

**MONTANA STATE UNIVERSITY  
FOUNDATION, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2020 AND 2019**

**MONTANA STATE UNIVERSITY FOUNDATION, INC.  
TABLE OF CONTENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

|   |           |
|---|-----------|
| <b>INDEPENDENT AUDITORS' REPORT</b>                   | <b>1</b>  |
| <b>CONSOLIDATED FINANCIAL STATEMENTS</b>              |           |
| <b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>  | <b>3</b>  |
| <b>CONSOLIDATED STATEMENTS OF ACTIVITIES</b>          | <b>4</b>  |
| <b>CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES</b> | <b>6</b>  |
| <b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>          | <b>8</b>  |
| <b>CONSOLIDATED NOTES TO FINANCIAL STATEMENTS</b>     | <b>9</b>  |
| <b>SUPPLEMENTARY INFORMATION</b>                      |           |
| <b>STATEMENT OF FINANCIAL POSITION BY ENTITY</b>      | <b>34</b> |



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Montana State University Foundation, Inc.  
Bozeman, Montana

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Montana State University Foundation, Inc. and its wholly owned subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 consolidated financial statements.

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

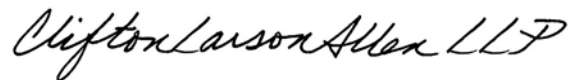
Board of Directors  
Montana State University Foundation, Inc.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Montana State University Foundation, Inc. and its wholly owned subsidiaries as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2020 statement of financial position by entity is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
October 2, 2020

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2020 AND 2019**

| <b>ASSETS</b>                                       | 2020           | 2019           |
|---|----------------|----------------|
| <b>CURRENT ASSETS</b>                               |                |                |
| Cash and Cash Equivalents                           | \$ 1,138,736   | \$ 890,984     |
| <b>RECEIVABLES</b>                                  |                |                |
| Promises to Give, Net                               | 19,835,054     | 23,670,078     |
| Notes Receivable                                    | 44,175         | 48,553         |
| Other Receivables                                   | 153,127        | 170,777        |
| Building Receivable                                 | 13,777,948     | 13,469,523     |
| Total Receivables                                   | 33,810,304     | 37,358,931     |
| <b>INVESTMENTS</b>                                  |                |                |
| Pooled Investments                                  | 223,682,699    | 220,565,887    |
| Other Investments                                   | 11,859,205     | 10,699,393     |
| Real Estate   | 399,550        | 493,767        |
| Total Investments                                   | 235,941,454    | 231,759,047    |
| <b>PROPERTY AND EQUIPMENT, NET</b>                  | 9,128,859      | 7,061,872      |
| <b>BENEFICIAL INTEREST IN TRUSTS</b>                | 6,631,224      | 6,184,127      |
| <b>OTHER ASSETS</b>                                 | 729,198        | 757,563        |
| Total Assets  | \$ 287,379,775 | \$ 284,012,524 |
| <b>LIABILITIES AND NET ASSETS</b>                   |                |                |
| <b>LIABILITIES</b>                                  |                |                |
| Accounts Payable                                    | \$ 943,646     | \$ 557,715     |
| Accrued Liabilities                                 | 819,574        | 768,273        |
| Trust and Annuity Obligations                       | 5,756,381      | 4,635,210      |
| Agency Funds Held for Others                        | 9,439,714      | 10,250,884     |
| Notes Payable, Less Unamortized Debt Issuance Costs | 3,146,535      | 3,256,029      |
| Other Liabilities                                   | 811,052        | 978,334        |
| Total Liabilities                                   | 20,916,902     | 20,446,445     |
| <b>NET ASSETS</b>                                   |                |                |
| Without Donor Restrictions                          | 7,547,379      | 7,878,696      |
| With Donor Restrictions                             | 258,915,494    | 255,687,383    |
| Total Net Assets                                    | 266,462,873    | 263,566,079    |
| Total Liabilities and Net Assets                    | \$ 287,379,775 | \$ 284,012,524 |

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**

|   | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>                 |
|---|---------------------------------------|------------------------------------|------------------------------|
| <b>REVENUE, SUPPORT, AND GAINS</b>                      |                                       |                                    |                              |
| Contributions   | \$ 115,379                            | \$ 25,845,970                      | \$ 25,961,349                |
| Building Receivable Contribution                        | -                                     | 267,800                            | 267,800                      |
| Realized and Unrealized Loss on Investments             | (765,476)                             | (4,700,145)                        | (5,465,621)                  |
| Interest and Dividends                                  | 866,949                               | 900,246                            | 1,767,195                    |
| Administrative Fees                                     | 4,886,782                             | (4,493,622)                        | 393,160                      |
| Dues and Memberships                                    | 71,775                                | -                                  | 71,775                       |
| Rent and Royalty Income                                 | 742,708                               | 344                                | 743,052                      |
| Contract for Services                                   | 1,652,649                             | -                                  | 1,652,649                    |
| Sales, Services, and Other, Net                         | 154,275                               | 1,218,558                          | 1,372,833                    |
| Total Revenue, Support, and Gains                       | <u>7,725,041</u>                      | <u>19,039,151</u>                  | <u>26,764,192</u>            |
| <b>NET ASSETS RELEASED FROM RESTRICTIONS</b>            |                                       |                                    |                              |
| Satisfaction of Program Restriction<br>to Support MSU   | -                                     | (5,045,102)                        | (5,045,102)                  |
| Acquisition and Operation of Facilities                 | -                                     | (3,687,827)                        | (3,687,827)                  |
| Satisfaction of Scholarship Restrictions                | -                                     | (6,496,129)                        | (6,496,129)                  |
| Net Assets Released from Restrictions                   | <u>15,229,058</u>                     | <u>-</u>                           | <u>15,229,058</u>            |
| Total Net Assets Released from Restrictions             | <u>15,229,058</u>                     | <u>(15,229,058)</u>                | <u>-</u>                     |
| <b>EXPENSES</b>   |                                       |                                    |                              |
| Program Expenses:                                       |                                       |                                    |                              |
| MSU Institutional Support                               | 5,068,039                             | -                                  | 5,068,039                    |
| MSU Facilities Support                                  | 3,687,827                             | -                                  | 3,687,827                    |
| Scholarships  | 6,497,136                             | -                                  | 6,497,136                    |
| Total Program Expenses                                  | <u>15,253,002</u>                     | <u>-</u>                           | <u>15,253,002</u>            |
| Support Expenses:                                       |                                       |                                    |                              |
| Alumni Relations  | 818,753                               | -                                  | 818,753                      |
| General and Administrative                              | 3,479,553                             | -                                  | 3,479,553                    |
| Fundraising and Development                             | 3,033,601                             | -                                  | 3,033,601                    |
| Subsidiary Operations                                   | 673,144                               | -                                  | 673,144                      |
| Total Support Expenses                                  | <u>8,005,051</u>                      | <u>-</u>                           | <u>8,005,051</u>             |
| Total Expenses  | 23,258,053                            | -                                  | 23,258,053                   |
| <b>CHANGE IN VALUE OF SPLIT INTEREST<br/>AGREEMENTS</b> | <u>(27,363)</u>                       | <u>(581,982)</u>                   | <u>(609,345)</u>             |
| <b>CHANGE IN NET ASSETS</b>                             | (331,317)                             | 3,228,111                          | 2,896,794                    |
| Net Assets - Beginning of Year                          | <u>7,878,696</u>                      | <u>255,687,383</u>                 | <u>263,566,079</u>           |
| <b>NET ASSETS - END OF YEAR</b>                         | <u><u>\$ 7,547,379</u></u>            | <u><u>\$ 258,915,494</u></u>       | <u><u>\$ 266,462,873</u></u> |

See accompanying Notes to Consolidated Financial Statements.

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total          |
|---|-------------------------------|----------------------------|----------------|
| <b>REVENUE, SUPPORT, AND GAINS</b>                      |                               |                            |                |
| Contributions   | \$ 29,487                     | \$ 34,733,200              | \$ 34,762,687  |
| Building Receivable Contribution                        | -                             | 13,394,300                 | 13,394,300     |
| Realized and Unrealized Gain on Investments             | 654,618                       | 3,878,392                  | 4,533,010      |
| Interest and Dividends                                  | 893,227                       | 903,332                    | 1,796,559      |
| Administrative Fees                                     | 4,839,821                     | (4,594,974)                | 244,847        |
| Dues and Memberships                                    | 121,044                       | -                          | 121,044        |
| Rental Income   | 920,729                       | 207                        | 920,936        |
| Contract for Services                                   | 1,610,590                     | -                          | 1,610,590      |
| Sales, Services, and Other, Net                         | 147,106                       | 1,226,490                  | 1,373,596      |
| Total Revenue, Support, and Gains                       | 9,216,622                     | 49,540,947                 | 58,757,569     |
| <b>NET ASSETS RELEASED FROM RESTRICTIONS</b>            |                               |                            |                |
| Satisfaction of Program Restriction<br>to Support MSU   | -                             | (5,582,538)                | (5,582,538)    |
| Acquisition and Operation of Facilities                 | -                             | (12,881,967)               | (12,881,967)   |
| Satisfaction of Scholarship Restrictions                | -                             | (6,271,088)                | (6,271,088)    |
| Net Assets Released from Restrictions                   | 24,735,593                    | -                          | 24,735,593     |
| Total Net Assets Released from Restrictions             | 24,735,593                    | (24,735,593)               | -              |
| <b>EXPENSES</b>   |                               |                            |                |
| Program Expenses:                                       |                               |                            |                |
| MSU Institutional Support                               | 6,270,140                     | -                          | 6,270,140      |
| MSU Facilities Support                                  | 12,881,967                    | -                          | 12,881,967     |
| Scholarships  | 6,273,756                     | -                          | 6,273,756      |
| Total Program Expenses                                  | 25,425,863                    | -                          | 25,425,863     |
| Support Expenses:                                       |                               |                            |                |
| Alumni Relations  | 863,509                       | -                          | 863,509        |
| General and Administrative                              | 3,530,943                     | -                          | 3,530,943      |
| Fundraising and Development                             | 3,080,652                     | -                          | 3,080,652      |
| Subsidiary Operations                                   | 687,188                       | -                          | 687,188        |
| Total Support Expenses                                  | 8,162,292                     | -                          | 8,162,292      |
| Total Expenses  | 33,588,155                    | -                          | 33,588,155     |
| <b>CHANGE IN VALUE OF SPLIT INTEREST<br/>AGREEMENTS</b> | (1,316)                       | 287,581                    | 286,265        |
| <b>CHANGE IN NET ASSETS</b>                             | 362,744                       | 25,092,935                 | 25,455,679     |
| Net Assets - Beginning of Year                          | 7,515,952                     | 230,594,448                | 238,110,400    |
| <b>NET ASSETS - END OF YEAR</b>                         | \$ 7,878,696                  | \$ 255,687,383             | \$ 263,566,079 |

See accompanying Notes to Consolidated Financial Statements.

**MONTANA STATE UNIVERSITY FOUNDATION, INC.  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2020**

|   | Program Services         |                     | Support Services              |                                |                           | Total                |
|---|--------------------------|---------------------|-------------------------------|--------------------------------|---------------------------|----------------------|
|   | Total MSU<br>Support and | Alumni<br>Relations | General and<br>Administrative | Fundraising and<br>Development | Total Support<br>Expenses |                      |
| MSU Support and Scholarships  | \$ 15,253,002            | \$ -                | \$ -                          | \$ -                           | \$ -                      | \$ 15,253,002        |
| Compensation  | -                        | 457,600             | 2,482,196                     | 2,272,929                      | 5,212,725                 | 5,212,725            |
| Contracted Services   | -                        | 3,729               | 237,703                       | 302,057                        | 543,489                   | 543,489              |
| Credit Card and Bank Fees   | -                        | -                   | 87,700                        | -                              | 87,700                    | 87,700               |
| Depreciation  | -                        | -                   | 98,131                        | -                              | 98,131                    | 98,131               |
| Employee Development  | -                        | 1,248               | 42,008                        | 15,964                         | 59,220                    | 59,220               |
| Events  | -                        | 142,538             | 206                           | 23,815                         | 166,559                   | 166,559              |
| Facilities  | -                        | 1,285               | 233,211                       | 20,191                         | 254,687                   | 254,687              |
| Gift-In Kind Expense  | -                        | 190                 | -                             | -                              | 190                       | 190                  |
| Information Technology  | -                        | -                   | 203,409                       | 50,318                         | 253,727                   | 253,727              |
| Insurance   | -                        | -                   | 31,103                        | -                              | 31,103                    | 31,103               |
| Interest Expense  | -                        | -                   | 35,277                        | -                              | 35,277                    | 35,277               |
| Printing and Mailing  | -                        | 159,108             | 20,142                        | 111,402                        | 290,652                   | 290,652              |
| Professional Services   | -                        | -                   | 75,296                        | 13,665                         | 88,961                    | 88,961               |
| Property Sales  | -                        | -                   | 9,004                         | -                              | 9,004                     | 9,004                |
| Public Relations  | -                        | 26,316              | 6,847                         | 8,748                          | 41,911                    | 41,911               |
| Rental Expenses   | -                        | -                   | 568,673                       | -                              | 568,673                   | 568,673              |
| Travel and Entertainment  | -                        | 26,739              | 21,942                        | 214,511                        | 263,192                   | 263,192              |
| Uncollectable Pledge Expense  | -                        | -                   | (150)                         | -                              | (150)                     | (150)                |
| Total Expenses by Function  | <u>15,253,002</u>        | <u>818,753</u>      | <u>4,152,698</u>              | <u>3,033,600</u>               | <u>8,005,051</u>          | <u>23,258,053</u>    |
| Total Expenses Included in the<br>Expense Section on the Consolidated<br>Statements of Activities | <u>\$ 15,253,002</u>     | <u>\$ 818,753</u>   | <u>\$ 4,152,698</u>           | <u>\$ 3,033,600</u>            | <u>\$ 8,005,051</u>       | <u>\$ 23,258,053</u> |

See accompanying Notes to Consolidated Financial Statements.



**MONTANA STATE UNIVERSITY FOUNDATION, INC.  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2019**

|   | Program Services         |                     | Support Services              |                                |                           | Total                |
|---|--------------------------|---------------------|-------------------------------|--------------------------------|---------------------------|----------------------|
|   | Total MSU<br>Support and | Alumni<br>Relations | General and<br>Administrative | Fundraising and<br>Development | Total Support<br>Expenses |                      |
| MSU Support and Scholarships  | \$ 25,425,863            | \$ -                | \$ -                          | \$ -                           | \$ -                      | \$ 25,425,863        |
| Compensation  | -                        | 462,391             | 2,409,389                     | 2,173,305                      | 5,045,085                 | 5,045,085            |
| Contracted Services   | -                        | 2,588               | 263,251                       | 358,165                        | 624,004                   | 624,004              |
| Credit Card and Bank Fees   | -                        | -                   | 76,724                        | -                              | 76,724                    | 76,724               |
| Depreciation  | -                        | -                   | 99,649                        | -                              | 99,649                    | 99,649               |
| Employee Development  | -                        | 5,713               | 49,555                        | 34,684                         | 89,952                    | 89,952               |
| Events  | -                        | 138,848             | 1,725                         | 16,767                         | 157,340                   | 157,340              |
| Facilities  | -                        | 2,099               | 260,647                       | 20,836                         | 283,582                   | 283,582              |
| Gift-In Kind Expense  | -                        | -                   | 3,000                         | 18,000                         | 21,000                    | 21,000               |
| Information Technology  | -                        | 489                 | 182,421                       | 30,018                         | 212,928                   | 212,928              |
| Insurance   | -                        | -                   | 28,965                        | -                              | 28,965                    | 28,965               |
| Interest Expense  | -                        | -                   | 164,917                       | -                              | 164,917                   | 164,917              |
| Printing and Mailing  | -                        | 179,961             | 30,293                        | 112,794                        | 323,048                   | 323,048              |
| Professional Services   | -                        | -                   | 70,290                        | 8,554                          | 78,844                    | 78,844               |
| Public Relations  | -                        | 44,397              | 12,061                        | 13,086                         | 69,544                    | 69,544               |
| Rental Expenses   | -                        | -                   | 539,807                       | -                              | 539,807                   | 539,807              |
| Travel and Entertainment  | -                        | 27,023              | 25,937                        | 294,443                        | 52,960                    | 347,403              |
| Uncollectable Pledge Expense  | -                        | -                   | (500)                         | -                              | (500)                     | (500)                |
| Total Expenses by Function  | <u>25,425,863</u>        | <u>863,509</u>      | <u>4,218,131</u>              | <u>3,080,652</u>               | <u>7,867,849</u>          | <u>33,588,155</u>    |
| Total Expenses Included in the<br>Expense Section on the Consolidated<br>Statements of Activities | <u>\$ 25,425,863</u>     | <u>\$ 863,509</u>   | <u>\$ 4,218,131</u>           | <u>\$ 3,080,652</u>            | <u>\$ 7,867,849</u>       | <u>\$ 33,588,155</u> |

See accompanying Notes to Consolidated Financial Statements.

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

|  | 2020          | 2019          |
|--|---------------|---------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                |               |               |
| Change in Net Assets   | \$ 2,896,794  | \$ 25,455,679 |
| Adjustments to Reconcile Change in Net Assets to Net Cash                  |               |               |
| Provided (Used) by Operating Activities                                    |               |               |
| Depreciation and Amortization  | 150,151       | 246,287       |
| Loss on Sale of Real Estate  | 19,317        | -             |
| Loss on Disposal of Property and Equipment                                 | 271,038       | -             |
| Noncash Contributions  | (2,461,107)   | (1,960,280)   |
| Change in Net Carrying Value of Trusts                                     | (447,097)     | (39,974)      |
| Realized and Unrealized (Gain) Loss on Investments                         | 5,465,621     | (4,533,010)   |
| Contributions Restricted for Investment in Endowment                       | (4,841,289)   | (7,675,366)   |
| Noncash Building Contribution  | (308,425)     | (13,469,523)  |
| Changes in Operating Assets and Liabilities:                               |               |               |
| Notes Receivable   | 4,378         | (14,612)      |
| Promises to Give, Net  | 3,984,367     | (8,083,922)   |
| Other Receivables  | 17,650        | 192,089       |
| Other Assets   | 28,365        | 26,525        |
| Accounts Payable   | (457,012)     | (1,647,000)   |
| Accrued Liabilities  | 51,301        | (134,702)     |
| Other Liabilities  | (167,282)     | 72,739        |
| Trust and Annuity Obligations  | 1,121,171     | 28,874        |
| Agency Funds Held for Others   | (811,170)     | (481,667)     |
| Net Cash Provided (Used) by Operating Activities                           | 4,516,771     | (12,017,863)  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                |               |               |
| Additions to Property and Equipment  | (1,645,233)   | (52,076)      |
| Purchases of Investments   | (160,396,069) | (75,850,895)  |
| Proceeds from Sale of Investments  | 153,189,831   | 81,062,297    |
| Net Cash Provided (Used) by Investing Activities                           | (8,851,471)   | 5,159,326     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                |               |               |
| Payments on Notes Payable  | (109,494)     | (98,364)      |
| Payments on Bond Payable   | -             | (2,010,000)   |
| Contributions Restricted for Investment in Endowment                       | 4,691,946     | 7,675,366     |
| Net Cash Provided by Financing Activities                                  | 4,582,452     | 5,567,002     |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>                             | 247,752       | (1,291,535)   |
| Cash and Cash Equivalents - Beginning of Year                              | 890,984       | 2,182,519     |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>                             | \$ 1,138,736  | \$ 890,984    |
| <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>                   |               |               |
| Cash Paid for Interest   | \$ 159,201    | \$ 204,047    |
| Cash Paid (Refunded) for Income Taxes                                      | \$ (29,999)   | \$ 270,169    |
| <b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY</b> |               |               |
| Accounts Payable for Property and Equipment                                | \$ 842,943    | \$ -          |

See accompanying Notes to Consolidated Financial Statements.

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

The Montana State University Foundation, Inc., located in Bozeman, Montana, was incorporated in 1946 in the state of Montana as a nonprofit corporation. Effective December 31, 2011, the MSU Alumni Association merged into the Montana State University Foundation, Inc. The merged organization is doing business as the Montana State University Alumni Foundation (MSU Alumni Foundation), whose mission is to create lifelong relationships and secure private support to advance Montana State University (MSU). Accordingly, the primary activities of the MSU Alumni Foundation include alumni relations, fundraising, and asset management in support of MSU.

**Basis of Consolidation**

The consolidated financial statements include the accounts of the MSU Alumni Foundation and its wholly owned subsidiaries (collectively, the Foundation), Advanced Technology Inc. (ATI) and Montana State University Innovation Campus (MSUIC). ATI owns real estate in Bozeman, Montana, and is engaged in leasing office, lab, storage, and production facilities primarily in support of MSU. MSUIC is developing a University-related Research Park to promote economic development and partnerships between high tech-based businesses and the research community of MSU, the region, and the state of Montana. All significant intercompany transactions have been eliminated in consolidation.

**Basis of Presentation**

The accompanying consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as codified by the Financial Accounting Standards Board (FASB).

**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 restrictions. The Board of Governors has designated, from net assets without donor restrictions, net assets for an operating reserve.

*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 purpose for which the resource was restricted has been fulfilled.

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.”

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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

**Net Assets (Continued)**

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 purposes of the consolidated statements of cash flows, the Foundation defines cash and cash equivalents as all interest-bearing deposits and debt securities with original maturities of three months or less to be cash equivalents, unless held as part of pooled assets. 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.

**Revenue Recognition**

Revenue is recognized when it is earned and realized or realizable. In determining whether these two elements are present, with respect to membership income, the Foundation considers whether (i) persuasive evidence of an arrangement between the Foundation and the member exists, (ii) service has been provided to the member, (iii) the price of the membership is fixed or determinable, and (iv) collectibility of the membership is reasonably assured.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Consequently at June 30, 2020, contributions approximating \$2.3 million have not been recognized in the accompanying consolidated statement of activities because the conditions on which they depend have not yet been met. Contributions of assets other than cash are recorded at their estimated fair value on the date contributed.

The Foundation recognizes all membership dues as exchange transactions. The following summarizes the Foundation's types of membership dues and related revenue recognition:

*Annual Memberships* – Recognized in the period when the payment is received, at which time membership is deemed earned and realizable.

*Term Memberships* – The Foundation previously offered three- and four-year memberships. In 2017, the Foundation allowed members to prepay memberships through June 2019. Term memberships are recognized as revenue over their stated period, starting on the day the initial payment is received. Deferred revenue related to these memberships is presented in the accompanying consolidated statements of financial position with other liabilities. In 2020, the Foundation discontinued the membership program and recognized all deferred revenue.

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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

**Revenue Recognition (Continued)**

*Lifetime Memberships* – Revenue is recognized when the payment is received, at which time membership is deemed earned and realizable. Life memberships were discontinued in 2020.

**Investments**

The Foundation aggregates most of its investments to maximize total return. These are split into the Short-Term Investment Pool, which focuses on liquidity, and the Long-Term Investment Pool, which focuses on long-term growth (together, the Pool).

Pooled investments are managed by third-party investment managers engaged by the Foundation and are monitored by management and the Investment Committee of the Board of Governors. The Pool invests in equity and debt securities and alternative investments. Annual changes in market value are recorded as market gain or loss in the consolidated statements of activities. Though the 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 in cash equivalents, corporate bonds, other fixed income securities, and equity securities with readily determinable fair values are reported at fair value as set forth in Note 8. Investments held in alternative structures are recorded at net asset values provided by external investment managers as a practical expedient in determining fair value. Because such investments are not readily marketable, the estimated value is subject to uncertainty and therefore may differ materially from the value that would have been used had a ready market for such investments existed.

Alternative investments include institutional funds, private equity funds, and limited liability companies. Institutional funds are multi-strategy, commingled equity, and bond funds. Private equity funds are primarily comprised of investments in limited partnerships.

Donated securities are recorded at their fair values, as determined on the date of donation. Investment income and gains and losses are recorded in the period incurred.

Investments in real estate represent real estate received from donors. Real estate is recorded at its estimated fair value based upon third-party valuations. Realized gains or losses on sales of real estate are recognized upon disposition on a specific identification basis.

**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.

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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

**Fair Value Measurements (Continued)**

*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.

**Property and Equipment**

Buildings, land improvements, and equipment are stated at cost. The Foundation capitalizes all property and equipment with an original cost of \$5,000 or more and more than two years of useful life. Depreciation expense for the years ended June 30, 2020 and 2019 amounted to \$98,131 and \$99,649 for the Foundation and \$52,020 and \$146,638 for ATI, respectively. Depreciation expense for the Foundation is included in General and Administrative expenses and for ATI is included in Subsidiary Operations. Depreciation is computed using the straight-line method over the following estimated useful lives:

|                            |               |
|----------------------------|---------------|
| Buildings and Improvements | 8 to 50 Years |
| Furniture and Equipment    | 5 to 10 Years |
| Computers and Software     | 5 to 15 Years |

**Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed**

Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is determined by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount exceeds the future cash flows, the assets are considered to be impaired and the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

**Building Receivable**

MSUIC entered into a ground lease agreement in which the rent is \$1 per year and at the end of the lease term all ownership of the buildings, structures, and improvements constructed revert to and become the property of MSUIC. The lease terminates upon the 10<sup>th</sup> anniversary of the first tenant's occupancy of the building, which is estimated as December 31, 2029. Based on the ground lease rent calculation description included in the development agreement, MSUIC has estimated the market value of the ground lease to be \$510,000 over the term of the lease. Rental Income of \$40,625 and \$75,223 was recorded in 2020 and 2019, respectively. The remaining value of the building and improvements that will revert to MSUIC at the end of the lease term is considered a charitable contribution. MSUIC has estimated the present value of the contribution receivable using a 2% discount rate and recorded \$13,394,300 in 2019 at the inception of the lease. The increase in the present value of \$267,800 was recorded as a contribution in 2020.

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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

**Building Receivable (Continued)**

Together these make up the building receivable of \$13,777,948 and \$13,469,523 as of June 30, 2020 and 2019, respectively. A contribution of \$13,473,192 was recorded in 2019 at the inception of the lease. The increase in the present value of \$304,756 was recorded as a contribution in 2020.

**Administrative Fees**

Administrative fees include an investment management fee and a service fee. The investment management fee is an annual 1.9% fee in 2020 and 2% fee in 2019 (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.

**Functional Expenses**

The costs of providing services have been summarized on a functional basis in the statements of activities. Program Expenses do not include any overhead, they are paid on a reimbursement basis. Support Expenses are allocated as follows: Fundraising and alumni relations expenses include costs directly attributable to those functions. Directly attributable expenses include wages and benefits, travel, services, and events. Administration and general expenses include directly attributable expenses as well as indirect expenses that support all programs and operations of the Foundation. Indirect expenses include facility services, supplies, information technology, brand development, and professional development.

**Split-Interest Agreements**

The Foundation has entered into several charitable gift annuity agreements and charitable remainder trusts (split interest agreements) for which the Foundation is the trustee.

Under these agreements, the donor contributes assets in exchange for regular distributions for life or a specified period of time to the donor or other beneficiaries. Distributions are based on the value of the assets contributed and terms specified in the agreement. At the end of the specified time, the remaining assets are available to the Foundation for a charitable purpose as specified by the donor.

The Foundation has segregated these assets as separate and distinct funds and not to be applied to payment of the debts and obligations of the Foundation or any other purpose other than annuity benefits specified in the agreements.

Assets are recorded at fair value. Liabilities incurred in the exchange portion of the agreement are also recognized based on each arrangement's terms and actuarial assumptions. The Foundation has elected the fair value option to measure these liabilities. Accordingly, the liabilities are revalued periodically using present value techniques, which factor in actuarial life expectancy tables and Internal Revenue Service (IRS) discount rates at year-end.

The difference between the fair value of the assets received and the liability to the designated beneficiaries is recognized as contributions, based on the stated percentage interest of the remainder value that will be retained by the Foundation.

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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

**Split-Interest Agreements (Continued)**

During the term of the arrangement, annuity benefits, amortization, and revaluations in the assets and liabilities are recognized in the accompanying consolidated statements of activities as “Changes in Value of Split Interest Agreements.” These changes are classified as net assets with donor restrictions or net assets without donor restrictions, depending on the restriction on the remainder asset.

**Income Taxes**

The Foundation is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3), by a determination letter dated September 11, 1958, and has been ruled by the IRS not to be a private foundation. Income from certain activities not directly related to the Foundation’s tax-exempt purpose is subject to taxation as unrelated business income, as well as income specifically categorized as unrelated by law. Certain investments in alternative investments generate unrelated business income.

With respect to ATI, deferred income tax assets and liabilities are recognized for the estimated future consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. The effect on deferred income tax assets and liabilities due to a change in tax rates is recognized in income tax expense in the period that includes the enactment date.

**Deferred Revenue**

Term memberships are recognized as revenue over their stated period, starting on the day the payment is received. Deferred income related to these memberships is presented in the accompanying consolidated statements of financial position with other liabilities. In 2020, the Foundation discontinued the membership program and recognized all deferred revenue.

**Use of Estimates**

Management of the Foundation has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with U.S. GAAP. Actual results could differ from those estimates.

**Change in Accounting Principle**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Foundation adopted the standard on July 1, 2019 using the full retrospective method of transition. The ASU converged and replaced existing revenue-recognition guidance, including industry-specific guidance, and requires revenue to be recognized in an amount that reflects the consideration to which the entity expects to be entitled in an exchange of goods or services. The adoption of this ASU did not result in changes to previously reported revenue.

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*.



**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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

**Change in Accounting Principle (Continued)**

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 for contributions made and contributions received. The adoption of this ASU did not impact the Foundation's reported revenue in total.

**Subsequent Events**

Management has evaluated subsequent events through October 2, 2020, the date the financial statements were available to be issued.

**NOTE 2 LIQUIDITY**

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:

|   | 2020          | 2019          |
|---|---------------|---------------|
| Financial Assets at Year-End:   |               |               |
| Cash and Cash Equivalents   | \$ 1,138,736  | \$ 890,984    |
| Promises Receivable, Net  | 19,835,054    | 23,670,074    |
| Pooled Investments  | 223,682,699   | 220,565,887   |
| Other Investments   | 11,859,205    | 10,699,393    |
| Receivables, Real Estate, and Other Assets                              | 918,242       | 987,354       |
| Perpetual Trust   | 1,020,819     | 982,383       |
| Total Financial Assets  | 258,454,755   | 257,796,075   |
| Less Amounts Not Available to be Used Within One Year:                  |               |               |
| Perpetual Donor Restrictions  | (148,041,718) | (143,161,992) |
| Purpose Donor Restrictions  | (84,262,899)  | (88,541,973)  |
| Funds held in Agency  | (9,439,714)   | (10,250,884)  |
| Reserve funds for Trusts and Annuities                                  | (11,456,035)  | (10,432,512)  |
| Board-Designated Restrictions   | (3,695,989)   | (2,480,844)   |
| Amounts Not Available to be Used Within One Year                        | (256,896,355) | (254,868,205) |
| Financial Assets Available to Meet General Expenditures Within One Year | \$ 1,558,400  | \$ 2,927,870  |

The Foundation's general expenditures include fundraising, alumni relations, and administrative expenses. To meet the cash needs for these general expenditures during the year, the Foundation relies upon the administrative fees (endowment management fee and service fee), contracted services revenue from MSU, and investment earnings from the Short-Term Investment Pool. The Foundation anticipates collecting sufficient annual revenue to cover general expenditures.

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 2 LIQUIDITY (CONTINUED)**

The Foundation's board has designated a portion of its cash and cash equivalents without donor restrictions as an operating reserve. This reserve holds at least 90 days of operating expenses and remains available for use at the discretion of the board. The operating reserve was \$3,355,323 and \$2,217,000, respectively, as of June 30, 2020 and 2019.

The majority of the Foundation's assets are held for MSU with donor restrictions. The expenditure of these assets are not considered general expenditures. Restricted assets without permanent restrictions are available for expenditure by MSU upon meeting the restrictions.

**NOTE 3 NET ASSETS**

Net assets without donor restrictions as of June 30 are available for the following purposes or periods:

|   | 2020         | 2019         |
|---|--------------|--------------|
| Without Donor Restrictions:                             |              |              |
| Undesignated  | \$ 216,958   | \$ 1,224,016 |
| Designated by the Board for Operating Reserve           | 3,666,201    | 2,217,114    |
| Designated by the Board for Endowment Fund              | 29,788       | 29,788       |
| Endowment Earnings Restricted by Spending Policy        | 44,679       | 299,218      |
| Invested in Property and Equipment, Net of Related Debt | 3,589,753    | 4,108,560    |
| Total Without Donor Restrictions                        | \$ 7,547,379 | \$ 7,878,696 |

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

|   | 2020          |               |                |               |                |
|---|---------------|---------------|----------------|---------------|----------------|
|   | Perpetual     | Purpose       | Underwater     | Time          | Total          |
| MSU Programs                                  | \$ 56,410,251 | \$ 39,605,440 | \$ (1,089,297) | \$ -          | \$ 94,926,394  |
| MSU Students                                  | 88,483,221    | 15,152,475    | (2,443,894)    | -             | 101,191,802    |
| MSU Facilities                                | 2,127,426     | 35,154,674    | (37,749)       | -             | 37,244,351     |
| Charitable Trusts and Gift Annuities          | 8,562,413     | 3,267,384     | -              | -             | 11,829,797     |
| Land Required to be Used as a Recreation Area | 61,050        | -             | -              | -             | 61,050         |
| Building Contribution - MSUIC                 | -             | -             | -              | 13,662,100    | 13,662,100     |
| Total   | \$155,644,361 | \$ 93,179,973 | \$ (3,570,940) | \$ 13,662,100 | \$ 258,915,494 |
|   | 2019          |               |                |               |                |
|   | Perpetual     | Purpose       | Underwater     | Time          | Total          |
| MSU Programs                                  | \$ 55,664,336 | \$ 39,663,185 | \$ (75,280)    | \$ -          | \$ 95,252,241  |
| MSU Students                                  | 85,355,922    | 19,345,311    | (258,500)      | -             | 104,442,733    |
| MSU Facilities                                | 2,141,735     | 29,960,188    | (11,374)       | -             | 32,090,549     |
| Charitable Trusts and Gift Annuities          | 7,116,175     | 3,330,335     | -              | -             | 10,446,510     |
| Land Required to be Used as a Recreation Area | 61,050        | -             | -              | -             | 61,050         |
| Building Contribution - MSUIC                 | -             | -             | -              | 13,394,300    | 13,394,300     |
| Total   | \$150,339,218 | \$ 92,299,019 | \$ (345,154)   | \$ 13,394,300 | \$ 255,687,383 |

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 4 ENDOWMENT**

The Foundation's endowment consists of numerous individual funds in which the donor has required the original gift be held in perpetuity and the income to be used for the donor-restricted purpose. Additionally, the Foundation holds donor-restricted gifts as quasi-endowments. These quasi-endowments have been designated by the Board and MSU to be treated as perpetual funds. These funds are held by the Foundation to provide income for the maintenance of MSU and the Foundation's charitable purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the prudent spending 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 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 including promises to give at fair value) 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 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 or 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.

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original contribution value. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were deficiencies of \$3,570,940 and \$345,155 in these funds as of June 30, 2020 and 2019, respectively.

**Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that are designed to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Accordingly, the Foundation's investment policy is designed to produce investment returns that exceed the sum of its spending policy, investment fees, and estimated long-term inflation.

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 4 ENDOWMENT (CONTINUED)**

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation relies on the total return strategy of the Long-Term Investment Pool in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation, including fixed income, domestic and international equity, private equity, real assets, and hedge funds, to achieve its long-term return objectives within prudent risk constraints.

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

The Foundation's spending policy is based on a 12-quarter weighted average of the endowment's market value multiplied by the Foundation's spending rate of 4%. Certain limits are applied: 1) the expendable amount cannot exceed 5% of the endowment's market value, and 2) assuming there is not a prohibition in the donor agreement against the use of the original gift, spending is curtailed when the value of the endowment drops to 80% of the original contribution amount.

In establishing this policy, the Foundation considered the donor's intent of the fund purpose as well as the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow. This is consistent with the donor's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of restriction as of June 30 is as follows:

|  | 2020                         |                            | Total                 |
|--|------------------------------|----------------------------|-----------------------|
|  | Without Donor<br>Restriction | With Donor<br>Restrictions |                       |
| Donor-Restricted Endowment Funds                 | \$ -                         | \$ 148,041,717             | \$ 148,041,717        |
| Board-Designated Endowment Funds:                |                              |                            |                       |
| Donor-Restricted Purpose                         | -                            | 24,795,050                 | 24,795,050            |
| Board-Designated Purpose                         | 29,788                       | -                          | 29,788                |
| Accumulated investment gains                     | 44,679                       | (1,727,421)                | (1,682,742)           |
| Total  | <u>\$ 74,467</u>             | <u>\$ 171,109,346</u>      | <u>\$ 171,183,813</u> |
| The Endowment Fund is comprised of:              |                              |                            |                       |
| Pooled Investments                               | \$ 74,467                    | \$ 167,087,365             | \$ 167,161,832        |
| Promises to Give (Net of Discount and Allowance) | -                            | 2,800,962                  | 2,800,962             |
| Externally Held Perpetual Trust                  | -                            | 1,020,819                  | 1,020,819             |
| Securities and Other Receivables                 | -                            | 200,200                    | 200,200               |
| Total  | <u>\$ 74,467</u>             | <u>\$ 171,109,346</u>      | <u>\$ 171,183,813</u> |

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 4 ENDOWMENT (CONTINUED)**

**Spending Policy and How the Investment Objectives Relate to Spending Policy**  
**(Continued)**

|  | 2019                         |                            |                       |
|--|------------------------------|----------------------------|-----------------------|
|  | Without Donor<br>Restriction | With Donor<br>Restrictions | Total                 |
| Donor-Restricted Endowment Funds                 | \$ -                         | \$ 143,161,992             | \$ 143,161,992        |
| Board-Designated Endowment Funds:                |                              |                            |                       |
| Donor-Restricted Purpose                         | -                            | 22,176,812                 | 22,176,812            |
| Board-Designated Purpose                         | 29,788                       | -                          | 29,788                |
| Accumulated investment gains                     | 299,218                      | 10,955,379                 | 11,254,597            |
| Total  | <u>\$ 329,006</u>            | <u>\$ 176,294,183</u>      | <u>\$ 176,623,189</u> |
| The Endowment Fund is comprised of:              |                              |                            |                       |
| Pooled Investments                               | \$ 329,006                   | \$ 168,751,153             | \$ 169,080,159        |
| Promises to Give (Net of Discount and Allowance) | -                            | 6,360,423                  | 6,360,423             |
| Externally Held Perpetual Trust                  | -                            | 982,383                    | 982,383               |
| Securities and Other Receivables                 | -                            | 200,224                    | 200,224               |
| Total  | <u>\$ 329,006</u>            | <u>\$ 176,294,183</u>      | <u>\$ 176,623,189</u> |

Changes in endowment net asset composition by type of restriction for the years ended June 30 are as follows:

|  | 2020                         |                            |                       |
|--|------------------------------|----------------------------|-----------------------|
|  | Without Donor<br>Restriction | With Donor<br>Restrictions | Total                 |
| Endowment Net Assets - Beginning of Year     | \$ 329,006                   | \$ 176,294,183             | \$ 176,623,189        |
| Contributions to be held in perpetuity       | -                            | 4,841,289                  | 4,841,289             |
| Additions                                    | -                            | 2,618,238                  | 2,618,238             |
| Amount Appropriated for Expenditure          | (123,750)                    | (5,649,853)                | (5,773,603)           |
| Investment Return, net                       | (74,147)                     | (4,000,172)                | (4,074,319)           |
| Fees   | (56,642)                     | (3,032,775)                | (3,089,417)           |
| Net revaluation of split interest agreements | -                            | 38,436                     | 38,436                |
| Endowment Net Assets - End of Year           | <u>\$ 74,467</u>             | <u>\$ 171,109,346</u>      | <u>\$ 171,183,813</u> |
|  | 2019                         |                            |                       |
|  | Without Donor<br>Restriction | With Donor<br>Restrictions | Total                 |
| Endowment Net Assets - Beginning of Year     | \$ 662,971                   | \$ 173,977,645             | \$ 174,640,616        |
| Contributions to be held in perpetuity       | -                            | 7,675,366                  | 7,675,366             |
| Additions                                    | -                            | 236,534                    | 236,534               |
| Amount Appropriated for Expenditure          | (358,745)                    | (7,269,912)                | (7,628,657)           |
| Investment Return, net                       | 86,825                       | 4,824,401                  | 4,911,226             |
| Fees   | (62,045)                     | (3,146,213)                | (3,208,258)           |
| Net revaluation of split interest agreements | -                            | (3,638)                    | (3,638)               |
| Endowment Net Assets - End of Year           | <u>\$ 329,006</u>            | <u>\$ 176,294,183</u>      | <u>\$ 176,623,189</u> |

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 5 PROMISES TO GIVE**

Promises to give are recorded at their fair value using a present value approach. This measurement of fair value uses significant unobservable inputs (Level 3 inputs), including estimated timing of receipts and collectability. This calculation includes an applied discount rate of 0.29% at June 30, 2020, and 1.76% at June 30, 2019, which is management's estimate of a risk-free rate of return. The accretion of the discount in subsequent years is reported as additional contributions in the net asset class in which the original pledge was recorded. Payments are due based on the underlying donor agreement. Uncollectible promises are charged to bad debt (administration and general expense) once all attempts at collection have been exhausted.

Promises to give, net of present value discounts and allowance for uncollectible promises, at June 30 are scheduled to be received as follows:

|  | 2020                        | 2019                        |
|--|-----------------------------|-----------------------------|
| Within One Year                                    | \$ 9,921,261                | \$ 7,676,418                |
| In One to Five Years                               | 10,195,200                  | 16,893,794                  |
| Over Five Years                                    | 125,889                     | 29,000                      |
| Total  | <u>20,242,350</u>           | <u>24,599,212</u>           |
| Less: Unamortized Discount                         | (56,975)                    | (479,459)                   |
| Less: Allowance for Uncollectible Promises to Give | <u>(350,321)</u>            | <u>(449,675)</u>            |
| Promises to Give, Net                              | <u><u>\$ 19,835,054</u></u> | <u><u>\$ 23,670,078</u></u> |

The following table represents a reconciliation of the beginning and ending balances of promises to give for the years ended June 30:

|   | 2020                        | 2019                        |
|---|-----------------------------|-----------------------------|
| Promises to Give, Net - Beginning of Year | \$ 23,670,078               | \$ 15,586,156               |
| New Unconditional Promises to Give        | 5,818,288                   | 21,736,954                  |
| Amounts Received from Promises to Give    | (10,175,150)                | (14,047,269)                |
| Change in Unamortized Discount            | 422,484                     | 541,588                     |
| Change in Uncollectible Promises          | 99,354                      | (147,351)                   |
| Promises to Give, Net - End of Year       | <u><u>\$ 19,835,054</u></u> | <u><u>\$ 23,670,078</u></u> |

**NOTE 6 OTHER RECEIVABLES**

|                           | 2020                     | 2019                     |
|---------------------------|--------------------------|--------------------------|
| Other Receivables         | \$ 16,684                | \$ 10,874                |
| ATI Leasing Receivables   | 131,632                  | 148,589                  |
| MSUIC Accounts Receivable | 4,811                    | 11,314                   |
| Total Other Receivables   | <u><u>\$ 153,127</u></u> | <u><u>\$ 170,777</u></u> |

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 7 INVESTMENTS**

The investment components at June 30 are as follows:

|   | <u>2020</u>           | <u>2019</u>           |
|---|-----------------------|-----------------------|
| <b>Pooled Investments</b>                         |                       |                       |
| Short-Term Investment Pool:                       |                       |                       |
| Mutual Funds                                      | \$ 19,663,421         | \$ 3,303,309          |
| Debt Securities                                   | -                     | 2,540,502             |
| Cash Equivalents                                  | 11,562,801            | 22,787,233            |
| Total Short-Term Investment Pool                  | <u>31,226,222</u>     | <u>28,631,044</u>     |
| Long-Term Investment Pool:                        |                       |                       |
| Equity Securities                                 | 2,050                 | 1,086,539             |
| Mutual Funds                                      | 95,111,538            | 92,505,627            |
| Alternative Investments                           | 94,671,719            | 96,426,462            |
| Cash Equivalents                                  | 2,671,170             | 1,916,215             |
| Total Long-Term Investment Pool                   | <u>192,456,477</u>    | <u>191,934,843</u>    |
| Total Pooled Investments                          | <u>\$ 223,682,699</u> | <u>\$ 220,565,887</u> |
| <b>Other Investments</b>                          |                       |                       |
| Equity Securities                                 | \$ 393,459            | \$ 266,881            |
| Mutual Funds                                      | 9,711                 | -                     |
| Investments Held for Split Interest<br>Agreements | 11,456,035            | 10,432,512            |
| Total Other Investments                           | <u>\$ 11,859,205</u>  | <u>\$ 10,699,393</u>  |
| <b>Real Estate</b>                                |                       |                       |
| Real Estate Investments                           | <u>\$ 399,550</u>     | <u>\$ 493,767</u>     |

Pooled investments include investments in the Short-Term Investment Pool and the Long-Term Investment Pool. Earnings on the Long-Term Investment Pool are allocated ratably based on invested balances during the year, in accordance with policy.

**Investment Income**

Investment income is recorded net of fees charged by the third-party asset managers of approximately \$2,590,000 and \$2,400,000 in 2020 and 2019, respectively.

Investment income in the consolidated financial statements is recorded net of income allocated to agency funds. Investment income is as follows:

|                                    | <u>2020</u>           | <u>2019</u>         |
|------------------------------------|-----------------------|---------------------|
| Dividends and Interest             | \$ 1,816,842          | \$ 1,849,754        |
| Realized Gains                     | 280,111               | 1,156,945           |
| Unrealized Gains (Losses)          | (6,019,404)           | 3,633,522           |
| Total                              | <u>(3,922,451)</u>    | <u>6,640,221</u>    |
| Less: Income Allocated to Agencies | 224,025               | (310,652)           |
| Total Investment Income            | <u>\$ (3,698,426)</u> | <u>\$ 6,329,569</u> |

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 7 INVESTMENTS (CONTINUED)**

**Investment Income (Continued)**

Investment income is presented on the consolidated financial statements as follows:

|                                   | 2020                  | 2019                |
|-----------------------------------|-----------------------|---------------------|
| Market Gain (Loss) on Investments | \$ (5,465,621)        | \$ 4,533,010        |
| Interest and Dividends            | 1,767,195             | 1,796,559           |
| Total                             | <u>\$ (3,698,426)</u> | <u>\$ 6,329,569</u> |

**NOTE 8 FAIR VALUE MEASUREMENTS**

Investments and beneficial interests in trusts are measured using the fair value inputs as described in Note 1 and are categorized as follows:

|                                      | 2020                 |                       |                     |                      | Total                 |
|--------------------------------------|----------------------|-----------------------|---------------------|----------------------|-----------------------|
|                                      | Cost                 | Level 1               | Level 3             | Net Asset Value      |                       |
| <b>Pooled Investments</b>            |                      |                       |                     |                      |                       |
| Cash and Cash Equivalents            | \$ 14,233,971        | \$ -                  | \$ -                | \$ -                 | \$ 14,233,971         |
| U.S. Equity Securities               | -                    | 2,050                 | -                   | -                    | 2,050                 |
| Mutual Funds:                        |                      |                       |                     |                      |                       |
| Domestic Equities                    | -                    | 22,790,333            | -                   | -                    | 22,790,333            |
| Fixed Income                         | -                    | 49,323,023            | -                   | -                    | 49,323,023            |
| International Equity                 | -                    | 32,867,660            | -                   | -                    | 32,867,660            |
| Real Assets                          | -                    | 9,793,943             | -                   | -                    | 9,793,943             |
| Alternative Investments:             |                      |                       |                     |                      |                       |
| Domestic Equities                    | -                    | -                     | -                   | 10,897,361           | 10,897,361            |
| Fixed Income                         | -                    | -                     | -                   | 2,634,203            | 2,634,203             |
| Hedge Funds                          | -                    | -                     | -                   | 39,006,300           | 39,006,300            |
| Private Equity                       | -                    | -                     | -                   | 25,604,076           | 25,604,076            |
| Real Assets                          | -                    | -                     | -                   | 16,529,779           | 16,529,779            |
| Total Pooled Investments             | <u>14,233,971</u>    | <u>114,777,009</u>    | <u>-</u>            | <u>94,671,719</u>    | <u>223,682,699</u>    |
| <b>Other Investments</b>             |                      |                       |                     |                      |                       |
| Equity Securities                    |                      |                       |                     |                      |                       |
| Banking                              | -                    | -                     | 50,505              | -                    | 50,505                |
| Pharmaceutical industry              | -                    | -                     | 200,200             | -                    | 200,200               |
| Real Estate                          | -                    | -                     | 142,754             | -                    | 142,754               |
| US Equity Portfolio                  | -                    | 9,711                 | -                   | -                    | 9,711                 |
| Mutual Funds for Split Interest      |                      |                       |                     |                      |                       |
| Agreements:                          |                      |                       |                     |                      |                       |
| U.S. Bonds                           | -                    | 2,503,103             | -                   | -                    | 2,503,103             |
| Non-U.S. Bonds                       | -                    | 482,101               | -                   | -                    | 482,101               |
| International Equity                 | -                    | 2,523,036             | -                   | -                    | 2,523,036             |
| Money Market                         | -                    | 441,253               | -                   | -                    | 441,253               |
| Real Estate Investment Trusts        | -                    | 1,651,197             | -                   | -                    | 1,651,197             |
| Domestic Equity                      | -                    | 3,855,345             | -                   | -                    | 3,855,345             |
| Total Other Investments              | <u>-</u>             | <u>11,465,746</u>     | <u>393,459</u>      | <u>-</u>             | <u>11,859,205</u>     |
| <b>Real Estate Investments</b>       | <u>-</u>             | <u>-</u>              | <u>399,550</u>      | <u>-</u>             | <u>399,550</u>        |
| <b>Beneficial Interest in Trusts</b> | <u>-</u>             | <u>-</u>              | <u>6,631,224</u>    | <u>-</u>             | <u>6,631,224</u>      |
| Total                                | <u>\$ 14,233,971</u> | <u>\$ 126,242,755</u> | <u>\$ 7,424,233</u> | <u>\$ 94,671,719</u> | <u>\$ 242,572,678</u> |



**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)**

|                                      | 2019                 |                       |                     |                      | Total                 |
|--------------------------------------|----------------------|-----------------------|---------------------|----------------------|-----------------------|
|                                      | Cost                 | Level 1               | Level 3             | Net Asset Value      |                       |
| <b>Pooled Investments</b>            |                      |                       |                     |                      |                       |
| Cash and Cash Equivalents            | \$ 24,703,448        | \$ -                  | \$ -                | \$ -                 | \$ 24,703,448         |
| U.S. Equity Securities               | -                    | 1,086,539             | -                   | -                    | 1,086,539             |
| Mutual Funds:                        |                      |                       |                     |                      |                       |
| Domestic Equities                    | -                    | 21,655,502            | -                   | -                    | 21,655,502            |
| Fixed Income                         | -                    | 28,248,599            | -                   | -                    | 28,248,599            |
| International Equity                 | -                    | 32,245,751            | -                   | -                    | 32,245,751            |
| Real Assets                          | -                    | 13,659,084            | -                   | -                    | 13,659,084            |
| U.S. Agency Debt Securities          | -                    | 2,540,502             | -                   | -                    | 2,540,502             |
| Alternative Investments:             |                      |                       |                     |                      |                       |
| Domestic Equities                    | -                    | -                     | -                   | 10,236,605           | 10,236,605            |
| Fixed Income                         | -                    | -                     | -                   | 4,458,718            | 4,458,718             |
| Hedge Funds                          | -                    | -                     | -                   | 43,374,812           | 43,374,812            |
| Private Equity                       | -                    | -                     | -                   | 21,268,362           | 21,268,362            |
| Real Assets                          | -                    | -                     | -                   | 17,087,965           | 17,087,965            |
| Total Pooled Investments             | 24,703,448           | 99,435,977            | -                   | 96,426,462           | 220,565,887           |
| <b>Other Investments</b>             |                      |                       |                     |                      |                       |
| Equity Securities:                   |                      |                       |                     |                      |                       |
| Pharmaceutical Industry              | -                    | -                     | 200,200             | -                    | 200,200               |
| Real Estate                          | -                    | -                     | 66,681              | -                    | 66,681                |
| Mutual Funds for Split Interest      |                      |                       |                     |                      |                       |
| Agreements:                          |                      |                       |                     |                      |                       |
| U.S. Bonds                           | -                    | 2,327,985             | -                   | -                    | 2,327,985             |
| Non-U.S. Bonds                       | -                    | 472,596               | -                   | -                    | 472,596               |
| International Equity                 | -                    | 2,285,563             | -                   | -                    | 2,285,563             |
| Money Market                         | -                    | 306,408               | -                   | -                    | 306,408               |
| Real Estate Investment Trusts        | -                    | 1,510,359             | -                   | -                    | 1,510,359             |
| Domestic Equity                      | -                    | 3,529,601             | -                   | -                    | 3,529,601             |
| Total Other Investments              | -                    | 10,432,512            | 266,881             | -                    | 10,699,393            |
| <b>Real Estate Investments</b>       | -                    | -                     | 493,767             | -                    | 493,767               |
| <b>Beneficial Interest in Trusts</b> | -                    | -                     | 6,184,127           | -                    | 6,184,127             |
| <b>Total Investments</b>             | <b>\$ 24,703,448</b> | <b>\$ 109,868,489</b> | <b>\$ 6,944,775</b> | <b>\$ 96,426,462</b> | <b>\$ 237,943,174</b> |

**Level 3 Fair Value Investments**

The changes in other investments or financial assets measured at fair value on a recurring basis included as Level 3 measurements are summarized as follows:

| Year Ended June 30, 2020                    | Beneficial Interests in |                   | Real Estate       | Total               |
|---|-------------------------|-------------------|-------------------|---------------------|
|   | Trusts                  | Equities          |                   |                     |
| Balance - June 30, 2019                     | \$ 6,184,127            | \$ 266,881        | \$ 493,767        | \$ 6,944,775        |
| Contributions                               | 519,274                 | -                 | -                 | 519,274             |
| Realized and Unrealized Gains (Losses)      | -                       | 139,406           | (19,317)          | 120,089             |
| Matured Trusts                              | -                       | -                 | -                 | -                   |
| Trust Distributions                         | (44,552)                | -                 | -                 | (44,552)            |
| Purchases and Contributions                 | -                       | 50,505            | -                 | 50,505              |
| Sales and Settlements                       | -                       | (63,333)          | (74,900)          | (138,233)           |
| Change in Value of Beneficial Interest      | (66,061)                | -                 | -                 | (66,061)            |
| Distributions Received from Perpetual Trust | (50,000)                | -                 | -                 | (50,000)            |
| Change in Value of Perpetual Trust          | 88,436                  | -                 | -                 | 88,436              |
| Balance - June 30, 2020                     | <u>\$ 6,631,224</u>     | <u>\$ 393,459</u> | <u>\$ 399,550</u> | <u>\$ 7,424,233</u> |

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Level 3 Fair Value Investments (Continued)**

| Year Ended June 30, 2019                    | Beneficial<br>Interests in<br>Trusts | Equities          | Real<br>Estate    | Total               |
|---|--------------------------------------|-------------------|-------------------|---------------------|
| Balance - June 30, 2018                     | \$ 6,144,153                         | \$ 335,825        | \$ 493,767        | \$ 6,973,745        |
| Contributions                               | -                                    | -                 | -                 | -                   |
| Realized and Unrealized Gains (Losses)      | -                                    | (4,449)           | -                 | (4,449)             |
| Matured Trusts                              | -                                    | -                 | -                 | -                   |
| Trust Distributions                         | (44,551)                             | -                 | -                 | (44,551)            |
| Sales and Settlements                       | -                                    | (64,495)          | -                 | (64,495)            |
| Change in Value of Beneficial Interest      | 88,163                               | -                 | -                 | 88,163              |
| Distributions Received from Perpetual Trust | (50,000)                             | -                 | -                 | (50,000)            |
| Change in Value of Perpetual Trust          | 46,362                               | -                 | -                 | 46,362              |
| Balance - June 30, 2019                     | <u>\$ 6,184,127</u>                  | <u>\$ 266,881</u> | <u>\$ 493,767</u> | <u>\$ 6,944,775</u> |

**NAV Fair Value Investments**

The following is a summary of the investments whose net asset value approximates fair value and the related unfunded commitments and redemption restrictions associated with each major category at June 30:

| Redemption<br>Frequency | 2020                        |                             |                      |                         |
|-------------------------|-----------------------------|-----------------------------|----------------------|-------------------------|
|                         | Redemption<br>Notice Period | Redemption<br>Notice Period | Fair Value           | Unfunded<br>Commitments |
| Domestic Equity         | Monthly                     | 15 days                     | \$ 10,897,360        | \$ -                    |
| Fixed Income            | None                        | n/a                         | 2,634,203            | 2,500,000               |
| Hedge Funds             | Daily                       | 2 days                      | 5,252,470            | -                       |
| Hedge Funds             | Weekly                      | 5 days                      | 4,122,468            | -                       |
| Hedge Funds             | Monthly                     | 45 days                     | 756,234              | -                       |
| Hedge Funds             | Monthly                     | 120 days                    | 1,534,934            | -                       |
| Hedge Funds             | Quarterly                   | 60 days                     | 8,684,925            | -                       |
| Hedge Funds             | Quarterly                   | 90 days                     | 657,687              | -                       |
| Hedge Funds             | Biannually                  | 45 days                     | 7,186,404            | -                       |
| Hedge Funds             | Annually                    | 45 days                     | 27,883               | -                       |
| Hedge Funds             | Annually                    | 90 days                     | 10,783,296           | -                       |
| Private Equity          | None                        | n/a                         | 25,604,076           | 17,679,000              |
| Real Assets             | None                        | n/a                         | 16,529,779           | 19,360,000              |
|                         |                             |                             | <u>\$ 94,671,719</u> | <u>\$ 39,539,000</u>    |

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)**

**NAV Fair Value Investments (Continued)**

| Redemption<br>Frequency | 2019                        |                             |                      | Unfunded<br>Commitments |
|-------------------------|-----------------------------|-----------------------------|----------------------|-------------------------|
|                         | Redemption<br>Notice Period | Redemption<br>Notice Period | Fair Value           |                         |
| Domestic Equity         | Monthly                     | 15 days                     | \$ 10,236,605        | \$ -                    |
| Fixed Income            | None                        | n/a                         | 4,458,718            | -                       |
| Hedge Funds             | Annually                    | 45 days                     | 169,622              | -                       |
| Hedge Funds             | Annually                    | 65 days                     | 17,483               | -                       |
| Hedge Funds             | Annually                    | 90 days                     | 12,069,460           | -                       |
| Hedge Funds             | Biannually                  | 45 days                     | 7,539,028            | -                       |
| Hedge Funds             | Daily                       | 2 days                      | 5,254,195            | -                       |
| Hedge Funds             | Monthly                     | 120 days                    | 6,734,971            | -                       |
| Hedge Funds             | Monthly                     | 45 days                     | 5,436,665            | -                       |
| Hedge Funds             | Quarterly                   | 90 days                     | 1,117,817            | -                       |
| Hedge Funds             | Quarterly                   | 60 days                     | 2,530,433            | -                       |
| Hedge Funds             | Weekly                      | 5 days                      | 2,505,137            | -                       |
| Private Equity          | None                        | n/a                         | 21,268,363           | 12,720,780              |
| Real Assets             | None                        | n/a                         | 17,087,965           | 21,082,546              |
|                         |                             |                             | <u>\$ 96,426,462</u> | <u>\$ 33,803,326</u>    |

**Domestic Equities**

This category includes investments in US stocks and US mutual funds. With respect to risk reduction through diversification, mutual funds provide a simplified option of investing in diverse equities. Within domestic equities, both low cost index funds and actively managed funds are utilized. The purpose of the equity segment of the portfolio is to provide principal appreciation that exceeds inflation. These investments typically provide daily liquidity.

**International Equities**

This category includes investments in stocks and mutual funds of companies outside the U.S. Both index funds and actively managed funds are utilized. The purpose of the international equity segment of the portfolio is to provide the benefits of global diversification and principal appreciation exceeding inflation. These investments typically provide daily liquidity.

**Fixed Income**

This category includes individual bonds, bond funds, money market funds, and investments in private funds that invest in debt securities. The purpose of the fixed income segment is to provide a hedge against deflation, to provide a stable component of return and to mitigate the overall volatility of the portfolio. Liquidity can range from daily to several years.

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Hedge Funds**

This category includes investments in equity, debt, structured products, and derivative securities. Debt securities include corporate debt, mortgage debt, and sovereign debt. The managers of these funds have the flexibility to change their exposure based on their view of securities and the overall market. The strategies of these funds include event-driven, relative value, arbitrage, and directional strategies. Certain of these funds have various redemption and notice of redemption requirements that generally limit the ability to liquidate them in a short period of time.

**Real Assets**

This category includes mutual funds and investments in private funds that provide exposure to physical assets like real estate, infrastructure, commodities, precious metals, and energy. Real assets tend to exhibit lower correlation to traditional stocks and fixed income and provide inflation protection as real asset prices tend to rise as consumer prices rise. Certain of these funds have various redemption and notice of redemption requirements that generally limit the ability to liquidate them in a short period of time.

**Private Equity**

These are strategies involving the equity of private companies rather than equity that is traded on a public exchange. Private equity participants typically invest in private companies through Limited Partnerships, with the goal of improving the economic value of their investment over a long-term horizon, typically around 10 years, which also makes them very illiquid. Typical strategies include buyouts, growth equity, venture capital, and special situations. As private equity strategies tend to be unique, the investments tend not to be correlated with other investments.

**NOTE 9 PROPERTY AND EQUIPMENT**

Property and equipment at June 30 consist of the following:

|                                | 2020                | 2019                |
|--------------------------------|---------------------|---------------------|
| Land and Improvements          | \$ 4,607,382        | \$ 4,607,382        |
| Buildings                      | 6,118,499           | 6,684,817           |
| Construction in Progress       | 2,392,571           | -                   |
| Computer Hardware and Software | 350,302             | 350,302             |
| Equipment                      | 260,059             | 200,140             |
| Subtotal                       | <u>13,728,813</u>   | <u>11,842,641</u>   |
| Less: Accumulated Depreciation | <u>(4,599,954)</u>  | <u>(4,780,769)</u>  |
| Total Property and Equipment   | <u>\$ 9,128,859</u> | <u>\$ 7,061,872</u> |

The carrying value of buildings held for lease as of June 30 is as follows:

|                                   | 2020               | 2019                |
|-----------------------------------|--------------------|---------------------|
| Buildings Held for Lease, at Cost | \$ 4,076,630       | \$ 4,655,887        |
| Less: Accumulated Depreciation    | <u>(3,334,162)</u> | <u>(3,599,365)</u>  |
| Total                             | <u>\$ 742,468</u>  | <u>\$ 1,056,522</u> |

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 9 PROPERTY AND EQUIPMENT (CONTINUED)**

In 2020, the Foundation entered into an agreement with MSU in relation to capital improvements to be made to MSU's football stadium. Under this agreement, the Foundation leased a portion of the stadium to construct the Bobcat Athletic Complex, a building on the north end of the stadium.

The Foundation is managing all contributions and expenses for the project and entered into contracts with third parties for the construction. Commitments for architecture and construction contracts total \$13.6 million. Construction is funded by private donations raised by the Foundation. As of June 30, 2020, Construction in Progress of \$2,392,571 has been recorded in the accompanying financial statements, of which \$842,943 was outstanding to vendors and was included in accounts payable. Upon completion of construction, the lease will terminate, and the complex will be transferred to MSU.

**NOTE 10 AGENCY FUNDS HELD FOR OTHERS**

The Foundation held the assets as of June 30 for the following named organizations:

|                                      | 2020                | 2019                 |
|--------------------------------------|---------------------|----------------------|
| Museum of the Rockies, Inc.          | \$ 438,779          | \$ 455,247           |
| Montana State University             | 7,321,099           | 8,056,972            |
| Montana State University Bobcat Club | 1,679,836           | 1,738,665            |
| Agency Funds Held for Others         | <u>\$ 9,439,714</u> | <u>\$ 10,250,884</u> |

Earnings on these assets are credited to each organization's agency account.

Assets held on behalf of these organizations as of June 30 are included in the Foundation's consolidated statements of financial position as follows:

|                              | 2020                | 2019                 |
|------------------------------|---------------------|----------------------|
| Short-Term Investment Pool   | \$ 257,852          | \$ 345,735           |
| Long-Term Investment Pool    | 9,181,862           | 9,905,149            |
| Agency Funds Held for Others | <u>\$ 9,439,714</u> | <u>\$ 10,250,884</u> |

**NOTE 11 TRANSACTIONS BETWEEN WITHOUT DONOR RESTRICTED AND WITH DONOR RESTRICTED NET ASSETS**

Without donor-restricted funds have borrowed \$1,626,547 and \$1,726,547 at June 30, 2020 and 2019, respectively, from the Short-Term Investment Pool. This long-term loan was used to invest in ATI and bears no interest.

The Foundation has invested \$19,000,000 at June 30, 2020 and \$13,000,000 at June 30, 2019 of with donor-restricted funds, which are typically invested in the short-term pool, into the long-term pool. This was done to maximize the returns on investments for the short-term investments.

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 12 NOTES PAYABLE**

Notes payable at June 30 consist of the following:

| Description   | 2020         |                                       | 2019         |                                       |
|---|--------------|---------------------------------------|--------------|---------------------------------------|
|   | Principal    | Unamortized<br>Debt Issuance<br>Costs | Principal    | Unamortized<br>Debt Issuance<br>Costs |
| ATI fixed rate 5.33% note with six monthly consecutive interest payments beginning December 2017, and then 113 monthly installments of \$19,378 starting June 2018, including principal and interest with a balloon payment of \$1,817,047, due October 2027. Loan is secured by the property and assignment of rents on 900, 910, and 920 Technology Blvd., Bozeman, MT 59718. | \$ 2,637,060 | \$ 24,983                             | \$ 2,724,285 | \$ 20,595                             |
| 6.5% note payable due in monthly installments of \$4,438 with a balloon payment of \$496,774 due June 1, 2022; secured by property  | 534,458      | -                                     | 552,339      | -                                     |
| Total Debt  | 3,171,518    | \$ 24,983                             | 3,276,624    | \$ 20,595                             |
| Less: Unamortized Debt Issuance Costs   | (24,983)     |                                       | (20,595)     |                                       |
| Total Notes Payable, Net of Unamortized<br>Debt Issuance Costs  | \$ 3,146,535 |                                       | \$ 3,256,029 |                                       |

The Foundation refinanced the 6.5% note on July 29, 2020 with an interest rate of 3.91% and a maturity date of August 1, 2030. The maturity table below reflects the payments after the refinance.

Maturities of notes payable subsequent to June 30, 2020 are scheduled as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|---------------|
| 2021                        | \$ 125,797    |
| 2022                        | 137,441       |
| 2023                        | 143,186       |
| 2024                        | 148,867       |
| 2025                        | 155,393       |
| Thereafter                  | 2,460,834     |
| Total                       | \$ 3,171,518  |

Interest expense during the years ended June 30, 2020 and 2019 amounted to \$156,960 and \$183,701, respectively.

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 13 OTHER LIABILITIES**

The components of other liabilities are as follows as of June 30:

|  | 2020       | 2019       |
|--|------------|------------|
| Deferred Membership Revenue                | \$ -       | \$ 25,826  |
| Bobcat Athletic Complex Contingent Gift    | -          | 50,000     |
| Deferred Income Taxes                      | 27,636     | 28,700     |
| Other Miscellaneous Deferrals              | 9,094      | 15,885     |
| ATI Lease Deposits                         | 7,857      | 7,857      |
| Liability to MSU for Deferred Compensation | 766,465    | 850,066    |
| Total                                      | \$ 811,052 | \$ 978,334 |

**Liability to MSU for Deferred Compensation**

In 2010, the Foundation entered into a memorandum of understanding with MSU whereby the Foundation committed to provide \$50,000 annually to MSU, for a period not to exceed 10 years, beginning in January 2025. These payments are earmarked for deferred compensation costs associated with a key MSU employee. Payments were contingent on pre-determined employee performance milestones, which the employee has met. The Foundation has determined that payment on this agreement is probable and has estimated the liability using the present value method, using a 3.25% discount rate.

In 2016, the Foundation entered into a memorandum of understanding with MSU whereby the Foundation committed to provide \$100,000 annually to MSU, for a period not to exceed five years, beginning in January 2020. These payments are earmarked for deferred compensation costs associated with a key MSU employee. Payments were contingent on pre-determined employee performance milestones, which the employee has met. The Foundation has estimated the liability using the present value method, using a 1.01% discount rate.

**NOTE 14 INCOME TAXES**

**Foundation**

The Foundation is subject to income taxes on unrelated business income. Certain alternative investments generate such income. Income tax expense for the years ended June 30 is as follows:

|                          | 2020        | 2019       |
|--------------------------|-------------|------------|
| Current Income Taxes:    |             |            |
| Federal                  | \$ -        | \$ 211,421 |
| State                    | (29,999)    | 58,748     |
| Total Income Tax Expense | \$ (29,999) | \$ 270,169 |

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 14 INCOME TAXES (CONTINUED)**

**ATI**

Income tax expense for ATI, the Foundation's for-profit subsidiary, for the years ended June 30 is as follows:

|  | <u>2020</u>        | <u>2019</u>      |
|--|--------------------|------------------|
| Current Income Taxes:                  |                    |                  |
| Federal                                | \$ (47,486)        | \$ -             |
| State                                  | (14,565)           | (50)             |
| Total                                  | <u>(62,051)</u>    | <u>(50)</u>      |
| Deferred Income Tax Benefit (Expense): |                    |                  |
| Federal                                | (7,790)            | 11,237           |
| State                                  | -                  | 3,612            |
| Total                                  | <u>(7,790)</u>     | <u>14,849</u>    |
| Total Income Tax Benefit (Expense)     | <u>\$ (69,841)</u> | <u>\$ 14,799</u> |

ATI's effective tax rate differs from the statutory tax rates applicable to corporations as a result of permanent differences between book and tax recognition, as follows:

|                                 | <u>2020</u>   | <u>2019</u>    |
|---------------------------------|---------------|----------------|
| Statutory Federal Rate          | 21.00%        | 21.00%         |
| Statutory State Rate            | 6.75%         | 6.75%          |
| Permanent Differences           | 4.00 %        | 4.00 %         |
| Total Effective Income Tax Rate | <u>31.75%</u> | <u>31.75 %</u> |

The components of ATI's net deferred tax assets and liabilities on the accompanying consolidated statements of financial position, included in other assets and other liabilities, as of June 30 relate to the following:

|   | <u>2020</u>        | <u>2019</u>        |
|---|--------------------|--------------------|
| Deferred Income Tax Asset (Liability):    |                    |                    |
| Cash to Accrual Assets                    | \$ (39,169)        | \$ (43,875)        |
| Cash to Accrual Liabilities               | 3,565              | 3,943              |
| Accelerated Depreciation and Amortization | 7,968              | 8,276              |
| Net Operating Loss Carryforward           | -                  | 11,808             |
| Net Deferred Income Tax Asset (Liability) | <u>\$ (27,636)</u> | <u>\$ (19,848)</u> |



**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 14 INCOME TAXES (CONTINUED)**

**ATI (Continued)**

The following book-to-tax differences reconcile ATI's pre-tax book income (loss) to ATI's federal taxable income:

|   | 2020              | 2019        |
|---|-------------------|-------------|
| Pre-Tax Income (Loss)                     | \$ 333,312        | \$ (46,616) |
| Permanent Differences                     | -                 | -           |
| Accounts Receivable                       | 21,750            | 9,609       |
| Accounts Payable                          | 780               | (18,908)    |
| Accrued Liabilities and Prepaid Rents     | (2,144)           | (1,164)     |
| Other Cash to Accrual Differences, Net    | (6,937)           | 6,579       |
| Depreciation                              | (1,114)           | 7,947       |
| Net Operating Losses Created (Used)       | (111,268)         | 42,553      |
| Net Deferred Income Tax Asset (Liability) | <u>\$ 234,379</u> | <u>\$ -</u> |

**NOTE 15 CONTINGENCY**

Management has been made aware that its subsidiary, ATI, filed an invalid election with the IRS to be recognized as a subchapter S corporation effective July 1, 2017. ATI has initiated correspondence with the IRS to confirm the invalidity of the subchapter S election. Management, with counsel from its outside consultants, believes that the election was invalid because it did not meet the regulatory requirements for a valid subchapter S election. Accordingly, the accompanying consolidated financial statements present the income tax liability assuming the continued recognition of ATI as a subchapter C corporation. If the IRS determines that ATI's subchapter S election is valid, then the Foundation may be subject to an unrelated business income tax liability associated with ATI's taxable income.

**NOTE 16 RETIREMENT PLAN**

The Foundation maintains a defined contribution retirement plan administered by third-party custodian TIAA. Participation by eligible employees is mandatory. Participants defer 5% of their salary. The Plan requires matching contributions by the Foundation of 7% of a participant's regular salary. Expenses related to the Plan amounted to \$274,830 and \$272,977 for the years ended June 30, 2020 and 2019, respectively.

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 17 LEASING ARRANGEMENTS**

ATI leases office and parking space to both unrelated and related parties. Total rental income from unrelated and related parties amounted to \$576,131 and \$534,554 for the years ended June 30, 2020 and 2019, respectively. Future lease revenues to be received from unrelated and related parties under noncancelable leases at June 30, 2020 are as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u>       |
|-----------------------------|---------------------|
| 2021                        | \$ 510,977          |
| 2022                        | 351,019             |
| 2023                        | 330,680             |
| 2024                        | 337,294             |
| 2025                        | 344,039             |
| Thereafter                  | 768,711             |
| Total                       | <u>\$ 2,642,720</u> |

ATI leases a building and office space to MSU. The lease term is five years and annual lease payments were \$453,089 and \$424,926 in 2020 and 2019, respectively.

**NOTE 18 NONCASH ACTIVITY**

During the years ended June 30, 2020 and 2019, the Foundation received insurance, securities, and land contributions of \$2,461,107 and \$1,960,280, respectively. The Foundation also received in-kind contributions of \$194,823 and \$314,475 for the years ended June 30, 2020 and 2019, respectively.

**NOTE 19 SPLIT INTEREST AGREEMENTS**

The Foundation has entered into several agreements under which the Foundation has a beneficial interest. Contributions recognized in relation to these agreements for the years ended June 30, 2020 and 2019 amounted to \$639,613 and \$406,665, respectively.

Assets held under these agreements are disclosed in Note 7. Liabilities are presented separately in the accompanying consolidated statements of financial position and are recorded at fair value, calculated as the present value of the expected future payments to beneficiaries. The terms vary depending on life expectancy, and the discount rate used in the calculation was 0.6% and 2.8% for the years ended June 30, 2020 and 2019, respectively.

The Foundation holds one charitable remainder unitrust at June 30, 2020 and 2019, in which 49% of the remainder will be distributed to other charitable organizations. The remainder liability to others is estimated at \$28,043 and \$28,720 at June 30, 2020 and 2019, respectively.

The Foundation holds one trust at June 30, 2020 in which the income beneficiaries agreed to terminate the trust and distribute the remainder equally between the Foundation and the four income beneficiaries. The liability to others is estimated at \$131,564 at June 30, 2020.

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 19 SPLIT INTEREST AGREEMENTS (CONTINUED)**

Trust and annuity obligations are reported at fair value, and all holdings are categorized as Level 3. The activity in these liabilities is reflected in the table below:

|   | 2020         | 2019         |
|---|--------------|--------------|
| Trust and Annuity Obligations - Beginning of Year | \$ 4,635,210 | \$ 4,606,336 |
| New Agreements                                    | 1,138,210    | 259,253      |
| Annuitant Distributions                           | (516,572)    | (460,724)    |
| Matured Agreements                                | (39,839)     | (73,234)     |
| Actuarial Changes                                 | 539,372      | 303,579      |
| Trust and Annuity Obligations - End of Year       | \$ 5,756,381 | \$ 4,635,210 |

**NOTE 20 RELATED PARTY TRANSACTIONS**

Montana State University (MSU) is deemed to be a related party of the Foundation due to the collaborative nature between these two entities. The Foundation and MSU have entered into an operating agreement that outlines their respective roles in managing investments, event coordination, and alumni relations activities. MSU paid the Foundation \$1,650,000 and \$1,500,000 for the years ended June 30, 2020 and 2019, respectively, in accordance with the agreement. This amount is presented under contract services in the accompanying consolidated financial statements. As of June 30, 2020 and 2019, the Foundation had accounts payable to MSU in the amount of \$26,111 and \$449,371, respectively, for reimbursement of costs. As of June 30, 2020 and 2019, the Foundation had receivables from MSU totaling \$13,118 and \$3,935, respectively, for program registration and reimbursement of costs.

**MONTANA STATE UNIVERSITY FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION BY ENTITY**  
**JUNE 30, 2020**  
(SEE INDEPENDENT AUDITORS' REPORT)

| <b>ASSETS</b>                        | <u>MSUF*</u>          | <u>ATI*</u>         | <u>MSUIC*</u>        | <u>Consolidated</u>   |
|--------------------------------------|-----------------------|---------------------|----------------------|-----------------------|
| <b>CURRENT ASSETS</b>                |                       |                     |                      |                       |
| Cash and Cash Equivalents            | \$ 966,409            | \$ 140,364          | \$ 31,963            | \$ 1,138,736          |
| <b>RECEIVABLES</b>                   |                       |                     |                      |                       |
| Promises to Give, Net                | 19,835,054            | -                   | -                    | 19,835,054            |
| Notes Receivable                     | 44,175                | -                   | -                    | 44,175                |
| Other Receivables                    | 16,684                | 131,632             | 4,811                | 153,127               |
| Building Receivable                  | -                     | -                   | 13,777,948           | 13,777,948            |
| Total Receivables                    | <u>19,895,913</u>     | <u>131,632</u>      | <u>13,782,759</u>    | <u>33,810,304</u>     |
| <b>INVESTMENTS</b>                   |                       |                     |                      |                       |
| Pooled Investments                   | 223,682,699           | -                   | -                    | 223,682,699           |
| Other Investments                    | 11,859,205            | -                   | -                    | 11,859,205            |
| Real Estate                          | 399,550               | -                   | -                    | 399,550               |
| Total Investments                    | <u>235,941,454</u>    | <u>-</u>            | <u>-</u>             | <u>235,941,454</u>    |
| <b>PROPERTY AND EQUIPMENT, NET</b>   | 4,230,759             | 1,038,429           | 3,859,671            | 9,128,859             |
| <b>BENEFICIAL INTEREST IN TRUSTS</b> | 6,631,224             | -                   | -                    | 6,631,224             |
| <b>OTHER ASSETS</b>                  | <u>539,518</u>        | <u>181,812</u>      | <u>7,868</u>         | <u>729,198</u>        |
| Total Assets                         | <u>\$ 268,205,277</u> | <u>\$ 1,492,237</u> | <u>\$ 17,682,261</u> | <u>\$ 287,379,775</u> |
| <b>LIABILITIES AND NET ASSETS</b>    |                       |                     |                      |                       |
| <b>LIABILITIES</b>                   |                       |                     |                      |                       |
| Accounts Payable                     | \$ 932,854            | \$ 3,851            | \$ 6,941             | \$ 943,646            |
| Accrued Liabilities                  | 810,579               | 8,995               | -                    | 819,574               |
| Trust and Annuity Obligations        | 5,756,381             | -                   | -                    | 5,756,381             |
| Agency Funds Held for Others         | 9,439,714             | -                   | -                    | 9,439,714             |
| Notes Payable                        | 534,459               | 2,612,076           | -                    | 3,146,535             |
| Other Liabilities                    | 775,271               | 35,492              | 289                  | 811,052               |
| Total Liabilities                    | <u>18,249,258</u>     | <u>2,660,414</u>    | <u>7,230</u>         | <u>20,916,902</u>     |
| <b>NET ASSETS</b>                    |                       |                     |                      |                       |
| Without Donor Restrictions           | 4,702,625             | (1,168,177)         | 4,012,931            | 7,547,379             |
| With Donor Restrictions              | 245,253,394           | -                   | 13,662,100           | 258,915,494           |
| Total Net Assets                     | <u>249,956,019</u>    | <u>(1,168,177)</u>  | <u>17,675,031</u>    | <u>266,462,873</u>    |
| Total Liabilities and Net Assets     | <u>\$ 268,205,277</u> | <u>\$ 1,492,237</u> | <u>\$ 17,682,261</u> | <u>\$ 287,379,775</u> |

\* All intercompany transactions have been eliminated and amounts shown are after those eliminations