;
- (3) The expected tax consequences, if any, of investment decisions or strategies;
- (4) The role that each investment or course of action plays within the Foundation's overall investment portfolio;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Foundation;
- (7) The needs of the Foundation and a given institutional fund to make distributions and to preserve capital; and
- (8) An asset's special relationship or special value, if any, to the purpose of the Foundation.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MUPMIFA requires the Foundation to retain as a fund of perpetual direction. As of June 30, 2024, the endowments had no such deficiency.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to operations while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). The Foundation expects its endowment funds, over time, to provide a reasonable level of current income to support the spending policy authorized by the Committee and to grow equity assets. Actual returns in any given year may vary from this amount.

The performance objective of the Foundation's portfolio is to grow the market value of assets by four percent, net of inflation, over a full market cycle (generally defined as a five to ten year period).

Strategies Employed for Achieving Objectives

The Committee understands the long-term nature of the Foundation and believes that investing in assets with higher return expectations outweighs their short-term volatility risk. As such, the objective will be defined as Balanced. This objective incorporates balanced emphasis between current income and longer-term capital appreciation. Assets are primarily invested in equity and fixed-income securities with a moderate to strong emphasis on capital appreciation and current income.

THE UNIVERSITY OF MONTANA WESTERN FOUNDATION
Notes to the Financial Statements
For the Year Ended June 30, 2024

8. Endowment Net Assets (continued)

The acceptable asset allocation is as follows:

	Asset Allocation Target Range	Minimum and Maximum Range
Cash Equivalents	0%	0-10%
Fixed Income	35%	24-45%
Equities	65%	55-75%
Real Assets	0%	0-20%
Alternative Assets	0%	0-20%

Spending Policy

The Committee recognizes the perpetual nature of the Foundation assets and the importance of maintaining and growing the real (inflation-adjusted) purchasing power of the corpus over time. In an effort to provide for portfolio growth and a stable and predictable level of real spending, the Committee has adopted a spending policy based on a fixed percentage of the Foundation assets.

The committee will make recommendations to the Foundation Board of Directors for expenditures of each fiscal year from the Foundation fund within in a range between a minimum of three percent and a maximum of five percent of the average net fair market value of the Foundation assets over a three year period. The target amount to be expended each fiscal year from the Foundation fund shall be four percent of the average net fair market value of the Foundation assets over a three year period.

To calculate the distributable amount, the market value shall be a rolling three year average of the net fair market value of the portfolio assets. The net fair market value shall be determined as of the last business day of each Foundation fiscal year, currently June 30.

Distributions from the Foundation fund shall be made for such purposes and in such proportions, consistent with the mission and principles of the Foundation, as determined by the Committee.

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8. Endowment Net Assets (continued)

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

	Without Donor Restrictions	With Donor Restrictions - Income	With Donor Restrictions - Corpus	Total
Donor-restricted endowment funds	\$ -	\$ 2,057,585	\$ 6,870,963	\$ 8,928,548
	Without Donor Restrictions	With Donor Restrictions - Income	With Donor Restrictions - Corpus	Total
Endowment net assets, beginning of year	\$ -	\$ 1,167,562	\$ 6,451,518	\$ 7,619,080
Contributions	-	-	694,509	694,509
Investment income, net	-	890,023	(275,064)	614,959
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets, end of year	\$ -	\$ 2,057,585	\$ 6,870,963	\$ 8,928,548

9. Rental Income

On November 21, 2012, the Foundation (lessor) executed a new 23-year agreement to lease the property and equipment known as Sparky's Garage (Restaurant), effective as of October 1, 2012. The monthly lease payments are \$1,800. The rate of \$1,800 will increase 2% on each anniversary of the lease.

Future minimum lease payments to be received are as follows:

	<u>Year ended June 30,</u>
2025	\$ 27,261
2026	27,810
2027	28,371
2028	28,944
2029	29,520
Thereafter	198,180
Total	<u>\$ 340,086</u>

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10. D.I. Emerick & M.B. Emerick Trusts

The D.I. Emerick and M.B. Emerick Trusts are separate legal entities and were established in 1981 in keeping with the Last Will and Testament of Mary Baker Emerick for the purposes of providing an art scholarship fund for students of high scholastic standing who desire to enter the teaching profession and in obtaining additional equipment and procuring library books for the use and benefit of the Art Department of the University of Montana Western.

The trustees are independent of the University of Montana Western Foundation and consist of the President, Academic Dean (or its equivalent office) and the Chairperson of the Art Department of the University of Montana Western.

In the event the University of Montana Western should be closed, removed from the City of Dillon, or reduced from the status of a post-secondary academic institution of higher learning, for the preparation of teachers, the residual of the Trusts are to be paid to the Barrett Memorial Hospital and to the City of Dillon for the benefit of its public library.

The University of Montana Western Foundation manages the investments on behalf of the Trusts and assesses an administrative fee based on the 18-month average of the trusts' market value. For the year ended June 30, 2024, the annual fee was 1.5%. Total Foundation fee for the trusts for the year ended June 30, 2024 was \$60,902.

11. Prior Period Adjustment

During fiscal year 2024, the Foundation determined that pledges for future donations had not been properly recorded in the financial statements. The result of this missing information was understatement to revenues and pledges receivable by \$711,911, which includes the discount for pledges anticipated to be collected in greater than one year.