

**MONTANA TECH FOUNDATION**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

**MONTANA TECH FOUNDATION  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Montana Tech Foundation  
Butte, Montana

We have audited the accompanying financial statements of Montana Tech Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Montana Tech Foundation

***Opinion***

In our opinion, the 2020 financial statements referred to above present fairly, in all material respects, the financial position of Montana Tech Foundation as of June 30, 2020, 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.

***Other Matter***

The 2019 financial statements of Montana Tech Foundation were audited by other auditors whose report dated October 12, 2019, expressed an unmodified opinion on those statements.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
September 25, 2020

**MONTANA TECH FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2020**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 4,302,656
Certificate of Deposit	342,871
Accounts Receivable	12,500
Pledge Receivables, Net of Allowance of \$70,000	1,693,045
Prepaid Expenses	360,791
Other Assets	266,468
Total Current Assets	6,978,331

**INVESTMENTS**

Investments at Fair Value	39,353,239
Trust Held by Third Parties	1,754,003
Total Investments	41,107,242

**PROPERTY AND EQUIPMENT, Net of Accumulated Depreciation**

2,003,393

Total Assets

\$ 50,088,966

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts Payable	\$ 360,149
Accrued Expenses	31,287
Short-Term Notes Payable	43,876
Long-Term Notes Payable	340,308
Long-Term Charitable Gift Annuities	264,612
Total Liabilities	1,040,232

**NET ASSETS**

Without Donor Restrictions:	
Undesignated	1,777,770
Designated by the Board	618,238
Total Without Donor Restrictions	2,396,008
With Donor Restrictions:	
Perpetual in Nature	38,803,604
Purpose Restrictions	7,849,122
Total With Donor Restrictions	46,652,726
Total Net Assets	49,048,734

Total Liabilities and Net Assets

\$ 50,088,966

*See accompanying Notes to Financial Statements.*

**MONTANA TECH FOUNDATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	2020 Total
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 193,115	\$ 5,389,374	\$ 5,582,489
Administrative Fees	200,000		200,000
Investment Income, Net	23,887	(164,160)	(140,273)
Unrealized Gain (Loss) on Trusts			
Held by Third Parties	-	(116,227)	(116,227)
Miscellaneous	4,667	(41,875)	(37,208)
Net Assets Released from Program and Time Restrictions	5,372,705	(5,372,705)	-
Total Revenue and Support	5,794,374	(305,593)	5,488,781
<b>EXPENSES</b>			
Program Services Expense:			
University Support:			
Educational Program Services	619,046	-	619,046
Equipment Distribution	1,743,194	-	1,743,194
Professorship Distributions	496,018	-	496,018
Scholarship Distributions	1,557,934	-	1,557,934
Direct College Support	30,059	-	30,059
Total Program Expenses	4,446,251	-	4,446,251
Supporting Services Expense:			
General and Administrative	520,225	-	520,225
Fundraising	736,710	-	736,710
Total Supporting Services Expenses	1,256,935	-	1,256,935
Total Expenses and Losses	5,703,186	-	5,703,186
<b>CHANGE IN NET ASSETS</b>	91,188	(305,593)	(214,405)
Net Assets - Beginning of Year	2,304,820	46,958,319	49,263,139
<b>NET ASSETS - END OF YEAR</b>	\$ 2,396,008	\$ 46,652,726	\$ 49,048,734

See accompanying Notes to Financial Statements.

**MONTANA TECH FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2020**

	Program Services	Supporting Activities		2020 Total
	University Support	General and Administrative	Fundraising	
Direct University Support	\$ 3,893,636	\$ 17,709	\$ -	\$ 3,911,345
Accounting and Auditing	-	13,973	-	13,973
Advertising and Promotion	4,562	575	39,048	44,185
Bad Debt Expense	-	67,719	-	67,719
Bank and Credit Card Fees	-	16,833	-	16,833
Contracted Services	65,278	26,941	62,548	154,767
Depreciation	35,618	10,521	11,797	57,936
Dues and Subscriptions	19,279	5,335	5,552	30,166
Entertainment	103,674	10,713	31,962	146,349
Gifts	97,342	2,935	28,875	129,152
Insurance	486	6,674	-	7,160
Interest Expense	263	-	-	263
Legal Fees	-	742	-	742
Licenses and Taxes	-	2,195	-	2,195
Minor Equipment	4,284	4,817	-	9,101
Miscellaneous	7,899	-	3,130	11,029
Office Supplies, Printing, and Postage	7,293	13,584	16,015	36,892
Prizes and Awards	16,052	-	-	16,052
Professional Development	10,430	4,598	1,395	16,423
Repairs and Maintenance	128	592	13,142	13,862
Salaries and Fringe Benefits	-	301,553	439,726	741,279
Software Acquisition and Maintenance	11,547	2,064	9,579	23,190
Supplies	78,484	1,132	3,297	82,913
Telephone	-	3,198	4,555	7,753
Travel, Lodging, and Relocation	89,996	5,822	66,089	161,907
<b>Total Expenses by Function</b>	<b>\$ 4,446,251</b>	<b>\$ 520,225</b>	<b>\$ 736,710</b>	<b>\$ 5,703,186</b>

See accompanying Notes to Financial Statements.

**MONTANA TECH FOUNDATION  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ (214,405)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation	57,936
Net Realized and Unrealized Gain on Operating Investments	241,981
Contributions of Donated Stock	418,980
Unrealized Loss on Trust Held by Third Parties	116,227
Change in Value of Split-Interest Agreements	41,875
(Increase) Decrease in Assets:	
Pledge Receivables	(552,280)
Other Receivables	(12,500)
Other Assets	(408,056)
Increase (Decrease) in Liabilities:	
Accounts Payable	258,718
Accrued Expenses	8,104
Contributions and Investment Earnings Restricted for Long-Term Investment	<u>(1,464,664)</u>
Net Cash Used by Operating Activities	<u>(1,508,084)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Decrease in Cash Surrender Value of Life Insurance	(4,667)
Purchase of Property and Equipment	(3,370)
Purchase of Investments	(14,764,321)
Proceeds from Sale of Investments	<u>15,069,623</u>
Net Cash Provided by Investing Activities	<u>297,265</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Payments on Charitable Gift Annuities	(258)
Short-Term Notes Payable	43,876
Long-Term Notes Payable	340,308
Collections of Contributions and Investment Earnings Restricted for Long-Term Investment	<u>1,464,664</u>
Net Cash Provided by Financing Activities	<u>1,848,590</u>

**NET CHANGE IN CASH AND CASH EQUIVALENTS**

637,771

Cash and Cash Equivalents - Beginning of Year

3,664,885

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 4,302,656

*See accompanying Notes to Financial Statements.*



**MONTANA TECH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Montana Tech Foundation (the Foundation) was organized and incorporated December 7, 1967 as a nonprofit organization. The Foundation's purpose is to conduct and carry out research, to seek and invite bequests, contributions, gifts, and grants for the purpose of aiding and assisting Montana Technological University (the University) in providing education opportunities for its faculty, students and employees. All of the program service expenditures are for the benefit of the University. Because of this relationship, the Foundation is considered to be a component unit of Montana Technological University.

The Foundation is exempt from federal and state income taxes under Internal Revenue Code §501(c)(3) as amended. The Internal Revenue Service (IRS) has ruled that the Foundation is not a private foundation as defined in §509(a) of the Internal Revenue Code. Business income unrelated to the purpose of the organization is reported in a Form 990-T and income taxes are paid on unrelated business income.

**Basis of Presentation**

The Foundation's financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

**Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-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.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**MONTANA TECH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets (Continued)**

All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as "Net Assets Released from Restrictions."

Revenues are reported as increases in net assets without restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in without donor restricted net assets unless their use is restricted by explicit donor stipulation or by law.

**Cash and Cash Equivalents**

For the purpose of the cash flow statements, management generally considers all checking and investment cash accounts with an original maturity of three months or less to be cash equivalents. The Foundation maintains its cash deposits at various financial institutions whose cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) for deposits up to \$250,000. From time to time, certain bank accounts that are subject to limited FDIC coverage may exceed their insured limits. Deposits in excess of insurance limits approximated \$2,650,000 at June 30, 2020.

**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 communicated or received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Administrative fee revenue and other miscellaneous income is recognized over time when the related services have been provided and earned.

Contributions received are recorded as without donor restricted support or with donor restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in without donor restricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in with donor restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), with donor restricted net assets are reclassified to without donor restricted net assets and reported in the statement of activities as net assets released from restrictions.

**Administrative Fees**

Administrative fees include an investment management fee and a service fee. The investment management fee is an annual 2% fee (charged quarterly) to the endowment and quasi-endowment funds. The service fee is a one-time 5% fee assessed on all contributions, sales, services and other revenue received.

**MONTANA TECH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Third-party investment managers engaged by the Foundation, and monitored by management and the finance committee of the board manage investments. Annual changes in market values to the equity, fixed income, and alternative investments are recorded as market gains or losses in the statements of activities, net of the investment fee. The fair values of the investments are subject to fluctuation on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of the Foundation. Investments are stated at fair value. Investments are classified within the level of lowest significant input considered in determining fair value.

Alternative investments include private equity funds, real assets, and private natural resources. The fair value of alternative investments publicly traded on national security exchanges are stated at their closing market prices as of June 30, 2020. The fair values of alternative investments not publicly traded on national security exchanges represent the Foundation's pro-rata interest in the funds. Because of inherent uncertainties in the valuation of these nonpublicly traded alternative investments, those estimated fair values may differ materially from the values that might ultimately be realized.

**Investment Income**

Net investment income is comprised of dividend and interest income, realized and unrealized gains and losses on investments, and investment expenses. Dividend and interest income are recorded when earned. Realized gains and losses are recorded at the time of sale for the amount of the difference between the sale price and the cost basis of the investment. Unrealized gains and losses are recorded for the change in the fair value of the securities which are still held as of year-end. Investment expenses are recorded as incurred.

**Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy are described below:

*Level 1* – Quoted market prices available through public markets for identical assets or liabilities.

*Level 2* – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3* – Unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that the observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

**MONTANA TECH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Beneficial Interests in Trusts Held by Others**

Beneficial interests in trusts held by others represent resources neither in the possession nor under the control of the Foundation, but held and administered by outside fiscal agents, with the Foundation deriving income from such funds and are reported at fair value.

**Promises to Give and Other Receivables**

Unconditional promises to give (pledges receivable) are recognized at fair value in the period received. Unconditional promises to give that will be collected beyond one year are reported at the present value of the anticipated cash flows. An allowance for uncollectible amounts of \$70,000 has been recorded as of June 30, 2020. Pledges are reviewed on an individual basis to determine if they are collectible. Donors are contacted on pledges that have not performed in accordance with their agreement to determine if they are collectible.

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Donated Assets**

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. It is the Foundation's policy to liquidate donated securities upon receipt.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of receipt. Gifts are recorded as revenue when received. Such donations are reported as without donor restrictions support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassified with donor restricted net assets to without donor restricted net assets at that time.

**Donated Services**

No amounts have been reflected in the financial statements for donated services. The Foundation pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific programs, campaign solicitations, and various committee assignments.

**Allocation of Earnings**

The Foundation's policy is to allocate all earnings and losses to each participating fund established in the Foundation. The allocation is based on assigned unit values. Unit values are periodically adjusted based on market performance.

**MONTANA TECH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Allocation of Earnings (Continued)**

Earnings subject to donor restrictions or restrictions based on state law are reported as increases in temporary restricted net assets. When the restriction is met or earnings appropriated by the board, the earnings are reclassified to undesignated net assets.

**Advertising**

Advertising costs, which relate principally to fundraising activities, are expensed as incurred and totaled \$44,185 for the year ended June 30, 2020.

**Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis on the statement of activities. Directly identifiable expenses are charged to University support and fundraising. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

General and administrative expenses for common space expenses are allocated based upon square footage of the University Relations Center. Other general and administrative expenses that support more than one function are allocated based on management's analysis of staff time and effort.

**Change in Accounting Principle**

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in the update assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Foundation's financial statements reflect the application of ASU 2018-08 guidance using the prospective approach. The adoption of this ASU did not impact the Foundation's reported revenue in total.

**Subsequent Events**

Management has evaluated subsequent events through September 25, 2020, the date on which the financial statements were available for issue.

**MONTANA TECH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2 LIQUIDITY**

The Foundation's financial assets available within one year of the statement of financial position for general expenditures are as follows:

	<u>2020</u>
Cash and Cash Equivalents	\$ 4,645,527
Accounts Receivable, Net	12,500
Pledges Receivable, Net	1,693,045
Investments	39,353,239
Board Designated Net Assets	(618,238)
Endowment Principal	(37,049,601)
Donor-Restricted Net Assets	<u>(7,849,122)</u>
Total	<u>\$ 187,350</u>

The Foundation's endowment funds consist of donor-restricted endowments. As described in Note 10, the endowment has a spending rate of 4% restricted for specific purposes, and therefore is not available for general expenditures. As described in Note 10, the endowment has an administrative fee, which is considered undesignated and budgeted for annually. The Foundation will also receive a fee for all new gifts received during the year ending June 30, 2021. The projected endowment administrative fees that would be collected are \$769,879 for the year ending June 30, 2021. These would be added to the assets available for general expenditure within one year of the fiscal year ended June 30, 2020.

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 cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Foundation has a committed line of credit in the amount of \$150,000, which it could draw upon. Additionally, Foundation has a board designated endowment of \$596,423. Although the Foundation does not intend to spend from its board designated endowment, amounts from could be made available if necessary. However, both the endowment and donor-restricted endowment contain investments with lock-up provisions that would reduce the total investments that could be made available.

**MONTANA TECH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 3 PLEDGES RECEIVABLE**

Pledges receivable consist of the following at June 30:

	<u>2020</u>
Within One Year	\$ 614,596
In One to Five Years	1,108,814
Over Five Years	<u>120,000</u>
Total	1,843,410
Less: Discount to Net Present Value	(80,364)
Less: Allowance for Uncollectible Promises to Give	<u>(70,000)</u>
Total	<u><u>\$ 1,693,046</u></u>

The discount is calculated using the IRS discount rate in effect during the month that the pledge is made. Rates used for the discounts range from .6%-3.6%.

At June 30, 2020, the Foundation had pledges receivable from three donors which represented 68% of the total pledges receivable. The pledges were recorded during fiscal year 2020.

Pledges receivable have been designated by donors for the following purposes at June 30:

	<u>2020</u>
Digger Turf	\$ 3,500
Endowment	78,789
Scholarships	660,883
Departmental	
Student Success Center	400,238
Nursing Simulation Center	<u>700,000</u>
Total	<u><u>\$ 1,843,410</u></u>

**Conditional Promises to Give**

Conditional promises to give include gifts to which the donor has included certain conditions that must be met prior to recognizing the underlying pledge. At June 30, 2020, conditional promises to give totaled approximately \$650,000.

**MONTANA TECH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The following tables present by level, within the fair value hierarchy, the Foundation's investment assets at fair value, as of June 30, 2020. Investment assets are classified in their entirety based upon the lowest level of input that is significant at the fair value measurement.

	2020			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments and Assets at Fair Value	\$ -	\$ -	\$ -	\$ -
Investments Measured at Net Asset Value or its Equivalent				\$ 39,353,239

In accordance with FASB Accounting Standards Codification Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient to fair value measurement have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

**Fair Value of Investments in Entities that Use NAV**

The following tables summarize investments measured at fair value based on NAV per share as of June 30.

	2020			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common Collective Funds:				
Public Equity Funds	\$ 24,626,418	\$ -	Daily	30 Days
Private Equity Funds	5,141,797	6,023,026	Not Liquid	N/A
Bond Funds	5,380,863		Daily	30 Days
Real Asset Funds	4,204,161	4,056,106	Not Liquid	N/A
Total	\$ 39,353,239	\$ 10,079,132		

**Fixed Income Securities**

Fixed income securities include but are not limited to global bonds, foreign currency, emerging market debt, convertibles, and securitized debt and bank loans. The fair value calculation of these funds is based primarily on readily available quoted or comparable market prices.



**MONTANA TECH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

**Fair Value of Investments in Entities that Use NAV (Continued)**

Private Equity

Private equity investments are structured as limited partnerships allowing for a variety of investment strategies including investments in illiquid debt and equity assets across multiple sectors and global markets. The unobservable inputs used to determine fair value has been estimated based on the capital account balances reported by underlying partnerships subject to the private capital fund of funds management review and judgment.

Real Assets

These funds consist of a diversified portfolio of commercial property and energy investments. The unobservable inputs used to determine fair value may include but are not limited to discounted cash flows, comparable asset analyses, third-party pricing services, and appraisals and bona fide offers.

Equity and Fixed Income Collective Funds

These funds consist of domestic and international equities which are proprietary, institutional index funds comprised of publicly traded corporate stock. These funds also consist of fixed income securities such as U.S. government securities and corporate bonds. Investing in collective funds provides diversification, dividend income, and growth potential to the overall portfolio. The fair value calculation of these funds is based on readily available quoted or comparable market prices.

The following reconciles the Level 3 inputs of fair value measurements using significant unobservable inputs for the year ended June 30, 2020:

Balance at June 30, 2019	\$ 1,870,230
Investment Income	(116,227)
Balance at June 30, 2020	<u>\$ 1,754,003</u>

Investment fees totaled \$63,806 for the year ended June 30, 2020. Net investment income at June 30 consisted of the following:

	<u>2020</u>
Interest and Dividend Income	\$ 165,515
Unrealized Gain on Investments	(1,124,815)
Realized Gain on Investments	882,833
Unrealized Gain (Loss) on Trust Held by Third Party	(116,227)
Investment Fees	(63,806)
Investment Income, Net	<u>\$ (256,500)</u>

**MONTANA TECH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 5 PLANNED GIFT LIABILITIES**

The liability for each type of planned gift changes each year with receipt of new gifts, payments under contracts, change in trust asset values, and the change in present value of required payments to beneficiaries. The present value of the future payments over the beneficiaries' estimated remaining lives was calculated using the original discount rates at the date of the gift and applicable mortality tables. Discount rates used in the calculation range from .6% to 3.6%.

The following summarizes the change in planned gift liabilities for the year ended June 30, 2020:

	<u>Charitable and Deferred Gift Annuities</u>
Estimated Present Value of Liability at June 30, 2019	222,995
Increase in Estimated Present Value of Liability from Contributions	41,875
Decrease in Estimated Present Value Due to Payments to Beneficiaries	(258)
Balance at June 30, 2020	<u>\$ 264,612</u>

**NOTE 6 TRUST FUNDS HELD BY THIRD PARTIES**

The Foundation is a beneficiary of the earnings from the Ewing Trust which is administered by an outside management trust company. The University is the beneficiary of the corpus. Earnings are transmitted to the Foundation annually. During the year ended June 30, 2020, the Foundation received \$23,000 of investment earnings from this Trust. These earnings are included in contributions in the accompanying financial statements. At June 30, 2020, the market value of the Ewing Trust amounted to \$641,464.

The Foundation is a beneficiary of the earnings and corpus from the Davis Trust, a perpetual trust held by a third party, which is administered by an outside management trust company. Earnings are transmitted to the University annually to cover scholarships for students of the University.

Unrealized gains (losses) are reinvested with donor restricted net assets. The financial statements reflect the fair value of the Davis Trust assets at June 30, 2020, in the amount of \$1,754,003. The Davis Trust generated an unrealized loss of \$116,227 for the year ended June 30, 2020.

**MONTANA TECH FOUNDATION  
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**NOTE 7 FINANCING ACTIVITY**

The Foundation has an unsecured line of credit with Glacier Bank valued at \$150,000. The line of credit bears interest at 6%. There was no outstanding balance as of June 30, 2020. The line of credit is subject to renewal on November 6, 2021.

In May of 2020, the Foundation secured a Payroll Protection Program loan in the amount of \$113,800. If all criteria of the program are met, the loan will be forgiven. The Foundation believes the loan will be forgiven.

In June of 2020, the Foundation entered into a finance agreement for a new software subscription in which the lender pays the software vendor directly and the Foundation will pay the lender back beginning July 2021. The agreement requires twelve quarterly payments of \$22,532 due within 36 months of July 2021.

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS**

The Foundation is subject to certain provisions of the Montana Code Annotated which specify that a charitable organization may only issue a "qualified charitable gift annuity" if it meets the following statutory requirements on the date of the annuity agreement:

- Has a minimum of \$300,000 net worth or has a minimum of \$100,000 in undesignated cash, cash equivalents, or publicly traded securities, exclusive of the assets funding the annuity agreement;
- Has been in continuous operation for at least three years or is a successor or affiliate of a charitable organization that has been in continuous operation for at least three years; and
- Maintains a separate annuity fund with at least one-half the value of the initial amount transferred for outstanding annuities.

For the year ended June 30, 2020, the Foundation met the requirements to issue qualified charitable gift annuities.

**MONTANA TECH FOUNDATION  
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**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Donor restricted net assets exist for the following purposes as of June 30:

	2020
Subject to Expenditure for Specified Purpose:	
Scholarships	\$ 1,009,467
Professorships	522
Excellence in Engineering	85,108
Departments	1,497,234
Miscellaneous	824,407
Total	3,416,738
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor:	
Scholarships	28,538,684
Professorships	6,307,249
Excellence in Engineering	598,091
Departments	1,605,579
Sub-total	37,049,603
Beneficial Interest in Perpetual Trust	1,754,003
Total Amounts Held in Perpetuity	38,803,606
Subject to the Foundation's Spending:	
Policy and Appropriation:	
Scholarships	3,151,649
Professorships	765,422
Excellence in Engineering	167,329
Departments	347,982
Total	4,432,382
Total Net Assets with Donor Restrictions	\$ 46,652,726

**NOTE 9 BOARD DESIGNATED NET ASSETS**

Board designated net assets consist of the following at June 30:

	2020
Appleman, Waring, James Environmental Endowed Scholarship	\$ 1,463
Rae Farrell Memorial Endowed Nursing Scholarship	6,209
40th Anniversary Environmental Engineering Endowed Scholarship	3,688
Kirsten Knudsen Memorial Endowed Scholarship	1,914
SageStrong Sage Lindsay Memorial Scholarship Endowment	3,647
Lee LaBreche Memorial Endowed Scholarship	4,894
Legacy Endowment	596,423
Total	\$ 618,238

The Legacy Endowment was established by the board in 2008 to support future operations of the Foundation.

**MONTANA TECH FOUNDATION  
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**NOTE 10 ENDOWMENT NET ASSETS**

The state of Montana adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective May 31, 2007. The Foundation accounts for the endowment in accordance the accounting principles generally accepted in the United States of America. This provides guidance on the net assets classification of donor-restricted endowment funds for a nonprofit organization that is subject to UPMIFA.

The Foundation's endowment consists of one fund managed by Common Fund. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Foundation board has 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 classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets 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) The duration and preservation of the fund;
- (2) The purposes of the Foundation and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Foundation; and
- (7) The investment policies of the Foundation.

Endowment net asset compensation by type of fund as of June 30 are as follows:

	2020			
	Undesignated*	Purpose Restricted	Perpetually Restricted	Total
Donor Restricted Endowment	\$ -	\$ 7,849,122	\$ 38,803,604	\$ 46,652,726
Board Restricted Endowment	618,238	-	-	618,238
Total	\$ 618,238	\$ 7,849,122	\$ 38,803,604	\$ 47,270,964

**MONTANA TECH FOUNDATION  
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**NOTE 10 ENDOWMENT NET ASSETS (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

Changes in net asset composition by type of fund for the year ended June 30, 2020 are as follows:

	<u>Without Donor Restrictions*</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets at June 30, 2019	639,474	42,254,922	42,894,396
Appreciation (Depreciation), Realized and Unrealized, Net of Interest and Dividends	(13,953)	(151,845)	(165,798)
Contributions (Sales Transfers	-	1,662,704 5,451	1,662,704 5,451
Appropriation for Expenditure	<u>(7,283)</u>	<u>(2,289,247)</u>	<u>(2,296,530)</u>
Endowment Net Assets at June 30, 2020	<u>\$ 618,238</u>	<u>\$ 41,481,985</u>	<u>\$ 42,100,223</u>

\*Consists of funds that are restricted by the board.

**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 duration. There were total deficiencies of \$250,081 for the year ended June 30, 2020.

**Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets invested with Common Fund to achieve growth in principal value while seeking to maintain the purchasing power of the endowment assets. These assets include donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The absolute objective of the pool is to earn a return sufficient to preserve the purchasing power of the pool for generations to come, as well as to provide for the current spending needs. The objective is to seek an average total annual return that exceeds the spending/payout rate plus fees and inflation.

The relative objective of the pool is to seek competitive investment performance versus appropriate capital market measures, such as securities indices. This objective shall be measured primarily by comparing investment results, reviewed quarterly by the Finance/Investment Committee.

**MONTANA TECH FOUNDATION  
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**NOTE 10 ENDOWMENT NET ASSETS (CONTINUED)**

**Strategies Employed for Achieving Objectives**

The assets will be managed on a total return basis. While the Foundation recognizes the importance of preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. It is not a breach of fiduciary responsibility to pursue riskier investment strategies if such strategies are in the pool's best interest on a risk-adjusted basis. Risk management of the investment program is focused on understanding both the investment and operational risks to which the pool is exposed. The objective is to minimize operational risks and require appropriate compensation for investment risks which the pool is willing to accept.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Montana Tech Foundation distributes funds from the endowment using the following methodology: 1% of the endowment's average market value at the end of the preceding twelve quarters starting with December 31 of the preceding fiscal year, is reserved for distribution at the end of the quarter to reach an annualized distribution of 4%. An additional half percent of the endowment's market value is reserved for an administrative fee at the end of the quarter to reach an annualized fee of 2%. It is understood that the total return basis for calculating spending is sanctioned by the Uniform Prudent Management of Institutional Funds Act (UPMIFA), under which guidelines the Institution is permitted to spend an amount in excess of the current yield (interest and dividends earned), including realized or unrealized appreciation. The Foundation expects the current spending policy to allow its endowment to grow.

**NOTE 11 RELATED PARTY TRANSACTIONS**

The Foundation has executed an Operating Agreement with the University for the purpose of establishing the relationships between the entities and facilitating the accomplishment of their mutual goals. Pursuant to the contract terms, the Foundation agrees to: 1) handle the fundraising activities for the University; 2) disburse the funds raised for its own operating costs and to benefit the University's programs in accordance with the donors' wishes and; 3) participate in University functions at the request of its chancellor. Under the terms of that agreement, the University paid \$200,000 for services provided by the Foundation. An additional \$200,000 will be paid during the fiscal year ending June 30, 2021. The president of the Foundation is also a vice chancellor with the University. During the fiscal year ended June 30, 2020, the University paid \$184,482 for compensation and benefits for the president of the Foundation. The Foundation transferred \$113,819 to the University for the vice-chancellor's compensation.

In consideration for the assumption of the enumerated responsibilities, the University agrees to provide the Foundation with various support services, including office space and equipment, utilities and maintenance and other facilities or services as reasonably required. The University also agrees to transfer funds to the Foundation at such times and in such amounts as may be mutually agreeable.

**MONTANA TECH FOUNDATION  
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**NOTE 11 RELATED PARTY TRANSACTIONS (CONTINUED)**

The Foundation receives cash and noncash donations to support the programs, faculty, staff, and students of the University. During the fiscal year ended June 30, 2020, the Foundation transferred a total of \$3,323,317 to the University. At June 30, 2020, there was a payable of \$346,907 owing to the University.

At June 30, 2020, the board of directors of the Foundation included seven nonmembers of the faculty and administration. The board of directors gave \$253,825 in contributions for the year ended June 30, 2020. Of these amounts, there were \$-0- receivables as of June 30, 2020.

**NOTE 12 LEGACIES IN PROCESS**

The Foundation is the beneficiary under various wills and trust agreements, the total realizable amount of which is not presently determinable. Such amounts will be recorded when clear title is established and the proceeds are measurable.

**NOTE 13 PENSION PLAN**

The Foundation contributes to a 403(b) defined contribution plan (plan) on behalf of its regular employees. Employees are eligible to participate immediately upon employment unless they are a student or temporary employee. Upon completion of six consecutive months of employment, the Foundation matches qualified employee contributions at 11% of the employees' adjusted gross salary. For fiscal year 2020, the Foundation contributed \$44,668 to the Plan.

The Foundation's eligible employees can contribute to the Foundation's 403(b) tax deferred annuity plan. Students and temporary employees who work less than 20 hours per week are not eligible to participate in the plan. As of June 30, 2020, the Foundation has not contributed to the 403(b) plan.



**MONTANA TECH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 14 RISKS AND UNCERTAINTIES**

The Montana Tech Foundation provided for various investments in stocks and other investment securities. Investment securities, in general, are exposed to various risks, such as: significant world events, interest rate, credit, and overall market volatility. The Montana Tech Foundation may invest in securities with contractual cash flows, such as: asset backed securities, collateralized mortgage obligations and commercial mortgage backed securities, including securities backed by subprime mortgage loans. The value, liquidity, and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Concentrations of credit risk with respect to contributions are limited due to several contributors comprising the Foundation's contributor base and their dispersion across different industries and geographic areas. As of June 30, 2020, the Foundation had contributions from one donor which represented 13% of total contributions.

**NOTE 15 COMMITMENTS AND CONTINGENCIES**

**Commitments**

The Foundation entered into an agreement with a related party, the University, for the purpose of building a Living Learning Center/Student Success Center. Under the agreement, the Foundation is committed to pay \$7,850,000 million of the total \$24 million needed to construct the building. The construction has been completed and the Foundation has a payable of \$296,621 owing to the University to be paid as the Foundation receives the pledge payments.

The Foundation has entered into several limited partnerships for private equity funds, as part of its holding in alternative investments. As part of these investments, the Foundation has made a commitment to fund a total of \$20.26 million to these various funds. At June 30, 2020, the Foundation had invested approximately \$10.2 million, leaving a remaining commitment to be satisfied of \$10.06 million.

**Legal and Regulatory Proceedings**

The Foundation is subject to legal and regulatory matters that arise from time to time in the ordinary course of business. Management currently believes that resolving such matters, individually or in the aggregate, will not have a material adverse effect on the Foundation's financial position, results of operations, or cash flows. However, these matters are subject to inherent uncertainties and management's view may change in the future.

**MONTANA TECH FOUNDATION  
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**NOTE 16 COVID-19 PANDEMIC**

During the year ended June 30, 2020, the World Health Organization declared a global pandemic of the novel coronavirus (COVID-19). Both domestic and international equity markets have experienced large fluctuations. These fluctuations could result in material declines but are not estimable therefore are not included in the financial statements as of and for the year ended June 30, 2020.