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, 2017

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THE MAUREEN AND MIKE MANSFIELD FOUNDATION
Promoting Understanding and Cooperation in U.S.-Asia Relations since 1983

www.mansfieldfdn.org
info@mansfieldfdn.org

WASHINGTON, DC
1156 15th St., NW
Suite 1105
Washington, DC 20005-1756
Tel: 202-347-1994
Fax: 202-347-3941

MISSOULA, MT
4th Floor, Mansfield Library
The University of Montana
Missoula, MT 59812-9976
Tel: 406-243-2215
Fax: 406-243-2181

TOKYO, JAPAN
c/o The International House of Japan, Inc.
5-11-16 Roppongi, Minato-ku,
Tokyo 106-0032
Tel: 81-3-5413-5885
Fax: 81-3-3478-1773

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.

January 19, 2018

Frank Jannuzi
President and CEO

William Sawyer
Fiscal Affairs Director

anderson ZURMUEHLEN

ANDERSON ZURMUEHLEN & CO., P.C. • CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS
MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

DISCOVERY BLOCK • 828 GREAT NORTHERN BOULEVARD • P.O. BOX 1040 • HELENA, MONTANA 59624-1040
TEL: 406.442.1040 • FAX: 406.442.1100 • WEB: www.azworld.com

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, 2017 and 2016, 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, 2017 and 2016, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Management's Certification Statement on page 1 is the responsibility of management, and is of a non-accounting nature and has not been subjected to the auditing procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion or provide any assurance on it. 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* 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 January 26, 2018, 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
January 26, 2018

FINANCIAL STATEMENTS

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

ASSETS	2017	2016
CURRENT ASSETS		
Cash and temporary investments	$ 381,805	$ 259,100
Receivables:		
Service receivables	77,303	51,229
Grants	221,877	105,039
Contributions	19,693	10,000
Prepaid expenses and other current assets	116,734	149,583
Total current assets	817,412	574,951
PROPERTY AND EQUIPMENT, at cost		
Leasehold improvements	176,613	176,613
Furniture and equipment	164,429	172,863
	341,042	349,476
Less accumulated depreciation	305,501	300,848
Net property and equipment	35,541	48,628
ENDOWED ASSETS		
Endowed cash and temporary investments	329,155	442,441
Investment securities	10,760,610	10,011,849
Accrued interest	25,654	25,056
Total endowed assets	11,115,419	10,479,346
RESTRICTED CASH AND TEMPORARY INVESTMENTS		
Japan's Friendship Ties exchange program	7,287,978	11,734,934
Total restricted cash and temporary investments	7,287,978	11,734,934
Total assets	$ 19,256,350	$ 22,837,859

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, 2017 and 2016

LIABILITIES	2017	2016
CURRENT LIABILITIES		
Accounts payable	$ 171,071	$ 122,827
Accrued expenses	293,382	391,149
Deferred rent	170,447	84,077
Agency funds	7,188,562	11,507,285
Deferred revenue	536,202	754,234
Total current liabilities	8,359,664	12,859,572
NET ASSETS		
Unrestricted		
Undesignated - operating	(315,139)	(501,059)
Board designated for the endowment	166,517	166,517
Total unrestricted	(148,622)	(334,542)
Temporarily restricted		
Endowment temporarily restricted net assets	5,058,899	4,326,420
Permanently restricted	5,986,409	5,986,409
	10,896,686	9,978,287
Total liabilities and net assets	$ 19,256,350	$ 22,837,859

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, 2017 and 2016

	2017	2016
UNRESTRICTED NET ASSETS		
Revenue and support:		
Grant revenue	$ 1,615,919	$ 1,226,321
Program fees and contract revenue	460,595	345,420
Corporate affiliate fees	182,058	133,333
Unrestricted contributions	34,150	24,299
Other income	130	5,586
Interest on temporary cash investments	65	39
	2,292,917	1,734,998
Net assets released from restrictions	1,227,522	973,124
Total unrestricted revenue and support	3,520,439	2,708,122
Program expenses:		
Mike Mansfield Fellowship Program	1,591,181	1,208,429
Mansfield Center	25,000	25,000
Asian Exchanges/Training	144,600	134,315
PhRMA Exchange	319,714	236,399
Rule of Law	2,713	63,889
US-Japan Network	311,372	169,607
US-Korea Network	102,763	155,812
Space Security	114,291	149,224
Nuclear Working Group	1,438	52,203
Research and Education	96,716	50,885
Miscellaneous Programs	101,906	106,667
Total program expenses	2,811,694	2,352,430

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, 2017 and 2016

	2017	2016
General and administrative expenses:		
Salaries and payroll	356,919	347,637
Grants	159,963	147,828
Office	131,429	192,316
Insurance	15,210	13,239
Repairs/Maintenance	-	546
Advertising/Recruitment	-	1,695
Travel	12,716	20,679
Board meetings/travel	3,451	5,980
Professional fees	129,344	126,141
UM administrative assessment	11,355	7,646
Equipment purchase	-	15,110
Depreciation	11,923	10,526
Total general and administrative expenses	832,310	889,343
Less indirect costs allocated to programs	(403,466)	(457,734)
	428,844	431,609
Fundraising expenses	93,981	133,647
Total expenses	3,334,519	2,917,686
Change in unrestricted net assets	185,920	(209,564)
TEMPORARILY RESTRICTED NET ASSETS		
Temporarily restricted support	643,949	539,674
Endowment interest and dividend income	237,668	319,616
Endowment realized and unrealized gains (losses) on investments	1,078,384	(411,576)
Net assets released from restrictions	(1,227,522)	(973,124)
Change in temporarily restricted net assets	732,479	(525,410)
Change in net assets	918,399	(734,974)
Net assets at the beginning of the year	9,978,287	10,713,261
Net assets at the end of the year	$ 10,896,686	$ 9,978,287

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, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 918,399	$ (734,974)
Adjustments to reconcile the change in net assets to net cash from operating activities		
Depreciation	13,087	10,526
Realized and unrealized (gains) losses on investments	(1,078,384)	411,576
Change in operating assets and liabilities:		
Receivables	(153,203)	(3,249)
Prepaid expenses and other assets	32,849	(21,367)
Accounts payable	48,244	16,991
Accrued expenses	(97,767)	97,884
Deferred rent	86,370	84,077
Deferred revenue	(218,032)	513,644
Net cash flows from operating activities	(448,437)	375,108
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investment securities	2,106,416	2,354,486
Purchase of investment securities	(1,776,793)	(2,308,223)
Purchase of property and equipment	-	(37,638)
Net cash flows from investing activities	329,623	8,625
CASH FLOWS FROM FINANCING ACTIVITIES		
Agency funds restricted for program use	(4,318,723)	11,507,285
Net cash flows provided by financing activities	(4,318,723)	11,507,285
Net change in cash and temporary investments	(4,437,537)	11,891,018
CASH AND TEMPORARY INVESTMENTS, Beginning of year	12,436,475	545,457
CASH AND TEMPORARY INVESTMENTS, End of year	$ 7,998,938	$ 12,436,475
NON-CASH INVESTING AND FINANCING ACTIVITY		
Disposal of property and equipment	$ -	$ 10,307

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

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended June 30, 2017 and 2016

	2017	2016
CASH AND TEMPORARY INVESTMENTS ARE PRESENTED IN THE ACCOMPANYING STATEMENT OF FINANCIAL POSITION UNDER THE FOLLOWING CAPTIONS		
Cash and temporary investments	$ 381,805	$ 259,100
Endowed cash and temporary investments	329,155	442,441
Restricted cash and temporary investments	7,287,978	11,734,934
	$ 7,998,938	$ 12,436,475

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

NOTE l. 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.

Change in Reporting Entity

The Foundation also provides support to the Maureen and Mike Mansfield Center at The University of Montana (the Center). Historically, the financial statements included all significant revenues and expenditures associated with the Foundation's support of the Center. However, effective July 1, 2015, management determined the Foundation had no power to direct the activities of the Center to impact economic performance, nor were they the primary beneficiary of the Center's operations, and therefore, combined financial statement presentation was no longer appropriate and the Center's activity was removed. The impact of this change includes a decrease in unrestricted net assets held as of June 30, 2016 of $114,971 and a decrease in the change in unrestricted net assets for the year ended June 30, 2016 of $10,607. The Foundation's support of the Center can be seen as a separate program on the attached statement of activities.

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. Estimates may differ from actual results.

Change in Accounting Principle

The Foundation has adopted the provisions of FASB Accounting Standards Update ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This accounting standard addresses presentation of restricted cash on the statement of cash flows. The standard has been applied retroactively to all periods presented in the financial statements. Our opinion is not modified with respect to this matter.

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

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.

Restricted and Unrestricted Revenue and Support
Grants are recognized as revenue and expense in the period when the terms of the grant are met. Federal grants with beginning dates of April 1, 2017 and June 1, 2017 were partially expended during fiscal year 2017. Approximately $1,615,919 and $1,226,321 of this grant support had been spent as of June 30, 2017 and 2016, respectively. The remaining grant funds of $1,603,554 and $1,617,102, 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.

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, 2017 and 2016, there were $17,513 and $210,735 in bank deposits exceeding the FDIC insured limit, respectively.

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

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 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.

Deferred Revenue
The Foundation administers a Corporate Friends of Mansfield program (CFM). CFM members attend various programs sponsored by the Foundation as a benefit of their membership. The CFM membership period is one year with variable beginning dates; 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.

Agency Funds
On January 22, 2016, the Foundation signed an agreement to administer the Japan's Friendship Ties Program with the Japanese government that will provide language and cultural study abroad programs in Japan. The Foundation will receive an administrative fee of approximately 2.41% of the total grant. The Japanese government provided all funding in advance and requires the Foundation to hold these funds in a separate bank account, which is presented in the restricted cash and temporary investments on the statement of financial position as of June 30, 2017 and 2016. The cash held in excess of what has been earned by the Foundation is presented as agency funds of $7,287,978 and $11,507,285 on the statement of financial position as of June 30, 2017 and 2016, respectively.

Contributed Services
The Foundation receives the services 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.

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

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 7.77% and 11.12% for the years ended June 30, 2017 and 2016, 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)(3) of the Internal Revenue; therefore, no liability for federal income taxes has been recorded.

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 $10,451 for the year ended June 30, 2017. Foreign currency transaction gains were $2,822 for the year ended June 30, 2016.

Subsequent Events
Management has evaluated subsequent events through January 26, 2018, the date which the financial statements were available for issue.

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.

NOTE 2. INVESTMENT SECURITIES (CONTINUED)

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.

Alternative investments: Valued at net asset value (NAV) based as reported by the fund. NAV is determined by the market value for those underlying investments for which market quotations are readily available as furnished by a pricing service or securities dealer. If market quotations are not readily available, the investments may be determined in good faith based on yield equivalents, a pricing matrix or other sources, under valuation procedures established by the fund's Board of Trustees.

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, 2017 and 2016.

NOTE 2. INVESTMENT SECURITIES (CONTINUED)

Fair value of marketable securities are as follows:

	Total June 30, 2017	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	$ 2,140,567	$ 2,140,567	$ -	$ -
Small-Mid Cap	959,422	959,422	-	-
Equity Mutual Funds				
Large Cap Growth	928,951	928,951	-	-
International	726,767	726,767	-	-
Real Estate	354,985	354,985	-	-
International	1,338,705	1,338,705	-	-
Debt Securities				
Fixed Income Mutual Funds	699,700	699,700	-	-
Government and Agency Securities	2,915,563	-	2,915,563	-
Alternative Investments	695,950	-	695,950	-
Total Assets	$ 10,760,610	$ 7,149,097	$ 3,611,513	$ -

	Total June 30, 2016	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	$ 2,059,625	$ 2,059,625	$ -	$ -
Small-Mid Cap	836,730	836,730	-	-
Equity Mutual Funds				
Large Cap Growth	870,623	870,623	-	-
International	480,035	480,035	-	-
Real Estate	456,104	456,104	-	-
International	1,175,459	1,175,459	-	-
Debt Securities				
Fixed Income Mutual Funds	728,087	728,087	-	-
Government and Agency Securities	2,592,412	-	2,592,412	-
Alternative Investments	812,774	-	812,774	-
Total Assets	$ 10,011,849	$ 6,606,663	$ 3,405,186	$ -

NOTE 2. INVESTMENT SECURITIES (CONTINUED)

The following table summarizes the alternative investments measured at fair value based on NAV per share as of June 30, 2017 and 2016.

For the Year Ended June 30,	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
2017				
Alternative investments	$ 695,950	n/a	Fortnightly	19 days
2016				
Alternative investments	$ 812,774	n/a	Fortnightly	19 days

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

	Cost	Fair Value	Net Unrealized Appreciation/ (Depreciation)
2017			
Equity securities	$ 5,576,262	$ 6,449,397	$ 873,135
Debt securities	3,357,468	3,615,263	257,795
Alternative investments	845,439	695,950	(149,489)
Total assets	$ 9,779,169	$ 10,760,610	$ 981,441
2016			
Equity securities	$ 5,576,262	$ 5,878,576	$ 302,314
Debt securities	3,357,468	3,320,499	(36,969)
Alternative investments	845,439	812,774	(32,665)
Total assets	$ 9,779,169	$ 10,011,849	$ 232,680

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

	Unrestricted	Temporarily Restricted	Total
2017			
Endowment interest and dividend income	$ -	$ 237,668	$ 237,668
Endowment realized and unrealized gains	-	1,078,384	1,078,384
Total investment return	$ -	$ 1,316,052	$ 1,316,052
2016			
Endowment interest and dividend income	$ -	$ 319,616	$ 319,616
Endowment realized and unrealized gains	-	(411,576)	(411,576)
Total investment loss	$ -	$ (91,960)	$ (91,960)

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. Total investment fees paid to the investment managers were $96,622 and $91,709 for the years ended June 30, 2017 and 2016, respectively.

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.

	2017	2016
Board appropriation of endowment funds	$ 679,978	$ 433,450
Purpose restrictions accomplished		
Foundation Programs		
Mike Mansfield Fellowship Program, non-federal support	56,524	41,418
Trilaterial: Advancing Policy Through Working Groups	120,411	-
Japan-US-ROK	50,000	-
Emereging Leaders, Korea Network	25,548	-
Next Generation Cohort	226,840	-
AAS Meeting	20,007	-
US Japan Space Security	43,509	25,086
Asia exchange	-	60,100
Rule of Law	-	50,980
US Asia Networks	-	264,426
Nuclear Working Group	-	56,744
Operations	4,705	39,600
Miscellaneous programs	-	1,320
Total purpose restrictions accomplished	547,544	539,674
Total net assets released from restrictions	$ 1,227,522	$ 973,124

NOTE 4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of $5,058,899 and $4,326,420, as of June 30, 2017 and 216, respectively, are available for Foundation programs.

NOTE 5. PERMANENTLY RESTRICTED NET ASSETS

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

	2017	2016
The programs and operations of the Foundation	$ 5,586,459	$ 5,586,459
Conferences and retreats of The Maureen and Mike Mansfield Center at the University of Montana	250,000	250,000
The 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
Total permanently restricted net assets	$ 5,986,409	$ 5,986,409

NOTE 6. ENDOWMENT NET ASSETS

At June 30, 2017 and 2016, 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.

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.

NOTE 6. ENDOWMENT NET ASSETS (CONTINUED)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2017				
Donor restricted funds	$ -	$ 5,058,899	$ 5,986,409	$ 11,045,308
Board designated funds	166,517	-	-	166,517
Total funds	$ 166,517	$ 5,058,899	$ 5,986,409	$ 11,211,825
2016				
Donor restricted funds	$ -	$ 4,326,420	$ 5,986,409	$ 10,312,829
Board designated funds	166,517	-	-	166,517
Total funds	$ 166,517	$ 4,326,420	$ 5,986,409	$ 10,479,346

Changes in net asset composition by type of fund for the years ended June 30, 2017 and 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2016	$ 166,517	$ 4,851,830	$ 5,986,409	$ 11,004,756
Investment return				
Investment income	-	319,616	-	319,616
Net appreciation/(depreciation)	-	(411,576)	-	(411,576)
Total investment return	-	(91,960)	-	(91,960)
Contributions	-	-	-	-
Appropriation for expenditure	-	(433,450)	-	(433,450)
Endowment net assets, June 30, 2016	166,517	4,326,420	5,986,409	10,479,346
Investment return				
Investment income	-	237,668	-	237,668
Net appreciation/(depreciation)	-	1,078,384	-	1,078,384
Total investment return	-	1,316,052	-	1,316,052
Contributions	-	96,405	-	96,405
Appropriation for expenditure	-	(679,978)	-	(679,978)
Endowment net assets, June 30, 2017	$ 166,517	$ 5,058,899	$ 5,986,409	$ 11,211,825

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, 2017 or 2016.

NOTE 6. 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 four percentage points over the rate of inflation as measured by the consumer price index, measured over a five year market cycle.

The target annual 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% (calculated on the preceding twelve-quarter rolling average fair market value of the endowment). The fiscal 2017 and 2016 distributions were 4.5%.

NOTE 7. LEASE OBLIGATIONS

The Foundation leases office space under operating lease agreements. Rent expense for fiscal 2017 and 2016 was $158,982 and $195,943, respectively. Minimum future lease commitments for the next five years are:

June 30,		
2018	$	162,963
2019		167,050
2020		171,220
2021		177,949
2022		183,623

The Foundation executed a new, eleven-year lease on November 1, 2015. This lease allows for a rent holiday for the first six months of the first year of the term lease and the first six months of the second year of the term lease. Therefore, deferred rent expense of $170,447 and $84,077 has been presented in the statement of financial position as of June 30, 2017 and 2016, respectively.

The Foundation also leases office space in Tokyo under a month-to-month lease agreement. Monthly payments under this agreement are ¥200,000 (approximately $1,777 per month, at June 30, 2017 exchange rates) and a six-month notice is required to terminate the agreement.

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 $51,026 and $47,170 for fiscal years 2017 and 2016, respectively.

The Foundation accrues deferred compensation in lieu of currently contributing to retirement benefits for full-time Japanese employees. Accrued deferred compensation was $182,578 and $262,204 at June 30, 2017 and 2016, 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 and allows for the Foundation's employees to participate in the University's employee health insurance program. 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.

NOTE 9. RELATED PARTY TRANSACTIONS (CONTINUED)

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.

The Foundation provided support to the Center of $184,963 and $172,828 for the years ended June 30, 2017 and 2016, respectively. Additionally, at June 30, 2017 and 2016, the Foundation owed the University $-0- and $8,593, respectively, in support of The University of Montana's Mansfield Center.

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 17.27% and 25.06% in fiscal 2017 and 2016, respectively. The indirect costs charged to the U.S. Department of State during fiscal 2017 were:

CONTRACT #	RATE
S-ECAGD-17-GR-1100	20.87%
S-ECAGD-16-GR-1068	18.00%

The 2017 and 2016 rates were negotiated and finalized by the U.S. Department of Interior and applied to the grants from 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.

NOTE 11. CONTRIBUTED SERVICES

In accordance with GAAP, 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:

	2017	2016
Administration	$ 4,705	$ 1,500
Space Security	-	2,000
Mike Mansfield Fellowship Program	54,474	41,418
	$ 59,179	$ 44,918

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 $1,492,304 and $1,067,420 for fiscal 2017 and 2016, respectively, from the Department of State for the Mansfield Fellowship Program. This represents approximately 92% and 87% of grant revenue for fiscal years ended June 30, 2017 and 2016, respectively, and approximately 42% and 39% of total unrestricted revenue and support in 2017 and 2016, respectively. Loss of this funding could significantly impact the Foundation's ability to continue as a going concern.

SUPPLEMENTAL INFORMATION

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	Program Services	Supporting Services	Fundraising	Total 2017	Total 2016
Compensation of officers, directors, etc.	$ 237,536	$ 94,512	$ 33,760	$ 365,808	$ 371,523
Other salaries and wages	271,275	206,755	23,656	501,686	650,610
Retirement	26,163	20,436	4,427	51,026	48,439
Other employee benefits	107,451	17,838	9,029	134,318	210,595
Payroll taxes	29,206	17,378	4,311	50,895	48,404
Accounting fees	5,000	2,074	-	7,074	14,875
Legal fees	-	3,000	-	3,000	1,768
Supplies	1,387	17,979	10	19,376	15,529
Bank charges	1,037	11,964	54	13,055	9,005
Telephone	1,055	9,206	-	10,261	9,065
Postage and shipping	1,711	709	78	2,498	3,564
Subscriptions	261	3,733	-	3,994	3,974
Professional Dues/Continuing Education	-	4,433	-	4,433	4,069
Miscellaneous office	-	1,037	-	1,037	352
Occupancy	136,323	49,445	15,789	201,557	195,943
Parking/commuting	2,043	18,150	-	20,193	21,759
Equipment rental and maintenance	-	-	-	-	2,898
Printing and publications	22,835	10,068	-	32,903	63,854
Travel	523,673	12,716	2,024	538,413	446,275
Conferences, conventions, and meetings	2,294	3,451	843	6,588	21,704
Depreciation	1,164	11,923	-	13,087	10,526
Insurance	-	15,210	-	15,210	13,239
Financial management fees	-	96,622	-	96,622	91,709
Recruiting costs	-	-	-	-	1,710
Consultants/Prof. Svce/Honorariums	36,886	27,648	-	64,534	89,248
Non-employee salaries/taxes/benefits	-	-	-	-	87,795
Housing/Post/Education allowances	803,627	-	-	803,627	234,871
Language/Area Studies training	43,543	-	-	43,543	118,750
Receptions	62,950	-	-	62,950	53,185
Other expenses	11,334	11,355	-	22,689	12,420
Grants	25,000	159,963	-	184,963	-
Allocation of indirect costs	403,466	(403,466)	-	-	-
In-kind expenses	54,474	4,705	-	59,179	44,918
Total - 2017	$ 2,811,694	$ 428,844	$ 93,981	$ 3,334,519	
Total - 2016	$ 2,500,258	$ 147,185	$ 133,647		$ 2,902,576

See Auditor's Report on Supplemental Information.

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

FEDERAL GRANTOR /PROGRAM TITLE	FEDERAL CFDA NUMBER	CONTRACT NUMBER	EXPENDITURES
U.S. Department of State:			
The Mike Mansfield Fellowship Program	19.415	S-ECAGD-17-GR-1046	$ 35,746
	19.415	S-ECAGD-16-GR-1068	1,515,714
Total U.S. Department of State			1,551,460
Japan US Friendship Commission:			
The US-Japan Space Security Forum		Grant No. 16-05	20,250
2016 Foley-JUSFC Legislative Exchange		Grant No. 16-25	62,632
2014 Foley-JUSFC Legislative Exchange		Grant No. 17-24	40,733
Total Japan US Friendship Commission			123,615
Total Federal expenditures			$ 1,675,075

See Accompanying Notes.

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal awards activity of the Foundation under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a select portion of the operations of the Foundation, it is not intended to, and does not present, the financial position, changes in net assets, or cash flows of the Foundation.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting which is the method of accounting used for the financial statements. Such expenditures are recognized following, as applicable, either the cost principles of Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. 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, 2017:

Federal expenditures	$ 1,675,075
In-kind contributions	59,179
Foundation expenditures	1,077,440
Total expenditures per statement of activities	$ 2,811,694

NOTE 4. INDIRECT COST RATE

The Foundation has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance. Instead the Foundation has received an approved indirect cost rate of 20.87% for the year ended June 30, 2017.

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
SCHEDULE OF INDIRECT COST RATE COMPUTATION
Year Ended June 30, 2017

	Total	Operations	Foundation
INDIRECT COST RATE			
Allowable indirect costs		$ 160,413	$ 438,056
Distribution base		$ 3,114,927	$ 2,535,837
Rate		5.15%	17.27%
DISTRIBUTION BASE*			
Total expenses	$ 3,494,426	$ 466,059	$ 3,028,367
Less: In-kind indirect expenses	(4,705)	(4,705)	-
Less: Unallowed and indirect expenses	(1,081,493)	(461,354)	(620,139)
Direct program costs	2,408,228	-	2,408,228
Less: In-kind direct program costs	(54,474)	-	(54,474)
Plus: Unallowable costs	483,024	300,941	182,083
Distribution base before Centers' allowable IDC	2,836,778	300,941	2,535,837
Plus: Centers' allowable IDC	278,149	-	278,149
Distribution base after Centers' allowable IDC	$ 3,114,927	$ 300,941	$ 2,813,986

* 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, 2017

	Total	Operations	
		Unallowable Costs	Allowable Indirect Costs
INDIRECT COSTS*			
SALARIES AND PAYROLL EXPENSE			
Salaries	$ 301,267	$ -	$ 110,585
Payroll taxes and benefits	57,432	-	28,505
	358,699	-	139,090
OFFICE EXPENSE			
Rent, utilities	49,446	-	3,545
Parking, commuting benefits	16,369	-	-
Office supplies	3,208	253	811
Bank charges	11,964	9,609	1,661
Telephone and fax	9,206	-	1,371
Postage and delivery	709	105	82
Printing and copying	10,068	-	703
Subscriptions and research materials	18,504	-	1,928
Professional dues	4,483	-	1,465
Miscellaneous office expense	3,393	330	29
Total office expense	127,350	10,297	11,595
INSURANCE	15,210	4,692	-
TRAVEL	10,631	-	2,355
BOARD MEETINGS	5,667	5,667	-
PROFESSIONAL FEES			
Consultants	31,452	24,000	2,074
Financial management fee	96,322	96,322	-
Accounting fees	3,574	-	3,574
Legal fees	3,000	-	-
Total professional fees	134,348	120,322	5,648
FUNDRAISING	93,853	-	-
MANSFIELD CENTER GRANT	159,963	159,963	-
MISCELLANEOUS	5,330	-	4,084
DEPRECIATION	12,142	-	2,346
RECEPTIONS/HOSPITALITY	3,098	-	-
Total indirect costs before allocation	926,291	300,941	165,118
Less: in-kind expenses	(4,705)	-	(4,705)
Total indirect costs for rate calculation before allocation	921,586	300,941	160,413
ALLOCATION OF OPERATIONS ALLOWABLE INDIRECT COSTS TO CENTERS*	-	-	(159,907)
TOTAL INDIRECT COSTS FOR IDC RATE CALCULATION	$ 921,586	$ 300,941	$ 506

*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, 2017

	Foundation	
	Unallowable Costs	Allowable Indirect Costs
INDIRECT COSTS*		
SALARIES AND PAYROLL EXPENSE		
Salaries	$ 40,869	$ 149,813
Payroll taxes and benefits	12,250	16,677
	53,119	166,490
OFFICE EXPENSE		
Rent, utilities	8,622	37,279
Parking, commuting benefits	16,369	-
Office supplies	219	1,925
Bank charges	185	509
Telephone and fax	-	7,835
Postage and delivery	41	481
Printing and copying	-	9,365
Subscriptions and research materials	-	16,576
Professional dues	2,857	161
Miscellaneous office expense	-	3,034
Total office expense	28,293	77,165
INSURANCE	-	10,518
TRAVEL	3,193	5,083
BOARD MEETINGS	-	-
PROFESSIONAL FEES		
Consultants	505	4,873
Financial management fee	-	-
Accounting fees	-	-
Legal fees	-	3,000
Total professional fees	505	7,873
FUNDRAISING	93,853	-
MANSFIELD CENTER GRANT	-	-
MISCELLANEOUS	22	1,224
DEPRECIATION	-	9,796
RECEPTIONS/HOSPITALITY	3,098	-
Total indirect costs before allocation	182,083	278,149
Less: in-kind expenses	-	-
Total indirect costs for rate calculation before allocation	182,083	278,149
ALLOCATION OF OPERATIONS ALLOWABLE INDIRECT COSTS TO CENTERS*	-	159,907
TOTAL INDIRECT COSTS FOR IDC RATE CALCULATION	$ 182,083	$ 438,056

*Indirect Costs do not include any direct program expenses.

See Auditor's Report on Supplemental Information.

SINGLE AUDIT SECTION

DISCOVERY BLOCK • 828 GREAT NORTHERN BOULEVARD • P.O. BOX 1040 • HELENA, MONTANA 59624-1040
TEL: 406.442.1040 • FAX: 406.442.1100 • WEB: www.azworld.com

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, 2017, 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 January 26, 2018.

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.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: #2017-001 and #2017-003.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency: #2017-002.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item #2017-003.

The Foundation's Response to Findings

The Foundation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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.

Anderson ZurMuehlen & Co., P.C.

Helena, Montana
January 26, 2018

DISCOVERY BLOCK • 828 GREAT NORTHERN BOULEVARD • P.O. BOX 1040 • HELENA, MONTANA 59624-1040
TEL: 406.442.1040 • FAX: 406.442.1100 • WEB: www.azworld.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

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 Compliance Supplement* that could have a direct and material effect on the Foundation's major federal programs for the year ended June 30, 2017. 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 the audit requirements of Title 2 U.S. *Code of federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

Other Matters
The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item #2017-003. Our opinion on the Foundation's major federal program is not modified with respect to these matters.

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 the Uniform Guidance, 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 and therefore, material weaknesses may exist that have not been identified. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item #2017-003, that we consider to be a material weakness.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Anderson ZurMuehlen & Co., P.C.
Helena, Montana
January 26, 2018

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	Yes
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 2 CFR 200.516(a)?	No

The major program for the year ended June 30, 2017, was as follows:

The Mike Mansfield Fellowship Program granted by the Department of State. The CFDA number for this program is #19.415.

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings:

#2017-001 – Financial Statement Preparation

Condition: Management does not appear to have the suitable skills, knowledge or experience to effectively prepare the financial statements and related footnotes of the Foundation. While the Foundation is allowed to outsource preparation, the ultimate responsibility for the financial statements remains with the Foundation.

Criteria: Management is responsible for the fair presentation of the financial statements.

Effect: Management may not recognize an error in the financial statements.

Cause: The Foundation recently experienced turnover in the Fiscal Affairs Director position. There is a learning curve that accompanies the preparation of the financial statements and related footnotes.

Recommendation: We recommend the Fiscal Affairs Director consider continuing education opportunities that are specific to non-profit organizations; specifically for those organizations that utilize a cost pool and are subject to the requirements of Uniform Guidance.

Management Response: See Management's Corrective Action Plan on page 41.

Section II – Financial Statement Findings (Continued):

#2017-002 – Account Reconciliation and Reporting to Governance

Condition: The Foundation does not have consistent policies and procedures to reconcile financial statement accounts. Additionally, we noted governance is not consistently receiving quarterly management reports.

Criteria: Proper procedures for reconciling accounts allow for the timely preparation of internal financial statements. Timely and accurate internal statements are a key tool to be used by management in decision making. We noted the bank accounts were not reconciled in a timely manner. Additionally, we noted cash disbursements that should have been recorded as prepaid expenses as of June 30, 2017 as these expenses related to the fiscal year ending June 30, 2018.

Effect: Without timely and accurate financial reporting, management and governance may be making decisions based on inaccurate information. Additionally, current assets were understated by $20,030 and expenses were overstated by a corresponding amount.

Perspective: The correcting adjustment amounted to 2.45% of current assets and 0.60% of total expenses for the year ended June 30, 2017. However, the impact of management and governance using potentially inaccurate financial information in the decision making process is a qualitative one.

Cause: Management appears to have deferred the bank reconciliation and management reporting processes in an effort to prioritize the various accounting functions. The Foundation does not appear to have a detailed review of invoices in place, which caused the error in recording the prepaid expenses.

Recommendation: We recommend the Foundation institute policies for the timely preparation of all bank reconciliations and a process for the review of these bank reconciliations as well as a review of all invoices for proper treatment. Lastly, we recommend the Foundation re-institute regular financial reporting for use by the management team and governance.

Management Response: See Management's Corrective Action Plan on page 41.

Section III – Federal Award Findings and Questioned Costs:

#2017-003 – Grant Management

Condition: The Foundation appears to have inadequate design of monitoring controls over compliance requirements under Uniform Guidance and over financial reporting; specifically the requirements surrounding allowable costs, period of performance and reporting.

Criteria: Grant agreement S-ECAGD-16-GR-1068 requires compliance with the Uniform Guidance. The Uniform Guidance requires adequate internal controls over compliance requirements for federal awards.

Effect: No material noncompliance or questioned costs were noted in the period under audit; however, continued noncompliance could result in loss of funding.

Perspective: We noted several instances where the controls appeared to be improperly designed or ineffective including the process for allocating costs between administrative and program activities, monitoring of the indirect cost rate for compliance with pre-approved rates, review of expenditures for allowability and period of performance, and timely filing of required reports.

Cause: Lack of policies and procedures in place, including a system of preventative and detective internal controls, to ensure adequate monitoring over compliance.

Recommendation: We recommend management implement policies and procedures to ensure adequate monitoring controls over compliance requirements.

Management Response: See Management's Corrective Action Plan on page 41.

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

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 Uniform Guidance for the year ended June 30, 2016.

Audit Finding and Response

January 26, 2018

Fiscal Affairs Director, Bill Sawyer, has created an accounting policy and procedure manual. The manual has an effective date of January 1, 2018, though early implementation of policies and procedures has occurred where possible. The manual specifies policies and procedures to provide monitoring controls over compliance requirements and over financial reporting. New accounting software is now in place that will assist in addressing internal control concerns and improve financial reporting. The new software is expected to be fully functioning by Spring 2018.

President/CEO, Frank Jannuzi, and Vice President, Ben Self, are providing now additional oversight to the finance team. Mr. Jannuzi has prepared a detailed action plan in response to the issues encountered during the audit, which the Board of Director has reviewed. Mr. Self will be responsible for monitoring Fellowship grant issues and will be taking training in January to play a larger role in financial oversight.

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