

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





**THE MAUREEN AND MIKE
MANSFIELD FOUNDATION**

FINANCIAL REPORT

June 30, 2014





THE MAUREEN AND MIKE MANSFIELD FOUNDATION

Promoting Understanding and Cooperation in U.S.-Asia Relations since 1983

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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.

November 6, 2014

Frank Jannuzi
President and CEO

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Maureen and Mike Mansfield Foundation (the Foundation) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities 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 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Maureen and Mike Mansfield Foundation as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses, on page 25, and the indirect cost rate computation, starting on page 28, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, starting on page 26, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2014 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* in considering the Foundation's internal control over financial reporting and compliance.



Helena, Montana
November 6, 2014

FINANCIAL STATEMENTS

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and temporary investments	\$ 114,775	\$ 287,763
Receivables:		
Service receivables	22,717	19,245
Grants	43,934	34,726
Contributions	187,646	131,371
Prepaid expenses and other current assets	<u>128,854</u>	<u>131,615</u>
Total current assets	<u>497,926</u>	<u>604,720</u>
 PROPERTY AND EQUIPMENT, at cost		
Leasehold improvements	166,757	167,885
Furniture and equipment	<u>195,861</u>	<u>221,868</u>
	362,618	389,753
Less accumulated depreciation	<u>345,785</u>	<u>379,181</u>
Net property and equipment	<u>16,833</u>	<u>10,572</u>
 ENDOWED ASSETS		
Endowed cash and temporary investments	313,809	509,936
Investment securities	10,654,842	9,408,840
Accrued interest	<u>26,371</u>	<u>30,785</u>
Total endowed assets	<u>10,995,022</u>	<u>9,949,561</u>
 Total assets	 <u>\$ 11,509,781</u>	 <u>\$ 10,564,853</u>

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

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
June 30, 2014 and 2013

LIABILITIES	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES		
Accounts payable	\$ 151,387	\$ 111,060
Accrued expenses	330,604	346,701
Deferred revenue	<u>281,528</u>	<u>433,126</u>
Total current liabilities	<u>763,519</u>	<u>890,887</u>
NET ASSETS		
Unrestricted		
Operating	(248,760)	(275,595)
Board designated for the endowment	<u>166,517</u>	<u>166,517</u>
Total unrestricted	<u>(82,243)</u>	<u>(109,078)</u>
Temporarily restricted		
Endowment temporarily restricted net assets	<u>5,095,162</u>	<u>4,053,701</u>
Permanently restricted	<u>5,733,343</u>	<u>5,729,343</u>
	<u>10,746,262</u>	<u>9,673,966</u>
Total liabilities and net assets	<u>\$ 11,509,781</u>	<u>\$ 10,564,853</u>

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

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
 STATEMENTS OF ACTIVITIES
 Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
UNRESTRICTED NET ASSETS		
Revenue and support:		
Interest on temporary cash investments	\$ 96	\$ 159
Grant revenue	1,537,141	1,182,072
Unrestricted contributions	7,650	159,200
Restricted contribution - not released from restrictions	-	1,500
Corporate affiliate fees	89,167	70,000
Program fees and contract revenue	149,197	125,116
Other income	<u>213</u>	<u>4,207</u>
	1,783,464	1,542,254
Net assets released from restrictions	<u>1,670,857</u>	<u>1,520,693</u>
Total unrestricted revenue and support	<u>3,454,321</u>	<u>3,062,947</u>
 Program expenses:		
Maureen and Mike Mansfield Center at The University of Montana:		
Mansfield Conferences	60,139	40,639
Asian Exchanges/Training	113,356	139,919
Teaching, Research, and Public Education	<u>24,362</u>	<u>27,953</u>
	<u>197,857</u>	<u>208,511</u>
 Mansfield Foundation:		
Mike Mansfield Fellowship Program	1,611,276	1,388,075
Asian Exchanges/Training	177,431	46,058
PhRMA Exchange	191,084	46,182
Rule of Law	187,006	50,971
US-Japan Network	150,825	246,867
US-Korea Network	130,688	79,115
US-Japan Relations	45,386	-
US-Korea Relations	-	16,060
Integrated Approach Transport	64,978	47,949
Nuclear Working Group	136,227	188,447
Cherry Blossom Centennial	-	291,145
Research and Education	37,140	47,444
Miscellaneous Programs	<u>152,008</u>	<u>143,779</u>
	<u>2,884,049</u>	<u>2,592,092</u>
Total program expenses	<u>3,081,906</u>	<u>2,800,603</u>

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

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
STATEMENTS OF ACTIVITIES (CONTINUED)
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
General and administrative expenses:		
Salaries and payroll	418,166	415,143
Office	191,680	200,716
Insurance	11,066	10,563
Repairs/Maintenance	15,925	-
Advertising/Recruitment	-	2,252
Travel	16,249	12,530
Board meetings/travel	14,347	21,635
Professional fees	150,200	131,044
UM Administrative Assessment	7,957	6,547
Hospitality and program development	3,700	5,912
Depreciation	6,173	7,517
Miscellaneous	<u>1,529</u>	<u>3,287</u>
Total general and administrative expenses	836,992	817,146
Less indirect costs allocated to programs	<u>(564,232)</u>	<u>(529,372)</u>
	<u>272,760</u>	<u>287,774</u>
Fundraising expenses	<u>72,820</u>	<u>79,900</u>
Total expenses	<u>3,427,486</u>	<u>3,168,277</u>
Change in unrestricted net assets	<u>26,835</u>	<u>(105,330)</u>
TEMPORARILY RESTRICTED NET ASSETS		
Temporarily restricted support	1,145,343	1,006,149
Endowment interest and dividend income	271,231	277,159
Endowment realized and unrealized gains on investments	1,295,744	836,414
Net assets released from restrictions	<u>(1,670,857)</u>	<u>(1,520,693)</u>
Change in temporarily restricted net assets	<u>1,041,461</u>	<u>599,029</u>
PERMANENTLY RESTRICTED NET ASSETS		
Contributions to the endowment fund	<u>4,000</u>	<u>1,500</u>
Change in net assets	1,072,296	495,199
Net assets at the beginning of the year	<u>9,673,966</u>	<u>9,178,767</u>
Net assets at the end of the year	<u>\$ 10,746,262</u>	<u>\$ 9,673,966</u>

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

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,072,296	\$ 495,199
Adjustments to reconcile the change in net assets to net cash from operating activities		
Depreciation	6,173	7,517
Realized and unrealized gains on investments	(1,295,744)	(836,414)
Permanently restricted contributions	(4,000)	(1,500)
Change in operating assets and liabilities:		
Receivables	(64,541)	(53,875)
Prepaid expenses and other assets	2,761	69,180
Accounts payable	40,327	(112,083)
Accrued expenses	(16,097)	(23,983)
Deferred revenue	<u>(151,598)</u>	<u>363,106</u>
Net cash flows from operating activities	<u>(410,423)</u>	<u>(92,853)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investment securities	3,893,113	5,071,774
Purchase of investment securities	(3,843,371)	(4,686,847)
Purchase of property and equipment	<u>(12,434)</u>	<u>(5,504)</u>
Net cash flows from investing activities	<u>37,308</u>	<u>379,423</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	<u>4,000</u>	<u>1,500</u>
Net cash provided by financing activities	<u>4,000</u>	<u>1,500</u>
Net change in cash and temporary investments	(369,115)	288,070
CASH AND TEMPORARY INVESTMENTS,		
Beginning of year	<u>797,699</u>	<u>509,629</u>
CASH AND TEMPORARY INVESTMENTS,		
End of year	<u>\$ 428,584</u>	<u>\$ 797,699</u>
NON-CASH INVESTING AND FINANCING ACTIVITY		
Disposal of property and equipment	<u>\$ 39,568</u>	<u>\$ 13,951</u>
CASH AND TEMPORARY INVESTMENTS ARE PRESENTED IN THE ACCOMPANYING STATEMENT OF FINANCIAL POSITION UNDER THE FOLLOWING CAPTIONS		
Cash and temporary investments	\$ 114,775	\$ 287,763
Endowed cash and temporary investments	<u>313,809</u>	<u>509,936</u>
	<u>\$ 428,584</u>	<u>\$ 797,699</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, 2014 and 2013

NOTE I. 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.

Basis of Financial Statement Presentation and Accounting Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board (FASB). 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.

Grants are recognized as revenue and expense in the period when the terms of the grant are met. Federal grants with beginning dates of September 12, 2012, June 10, 2013, and June 15, 2014, were partially expended during fiscal year 2014. Approximately \$1,537,141 and \$970,000 of this grant support had been spent as of June 30, 2014 and 2013, respectively. The remaining grant funds of \$1,889,319 and \$2,066,000, respectively, are expected to be spent within one year. These timing differences can create the appearance of significant year over year differences in revenues.

Contributions receivable represent conditional promises to give where the condition has been satisfied, but the money has not yet been received. All contributions receivable are expected to be collected within the next year.

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014 and 2013

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

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.

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. From time to time, certain bank accounts that are subject to FDIC coverage exceeded their insured limits of \$250,000. At June 30, 2014 and 2013, there were \$63,809 and \$29,271 in bank deposits exceeding the FDIC insured limit, respectively.

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 and equipment	3-10 years

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

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014 and 2013

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

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 pay their annual fee in January. Fees paid prior to June 30 relating to the remainder of the calendar year are treated as deferred revenue. Advance payments for program fees or contract revenue are also reported as deferred revenue. The Corporate Affiliate Program will be renamed “Corporate Friends of Mansfield” during fiscal year 2015.

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.

Program Fee and Contract Revenue

The Foundation provides training to Asian officials. The revenues from this training are treated as program fees in the accompanying financial statements.

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. The ratio of fundraising expenses to grant and contributions received is 6.45% and 6.84% for the years ended June 30, 2014 and 2013, respectively. The ratio of expenses to amounts raised is computed using actual expenses and related contributions on an accrual basis.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c) of the Internal Revenue Code as an organization described in Section 501(c)(3); therefore, no liability for federal income taxes has been recorded.

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014 and 2013

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

Income Taxes (Continued)

The Financial Accounting Standards Board (FASB) has issued an interpretation on accounting for uncertainty in income taxes. This interpretation 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.

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.

With few exceptions, the Foundation's informational returns are no longer subject to examinations by federal authorities for years before 2011.

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 rates between the time the transaction is recorded or entered into and the time it is paid or June 30, whichever occurs first. The foreign currency transaction losses incurred were \$2,024 and \$6,580 for the years ended June 30, 2014 and 2013, respectively.

Reclassification

Certain reclassifications have been made to the 2013 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent Events

Management has evaluated subsequent events through November 6, 2014, the date which the financial statements were available for issue.

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014 and 2013

NOTE 2. INVESTMENT SECURITIES

GAAP provides a framework for measuring fair value. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

GAAP also establishes a fair value hierarchy, which prioritizes the valuation of inputs into three broad levels, as described below:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Foundation's policy for determining the timing of significant transfers between levels 1 and 2 is at the end of the reporting period.

Equity securities: Valued at fair value based on quoted market prices in active markets in which the individual securities are traded.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds and are required to publish their daily net asset value (NAV) of shares and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

Debt securities: Valued at the discounted value of all known future cash flows, maximizing the use of observable inputs for similar securities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

There have been no changes in the methodologies used at June 30, 2014 and 2013.

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014 and 2013

NOTE 2. INVESTMENT SECURITIES (CONTINUED)

Cost and fair value of marketable securities at June 30, 2014 and 2013, are as follows:

	Total June 30, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities				
Large Cap Value	\$ 2,294,232	\$ 2,294,232	\$ -	\$ -
Large Cap Growth	991,086	991,086	-	-
Small-Mid Cap	804,862	804,862	-	-
Equity Mutual Funds	1,390,283	1,390,283	-	-
Real Estate	549,874	549,874	-	-
International	1,155,190	1,155,190	-	-
Debt Securities				
Fixed Income Mutual Funds	1,253,209	1,253,209	-	-
Government and Agency Securities	<u>2,216,106</u>	-	<u>2,216,106</u>	-
Total Assets	<u>\$ 10,654,842</u>	<u>\$ 8,438,736</u>	<u>\$ 2,216,106</u>	<u>\$ -</u>

	Total June 30, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities				
Large Cap Value	\$ 1,893,368	\$ 1,893,368	\$ -	\$ -
Large Cap Growth	837,677	837,677	-	-
Small-Mid Cap	856,093	856,093	-	-
Equity Mutual Funds	1,103,308	1,103,308	-	-
Real Estate	478,178	478,178	-	-
International	921,482	921,482	-	-
Debt Securities				
Fixed Income Mutual Funds	1,253,402	1,253,402	-	-
Government and Agency Securities	<u>2,065,332</u>	-	<u>2,065,332</u>	-
Total Assets	<u>\$ 9,408,840</u>	<u>\$ 7,343,508</u>	<u>\$ 2,065,332</u>	<u>\$ -</u>

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014 and 2013

NOTE 2. INVESTMENT SECURITIES (CONTINUED)

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

	<u>Cost</u>	<u>Fair Value</u>	<u>Net Unrealized Appreciation/ (Depreciation)</u>
<u>2014</u>			
Equity securities	\$ 5,869,288	\$ 7,185,527	\$ 1,316,239
Debt securities	<u>3,481,998</u>	<u>3,469,315</u>	<u>(12,683)</u>
Total assets	<u>\$ 9,351,286</u>	<u>\$ 10,654,842</u>	<u>\$ 1,303,556</u>
<u>2013</u>			
Equity securities	\$ 5,581,627	\$ 6,090,106	\$ 508,479
Debt securities	<u>3,346,647</u>	<u>3,318,734</u>	<u>(27,913)</u>
Total assets	<u>\$ 8,928,274</u>	<u>\$ 9,408,840</u>	<u>\$ 480,566</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>
<u>2014</u>			
Endowment interest and dividend income	\$ -	\$ 271,231	\$ 271,231
Endowment realized and unrealized gains	<u>-</u>	<u>1,295,744</u>	<u>1,295,744</u>
Total investment return	<u>\$ -</u>	<u>\$ 1,566,975</u>	<u>\$ 1,566,975</u>
<u>2013</u>			
Endowment interest and dividend income	\$ -	\$ 277,159	\$ 277,159
Endowment realized and unrealized gains	<u>-</u>	<u>836,414</u>	<u>836,414</u>
Total investment return	<u>\$ -</u>	<u>\$ 1,113,573</u>	<u>\$ 1,113,573</u>

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014 and 2013

NOTE 2. INVESTMENT SECURITIES (CONTINUED)

Investments with an unrealized loss position at June 30:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
<u>2014</u>						
Description of securities						
Equity securities	\$ 593,452	\$ (46,582)	\$ 376,368	\$ (61,472)	\$ 969,820	\$ (108,054)
Debt securities	<u>238,416</u>	<u>(695)</u>	<u>1,347,266</u>	<u>(43,380)</u>	<u>1,585,682</u>	<u>(44,075)</u>
	<u>\$ 831,868</u>	<u>\$ (47,277)</u>	<u>\$ 1,723,634</u>	<u>\$ (104,852)</u>	<u>\$ 2,555,502</u>	<u>\$ (152,129)</u>
<u>2013</u>						
Description of securities						
Equity securities	\$ 1,172,297	\$ (72,218)	\$ 732,693	\$ (193,350)	\$ 1,904,990	\$ (265,568)
Debt securities	<u>1,227,032</u>	<u>(44,169)</u>	<u>665,551</u>	<u>(14,435)</u>	<u>1,892,583</u>	<u>(58,604)</u>
	<u>\$ 2,399,329</u>	<u>\$ (116,387)</u>	<u>\$ 1,398,244</u>	<u>\$ (207,785)</u>	<u>\$ 3,797,573</u>	<u>\$ (324,172)</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, 2014 and 2013. Eighty-seven (87) and one hundred thirty-nine (139) securities are in an unrealized loss position as of June 30, 2014 and 2013, respectively. These losses are considered temporary. 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.

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. Total investment fees paid to the investment managers were \$100,536 and \$88,579 for the years ended June 30, 2014 and 2013, respectively.

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014 and 2013

NOTE 3. 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>2014</u>	<u>2013</u>
Board appropriation of endowment funds	\$ <u>526,261</u>	\$ <u>513,044</u>
Purpose restrictions accomplished		
Maureen and Mike Mansfield Center at The University of Montana		
Mansfield Conferences	15,070	4,569
Asia exchanges	18,803	-
Teaching, research and public education	2,657	-
Administration	527	-
Foundation Programs		
Mike Mansfield Fellowship Program, non-federal support	61,732	55,621
US Japan Space Security	2,899	-
Asia exchange	179,535	63,015
PhRMA exchange	203,601	46,182
Rule of Law	180,603	26,631
US Asia Networks	253,259	288,493
Nuclear Working Group	113,460	173,937
Cherry Blossom Centennial	-	253,554
Operations	9,900	1,500
Miscellaneous programs	<u>102,550</u>	<u>94,147</u>
Total purpose restrictions accomplished	<u>1,144,596</u>	<u>1,007,649</u>
Total net assets released from restrictions	<u>\$ 1,670,857</u>	<u>\$ 1,520,693</u>

NOTE 4. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Center support and Foundation programs	\$ <u>5,095,162</u>	\$ <u>4,053,701</u>

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014 and 2013

NOTE 5. PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2014</u>	<u>2013</u>
The programs and operations of the Foundation	\$ 5,333,393	\$ 5,329,393
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	<u>49,950</u>	<u>49,950</u>
Total permanently restricted net assets	<u>\$ 5,733,343</u>	<u>\$ 5,729,343</u>

NOTE 6. ENDOWMENT NET ASSETS

At June 30, 2014 and 2013, the Foundation's endowment was managed by Goldman Sachs. 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, 2014 and 2013

NOTE 6. ENDOWMENT NET ASSETS (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>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>2014</u>				
Donor restricted funds	\$ -	\$ 5,095,162	\$ 5,733,343	\$ 10,828,505
Board designated funds	<u>166,517</u>	<u>-</u>	<u>-</u>	<u>166,517</u>
Total funds	<u>\$ 166,517</u>	<u>\$ 5,095,162</u>	<u>\$ 5,733,343</u>	<u>\$ 10,995,022</u>
<u>2013</u>				
Donor restricted funds	\$ -	\$ 4,053,701	\$ 5,729,343	\$ 9,783,044
Board designated funds	<u>166,517</u>	<u>-</u>	<u>-</u>	<u>166,517</u>
Total funds	<u>\$ 166,517</u>	<u>\$ 4,053,701</u>	<u>\$ 5,729,343</u>	<u>\$ 9,949,561</u>

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014 and 2013

NOTE 6. ENDOWMENT NET ASSETS (CONTINUED)

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2012	\$ 166,517	\$ 3,454,672	\$ 5,727,843	\$ 9,349,032
Investment return				
Investment income	-	277,159	-	277,159
Net appreciation/(depreciation)	-	836,414	-	836,414
Total investment return	-	1,113,573	-	1,113,573
Contributions	-	(1,500)	1,500	-
Appropriation for expenditure	-	(513,044)	-	(513,044)
Endowment net assets, June 30, 2013	<u>166,517</u>	<u>4,053,701</u>	<u>5,729,343</u>	<u>9,949,561</u>
Investment return				
Investment income	-	271,231	-	271,231
Net appreciation/(depreciation)	-	1,295,744	-	1,295,744
Total investment return	-	1,566,975	-	1,566,975
Contributions	-	747	4,000	4,747
Appropriation for expenditure	-	(526,261)	-	(526,261)
Endowment net assets, June 30, 2014	<u>\$ 166,517</u>	<u>\$ 5,095,162</u>	<u>\$ 5,733,343</u>	<u>\$ 10,995,022</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, 2014 or 2013.

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 four percentage points over the rate of inflation as measured by the consumer price index, measured over a five year market cycle.

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014 and 2013

NOTE 6. ENDOWMENT NET ASSETS (CONTINUED)

Return Objectives and Risk Parameters (Continued)

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.

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, but never exceeding 7.0 % (calculated on the preceding twelve-quarter rolling average fair market value of the endowment). The fiscal 2014 and 2013 distributions were reduced to 4.5%.

NOTE 7. LEASE OBLIGATIONS

The Foundation leases office space under operating lease agreements. Rent expense for fiscal 2014 and 2013 was \$221,295 and \$231,095, respectively. Minimum future lease commitments are:

	<u>Amount</u>
2015	\$ 166,810
2016	<u>13,929</u>
Total minimum lease payments	<u>\$ 180,739</u>

The rental agreement contains a renewal option which would extend the lease for an additional 5-year period.

The Foundation also leases office space in Tokyo under a month-to-month lease agreement. Monthly payments under this agreement are ¥200,000 and a six-month notice is required to terminate the agreement.

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014 and 2013

NOTE 8. 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 \$43,894 and \$56,119 for fiscal years 2014 and 2013, respectively.

The Foundation accrues deferred compensation in lieu of currently contributing to retirement benefits for full-time Japanese employees. Accrued deferred compensation was \$223,403 and \$215,941 at June 30, 2014 and 2013, respectively, and is included in accrued expenses on the statement of financial position.

NOTE 9. 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 Provost of the University and is accountable to the Foundation's Board of Directors for Foundation grant funds received.

At June 30, 2014 and 2013, the Foundation owed the University \$9,564 and \$1,618, respectively, in support of The University of Montana's Mansfield Center.

The accompanying financial statements include \$39,558 and \$4,569 cash and in-kind support received by the Foundation in fiscal years 2014 and 2013, respectively, from the University and its foundation in support of the Center's conferences and teaching and research activities.

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014 and 2013

NOTE 10. CONTINGENCIES

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 22.64% in fiscal 2014 and 2013, respectively. The indirect costs charged to the U.S. Department of State during fiscal 2014 were:

<u>CONTRACT #</u>	<u>RATE</u>
S-ECAPE-12-GR-206(KF)	15.00%
S-ECAGD-13-GR-150(BR)	19.98%
S-ECAGD-14-GR-1100	21.52%

The 2013 rates received final approval by the U.S. Department of State.

Grant contracts and agreements are routinely subject to final review and approval by the funding agencies following grant-end dates. The results of these reviews may result in changes to previously recorded grant revenue and expenditures in future accounting periods. It is the Foundation's policy to evaluate the impact of any resulting modifications to previously reported grant financial activity, incorporating adjustments into the accounting period in which the review is finalized or restating previously reported grant revenue and expense, if considered material to the users of the financial statements.

At June 30, 2014, four reviews were in final review and approval status. The Foundation has proposed a reclassification of previously reported expenses in the amount of approximately \$50,000 to \$60,000 for each of two previous grants supporting the Fellowship program. Two additional foundations are also reviewing grant activity as part of their routine oversight process. It is the position of management that these reviews will not result in material adjustments to previously reported grant activity.

NOTE 11. 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>2014</u>	<u>2013</u>
Administration	\$ 1,500	\$ 1,500
US-Japan Network	2,898	10,888
Mike Mansfield Fellowship Program	<u>61,732</u>	<u>54,621</u>
	<u>\$ 66,130</u>	<u>\$ 67,009</u>

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014 and 2013

NOTE 12. MAJOR REVENUE SOURCE AND CONCENTRATION OF CREDIT RISK

The Foundation depends on federal funding to support its operations. Contained within revenue and support is \$1,501,960 and \$1,182,072 for fiscal 2014 and 2013, respectively, from the Department of State for the Mansfield Fellowship Program. This represents approximately 98% and 100% of grant revenue for fiscal 2014 and 2013, respectively, and approximately 43% and 39% of total unrestricted revenue and support in 2014 and 2013, respectively.

There was a 30.5% reduction in Department of State support for the Mansfield Fellowship Program during fiscal year 2013, as the Foundation negotiated a restructuring of the program. This resulted in shifting nearly \$320,000 of a single grant (S-ECAPE-12-GR-206(KF)) from fiscal year 2013 to fiscal year 2014.

SUPPLEMENTAL INFORMATION

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	Program Services			Supporting Services			Fundraising	Total 2014	Total 2013	
	Foundation	UM	Total	Operations	Foundation	UM				Total
Compensation of officers, directors, etc.	\$ 171,330	\$ 43,099	\$ 214,429	\$ 53,590	\$ 70,789	\$ 56,837	\$ 181,216	\$ 18,969	\$ 414,614	\$ 387,887
Other salaries and wages	333,960	11,684	345,644	46,475	84,039	3,428	133,942	26,172	505,758	579,979
Other employee benefits	109,256	12,827	122,083	24,977	38,725	17,561	81,263	11,612	214,958	161,637
Payroll taxes	27,414	4,528	31,942	7,812	9,021	4,912	21,745	3,579	57,266	58,134
Accounting fees	5,000	-	5,000	5,200	2,290	-	7,490	-	12,490	12,798
Legal fees	-	2,000	2,000	-	4,131	-	4,131	-	6,131	-
Supplies	1,021	424	1,445	2,918	5,393	194	8,505	-	9,950	16,697
Telephone	1,598	82	1,680	1,771	14,288	393	16,452	40	18,172	22,380
Postage and shipping	3,969	53	4,022	1,300	698	165	2,163	234	6,419	6,608
Occupancy	101,039	-	101,039	3,375	112,593	-	115,968	4,288	221,295	231,095
Equipment rental and maintenance	13,354	200	13,554	227	15,831	10	16,068	-	29,622	21,820
Printing and publications	32,831	2,274	35,105	871	14,942	485	16,298	653	52,056	40,354
Travel	546,400	40,858	587,258	3,120	11,333	1,796	16,249	1,099	604,606	457,544
Conferences, conventions, and meetings	10,168	3,229	13,397	5,788	-	-	5,788	-	19,185	25,722
Depreciation	-	-	-	186	4,847	1,140	6,173	-	6,173	7,517
Financial management fees	-	-	-	100,536	-	-	100,536	-	100,536	88,579
Consultants/Prof. Svce/Honorariums	104,692	1,650	106,342	29,198	800	-	29,998	4,709	141,049	104,743
Non-employee salaries/taxes/benefits	153,232	-	153,232	-	-	-	-	-	153,232	279,328
Housing/Post/Education allowances	581,805	-	581,805	-	-	-	-	-	581,805	342,632
Language/Area Studies training	20,804	-	20,804	-	-	-	-	-	20,804	76,582
Receptions	93,735	7,007	100,742	8,560	2,628	1,072	12,260	1,455	114,457	89,937
Other expenses	8,440	3,081	11,521	14,577	36,509	8,161	59,247	10	70,778	89,295
Allocation of indirect costs	499,371	64,861	564,232	(140,663)	(358,708)	(64,861)	(564,232)	-	-	-
In-kind expenses	<u>64,630</u>	<u>-</u>	<u>64,630</u>	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>-</u>	<u>66,130</u>	<u>67,009</u>
Total - 2014	<u>\$ 2,884,049</u>	<u>\$ 197,857</u>	<u>\$ 3,081,906</u>	<u>\$ 171,318</u>	<u>\$ 70,149</u>	<u>\$ 31,293</u>	<u>\$ 272,760</u>	<u>\$ 72,820</u>	<u>\$ 3,427,486</u>	<u>\$ 3,168,277</u>
Total - 2013	<u>\$ 2,592,092</u>	<u>\$ 208,511</u>	<u>\$ 2,800,603</u>	<u>\$ 158,418</u>	<u>\$ 100,409</u>	<u>\$ 28,947</u>	<u>\$ 287,774</u>	<u>\$ 79,900</u>		

See Auditor's Report on Supplemental Information.

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2014

<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	19.012	S-ECAPE-12-GR-206(KF)	\$ 320,460
	19.012	S-ECAGD-13-GR-150(BR)	<u>1,164,020</u>
			<u>1,484,480</u>
	19.415	S-ECAGD-14-GR-1100	<u>17,480</u>
Japan US Friendship Commission:			
The US-Japan Space Security Forum		Grant No. 14-09	<u>35,181</u>
Total Federal expenditures			<u>\$ 1,537,141</u>

See Accompanying Notes.

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

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, 2014:

Federal expenditures	\$ 1,501,960
In-kind contributions	61,732
Foundation expenditures	<u>47,584</u>
Total expenditures per statement of activities	<u>\$ 1,611,276</u>

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
SCHEDULE OF INDIRECT COST RATE COMPUTATION
Year Ended June 30, 2014

	<u>Total</u>	<u>Operations</u>	Maureen and Mike Mansfield Center at the University of Montana	<u>Foundation</u>
<u>INDIRECT COST RATE</u>				
Allowable indirect costs		\$ 148,769	\$ 80,805	\$ 521,618
Distribution base		\$ 2,966,098	\$ 165,687	\$ 2,423,428
Rate		<u>5.02%</u>	<u>48.77%</u>	<u>21.52%</u>
<u>DISTRIBUTION BASE*</u>				
Total expenses	\$ 3,568,147	\$ 311,981	\$ 246,492	\$ 3,009,674
Less: In-kind indirect expenses	(1,500)	(1,500)	-	-
Less: Unallowed and indirect expenses	<u>(1,048,968)</u>	<u>(310,481)</u>	<u>(113,497)</u>	<u>(624,990)</u>
Direct program costs	2,517,679	-	132,995	2,384,684
Less: In-kind direct program costs	(64,630)	-	-	(64,630)
Plus: Unallowable costs	<u>297,778</u>	<u>161,712</u>	<u>32,692</u>	<u>103,374</u>
Distribution base before Centers' allowable IDC	2,750,827	161,712	165,687	2,423,428
Plus: Centers' allowable IDC	<u>215,271</u>	<u>-</u>	<u>(165,687)</u>	<u>380,958</u>
Distribution base after Centers' allowable IDC	<u>\$ 2,966,098</u>	<u>\$ 161,712</u>	<u>\$ -</u>	<u>\$ 2,804,386</u>

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

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
SCHEDULE OF INDIRECT COST RATE COMPUTATION (CONTINUED)
Year Ended June 30, 2014

	Total	Operations	
		Unallowable Costs	Allowable Indirect Costs
INDIRECT COSTS*			
SALARIES AND PAYROLL EXPENSE			
Salaries	\$ 315,157	\$ 8,465	\$ 91,600
Payroll taxes and benefits	<u>103,007</u>	<u>21</u>	<u>32,767</u>
	<u>\$ 418,164</u>	<u>8,486</u>	<u>124,367</u>
OFFICE EXPENSE			
Rent, utilities	115,981	-	3,375
Parking, commuting benefits	14,365	-	1,110
Office supplies	8,513	6	2,911
Bank charges	9,882	6,545	2,525
Telephone and fax	16,451	-	1,771
Postage and delivery	2,163	69	1,231
Printing and copying	16,298	240	631
Subscriptions and research materials	3,769	-	8
Professional dues	4,489	-	465
Other	<u>6,314</u>	<u>265</u>	<u>257</u>
Total office expense	<u>198,225</u>	<u>7,125</u>	<u>14,284</u>
INSURANCE	<u>11,066</u>	<u>3,538</u>	<u>-</u>
REPAIRS AND MAINTENANCE	<u>15,925</u>	<u>-</u>	<u>95</u>
TRAVEL	<u>16,249</u>	<u>81</u>	<u>3,038</u>
BOARD MEETINGS	<u>14,347</u>	<u>12,748</u>	<u>1,599</u>
PROFESSIONAL FEES			
Consultants	29,998	29,198	-
Financial management fee	100,536	100,536	-
Accounting fees	8,990	-	6,700
Legal fees	<u>4,131</u>	<u>-</u>	<u>-</u>
Total professional fees	<u>143,655</u>	<u>129,734</u>	<u>6,700</u>
FUNDRAISING	<u>72,820</u>	<u>-</u>	<u>-</u>
UM ADMINISTRATIVE ASSESSMENT	<u>7,957</u>	<u>-</u>	<u>-</u>
MISCELLANEOUS	<u>1,531</u>	<u>-</u>	<u>-</u>
DEPRECIATION	<u>6,173</u>	<u>-</u>	<u>186</u>
HOSPITALITY	<u>3,700</u>	<u>-</u>	<u>-</u>
Total indirect costs before allocation	909,812	161,712	150,269
Less: in-kind expenses	<u>(1,500)</u>	<u>-</u>	<u>(1,500)</u>
Total indirect costs for rate calculation before allocation	908,312	161,712	148,769
ALLOCATION OF OPERATIONS ALLOWABLE			
INDIRECT COSTS TO CENTERS*	<u>-</u>	<u>-</u>	<u>(140,658)</u>
TOTAL INDIRECT COSTS FOR IDC RATE CALCULATION	<u>\$ 908,312</u>	<u>\$ 161,712</u>	<u>\$ 8,111</u>

*Indirect Costs do not include any direct program expenses.
See Auditor's Report on Supplemental Information.

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
SCHEDULE OF INDIRECT COST RATE COMPUTATION (CONTINUED)
Year Ended June 30, 2014

	Maureen and Mike Mansfield Center at the University of			
	Montana		Foundation	
	Unallowable Costs	Allowable Indirect Costs	Unallowable Costs	Allowable Indirect Costs
INDIRECT COSTS*				
SALARIES AND PAYROLL EXPENSE				
Salaries	\$ 10,058	\$ 50,207	\$ 19,106	\$ 135,721
Payroll taxes and benefits	<u>3,821</u>	<u>18,653</u>	<u>9,271</u>	<u>38,474</u>
	<u>13,879</u>	<u>68,860</u>	<u>28,377</u>	<u>174,195</u>
OFFICE EXPENSE				
Rent, utilities	-	-	5,486	107,120
Parking, commuting benefits	14	-	-	13,241
Office supplies	10	194	197	5,195
Bank charges	-	-	29	783
Telephone and fax	-	392	74	14,214
Postage and delivery	-	165	176	522
Printing and copying	-	485	3,621	11,321
Subscriptions and research materials	-	191	-	3,570
Professional dues	-	-	-	4,024
Other	-	-	1,990	<u>3,802</u>
Total office expense	<u>24</u>	<u>1,427</u>	<u>11,573</u>	<u>163,792</u>
INSURANCE	-	-	-	<u>7,528</u>
REPAIRS AND MAINTENANCE	-	-	-	<u>15,830</u>
TRAVEL	<u>375</u>	<u>1,421</u>	<u>4,518</u>	<u>6,816</u>
BOARD MEETINGS	-	-	-	-
PROFESSIONAL FEES				
Consultants	-	-	800	-
Financial management fee	-	-	-	-
Accounting fees	-	-	-	2,290
Legal fees	-	-	-	<u>4,131</u>
Total professional fees	-	-	<u>800</u>	<u>6,421</u>
FUNDRAISING	<u>17,342</u>	-	<u>55,478</u>	-
UM ADMINISTRATIVE ASSESSMENT	-	<u>7,957</u>	-	-
MISCELLANEOUS	-	-	-	<u>1,531</u>
DEPRECIATION	-	<u>1,140</u>	-	<u>4,847</u>
HOSPITALITY	<u>1,072</u>	-	<u>2,628</u>	-
Total indirect costs before allocation	32,692	80,805	103,374	380,960
Less: in-kind expenses	-	-	-	-
Total indirect costs for rate calculation before allocation	<u>32,692</u>	<u>80,805</u>	<u>103,374</u>	<u>380,960</u>
ALLOCATION OF OPERATIONS ALLOWABLE				
INDIRECT COSTS TO CENTERS*	-	-	-	<u>140,658</u>
TOTAL INDIRECT COSTS FOR IDC RATE CALCULATION	<u>\$ 32,692</u>	<u>\$ 80,805</u>	<u>\$ 103,374</u>	<u>\$ 521,618</u>

See Auditor's Report on Supplemental Information.

SINGLE AUDIT SECTION

INDEPENDENT AUDITOR'S 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

We have audited, in accordance with the 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, the financial statements of The Maureen and Mike Mansfield Foundation (the Foundation) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that may not have been identified.

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 grants 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Anderson Zurmuehlen & Co., P.C." The signature is written in black ink and is positioned above the typed name and date.

Helena, Montana
November 6, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR 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

Report on Compliance for Each Major Federal Program

We have audited The Maureen and Mike Mansfield Foundation's (the Foundation) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Foundation's major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of the Foundation's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Helena, Montana
November 6, 2014

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2014

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued:	Unmodified
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?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

The major program for the year ended June 30, 2014, was as follows:

The Mike Mansfield Fellowship Program granted by the Department of State. The CFDA numbers for this program are 19.012 and 19.415.

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, 2014

Section II - Financial Statement Findings:

None reported.

Section III - Federal Awards Findings and Questioned Costs:

The audit disclosed no findings which were required to be reported under the provisions of OMB Circular A-133.

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014

#2013-01. Mike Mansfield Fellowship Program, CFDA No. 19.012 & CFDA No. 19.415
Compliance Requirement: Allowable costs

Last year it was reported that a certain component of the calculation for post payments to Fellows working in Japan was not updated timely, resulting in incorrect payments during a portion of the year. This finding was considered a significant deficiency, but no questioned costs were reported.

Since then, the U.S. Department of State has revised the process for calculating allowance payments to Mansfield Fellows, eliminating the need to use the spendable income tables. We found no instances of noncompliance during the current year audit.



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