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, 2019 and 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 25

SUPPLEMENTAL INFORMATION

Schedule of Expenditures of Federal Awards 26

Notes to Schedule of Expenditures of Federal Awards ..... 27 and 28

Schedule of Indirect Cost Rate Computation ..... 29 and 30

SINGLE AUDIT SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* ..... 31 and 32

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance ..... 33 and 34

Schedule of Findings and Questioned Costs ..... 35 through 37

Summary Schedule of Prior Audit Findings ..... 38 and 39

Corrective Action Plan 40

anderson ZURMUEHLEN

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

1821 SOUTH AVENUE WEST • FIFTH FLOOR • P.O. BOX 2368 • MISSOULA, MONTANA 59806-2368
TEL: 406.721.7800 • FAX: 406.721.4155 • 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, 2019 and 2018, 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, 2019 and 2018, 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 indirect cost rate computation, starting on page 29, 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 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 February 4, 2020, 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
February 4, 2020

FINANCIAL STATEMENTS

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

ASSETS	2019	2018
CURRENT ASSETS		
Cash and temporary investments	$ 957,283	$ 503,313
Receivables:		
Service receivables	10,299	128,513
Grants	284,598	378,612
Contributions	23,000	14,583
Prepaid expenses and other current assets	105,807	257,699
Total current assets	1,380,987	1,282,720
PROPERTY AND EQUIPMENT, at cost		
Leasehold improvements	176,613	176,613
Furniture and equipment	190,979	190,979
	367,592	367,592
Less accumulated depreciation	332,108	318,887
Net property and equipment	35,484	48,705
ENDOWED ASSETS		
Endowed cash and temporary investments	321,998	224,707
Investment securities	11,365,325	11,172,251
Accrued interest	27,726	28,311
Total endowed assets	11,715,049	11,425,269
RESTRICTED CASH AND TEMPORARY INVESTMENTS		
Japan's Friendship Ties exchange program	5,934,839	-
Total restricted cash and temporary investments	5,934,839	-
Total assets	$ 19,066,359	$ 12,756,694

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, 2019 and 2018

LIABILITIES	2019	2018
CURRENT LIABILITIES		
Accounts payable	$ 189,737	$ 265,100
Accrued expenses	369,743	349,464
Deferred rent	170,853	172,693
Agency funds	5,845,942	-
Deferred revenue	871,696	723,123
Total liabilities	7,447,971	1,510,380
NET ASSETS		
Without donor restriction:		
Undesignated - operating	98,524	(72,353)
Board designated for the endowment	166,517	166,517
Total net assets without donor restriction	265,041	94,164
With donor restriction:		
Purpose restricted	5,366,938	5,165,741
Perpetual in nature	5,986,409	5,986,409
Total net assets with donor restriction	11,353,347	11,152,150
Total net assets	11,618,388	11,246,314
Total liabilities and net assets	$ 19,066,359	$ 12,756,694

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, 2019 and 2018

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTION		
Revenue and support:		
Grant revenue	$ 1,396,122	$ 1,873,029
Program fees and contract revenue	131,236	-
Corporate affiliate fees	251,667	247,500
Unrestricted contributions	26,500	57,800
Other income	95,824	1,705
	1,901,349	2,180,034
Net assets released from restrictions	1,353,177	1,206,757
Total revenue and support	3,254,526	3,386,791
Program service expenses:		
Mike Mansfield Fellowship Program	1,386,995	1,531,425
Mansfield Center	171,191	198,376
Asian Exchanges/Training	190,255	188,782
PhRMA Exchange	165,831	185,380
US-Japan Network	182,316	160,629
US-Korea Network	81,560	89,413
Space Security	60,340	23,315
Nuclear Working Group	159,252	83,329
Research and Education	100,208	44,749
Miscellaneous Programs	157,395	156,971
Total program expenses	2,655,343	2,662,369
Supporting service expenses	336,545	266,328
Fundraising expenses	91,761	134,609
Total expenses	3,083,649	3,063,306
Change in net assets without donor restriction	170,877	323,485

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, 2019 and 2018

	2019	2018
NET ASSETS WITH DONOR RESTRICTION		
Purpose restricted support	794,710	449,412
Endowment investment gains, net	759,664	783,488
Net assets released from restrictions	(1,353,177)	(1,206,757)
Change in net assets with donor restriction	201,197	26,143
Change in net assets	372,074	349,628
Net assets at the beginning of the year	11,246,314	10,896,686
Net assets at the end of the year	$ 11,618,388	$ 11,246,314

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, 2019

	Program Services	Supporting Services	Fundraising	Total
Salaries and wages	$ 518,724	$ 312,187	$ 48,922	$ 879,833
Retirement	25,291	12,711	3,387	41,389
Other employee benefits	112,684	51,250	7,204	171,138
Payroll taxes	32,197	17,514	3,558	53,269
Accounting fees	-	13,360	-	13,360
Legal fees	-	657	-	657
Supplies	775	6,392	-	7,167
Bank charges	423	2,532	-	2,955
Telephone	1,401	5,812	-	7,213
Postage and shipping	2,346	665	98	3,109
Subscriptions	-	5,883	-	5,883
Professional Dues/Continuing Education	-	152	-	152
Miscellaneous office	176	1,088	-	1,264
Occupancy	81,743	114,587	7,412	203,742
Parking/commuting	77	23,298	-	23,375
Equipment rental and maintenance	-	294	27	321
Printing and publications	22,525	7,337	151	30,013
Travel	475,885	29,736	2,993	508,614
Conferences, conventions, and meetings	4,219	2,495	-	6,714
Depreciation	-	13,221	-	13,221
Insurance	-	15,469	-	15,469
Consultants/Prof. Svce/Honorariums	29,043	60,264	1,000	90,307
Housing/Post/Education allowances	538,101	-	-	538,101
Computer software	8,137	18,103	-	26,240
Language/Area Studies training	99,460	-	-	99,460
Receptions	19,560	4,127	289	23,976
Other expenses	12,354	90,340	-	102,694
Grants	171,191	-	-	171,191
Allocation of indirect costs	456,209	(472,929)	16,720	-
In-kind expenses	42,822	-	-	42,822
Total	$ 2,655,343	$ 336,545	$ 91,761	$ 3,083,649

The Notes to Financial Statements are an integral part of this statement.

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 this statement.

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 372,074	$ 349,628
Adjustments to reconcile the change in net assets to net cash from operating activities		
Depreciation	13,221	13,166
Realized and unrealized gains on investments	(614,149)	(653,797)
Change in operating assets and liabilities:		
Receivables	204,396	(205,492)
Prepaid expenses and other assets	151,892	(140,965)
Accounts payable	(75,363)	(47,336)
Accrued expenses	20,279	197,447
Deferred rent	(1,840)	2,246
Deferred revenue	148,573	186,921
Net cash flows from operating activities	219,083	(298,182)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investment securities	1,061,013	2,008,575
Purchase of investment securities	(639,938)	(1,766,419)
Purchase of property and equipment	-	(26,330)
Net cash flows from investing activities	421,075	215,826
CASH FLOWS FROM FINANCING ACTIVITIES		
Agency funds restricted for program use	5,845,942	(7,188,562)
Net cash flows provided by financing activities	5,845,942	(7,188,562)
Net change in cash and temporary investments	6,486,100	(7,270,918)
CASH AND TEMPORARY INVESTMENTS, Beginning of year	728,020	7,998,938
CASH AND TEMPORARY INVESTMENTS, End of year	$ 7,214,120	$ 728,020

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, 2019 and 2018

	2019	2018
CASH AND TEMPORARY INVESTMENTS ARE PRESENTED IN THE ACCOMPANYING STATEMENT OF FINANCIAL POSITION UNDER THE FOLLOWING CAPTIONS		
Cash and temporary investments	$ 957,283	$ 503,313
Endowed cash and temporary investments	321,998	224,707
Restricted cash and temporary investments	5,934,839	-
	$ 7,214,120	$ 728,020

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.

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.

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.

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, 2018, September 21, 2018 and May 14, 2019 were partially expended during fiscal year 2019. Approximately $1,396,122 and $1,598,022 of this grant support had been spent as of June 30, 2019 and 2018, respectively. The remaining grant funds of $1,597,424 and $1,250,053, 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.

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

Restricted and Unrestricted Revenue and Support (Continued)
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, 2019 and 2018, there were $6,485,311 and $-0- 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.

Depreciation
Leasehold improvements, furniture and equipment are stated at cost. Depreciation is computed using the straight-line method over the life of the lease for leasehold improvements and a period of 3-10 years for furniture and equipment.

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.

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

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, 2019. The cash held in excess of what has been earned by the Foundation is presented as agency funds of $5,845,942 on the statement of financial position as of June 30, 2019. There were no such funds held by the Foundation 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.

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 6.92% and 6.78% for the years ended June 30, 2019 and 2018, 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.

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

Foreign Currency Transactions
The Foundation pays some of its expenses in yen. A foreign currency transaction gain or loss is recorded for any material changes in the dollar-yen exchange 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 gains (losses) incurred were $6,959 and $(424) for the years ended June 30, 2019 and 2018, respectively.

Reclassification
Certain reclassifications have been made to the June 30, 2018 financial statements to conform to the June 30, 2019 presentation. Such reclassifications have no effect on previously reported net assets or changes in net assets.

Subsequent Events
Management has evaluated subsequent events through February 4, 2020, 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. 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.

NOTE 2. INVESTMENT SECURITIES (CONTINUED)

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, 2019 and 2018.

NOTE 2. INVESTMENT SECURITIES (CONTINUED)

Fair value of marketable securities are as follows:

	Total June 30, 2019	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	$ 2,550,565	$ 2,550,565	$ -	$ -
Small-Mid Cap	1,005,199	1,005,199	-	-
Equity Mutual Funds				
Large Cap Growth	1,184,770	1,184,770	-	-
International	771,542	771,542	-	-
International	1,098,461	1,098,461	-	-
Debt Securities				
Fixed Income Mutual Funds	753,203	753,203	-	-
Government and Agency Securities	3,238,598	-	3,238,598	-
Alternative Investments	762,987	-	762,987	-
Total Investment Securities	$ 11,365,325	$ 7,363,740	$ 4,001,585	$ -

	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	$ -

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, 2019 and 2018.

For the Year Ended June 30,	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
2019				
Alternative investments	$ 762,987	n/a	Fortnightly	19 days
2018				
Alternative investments	$ 717,555	n/a	Fortnightly	19 days

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

	Cost	Fair Value	Net Unrealized Appreciation/ (Depreciation)
2019			
Equity securities	$ 4,995,322	$ 6,610,537	$ 1,615,215
Debt securities	4,035,395	3,991,801	(43,594)
Alternative investments	757,283	762,987	5,704
Total investment securities	$ 9,788,000	$ 11,365,325	$ 1,577,325
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

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

	Without Donor Restriction	With Donor Restriction	Total
2019			
Interest and dividend income	$ -	$ 237,158	$ 237,158
Realized and unrealized gains	-	614,149	614,149
Financial management fees	-	(91,643)	(91,643)
Total investment return	$ -	$ 759,664	$ 759,664
2018			
Interest and dividend income	$ -	$ 238,403	$ 238,403
Realized and unrealized gains	-	653,797	653,797
Financial management fees	-	(108,712)	(108,712)
Total investment loss	$ -	$ 783,488	$ 783,488

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 $91,643 and $108,712 for the years ended June 30, 2019 and 2018, respectively.

NOTE 3. LIQUIDITY AND AVAILABILITY

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

	2019	2018
Cash and cash equivalents	$ 957,283	$ 503,313
Receivables	317,897	521,708
Endowed assets	426,515	426,946
	$ 1,701,695	$ 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.

	2019	2018
Board appropriation of endowment funds	$ 558,467	$ 580,240
Purpose restrictions accomplished		
Mike Mansfield Fellowship Program, non-federal support	44,072	48,734
Japan-US-ROK	-	16,346
AAS Meeting	22,693	24,505
Network for the Future	97,125	98,280
Tilateral Nuclear Fuel Cycle	149,462	19,165
Bridging the Divide	67,649	62,306
PhRMA	170,816	181,380
JUSFC	106,329	154,748
MacArthur Foundation	-	19,270
Trilaterial: Advancing Policy Through Working Groups	73,202	-
Pan Asian Scholars	2,664	-
US Japan Space Security	60,698	-
Miscellaneous programs	-	1,783
Total purpose restrictions accomplished	794,710	626,517
Total net assets released from restrictions	$ 1,353,177	$ 1,206,757

NOTE 5. NET ASSETS WITH DONOR RESTRICTION

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

	2019	2018
Purpose restricted:		
The programs and operations of the Foundation	$ 5,366,938	$ 5,165,741
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	$ 11,353,347	$ 11,152,150

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, 2019 and 2018, 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.

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
2019				
Donor restricted funds	$ -	$ 5,366,938	$ 5,986,409	$ 11,353,347
Board designated funds	166,517	-	-	166,517
Total funds	$ 166,517	$ 5,366,938	$ 5,986,409	$ 11,519,864
2018				
Donor restricted funds	$ -	$ 5,165,741	$ 5,986,409	$ 11,152,150
Board designated funds	166,517	-	-	166,517
Total funds	$ 166,517	$ 5,165,741	$ 5,986,409	$ 11,318,667

NOTE 6. ENDOWMENT NET ASSETS (CONTINUED)

Changes in net asset composition by type of fund for the years ended June 30, 2019 and 2018 are as follows:

	Without Donor Restriction	Purpose Restriction	Perpetual Restriction	Total
Endowment net assets, July 1, 2017	$ 166,517	$ 4,962,493	$ 5,986,409	$ 11,115,419
Investment return				
Investment income	-	236,293	-	236,293
Net appreciation	-	547,195	-	547,195
Total investment return	-	783,488	-	783,488
Appropriation for expenditure	-	(580,240)	-	(580,240)
Endowment net assets, June 30, 2018	166,517	5,165,741	5,986,409	11,318,667
Investment return				
Investment income	-	234,215	-	234,215
Net appreciation	-	525,449	-	525,449
Total investment return	-	759,664	-	759,664
Appropriation for expenditure	-	(558,467)	-	(558,467)
Endowment net assets, June 30, 2019	$ 166,517	$ 5,366,938	$ 5,986,409	$ 11,519,864

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, 2019 or 2018.

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 2019 and 2018 distributions were 4.4% and 4.5%, respectively.

NOTE 7. LEASE OBLIGATIONS

The Foundation leases office space under operating lease agreements. Rent expense for fiscal 2019 and 2018 was $202,241 and $195,982, respectively. Minimum future lease commitments for the next five years are:

June 30,	
2020	$ 171,220
2021	177,949
2022	183,623
2023	188,208
2024	192,899
Thereafter	468,488
	$ 1,382,387

NOTE 7. LEASE OBLIGATIONS (CONTINUED)

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 $170,853 and $172,693 has been presented in the statement of financial position as of June 30, 2019 and 2018, 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 $1,854 per month, at June 30, 2019 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 $41,389 and $50,173 for fiscal years 2019 and 2018, respectively.

The Foundation accrues deferred compensation in lieu of currently contributing to retirement benefits for full-time Japanese employees. Accrued deferred compensation was $224,584 and $199,518 at June 30, 2019 and 2018, 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 $171,191 and $168,371 for the years ended June 30, 2019 and 2018, 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 22.70% and 20.02% in fiscal 2019 and 2018, respectively. The indirect costs charged to the U.S. Department of State during fiscal 2019 were:

CONTRACT #	RATE
S-ECAGD-17-GR-1046	20.87%
S-ECAGD-18-GR-0009	18.65%
S-ECAGD-19-GR-0057	18.65%

The 2019 and 2018 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:

	2019	2018
Mike Mansfield Fellowship Program	$ 42,822	$ 47,284

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 $1,273,856 and $1,443,274 for fiscal 2019 and 2018, respectively, from the Department of State for the Mansfield Fellowship Program. This represents approximately 91% and 77% of grant revenue for fiscal years ended June 30, 2019 and 2018, respectively, and approximately 39% and 43% of total unrestricted revenue and support in 2019 and 2018, 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, 2019

FEDERAL GRANTOR /PROGRAM TITLE	FEDERAL CFDA NUMBER	CONTRACT NUMBER	EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
U.S. Department of State:				
The Mike Mansfield Fellowship Program	19.415	S-ECAGD-17-GR-1046	$ 23,205	$ -
	19.415	S-ECAGD-18-GR-0009	1,248,636	-
	19.415	S-ECAGD-19-GR-0057	2,015	-
			1,273,856	
	19.404	S-HK300-18-CA-053	15,937	-
Total U.S. Department of State			1,289,793	-
Japan US Friendship Commission:				
2017 Foley-JUSFC Legislative Exchange		Grant No. 18-20	56,002	-
2016 Foley-JUSFC Legislative Exchange		Grant No. 19-11	50,327	-
Total Japan US Friendship Commission			106,329	-
Total Federal expenditures			$ 1,396,122	$ -

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, 2019. 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, 2019:

Federal expenditures	$ 1,396,122
In-kind contributions	42,822
Foundation expenditures	1,644,705
Total expenditures per statement of activities	$ 3,083,649

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 18.65% for the U.S. Department of State programs and the Foley-JUSFC Legislative Exchange for the year ended June 30, 2019.

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
SCHEDULE OF INDIRECT COST RATE COMPUTATION
Year Ended June 30, 2019

	Total
INDIRECT COST RATE	
Allowable indirect costs	$ 563,061
Distribution base	$ 2,480,791
Rate	22.70%
DISTRIBUTION BASE*	
Total expenses	$ 3,175,289
Less: Loss on foreign currency exchange	(88,615)
Less: Unallowed and indirect expenses	(682,412)
Direct program costs	2,404,262
Less: In-kind direct program costs	(42,822)
Plus: Unallowable costs	119,351
Distribution base before Centers' allowable IDC	2,480,791
Plus: Centers' allowable IDC	563,059
Distribution base after Centers' allowable IDC	$ 3,043,850

* 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, 2019

	Total	Unallowable Costs (Operations)	Allowable Indirect Costs (Operations)	Allowable Indirect Costs (Foundation)
INDIRECT COSTS*				
SALARIES AND PAYROLL EXPENSE				
Salaries	$ 361,109	$ 48,922	$ 54,929	$ 257,258
Payroll taxes and benefits	95,624	14,148	11,279	70,197
	456,733	63,070	66,208	327,455
OFFICE EXPENSE				
Rent, utilities	122,000	7,412	4,577	110,011
Parking, commuting benefits	23,298	23,298	-	-
Office supplies	6,525	-	4,244	2,281
Bank charges	2,531	-	215	2,316
Telephone and fax	5,812	-	281	5,531
Postage and delivery	763	98	533	132
Printing and copying	6,323	151	624	5,548
Subscriptions and research materials	5,828	-	-	5,828
Professional dues	126	-	-	126
Miscellaneous office expense	90,970	30	89,440	1,500
Total office expense	264,176	30,989	99,914	133,273
INSURANCE	15,469	-	5,162	10,307
REPAIRS AND MAINTENANCE	294	-	-	294
TRAVEL	32,769	5,519	22,343	4,907
BOARD MEETINGS	-	-	-	-
PROFESSIONAL FEES				
Consultants	61,264	1,000	15,579	44,685
Financial management fee	91,643	-	91,643	-
Accounting fees	13,360	-	-	13,360
Legal fees	657	-	657	-
Total professional fees	166,924	1,000	107,879	58,045
FUNDRAISING	16,720	16,720	-	-
ADVERTISING/RECRUITMENT	1,166	-	-	1,166
MISCELLANEOUS	2,901	40	2,783	78
EQUIPMENT PURCHASE	18,130	-	3,814	14,315
DEPRECIATION	13,221	-	-	13,221
RECEPTIONS/HOSPITALITY	4,375	2,013	2,362	-
Total indirect costs before allocation	992,878	119,351	310,465	563,061
Less: in-kind expenses	-	-	-	-
Total indirect costs for rate calculation before allocation	992,878	119,351	310,465	563,061
ALLOCATION OF OPERATIONS ALLOWABLE INDIRECT COSTS TO CENTERS*	-	-	-	-
TOTAL INDIRECT COSTS FOR IDC RATE CALCULATION	$ 992,878	$ 119,351	$ 310,465	$ 563,061

*Indirect Costs do not include any direct program expenses.

See Auditor's Report on Supplemental Information.

SINGLE AUDIT SECTION

anderson ZURMUEHLEN

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

1821 SOUTH AVENUE WEST • FIFTH FLOOR • P.O. BOX 2368 • MISSOULA, MONTANA 59806-2368
TEL: 406.721.7800 • FAX: 406.721.4155 • 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, 2019, 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 February 4, 2020.

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

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

Our consideration of the 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items #2019-001 and #2019-002 that we consider to be material weaknesses.

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* which is described in the accompanying schedule of findings and questions costs as item #2019-002.

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
February 4, 2020

1821 SOUTH AVENUE WEST • FIFTH FLOOR • P.O. BOX 2368 • MISSOULA, MONTANA 59806-2368
TEL: 406.721.7800 • FAX: 406.721.4155 • 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, 2019. 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, 2019.

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 #2019-002. 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 or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item #2019-002, 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
February 4, 2020

THE MAUREEN AND MIKE MANSFIELD FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

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)?	Yes

The major program for the year ended June 30, 2019, 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:

#2019-001 – Account Reconciliation and Review and Reporting to Governance

Condition: The Foundation does not have consistent policies and procedures to reconcile certain bank accounts. Additionally, we noted there is no cross review of journal entries posted by the Director of Finance and Finance Officer and the Director of Finance has the ability to record cash receipts, generate disbursements, and reconcile bank accounts. We also noted governance was not consistently receiving quarterly management reports.

Criteria: Proper segregation of duties and procedures for reconciling accounts allow for the timely and accurate preparation of internal financial statements. Timely and accurate internal statements are a key tool to be used by management in decision making and monitoring.

Context: The impact of the lack of segregation of duties and reconciliation procedures and management and governance using potentially inaccurate financial information in the decision making process is a qualitative one. This is a repeat finding.

Effect: Without proper segregation of duties and reconciliation procedures, the Foundation is left more susceptible to error or fraud. Without timely and accurate financial reporting, management and governance may be making decisions based on inaccurate information.

Cause: The Foundation experienced an extended absence of a key financial management team member. Once the position was filled, management began re-establishing a system of internal control.

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 review these systems to strengthen these policies and procedures by considering segregation of duties and other complimentary controls. Further, we recommend management work towards providing timely financial reporting to governance.

Management Response: See Management's Corrective Action Plan on page 40.

Section II - Financial Statement Findings (Continued):

#2019-002 – Grant Management

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

Criteria: Grant agreements tested as part of the major program require compliance with the Uniform Guidance. The Uniform Guidance requires adequate internal controls over compliance requirements for federal awards. The Uniform Guidance also requires updated policies and procedures. Additionally, the Foundation is required to prepare an accurate Schedule of Expenditures of Federal Awards (the Schedule) under Part 200.510, paragraph (b) of the Uniform Guidance; controls should be in place to allow for accurate preparation of the schedule. The Foundation is also required to provide timely and accurate reporting under the requirements of the federal award; controls should be in place to allow for compliance.

Context: We noted several instances where the controls do not appear to be effectively designed, including the process for reviewing of expenditures for allowability and timely and accurate filing of required reports, which resulted in filing of inaccurate grant reporting. We noted the Foundation did not have an updated procurement policy in accordance with Uniform Guidance Requirements. We detected $15,937 of federal expenditures that were not included on the Schedule originally presented for audit.

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

Cause: The Foundation experienced an extended absence of a key financial management team member. Once the position was filled, management began re-establishing a system of internal control, including internal control over compliance.

Recommendation: We recommend management establish a system of internal controls over compliance requirements for all locations. We also recommend that management updates their procurement policy to be in accordance with Uniform Guidance requirements. It appears management has already established a system to allow for timely and accurate filing of required reports.

Management Response: See Management's Corrective Action Plan on page 40.

Section II – Financial Statement Findings (Continued):

#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.

Updated Status: See Finding #2019-001.

Section II - Financial Statement Findings (Continued):

#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.

Updated Status: See Finding #2019-002

THE MAUREEN AND MIKE MANSFIELD FOUNDATION

Connecting People and Ideas to Advance Mutual Interests in U.S.-Asia Relations

CORRECTIVE ACTION PLAN
Year Ended June 30, 2019

Audit Finding and Response
January 24, 2020

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. One member of our finance team has received training to master Intacct's full suite of capabilities including a feature to require approval of journal entries, which was recently implemented. After the extended absence of a key financial management team member, the new team has worked diligently to get the Foundation's financial records current. Financial statements are now completed within 45 days of the month end. Management currently receives the Foundation's bank statement each month and also reviews the bank reconciliations. Our finance team began providing quarterly financial reporting to Management and the Board of Directors with Q1 FY2020. The Director of Finance will update the Accounting Policy and Procedures Manual to include specific expenditure authorization procedures for our DC and Tokyo offices and updated procurement policies to ensure need and value for goods and services to be purchased.

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

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

www.azworld.com

MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS