

AFFILIATED CAMPUSES OF

The University of Montana

MISSOULA

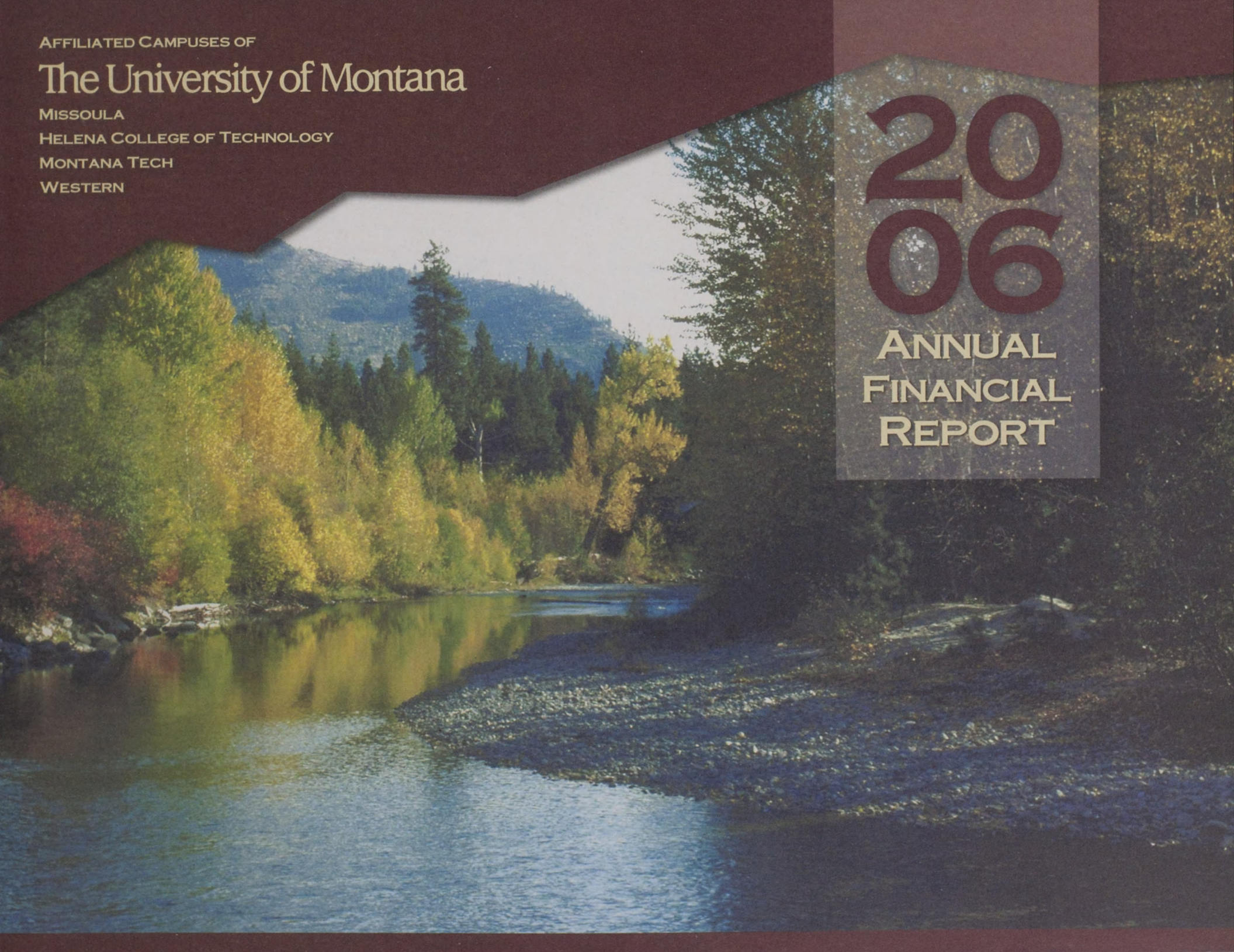
HELENA COLLEGE OF TECHNOLOGY

MONTANA TECH

WESTERN

2006

ANNUAL FINANCIAL REPORT



INTRODUCTION

The University of Montana – with four distinct campuses from Missoula to Montana Tech in Butte and from the Helena College of Technology to Western in Dillon – began its quest for excellence in 1893. We strive for **INNOVATION** in developing programs and curricula that address the ever-changing needs of our students and society. Our innovative approach to education applies research and knowledge to new ways of viewing problems and integrating technologies.

STUDENT FOCUSED programs, services, and academics make the University of Montana an exceptional learning environment. The University of Montana understands that at the heart of our mission are the nearly 18,000 students who depend on the education we provide. We believe in fully developing our students as contributing members of society and engage them through programs emphasizing service, hands-on learning experiences, and commitment to both their college and local communities. This **ENGAGEMENT** recognizes the interconnectedness between people and places and demonstrates our commitment to the communities we serve. Since 1893, it has been our vision to leave behind a legacy of **STEWARDSHIP** that protects and promotes the best interests of our students and our world.

As we review the successes of the past year, we are optimistic about what lies ahead. Our **FUTURE ORIENTATION** is full of promise as we continue to expand campuses, develop challenging programs, and uphold our commitment to another century of excellence.



Missoula



Montana Tech



Western



Helena College of Technology

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INNOVATION

Sometimes being innovative requires going back to sensible philosophies generated centuries ago.

The Natural Horsemanship program at the University of Montana-Western, inaugurated Fall 2005, is the first in America to offer accreditation in the science of improving cooperative methods between horses and their trainers. The program offers students an Associate of Applied Science (AAS) or Bachelor's degree as they prepare for a career in natural horsemanship.

Natural horsemanship has gained international attention as the role of horses in our society has changed. Instead of being viewed as a purposeful, task-driven animal, horses are now seen as companions providing recreation and leisure activity. This changing role requires a more sophisticated working relationship between human and horse.

According to Greek horseman Xenophon in *The Art of Horsemanship*, written in 360 B.C., horses need to be reassured, not punished, and shown that there is nothing to fear – from their groomers or from their environment.

This theory is the basis behind natural horsemanship. By becoming attune

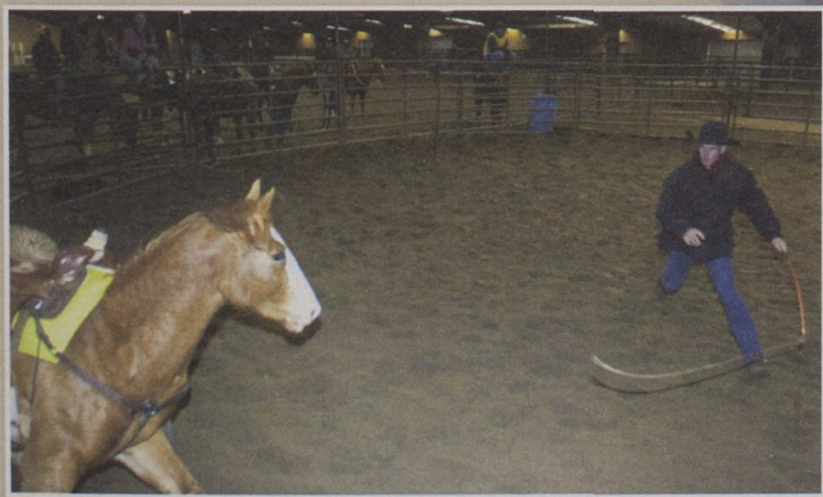
to a horse's behavior, personality and instincts, groomers are able to work, train and ride horses in a kind and more effective manner. But "natural" horsemanship doesn't always come naturally.



That's why UM-Western developed its rigorous, experiential learning degree of Natural Horsemanship. In a partnership with LaCense Montana, a 88,000 acre horse training facility that develops premium recreational Quarter Horses, UM-Western engages more than 50 students annually in the theory and practice of natural horsemanship. Over the course of two years, students learn the fundamentals of natural horsemanship by first learning to gain a horse's confidence and then progressing to develop such skills as finding the horse's release, relaxation and attention at all times.

Based on tried-and-true methods of non-coercive horse training, the UM-Western's Natural Horsemanship program's success is supported by the sound research that is the hallmark of the University of Montana. The first degree program of its kind and still grounded in science. Innovation at its best.

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STUDENT FOCUSED

Declining state and federal support in recent years has driven up the costs of tuition and fees. Students have had to shoulder the increased financial burden, and for many, this burden is too much to bear. When university president Dr. George Dennison learned that nearly half of Montana high school graduates did not go on to college, he decided something needed to be done – for both those students and for the future of Montana.

National studies indicate that over a lifetime, individuals with college degrees earn \$1 million or more than those with only a high school diploma and that an increased number of four-year degree holders in a city boosts the average wages of all workers. Added to these economic statistics the important cultural, political, and social contribution of college graduates and the basis for MPACT was formed.

MPACT – Montana Partnering for Affordable College Tuition – gives promising high school graduates with a grade point average of 3.0 and a minimum of a 25 on the ACT the opportunity to pursue higher education despite financial hardship. Under the MPACT program,

students are given an assortment of financial aid options to cover the costs of college. These options, per year, include up to a \$2,000 MPACT award, an \$800 institutional grant, a \$2,000 work study grant, and other federal funds such as Pell Grants and AmeriCorps service grants. Most importantly, these are funds students are not required to pay back, enabling students in this program to graduate owing \$10,000 or less.



The MPACT program comes at a time when many are beginning to view higher education as a luxury instead of a needed investment for the public good. However, the importance of education cannot be overlooked. President Dennison was personally motivated to pilot the MPACT program because of his own college experience. “I would not have gone to college. But because of the G.I. Bill, I could. And because of that opportunity, I was the first in my family to go to college.” Dennison recognized that the 1960s were a different time and created MPACT to aid students today. By focusing on the financial needs of students, MPACT hopes to encourage college enrollment. In its pilot year, 64 students have already enrolled under the program, and it is hoped that this number will only increase.

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TO COLLEGE."**

- PRESIDENT GEORGE DENNISON



ENGAGED

For students in the University of Montana-Helena College of Technology's Construction program, being engaged means volunteering their education and experience to help those less fortunate.

UM-Helena and the Salvation Army are partnering for their second "Homeless to Homeowner" project. Under this program, students construct two-story duplexes for homeless families in Helena. Families are selected on the basis of need and the likelihood of their success in the Salvation Army's homeowner education program, which includes classes in budgeting, parenting, and home maintenance. Tenants live in the houses rent-free the first month, gradually paying more on rent each month until reaching \$475, and then after completing the program in 60 months, become eligible for a \$10,000 grant for a down payment on the purchase of their own home.

The significance of the program is its emphasis on financial independence. "Instead of maintaining people at a level of poverty, we are giving people

an opportunity to rise to a level of self-sufficiency," said Lieutenant Steve Stanearth, commanding officer of the Helena Salvation Army. This aspect of the program is what impacts students most. While gaining hands-on learning experience and understanding the importance of giving back to their communities, students recognize that solutions to community problems should go beyond temporary fixes to include long-term goals.



The program plans to build a total of six duplexes, teaching students all aspects of residential construction, and will provide impoverished families not just a place to call home, but the education and support to be productive members of society themselves.

The Salvation Army will donate city lots to UM-Helena to sustain this project for years to come and to continue benefiting Helena's neediest citizens. At UM-Helena, being engaged means creating futures for those less fortunate through education and service.

"INSTEAD OF MAINTAINING
PEOPLE AT A LEVEL OF POVERTY,
WE ARE GIVING PEOPLE AN
OPPORTUNITY TO RISE TO A
LEVEL OF SELF-SUFFICIENCY,"

- LT. STEVE STANEART



STEWARDSHIP

Environmental Engineering students at Montana Tech of the University of Montana not only learn engineering principles that protect ecosystems but also develop a sense of stewardship by using their knowledge and experience to enhance the quality of local life. For several years, Environmental Engineering students have partnered with the Montana Bureau of Mines and Geology in projects seeking to solve Butte's major environmental problems.

The Inactive Mines Program addresses the problem that much of Butte is built on and around long-abandoned mine and mill sites, making it the nation's largest Superfund site. A reminder of the days when Butte was a booming copper and coal mining town, the 2,000 unstable mines now risk opening up and endangering both people and animals. Mining, smelting, and burying toxic wastes for more than 150 years have further degraded the surrounding environment, making the once prosperous city of Butte now the world's most expensive reclamation project. Residents have long been routinely tested for arsenic and lead.

The situation has been bleak, with a declining population in the city and abounding health risks for the remaining residents. However, through cooperative agreements between the U.S. Forest Service and U.S. Bureau of Land Management, MBMG has begun reclaiming the

land and giving the city of Butte a facelift. Together, the organizations have identified sites with possible human health, environmental, and safety problems, and are pro-actively responding to governmental and public interest group concerns.

Engineering students have participated in projects sites throughout Butte, including High Ore Creek, the Alta Mine, and the Glen Tungsten Mill site. Their focus is to provide low cost long-term solutions to stabilize, re-vegetate, and decontaminate the land, and students have learned to monitor the success of their efforts by testing the surface and ground water.



The efforts of these engineering students are helping Butte become a cleaner, safer, and more livable community. It is little surprise that this real-world experience enables Montana Tech graduates to have a placement rate that exceeds 95% at outstanding starting salaries, continually earning Montana Tech a ranking in "100 Best College Buys in America."

Exceptional experiential learning resulting in practical good deeds. Just one way Montana Tech teaches students the environmental importance of maintaining the land while caring for the individuals who reside on it.

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FUTURE ORIENTED

Providing a state of the art education requires state of the art facilities. Introducing two of the University of Montana-Missoula's most sophisticated campus additions.

The 60,000-square-foot addition to the Skaggs Pharmacy Building will house interdisciplinary labs, conference rooms, an electronic classroom, a kindergarten-through-twelfth-grade learning center, a tiered classroom, and student support areas. The \$14 million dollar project, largely financed by Sam Skagg's ALSAM Foundation, Albertson's, the National Institutes of Health (NIH) and the Poe Family Trust, will provide much needed space for the growing success of the biomedical research programs.

The NIH grant is notable because, of the top 20 institutions receiving NIH grants, only the University of Montana is in a state without a medical school. "Clearly, our scientists are a serious national – even international – force in the investigation of health issues," said Dean David Forbes.

The 57,000-square-foot-facility that will replace the previous journalism school building boasts changes in technology and the capability to hold all

journalism programs – from print to photo, broadcast news to broadcast production – under one roof. In the fast-paced, interconnected world of journalism, this kind of integration is essential to a successful understanding of journalism and how it operates.



Don Anderson Hall, named for the alumnus who negotiated the purchase of five Montana daily papers in 1959, will be a four-level structure, with multiple classroom configurations and sizes, seminar rooms and studios, production rooms and laboratories. It will feature a 350-seat auditorium and journalism library, along with faculty offices for both resident and visiting professors.

Equipped with the latest technology, the new building will enable the Journalism School to host programs for professional journalists, such as seminars in media management, and could further programs like our already reputable Native American journalism.

New buildings, additions, and renovations are occurring in other schools as well as we rise to meet new challenges. Our future has never looked so good.

"CLEARLY, OUR SCIENTISTS ARE
A SERIOUS NATIONAL - EVEN
INTERNATIONAL-FORCE IN THE
INVESTIGATION OF HEALTH ISSUES,"

- DEAN DAVID FORBES



MESSAGE FROM THE PRESIDENT AND VICE PRESIDENT OF ADMINISTRATION AND FINANCE



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January 2007

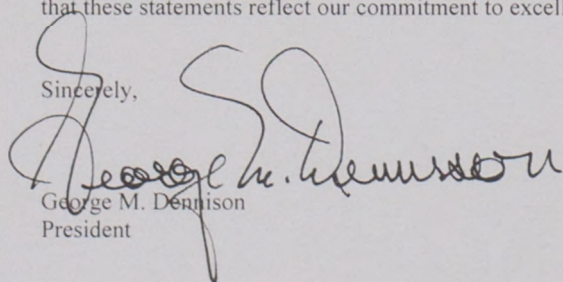
To Colleagues and Friends of The University of Montana,

With pleasure, we present The University of Montana's Annual Financial Report for the fiscal year that ended on June 30, 2006. You will find our summary financial statements, representing the four campuses of The University of Montana, integrated into a single presentation.

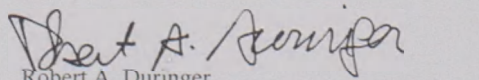
The summary financial information included in our report was derived from the University's June 30, 2006 audited financial statements. These statements are presented in accordance with generally accepted accounting principles and the Montana State Legislative Audit Division performed the requisite audit. Their unqualified audit opinion appears with the audited financial statements.

We have responsibility for resources from both public and private sources and take those stewardship responsibilities very seriously. We believe you will agree, following a review, that these statements reflect our commitment to excellence.

Sincerely,



George M. Dennison
President



Robert A. Durringer
Vice President for Administration and Finance

INDEPENDENT AUDITOR'S REPORT

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
Tori Hunthausen,
Chief Deputy Legislative Auditor



Deputy Legislative Auditors:
James Gillett
Angie Grove

INDEPENDENT AUDITOR'S REPORT

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the business-type activities and aggregate discretely presented component units of The University of Montana, which collectively comprise The University of Montana's basic financial statements, and have issued our report thereon dated November 9, 2006.

As explained in the Using the Summary Financial Statements note on page 19, the accompanying summary financial information of The University of Montana, as of and for fiscal years ended June 30, 2006, and 2005, as listed in the table of contents, is not a presentation in conformity with accounting principles generally accepted in the United States of America. In our opinion, the accompanying summary financial information is fairly stated, in all material respects, in relation to the portion of the basic financial statements from which it has been derived.

The Introduction, Our Values, Message from the President and Vice President of Administration and Finance, and Board of Regents and Administration sections listed in the table of contents have not been subjected to the auditing procedures applied in an audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully Submitted,

A handwritten signature in cursive script that reads "James Gillett".

James Gillett, CPA
Deputy Legislative Auditor

November 9, 2006

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Phone (406) 444-3122 • FAX (406) 444-9784 • E-Mail lad@mt.gov

SUMMARY STATEMENTS OF NET ASSETS

As of June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$84,427,472	\$57,171,142
Investments	1,801,141	8,015,414
Accounts and grants receivable, net	4,452,194	4,093,648
Due from governments	9,902,123	10,083,244
Loans to students, net	1,564,564	1,584,127
Other assets	4,257,980	4,081,944
Total current assets	\$106,405,474	\$85,029,519
Noncurrent Assets		
Restricted cash and cash equivalents	\$204,516	\$854,950
Endowment and other investments	23,465,696	21,045,824
Loans to students, net	9,664,456	9,317,013
Bond issuance costs	2,269,912	2,003,906
Capital assets, net	248,272,379	239,743,728
Total Noncurrent Assets	\$283,876,959	\$272,965,421
Total Assets	\$390,282,433	\$357,994,940

	<u>2006</u>	<u>2005</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$15,364,408	\$19,544,974
Due to governments	839,750	1,263,687
Student and other deposits	2,290,565	1,994,765
Deferred revenue	12,503,336	10,599,640
Accrued compensated absences	7,763,180	7,133,956
Current portion of long-term obligations	5,725,342	4,923,326
Total Current Liabilities	\$44,486,581	\$45,460,348
Noncurrent Liabilities		
Accrued compensated absences	\$11,596,372	\$11,102,128
Long term obligations	146,509,434	132,381,231
Advances from primary government	5,466,479	5,457,429
Due to Federal government	9,875,660	9,696,369
Derivative financial instrument	2,094,500	-
Total Noncurrent Liabilities	\$175,542,445	\$158,637,157
Total Liabilities	\$220,029,026	\$204,097,505
NET ASSETS		
Invested in capital assets, net of related debt	\$119,572,500	\$105,948,125
Restricted	23,382,321	20,992,005
Unrestricted	27,298,586	26,957,305
Total Net Assets	\$170,253,407	\$153,897,435
Total Liabilities & Net Assets	\$390,282,433	\$357,994,940

The information in the Summary Statements of Net Assets is derived from the University of Montana's June 30, 2006 audited financial statements.
The audited financial statements and related notes are included in a CD on page 23 or can be viewed online at <http://www.umt.edu/bussrvcs/acctserv.htm>.

SUMMARY STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES		
Tuition and fees	\$87,926,316	\$83,075,215
Federal grants and contracts	64,650,157	65,670,978
State and local grants and contracts	8,913,433	7,418,190
Nongovernmental grants and contracts	4,984,611	3,994,410
Grant and contract facilities and administrative cost allowances	9,793,983	10,422,866
Sales and services of educational departments	12,347,010	12,277,616
Auxiliary enterprises charges	32,872,503	30,078,221
Other operating revenues	5,530,225	5,239,306
Total operating revenues	\$227,018,238	\$218,176,802
OPERATING EXPENSES		
Compensation and employee benefits	\$185,882,032	\$175,849,265
Other	73,785,705	72,730,894
Scholarships and fellowships	15,282,299	15,696,669
Depreciation and amortization	16,710,382	16,068,885
Total operating expenses	\$291,660,418	\$280,345,713
OPERATING LOSS	\$(64,642,180)	\$(62,168,911)

	<u>2006</u>	<u>2005</u>
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	\$62,073,958	\$56,701,381
Land grant revenues	1,452,867	1,739,645
Private gifts	15,575,156	9,726,707
Investment income	5,184,299	2,570,550
Interest expense	(7,376,448)	(6,599,611)
Net non-operating revenues	\$76,909,832	\$64,138,672
INCOME BEFORE OTHER REVENUES (EXPENSES)	\$ 12,267,652	\$ 1,969,761
OTHER REVENUES (EXPENSES)		
Capital grants and gifts	\$3,063,894	\$2,377,702
Additions to permanent endowments	1,562,500	3,437,500
Loss on disposal of capital assets	(538,074)	-
Total other revenues	\$4,088,320	\$5,815,202
Net increase in net assets	\$16,355,972	\$7,784,963
Net assets - beginning of year	\$153,897,435	\$146,112,472
Net assets - end of year	\$170,253,407	\$153,897,435

The information in the Summary Statements of Revenues, Expenses and Changes in Net Assets is derived from the University of Montana's June 30, 2006 audited financial statements. The audited financial statements and related notes are included in a CD on page 23 or can be viewed online at <http://www.umt.edu/bussrvcs/acctserv.htm>.

SUMMARY STATEMENTS OF CASH FLOWS

For the years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	\$88,030,548	\$82,713,310
Grants and contracts	80,218,212	77,762,509
Grants and contracts facilities and Administrative cost allowances	9,793,983	10,422,866
Sales and services of educational activities	12,628,252	12,016,912
Auxiliary enterprise charges	32,826,195	30,212,820
Other operating receipts	5,313,378	5,502,432
Payments to employees for salaries and benefits	(188,161,888)	(174,511,617)
Operating expenses	(74,555,734)	(72,369,164)
Payments for scholarships and fellowships	(15,282,299)	(15,696,669)
Net Cash Used by Operating Activities	\$(49,189,353)	\$(43,946,601)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	\$62,073,958	\$56,701,381
Land Grants	1,452,867	1,739,645
Private Gifts	15,565,314	9,726,708
Additions to permanent endowments	1,572,425	3,437,500
Net Cash Provided by Noncapital Financing Activities	\$80,664,564	\$71,605,234

CASH FLOWS FROM INVESTING ACTIVITIES	<u>2006</u>	<u>2005</u>
Net sales (purchases) from investing activities	\$4,133,528	\$(5,464,731)
Earnings received on investments	4,845,171	2,405,550
Net Cash Provided by (Used for) Investing Activities	\$8,978,699	\$(3,059,181)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Cash paid for capital assets	\$(22,268,916)	\$(13,631,074)
Proceeds from notes payable and advances from primary government	484,835	1,333,876
Principal paid on long term obligations	(6,280,725)	(4,559,724)
Principal and premium paid to revenue bonds	(11,259,479)	-
Proceeds from issuance of revenue bonds	31,205,748	-
Proceeds from swaption contract	2,094,500	-
Bond issuance costs paid on new issue	(670,417)	-
Interest paid on capital debt and leases	(7,153,560)	(7,313,944)
Net Cash Used by Capital and Related Financing Activities	\$(13,848,014)	\$(24,170,866)
Net Increase in Cash and Cash Equivalents	\$26,605,896	\$428,586
Cash and Cash Equivalents, Beginning of Year	\$58,026,092	\$57,597,506
Cash and Cash Equivalents, End of Year	\$84,631,988	\$58,026,092

The information in the Summary Statements of Cash Flows is derived from the University of Montana's June 30, 2006 audited financial statements.
The audited financial statements and related notes are included in a CD on page 23 or can be viewed online at <http://www.umt.edu/bussrvcs/acctserv.htm>.

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

USING THE SUMMARY FINANCIAL STATEMENTS

The summary financial statements consist of the following three statements: Statements of Net Assets, Statements of Revenues, Expenses and Changes in Net Assets, and Statements of Cash Flows. The summary financial statements were derived from the University's June 30, 2006 audited financial statements. The summary financial statements aggregate certain line items contained within some audited financial statement classifications to provide a more summarized presentation, and do not include the financial statements of its component units. The University's and its component units financial statements and related notes, which are presented in conformity with generally accepted accounting principles, are included in a CD on page 23.

- The Summary Statements of Net Assets reflect the financial position of the University at the end of the fiscal year. The changes in net assets that occur over time indicate improvements or deterioration in the University's financial position.
- The Summary Statements of Revenues, Expenses, and Changes in Nets Assets present the results of the University's operational activities for the fiscal year, categorizing them as either operating or nonoperating items.
- The Summary Statements of Cash Flows provide information about the University's sources and uses of cash during the fiscal year. These statements aid in assessing the University's ability to meet obligations and commitments as they become due, the ability to generate future cash flows, and the needs for external financing.

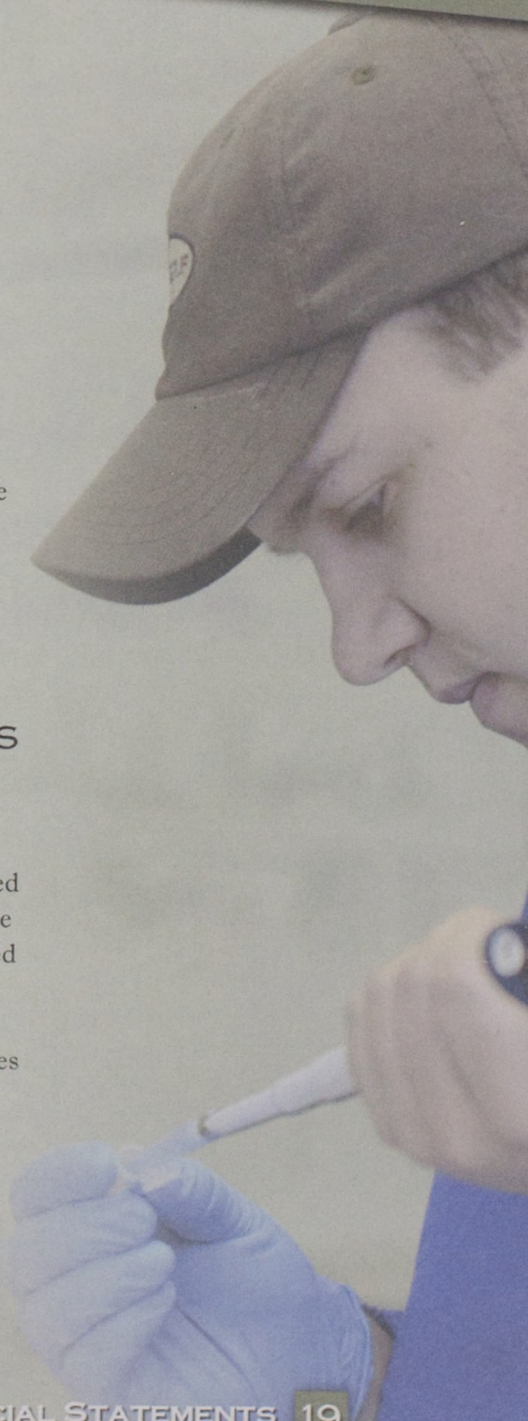
ORGANIZATION

The University of Montana (University) is a component unit of the State of Montana (State) with an enrollment of approximately 18,000 students on its four campuses. The four campuses of the University are The University of Montana – Missoula, Montana Tech of The University of Montana, which is located in Butte, The University of Montana – Western, which is located in Dillon, and The University of Montana - Helena College of Technology. The State of Montana Board of Regents (Board of Regents) is appointed by the Governor of the State and has oversight responsibility with respect to the University. The State allocates and allots funds to each campus separately and requires that the funds be maintained accordingly.

SUMMARY OF ACCOUNTING POLICIES AND PRACTICES

• BASIS OF ACCOUNTING

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The University's summary financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.



NOTES TO THE SUMMARY STATEMENTS

• USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

• CASH EQUIVALENTS

For purposes of the Summary Statements of Cash Flows, the University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

• INVESTMENTS

The University accounts for its investments at fair value. Investment income is recorded on the accrual basis. All investment income, including changes in unrealized gain (loss) on the carrying value of investments, is reported as a component of investment income.

• ACCOUNTS AND GRANTS RECEIVABLE

Accounts receivable consists of tuition and fee charges to students and to auxiliary enterprise services provided to students, faculty and staff.

Accounts receivable also includes amounts due from the federal government and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable is recorded net of estimated uncollectible amounts.

• INVENTORIES

Inventories are comprised of consumable supplies, food items and items held for resale or recharge within the University. The larger inventories are valued using the moving-average method. Other inventories are valued using First In First Out (FIFO) or specific identification methods.

• CASH AND SHORT-TERM INVESTMENTS

Cash and investments that are externally restricted to make debt service payments, or by a donor or outside agency prohibiting the expenditure of principal and possibly earnings, are classified as non-current assets in the Summary Statements of Net Assets.

• CAPITAL ASSETS

Capital assets are stated at cost or fair market value at date of purchase or donation. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Buildings, building improvements and land improvements, and infrastructure are capitalized in accordance with the University's capitalization policy.

Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets. The University capitalizes all artwork subject to applicable capitalization policies at the time of donation or purchase. The University has elected to continue to capitalize artwork subject to the current threshold, but without recording depreciation on those items.

• DEFERRED REVENUE

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

• COMPENSATED LEAVE

Eligible University employees earn eight hours sick leave and ten hours annual leave for each month worked. The accrual rate for annual leave increases with length of service. The maximum annual leave that eligible employees may accumulate is two hundred percent of their annual accrual. Sick leave may accumulate without limitation. Twenty five percent of accumulated sick leave earned after July 1, 1971, and one hundred percent of accumulated annual leave, if not used during employment, is paid upon termination.

• NET ASSETS

The University's net assets are categorized as follows:

- Invested in capital assets, net of related debt - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted - Net assets are subject to externally imposed stipulations that the University maintains those assets permanently, or stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

- Unrestricted - Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Regents, or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic and research programs and initiatives, and capital programs.

• USE OF RESTRICTED REVENUES

When the University maintains both restricted and unrestricted funds for the same purpose, the order of use of such funds is determined on a case-by-case basis. Restricted funds remain classified as restricted until they have been expended.

• SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Summary Statements of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are generated by the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf.

• CONTINGENCIES

The University is a defendant in several legal actions. While the outcome cannot be determined at this time, management is of the opinion that the liability, if any, from these actions will not have a material effect on the University's financial position. See note 15 of the notes to the University's consolidated financial statements for more information on commitments and contingencies at June 30, 2006.

ADMINISTRATION

BOARD OF REGENTS

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Linda McCullough*	Superintendent of Public Instruction
Sheila Stearns ED.D*	Commission of Higher Education

* Ex-Officio

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Dr. Janine Pease	Regent
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ADMINISTRATION

George M. Dennison	President

THE UNIVERSITY OF MONTANA - MISSOULA

George M. Dennison	Interim Provost and Vice President, Academic Affairs
Robert Duringer	Vice President for Administration and Finance
Daniel J. Dwyer	Vice President for Research and Development
Teresa S. Branch	Vice President for Student Affairs
Rosi Keller	Associate Vice President of Administration and Finance
Mark Pullium	Director, Business Services
John McCormick	Assistant Director, Business Services
Dan Jenko	Accounting Services Manager, Business Services

MONTANA TECH OF THE UNIVERSITY OF MONTANA

W. Franklin Gilmore	Chancellor
Susan B. Patton	Vice Chancellor for Academic Affairs and Research
Joseph F. Figueira	Association Vice Chancellor for Research and Graduate Studies
John Badovinac	Controller/Business Manager

THE UNIVERSITY OF MONTANA - WESTERN

Richard Storey	Chancellor
Karl E. Ulrich	Vice Chancellor for Academic Affairs
Susan D. Briggs	Vice Chancellor for Administration and Finance
Virginia Dale	Director, Business Services

THE UNIVERSITY OF MONTANA - HELENA COLLEGE OF TECHNOLOGY

Daniel J. Bingham	Dean
Brandi Foster	Associate Dean for Academic Affairs
Christobal Valdez	Associate Dean for Student Services
Russ Fillner	Assistant Dean for Fiscal and Plant Operation



The background of the cover features a stylized mountain range. The mountains are represented by a series of white, jagged peaks against a dark maroon background. The peaks vary in height and are distributed across the upper half of the cover, creating a silhouette effect.

The University of
Montana

ANNUAL FINANCIAL REPORT 2006