



**THE MAUREEN AND MIKE  
MANSFIELD FOUNDATION**

**FINANCIAL REPORT**

**June 30, 2009**



**THE MAUREEN AND MIKE MANSFIELD FOUNDATION**  
*Advancing Understanding and Cooperation in U.S.-Asia Relations*

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**MANAGEMENT'S CERTIFICATION STATEMENT**

Primary responsibility for the integrity and objectivity of the Maureen and Mike Mansfield Foundation's financial statements rests with Management. The financial statements report on Management's stewardship of Foundation assets and are prepared in conformity with generally accepted accounting principles.

We prepared the accompanying financial statements that were audited by the certified public accounting firm of Anderson ZurMuehlen & Co., P.C. To the best of our knowledge, the financial statements do not contain any misstatements or omissions of material facts. In our opinion, the information included in these financial statements fairly presents in all material respects the Foundation's financial condition.

September 26, 2009

L. Gordon Flake  
Executive Director

Elizabeth A. Oleson, CPA  
Fiscal Affairs Director

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Maureen and Mike Mansfield Foundation  
Mansfield Library, 4th Floor  
The University of Montana  
Missoula, Montana 59812

We have audited the accompanying statements of financial position of The Maureen and Mike Mansfield Foundation (the "Foundation") (a nonprofit organization) 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 Maureen and Mike Mansfield Foundation as of June 30, 2009 and 2008, and the results of its activities and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2009 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit prepared in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of the Foundation taken as a whole. The accompanying schedules of indirect rate computation, as required by the U.S. Department of State, and functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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.*

Helena, Montana  
September 26, 2009

FINANCIAL STATEMENTS

THE MAUREEN AND MIKE MANSFIELD FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2009 and 2008

ASSETS	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and temporary investments	\$ 295,746	\$ 682,494
Receivables:		
Accrued interest	13,207	23,351
Contributions/grants	42,714	-
Current portion of contract receivable	32,212	24,386
Prepaid expenses and other current assets	<u>407,755</u>	<u>219,803</u>
Total current assets	<u>791,634</u>	<u>950,034</u>
INVESTMENT SECURITIES	<u>8,346,668</u>	<u>10,326,372</u>
CONTRACT RECEIVABLE, net of current portion	<u>105,498</u>	<u>109,852</u>
PROPERTY AND EQUIPMENT, at cost		
Leasehold improvements	167,885	167,885
Furniture and equipment	<u>225,874</u>	<u>235,005</u>
	393,759	402,890
Less accumulated depreciation	<u>364,528</u>	<u>370,049</u>
Net property and equipment	<u>29,231</u>	<u>32,841</u>
Total assets	<u>\$ 9,273,031</u>	<u>\$ 11,419,099</u>

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

LIABILITIES	<u>2009</u>	<u>2008</u>
<b>CURRENT LIABILITIES</b>		
Current portion of long-term contract	\$ 32,212	\$ 24,386
Accounts payable	166,445	102,370
Accrued expenses	240,633	192,428
Due to The University of Montana	54,816	22,960
Deferred revenue	35,000	25,000
Refundable grant advances	<u>296,099</u>	<u>110,698</u>
Total current liabilities	825,205	477,842
LONG-TERM CONTRACT, net of current portion	<u>105,498</u>	<u>109,852</u>
Total liabilities	<u>930,703</u>	<u>587,694</u>
<b>NET ASSETS</b>		
Unrestricted:		
Operating	(222,181)	(103,677)
Board designated for the endowment	<u>166,017</u>	<u>153,892</u>
Total unrestricted	<u>(56,164)</u>	<u>50,215</u>
Temporarily restricted:		
Endowment temporarily restricted net assets	2,672,649	5,043,121
Operational temporarily restricted net assets	<u>-</u>	<u>12,226</u>
Total temporarily restricted	<u>2,672,649</u>	<u>5,055,347</u>
Permanently restricted	<u>5,725,843</u>	<u>5,725,843</u>
	<u>8,342,328</u>	<u>10,831,405</u>
Total liabilities and net assets	<u>\$ 9,273,031</u>	<u>\$ 11,419,099</u>

THE MAUREEN AND MIKE MANSFIELD FOUNDATION  
STATEMENTS OF ACTIVITIES  
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
UNRESTRICTED NET ASSETS		
Revenue and support:		
Interest on temporary cash investments	\$ 302	\$ 697
Grant revenue	1,976,067	2,128,627
Unrestricted contributions	4,751	7,170
Corporate affiliate fees	65,000	55,000
Program fees and contract revenue	168,872	74,258
Board appropriated allocations to endowment	12,125	16,900
Other income	14,740	10,421
	<u>2,241,857</u>	<u>2,293,073</u>
Net assets released from restrictions	<u>1,038,671</u>	<u>933,875</u>
Total unrestricted revenue and support	<u>3,280,528</u>	<u>3,226,948</u>
Program expenses:		
Maureen and Mike Mansfield Center at The University of Montana:		
Mansfield Conferences	47,333	65,919
Asian Exchanges/Training	91,716	69,959
Teaching, Research, and Public Education	165,253	102,733
	<u>304,302</u>	<u>238,611</u>
Mansfield Foundation:		
Mike Mansfield Fellowship Program	2,217,319	2,082,023
Asian Exchanges/Training	376,651	332,950
Montana Programs	26,159	44,771
Asian Opinion Poll Database	16,433	37,563
Miscellaneous Programs	85,026	122,047
	<u>2,721,588</u>	<u>2,619,354</u>
Total program expenses	<u>3,025,890</u>	<u>2,857,965</u>

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

	<u>2009</u>	<u>2008</u>
General and administrative expenses:		
Salaries and payroll	384,657	339,773
Office	189,242	170,435
Insurance	10,539	10,063
Repairs and maintenance	320	746
Travel	18,811	24,155
Board meetings/travel	7,004	20,926
Professional fees	119,332	136,210
UM Administrative Assessment	11,725	9,048
Advertising/Recruitment	530	682
Hospitality and program development	20,032	4,429
Depreciation	14,709	16,704
Miscellaneous	2,082	1,021
	<u>778,983</u>	<u>734,192</u>
Total general and administrative expenses	778,983	734,192
Less indirect costs allocated to programs	<u>(529,145)</u>	<u>(469,590)</u>
	<u>249,838</u>	<u>264,602</u>
Fundraising expenses	<u>111,179</u>	<u>93,687</u>
Total expenses	<u>3,386,907</u>	<u>3,216,254</u>
Increase (decrease) in unrestricted net assets	<u>(106,379)</u>	<u>10,694</u>
TEMPORARILY RESTRICTED NET ASSETS		
Temporarily restricted support	380,401	283,165
Endowment investment income (loss)	(1,724,428)	(408,382)
Net assets released from restrictions	<u>(1,038,671)</u>	<u>(933,875)</u>
Decrease in temporarily restricted net assets	<u>(2,382,698)</u>	<u>(1,059,092)</u>
Decrease in net assets	(2,489,077)	(1,048,398)
Net assets at the beginning of the year	<u>10,831,405</u>	<u>11,879,803</u>
Net assets at the end of the year	<u>\$ 8,342,328</u>	<u>\$ 10,831,405</u>

THE MAUREEN AND MIKE MANSFIELD FOUNDATION  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (2,489,077)	\$ (1,048,398)
Adjustments to reconcile the change in net assets to net cash used in operating activities:		
Depreciation	14,709	16,704
Loss on disposition of asset	185	-
Realized and unrealized losses on investments	2,637,254	865,622
Change in assets and liabilities:		
(Increase) decrease in current assets:		
Receivables	(32,570)	43,818
Prepaid expenses and other assets	(187,952)	(47,631)
Increase (decrease) in current liabilities:		
Accounts payable	95,931	(45,750)
Accrued expenses	48,205	40,898
Deferred revenue	10,000	5,000
Refundable grant advances	<u>185,401</u>	<u>16,151</u>
Net cash provided by (used in) operating activities	<u>282,086</u>	<u>(153,586)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investment securities	6,021,226	6,520,000
Purchase of investment securities	(6,678,776)	(6,374,140)
Purchase of property and equipment	<u>(11,284)</u>	<u>(18,279)</u>
Net cash provided by (used in) investing activities	<u>(668,834)</u>	<u>127,581</u>
Net decrease in cash and temporary investments	(386,748)	(26,005)
<b>CASH AND TEMPORARY INVESTMENTS</b>		
Beginning of year	<u>682,494</u>	<u>708,499</u>
<b>CASH AND TEMPORARY INVESTMENTS,</b>		
End of year	<u>\$ 295,746</u>	<u>\$ 682,494</u>
<b>NON-CASH INVESTING AND FINANCING ACTIVITY:</b>		
Contract receivable and payable	<u>\$ 3,472</u>	<u>\$ 1,755</u>

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

THE MAUREEN AND MIKE MANSFIELD FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009 and 2008

**NOTE 1. BACKGROUND INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity:**

The Maureen and Mike Mansfield Foundation (the "Foundation"), a nonprofit corporation licensed by the State of Montana, was established to pay tribute to Maureen and Mike Mansfields' distinguished careers. The corporate office is located in Missoula, Montana. The Foundation sponsors and organizes programs to improve understanding and relations among the peoples of the Pacific area. The Mansfield Foundation program offices are in Washington, D.C. and Tokyo, Japan. The Foundation also provides support to the Maureen and Mike Mansfield Center at The University of Montana, for teaching, research, and public education on modern Asian affairs and on ethical questions in public policy. It is located in Missoula, Montana.

**Accounting 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

**Promises to Give:**

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. Grant awards are classified as refundable advances until expended for the purposes of the grant.

Contributions receivable represent conditional promises to give where the condition has been satisfied, but the money has not yet been received.

**Restricted and Unrestricted Revenue and Support:**

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

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires or is met through expenditure or board appropriation of endowment funds, temporarily restricted net assets are reclassified to unrestricted net assets. Temporarily restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

**Designated Unrestricted Net Assets:**

The Board has designated a portion of unrestricted net assets for endowment purposes.

THE MAUREEN AND MIKE MANSFIELD FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2009 and 2008

**NOTE 1. BACKGROUND INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Temporary Investments:**

For purposes of the statement of cash flows, cash and temporary investments include all checking, savings and money market accounts, cash equivalent funds with brokers, and certificates of deposit with an original maturity of three months or less. At June 30, 2008, there were no bank deposits exceeding the FDIC limit of \$100,000. In October 2008, the FDIC raised its insurance limits from \$100,000 to \$250,000. At June 30, 2009, there were no bank deposits exceeding the FDIC insured limit.

**Investment Securities:**

The Foundation carries its marketable equity and debt securities at fair value. Interest and dividends subject to donor restrictions are reported as increases in temporarily restricted net assets. When the restrictions are met or endowment funds are appropriated by the Board, they are reclassified to unrestricted net assets.

**Depreciation:**

Leasehold improvements, furniture, fixtures and equipment are stated at cost. Depreciation is computed using the straight-line method over the following useful lives:

Leasehold improvements	19 years
Furniture, fixtures and equipment	3-10 years

The Foundation capitalizes all purchases over \$500 where the asset acquired provides benefit to future periods.

**Deferred Revenue:**

The Foundation administers a Corporate Affiliate Program (CAP). CAP members attend various programs sponsored by the Foundation as a benefit of their membership. The CAP membership year runs from January to December and the majority of the members paid their annual fee in January. Fees paid prior to June 30 relating to the remainder of the calendar year are treated as deferred revenue.

**Contributed Services:**

The Foundation receives the services of members of the Board of Directors without compensation. These contributions are not reflected in the accompanying financial statements.

Professional services are provided to the Foundation at less than their fair market value. In-kind contribution support and in-kind expenses are recorded for the difference between the fair value of the services and the amount charged to the Foundation.

THE MAUREEN AND MIKE MANSFIELD FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2009 and 2008

**NOTE 1. BACKGROUND INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Program Fee and Contract Revenue:**

The Foundation started providing training to Chinese officials in fiscal 2007 and the revenues from this training are treated as program fees in the accompanying financial statements. During fiscal year 2009, the Science Applications International Corporation (SAIC) awarded the Foundation a Department of Defense subcontract. The revenues from this subcontract are treated as contract revenue.

**Functional Allocation of Expenses:**

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

**Fundraising Expenses:**

Fundraising expenses represent the Foundation's grant writing and contribution solicitation efforts.

**Income Taxes:**

The Foundation is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. It is not considered a private foundation.

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 that would be subject to recognition under FIN 48.

THE MAUREEN AND MIKE MANSFIELD FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2009 and 2008

**NOTE 1. BACKGROUND INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Foreign Currency Transactions:**

The Foundation pays some of its expenses in yen. A foreign currency transaction gain or loss is recorded for any material changes in the dollar-yen exchange rate between the time the transaction is recorded or entered into and the time it is paid or June 30, whichever occurs first.

**Subsequent Event:**

Management has evaluated subsequent events through September 26, 2009, the date which the financial statements were available for issue.

**NOTE 2. INVESTMENT SECURITIES**

The Foundation has determined the fair value of its marketable securities through the application of Statement of Financial Accounting Standard No. 157 *Fair Value Measurements* (SFAS 157). Under SFAS 157, all of the Foundation's equity securities are measured on a recurring basis using Level 1 inputs which are quoted prices in active markets as of the measurement date. All of its debt securities are measured using quoted prices for similar assets, which are Level 2 inputs under SFAS 157.

Cost and fair value of marketable securities at June 30, 2009 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value (Level 1)	Fair Value (Level 2)
Equity securities	\$ 4,067,218	\$ 335,712	\$ (543,150)	\$ 3,859,780	\$ -
Debt securities	4,477,332	10,856	(1,300)	-	4,486,888
Totals	<u>\$ 8,544,550</u>	<u>\$ 346,568</u>	<u>\$ (544,450)</u>	<u>\$ 3,859,780</u>	<u>\$ 4,486,888</u>

The net unrealized appreciation (depreciation) of the investments is summarized as follows:

	COST	FAIR VALUE	NET UNREALIZED APPRECIATION (DEPRECIATION)
<b><u>2009:</u></b>			
Equity securities	\$ 4,067,218	\$ 3,859,780	\$ (207,438)
Debt securities	4,477,332	4,486,888	9,556
	<u>\$ 8,544,550</u>	<u>\$ 8,346,668</u>	<u>\$ (197,882)</u>

THE MAUREEN AND MIKE MANSFIELD FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2009 and 2008

**NOTE 2. INVESTMENT SECURITIES (CONTINUED)**

	<u>COST</u>	<u>FAIR VALUE</u>	<u>NET UNREALIZED APPRECIATION (DEPRECIATION)</u>
<b>2008:</b>			
Equity securities	\$ 6,371,518	\$ 6,324,040	\$ (47,478)
Debt securities	<u>3,924,072</u>	<u>4,002,332</u>	<u>78,260</u>
	<u>\$ 10,295,590</u>	<u>\$ 10,326,372</u>	<u>\$ 30,782</u>

The following summarizes the investment return and its classification in the statements of activities:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
<b>2009:</b>			
Interest and dividend income	\$ -	\$ 912,826	\$ 912,826
Realized and unrealized losses	<u>-</u>	<u>(2,637,254)</u>	<u>(2,637,254)</u>
Total investment return	<u>\$ -</u>	<u>\$ (1,724,428)</u>	<u>\$ (1,724,428)</u>
<b>2008:</b>			
Interest and dividend income	\$ -	\$ 457,240	\$ 457,240
Realized and unrealized gains	<u>-</u>	<u>(865,622)</u>	<u>(865,622)</u>
Total investment return	<u>\$ -</u>	<u>\$ (408,382)</u>	<u>\$ (408,832)</u>

Investments with an unrealized loss position at June 30:

	<u>Less than 12 months</u>		<u>12 months or more</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
<b>2009:</b>						
Description of securities:						
Equity securities	\$ 758,143	\$ 127,131	\$ 1,099,422	\$ 416,019	\$ 1,857,565	\$ 543,150
Debt securities	<u>230,344</u>	<u>1,300</u>	<u>-</u>	<u>-</u>	<u>230,344</u>	<u>1,300</u>
	<u>\$ 988,487</u>	<u>\$ 128,431</u>	<u>\$ 1,099,422</u>	<u>\$ 416,019</u>	<u>\$ 2,087,909</u>	<u>\$ 544,450</u>
<b>2008:</b>						
Description of securities:						
Equity securities	\$ 1,731,061	\$ 424,056	\$ 1,081,510	\$ 415,071	\$ 2,812,571	\$ 839,127
Debt securities	<u>636,549</u>	<u>16,336</u>	<u>-</u>	<u>-</u>	<u>636,549</u>	<u>16,336</u>
	<u>\$ 2,367,610</u>	<u>\$ 440,392</u>	<u>\$ 1,081,510</u>	<u>\$ 415,071</u>	<u>\$ 3,449,120</u>	<u>\$ 855,463</u>

The tables above show the Foundation's investment security unrealized losses and fair values, aggregated by investment category and length of time that the individual securities have been in continuous unrealized loss position at June 30, 2009 and 2008. Two Hundred Twenty-Four (224) and One Hundred Eleven (111) securities are in an unrealized loss position as of June 30, 2009 and 2008, respectively. The Foundation utilizes a professional investment manager to oversee its investment portfolio and make changes as they see fit, including the disposition of any investments they deem to be permanently impaired.

THE MAUREEN AND MIKE MANSFIELD FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2009 and 2008

**NOTE 2. INVESTMENT SECURITIES (CONTINUED)**

A significant portion of the Foundation's investments are subject to the risk of value fluctuation that is inherent in the market. As such, the value of the Foundation's assets may change frequently. To help manage this risk, the Foundation's professional investment managers oversee the Foundation's portfolio and monitor its performance.

**NOTE 3. CONTRACT RECEIVABLE AND RELATED LIABILITY**

The Mike Mansfield Fellowship program requires that after completion of the program, a fellow remain in federal public service for a period of two years or repay the federal government the salary and expenses paid to him or her during the second year of the program.

During fiscal year 2007, the Foundation entered into an unsecured contract with a former fellow who did not fulfill the public service requirements. The contract stipulates monthly payments from the fellow to the Foundation of \$2,618.52 until September 1, 2012. Interest of 5.45 % was charged from the contract's inception on March 2, 2007, reduced to 3.625% January 1, 2008 and to 1.50% January 1, 2009. In turn, the Foundation is obligated to remit the payment to the Department of State. No allowance on the receivable is considered necessary because any uncollected amounts reduce the off-setting liability.

At June 30, 2009, the accompanying statement of financial position contains the following payable to the Department of State:

<u>Due in fiscal year</u>	<u>Amount</u>
2010	\$ 32,212
2011	30,046
2012	<u>75,452</u>
Total payable	<u>\$ 137,710</u>

THE MAUREEN AND MIKE MANSFIELD FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2009 and 2008

**NOTE 4. NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, by board appropriation of endowment funds, or by the expiration of time.

	<u>2009</u>	<u>2008</u>
Board appropriation of endowment funds	\$ <u>646,044</u>	\$ <u>612,300</u>
Purpose restrictions accomplished:		
Maureen and Mike Mansfield Center at The University of Montana:		
Mansfield Conferences	22,226	10,000
Teaching, Research, and Public Education	38,401	7,045
Foundation administration	-	11,500
Foundation Programs:		
Mike Mansfield Fellowship Program, non-federal support	68,970	57,523
Asian Opinion Poll Database	6,157	32,673
Miscellaneous Programs	<u>256,873</u>	<u>202,834</u>
	<u>392,627</u>	<u>321,575</u>
Total Net Assets Released from Restrictions	<u>\$ 1,038,671</u>	<u>\$ 933,875</u>

**NOTE 5. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30 are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Mansfield Pacific Retreats	\$ -	\$ 12,226
Endowment appropriations	<u>2,672,649</u>	<u>5,043,121</u>
	<u>\$ 2,672,649</u>	<u>\$ 5,055,347</u>

THE MAUREEN AND MIKE MANSFIELD FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2009 and 2008

**NOTE 6. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support:

	<u>2009</u>	<u>2008</u>
The programs and operations of the Foundation	\$ 5,325,893	\$ 5,325,893
Conferences and retreats of The Maureen and Mike Mansfield Center at The University of Montana	250,000	250,000
Maureen and Mike Mansfield Center at The University of Montana	100,000	100,000
Asian studies at The University of Montana	49,950	49,950
	<u>\$ 5,725,843</u>	<u>\$ 5,725,843</u>

**NOTE 7. ENDOWMENT NET ASSETS**

The State of Montana adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective May 31, 2007. In August 2008, the Financial Accounting Standards Board issued Staff Position No. FAS 117-1, *Endowments of Non-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds (FAS 117-1)*. FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to UPMIFA. The Foundation adopted FAS 117-1 for its year ended June 30, 2009 and restated its net assets as of July 1, 2007.

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

*Interpretation of Relevant Law*

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

THE MAUREEN AND MIKE MANSFIELD FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2009 and 2008

**NOTE 7. ENDOWMENT NET ASSETS (CONTINUED)**

*Interpretation of Relevant Law (Continued)*

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

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

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
<b><u>2009:</u></b>				
Donor restricted funds	\$ -	\$ 2,672,649	\$ 5,725,843	\$ 8,398,492
Board designated funds	<u>166,017</u>	<u>-</u>	<u>-</u>	<u>166,017</u>
Total funds	<u>\$ 166,017</u>	<u>\$ 2,672,649</u>	<u>\$ 5,725,843</u>	<u>\$ 8,564,509</u>
 <u>2008</u>				
Donor restricted funds	\$ -	\$ 5,043,121	\$ 5,725,843	\$ 10,768,964
Board designated funds	<u>153,892</u>	<u>-</u>	<u>-</u>	<u>153,892</u>
Total funds	<u>\$ 153,892</u>	<u>\$ 5,043,121</u>	<u>\$ 5,725,843</u>	<u>\$ 10,922,856</u>

THE MAUREEN AND MIKE MANSFIELD FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2009 and 2008

**NOTE 7. ENDOWMENT NET ASSETS (CONTINUED)**

Changes in net asset composition by type of fund for the years ended June 30, 2008 and 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2007	\$ 6,200,795	\$ -	\$ 5,725,843	\$ 11,926,638
Net asset reclassification based on change in law	<u>(6,063,803)</u>	<u>6,063,803</u>	<u>-</u>	<u>-</u>
Endowment net assets after reclassification	<u>136,992</u>	<u>6,063,803</u>	<u>5,725,843</u>	<u>11,926,638</u>
Investment return:				
Investment income	-	457,240	-	457,240
Net depreciation	<u>-</u>	<u>(865,622)</u>	<u>-</u>	<u>(865,622)</u>
Total investment return	<u>-</u>	<u>(408,382)</u>	<u>-</u>	<u>(408,382)</u>
Contributions	16,900	-	-	16,900
Appropriation for expenditure	<u>-</u>	<u>(612,300)</u>	<u>-</u>	<u>(612,300)</u>
Endowment net assets, June 30, 2008	<u>153,892</u>	<u>5,043,121</u>	<u>5,725,843</u>	<u>10,922,856</u>
Investment return:				
Investment income	-	912,826	-	912,826
Net depreciation	<u>-</u>	<u>(2,637,254)</u>	<u>-</u>	<u>(2,637,254)</u>
Total investment return	<u>-</u>	<u>(1,724,428)</u>	<u>-</u>	<u>(1,724,428)</u>
Contributions	<u>12,125</u>	<u>-</u>	<u>-</u>	<u>12,125</u>
Appropriation for expenditure	<u>-</u>	<u>(646,044)</u>	<u>-</u>	<u>(646,044)</u>
Endowment net assets, December 31, 2009	<u>\$ 166,017</u>	<u>\$ 2,672,649</u>	<u>\$ 5,725,843</u>	<u>\$ 8,564,509</u>

*Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MUPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2008 or 2009.

THE MAUREEN AND MIKE MANSFIELD FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2009 and 2008

**NOTE 7. ENDOWMENT NET ASSETS (CONTINUED)**

*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 as board-designated funds. The general investment objective is to provide a reasonable current rate of return as well as the potential for long-term growth of income to maintain the purchasing power of the fund over the longer term. The minimum annual target rate of return is three percentage points over the rate of inflation as measured by the consumer price index, measured over a three to five year market cycle. The target annual total rate of return is eight percent on market, also as measured over a three to five year market cycle. 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 and to grow equity assets. Actual returns in any given year may vary from this amount.

*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). Endowment assets are to be invested in stock and/or bond funds and/or certificates of deposit, augmented by bank and mutual savings bank accounts for short-term holdings. Investment in real estate, venture capital or other high risk investments is prohibited without specific Board approval.

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

The Foundation has a policy of appropriating for distribution each year 5% of the rolling average of the previous twelve quarters' market values of the funds at the end of the calendar year to support operations. Should the investment portfolio experience two years growth of 8% or more, the endowment spending policy will be amended to spending 3% less than the endowment growth rate or 5%, whichever is more (calculated on the preceding twelve-quarter rolling average fair market value of the endowment). The fiscal 2010 distribution was reduced to 4.5%.

**NOTE 8. LEASE OBLIGATIONS**

The Foundation leases office space under operating lease agreements. Rent expense for fiscal 2009 and 2008 was \$226,626 and \$190,429, respectively. Minimum future lease commitments are:

2010	\$ 114,868
2011	<u>9,588</u>
Total minimum lease payments	<u><u>\$ 124,456</u></u>

THE MAUREEN AND MIKE MANSFIELD FOUNDATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2009 and 2008

**NOTE 9. RETIREMENT PLAN**

The Foundation contributes 7.5% of full-time domestic employees' salaries to individual annuity contracts. Full-time employees are eligible to participate in the contributory plan after six months of employment. The retirement plan expense was \$39,408 and \$35,011 for fiscal years 2009 and 2008, respectively.

The Foundation accrues deferred compensation in lieu of currently contributing to retirement benefits for full-time Japanese employees. Accrued deferred compensation was \$160,925 and \$127,866 at June 30, 2009 and 2008, respectively, and is included in accrued expenses on the statement of financial position.

**NOTE 10. RELATED PARTY TRANSACTIONS**

The University of Montana (the "University") provides the Foundation with office space, certain computer services, and other related items at below market rates. This nonmonetary contribution, which is not considered material to the financial statements of the Foundation taken as a whole, is not reflected in the accompanying financial statements.

The activities of the Foundation's Maureen and Mike Mansfield Center at The University of Montana (the Center) include educational programs and conferences at the University. The Center Director reports to the President of the University and is accountable to the Foundation's Board of Directors for Foundation grant funds received.

At June 30, 2009 and 2008, the Foundation owed the University \$54,816 and \$22,960, respectively, for reimbursement of expenses.

The accompanying financial statements include \$13,192 and \$10,000 cash and in-kind support received by the Foundation in fiscal years 2009 and 2008, respectively, from the University and its foundation in support of the Center's conferences and teaching and research activities.

Some of the University's support for the Center's activities is not paid directly to the Foundation. The portion of the cost-sharing support provided by the University is not included in the accompanying financial statements. Total identifiable cost-sharing support by the University amounted to \$116,045 and \$112,170 in 2009 and 2008, respectively, for teaching and research.

THE MAUREEN AND MIKE MANSFIELD FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2009 and 2008

**NOTE 11. CONTINGENCY**

The Foundation receives significant funding to support the Mike Mansfield Fellowship Program from the U.S. Department of State. Expenses charged to this program, including indirect costs, are subject to review and approval by the U.S. Department of State.

Indirect costs were charged to federal programs as a percentage of direct expenses. The actual indirect cost rates were 21.52% and 20.02% in fiscal 2009 and 2008, respectively. The indirect costs charged to the U.S. Department of State during fiscal 2009 were:

<u>CONTRACT #</u>	<u>RATE</u>
S-ECAPE-07-GR-127CS	16.93%
S-ECAPE-08-GR-125KF	10.00%

The 2004, 2005, 2006, 2007 and 2008 rates received final approval by the U.S. Department of State.

**NOTE 12. CONTRIBUTED SERVICES**

Contributed services are recorded in the statement of activities as in-kind contributions and in-kind expenses for the benefit of the following programs or activities:

	<u>2009</u>	<u>2008</u>
Mike Mansfield Fellowship Program	\$ 68,970	\$ 57,523
Administrative services	-	1,500
	<u>\$ 68,970</u>	<u>\$ 59,023</u>

**NOTE 13. MAJOR REVENUE SOURCE AND CONCENTRATION OF CREDIT RISK**

The Foundation is highly dependent upon federal funding to support its operations. Contained within revenue and support is \$1,947,327 and \$1,986,208 for fiscal 2009 and 2008, respectively, from the Department of State for the Mansfield Fellowship Program. This represents approximately 98% and 93% of grant revenue for fiscal 2009 and 2008, respectively, and approximately 59% and 62% of total unrestricted revenue and support in 2009 and 2008, respectively.

SUPPLEMENTAL INFORMATION

THE MAUREEN AND MIKE MANSFIELD FOUNDATION  
 SCHEDULE OF FUNCTIONAL EXPENSES  
 Year Ended June 30, 2009  
 (With Comparative Totals for the Year Ended June 30, 2008)

	PROGRAM SERVICES		
	FOUNDATION	UM	TOTAL
Compensation of officers, directors, etc.	\$ 149,622	\$ 46,137	\$ 195,759
Other salaries and wages	275,224	51,620	326,844
Other employee benefits	105,786	45,604	151,390
Payroll taxes	21,754	11,303	33,057
Accounting fees	8,525	-	8,525
Legal fees	900	-	900
Supplies	954	998	1,952
Telephone	413	31	444
Postage and shipping	709	506	1,215
Occupancy	84,781	-	84,781
Equipment rental and maintenance	6,313	204	6,517
Printing and publications	19,137	1,491	20,628
Travel	170,522	76,104	246,626
Conferences, conventions, and meetings	2,265	2,326	4,591
Depreciation	-	-	-
Financial management fees	-	-	-
Consultants/Prof. Svce/Honorariums	62,452	950	63,402
Non-employee salaries/taxes/benefits	468,559	-	468,559
Housing/Post/Education allowances	603,931	-	603,931
Language/Area Studies training	153,539	-	153,539
Receptions	24,009	10,804	34,813
Other expenses	17,967	2,335	20,302
Allocation of indirect costs	475,256	53,889	529,145
In-kind expenses	68,970	-	68,970
	<u>\$ 2,721,588</u>	<u>\$ 304,302</u>	<u>\$ 3,025,890</u>
Total - 2009	<u>\$ 2,721,588</u>	<u>\$ 304,302</u>	<u>\$ 3,025,890</u>
Total - 2008	<u>\$ 2,619,354</u>	<u>\$ 238,611</u>	<u>\$ 2,857,965</u>

SUPPORTING SERVICES						
OPERATIONS	FOUNDATION	UM	TOTAL	FUND RAISING	TOTAL 2009	TOTAL 2008
\$ 45,769	\$ 95,968	\$ 15,573	\$ 157,310	\$ 29,568	\$ 382,637	\$ 386,710
34,325	94,868	14,723	143,916	31,529	502,289	438,775
18,041	34,948	9,315	62,304	16,330	230,024	207,526
7,344	11,518	2,265	21,127	4,945	59,129	54,574
4,500	2,421	-	6,921	-	15,446	14,514
-	-	-	-	-	900	3,943
2,291	4,348	2,124	8,763	-	10,715	13,605
1,530	11,883	5,053	18,466	13	18,923	16,455
348	347	671	1,366	307	2,888	4,346
7,254	113,029	-	120,283	7,126	212,190	195,030
274	46	-	320	-	6,837	2,356
2,369	10,723	282	13,374	1,133	35,135	39,912
2,790	13,242	2,779	18,811	19,053	284,490	319,580
7,004	-	-	7,004	-	11,595	21,657
5,302	5,759	3,648	14,709	-	14,709	16,704
82,386	-	-	82,386	-	82,386	103,478
27,548	2,477	-	30,025	-	93,427	75,071
-	-	-	-	-	468,559	520,577
-	-	-	-	-	603,931	406,279
-	-	-	-	-	153,539	182,733
12,248	2,762	5,022	20,032	1,037	55,882	59,996
10,812	28,902	12,152	51,866	138	72,306	73,410
(127,009)	(348,247)	(53,889)	(529,145)	-	-	-
-	-	-	-	-	68,970	59,023
<u>\$ 145,126</u>	<u>\$ 84,994</u>	<u>\$ 19,718</u>	<u>\$ 249,838</u>	<u>\$ 111,179</u>	<u>\$ 3,386,907</u>	<u>\$ 3,216,254</u>
<u>\$ 167,440</u>	<u>\$ 81,131</u>	<u>\$ 16,031</u>	<u>\$ 264,602</u>	<u>\$ 93,687</u>		

THE MAUREEN AND MIKE MANSFIELD FOUNDATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2009

<u>FEDERAL GRANTOR</u> <u>/PROGRAM TITLE</u>	<u>FEDERAL</u> <u>CFDA</u> <u>NUMBER</u>	<u>CONTRACT</u> <u>NUMBER</u>	<u>EXPENDITURES</u>
U.S. Department of State:			
The Mike Mansfield			
Fellowship Program			
	19.xxx	S-ECAPE-07-GR-127CS	\$ 279,314
		S-ECAPE-08-GR-125KF	<u>1,668,013</u>
			<u>1,947,327</u>
U.S. Department of State:			
Tokyo American Center			
Young Economists' Washington Seminar			
		S-JA800-08-GR-074	29,919
Young Economists' Washington Seminar			
		S-JA800-09-GR-062	<u>29,445</u>
			<u>59,364</u>
Total Federal expenditures			<u>\$ 2,006,691</u>

THE MAUREEN AND MIKE MANSFIELD FOUNDATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2009

**NOTE 1. BASIS OF ACCOUNTING**

This schedule was prepared using the accrual basis of accounting which is the same method used to prepare the financial statements.

**NOTE 2. RECONCILIATION TO STATEMENT OF ACTIVITIES**

The following items reconcile federal expenditures for the Mike Mansfield Fellowship Program to program expenditures reported on the statement of activities for the year ended June 30, 2009:

Federal expenditures	\$ 1,947,327
In-kind contributions	68,970
Foundation expenditures	<u>201,022</u>
Total expenditures per statement of activities	<u>\$ 2,217,319</u>

THE MAUREEN AND MIKE MANSFIELD FOUNDATION  
 SCHEDULE OF INDIRECT COST RATE COMPUTATION  
 Year Ended June 30, 2009

	TOTAL	OPERATIONS	MAUREEN AND MIKE MANSFIELD CENTER AT THE UNIVERSITY OF MONTANA	FOUNDATION
<u>INDIRECT COST RATE</u>				
Allowable indirect costs		\$ 133,575	\$ 64,700	\$ 503,625
Distribution base		\$ 3,311,371	\$ 300,651	\$ 2,303,835
Rate		<u>4.03%</u>	<u>21.52%</u>	<u>21.86%</u>
<u>DISTRIBUTION BASE*</u>				
Total expenses	\$ 3,513,916	\$ 272,135	\$ 365,351	\$ 2,876,430
Less: In-kind expenses incl. in indirect	-	-	-	-
Less: Total indirect expenses	<u>(890,162)</u>	<u>(145,126)</u>	<u>(114,938)</u>	<u>(630,098)</u>
Direct program costs	2,623,754	127,009	250,413	2,246,332
Less: in-kind direct program costs	(68,970)	-	-	(68,970)
Plus: unallowable costs	<u>315,271</u>	<u>138,560</u>	<u>50,238</u>	<u>126,473</u>
Distribution base before Centers' allowable IDC	2,870,055	265,569	300,651	2,303,835
Plus: Centers' allowable IDC	<u>441,316</u>	<u>-</u>	<u>64,700</u>	<u>376,616</u>
Distribution base after Centers' allowable IDC	<u>\$ 3,311,371</u>	<u>\$ 265,569</u>	<u>\$ 365,351</u>	<u>\$ 2,680,451</u>

\* Costs unallowable as charges to federal grants are included in the distribution base as representing activities benefiting from the Organization's indirect costs.

**THE MAUREEN AND MIKE MANSFIELD FOUNDATION**  
**SCHEDULE OF INDIRECT COST RATE COMPUTATION (CONTINUED)**  
**Year Ended June 30, 2009**

	OPERATIONS		
	TOTAL	UNALLOWABLE COSTS	ALLOWABLE INDIRECT COSTS
<b>INDIRECT COSTS*</b>			
<b>SALARIES AND PAYROLL EXPENSE</b>			
Salaries	\$ 300,832	\$ -	\$ 80,094
Payroll taxes and benefits	83,825	-	25,385
	<u>384,657</u>	<u>-</u>	<u>105,479</u>
<b>OFFICE EXPENSE</b>			
Rent, utilities	120,283	-	7,254
Parking, commuting benefits	14,665	-	1,050
Office supplies	8,763	15	2,276
Bank charges	6,684	4,748	1,301
Telephone and fax	18,466	-	1,530
Postage and delivery	1,366	19	329
Printing and copying	13,374	1,897	472
Subscriptions and research materials	1,689	-	8
Professional dues	3,318	-	650
Other	634	-	45
Total office expense	<u>189,242</u>	<u>6,679</u>	<u>14,915</u>
<b>INSURANCE</b>	<u>10,539</u>	<u>3,010</u>	<u>-</u>
<b>REPAIRS AND MAINTENANCE</b>	<u>320</u>	<u>-</u>	<u>274</u>
<b>TRAVEL</b>	<u>18,811</u>	<u>435</u>	<u>2,355</u>
<b>BOARD MEETINGS</b>	<u>7,004</u>	<u>7,004</u>	<u>-</u>
<b>PROFESSIONAL FEES</b>			
Consultants	30,025	26,798	750
Financial management fee	82,386	82,386	-
Accounting fees	6,921	-	4,500
Total professional fees	<u>119,332</u>	<u>109,184</u>	<u>5,250</u>
<b>FUNDRAISING</b>	<u>111,179</u>	<u>-</u>	<u>-</u>
<b>INTEREST EXPENSE</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>UM ADMINISTRATIVE ASSESSMENT</b>	<u>11,725</u>	<u>-</u>	<u>-</u>
<b>ADVERTISING/RECRUITMENT</b>	<u>530</u>	<u>-</u>	<u>-</u>
<b>MISCELLANEOUS</b>	<u>2,082</u>	<u>-</u>	<u>-</u>
<b>DEPRECIATION</b>	<u>14,709</u>	<u>-</u>	<u>5,302</u>
<b>HOSPITALITY</b>	<u>20,032</u>	<u>12,248</u>	<u>-</u>
Total indirect costs before allocation	890,162	138,560	133,575
Less: in-kind expenses	-	-	-
Total indirect costs for rate calculation before allocation	<u>890,162</u>	<u>138,560</u>	<u>133,575</u>
<b>ALLOCATION OF OPERATIONS ALLOWABLE</b>			
INDIRECT COSTS TO CENTERS*	<u>-</u>	<u>-</u>	<u>(127,009)</u>
TOTAL INDIRECT COSTS FOR IDC RATE CALCULATION	<u>\$ 890,162</u>	<u>\$ 138,560</u>	<u>\$ 6,566</u>

\*Indirect Costs do not include any direct program expenses.

MAUREEN AND MIKE MANSFIELD  
CENTER AT THE UNIVERSITY OF

MONTANA		FOUNDATION	
UNALLOWABLE COSTS	ALLOWABLE INDIRECT COSTS	UNALLOWABLE COSTS	ALLOWABLE INDIRECT COSTS
\$ 2,776	\$ 27,125	\$ 30,599	\$ 160,238
995	10,980	7,549	38,916
<u>3,771</u>	<u>38,105</u>	<u>38,148</u>	<u>199,154</u>
-	-	4,892	108,137
-	212	-	13,403
112	2,012	190	4,158
-	-	-	635
2	5,051	136	11,747
-	671	210	137
-	282	64	10,659
-	-	-	1,681
-	-	80	2,588
-	-	373	216
<u>114</u>	<u>8,228</u>	<u>5,945</u>	<u>153,361</u>
-	-	-	7,529
-	-	-	46
-	2,779	6,373	6,869
-	-	-	-
-	-	1,000	1,477
-	-	-	-
-	-	-	2,421
-	-	1,000	3,898
<u>41,331</u>	<u>-</u>	<u>69,848</u>	<u>-</u>
-	-	-	-
-	11,725	-	-
-	30	500	-
-	185	1,897	-
-	3,648	-	5,759
<u>5,022</u>	<u>-</u>	<u>2,762</u>	<u>-</u>
50,238	64,700	126,473	376,616
-	-	-	-
<u>50,238</u>	<u>64,700</u>	<u>126,473</u>	<u>376,616</u>
-	-	-	127,009
<u>\$ 50,238</u>	<u>\$ 64,700</u>	<u>\$ 126,473</u>	<u>\$ 503,625</u>

SINGLE AUDIT SECTION

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
The Maureen and Mike Mansfield Foundation  
Mansfield Library, 4th Floor  
The University of Montana  
Missoula, Montana 59812

We have audited the financial statements of The Maureen and Mike Mansfield Foundation (the Foundation) as of and for the year ended June 30, 2009 and have issued our report thereon dated September 26, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Foundation in a separate letter dated September 26, 2009.

This report is intended solely for the information and use of management, the board of directors, others within the entity, and the Department of State and other federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson Zurmuehlen & Co., P.C.*

Helena, Montana  
September 26, 2009

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors  
The Maureen and Mike Mansfield Foundation  
Mansfield Library, 4th Floor  
The University of Montana  
Missoula, Montana 59812

### Compliance

We have audited the compliance of The Maureen and Mike Mansfield Foundation (the Foundation) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The Foundation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Foundation's management. Our responsibility is to express an opinion on the Foundation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Foundation's compliance with those requirements.

In our opinion, the Foundation complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

### **Internal Control Over Compliance**

The management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Foundation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a material weakness.

The Foundation's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Foundation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the board of directors, others within the entity, the Department of State and other federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson Zurmuehlen & Co., P.C.*

Helena, Montana  
September 26, 2009

THE MAUREEN AND MIKE MANSFIELD FOUNDATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009

**Section I - Summary of Auditor's Results:**

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting: Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements?	No

Federal Awards

Internal control over major programs: Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to Be reported in accordance with section 510(a) of Circular A-133?	Yes

The major program for the year ended June 30, 2009, was as follows:

The Mike Mansfield Fellowship Program granted by the Department of State. This program has not been assigned a CFDA number

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

THE MAUREEN AND MIKE MANSFIELD FOUNDATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009

**Section II - Financial Statement Findings:**

There were no findings related to the financial statements, which are required to be reported under Government Auditing Standards, issued by OMB.

**Section III - Federal Awards Findings and Questioned Costs:**

Finding 2009-1

*Condition –* One employee purchased a business class airline ticket which was approved in advance by the granting agency. However, this approval was not based on an actual itinerary and upon review of the actual flight itinerary, management and the auditors determined that this ticket did not meet the requirements to qualify for business class travel. The cost difference between the coach and business class airline ticket resulted in a questioned cost.

*Criteria –* The Foundation should provide the granting agency with actual itineraries in the process of seeking authorization and changes should not be made to travel plans after the granting agency has authorized the trip.

*Effect –* \$2,542.35 was determined to be an unallowable cost. A liability was recorded on the financial statements reflecting the refund owed to the granting agency.

*Cause –* Travel was authorized before the airline ticket was purchased, as required by the granting agency. However, the granting agency was never presented an actual flight itinerary.

*Recommendation –* We recommend the Foundation provide the granting agency with actual itineraries in the process of seeking authorization and if any changes are made to an employee's travel plans which have been previously authorized by the granting agency, the changes be submitted to the granting agency for review. We recommend the Foundation consider delaying the processing of claims for business class fare reimbursement until all required documentation is available and reviewed by management for consistency with the actual trip itinerary.

*Client response and  
Corrective actions –* All staff and management have been informed of the questioned cost and instructed to continue to obtain prior authorization for any airline travel and to inform the granting agency of any changes to the previously authorized airline travel if such changes should occur.

THE MAUREEN AND MIKE MANSFIELD FOUNDATION  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2008

**Summary Schedule of Prior Audit Findings:**

The audit report for the year ended June 30, 2008, contained no findings.