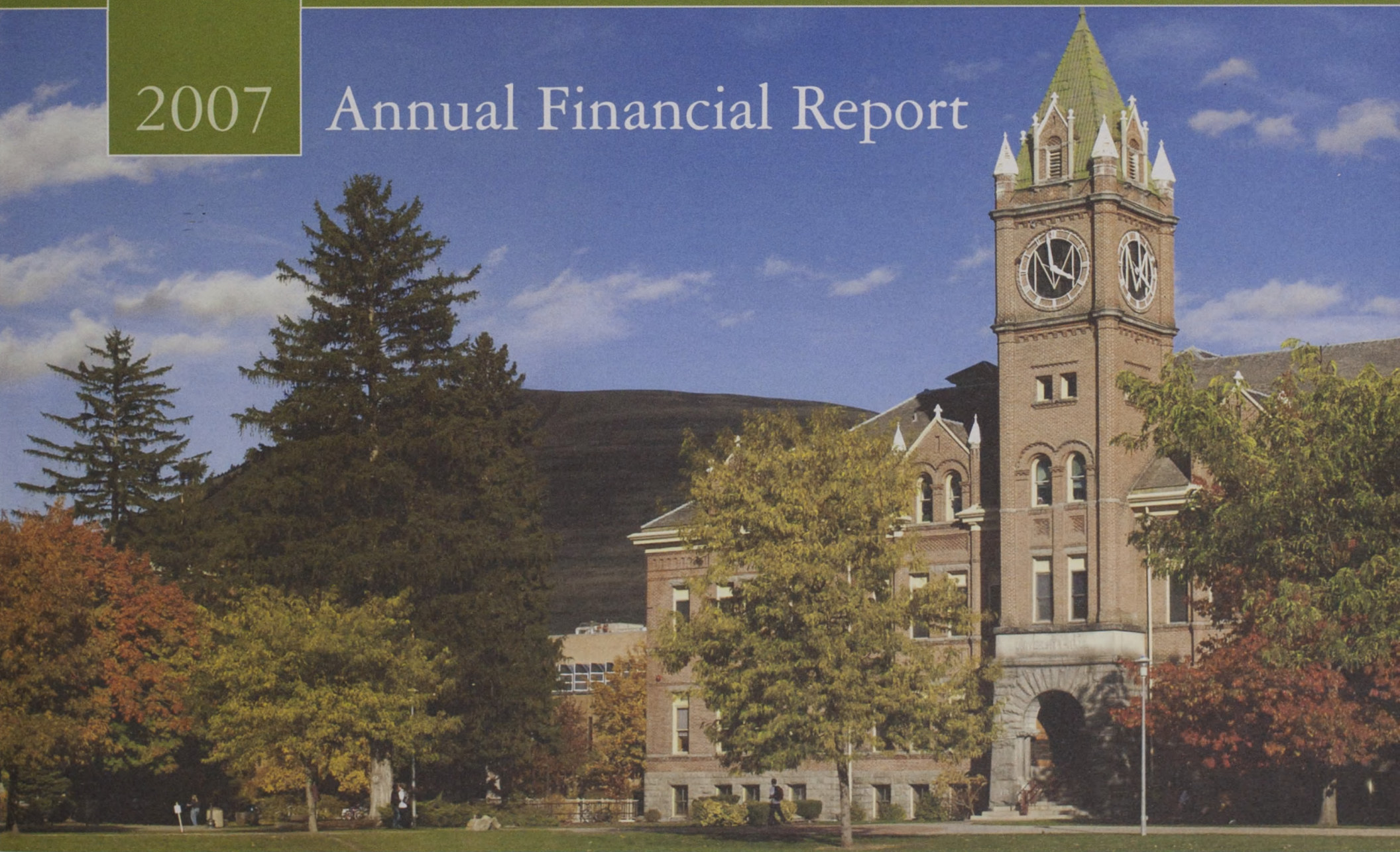


2007

# Annual Financial Report



*Affiliated Campuses of*  
**The University of Montana**

Missoula • Helena College of Technology • Montana Tech • Western

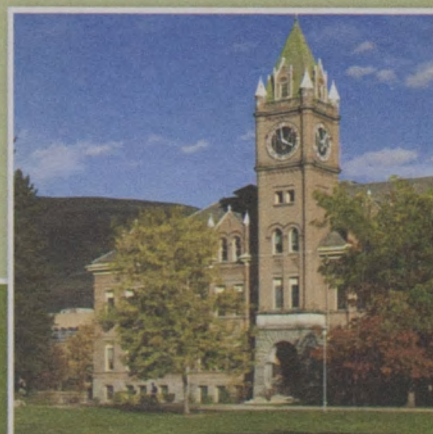
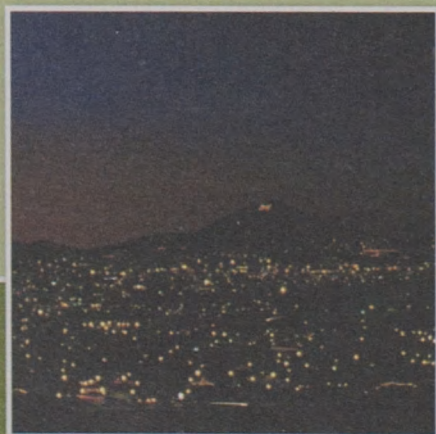
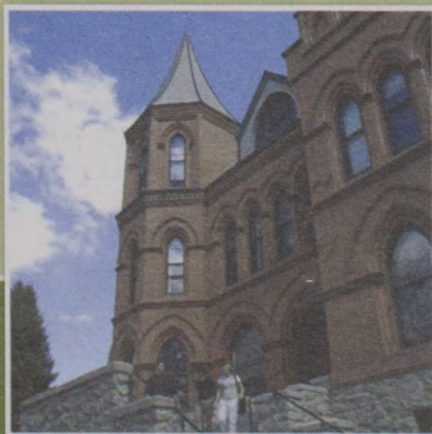


# Introduction

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.







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**UM-Western, UM-HCOT and Montana Tech**



# Innovation

## EXPERIENCE ONE AT MONTANA WESTERN

For students today the ability to fully participate in and truly experience their education is challenged by a number of factors.

Advances in technology are speeding up the pace of life and business worldwide. Students must deal with diversion, interruption and interference like never before. What often suffers most is their ability to concentrate on their own education.

The University of Montana Western's faculty recognized these growing challenges and knew it was time for a significant change on its campus. Effective innovation often stems from unambiguous goals; Montana Western simply wanted to help its students focus; gain real-world, hands-on knowledge; and succeed. Students' lives had changed, and the faculty and administration responded by introducing a unique, streamlined version of the traditional college semester. In the Fall of 2005, Montana Western became the first public American university to institute block scheduling at the baccalaureate level. The school calls this Experience One.

Imagine being able to devote your mental energies to one subject at a time, really dig in and wrap your mind around a topic without worrying about other classes, professors, deadlines, timelines and exams. Imagine gaining real-world, hands-on skills in a college course. Imagine learning by doing and being able to take that experience with you into the workforce.

Sound novel? For students at Montana Western, this experience is a reality.

During a semester, students take one course at a time, attend class three hours a day for 18 days, with four-day breaks in between courses to refuel and refocus their minds. After four courses, students earn the same amount of credit they would earn in a traditional course setting.

The benefits of Experience One are myriad. Students spend less time listening to lectures and more time actively participating in their own education. They get out of the classroom, into the real world. Class sizes are smaller than a typical college class. Average student to faculty ratio is 14:1. Students are taught directly by accredited professors, not teaching assistants. Professors at Montana Western teach only one class at a time, and are able to fully devote their energies to those students. Perhaps most important, students are able to focus. They immerse themselves in their studies; professors immerse themselves in their teaching.

At Montana Western, the administration and faculty want their students to excel, during and after college. No one can take away all life's distractions, but by adapting and improving the very frame of a college semester, Montana Western can help.









# Student Focused

## THE FIRE AND RESCUE PROGRAM AT UM-HELENA COT

When today's college graduates enter the workforce, employers' expectations are high. Simply having a college degree is sometimes not enough. More and more, graduates are expected to arrive for their first day of work with a considerable amount of practical experience under their belts.

This is particularly true for those entering a vital and competitive field such as firefighting. A combination of education and experience is crucial to a potential firefighter's future. The Fire and Rescue Program at The University of Montana-Helena College of Technology centers its attention on ensuring graduates enter the workforce with every possible advantage.

During the two years of coursework required to obtain an Associate of Applied Science degree in Protective Services – Fire and Rescue, students take courses in Fire Service and Safety, Wildland Firefighting, Basic EMT Training, Customer Service, Equipment Maintenance, Building Construction, Physical Fitness and more. Skills learned in these courses are then tested and honed in live fire training mock-ups such as those encountered in the Commercial Aircraft Rescue and Firefighting Course. Students literally feel the heat of emergency situations and practice life-saving responses. By emphasizing hands-on learning, their instructors keep a watchful eye on their students' future, anticipating the goal of career placement for every graduate.

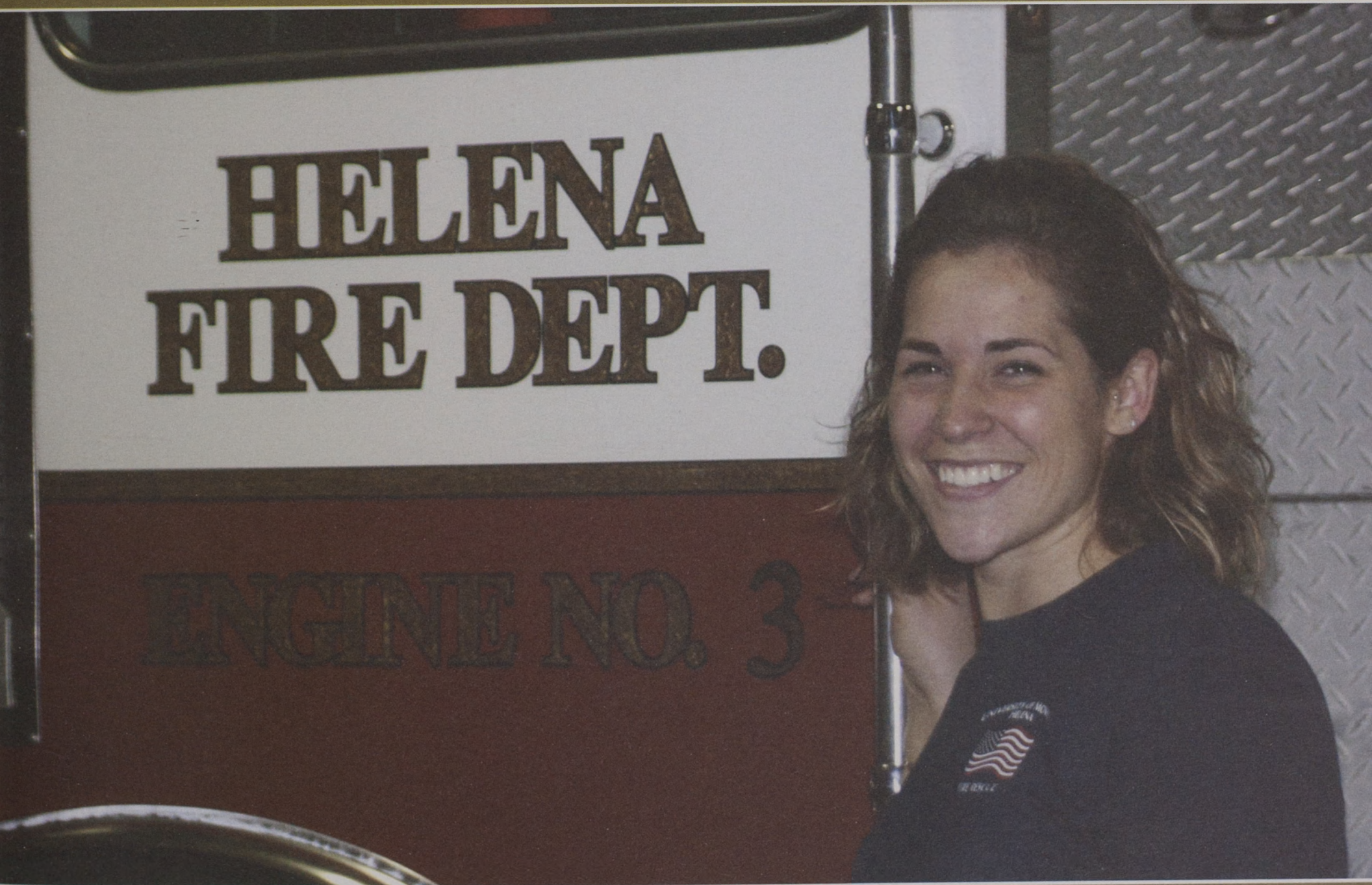
The program also collaborates with other two-year colleges in Western Montana, as well as the Missoula Rural and Helena fire departments, offering interchangeable general education courses in multiple locations. This gives students the ability to tailor their education to meet their individual needs. By cooperating with their neighbors, UM-Helena provides an opportunity that will work for everyone.

But don't take our word for it. Ask 2004 graduate and Butte firefighter Curt Kindt about his experience in the Fire and Rescue Program, and he'll tell you his instructors gave him the individual attention he needed. He says the instructors "are there to answer questions and work at the pace of the student. They move at the pace we need to give us the information we need."

If a student is only as successful as his teacher is dedicated, the future looks bright for graduates of the Fire and Rescue Program at UM-Helena. It's a program that focuses on students not only by giving them what they need today, but the tools and experience they will need for the future.









## FIGHTING FIRE WITH FIRE AT UM-MISSOULA

Professor Lloyd Queen, director of the National Center for Landscape Fire Analysis (NCLFA) at The University of Montana-Missoula, jokes that his organization produces the most “well-grounded” research possible because the members of his research staff spend an average of thirty-five nights a year sleeping on the ground. They don’t sleep outside for kicks. During fire season, they’re working side-by-side with local land managers trying to better understand the anatomy and behavior of fires with hopes that the destructive effects of wildfires can be mitigated in the future.

The NCLFA was founded in 2001 in response to an increase in the number, size and severity of serious fires across our national landscape. Since then, the center has been involved in designing and developing information technology applications to address issues of fire and fuel management. What makes the Center unique is that these scientists and researchers don’t stay on campus or in the lab. They pack up their new technology, and take it out into the field for testing and implementation during fire season.

Professor Queen takes pride in the fact that his researchers aren’t typical academics. One of his goals when hiring staff members is to build a diverse group of individuals, each with a breadth of experience, rather than a collection of specialists. A staff meeting brings together a group with not only fifteen advanced collegiate degrees, but a combined total of 124 years of fire experience – scholars who sleep on the ground. “Our goal is to shorten the time between

research and implementation,” he said. And what better way to accomplish that goal than to develop relationships with the people who manage the land and fight the fires directly?

Since its founding, the NCLFA, under the administration of the College of Forestry and Conservation, has developed new ways of observing and documenting wildfires. Professor Queen and his staff have advanced remote sensing technology manifested in the form of motes – instruments that gather and transmit information such as temperature and relative humidity to researchers and firefighters who use this data to see what lies beyond the smoke. Historical data about fire is being compiled and analyzed in hopes that accurate trends can be identified and anticipated.

According to Queen, at any given time there are around forty collaborative projects percolating in the NCLFA offices.

Forty projects that will someday make their way out of those offices and into firefighter camps across the country.









# Stewardship

## NOBEL RECOGNITION FOR UM-MISSOULA PROFESSOR AND FACULTY

In 1911 naturalist John Muir wrote, "When we try to pick out anything by itself, we find it hitched to everything else in the Universe." The idea of the interconnectedness of our actions and our environment resonates deeply today in a time when the climate crisis has become virtually impossible to ignore.

One of the individuals who has helped bring the urgent message of climate change to the forefront of our national consciousness is Professor Steven Running, a renowned ecologist and University of Montana-Missoula professor of ecology. In 2004, the federal government nominated Running for a lead author position on the Intergovernmental Panel on Climate Change (IPCC). The panel brought together 600 scientists and environmental experts from 180 nations, and united them in a two-fold endeavor: first, to comprehensively and objectively assess the most up-to-date information available regarding human-induced climate change, and second, to offer options for mitigating the effects of that change.

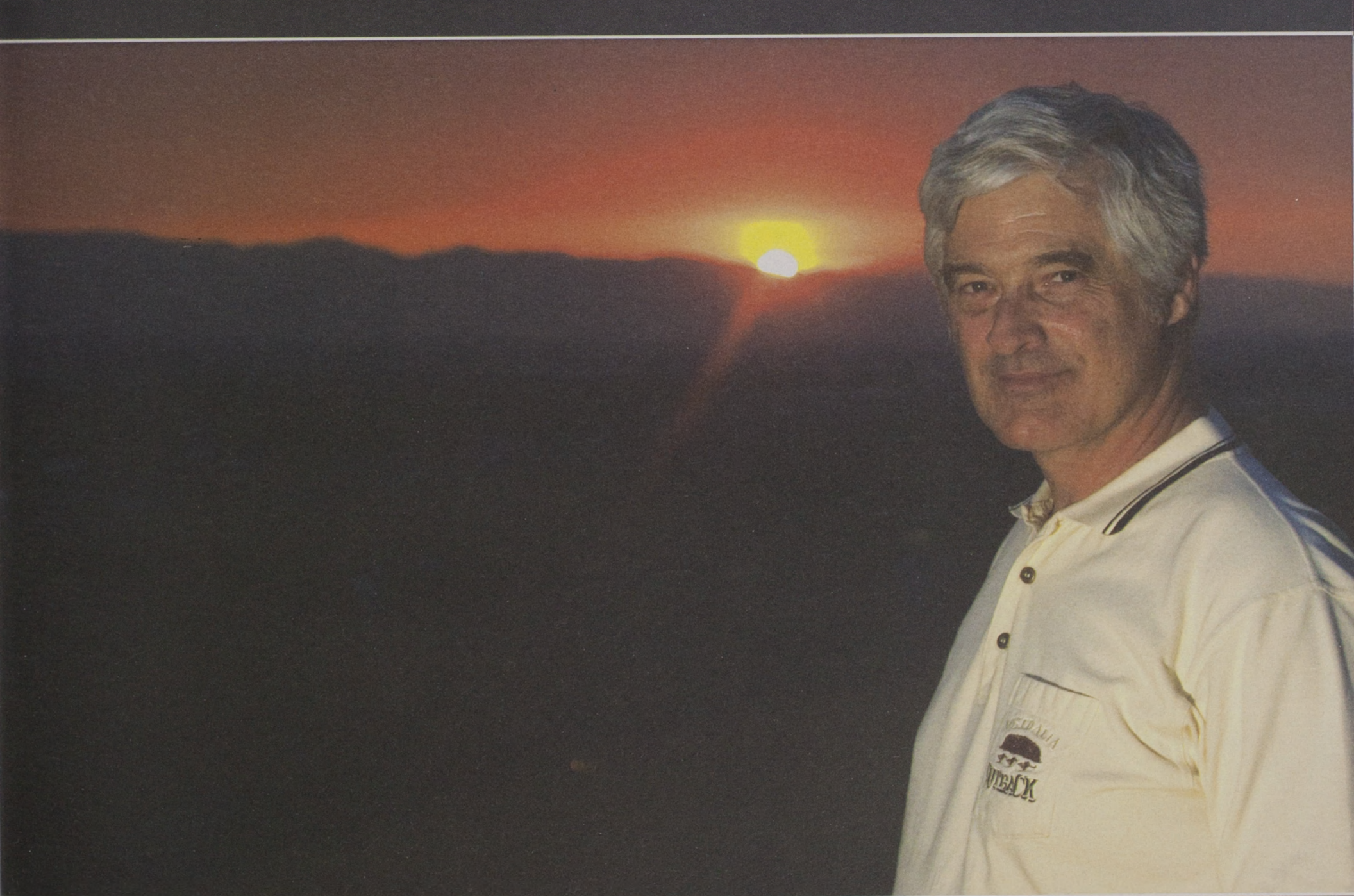
The findings of the IPCC were grave. Global warming is unequivocal. Human beings are responsible. Hurricanes have become more intense, sea levels are rising, glaciers are melting, and the situation becomes direr the longer we wait to implement changes. Former U.S. Vice-President Al Gore exhibited much of the IPCC's scientific evidence in his 2006 Academy Award-winning documentary *An Inconvenient Truth*. And in 2007 – much to Running's surprise – Gore

and the IPCC were jointly awarded the Nobel Peace Prize "for their efforts to build up and disseminate greater knowledge about man-made climate change, and to lay the foundations for the measures that are needed to counteract such change." Running penned a paper with such societal significance and ethical weight that its message echoed across the globe.

In his work locally at The University of Montana and internationally with the IPCC, Running sets his sights on a practical, conscientious response to climate change. In doing so, he demonstrates stewardship not just to his present community and not just to the wildlife that is increasingly at risk, but also to future generations of humankind. Running's message is a rallying cry to acknowledge the state of our planet and to set about righting our wrongs. He writes, "There is no guarantee that we can successfully stop global warming, but doing nothing given our present knowledge is unconscionable. How otherwise can we look into our grandchildren's eyes?"









## NANOSTRUCTURED BIO-HYBRIDS AT MONTANA TECH

Most people probably have never even heard of nanostructured bio-hybrids, but Professor Rajendra Kasinath at Montana Tech envisions a time when this new technology could improve the lives of millions of Americans.

Montana Tech is a university specializing in math, science, and engineering with a growing research office that currently manages more than one hundred projects. With so many prospects, every student at Montana Tech has an opportunity to engage in forward-thinking research activity. Kasinath is a member of this distinguished community of researchers and is working with a revolutionary technology that has the potential to make insulin injections obsolete.

A nanostructured bio-hybrid involves a melding of organic and inorganic materials at the molecular level. Substances are combined in an aqueous solution and subsequently dried, which results in a composite material most easily thought of as a film. This film has an organic side which has the ability to interact with living cells, and an inorganic side capable of interacting with and adhering to hard tissue. The upshot is a truly multifunctional material scientists can engineer to behave in very specific and exciting ways.

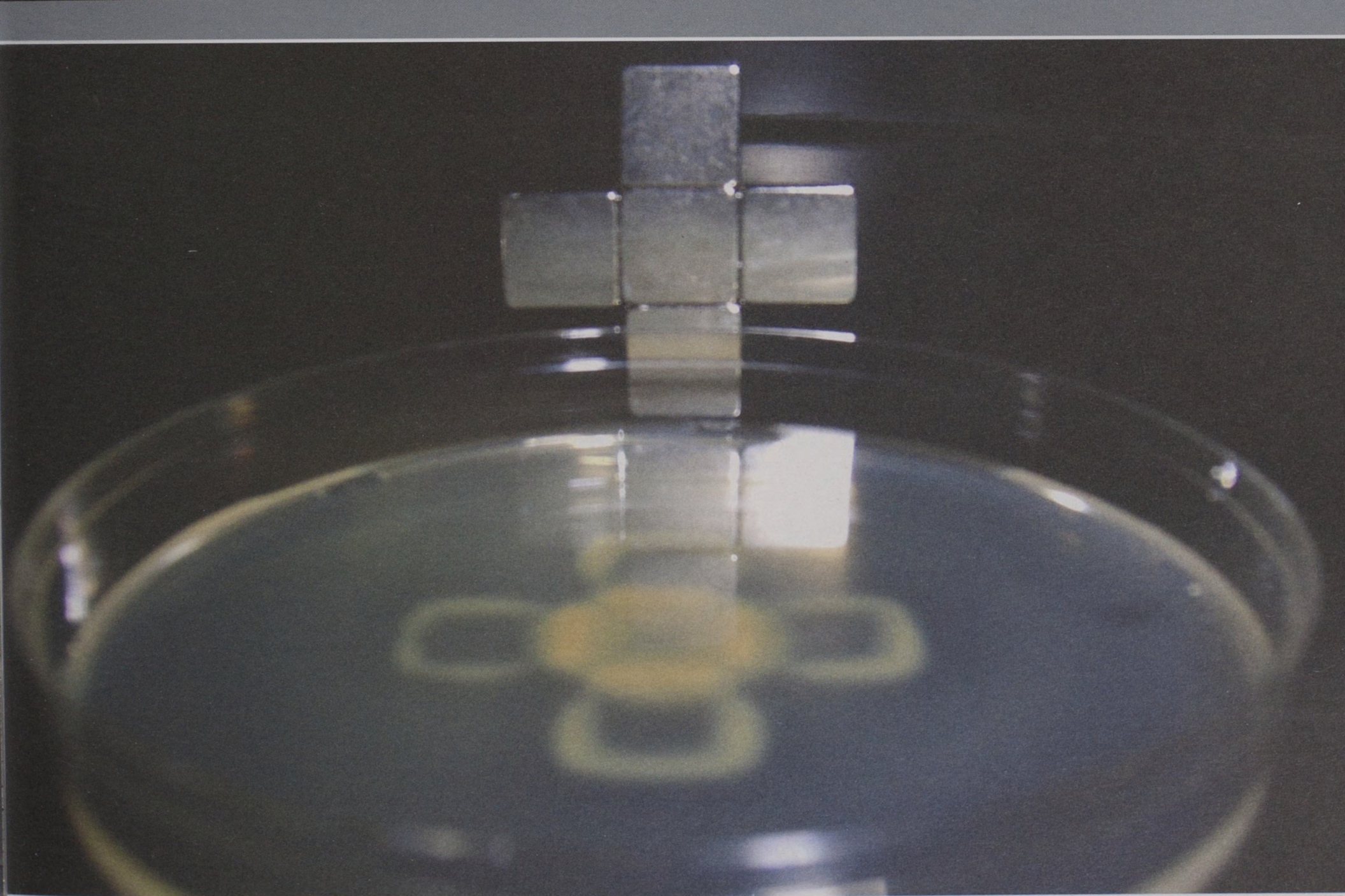
One potential application of this groundbreaking research involves drug delivery. There are currently more than twenty million diabetics in the United States, and many of them rely on insulin injections to regulate their blood sugar levels. Today, insulin cannot be delivered orally because the molecules are too large

and are digested before the medicine can be absorbed into the bloodstream. But what if the insulin could be packed into a nanostructured film specialized to maximize a body's exposure to and absorption of the drug? A new, less painful way of receiving life-saving drugs shimmers on the horizon of biomedical research at Montana Tech.

Kasinath doesn't manage all this research single-handedly. Students Jason Anderson and Allen Brazier assist him in the laboratory. "Being on the cutting edge of biomedical research has been an amazing opportunity," said Allen, "Not every student gets this opportunity as an undergraduate." These students not only gain exceptional hands-on lab experience, they also have the chance to apply the physics, chemistry, and biological principles they learned in the engineering disciplines. Together with Dr. Kasinath, Jason and Allen strive to improve and advance nanostructured bio-hybrids so that one day soon medical professionals will have new tools to combat sickness and disease.









# Message

## MESSAGE FROM THE PRESIDENT AND VICE PRESIDENT OF ADMINISTRATION AND FINANCE



The University of  
**Montana**

Office of the President  
The University of Montana  
Missoula, Montana 59812-3324  
Office: (406) 243-2311  
FAX: (406) 243-2797

December 2007

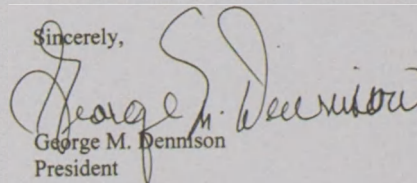
To Colleagues and Friends of The University of Montana,

With pleasure, we present The University of Montana's Annual Financial Report for the fiscal year that ended 30 June 2007. You will find our summary financial statements, representing the four campuses of The University of Montana, integrated into a single presentation.

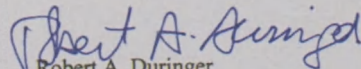
The summary financial information included in our report rests on the University's 30 June 2007 audited financial statements. The statements indicate conformity with generally accepted accounting principles. The Montana State Legislative Audit Division performed the requisite audit. Their unqualified audit opinion appears with the audited financial statements.

We have responsibility for resources from both public and private sources and take our 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



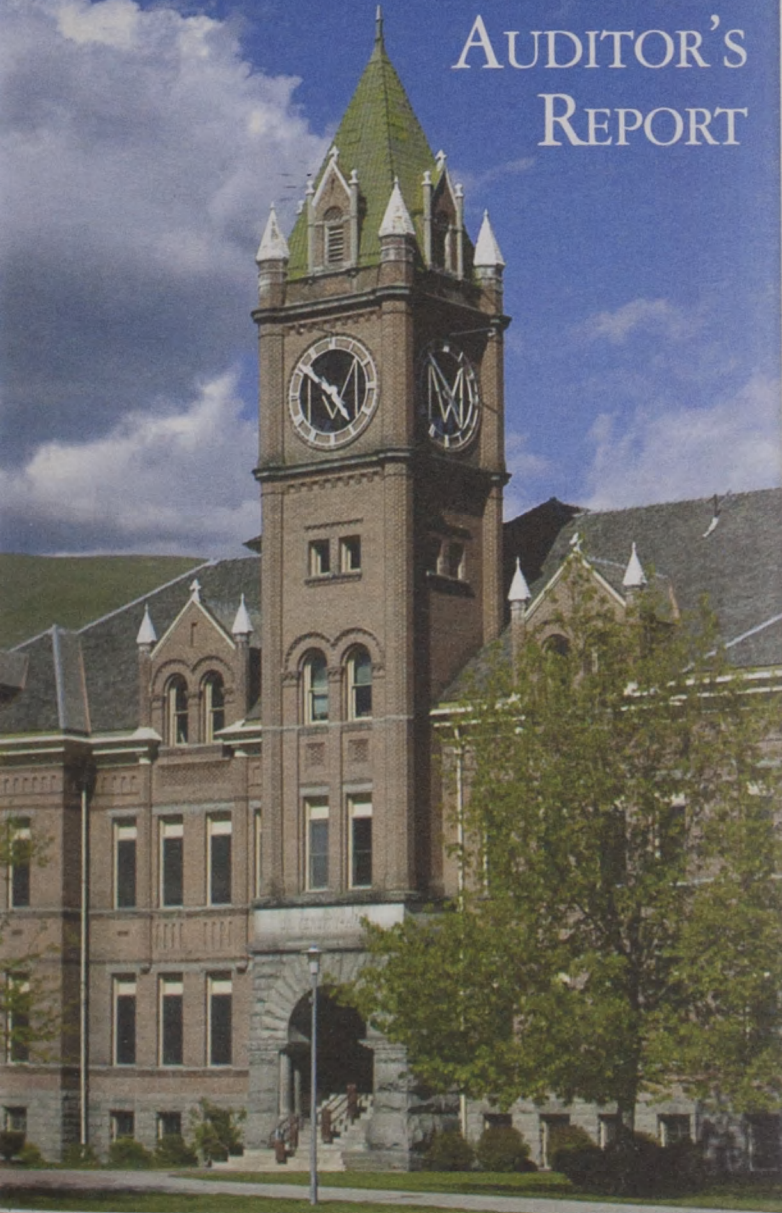
Robert A. Durringer  
Vice President of Administration and Finance

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# 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 8, 2007.

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, 2007, and 2006, 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,

James Gillett, CPA  
Deputy Legislative Auditor

November 8, 2007

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



# Net Assets

## SUMMARY STATEMENTS OF NET ASSETS

As of June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$86,849,768	\$84,427,472
Investments	270,530	1,801,141
Accounts and grants receivable, net	5,672,296	4,452,194
Due from governments	10,492,959	9,902,123
Loans to students, net	1,626,004	1,564,564
Other assets	4,625,782	4,257,980
<b>Total Current Assets</b>	<b>\$109,537,339</b>	<b>\$106,405,474</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	\$206,554	\$204,516
Endowment and other investments	26,904,917	23,465,696
Loans to students, net	9,040,653	9,664,456
Bond issuance costs	2,152,611	2,269,912
Capital assets, net	263,444,684	248,272,379
<b>Total Noncurrent Assets</b>	<b>\$301,749,419</b>	<b>\$283,876,959</b>
<b>Total Assets</b>	<b>\$411,286,758</b>	<b>\$390,282,433</b>

	<u>2007</u>	<u>2006</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$15,921,497	\$15,364,408
Due to governments	1,017,005	839,750
Student and other deposits	2,642,572	2,290,565
Deferred revenue	13,238,008	12,503,336
Accrued compensated absences	8,290,619	7,763,180
Current portion of long-term obligations	6,179,874	5,725,342
<b>Total Current Liabilities</b>	<b>\$47,289,575</b>	<b>\$44,486,581</b>
<b>Noncurrent Liabilities</b>		
Accrued compensated absences	\$12,099,491	\$11,596,372
Long term obligations	140,303,151	146,509,434
Advances from primary government	5,076,359	5,466,479
Due to Federal government	10,020,616	9,875,660
Derivative financial instrument	2,094,500	2,094,500
<b>Total Noncurrent Liabilities</b>	<b>\$169,594,117</b>	<b>\$175,542,445</b>
<b>Total Liabilities</b>	<b>\$216,883,692</b>	<b>\$220,029,026</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$134,280,592	\$119,572,500
Restricted	26,570,511	23,382,321
Unrestricted	33,551,963	27,298,586
<b>Total Net Assets</b>	<b>\$194,403,066</b>	<b>\$170,253,407</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$411,286,758</b>	<b>\$390,282,433</b>

The information in the Summary Statements of Net Assets is derived from The University of Montana's June 30, 2007 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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>OPERATING REVENUES</b>		
Tuition and fees	\$99,151,493	\$91,169,556
Federal grants and contracts	63,916,568	64,650,157
State and local grants and contracts	9,198,949	8,913,433
Nongovernmental grants and contracts	6,569,106	4,984,611
Grant and contract facilities and administrative cost allowances	10,456,648	9,793,983
Sales and services of educational departments	14,138,787	12,347,010
Auxiliary enterprises charges	34,326,512	32,755,495
Other operating revenues	6,735,351	5,530,225
<b>Total Operating Revenues</b>	<b>\$244,493,414</b>	<b>\$230,144,470</b>
<b>OPERATING EXPENSES</b>		
Compensation and employee benefits	\$201,174,968	\$189,608,103
Other	76,078,147	73,785,705
Scholarships and fellowships	16,355,573	14,682,460
Depreciation and amortization	16,842,365	16,710,382
<b>Total Operating Expenses</b>	<b>\$310,451,053</b>	<b>\$294,786,650</b>
<b>OPERATING LOSS</b>	<b>\$(65,957,639)</b>	<b>\$(64,642,180)</b>

	<u>2007</u>	<u>2006</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriations	\$63,455,247	\$62,073,958
Land grant revenues	1,505,512	1,452,867
Private gifts	14,661,178	15,575,156
Investment income	8,033,742	5,184,299
Interest expense	(7,442,523)	(7,376,448)
<b>Net Non-operating Revenues</b>	<b>\$80,213,156</b>	<b>\$76,909,832</b>
<b>INCOME BEFORE OTHER REVENUES (EXPENSES)</b>		
	<b>\$14,255,517</b>	<b>\$12,267,652</b>
<b>OTHER REVENUES (EXPENSES)</b>		
Capital grants and gifts	\$8,149,640	\$3,063,894
Additions to permanent endowments	1,562,500	1,562,500
Gain (Loss) on disposal of capital assets	182,002	(538,074)
<b>Total Other Revenues</b>	<b>\$9,894,142</b>	<b>\$4,088,320</b>
<b>Net Increase in Net Assets</b>	<b>\$24,149,659</b>	<b>\$16,355,972</b>
<b>Net Assets - Beginning of Year</b>	<b>\$170,253,407</b>	<b>\$153,897,435</b>
<b>Net Assets - End of Year</b>	<b>\$194,403,066</b>	<b>\$170,253,407</b>

The information in the Summary Statements of Revenues, Expenses and Changes in Net Assets is derived from the University of Montana's June 30, 2007 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>



# Cash Flows

## SUMMARY STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>		<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Student tuition and fees	\$98,509,824	\$91,273,788	Net sales from investing activities	\$13,083	\$4,133,528
Grants and contracts	79,723,327	80,218,211	Earnings received on investments	6,112,051	4,845,171
Grants and contracts facilities and administrative cost allowances	10,456,648	9,793,983	<b>Net Cash Provided by Investing Activities</b>	<b>\$6,125,134</b>	<b>\$8,978,699</b>
Sales and services of educational activities	14,556,187	12,628,702	<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Auxiliary enterprise charges	34,485,276	32,708,738	Cash paid for capital assets	\$(22,592,328)	\$(22,268,916)
Other operating receipts	6,738,650	5,313,378	Proceeds from notes payable and advances from primary government	-	484,835
Payments to employees for salaries and benefits	(199,839,312)	(191,907,070)	Principal paid on long term obligations	(6,378,114)	(6,280,725)
Operating expenses	(75,662,730)	(74,536,623)	Principal and premium paid to defease revenue bonds	-	(11,259,479)
Payments for scholarships and fellowships	(16,355,573)	(14,682,460)	Proceeds from issuance of revenue bonds	-	31,205,748
<b>Net Cash Used by Operating Activities</b>	<b>\$(47,387,703)</b>	<b>\$(49,189,353)</b>	Proceeds from swaption contract	-	2,094,500
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			Bond issuance costs paid on new issue	-	(670,417)
State appropriations	\$63,455,247	\$62,073,958	Interest paid on capital debt and leases	(7,469,254)	(7,153,560)
Land grants	1,505,512	1,452,867	<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>\$(36,439,696)</b>	<b>\$(13,848,014)</b>
Private gifts	13,603,340	15,565,314	<b>Net Increase in Cash and Cash Equivalents</b>	<b>\$2,424,334</b>	<b>\$26,605,896</b>
Additions to permanent endowments	1,562,500	1,572,425	Cash and Cash Equivalents, Beginning of Year	\$84,631,988	\$58,026,092
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>\$80,126,599</b>	<b>\$80,664,564</b>	<b>Cash and Cash Equivalents, End of Year</b>	<b>\$87,056,322</b>	<b>\$84,631,988</b>

The information in the Summary Statements of Cash Flows is derived from the University of Montana's June 30, 2007 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/busarvcs/acctsrv.htm>



# NOTES TO THE SUMMARY FINANCIAL STATEMENTS

## USING THE SUMMARY FINANCIAL STATEMENTS

The summary financial statements consist of the following three statements: Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows. The summary financial statements were derived from the University's June 30, 2007 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 and various notes required by generally accepted accounting principles. 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 Statement of Net Assets reflects 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 Statement of Revenues, Expenses, and Changes in Net Assets present the results of the University's operational activities for the fiscal year, categorizing them as either operating or non-operating items.
- The Summary Statement of Cash Flows provides information about the University's sources and uses of cash during the fiscal year. This statement aids in assessing the University's ability to meet obligations and commitments as they become due, its ability to generate future cash flows, and its need 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 accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.



# Notes

## 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 Statement 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 Statement 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, 2007.



# Administration

## BOARD OF REGENTS

Brian Schweitzer*	Governor
Linda McCulloch*	Superintendent of Public Instruction
Sheila Stearns ED.D*	Commissioner of Higher Education
*Ex-Officio	
Lynn Morrison-Hamilton	Chair
Stephen M. Barrett	Vice Chair
Kerra Melvin	Student Regent
Clayton Christian	Regent
Dr. Janine Pease	Regent
Todd Buchanan	Regent
Lila Taylor	Regent

## ADMINISTRATION

George M. Dennison	President
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## THE UNIVERSITY OF MONTANA – MISSOULA

George M. Dennison	President
Teresa S. Branch	Vice President for Student Affairs
Robert Duringer	Vice President for Administration and Finance
Daniel J. Dwyer	Vice President for Research and Development
Royce Engstrom	Provost and Vice President for Academic Affairs
James P. Foley	University Executive Vice President
Rosi Keller	Associate Vice President for Administration and Finance
Bill Muse	Associate Vice President for Office of Planning, Budgeting and Analysis
Mark Pullium	Director of Business Services
John McCormick	Associate Director of Business Services
Dan Jenko	Assistant Director of Business Services

## MONTANA TECH OF THE UNIVERSITY OF MONTANA

W. Franklin Gilmore	Chancellor
Doug Abbott*	Vice Chancellor for Academic Affairs and Research
Maggie Peterson	Vice Chancellor for Administration and Finance
Joseph F. Figueira*	Associate Vice Chancellor for Research and Graduate Studies
John Badovinac	Controller/Business Manager
*Ex-Officio	

## 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 of Business Services

## THE UNIVERSITY OF MONTANA – HELENA COLLEGE OF TECHNOLOGY

Daniel J. Bingham	Dean/CEO
Brandi Foster	Associate Dean for Academic Affairs
Russ Fillner	Assistant Dean for Fiscal and Plant Operation









The University of  
**Montana**

2007 Annual Financial Report