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, 2018

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT ..... 1 and 2

FINANCIAL STATEMENTS

Statements of Financial Position ..... 3 and 4

Statements of Activities ..... 5 and 6

Statements of Functional Expenses ..... 7 and 8

Statements of Cash Flows ..... 9 and 10

Notes to Financial Statements ..... 11 through 26

SUPPLEMENTAL INFORMATION

Schedule of Expenditures of Federal Awards 27

Notes to Schedule of Expenditures of Federal Awards ..... 28 and 29

Schedule of Indirect Cost Rate Computation ..... 30 and 31

SINGLE AUDIT SECTION 32

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* ..... 33 and 34

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance ..... 35 and 36

Schedule of Findings and Questioned Costs ..... 37 through 39

Summary Schedule of Prior Audit Findings ..... 40 through 42

Corrective Action Plan 43

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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, 2018 and 2017, and the related statements of activities, functional expenses, 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, 2018 and 2017, 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.

Adoption of New Accounting Standard
As discussed in Note 1, the Foundation adopted the Financial Accounting Standards Board's Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

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 indirect cost rate computation, starting on page 30, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, starting on page 27, 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 October 10, 2019, 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.

Anderson ZurMuehlen & Co P.C.
Missoula, Montana
October 10, 2019

FINANCIAL STATEMENTS

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

ASSETS	2018	2017
CURRENT ASSETS		
Cash and temporary investments	$ 503,313	$ 381,805
Receivables:		
Service receivables	128,513	77,303
Grants	378,612	221,877
Contributions	14,583	19,693
Prepaid expenses and other current assets	257,699	116,734
Total current assets	1,282,720	817,412
PROPERTY AND EQUIPMENT, at cost		
Leasehold improvements	176,613	176,613
Furniture and equipment	190,979	164,429
	367,592	341,042
Less accumulated depreciation	318,887	305,501
Net property and equipment	48,705	35,541
ENDOWED ASSETS		
Endowed cash and temporary investments	224,707	329,155
Investment securities	11,172,251	10,760,610
Accrued interest	28,311	25,654
Total endowed assets	11,425,269	11,115,419
RESTRICTED CASH AND TEMPORARY INVESTMENTS		
Japan's Friendship Ties exchange program	-	7,287,978
Total restricted cash and temporary investments	-	7,287,978
Total assets	$ 12,756,694	$ 19,256,350

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, 2018 and 2017

LIABILITIES	2018	2017
CURRENT LIABILITIES		
Accounts payable	$ 123,735	$ 171,071
Accrued expenses	490,829	293,382
Deferred rent	172,693	170,447
Agency funds	-	7,188,562
Deferred revenue	723,123	536,202
Total liabilities	1,510,380	8,359,664
NET ASSETS		
Without donor restriction:		
Undesignated - operating	404,433	(315,139)
Board designated for the endowment	166,517	166,517
Total net assets without donor restriction	570,950	(148,622)
With donor restriction:		
Purpose restricted	4,688,955	5,058,899
Perpetual in nature	5,986,409	5,986,409
Total net assets with donor restriction	10,675,364	11,045,308
Total net assets	11,246,314	10,896,686
Total liabilities and net assets	$ 12,756,694	$ 19,256,350

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, 2018 and 2017

	2018	2017
NET ASSETS WITHOUT DONOR RESTRICTION		
Revenue and support:		
Grant revenue	$ 1,873,029	$ 1,615,919
Program fees and contract revenue	393,977	460,595
Corporate affiliate fees	247,500	182,058
Unrestricted contributions	57,800	34,150
Other income	3,815	131
Interest on temporary cash investments	-	65
	2,576,121	2,292,918
Net assets released from restrictions	1,206,757	1,227,522
Total revenue and support	3,782,878	3,520,440
Program expenses:		
Mike Mansfield Fellowship Program	1,531,425	1,591,181
Mansfield Center	198,376	184,963
Asian Exchanges/Training	188,782	144,600
PhRMA Exchange	185,380	319,714
Rule of Law	114	2,713
US-Japan Network	160,629	311,372
US-Korea Network	89,413	102,763
Space Security	23,315	114,291
Nuclear Working Group	83,329	1,438
Research and Education	44,749	96,716
Miscellaneous Programs	156,857	101,906
Total program expenses	2,662,369	2,971,657
General and administrative expenses	266,328	172,259
Fundraising expenses	134,609	93,981
Total expenses	3,063,306	3,237,897
Change in net assets without donor restriction	719,572	282,543

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, 2018 and 2017

	2018	2017
NET ASSETS WITH DONOR RESTRICTION		
Purpose restricted support	55,435	643,819
Endowment investment gains, net	781,378	1,219,559
Net assets released from restrictions	(1,206,757)	(1,227,522)
Change in net assets with donor restriction	(369,944)	635,856
Change in net assets	349,628	918,399
Net assets at the beginning of the year	10,896,686	9,978,287
Net assets at the end of the year	$ 11,246,314	$ 10,896,686

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

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

	Program Services	Supporting Services	Fundraising	Total
Salaries and wages	$ 516,410	$ 293,012	$ 68,458	$ 877,880
Retirement	30,388	14,610	5,175	50,173
Other employee benefits	113,164	55,297	11,477	179,938
Payroll taxes	30,473	20,469	4,732	55,674
Accounting fees	6,000	12,076	-	18,076
Supplies	1,238	19,664	-	20,902
Bank charges	848	2,440	30	3,318
Telephone	644	11,668	25	12,337
Postage and shipping	1,847	999	26	2,872
Subscriptions	-	7,152	-	7,152
Professional Dues/Continuing Education	549	2,344	-	2,893
Miscellaneous office	161	819	-	980
Occupancy	79,277	107,882	9,673	196,832
Parking/commuting	-	24,195	-	24,195
Equipment rental and maintenance	2,107	174	-	2,281
Printing and publications	30,738	9,349	237	40,324
Travel	391,831	29,941	1,810	423,582
Depreciation	-	13,166	-	13,166
Insurance	-	15,090	-	15,090
Consultants/Prof. Svce/Honorariums	24,454	56,773	-	81,227
Housing/Post/Education allowances	647,757	-	-	647,757
Computer software	11,300	9,496	-	20,796
Language/Area Studies training	99,225	-	-	99,225
Receptions	42,495	2,373	122	44,990
Other expenses	3,494	2,497	-	5,991
Grants	168,371	-	-	168,371
Allocation of indirect costs	412,314	(445,158)	32,844	-
In-kind expenses	47,284	-	-	47,284
Total	$ 2,662,369	$ 266,328	$ 134,609	$ 3,063,306

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

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017

	Program Services	Supporting Services	Fundraising	Total
Salaries and wages	$ 508,811	$ 301,267	$ 57,416	$ 867,494
Retirement	26,163	20,436	4,427	51,026
Other employee benefits	107,451	17,838	9,029	134,318
Payroll taxes	29,206	17,378	4,311	50,895
Accounting fees	5,000	2,074	-	7,074
Legal fees	-	3,000	-	3,000
Supplies	1,387	17,979	10	19,376
Bank charges	1,037	11,964	54	13,055
Telephone	1,055	9,206	-	10,261
Postage and shipping	1,711	709	78	2,498
Subscriptions	261	3,733	-	3,994
Professional Dues/Continuing Education	-	4,433	-	4,433
Miscellaneous office	-	1,037	-	1,037
Occupancy	136,323	49,445	15,789	201,557
Parking/commuting	2,043	18,150	-	20,193
Printing and publications	22,835	10,068	-	32,903
Travel	523,673	12,716	2,024	538,413
Conferences, conventions, and meetings	2,294	3,451	843	6,588
Depreciation	1,164	11,923	-	13,087
Insurance	-	15,210	-	15,210
Consultants/Prof. Svce/Honorariums	36,886	27,648	-	64,534
Housing/Post/Education allowances	803,627	-	-	803,627
Language/Area Studies training	43,543	-	-	43,543
Receptions	62,950	-	-	62,950
Other expenses	11,334	11,355	-	22,689
Grants	184,963	-	-	184,963
Allocation of indirect costs	403,466	(403,466)	-	-
In-kind expenses	54,474	4,705	-	59,179
Total	$ 2,971,657	$ 172,259	$ 93,981	$ 3,237,897

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, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 349,628	$ 918,399
Adjustments to reconcile the change in net assets to net cash from operating activities		
Depreciation	13,166	13,087
Realized and unrealized gains on investments	(653,797)	(1,078,384)
Change in operating assets and liabilities:		
Receivables	(205,492)	(153,203)
Prepaid expenses and other assets	(140,965)	32,849
Accounts payable	(47,336)	48,244
Accrued expenses	197,447	(97,767)
Deferred rent	2,246	86,370
Deferred revenue	186,921	(218,032)
Net cash flows from operating activities	(298,182)	(448,437)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investment securities	2,008,575	2,106,416
Purchase of investment securities	(1,766,419)	(1,776,793)
Purchase of property and equipment	(26,330)	-
Net cash flows from investing activities	215,826	329,623
CASH FLOWS FROM FINANCING ACTIVITIES		
Agency funds restricted for program use	(7,188,562)	(4,318,723)
Net cash flows provided by financing activities	(7,188,562)	(4,318,723)
Net change in cash and temporary investments	(7,270,918)	(4,437,537)
CASH AND TEMPORARY INVESTMENTS, Beginning of year	7,998,938	12,436,475
CASH AND TEMPORARY INVESTMENTS, End of year	$ 728,020	$ 7,998,938

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

CASH AND TEMPORARY INVESTMENTS ARE PRESENTED IN THE ACCOMPANYING STATEMENT OF FINANCIAL POSITION UNDER THE FOLLOWING CAPTIONS		
Cash and temporary investments	$ 503,313	$ 381,805
Endowed cash and temporary investments	224,707	329,155
Restricted cash and temporary investments	-	7,287,978
	$ 728,020	$ 7,998,938

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.

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 Principles

The Foundation has adopted the provisions of FASB Accounting Standards Update No. 2016-14 *Not-for-Profit Entities (Topic 958)—Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity of understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has elected to early implement ASU 2016-14 and has adjusted the presentation of these financial statements accordingly.

This standard has been applied retrospectively to all periods presented in the financial statements and did not have a material effect on the statements.

The financial statements include a disclosure on liquidity and availability of resources, see Note 3. The Foundation has elected the option available under the standard's adoption guidance to omit this disclosure for the year ended June 30, 2017.

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. Contributions received are recorded as support with or without donor restriction depending on the existence and nature of any donor restrictions.

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

Promises to Give (Continued)
Conditional promises to give are recognized when the conditions on which they depend are substantially met. 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.

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 June 1, 2017 and June 1, 2018 were partially expended during fiscal year 2018. Approximately $1,598,022 and $1,615,919 of this grant support had been spent as of June 30, 2018 and 2017, respectively. The remaining grant funds of $1,250,053 and $1,603,554, respectively, are expected to be spent within one year. These timing differences can create the appearance of significant year over year differences in revenues.

Grant awards are classified as refundable advances until expended for the purposes of the grant.

Donor-restricted support is reported as an increase in net assets with a purpose restriction or net assets with restrictions perpetual in nature, depending on the nature of the restriction. When a restriction expires or is met through expenditure or board appropriation of endowment funds, net assets with donor restriction are reclassified to net assets without donor restriction. Purpose 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 net assets without donor restriction 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, 2018 and 2017, there were $-0- and $17,513 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 net assets with donor purpose restriction. When the restrictions are met or endowment funds are appropriated by the Board, they are reclassified to net assets without restriction.

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

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 $2,500 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. The cash held in excess of what has been earned by the Foundation is presented as agency funds of $7,287,978 on the statement of financial position as of June 30, 2017. This program was completed during fiscal year 2018, therefore, no agency funds were held as of June 30, 2018.

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.

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.

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

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. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Utilities and occupancy are allocated on a square footage basis. Salaries and benefits are allocated on the basis of time and effort.

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 6.78% and 7.77% for the years ended June 30, 2018 and 2017, 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 $2,859 and $10,451 for the years ended June 30, 2018 and 2017, respectively.

Reclassification
Certain reclassifications have been made to the June 30, 2017 financial statements to conform to the June 30, 2018 presentation. Such reclassifications have no effect on previously reported net assets or changes in net assets.

Subsequent Events
Management has evaluated subsequent events through October 10, 2019, 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, 2018 and 2017.

NOTE 2. INVESTMENT SECURITIES (CONTINUED)

Fair value of marketable securities are as follows:

	Total June 30, 2018	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	$ 2,346,263	$ 2,346,263	$ -	$ -
Small-Mid Cap	1,028,304	1,028,304	-	-
Equity Mutual Funds				
Large Cap Growth	1,082,814	1,082,814	-	-
International	736,212	736,212	-	-
International	1,472,863	1,472,863	-	-
Debt Securities				
Fixed Income Mutual Funds	712,630	712,630	-	-
Government and Agency Securities	3,075,610	-	3,075,610	-
Alternative Investments	717,555	-	717,555	-
Total Investment Securities	$ 11,172,251	$ 7,379,086	$ 3,793,165	$ -

	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 Investment Securities	$ 10,760,610	$ 7,149,097	$ 3,611,513	$ -

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, 2018 and 2017.

For the Year Ended June 30,	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
2018				
Alternative investments	$ 717,555	n/a	Fortnightly	19 days
2017				
Alternative investments	$ 695,950	n/a	Fortnightly	19 days

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

	Cost	Fair Value	Net Unrealized Appreciation/ (Depreciation)
2018			
Equity securities	$ 5,512,557	$ 6,666,456	$ 1,153,899
Debt securities	3,171,576	3,788,240	616,664
Alternative investments	1,490,149	717,555	(772,594)
Total investment securities	$ 10,174,282	$ 11,172,251	$ 997,969
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 investment securities	$ 9,779,169	$ 10,760,610	$ 981,441

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

	Without Donor Restriction	With Donor Restriction	Total
2018			
Endowment interest and dividend income	$ -	$ 236,293	$ 236,293
Endowment realized and unrealized gains	-	653,797	653,797
Financial management fees	-	(108,712)	(108,712)
Total investment return	$ -	$ 781,378	$ 781,378
2017			
Endowment interest and dividend income	$ -	$ 237,797	$ 237,797
Endowment realized and unrealized gains	-	1,078,384	1,078,384
Financial management fees	-	(96,622)	(96,622)
Total investment loss	$ -	$ 1,219,559	$ 1,219,559

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 $108,712 and $96,622 for the years ended June 30, 2018 and 2017, respectively.

NOTE 3. LIQUIDITY AND AVAILABILITY

Management has identified the following assets as of June 30, 2018 as available for general operations in fiscal year 2019:

Cash and cash equivalents	$ 503,313
Receivables	521,708
Endowed assets	426,946
	$ 1,451,967

Financial assets available for general expenditure include those without donor or other restrictions limiting their use within one year of the balance sheet date. In addition the Foundation receives significant grants and contributions restricted by donors and grantors, and considers those restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

Receivables exclude amounts restricted by grantors when restrictions are unrelated to ongoing programs, as those funds are also considered limited as to use.

Endowed assets are limited to those funds approved by the Board of Directors under the Foundation's spending policy.

NOTE 4. NET ASSETS RELEASED FROM RESTRICTIONS

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

	2018	2017
Board appropriation of endowment funds	$ 580,240	$ 679,978
Purpose restrictions accomplished		
Mike Mansfield Fellowship Program, non-federal support	48,734	56,524
Japan-US-ROK	16,346	50,000
AAS Meeting	24,505	20,007
Network for the Future	98,280	-
Tilateral Nuclear Fuel Cycle	19,165	-
Bridging the Divide	62,306	-
PhRMA	181,380	-
JUSFC	154,748	-
MacArthur Foundation	19,270	-
Trilaterial: Advancing Policy Through Working Groups	-	120,411
Emereging Leaders, Korea Network	-	25,548
Next Generation Cohort	-	226,840
US Japan Space Security	-	43,509
Operations	-	4,705
Miscellaneous programs	1,783	-
Total purpose restrictions accomplished	626,517	547,544
Total net assets released from restrictions	$ 1,206,757	$ 1,227,522

NOTE 5. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor imposed time and purpose restrictions are available as follows:

	2018	2017
Purpose restricted:		
The programs and operations of the Foundation	$ 4,688,955	$ 5,058,899
Perpetual in nature:		
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 net assets with donor restriction	$ 10,675,364	$ 11,045,308

Net assets with donor restriction to be held in perpetuity are invested, the income from which is expendable to support the programs and operations of the Foundation.

NOTE 6. ENDOWMENT NET ASSETS

At June 30, 2018 and 2017, 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 net assets with a donor restriction, perpetual in nature, (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 as with donor restriction, perpetual in nature, is classified as net assets with donor time and purpose restriction until those amounts are appropriated for expenditure by the Foundation.

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.

	Without Donor Restriction	Purpose Restriction	Perpetual Restriction	Total
2018				
Donor restricted funds	$ -	$ 5,272,343	$ 5,986,409	$ 11,258,752
Board designated funds	166,517	-	-	166,517
Total funds	$ 166,517	$ 5,272,343	$ 5,986,409	$ 11,425,269
2017				
Donor restricted funds	$ -	$ 4,962,493	$ 5,986,409	$ 10,948,902
Board designated funds	166,517	-	-	166,517
Total funds	$ 166,517	$ 4,962,493	$ 5,986,409	$ 11,115,419

NOTE 6. ENDOWMENT NET ASSETS (CONTINUED)

Changes in net asset composition by type of fund for the years ended June 30, 2018 and 2017 are as follows:

	Without Donor Restriction	Purpose Restriction	Perpetual Restriction	Total
Endowment net assets, July 1, 2016	$ 166,517	$ 4,326,420	$ 5,986,409	$ 10,479,346
Investment return				
Investment income	-	237,667	-	237,667
Net appreciation	-	1,078,384	-	1,078,384
Total investment return	-	1,316,051	-	1,316,051
Appropriation for expenditure	-	(679,978)	-	(679,978)
Endowment net assets, June 30, 2017	166,517	4,962,493	5,986,409	11,115,419
Investment return				
Investment income	-	236,293	-	236,293
Net appreciation	-	653,797	-	653,797
Total investment return	-	890,090	-	890,090
Appropriation for expenditure	-	(580,240)	-	(580,240)
Endowment net assets, June 30, 2018	$ 166,517	$ 5,272,343	$ 5,986,409	$ 11,425,269

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, 2018 or 2017.

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.

NOTE 6. ENDOWMENT NET ASSETS (CONTINUED)

Return Objectives and Risk Parameters (Continued)
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 2018 and 2017 distributions were 4.5%.

NOTE 7. LEASE OBLIGATIONS

The Foundation leases office space under operating lease agreements. Rent expense for fiscal 2018 and 2017 was $195,206 and $158,982, respectively. Minimum future lease commitments for the next five years are:

June 30,	
2019	$ 167,050
2020	171,220
2021	177,949
2022	183,623
2023	188,208
Thereafter	661,388
	$ 1,549,438

The Foundation executed an 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 $172,693 and $170,447 has been presented in the statement of financial position as of June 30, 2018 and 2017, respectively.

NOTE 7. LEASE OBLIGATIONS (CONTINUED)

The Foundation also leases office space in Tokyo under a month-to-month lease agreement. Monthly payments under this agreement are ¥200,000 (approximately $1,807 per month, at June 30, 2018 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 $50,173 and $51,026 for fiscal years 2018 and 2017, respectively.

The Foundation accrues deferred compensation in lieu of currently contributing to retirement benefits for full-time Japanese employees. Accrued deferred compensation was $199,518 and $182,578 at June 30, 2018 and 2017, 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.

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 $168,371 and $184,963 for the years ended June 30, 2018 and 2017, respectively.

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 20.02% and 17.27% in fiscal 2018 and 2017, respectively. The indirect costs charged to the U.S. Department of State during fiscal 2018 were:

CONTRACT #	RATE
S-ECAGD-18-GR-0009	18.65%
S-ECAGD-17-GR-1046	20.87%

The 2018 and 2017 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:

	2018	2017
Administration	$ -	$ 4,705
Mike Mansfield Fellowship Program	47,284	54,474
	$ 47,284	$ 59,179

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 $1,443,274 and $1,492,304 for fiscal 2018 and 2017, respectively, from the Department of State for the Mansfield Fellowship Program. This represents approximately 77% and 92% of grant revenue for fiscal years ended June 30, 2018 and 2017, respectively, and approximately 38% and 42% of total unrestricted revenue and support in 2018 and 2017, 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 EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

FEDERAL GRANTOR /PROGRAM TITLE	FEDERAL CFDA NUMBER	CONTRACT NUMBER	EXPENDITURES
U.S. Department of State:			
The Mike Mansfield Fellowship Program	19.415	S-ECAGD-18-GR-0009	$ 8,574
	19.415	S-ECAGD-17-GR-1046	1,434,700
Total U.S. Department of State			1,443,274
Japan US Friendship Commission:			
2017 Foley-JUSFC Legislative Exchange		Grant No. 18-36	72,998
2016 Foley-JUSFC Legislative Exchange		Grant No. 17-24	81,750
Total Japan US Friendship Commission			154,748
Total Federal expenditures			$ 1,598,022

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, 2018. 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, 2018:

Federal expenditures	$ 1,598,022
In-kind contributions	47,284
Foundation expenditures	1,418,000
Total expenditures per statement of activities	$ 3,063,306

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 Mike and Mansfield Fellowship Program and a rate of 18.65% for the Foley-JUSFC Legislative Exchange for the year ended June 30, 2018.

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
SCHEDULE OF INDIRECT COST RATE COMPUTATION
Year Ended June 30, 2018

	Total
INDIRECT COST RATE	
Allowable indirect costs	$ 520,758
Distribution base	$ 2,601,117
Rate	20.02%
DISTRIBUTION BASE*	
Total expenses	$ 3,172,018
Less: Loss on foreign currency exchange	(2,859)
Less: Unallowed and indirect expenses	(831,644)
Direct program costs	2,337,515
Less: In-kind direct program costs	(47,284)
Plus: Unallowable costs	310,886
Distribution base before Centers' allowable IDC	2,601,117
Plus: Centers' allowable IDC	520,758
Distribution base after Centers' allowable IDC	$ 3,121,875

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

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
SCHEDULE OF INDIRECT COST RATE COMPUTATION (CONTINUED)
Year Ended June 30, 2018

	Total	Unallowable Costs (Operations)	Allowable Indirect Costs (Operations)	Allowable Indirect Costs (Foundation)
INDIRECT COSTS*				
SALARIES AND PAYROLL EXPENSE				
Salaries	$ 361,470	$ 73,381	$ 40,568	$ 247,521
Payroll taxes and benefits	111,760	21,660	19,601	70,499
	473,230	95,041	60,169	318,020
OFFICE EXPENSE				
Rent, utilities	117,555	10,163	5,491	101,901
Parking, commuting benefits	24,195	24,195	-	-
Office supplies	20,382	403	12,135	7,844
Bank charges	2,470	30	500	1,940
Telephone and fax	11,694	93	2,097	9,504
Postage and delivery	1,024	26	188	810
Printing and copying	9,585	237	2,153	7,195
Subscriptions and research materials	7,152	-	5,950	1,202
Professional dues	350	-	-	350
Miscellaneous office expense	3,484	-	(551)	4,035
Total office expense	197,891	35,147	27,963	134,781
INSURANCE	15,217	4,922	126	10,169
REPAIRS AND MAINTENANCE	19,094	-	19,094	-
TRAVEL	12,656	4,932	-	7,724
BOARD MEETINGS	417	-	-	417
PROFESSIONAL FEES				
Consultants	63,460	24,045	12,811	26,604
Financial management fee	108,712	108,712	-	-
Accounting fees	12,076	-	3,000	9,076
Total professional fees	184,248	132,757	15,811	35,680
FUNDRAISING	32,844	32,844	-	-
MISCELLANEOUS	801	-	-	801
DEPRECIATION	13,166	-	-	13,166
RECEPTIONS/HOSPITALITY	5,243	5,243	-	-
Total indirect costs before allocation	954,807	310,886	123,163	520,758
Less: in-kind expenses	-	-	-	-
Total indirect costs for rate calculation before allocation	954,807	310,886	123,163	520,758
ALLOCATION OF OPERATIONS ALLOWABLE INDIRECT COSTS TO CENTERS*	-	-	-	-
TOTAL INDIRECT COSTS FOR IDC RATE CALCULATION	$ 954,807	$ 310,886	$ 123,163	$ 520,758

*Indirect Costs do not include any direct program expenses.

See Auditor's Report on Supplemental Information.

SINGLE AUDIT SECTION

anderson ZURMUEHLEN

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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, 2018, 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 October 10, 2019.

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.

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: #2018-001 and #2018-002.

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.

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 #2018-001.

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.

Missoula, Montana
October 10, 2019

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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, 2018. 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, 2018.

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 #2018-001. 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 #2018-001, 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.

Missoula, Montana
October 10, 2019

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

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?	None reported
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, 2018, 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?	No

Section II – Financial Statement Findings:

#2018-001 – Account Reconciliation and Reporting to Governance

Condition: The Foundation did not have consistent policies and procedures to reconcile financial statement accounts. Additionally, we noted governance was 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 accounts on the statement of financial position were not reconciled in a timely manner.

Effect: Without timely and accurate financial reporting, management and governance may be making decisions based on inaccurate information. Additionally, reporting errors were noted as a result of the inadequate reconciliation procedures.

Perspective: The impact of management and governance using potentially inaccurate financial information in the decision making process is a qualitative one. This is a repeat finding.

Cause: The Foundation experienced an extended absence of a key financial management team member; resulting in untimely reconciliation of key accounts.

Recommendation: The Foundation appears to have instituted consistent policies and procedures to reconcile financial statement accounts subsequent to year end. We recommend the Foundation continue to strengthen these policies and procedures.

Management Response: See Management's Corrective Action Plan on page 43.

Section III – Federal Award Findings and Questioned Costs:

#2018-002 – Grant Management

Condition: The Foundation appears to have inadequately designed monitoring controls over compliance requirements under Uniform Guidance and over financial reporting; specifically the requirements surrounding allowable costs and reporting.

Criteria: Grant agreement S-ECAGD-17-GR-1046 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 findings could result in loss of funding.

Perspective: We noted several instances where the controls appeared to be ineffectively operating including the process for reviewing of expenditures for allowability and timely and accurate filing of required reports.

Cause: The Foundation experienced an extended absence of a key financial management team member; resulting in a break down in the application of the designed system of preventative and detective internal controls, to ensure adequate monitoring over compliance.

Recommendation: The Foundation appears to have reinstated the designed system of preventative and detective internal controls subsequent to year end. We recommend management continue to strengthen this system to ensure adequate monitoring controls over compliance requirements.

Management Response: See Management's Corrective Action Plan on page 43.

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.

Updated Status: Management has obtained the suitable skills, knowledge and/or experience to effectively prepare the financial statements and related footnotes of the Foundation.

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.

Updated Status: See Finding #2018-001

Section III - Federal Awards 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.

Updated Status: See Finding #2018-002.

CORRECTIVE ACTION PLAN
Year Ended June 30, 2018

Audit Finding and Response
October 10, 2019

Our efforts to strengthen our accounting policies and procedures have benefited from our updated accounting software's (Intacct) ability to require approval of accounts payable. These features ensure that expenditures are reviewed and recorded to the proper fiscal period, are an allowed expenditure within Uniform Guidance, and include supporting documentation prior to payment. Our finance team will obtain training to master Intacct's full suite of capabilities including a feature to require approval of journal entries, thereby improving accuracy and accountability. After the extended absence of a key financial management team member, the new team is working diligently to get the Foundation's financial records current. Management currently receives the Foundation's bank statement each month and will begin reviewing the bank reconciliations. Our finance team will soon be able to provide quarterly financial reporting to Management and the Board of Directors.

Management will work with the finance team and program officers to generate timely grant reconciliations, thereby improving monitoring of grant expenditures and reimbursements. Additionally, management will consult more closely with the finance team during grant writing and application process to ensure that financial record-keeping tools are in place promptly to track grant expenditures after the launch of any new programs.

Teresa Nichols, Director of Finance

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