The University of Montana Foundation

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

June 30, 2009 and 2008

(With Independent Auditor's Report Thereon)

C O N T E N T S

anderson ZURMUEHLEN
ANDERSON ZURMUEHLEN & CO., P.C. · CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS
MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS · MSI GLOBAL ALLIANCE INDEPENDENT MEMBER FIRM

1821 SOUTH AVENUE WEST · FIFTH FLOOR · P.O. BOX 2368 · MISSOULA, MT 59806-2368
TEL: 406.721.7800 · FAX: 406.721.4155 · WEB: WWW.AZWORLD.COM

INDEPENDENT AUDITOR'S REPORT

Audit Committee
Board of Trustees
The University of Montana Foundation
Missoula, Montana

We have audited the accompanying statements of financial position of The University of Montana Foundation as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of The University of Montana Foundation at June 30, 2009 and 2008, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Schedules 1–4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson ZurMuehlen & Co., P.C.

Missoula, Montana
October 9, 2009

F I N A N C I A L   S T A T E M E N T S

UNIVERSITY OF MONTANA FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2009 and 2008

ASSETS	2009	2008
Cash and Cash Equivalents	**$ 2,565,162**	$ 10,818,292
Short-Term Investments	**5,692,625**	4,345,571
Accrued Dividends and Interest	**198,660**	259,064
Investments	**114,867,545**	143,296,352
Contributions Receivable, Net	**12,980,262**	21,907,999
Contracts and Notes Receivable	**209,330**	256,818
Student Loans and Other Receivables	**356,873**	249,082
Beneficial Interests in Trusts Held by Others	**515,437**	628,589
Property, Building and Equipment Net of Accumulated Depreciation	**4,074,184**	4,171,753
Other Assets	**803,912**	526,760
Total assets	**$ 142,263,990**	$ 186,460,280

The Notes to Financial Statements are an integral part of these statements.

LIABILITIES AND NET ASSETS	**2009**	2008
Accounts Payable	**$ 253,704**	$ 409,105
Accrued Expenses	**136,396**	98,500
Compensated Absences	**212,975**	172,980
Notes Payable to Bank	**123,140**	213,842
Liabilities to External Beneficiaries	**3,140,668**	2,775,362
Custodial Funds	**17,758,876**	22,279,840
Total liabilities	**21,625,759**	25,949,629
NET ASSETS		
Unrestricted		
Designated for board reserve	**-**	870,067
Undesignated	**(4,860,357)**	5,298,409
	(4,860,357)	6,168,476
Restricted		
Temporarily restricted	**39,110,013**	70,986,750
Permanently restricted	**86,388,575**	83,355,425
	125,498,588	154,342,175
Total net assets	**120,638,231**	160,510,651
Total liabilities and net assets	**$ 142,263,990**	$ 186,460,280

UNIVERSITY OF MONTANA FOUNDATION
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2009 and 2008

	2009			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Revenues, Gains and Other Support				
Contributions	$ 471,452	$ 11,380,539	$ 3,301,700	$ 15,153,691
Interest and dividend income	802,095	2,836,123	-	3,638,218
Net realized and unrealized gains (losses) on investments	(9,751,131)	(16,093,336)	-	(25,844,467)
Contract for services	380,000	-	-	380,000
Administrative fees	352,718	-	-	352,718
Other	83,290	1,544,987	-	1,628,277
Net assets released from restrictions - satisfaction of program restrictions	31,091,915	(31,091,915)	-	-
Total revenues, gains and other support	23,430,339	(31,423,602)	3,301,700	(4,691,563)
Expenses				
Program services				
University support				
Academics and institutional	9,828,912	-	-	9,828,912
Capital expenses	16,028,429	-	-	16,028,429
Scholarships and awards	3,868,383	-	-	3,868,383
Supporting services				
Fund-raising	2,742,356	-	-	2,742,356
Administrative and general	1,941,883	-	-	1,941,883
Total operating expenses	34,409,963	-	-	34,409,963
Change in net assets before non-operating items	(10,979,624)	(31,423,602)	3,301,700	(39,101,526)
Non-operating Revenues (Expenses)				
Payments to beneficiaries and change in liabilities to external beneficiaries	(49,209)	(762,324)	-	(811,533)
Reclassification of Net Assets	-	309,189	(268,550)	40,639
Change in net assets	(11,028,833)	(31,876,737)	3,033,150	(39,872,420)
Net Assets				
Beginning of year	6,168,476	70,986,750	83,355,425	160,510,651
End of year	$ (4,860,357)	$ 39,110,013	$ 86,388,575	$ 120,638,231

The Notes to Financial Statements are an integral part of these statements.

	2008			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Revenues, Gains and Other Support				
Contributions	$ 747,855	$ 25,141,987	$ 4,665,672	$ 30,555,514
Interest and dividend income	982,523	3,435,038	-	4,417,561
Net realized and unrealized gains (losses) on investments	(563,708)	(10,497,072)	-	(11,060,780)
Gain/(loss) on sale of assets	96,432	(100,000)		(3,568)
Administrative fee	442,358	-	-	442,358
Contract for services	400,000	-	-	400,000
Other	38,814	791,631	-	830,445
Net assets released from restrictions - satisfaction of program restrictions	14,483,829	(14,483,829)	-	-
Total revenues, gains and other support	16,628,103	4,287,755	4,665,672	25,581,530
Expenses				
Program services				
University support				
Academics and institutional	7,866,354	-	-	7,866,354
Capital expenses	1,034,300	-	-	1,034,300
Scholarships and awards	3,513,964	-	-	3,513,964
Supporting services				
Fund-raising	2,344,866	-	-	2,344,866
Administrative and general	2,393,746	-	-	2,393,746
Total operating expenses	17,153,230	-	-	17,153,230
Change in net assets before non-operating items	(525,127)	4,287,755	4,665,672	8,428,300
Non-operating Revenues (Expenses)				
Payments to beneficiaries and change in liabilities to external beneficiaries	(26,791)	(292,852)	-	(319,643)
Reclassification of Net Assets	(338)	(902,991)	881,451	(21,878)
Change in net assets	(552,256)	3,091,912	5,547,123	8,086,779
Net Assets				
Beginning of year	6,720,732	67,894,838	77,808,302	152,423,872
End of year	$ 6,168,476	$ 70,986,750	$ 83,355,425	$ 160,510,651

UNIVERSITY OF MONTANA FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Contributions received	**$ 20,060,765**	$ 15,945,136
Return on investments	**3,613,622**	4,491,357
Other operating receipts and payments	**2,253,204**	1,670,953
Cash paid for University support	**(29,725,636)**	(12,414,618)
Cash paid for support services	**(4,654,398)**	(4,294,580)
Cash paid for interest	**(10,928)**	(14,689)
Non-operating payments	**(435,303)**	(409,818)
Net custodial funds activity	**(4,480,325)**	(2,095,195)
Net cash provided by (used in) operating activities	**(13,378,999)**	2,878,546
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of short-term investments, net	**(1,691,916)**	(2,812,969)
Investments:		
Purchases	**(6,047,445)**	(6,099,946)
Withdrawals	**9,850,790**	6,125,157
Payments received on contracts and notes receivable	**47,488**	3,185
Proceeds from sale of property	**635,000**	25,843
Purchase of depreciable assets and real property	**(559,867)**	(37,418)
Net cash provided by (used in) investing activities	**2,234,050**	(2,796,148)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable to bank	**(90,702)**	(124,731)
Contributions to permanently restricted endowments	**2,982,521**	3,206,721
Net cash provided by financing activities	**2,891,819**	3,081,990
Net increase (decrease) in cash and cash equivalents	**(8,253,130)**	3,164,388
Cash and Cash Equivalents		
Beginning of year	**10,818,292**	7,653,904
End of year	**$ 2,565,162**	$ 10,818,292

The Notes to Financial Statements are an integral part of these statements.

	2009	2008
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in Net Assets	**$ (39,872,420)**	$ 8,086,779
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**107,437**	105,192
Undistributed interest and dividends	**(2,664,365)**	(2,847,508)
Net loss on investments	**28,508,832**	13,908,288
Gain on disposal of assets	**-**	3,568
Permanently restricted contributions	**(3,067,521)**	(3,206,721)
Noncash marketable securities donations	**(874,143)**	(2,484,409)
Contributions receivable	**8,927,737**	(9,034,547)
Other receivables	**(47,385)**	71,946
Beneficial interests in trusts held by others	**113,152**	43,056
Other assets, net	**(277,152)**	72,243
Accounts payable, accrued expenses, compensated absences and other liabilities	**(69,785)**	338,840
Liabilities due to external beneficiaries	**357,578**	(104,864)
Custodial funds	**(4,520,964)**	(2,073,317)
Net cash provided by (used in) operating activities	**$ (13,378,999)**	$ 2,878,546

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Transfer of short-term investments to intermediate fund	**$ 114,218**	$ -
Transfer of short-term investments to pooled and long-term investments fund	**$ 230,644**	$ 6,000,000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations:
The University of Montana Foundation is a nonprofit corporation incorporated under the laws of Montana. The purpose of the Foundation is to promote and support The University of Montana. The activities of the Foundation include fund-raising and administration of donated assets.

Cash and Cash Equivalents:
For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash funds on deposit with investment managers are excluded from cash and cash equivalents since they are restricted for investment use.

Short-Term Investments:
Short-term investments consist of certificates of deposit, U.S. Treasury securities, and obligations of federal agencies or affiliates. Short-term investments are carried at fair value, which approximates cost.

Classification of Net Assets:
The Foundation classifies contributions as unrestricted, temporarily restricted, and permanently restricted net assets in accordance with donor stipulations. Permanently restricted net assets consist primarily of endowment gifts where donors have specified investment in perpetuity to generate returns for specified restricted or unrestricted purposes. Temporarily restricted net assets include term endowments, quasi-endowments (managed as endowments by directive of the Foundation's Board of Trustees), and other gifts restricted as to purpose or time.

When a donor restriction expires (time restriction ends or purpose restriction accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All expenses are reported in unrestricted net assets, after applicable restrictions have been satisfied.

The Foundation reports gifts of land or other real or personal property as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Unrestricted resources are used for internal operations and administration and to benefit the University at the discretion of the Foundation's Board of Trustees.

Custodial Funds:
Net assets where the Foundation acts only as a custodian or agent are excluded from the statement of activities and reported as a liability on the statement of financial position.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments:
The Foundation has significant investments in stocks, bonds and alternative investments, and is therefore subject to the impact of material fluctuations on the market value of these investments. Investments are made primarily by investment managers engaged by the Foundation with the guidance of an investment consultant and the investments are monitored by management and the Investment Committee of the Board of Trustees. Though the market 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 consist primarily of marketable debt and equity securities purchased through institutional mutual funds. Investments in marketable debt and equity securities are carried at fair value, determined primarily by quoted market prices. Increases or decreases in fair value are recognized in the current period as investment gains or losses.

The fair values of alternative investments publicly traded on national security exchanges are stated at their closing market prices as of June 30, 2009 and 2008. The fair values of alternative investments not publicly traded on national security exchanges represent the Foundation's pro-rata interest in the net assets of each investment partnership as provided by its managing partner. 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.

Investment Pool:
Most permanently restricted net assets and certain temporarily restricted net assets participate in an investment pool that operates under the "market value unit method." Under this method, each account is assigned a number of units based on the relationship of the fair value of all investments at the time of entry into the pool. Quarterly, the pooled assets are valued and new unit values are calculated. The new unit value is used to determine the number of units allocated to new accounts entering the pool or to calculate the equity of accounts withdrawing from the pool. Investment pool income, gains, and losses are allocated quarterly to participating accounts based on the number of units held during the period.

In order to maintain the real value of permanently restricted net assets, the Foundation has adopted a policy whereby a portion of pooled investment return in excess of the spending rate is classified as temporarily restricted net assets. During 2009 and 2008, the annual spending rate was 4.25% of the average of the fair value at the end of the preceding three years.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fees:
The Foundation assesses an administrative fee on the pooled investments based on the market value of the pool as of June 30 each year. The annual administrative fee was between 2% and 1.8% for June 30, 2009 and 2008. The Foundation also assesses a one-time operating fee on current non-scholarship gifts. The amount of the fee is determined by the size of the gift, ranging from two to five percent. Total Foundation fees in 2009 and 2008 were $2,220,397 and $2,721,439, respectively.

Contributions:
Contributions, including unconditional promises to give, are recognized as unrestricted, temporarily restricted, or permanently restricted revenue in accordance with donor stipulations. The estimated allowance for uncollectible promises to give is based on the Foundation's historical collection percentages. Unconditional and conditional promises to give are valued using a discount cash flow model. Under SFAS No. 157 assets valued under the discounted cash flow model are considered to be Level 3 inputs.

Split-Interest Agreements:
Some donors enter into trust or other arrangements under which the Foundation has a beneficial interest. The Foundation has either a remainder interest or a "lead interest," where distributions are received during the term of the agreement. Frequently, the term of the agreement is for the remaining life of an individual(s) designated by the donor. For irrevocable agreements where the Foundation has control of the assets, assets are recorded at their estimated fair market value upon notification of the beneficial interest, provided that reliable information is available. A liability for payments to other beneficiaries is estimated at the present value of the expected future payments to beneficiaries. For irrevocable agreements where the Foundation does not have control over the assets (generally held in an outside trust), the present value of the Foundation's beneficial interest is recorded as beneficial interests in trusts held by others, provided that reliable information is available. For revocable agreements where the Foundation has control over the assets, the assets are recorded as a refundable advance and included in the liability to external beneficiaries. Revocable interests where the Foundation does not have control over the assets are considered conditional promises to give, and, accordingly, are not recorded. For fiscal years 2009 and 2008, present value calculations use discount rates as of the date of gift and standard actuarial tables for estimating remaining lives of donors and beneficiaries.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements:
Effective July 1, 2008, the Foundation adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), which provides a framework for measuring fair value under GAAP. SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. SFAS 157 also establishes a fair value hierarchy, which prioritizes the valuation of inputs into three broad levels, as described below:

- Level 1—Quoted prices in active markets as of the measurement date;
- Level 2—Quoted prices which are not active, quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that observable (either directly or indirectly) for substantially the full term of the asset or liability; and
- Level 3—Significant unobservable prices or inputs where there is little or no market activity for the asset or liability at the measurement date.

There are three general valuation techniques that may be used to measure fair value, as describe below:

- Market Approach—Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;
- Cost Approach—Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
- Income Approach—Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Contributed Assets and Donated Services:
Assets donated to the Foundation are recorded at their fair value as of the date of the gift. No amounts have been reflected in the statements for donated services because no objective basis is available to measure the value of such services.

Supporting Services:
Certain personnel and other costs are allocated to administrative and fund-raising services on the basis of estimated time identifiable with such services.

Scholarships:
The Foundation provides scholarships to University of Montana students. The University awards these scholarships under an agreement with the Foundation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Assets:
Real property investments and other assets are reported at the lower of the appraised value at the time of donation or the estimated fair value.

Depreciable Assets:
Depreciable assets consist of office furniture and equipment, computer equipment and buildings. Items are stated at cost (or original fair value if contributed) and depreciation is charged on a straight-line basis over estimated useful lives of five to forty years. Capital assets purchased on behalf of University of Montana departments are classified as expense by the Foundation since the University assumes control immediately after purchase. Repair and maintenance costs are expensed as incurred and betterments are capitalized.

Advertising Costs:
Advertising costs, which relate principally to fund-raising activities, are expensed as incurred and totaled $276,627 and $347,223, respectively, for 2009 and 2008.

Estimates:
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Income Taxes:
The Foundation is exempt from state and federal income taxes under Internal Revenue Code Section 501(c) (3).

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109 (FIN 48). FIN 48 addresses the accounting for uncertainties in income taxes recognized in an entity's financial statements and prescribes a threshold of more-likely-than-not for recognition and de-recognition of tax positions taken or expected to be taken in a tax return. FASB has deferred until fiscal years beginning after December 15, 2008, the effective date of FIN 48 for nonpublic entities by issuing FASB Staff Position 48-3. The determination of tax exempt status is considered to be a tax position taken with respect to the provisions of FIN 48.

The Foundation's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence. It is the opinion of management that the Foundation has no uncertain tax positions.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Event:
Management has evaluated subsequent events though October 9, 2009, the date which the financial statements were available for issue.

NOTE 2. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows at June 30:

	2009	2008
Cash	**$ 400,019**	$ 1,485,287
Money market funds	**2,165,143**	9,333,005
Total	**$ 2,565,162**	$ 10,818,292

At June 30, 2009 and 2008, there were no bank deposits in excess of FDIC insurance limits. The Foundation routinely invests available cash in bank repurchase agreements, which are backed by U.S. Government and U.S. Government Agency Securities.

NOTE 3. SHORT-TERM INVESTMENTS

The components of short-term investments follow:

	2009	
	Cost	**Fair Market**
Certificates of Deposit	$ **2,000,000**	**$ 2,000,000**
U.S. Treasury and Federal Agency Obligations	**3,663,009**	**3,692,625**
Total	$ **5,663,009**	**$ 5,692,625**

	2008	
	Cost	Fair Market
U.S. Treasury and Federal Agency Obligations	$ 4,305,954	$ 4,345,571
Total	$ 4,305,954	$ 4,345,571

Under SFAS No. 157, U.S. Treasury and Federal Agency Obligations are considered Level 2 inputs which are quoted prices for similar assets in active markets.

NOTE 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable in excess of one year are discounted to their net present value using a discount rate based on the three-year U.S. Treasury note rate at the time of contribution (the discount rate used varied between 1.7% and 6.3%). The unamortized discount at June 30, 2009 and 2008, was $1,368,539 and $2,749,692, respectively. A schedule of maturities for contributions receivable at June 30, 2009, follows:

Year Ending June 30,	Gross	Present Value
2010	$ 4,325,410	$ 4,325,410
2011	3,715,085	3,421,965
2012	1,200,955	1,029,409
2013	3,354,756	2,866,036
2014	470,091	378,312
Later years	1,418,824	1,095,450
	14,485,121	13,116,582
Less allowance for uncollectible contributions	(136,320)	(136,320)
	$ 14,348,801	$ 12,980,262

Contributions receivable measured at fair value on a recurring basis using significant unobservable inputs (Level 3) including estimated timing of receipts and collectability.

	Contributions Receivable
July 1, 2007	$ 12,873,452
Change in present value calculation	(954,189)
Additions	17,140,316
Payments and write offs	(7,056,579)
Change in allowance	(95,001)
June 30, 2008	21,907,999
Change in present value calculation	1,381,153
Additions	4,028,712
Payments and write offs	(14,441,702)
Change in allowance	104,100
June 30, 2009	$ 12,980,262

NOTE 4. CONTRIBUTIONS RECEIVABLE (CONTINUED)

Conditional promises to give consisting of bequests and other revocable gifts are as follows:

2009		2008	
Gross	**Present Value**	Gross	Present Value
$ 30,494,750	**$ 9,987,420**	$ 23,187,521	$ 7,646,078

At June 30, 2009, the Foundation had contributions receivable from two donors which represented 45% of total contributions receivable. The pledges were recorded during fiscal year 2008 therefore no revenue was recorded in the current fiscal year.

At June 30, 2008, the Foundation had contributions receivable from two donors which represented 55% of total contributions receivable. Contributions from these same donors represented 39% of total contributions during fiscal year 2008.

NOTE 5. INVESTMENTS

Investments are stated at fair value, determined based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Cost is determined using the specific identification method. The Foundation determined the fair value of its marketable securities through the application of Statement of Financial Accounting Standard No. 157 *Fair Value Measurements* (SFAS 157).

As required by SFAS No. 157, investments are classified within the level of lowest significant input considered in determining fair value. Investments classified within Level 3 whose fair value measurement considers several inputs may include Level 1 or Level 2 inputs as components of the overall fair value measurement.

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices with active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using Level 3 inputs are based on significant unobservable prices or inputs where there is little or no market activity for the asset at the measurement date. Level 3 assets include: Hedge Funds, Alternative Investments, Real Estate and Equities. Fair value for the Hedge Funds aggregate values reported by each underlying fund as reported to the Foundation on a monthly basis. Alternative Investments at June 30, 2009, include holdings in seven "funds of funds". Each "funds of funds" is structured as a limited partnership that in turn invests in a portfolio of underlying partnerships most of which make and hold investments in privately owned companies. These underlying investments as well as the limited partnerships holding them are illiquid investments with values periodically determined by each managing partner. Fair value for the Equities is based on an independent appraised value of the held shares each quarter. Fair value for the Real Estate was based on an independent appraisal of the real estate at the date contributed to the Foundation.

NOTE 5. INVESTMENTS (CONTINUED)

Investments itemized below were measured at fair value using the market approach.

	2009		2008	
Investments	**Cost**	**Fair Value**	Cost	Fair Value
Cash and Cash Equivilents Restricted for Investment	**$ 2,178,906**	**$ 2,178,906**	$ 1,131,890	$ 1,131,890
Level 1				
Exchange Traded Funds	**8,979,747**	**7,761,810**	8,339,730	10,496,686
Equities	**2,132,782**	**2,267,197**	2,251,274	3,177,630
Level 2				
Mutual Funds	**89,576,915**	**71,204,911**	93,898,665	94,481,945
Fixed Income	**5,006,562**	**5,070,894**	3,850,875	3,922,431
Government Obligations	**3,375,255**	**3,412,231**	6,359,031	6,535,496
Corporate Obligations	**3,904,540**	**3,877,890**	3,584,580	3,503,487
Real Estate	**314,974**	**290,482**	119,653	120,251
Level 3				
Alternative Investments	**6,646,824**	**6,494,369**	3,780,708	4,057,500
Hedge Funds	**10,471,169**	**11,304,624**	10,539,644	13,411,744
Equities	**919,588**	**924,211**	1,961,995	2,377,272
Real Estate	**80,020**	**80,020**	80,020	80,020
Total	**$ 133,587,282**	**$ 114,867,545**	$ 135,898,065	$ 143,296,352

NOTE 5. INVESTMENTS (CONTINUED)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Alternative Investments	Hedge Funds	Equities	Real Estate	Total
July 1, 2007	$ 1,310,869	$ 12,742,810	$ 954,169	$ 80,020	$ 15,087,867
Total gains or losses (realized/unrealized)	253,931	666,769	(62,154)	-	858,546
Purchases, issuance, and settlements	2,492,700	2,165	1,485,257	-	3,980,123
Transfers in and/or out of Level 3	-	-	-	-	-
June 30, 2008	4,057,500	13,411,744	2,377,272	80,020	19,926,536
Total gains or losses (realized/unrealized)	(552,785)	(1,860,753)	(410,654)	-	(2,824,193)
Purchases, issuance, and settlements	2,989,654	(246,367)	(1,042,407)	-	1,700,880
Transfers in and/or out of Level 3	-	-	-	-	-
June 30, 2009	$ 6,494,369	$ 11,304,624	$ 924,211	$ 80,020	$ 18,803,224
The amount of gains or losses for the year ended June 30, 2008, included in net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.	$ 233,931	$ 666,769	$ (62,154)	$ -	$ 838,546
The amount of gains or losses for the year ended June 30, 2009, included in net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.	$ (554,924)	$ (423,845)	$ (410,654)	$ -	$ (1,389,423)

At June 30, 2009 and 2008, investments totaling $6,876,620 and $7,418,874, respectively, relate to split-interest agreements.

The total return (loss) on investments was approximately (18.1%) and (5.8%) in 2009 and 2008, respectively. The total return (loss) on long-term pooled investments only was approximately (19.7%) and (6.6%) in 2009 and 2008, respectively.

At June 30, 2009, the Foundation was obligated to fund up to $14.5 million in future alternative investment commitments.

Investment income is reported net of investment manager fees, which range from .1% to 1.2% of investment value.

NOTE 6. ENDOWMENT

The Foundation's endowment consists of numerous individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law
The Board of Trustees has interpreted the Montana Uniform Prudent Management of Institutional Funds Act ("MUPMIFA") 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 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 made 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 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.

NOTE 6. ENDOWMENT (CONTINUED)

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. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were total deficiencies as of June 30, 2009 and 2008 of $8,741,759 and $393,000, respectively.

Return Objectives and Risk Parameters
The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well certain unrestricted funds, as well as a portion of its restricted current funds. 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.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy 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 cash equivalents, fixed income, and equity securities to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Foundation has a policy of appropriating for distribution each year 4.25% of its endowment fund’s average of the fair value at the end of the preceding three years. In establishing this policy, the Foundation considered 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.

NOTE 6. ENDOWMENT (CONTINUED)

Endowment net asset composition by type of fund as of June 30, 2009, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment fund	$ (8,741,759)	$ 4,978,436	$ 86,388,575	$ 82,625,252
Board-designated endowment funds	386,351	-	-	386,351
	$ (8,355,408)	$ 4,978,436	$ 86,388,575	$ 83,011,603

Changes in net assets composition by type of fund for the year ended June 30, 2009, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 128,381	$ 19,460,657	$ 83,355,425	$ 102,944,463
Investment return				
Net depreciation (realized and unrealized), net of interest and dividends	(8,446,879)	(9,826,326)	-	(18,273,205)
Contributions	-	-	3,301,700	3,301,700
Other Changes				
Reclassification of assets	(15,290)	-	(268,550)	(283,840)
Appropriation of endowment assets for expenditures	(21,620)	(3,372,398)	-	(3,394,018)
Fees	-	(1,283,497)	-	(1,283,497)
Endowment net assets, end of year	$ (8,355,408)	$ 4,978,436	$ 86,388,575	$ 83,011,603

NOTE 6. ENDOWMENT (CONTINUED)

Endowment net asset composition by type of fund as of June 30, 2008, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment fund	$ (393,481)	$ 19,460,657	$ 83,355,425	$ 102,422,601
Board-designated endowment funds	521,862	-	-	521,862
	$ 128,381	$ 19,460,657	$ 83,355,425	$ 102,944,463

Changes in net assets composition by type of fund for the year ended June 30, 2008, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 578,001	$ 31,237,277	$ 77,808,302	$ 109,623,580
Investment return				
Net depreciation (realized and unrealized), net of interest and dividends	(428,047)	(6,752,047)	-	(7,180,094)
Contributions	-	-	4,665,672	4,665,672
Other Changes				
Reclassification of assets	-	-	881,451	881,451
Appropriation of endowment assets for expenditures	(21,573)	(3,294,034)	-	(3,315,607)
Fees	-	(1,730,539)	-	(1,730,539)
Endowment net assets, end of year	$ 128,381	$ 19,460,657	$ 83,355,425	$ 102,944,463

NOTE 7. PROPERTY, BUILDING, AND EQUIPMENT

At June 30, property, building and equipment consisted of:

	2009	2008
Land	**$ 1,118,608**	$ 1,118,608
Building	**3,852,000**	3,852,000
Computer equipment and software	**224,071**	221,107
Office furniture and fixtures	**156,739**	149,835
	5,351,418	5,341,550
Less accumulated depreciation	**(1,277,234)**	(1,169,797)
	$ 4,047,184	$ 4,171,753

Depreciation expense was $107,437 and $105,192 in 2009 and 2008, respectively.

Sourdough Island accounts for $963,000 of the land and $3,852,000 of the building in the above totals. Depreciation expense relating to this property was $77,040 in 2009 and 2008, and accumulated depreciation at June 30, 2009 and 2008, was $963,000 and $885,960, respectively.

NOTE 8. NOTES PAYABLE TO BANK

Notes payable to bank at June 30 follows:

	2009	2008
5.5% (5.5% at June 30, 2009) note payable, due in annual installments, including interest, through March 2011	**$ 123,140**	$ 213,842

The bank note payable provided interim financing for replacement of the turf at Washington Grizzly Stadium. At June June 30, 2009 and 2008, contributions receivable totaling $243,000 and $324,000 respectively, were earmarked for retirement of the note and future stadium renovations. Any prepayments on this note are applied after reduction of accrued interest to reduce the installments due in order of their maturity.

Interest expense in 2009 and 2008 totaled $10,124 and $15,104, respectively.

NOTE 8. NOTES PAYABLE TO BANK (CONTINUED)

Annual maturities on the note payable are as follows:

Year Ending June 30,	
2010	$ 74,654
2011	48,486
	$ 123,140

NOTE 9. LIABILITIES TO EXTERNAL BENEFICIARIES

Some donors enter into trust or other arrangements under which the Foundation has a beneficial interest. For irrevocable agreements where the Foundation has control of the assets, assets are recorded at their estimated fair market value upon notification of the beneficial interest, provided that reliable information is available. A liability for payments to other beneficiaries is estimated at the present value of the expected future payments to beneficiaries, calculated by using an IRS life expectancy table and the discount rate determined at the date of the gift. For fiscal year 2009 the liability was calculated using IRS table 2000CM. For fiscal year 2008 the liability was calculated using IRS table 90CM. Discount rates used in the calculation range from 2.6% to 10.6%.

At June 30, 2009 and 2008, the liability due to external beneficiaries was $3,140,668 and $2,755,362 respectively. Changes in the liability from year to year occur when the present value calculation is updated.

NOTE 10. RESTRICTED NET ASSETS

At June 30, restricted net assets were available for the following purposes:

	2009	2008
Temporarily Restricted		
Scholarships	**$ 11,136,991**	$ 25,157,478
Academics and institutional support	**12,225,987**	23,778,429
Capital additions	**15,747,035**	22,050,843
Total temporarily restricted net assets	**$ 39,110,013**	$ 70,986,750
Permanently Restricted		
Scholarships	**$ 37,283,549**	$ 35,965,385
Academics and institutional support	**48,662,785**	47,183,416
Capital additions	**442,241**	206,624
Total permanently restricted net assets	**$ 86,388,575**	$ 83,355,425

NOTE 11. RETIREMENT PLAN

The Foundation has a qualified tax deferred annuity plan, which covers substantially all permanent employees. Employer contributions to the plan are eleven percent of eligible employees' salaries beginning after one year of service. Effective May 1, 2009 the percent contributed to the plan was reduced to five percent and an employee became eligible after six months of service. Each employee allocates contributions to one or more investment funds sponsored by the custodial agent. The annuity payments under the plan depend on the amounts contributed by the Foundation, and the investment performance of invested contributions. Foundation contributions to the plan amounted to $201,627 and $190,807 for 2009 and 2008, respectively.

NOTE 12. RELATED PARTY TRANSACTIONS

The Foundation performs certain fund-raising services for The University of Montana under an annual contractual agreement. During 2009 and 2008, the annual revenue was $380,000 and $400,000, respectively. Additionally, as part of the agreement for performing fund-raising services, the University provided the Foundation with office space, certain computer services, and other related items in 2009. In fiscal year 2008, the Foundation entered into an operating lease with the University of Montana for office space. Terms of the lease include annual rent of $140,940 with the lease commencing on July 1, 2008 through June 30, 2010. Rent expense for 2009 and 2008 was $140,940.

During fiscal year 2008, the Foundation sold a piece of property to The University of Montana for $258,432. The Foundation received approximately $25,000 in cash and recorded a note receivable from The University of Montana for the remaining amount. The terms of the note include principal and interest payments to be made annually over the next ten years. The effective interest rate on this note is 5.02%. At June 30, 2009 and 2008, the balance on this note was $209,330 and $232,589, respectively.

NOTE 13. COMMITMENTS AND CONTINGENCIES

During 1996, the Foundation received a real property contribution (Sourdough Island) valued at $4,815,000. Upon eventual sale of the property, the donor agreement provides for allocation of the net sales proceeds to all campuses under the jurisdiction of The University of Montana. The Foundation leases the facility to the University for a nominal annual fee. The lease agreement continues indefinitely unless the University or the Foundation elects to terminate the agreement.

NOTE 14. RECLASSIFICATIONS

Certain funds have been reclassified in the statements of activities to reflect management's determination of the funds' proper net assets classification.

Certain reclassifications have been made to the June 30, 2008, financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

S U P P L E M E N T A R Y   I N F O R M A T I O N

UNIVERSITY OF MONTANA FOUNDATION
SCHEDULE 1 – STATEMENTS OF FINANCIAL POSITION – FUND EQUITY PRESENTATION
June 30, 2009
(With Comparative Totals for June 30, 2008)

	UNRESTRICTED	RESTRICTED FUNDS			TOTALS	
ASSETS	FUNDS	TEMPORARILY	PERMANENT	CUSTODIAL	**2009**	2008
Cash and Cash Equivalents	$ (16,582,298)	$ 14,817,735	$ 2,346,415	$ 1,983,310	**$ 2,565,162**	$ 10,818,292
Short-Term Investments	5,692,625	-	-	-	**5,692,625**	4,345,571
Accrued Dividends and Interest	96,384	3,392	98,749	135	**198,660**	259,064
Investments	10,563,183	8,085,348	80,366,721	15,852,293	**114,867,545**	143,296,352
Contributions Receivable, Net	38,902	11,741,336	1,197,547	2,477	**12,980,262**	21,907,999
Contracts and Notes Receivable	209,330	-	-	-	**209,330**	256,818
Student Loans and Other Receivables	120,892	9,775	226,081	125	**356,873**	249,082
Beneficial Interest in Trusts Held by Others	168,048	32,660	314,729	-	**515,437**	628,589
Land, Building and Equipment, Net	3,964,575	107,500	2,109	-	**4,074,184**	4,171,753
Other Assets	73,630	212,222	518,060	-	**803,912**	526,760
Total assets	$ 4,345,271	$ 35,009,968	$ 85,070,411	$ 17,838,340	**$ 142,263,990**	$ 186,460,280
LIABILITIES AND FUND EQUITY						
Accounts Payable	$ 17,424	$ 151,852	$ 53,505	$ 30,923	**$ 253,704**	$ 409,105
Accrued Expenses	135,988	408	-	-	**136,396**	98,500
Compensated Absences	212,975	-	-	-	**212,975**	172,980
Note Payable to Bank	-	123,140	-	-	**123,140**	213,842
Liabilities to External Beneficiaries	58,577	339,617	2,693,933	48,541	**3,140,668**	2,775,362
Custodial Funds	-	-	-	17,758,876	**17,758,876**	22,279,840
Total liabilities	424,964	615,017	2,747,438	17,838,340	**21,625,759**	25,949,629
FUND EQUITY						
Unrestricted funds						
Designated for board reserve		-	-	-	**-**	870,067
Undesignated	3,920,307	-	-	-	**3,920,307**	5,906,210
	3,920,307	-	-	-	**3,920,307**	6,776,277
Restricted funds						
Temporarily	-	34,394,951	-	-	**34,394,951**	50,803,821
Permanent	-	-	82,322,973	-	**82,322,973**	102,930,553
	-	34,394,951	82,322,973	-	**116,717,924**	153,734,374
Total fund equity	3,920,307	34,394,951	82,322,973	-	**120,638,231**	160,510,651
Total liabilities and fund equity	$ 4,345,271	$ 35,009,968	$ 85,070,411	$ 17,838,340	**$ 142,263,990**	$ 186,460,280

See Independent Auditor’s Report on the Supplementary Information.

UNIVERSITY OF MONTANA FOUNDATION
SCHEDULE 2 – STATEMENTS OF ACTIVITIES – FUND EQUITY PRESENTATION
For the Year Ended June 30, 2009
(With Comparative Totals for the Year Ended June 30, 2008)

				TOTALS	
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	**2009**	2008
Revenues, Gains and Interfund Transfers					
Contributions	$ 296,123	$ 10,895,528	$ 3,962,040	**$ 15,153,691**	$ 30,555,514
Interest and dividend income	802,095	356,265	2,479,858	**3,638,218**	4,417,562
Net realized and unrealized gains	-	-	-		
(losses) on investments	(1,402,853)	(3,098,509)	(21,343,105)	**(25,844,467)**	(11,060,780)
Development and administrative fees	2,220,397	-	-	**2,220,397**	2,721,439
Contract for services	380,000	-	-	**380,000**	400,000
Other	83,290	1,226,079	113,551	**1,422,920**	742,936
Interfund transfers, net	(494,467)	566,319	133,505	**205,357**	83,940
Total revenues, gains and interfund transfers	1,884,585	9,945,682	(14,654,151)	**(2,823,884)**	27,860,611
Expenses					
Program services					
University support					
Academics and institutional	777	8,147,475	1,680,660	**9,828,912**	7,866,354
Capital expenses	52,863	15,970,957	4,609	**16,028,429**	1,034,300
Scholarships and awards	88	1,893,837	1,974,458	**3,868,383**	3,513,964
Supporting services					
Fund-raising	2,695,518	42,255	4,583	**2,742,356**	2,344,866
Administrative and general	1,942,100	604,553	1,262,909	**3,809,562**	4,672,827
Total operating expenses	4,691,346	26,659,077	4,927,219	**36,277,642**	19,432,311
Change in fund equity before non-operating items	(2,806,761)	(16,713,395)	(19,581,370)	**(39,101,526)**	8,428,300
Nonoperating Revenues (Expenses)					
Payments to beneficiaries and change in liabilities to external beneficiaries	(49,209)	(4,664)	(757,660)	**(811,533)**	(319,643)
Reclassification of Fund Equity	-	309,189	(268,550)	**40,639**	(21,878)
Change in fund equity	(2,855,970)	(16,408,870)	(20,607,580)	**(39,872,420)**	8,086,779
Fund Equity					
Beginning of year	6,776,277	50,803,821	102,930,553	**160,510,651**	152,423,872
End of year	$ 3,920,307	$ 34,394,951	$ 82,322,973	**$ 120,638,231**	$ 160,510,651

See Independent Auditor's Report on the Supplementary Information.

UNIVERSITY OF MONTANA FOUNDATION
SCHEDULE 3 – STATEMENTS OF ACTIVITIES – NATURAL CLASSIFICATIONS BY FUND GROUPS
For the Year Ended June 30, 2009
(With Comparative Totals for the Year Ended June 30, 2008)

	UNRESTRICTED FUNDS	RESTRICTED FUNDS	TOTAL ALL FUNDS 2009	TOTAL ALL FUNDS 2008
Revenues, Gains and Interfund Transfers				
Contributions	$ 296,123	$ 14,857,655	**$ 15,153,778**	$ 30,555,514
Interest and dividend income	802,095	2,836,123	**3,638,218**	4,417,562
Net realized and unrealized gains (losses) on investments	(1,402,853)	(24,441,614)	**(25,844,467)**	(11,060,780)
Gain on sale of asset	-	85,000	**85,000**	-
Contract for services	380,000	-	**380,000**	400,000
Administrative fees	2,220,397	-	**2,220,397**	2,721,439
Other revenues and interfund transfers (net)	(411,178)	1,954,454	**1,543,276**	826,876
Total revenues, gains and interfund transfers	1,884,584	(4,708,382)	**(2,823,798)**	27,860,611
Operating Expenses				
Salaries and fringe benefits	3,378,861	-	**3,378,861**	2,914,749
Contracted services and honorariums	195,673	493,813	**689,486**	1,505,644
Direct University support	-	22,713,198	**22,713,198**	8,637,571
Travel, lodging and relocation	122,867	465,287	**588,154**	704,389
Professional development	7,099	60,393	**67,492**	21,654
Entertainment	74,244	538,817	**613,060**	738,145
Accounting and auditing	40,948	252	**41,200**	26,060
Advertising and promotion	62,249	214,378	**276,627**	347,223
Depreciation	107,437	-	**107,437**	105,192
Dues and publications	7,257	43,704	**50,961**	63,739
Insurance	14,551	3,071	**17,621**	14,946
Interest	45,170	10,124	**55,295**	297,738
Real estate selling costs	-	3,171	**3,171**	3,752
Licenses and taxes	431	35,098	**35,529**	7,508
Lobbying expense	5,000	2,150	**7,150**	-
Office	908	62,470	**63,378**	96,162
Postage	48,467	11,155	**59,622**	57,125
Printing	84,907	31,668	**116,575**	115,393
Repairs and maintenance	7,168	32,003	**39,171**	22,996
Rent	140,990	36,516	**177,506**	176,726
Recruitment	28,606	-	**28,606**	51,198
Supplies	98,632	1,087,633	**1,186,266**	842,443
Software acquisition and maintenance	63,828	18,031	**81,859**	101,246
Legal expense	12,597	1,538	**14,134**	22,796
Bank and trust manager fees	88,997	40,426	**129,423**	121,479
Telephone	56,536	2,643	**59,179**	59,725
Uncollectible pledges	(2,077)	3,811,164	**3,809,087**	95,232
Foundation fees	-	1,867,679	**1,867,679**	2,281,480
Total operating expenses	4,691,346	31,586,381	**36,277,728**	19,432,311
Change in fund equity before non-operating items	(2,806,763)	(36,294,763)	**(39,101,526)**	8,428,300
Nonoperating Revenue (Expense)				
Payments and change in liabilities to external beneficiaries	(49,209)	(762,324)	**(811,533)**	(319,643)
Reclassification of fund equity	-	40,639	**40,639**	(21,878)
Change in fund equity	$ (2,855,972)	$ (37,016,448)	**$ (39,872,420)**	$ 8,086,779

See Independent Auditor's Report on the Supplementary Information.

UNIVERSITY OF MONTANA FOUNDATION
SCHEDULE 4 – INVESTMENTS BY FUND MANAGER
June 30, 2009 and 2008

	2009	2008
Pooled Investments		
Vanguard S&P 500 Index Fund	**$ 16,301,594**	$ 23,661,831
Vanguard Mid-Cap Vipers EFT	**7,761,810**	10,496,686
Vanguard Total International Stock Index Fund	**1,320,282**	4,706,324
Artisan International Fund	**7,939,028**	9,510,434
DFA Emerging Markets	**3,731,227**	-
DFA International Small Cap Value Fund	**4,178,613**	5,721,681
DFA International Value Fund	**8,556,427**	9,078,900
AXA Rosenberg Small/Mid Cap Fund	**7,638,424**	11,309,131
Pacific Income Advisors	**10,914,819**	16,441,367
Western Asset Core Bond Fund	**4,707,996**	-
Pine Grove Offshore Fund	**-**	6,682,616
Pimco All Asset Fund	**533,394**	8,481,991
Common Sense Long-Biased Offshore Shares Fund	**6,041,787**	6,729,128
The Weatherlow Fund I, L.P.	**2,672,083**	-
Ironwood International Ltd.	**2,590,754**	-
Cohen & Steers Global Realty	**2,314,422**	3,373,032
Coller International Partners V-A, L.P.	**2,043,327**	1,452,670
Siguler Guff Distressed Opportunities Fund III	**1,876,063**	809,792
Amberbrook V, L.L.C.	**572,062**	260,631
Q-BLK Real Assets II	**554,449**	540,042
Commonfund Capital Natural Resources Partners VII, L.P.	**533,630**	344,401
Northgate IV, L.P.	**359,010**	140,000
Abbott Capital Private Equity Fund IV, L.P.	**142,739**	-
	93,283,940	119,740,657
Pooled income (distribution) activity at June 30	**713,264**	214,254
Pooled investments fair value	**93,997,204**	119,954,911
Non-Pooled Investments and Outside Trusts		
Wells Fargo	**5,724,009**	7,193,163
Morgan Stanley	**472,943**	590,088
First Interstate Bank	**5,901,229**	5,216,440
Safe Deposit Box	**389,845**	1,437,085
PIMCO All Assets Fund	**1,505,695**	1,485,791
Non-pooled investments fair value	**13,993,721**	15,922,567
Annuities and Inside Trusts		
TIAA-CREF	**6,876,620**	7,418,874
Annuities and inside trusts fair value	**6,876,620**	7,418,874
Total investments	**$ 114,867,545**	$ 143,296,352

See Independent Auditor's Report on the Supplementary Information.