The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.

anderson ZURMUEHLEN

Montana Tech FOUNDATION

FINANCIAL REPORT

June 30, 2014

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Montana Tech Foundation
Butte, Montana

We have audited the accompanying financial statements of Montana Tech Foundation (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montana Tech Foundation as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Montana Tech Foundation's June 30, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 7, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Anderson ZurMuehlen & Co. P.C.

Butte, Montana
October 13, 2014

FINANCIAL STATEMENTS

MONTANA TECH FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2014
(With Comparative Totals as of June 30, 2013)

	2014	2013
ASSETS		
Cash and cash equivalents	$ 1,129,009	$ 1,441,637
Receivables		
Pledge receivables net of		
allowance of $16,168 and $16,439	477,387	800,512
Promises to give	315,992	112,000
Total receivables	793,379	912,512
Investments		
Mutual funds - fixed income	4,614,094	5,520,992
Mutual funds - equities	25,967,561	21,454,097
Mutual funds - commodities	735,987	686,795
Other investments	1,583,330	837,787
Trust held by third parties	1,778,553	1,597,069
Cash value life insurance	157,389	152,473
Other	33,751	54,360
Total investments	34,870,665	30,303,573
Property and equipment		
Land	104,636	59,568
Building	2,306,447	2,306,447
Office furniture and equipment	105,938	100,748
	2,517,021	2,466,763
Less accumulated depreciation	(112,147)	(54,924)
	2,404,874	2,411,839
Other assets	101,190	101,190
Total assets	$39,299,117	$35,170,751

MONTANA TECH FOUNDATION
STATEMENT OF FINANCIAL POSITION (CONTINUED)
June 30, 2014
(With Comparative Totals as of June 30, 2013)

	2014	2013
LIABILITIES AND NET ASSETS		
Accounts payable	$ 112,910	$ 546,994
Accrued expenses	10,183	19,761
Long-term charitable gift annuities	39,446	40,659
Total liabilities	162,539	607,414
Net assets		
Unrestricted	1,687,998	1,883,302
Designated:		
Board endowment	550,684	393,958
Total unrestricted	2,238,682	2,277,260
Temporarily restricted	8,282,407	5,328,690
Permanently restricted	28,615,489	26,957,387
Total net assets	39,136,578	34,563,337
Total liabilities and net assets	$39,299,117	$35,170,751

The Notes to Financial Statements are an integral part of this statement.

MONTANA TECH FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014	2013
REVENUE AND SUPPORT					
Contributions	$ 403,815	$ 2,074,973	$ 1,619,173	$ 4,097,961	$ 3,582,218
Investment income	(53)	429,722	38,929	468,598	480,990
Net realized and unrealized gains on investments	-	3,955,173	-	3,955,173	2,302,490
Unrealized gain on trusts held by third parties	-	181,484	-	181,484	80,119
Miscellaneous income	4,916	(2,448)	-	2,468	21,764
Net assets released from program and time restrictions	3,685,187	(3,685,187)	-	-	-
Total revenue and support	4,093,865	2,953,717	1,658,102	8,705,684	6,467,581
EXPENSES					
Educational program services	707,945	-	-	707,945	984,733
Equipment distribution	248,068	-	-	248,068	1,070,277
Professorship distributions	466,123	-	-	466,123	450,169
Scholarship distributions	1,376,265	-	-	1,376,265	1,466,849
Direct college support	44,324	-	-	44,324	39,003
Fundraising					
Salaries and benefits	373,642	-	-	373,642	234,105
Entertainment	68,038	-	-	68,038	37,231
Postage, services, supplies	259,463	-	-	259,463	146,201
Travel and other	41,763	-	-	41,763	3,389
Capital campaign	66,191	-	-	66,191	47,529
Total fundraising expenses	809,097	-	-	809,097	468,455
Supporting services					
General and administrative	219,756	-	-	219,756	180,270
Office salaries and benefits	193,925	-	-	193,925	164,759
Investment fees	66,940	-	-	66,940	71,379
Total supporting services expenses	480,621	-	-	480,621	416,408
Total expenses	4,132,443	-	-	4,132,443	4,895,894
Change in net assets	(38,578)	2,953,717	1,658,102	4,573,241	1,571,687
Net assets, beginning of year	2,277,260	5,328,690	26,957,387	34,563,337	32,991,650
Net assets, end of year	$ 2,238,682	$ 8,282,407	$ 28,615,489	$ 39,136,578	$ 34,563,337

The Notes to Financial Statements are an integral part of this statement.

MONTANA TECH FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2014

(With Comparative Totals for the Year Ended June 30, 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 4,573,241	$ 1,571,687
Adjustments to reconcile changes in net assets to net cash from operating activities		
Depreciation	57,223	33,661
Gifts in kind	(30,000)	-
Net realized and unrealized (gain) loss on investments	(3,955,173)	(2,302,490)
(Gain) loss from equity investments	(13,977)	9,533
Unrealized (gain) loss on trust held by third parties	(181,484)	(80,119)
Change in value of split-interest agreements	2,447	(17,102)
Changes in operating assets and liabilities:		
Prepaid expenses		-
Promises to give	(203,992)	217,500
Pledge receivables	323,125	313,043
Other receivables	-	3,473
Accounts payable	(434,084)	407,036
Accrued expenses	(9,578)	11,879
Contributions and investment earnings restricted for long-term investment	(1,658,102)	(1,044,715)
Net cash from operating activities	(1,530,354)	(876,614)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in cash surrender value of life insurance	(4,916)	(4,661)
Purchase of investments	(10,143,143)	(25,134,983)
Purchase of property and equipment	(20,258)	(913,615)
Proceeds from sale of investments	9,731,602	24,571,018
Net cash from investing activities	(436,715)	(1,482,241)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on charitable gift annuities	(3,661)	(5,518)
Collections from contributions and investment earnings restricted for long-term investment	1,658,102	1,044,715
Net cash from financing activities	1,654,441	1,039,197

The Notes to Financial Statements are an integral part of this statement.

MONTANA TECH FOUNDATION
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	2014	2013
Net change in cash and cash equivalents	(312,628)	(1,319,658)
Beginning cash and cash equivalents	1,441,637	2,761,295
Ending cash and cash equivalents	$ 1,129,009	$ 1,441,637
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 759	$ 1,319

NON-CASH FINANCING AND INVESTING ACTIVITIES

Land, valued at $30,000 and $-0- was donated during the years ended June 30, 2014 and June 30, 2013, respectively.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Method of Accounting
The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Accordingly, net assets of the Foundation are classified and reported as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by the actions of the Foundation or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit use of investment income for general or specific purposes.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted and Unrestricted Revenues and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give are recognized as revenues or gains in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Foundation records contributions, including contributions of fixed assets and investment income, whose restrictions are met in the same reporting period as unrestricted support.

Comparative Financial Information

The financial information shown for 2013 in the accompanying financial statements is included to provide a basis for comparison with 2014 and presents summarized totals only.

Investments

Investments in marketable equity, fixed income and commodity funds with readily determinable fair values reported at their fair value in the balance sheet with the annual change in fair value being recorded as unrealized gains (losses) in current revenue and support for the year.

The fair value of alternative investments publicly traded on national security exchanges are stated at their closing market prices as of June 30, 2014. The fair values of alternative investments not publicly traded on national security exchanges represent the Foundation's pro-rata interest in the funds. Because of inherent uncertainties in the valuation of these non-publicly traded alternative investments, those estimated fair values may differ materially from the values that might ultimately be realized.

Depreciation

Depreciation is computed using straight-line and accelerated methods over estimated useful lives ranging from five to ten years. The Foundation generally capitalizes assets with an original cost or fair market value of $1,000 or more.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give and Other Receivables
Unconditional promises to give (pledges receivable) are recognized at fair value in the period received. Unconditional promises to give that will be collected beyond one year are reported at the present value of the anticipated cash flows. Management believes unconditional promises to give are fully collectible. An allowance for uncollectible amounts of $16,168 has been recorded. Pledges that have not performed in accordance with their gift agreement for more than one year are considered uncollectable.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. Conditional promises to give at June 30, 2014, consisted mainly of wills and bequests in which the donors retained the right to revoke the gift. Conditional promises to give totaled approximately $1,218,228.

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

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of receipt. Gifts are recorded as revenue when received. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

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

Cash and Cash Equivalents
For the purpose of the cash flow statement, management generally considers all checking and investment cash accounts with an original maturity of three months or less to be cash equivalents.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Fundraising
The Foundation classifies all expenditures directly attributable to fundraising activities. These expenses include, but are not limited to, travel, labor and overhead, entertainment, gifts, printing and supplies.

Functional Allocation of Expenses
The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities.

Income Taxes
The Foundation is a nonprofit organization exempt from income taxes under §501(c)(3) of the U.S. Internal Revenue Code. As a result, no provision for income tax is included in the financial statements.

With few exceptions, the Foundation is no longer subject to examinations by federal tax authorities for years before 2011.

Advertising
The Foundation's advertising costs are expensed as incurred.

Subsequent Events
Management has evaluated subsequent events through October 13, 2014, the date which the financial statements were available for issue.

NOTE 2. PLEDGES RECEIVABLE

Pledges receivable consist of the following:

Receivable in one year or less	$ 298,698
Receivable in one to five years	207,405
	506,103
Less discount	(12,548)
	493,555
Less allowance	(16,168)
Net unconditional promises to give	$ 477,387

The discount is calculated using the IRS discount rate in effect during the month that the pledge is made. Rates used for the discounts range from 1.0%-5.8%.

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

Unrestricted	$ 2,836
Endowment	218,763
University Relations Center	16,927
Departmental	23,813
Annual scholarship	10,843
Scoreboard	4,946
Digger Turf	113,331
Underground Mining Lab	102,096
	$ 493,555

NOTE 3. INVESTMENTS

Marketable Debt and Equity Securities

The Foundation has determined the fair value of its investments through the application of accounting standards for *Fair Value Measurements.* This standard establishes a fair value hierarchy, which prioritizes the valuation into three broad levels:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Observable inputs other than Level 1 prices, 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 that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

NOTE 3. INVESTMENTS (CONTINUED)

Marketable Debt and Equity Securities (Continued)
The Foundation's policy for determining the timing of significant transfers between Levels 1 and 2 is at the end of the reporting period.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2014 and 2013.

Mutual Funds – Valued at the net asset value (NAV). The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares held by the Foundation at year end. The NAV is quoted in an active market.

Commodities Funds – Valued at the net asset value (NAV). The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares held by the Foundation at year end. The NAV is quoted in an active market.

Private Equity – Valued at the net asset value (NAV) of the Foundation's interest in the private equity investment pool. The NAV is based on the value of the underlying assets owned by the private equity investment pool, minus its liabilities.

Real Estate Funds – Valued on the basis of a discounted cash flow approach, which includes the future rental receipts, expenses, and residual values as the highest and best use of the real estate from a market participant view as rental property.

Trust Held by Third Party – Valued at management's estimate of the fair value based upon the estimated value of the investments in the trust.

The following tables present by level, within the fair value hierarchy, the Foundation's investment assets at fair value, as of June 30, 2014. Investment assets are classified in their entirety based upon the lowest level of input that is significant at the fair value measurement.

NOTE 3. INVESTMENTS (CONTINUED)

Marketable Debt and Equity Securities (Continued)

		Fair Value		
	Average Cost	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Cumulative Appreciation (Depreciation)
Global Equities	$ 21,881,746	$ 25,967,561	$ -	$ 4,085,815
Bond funds	3,718,655	4,207,520	-	488,865
Global bond fund	409,508	406,574	-	(2,934)
Total fixed income funds	4,128,163	4,614,094	-	485,931
Commodities funds	815,549	-	735,987	(79,562)
Real estate funds	994,275	-	1,128,852	134,577
Private equity	465,000	-	454,478	(10,522)
Total other investments	2,274,824	-	2,319,317	44,493
Trust held by third party	-	-	1,778,553	1,778,553
Total	$ 28,284,733	$ 30,581,655	$ 4,097,870	$ 6,394,792

Certain investments valued using Level 2 and 3 category inputs are reported at net asset values calculated by the investment manager. These investments, at June 30, 2014, detailed in the following table, are subject to capital calls.

Security Type	Fair Value	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
Equity Funds	$ 25,967,561	$ -	Daily	30 days
Bond Funds	4,207,520	-	Daily	30 days
Global Bond Funds	406,574	-	Daily	30 days
Commodities Funds	735,987	-	Daily	30 days
Real Assets	1,128,852	1,355,725	Not Liquid	N/A
Private Equity	454,478	2,485,000	Not Liquid	N/A
	$ 32,900,972	$ 3,840,725		

The following reconciles Level 3 inputs for the year ended June 30, 2014:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
July 1, 2013	$ 3,121,651
Purchases of investments	656,500
Investment income (loss)	319,719
June 30, 2014	$ 4,097,870

NOTE 3. INVESTMENTS (CONTINUED)

Marketable Debt and Equity Securities (Continued)

Three individual debt securities, one equity security and one private equity investment were in continuous loss positions for twelve months or more as of June 30, 2014. The total amount of unrealized losses associated with the securities approximates $99,250. Management has evaluated the securities and believes the loss position to be temporary.

Cash Surrender Value of Life Insurance

Cash surrender value of life insurance held by the Foundation consists of the following at June 30, 2014:

	Carrying Basis
*Cash surrender value - life insurance	$ 157,389

*The Foundation's intent is to continue the life insurance policies in force. A summary of the terms of the policies are as follows:

Cash surrender value	$ 157,389
Death benefit	$ 277,586
Beneficiary	Foundation

NOTE 4. PLANNED GIFT LIABILITIES

The liability for each type of planned gift changes each year with receipt of new gifts, payments under contracts, change in trust asset values, and the change in present value of required payments to beneficiaries. The present value of the future payments over the beneficiaries' estimated remaining lives was calculated using the original discount rates at the date of the gift and applicable mortality tables. Discount rates used in the calculation range from 1.80% to 7.80%.

NOTE 4. PLANNED GIFT LIABILITIES (CONTINUED)

The following summarizes the change in planned gift liabilities for the year ended June 30, 2014:

	Charitable and Deferred Gift Annuities
Estimated present value of liability at July 1, 2013	$ 40,659
Increase in estimated present value of liability from contributions	3,508
Decrease in estimated present value due to payments to beneficiaries	(3,661)
Release of unpaid annuity payments	(6,367)
Change in estimated present value from revaluation	5,307
Estimated present value of liability at June 30, 2014	$ 39,446

NOTE 5. RELATED PARTY TRANSACTIONS

The Foundation has executed a "Contract of Operations" with the University for the purpose of establishing the relationships between the entities and to facilitate the accomplishment of their mutual goals. Pursuant to the contract terms, the Foundation agrees to: 1) handle the fund raising activities for the University; 2) disburse the funds raised for its own operating costs and to benefit the University's programs in accordance with the donors' wishes; 3) administer Digger Athletic Association and direct grant programs; and 4) participate in University functions at the request of its Chancellor. During the fiscal year ended June 30, 2014, the Foundation transferred a total of $2,798,401 to the University. The President of the Foundation is also a Vice-Chancellor with the University. During the fiscal year ended June 30, 2014, the University paid $111,572 for compensation for the President of the Foundation.

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

At June 30, 2014, the Board of Directors of the Foundation included four members of the faculty and administration.

NOTE 6. LEGACIES IN PROCESS

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

NOTE 7. PENSION PLAN

The Foundation contributes to a tax-sheltered annuity plan (plan) on behalf of its regular employees. Employees are eligible to participate in the plan after six months of service. The Foundation matches qualified employee contributions at 11% of the employees' adjusted gross salary. For fiscal year 2014, the Foundation contributed $31,282 to the Plan.

The Foundation’s employees can contribute to the Foundation’s 403(b) plan. Employees are eligible to participate in the plan after six months of service. As of June 30, 2014, the Foundation has not contributed to the 403(b) plan.

NOTE 8. TRUST FUNDS HELD BY THIRD PARTIES

The Foundation is a beneficiary of the earnings from the Ewing Trust which is administered by an outside management trust company. The University is the beneficiary of the corpus. Earnings are transmitted to the Foundation quarterly. During the year ended June 30, 2014, the Foundation received $12,500 of investment earnings from this Trust. These earnings are included in the accompanying financial statements. At June 30, 2014, the market value of the Ewing Trust amounted to $591,924.

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

Unrealized gains (losses) are reinvested in temporarily restricted net assets. The financial statements reflect the fair value of the Davis Trust assets in the amount of $1,778,553. During the year ended June 30, 2014, the Foundation received $42,000 of investment earnings from this Trust. The Davis Trust generated an unrealized gain of $181,484 for the year ended June 30, 2014.

NOTE 9. COMMITMENTS

Line of Credit

As of June 30, 2014, pursuant to an agreement with Glacier Bank, the Foundation had available a $150,000 line of credit, none of which was outstanding at that date. The line of credit will expire in June 2016.

NOTE 10. CONCENTRATION OF CREDIT RISK DUE TO TEMPORARY CASH INVESTMENTS AND PROMISES TO GIVE

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of temporary cash investments and promises to give. The Foundation places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution.

Concentrations of credit risk with respect to promises to give are limited due to several contributors comprising the Foundation's contributor base and their dispersion across different industries and geographic areas. As of June 30, 2014, the Foundation had no significant concentrations of credit risk.

The Foundation maintains its cash balances at Wells Fargo Bank, EDTECH Federal Credit Union, and Glacier Bank whose customer deposits are insured by FDIC up to $250,000. Deposits in excess of insurance limits approximated $473,000 at June 30, 2014.

NOTE 11. NET ASSETS

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

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

For the year ended June 30, 2014, the Foundation met the requirements to issue qualified charitable gift annuities.

NOTE 11. NET ASSETS (CONTINUED)

The Foundation's temporarily and permanently restricted net assets have been designated by the donors for the following general purposes:

	Temporarily Restricted	Permanently Restricted
Scholarships	$ 4,746,081	$ 17,712,586
Professorships	1,699,989	4,960,992
Trusts held by third parties	181,494	1,778,553
Excellence in Engineering	323,330	612,457
Miscellaneous Departments	1,320,503	3,543,117
Other	11,010	7,784
	$ 8,282,407	$ 28,615,489

NOTE 12. BOARD DESIGNATED NET ASSETS

Board designated unrestricted net assets consist of the following:

Board Designated - Legacy Endowment	$ 550,684

The Legacy Endowment was funded by the Board in 2008 to support future operations of the Foundation.

NOTE 13. RISKS AND UNCERTAINTIES

The Foundation invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, credit and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

NOTE 14. ENDOWMENT NET ASSETS

The State of Montana adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective May 31, 2007. The Foundation accounts for the endowment in accordance the U.S. GAAP. This provides guidance on the net assets classification of donor-restricted endowment funds for a not-for-profit organization that is subject to UPMIFA.

NOTE 14. ENDOWMENT NET ASSETS (CONTINUED)

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

Interpretation of Relevant Law
The Foundation Board has interpreted the Montana Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MUPMIFA.

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

(1) The duration and preservation of the fund;
(2) The purposes of the Foundation and the donor-restricted endowment fund;
(3) General economic conditions;
(4) The possible effect of inflation and deflation;
(5) The expected total return from income and the appreciation of investments;
(6) Other resources of the Foundation; and
(7) The investment policies of the Foundation.

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

	Unrestricted*	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment	$ -	$ 8,282,407	$ 27,098,539	$ 35,380,946
Board restricted endowment	550,684	-	-	550,684
Total funds	$ 550,684	$ 8,282,407	$ 27,098,539	$ 35,931,630

NOTE 14. ENDOWMENT NET ASSETS (CONTINUED)

Changes in net asset composition by type of fund for the year ended June 30, 2014 are as follows:

	Unrestricted*	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2013	$ 393,958	$ 5,328,690	$25,440,437	$31,163,085
Investment return:				
Appreciation (depreciation) (realized and unrealized), net of interest and dividends	66,879	4,566,379	38,929	4,672,187
Contributions (sales)	89,847	2,072,525	1,619,173	3,781,545
Appropriation for expenditure	-	(3,685,187)	-	(3,685,187)
Endowment net assets, June 30, 2014	$ 550,684	$ 8,282,407	$27,098,539	$35,931,630

*Unrestricted consists of funds that are both restricted and not restricted by the board.

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MUPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of as of June 30, 2014.

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

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

NOTE 14. ENDOWMENT NET ASSETS (CONTINUED)

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

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