FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

Montana State University-Northern Foundation

Havre, MT

June 30, 2014 and 2013

Montana State University-Northern Foundation

June 30, 2014

CONTENTS

GALUSHA HIGGINS & GALUSHA PC
EST. 1919
A PROFESSIONAL CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

300 Second Avenue, Havre, MT 59501
P.O. Box 1530, Havre, MT 59501

Phone (406) 265-3201
Fax (406) 265-5949

www.ghg-cpa.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montana State University-Northern Foundation
P.O. Box 1691
Havre, MT 59501

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying statements of financial position of Montana State University-Northern Foundation (a nonprofit organization) as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets, and cash flows for the years 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 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 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 opinions.

Billings • Bozeman • Havre • Helena • Missoula • Idaho Falls

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montana State University-Northern Foundation as of June 30, 2014 and 2013, 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.

Galusha, Higgins & Galusha, PC

Havre, Montana
September 25, 2014

Montana State University-Northern Foundation

STATEMENTS OF FINANCIAL POSITION

as of June 30,

ASSETS

	2014	2013 (as restated)
Cash & equivalents, held for donor restricted purposes	**$ 290,200**	$ 195,658
Accrued interest receivable	**1,217**	3,336
Accrued interest receivable, held for donor restricted purposes	**57,162**	61,057
Pledges receivable, net of allowance for uncollectible accounts, held for donor restricted purposes	**28,041**	71,234
Notes receivable, board designated for future trust payments	**50,669**	55,910
Notes receivable, held for donor restricted purposes	**1,927,275**	2,080,556
Investments	**73,468**	68,692
Investments, held for donor restricted purposes	**4,072,493**	3,359,880
Other assets	**12,271**	16,521
Other assets, held for donor restricted purposes	**-**	550
Property and equipment, net of accumulated depreciation	**3,594**	4,455
Art	**53,895**	53,895
Total assets	**$ 6,570,285**	$ 5,971,744

INTERFUND TRANSACTIONS

	2014	2013
Interfund receivable, held for donor restricted purposes	**$ 893,144**	$ 867,165
Interfund payables	**(893,144)**	(867,165)
Total interfund transactions	**$ -**	$ -

The accompanying notes are an integral part of these financial statements.

continued

Montana State University-Northern Foundation

STATEMENTS OF FINANCIAL POSITION

as of June 30,

LIABILITIES AND NET ASSETS

	2014	2013 (as restated)
LIABILITIES		
Liability to other beneficiaries	**$ 173,574**	$ 163,449
Assets held for others	**94,307**	94,307
Liability under trust agreements	**1,085,780**	1,136,282
Gift annuity obligations	**294,422**	303,005
Total liabilities	**1,648,083**	1,697,043
NET ASSETS		
Unrestricted net assets	**(989,968)**	(967,363)
Temporarily restricted net assets	**2,015,440**	1,597,411
Permanently restricted net assets	**3,896,730**	3,644,653
Total net assets	**4,922,202**	4,274,701
Total liabilities and net assets	**$ 6,570,285**	$ 5,971,744

The accompanying notes are an integral part of these financial statements.

concluded

Montana State University-Northern Foundation

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

for the year ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Pledges & contributions	$ 53,893	$ 629,589	$ 229,487	$ 912,969
Other income	96,188	1,656	-	97,844
Interest & dividends	10,800	243,140	-	253,940
Contract revenue	170,203	-	-	170,203
Change in value of split interest agreements	(10,408)	(115,570)	-	(125,978)
Realized and unrealized gains and losses on investments	13,732	337,363	-	351,095
Released from restriction	646,378	(646,378)	-	-
Change in restriction	4,181	(31,771)	27,590	-
Total revenues, gains and other support	984,967	418,029	257,077	1,660,073
EXPENSES				
Program expenses				
Scholarships	337,252	-	-	337,252
Athletic programs	208,222	-	-	208,222
Faculty development	475	-	-	475
Fine arts	1,574	-	-	1,574
Alumni	43,598	-	-	43,598
Special projects	69,451	-	-	69,451
Total program expenses	660,572	-	-	660,572
Fundraising expenses	41,159	-	-	41,159
General and administration expenses	290,021	-	-	290,021
Uncollectible pledges expense	15,820	-	-	15,820
Total expenses	1,007,572	-	-	1,007,572
Asset transferred at donor's request	-	-	(5,000)	(5,000)
Increase (decrease) in net assets	(22,605)	418,029	252,077	647,501
Net assets, beginning of year, as restated	(967,363)	1,597,411	3,644,653	4,274,701
Net assets, end of year	$ (989,968)	$ 2,015,440	$ 3,896,730	$ 4,922,202

The accompanying notes are an integral part of these financial statements.

Montana State University-Northern Foundation

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

for the year ended June 30, 2013, as restated

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Pledges & contributions	$ 11,411	$ 690,645	$ 16,992	$ 719,048
Other income	194,131	-	-	194,131
Interest & dividends	6,443	234,465	-	240,908
Contract revenue	170,204	-	-	170,204
Change in value of split interest agreements	(15,761)	(157,428)		(173,189)
Realized and unrealized gains and losses on investments	6,480	77,604	-	84,084
Released from restriction	1,183,778	(1,183,778)	-	-
Change in restriction	-	(36,761)	36,761	-
Total revenues, gains and other support	1,556,686	(375,253)	53,753	1,235,186
EXPENSES				
Program expenses				
Scholarships	335,720	-	-	335,720
Athletic programs	235,180	-	-	235,180
Faculty development	2,218	-	-	2,218
Fine arts	600	-	-	600
Alumni	81,710	-	-	81,710
Campus involvement	447,000	-	-	447,000
Special projects	63,366	-	-	63,366
Total program expenses	1,165,794	-	-	1,165,794
Fundraising expenses	13,531	-	-	13,531
General and administration expenses	304,888	-	-	304,888
Total expenses	1,484,213	-	-	1,484,213
Increase (decrease) in net assets	72,473	(375,253)	53,753	(249,027)
Net assets, beginning of year as previously reported	(1,039,836)	2,017,260	3,590,900	4,568,324
Prior period adjustment	-	(44,596)	-	(44,596)
Net assets, beginning of year, as restated	(1,039,836)	1,972,664	3,590,900	4,523,728
Net assets, end of year	$ (967,363)	$ 1,597,411	$ 3,644,653	$ 4,274,701

The accompanying notes are an integral part of these financial statements.

Montana State University-Northern Foundation

STATEMENTS OF CASH FLOWS

for the years ended June 30,

		2014		2013(as restated)
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	**$**	**647,501**	$	(249,027)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation expense		**861**		860
Net realized and unrealized losses (gains) on investments		**(351,095)**		(84,084)
Noncash and endowment contributions		**(229,487)**		(16,992)
Noncash change in carrying value of trusts and annuities		**277,867**		177,956
Change in operating assets and liabilities				
Pledges receivable		**43,193**		62,776
Accrued interest receivable		**6,014**		6,295
Other assets		**4,800**		(7,071)
Accrued expenses		**-**		(102,959)
Net cash provided by (used for) operating activities		**399,654**		(212,246)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments		**(324,471)**		(205,321)
Payment of management fee		**(41,823)**		(64,710)
Payments received on notes receivable		**158,522**		166,629
Net cash used for investing activities		**(207,772)**		(103,402)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from contributions restricted for investment in endowment		**229,487**		16,992
Payment of trust and annuity obligations		**(326,827)**		(184,904)
Net cash used for financing activities		**(97,340)**		(167,912)
Net increase (decrease) in cash and cash equivalents		**94,542**		(483,560)
Cash and cash equivalents, beginning of year		**195,658**		679,218
Cash and cash equivalents, end of year	**$**	**290,200**	$	195,658
Supplemental disclosures:				
Cash paid for interest	**$**	**25,908**	$	25,908

The accompanying notes are an integral part of these financial statements.

NOTE A REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

Montana State University-Northern Foundation, (the Foundation) is a Montana not-for-profit corporation, composed of alumni and friends of Montana State University-Northern (MSUN) who are organized to promote and develop the University through fund raising activities. The Foundation's purpose is to accumulate funds to be used to develop, foster, and encourage excellence at Montana State University-Northern and to provide public awareness of the educational opportunities and activities of the University. The purposes of the Foundation are carried out by a board of trustees elected from the Foundation's membership.

Significant Accounting Policies:

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

2. Cash and cash equivalents. Cash and cash equivalents includes savings and checking accounts, which are fully insured or collateralized. All highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

3. Pledges receivable. Pledges receivable are unconditional promises to give that are recognized as contributions when the promise is received. Pledges receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions that are expected to be collected in more than one year are reported net of an allowance for uncollectable receivables. The allowance for uncollectible pledges receivable is determined based on management's evaluation of the collectability of individual promises.

4. Notes receivable. The recorded value of notes receivable approximate their fair value as current interest rates approximate market rates. Interest income is accrued as earned. Management has not recorded an allowance for loan loss as of June 30, 2014 and 2013 as all notes are current with payment terms.

5. Investments. Investments in marketable equity and debt securities are recorded at fair market value using public market quotations. Investments in land are recorded at the fair market value at the date of donation. Realized and unrealized gains and losses are recognized in the statement of activities as a component of investment income (expense). For management efficiency, investments of the unrestricted and restricted net assets are pooled except for certain net assets that the either the board of trustees or donors have designated to be segregated and maintained separately.

6. Assets limited as to use. Assets limited as to use consists of assets designated by the board for future capital improvements and as endowed assets for future earning to sustain continued operations and assets held for specific uses as designated by donors.

7. Furniture and equipment. Office equipment and furnishings purchased by the Foundation are recorded at cost net of accumulated depreciation. Donated property used by the Foundation is recorded at fair market value on the date contributed. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is provided by the straight-line method over the estimated useful lives of the assets which range from 5 to 10 years.

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

Continued

NOTE A REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, continued

8. Basis of presentation, continued. Standards Board. The financial statements of the Foundation have been prepared using the accrual basis of accounting. The Foundation classifies net assets, revenues, expenses, and gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

   Unrestricted net assets – net assets that are not subject to donor-imposed restrictions.

   Temporarily restricted net assets – net assets subject to donor-imposed restrictions that may be or will be met either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

   Permanently restricted net assets – net assets subject to donor-imposed restrictions that the assets be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for specific or general purposes.

   Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. 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 donor-imposed restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

9. Contributions. Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions upon which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. The Foundation determines an allowance for uncollectible accounts based upon management's judgment about such factors as prior collection history, type of contribution, and nature of fundraising activity.

10. Donated property. The Foundation reports gifts of land, buildings, and equipment as unrestricted support unless restricted by the donor. Donated property is recorded at fair value at the date of donation. Assets donated with explicit restrictions regarding their use are reported as restricted contributions.

11. Unitrust, annuity trust, and gift annuity agreements. The Foundation has entered into unitrust and annuity trust agreements that provide, among other matters, that the trustee shall pay to the beneficiaries an annual income payment until the income obligation is completed in accordance with the donor's trust agreement. The Foundation records its interest in these trusts at the current market value of the related assets and a corresponding liability recorded for the actuarially determined present value of payments to be made to the designated beneficiaries with the residual amount recorded for the purposes designated when the gift is received. Upon termination of the income obligation, property in the trust is held by the Foundation in accordance with the donor's trust agreement.

    The Foundation has entered into gift annuity agreements that provide that the Foundation shall pay to the designated beneficiaries an annual amount for a designated length of time or until the death of the designated beneficiaries. The payments continue even if the assets of the gift annuity fund have been exhausted. The Foundation records these gift annuities at market value and a corresponding liability is recorded for the actuarially determined present value of payments to be made to the designated beneficiaries, with the residual

Continued

NOTE A REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, continued

11. Unitrust, annuity trust, and gift annuity agreements, continued. amount recorded for the purposes designated when the gift is received. At the end of the designated time period or upon the death of the designated beneficiaries, property in the gift annuity fund is held by the Foundation in accordance with the agreements.

12. Income tax status. The organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for Federal income taxes in the accompanying financial statements. In addition, the organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

    As a matter of law, the organization is subject to examination by federal and state taxing authorities. Although management believes that the amounts reflected in their information returns substantially comply with the applicable federal and state tax regulations, both the IRS and the various state taxing authorities can take positions contrary to management's position based on their interpretation of the law. The organization has determined that they are subject to examination of their federal information return filings in the United States for the 2011 – 2013 tax years. A tax position that is challenged by a taxing authority could result in penalties and interest being assessed to the organization. If this occurred, the organization would record these as interest expense.

13. Functional allocation of expenses. The costs of the Foundation's various programs and activities have been summarized on the functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

14. Reclassifications. Certain line items in the financial statements for the year ended June 30, 2013 have been reclassified, with no effect on the net income, to be consistent with the classifications adopted for the current year.

NOTE B PLEDGES RECEIVABLE

Pledges receivable consisted of the following at June 30:

	2014	2013
Capital campaign for capital improvements on MSU-Northern campus	**41,877**	$ 82,714
Other pledges	**2,132**	1,963
Allowance for uncollectible accounts	**(15,968)**	(13,443)
Total	**$ 28,041**	$ 71,234

Pledges are expected to be collected in:

	2014	2013
Less than one year	**$ 19,421**	$ 38,416
One to five years	**8,620**	32,818
Total	**$ 28,041**	$ 71,234

Continued

NOTE C NOTES RECEIVABLE

Notes receivable consisted of the following at June 30:

	2014	2013
Note receivable from Montana State University-Northern; annual payments ranging from $135,000 in 2011 to $205,169 in 2019; interest of 6% per annum; unsecured.	**$ 1,305,169**	1,440,169
Installment contract receivable, monthly payments of $344 including interest at 5.5%, final payment due 2028, secured by property.	**40,590**	41,450
Installment contract receivable, monthly payments of $679 including interest at 6.5%, final payment due 2017, secured by property.	**22,385**	28,846
Installment contract receivable, monthly payments of $2,962 including interest at 6.0%, final payment due 2032, secured by property.	**394,331**	405,835
Installment contract receivable, monthly payments of $1,375 including interest at 5.4%, final payment due 2037, secured by property.	**215,469**	220,166
	$ 1,977,944	$ 2,136,466
Current portion of notes receivable	**$ 244,197**	$ 157,099

	2014	2013
Board designated	**$ 50,669**	$ 55,910
Endowments	**928,975**	1,037,392
Trusts	**998,300**	1,043,164
	$ 1,977,944	$ 2,136,466

NOTE D FAIR VALUE MEASUREMENTS

The Foundation reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;

Continued

NOTE D FAIR VALUE MEASUREMENTS, continued

- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs**.**

Following is a description of the valuation methodologies used for assets measured at fair value.

Commercial/Government bonds and corporate stock: Valued at the closing price reported on the active market on which the individual securities are traded.

The Foundation's assets at fair value (identified by level within the fair value hierarchy) as of June 30, 2014 were as follows:

	Total	Level 1	Level 2	Level 3
Real estate	$ 300,833	$ -	$ -	$ 300,833
Equity securities	2,731,910	2,731,910	-	-
Debt securities	724,828	724,828	-	-
Government securities	388,390	388,390	-	-
Total	$ 4,145,961	$ 3,845,128	$ -	$ 300,833

The Foundation's assets at fair value (identified by level within the fair value hierarchy) as of June 30, 2013 were as follows:

	Total	Level 1	Level 2	Level 3
Real estate	$ 300,833	$ -	$ -	$ 300,833
Equity securities	2,351,278	2,351,278	-	-
Debt securities	499,984	499,984	-	-
Government securities	276,477	276,477	-	-
Total	$ 3,428,572	$ 3,127,739	$ -	$ 300,833

The following reconciles Level 3 inputs for the years ended June 30, 2014 and 2013:

Balance of Level 3 inputs as of June 30, 2012	$ 341,258
Change in value of investments	(40,425)
Balance of Level 3 inputs as of June 30, 2013	300,833
Change in value of investments	-
Balance of Level 3 inputs as of June 30, 2014	**$ 300,833**

Continued

NOTE E INVESTMENTS

Investments consist of the following at June 30:

	2014	2013
Real property and real asset funds	**300,833**	$ 300,833
Equity securities	**2,731,910**	2,351,278
Debt securities	**724,828**	499,984
Government securities	**388,390**	276,477
Total	**$ 4,145,961**	$ 3,428,572

Investments consisted of the following at June 30:

	2014	2013
Unrestricted investments	**$ 73,468**	$ 68,692
Endowment investments	**3,190,112**	2,548,159
Alumni investments	**229,118**	196,821
Trust investments	**653,263**	614,900
Total	**$ 4,145,961**	$ 3,428,572

Investment income for the years ended June 30 is summarized as follows:

	2014	2013
Interest and dividend income	**$ 253,940**	$ 240,908
Realized and unrealized gains (losses) on investments carried at fair value	**351,095**	84,084
Total	**$ 605,035**	$ 324,992

Unrealized and realized gains are reported net of related expenses in the statement of activities. For the years ended June 30, 2014 and 2013 the related expenses were $41,823 and $20,568, respectively.

NOTE F FURNITURE AND EQUIPMENT

Furniture and equipment, at cost, are summarized as follows at June 30:

	2014	2013
Office furniture	**$ 11,806**	$ 11,806
Computers, printers, and software	**31,794**	31,794
	43,600	43,600
Less accumulated depreciation	**(40,006)**	(39,145)
Total furniture and equipment	**$ 3,594**	$ 4,455

NOTE G INTERFUND LOANS

The Unrestricted fund of the Foundation has borrowed $150,000 from the Foundation's endowment funds which it used to make a donation to MSU Northern for the purpose of reinstating a football program. The Unrestricted fund of the Foundation has borrowed $438,815 from the Foundation's endowment funds and $304,329 from temporarily

Continued

NOTE G INTERFUND LOANS, continued

restricted contributions, which it used to make donations to MSU Northern for costs of the Applied Technology Center and costs for athletic programs. The Foundation Unrestricted fund is paying annual interest only payments at the current market rate.

NOTE H LIABILITY TO OTHER BENEFICIARIES

Liabilities to other beneficiaries consisted of the following at June 30:

	2014	2013
Borchert Trust - liability to others is 60% of the remaining trust balance upon maturity.	**$ 27,220**	$ 25,479
Ophus - Liability to others is 40% of remaining trust balance upon maturity.	**30,524**	22,140
Keene house liability to others upon maturity.	**115,830**	115,830
	$ 173,574	$ 163,449

NOTE I ASSETS HELD FOR OTHERS

Assets held for others is an endowment owned by Montana State University Northern that is invested by the Foundation. The balance at June 30, 2014 was 94,307.

NOTE J LIABILITY UNDER TRUST AGREEMENTS

Liabilities under trust agreements consisted of the following at June 30:

	2014	2013
Borchert Trust - Charitable Remainder Unitrust One - life 7.25% -Based upon present value using 2013 SSA life expectancy tables. Payments and liability are recalculated annually as determined by the investment balances at 12/31.	**$ 14,551**	$ 13,686
D Johnsrud - CRAT - $54,020 annually paid in monthly installments at 7.3%. Based upon present value using 2013 SSA life expectancy tables.	**406,987**	421,409
Drummer Trust - Term of Years Remainder Annuity Trust - 5.75% Semi-annual payments of $2,176 until December 2023.	**15,758**	16,975
Ophus Trust -Term of Years Unitrust - 20 year term matures December 2021. Payments and liability are recalculated annually as determined by the investment balances at 12/31.	**49,451**	57,224
Staudacher - CRAT - 7.25 %, payments $33,950 annually, joint lives, based on present value using 2013 SSA life expectancy tables.	**285,732**	295,795
Worstell - CRAT - 7.25%, 20 year term matures December 2020, $6,815 paid in quarterly payments of $1,703.	**35,075**	39,160

Continued

NOTE J LIABILITY UNDER TRUST AGREEMENTS, continued

		2014		2013
C Johnsrud Trust - CRAT - 7.25%, Payments of $5,705 annually, 20 year term matures 2020.		**28,081**		31,576
Watkins Trust - CRAT - 6.2%, payments of $6,200 paid annually, joint lives based up on present value using 2013 SSA life expectancy tables.		**67,496**		69,159
Trust A Johnsrud - CRAT - 6.84%, 20 year term matures December 2026, $7,828 paid in quarterly payments of $1,957.		**63,732**		66,750
Trust B Johnsrud - CRAT - 6.84%, 20 year term matures December 2026, $14,607 paid in quarterly payments of $3,652.		**118,917**		124,548
Grimm Trust annual payments of $8,050 7 % Interest for 20 years maturing December 2020.		**0**		49,711
Total liabilities under trust agreements		**1,085,780**		1,185,993
Current portion of liabilities under trust agreements		**54,926**		56,703
Long term liabilities under trust agreements	**$**	**1,030,854**	$	1,129,290

The five year payout for the trust obligations is:

2015	$	54,926
2016		57,203
2017		59,532
2018		62,240
2019		60,274
Thereafter		791,605
	$	1,085,780

NOTE K GIFT ANNUITY OBLIGATIONS

The gift annuity obligations consisted of the following at June 30:

		2014		2013
Hanson Annuity - Charitable Gift Annuity - 7.4%, joint lives based upon present value using the 2013 SSA life expectancy tables, payments of $29,400 per year, paid bi-annually.	**$**	**294,422**	$	303,005
Current portion of gift annuity obligations		**8,755**		8,584
Long term gift annuity obligations	**$**	**285,667**	$	294,421

Continued

NOTE K GIFT ANNUITY OBLIGATIONS, continued

The five year payout for the annuity is:

2015	$	8,755
2016		8,985
2017		9,073
2018		9,288
2019		9,349
Thereafter		248,972
Total gift annuity	$	294,422

NOTE L EMPLOYEE BENEFIT PLAN

The Foundation is the sponsor of a 403(b) retirement plan. Under this plan, the Foundation will match 100% of an employee's elective salary deferral up to 6%. The employee elective deferral is limited to the maximum IRS rate. For the years ended June 30, 2014 and 2013 the Foundation's contributions to the plan were $7,821 and $10,240, respectively.

NOTE M UNRESTRICTED NET ASSETS

At June 30, 2014 and 2013 the unrestricted fund had negative net assets due to an excess of expenditures over revenues. This was primarily due to the support provided to the Applied Technology Center at MSU-Northern. The Foundation has borrowed to provide this support and will repay the funds and restore the net assets from future contributions.

A primary source of these contributions is anticipated to be trust funds currently managed by the Foundation. As the trusts reach their maturity the remaining funds will become unrestricted and will be available to restore the net assets.

NOTE N TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30 are summarized as follows:

	2014	2013
Scholarships	**$ 645,854**	$ 314,812
Restricted for trusts	**516,519**	507,709
Alumni	**231,315**	198,056
Community Projects	**304,328**	304,328
Other	**317,424**	317,102
Total temporarily restricted net assets	**$ 2,015,440**	$ 1,597,411

Continued

NOTE O PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of June 30 are summarized as follows:

		2014		2013
Other Projects	**$**	**46,364**	$	46,364
Scholarships		**3,850,366**		3,598,289
Total permanently restricted net assets	**$**	**3,896,730**	$	3,644,653

NOTE P ENDOWMENTS

The Board of Trustees of the foundation has interpreted the Montana Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 (1) the original value of gifts donated to all donor-restricted permanent endowments, (2) the original value of any subsequent gifts to donor-restricted permanent endowments, and (3) any accumulations to donor-restricted permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of a donor-restricted permanent endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization.

UPMIFA permits the foundation to appropriate for expenditure or accumulate so much of a donor restricted endowment fund as it determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Under the Foundation's endowment spending policy a variable percentage (set annually by the board of directors) of the prior year ending endowment value is budgeted for scholarship expenditures. The board of directors also annually sets a percentage of endowment fund earnings to be used for reasonable management costs of the investments. For the year ended June 30, 2014, 3.25% was appropriated for scholarship expenditures and 2.75% was earmarked for management fees. For the year ended June 30, 2013, 2.0% was appropriated for scholarship expenditures and 2.0% was earmarked for management fees.

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.

Continued

NOTE P ENDOWMENTS, continued

Changes in net asset composition by type of fund for the years ended June 30, 2014 and 2013 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets June 30, 2012 , as previously reported	$ 8,274	$ 3,889,005	$ 3,897,279
Prior Period Adjustment	(14,995)	(298,105)	(313,100)
Endowment net assets June 30, 2012, as restated	(6,721)	3,590,900	3,584,179
Investment return:			
Interest and dividends	134,264	-	134,264
Net gains (realized and unrealized)	36,838	-	36,838
Total investment return	171,102	-	171,102
Gifts	-	53,753	53,753
Appropriation of endowment assets for expenditure-spending rate	(99,421)	-	-
Endowment net assets June 30, 2013	64,960	3,644,653	3,709,613
Investment return:			
Interest and dividends	119,555	-	119,555
Net gains (realized and unrealized)	326,190	-	326,190
Total investment return	445,745	-	445,745
Gifts	-	233,467	233,467
Donor released restriction	-	40,590	40,590
Appropriation of endowment assets for expenditure-spending rate	(116,944)	-	(116,944)
Endowment net assets June 30, 2014	**$ 393,761**	**$ 3,918,710**	**$ 4,312,471**

Return Objectives and Risk Parameters - The Foundation has adopted investment and spending policies for endowment assets to maintain principle value while seeking to maximize investment return within the risk parameters. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). The absolute objective is to seek an average total annual return that exceeds the spending/payout rate plus fees and inflation. This objective is measured annually; the intent of this objective is to preserve, over time, the principal value of the assets. The relative objective 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 annually. The Foundation expects its endowment funds, over time, to provide a reasonable level of current income to support the spending policy authorized by the Board of Directors. Actual returns in any given year may vary from this amount.

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

Continued

NOTE Q GIFT ANNUITIES

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 and 2013, the Foundation does not have sufficient reserves to issue new qualified charitable gift annuities.

NOTE R CONCENTRATION OF RISK

The Foundation maintains deposits in excess of federally insured limits. FASB Accounting Standards Codification 275, Risks of Uncertainties, identifies these items as a concentration of credit risk requiring disclosures, regardless of the degree of risk. As of June 30, 2014 and 2013 the Foundation's deposits in excess of federally insured limits were $0 and $0, respectively.

NOTE S RELATED PARTY TRANSACTIONS

The Foundation received the following payments from Montana State University-Northern:

	2014	2013
Annual fee for fundraising and other service	**156,084**	146,000
Donation to discretionary account	**3,000**	3,000
Support for Alumni Program	**14,120**	24,204
Total Payments	**$ 173,204**	$ 173,204

The Foundation also had notes receivable from Montana State University-Northern of $1,305,169 and $1,440,169 at June 30, 2014 and 2013 respectively.

Certain operating costs of the Foundation are paid directly by Montana State University-Northern. These include costs associated with the free use of administrative office facilities, IT support, utilities, and certain other operating costs attributed to the Foundation. These costs are not included in the accompanying financial statements due to the difficulty of accurately determining their value.

NOTE T PRIOR PERIOD ADJUSTMENT

The Foundation has restated its previously issued 2013 financial statements for matters related to the following previously reported items: trust liabilities and temporarily restricted net assets decreased by $49,711 due to the trust liability being overvalued in a prior period and liabilities due to others and temporarily restricted net assets increased by $94,307 due to the liability being misclassified as net assets when originally recorded in a prior period.

Continued

NOTE U SUBSEQUENT EVENTS

The Foundation received a donation, in the amount of $570,068 to unrestricted funds, subsequent to June 30, 2014.

The Foundation has evaluated subsequent events through the date of the auditor's report, which is the date these financial statements were available to be issued. There were no events between July 1, 2013 and the date of the auditor's report September 25, 2014 that require recognition as of June 30, 2014.