

2012

M I S S O U L A

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| H E L E N A

| B U T T E



Annual Financial Report

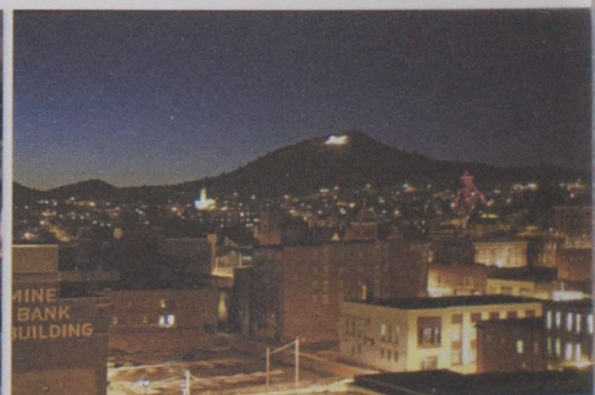


The University of Montana Western

HELENA[★]COLLEGE

MontanaTech

*f*or the University of Montana, what determines success is constantly evolving. Each year, we pause to acknowledge and document this growth. Working together to foster excellence, UM in Missoula, Montana Tech in Butte, Helena College of Technology and UM Western in Dillon, have had a tremendous year. Clearly, financial figures are important to understanding accomplishment; however, stories that highlight outstanding individuals, programs and departments across the state, give relevance to the numbers. Herein, you will discover a student who worked with NASA, one who advocates for sustainable hunting and fishing, and one who sees herself as a potential global leader; you'll find inspiration in a tireless advocate for low-income students, a tech department that exceeds expectations daily and a creative writing program that draws and produces outstanding literature here in Missoula.



Success at the University of Montana relies not only on successful collaboration between campuses but also on the everyday dedication of students, faculty, staff, alumni, donors and community members who come together to promote cutting-edge academic programs, focused on important concerns that range from local to global. Finally, we mustn't forget the unparalleled natural beauty that surrounds these efforts; truly, 2012's success couldn't have found a prettier home.



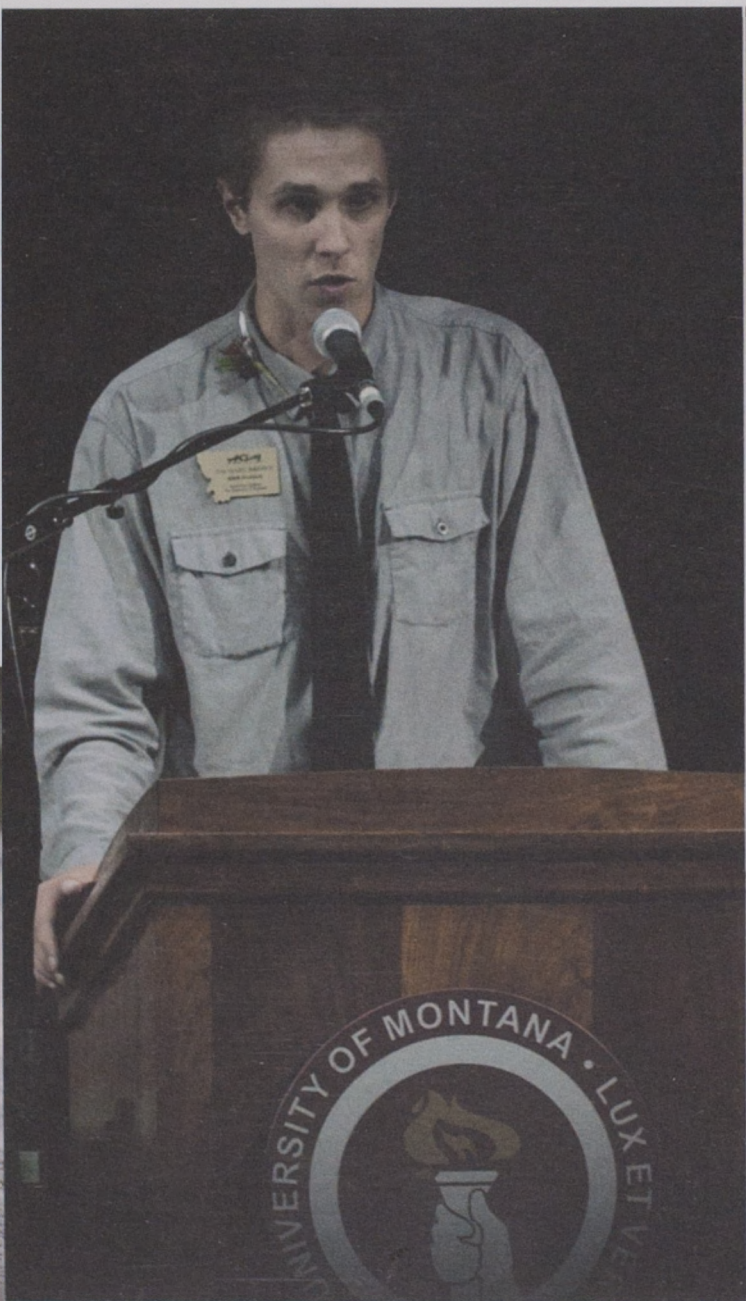
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ASUM Leader Connects Campus and Community

The Associated Students of the University of Montana (ASUM) is a vigorous student-government organization that aims to conscientiously represent, empower and advocate for those enrolled at the Missoula campus. This year's president, Zach Brown, strongly expresses his pride in the association. "ASUM is one of the most robust student organizations in the country," Brown claims. "We function in a culture of autonomy and the level of what we do is beyond most others in the nation in terms of budget, scope and services." Indeed, ASUM is a self-run organization, responsible for allocating more than \$500,000 each year that the group receives through a student activity fee. Those who become involved in ASUM gain significant professional experience in a self-determining environment that Brown regards as "so empowering."

Brown, a senior originally from Bozeman, knows of what he speaks. A remarkably distinguished student and conservationist, he has been honored by opportunities to attend two major government-sponsored events, the first as a freshman in 2009. Brown was one of three UM student representatives at the United Nations Climate Change Conference in Denmark, the second largest convening of world leaders ever. In 2011 his participation as a board member, project coordinator and grant writer for 1,000 New Gardens allowed him to participate in the Clinton Global Initiative-America meeting.

Brown is an enthusiastic fly-fisherman and hunter, who from a young age appreciated the value of protecting the natural environment, especially in Montana. His concentrations at UM include resource management and public policy, with a focus on water policy. According to Brown,



Missoula is an excellent environment to pursue his goals of affecting water policy change, either through a career in law or otherwise.

"Here at UM, people have the willingness to give you the time, mentor you, take you into their lives," he observes. He has particularly enjoyed participation in the Davidson Honors College where students benefit from "smaller classes and fascinating, altruistic teachers." Brown's achievements include earning two Udall Scholarships for \$5,000 each and one Truman Scholarship for \$30,000. The Udall honors students committed to one of three career paths, including environmental studies, and the Truman acknowledges college juniors who show passion and potential for government or work in the public sector. Brown is most passionate about finding a way to bridge the gap that can arise between environmental preservation and the hunting and fishing community, who he claims "are some of the best conservationists or potentially so." For Brown, success in life is all about looking out for others. He defines the term as "being all about balancing preparedness for the future with impacting people in the community while doing that."

Brown's work exemplifies this, as does one current project he is working on along with ASUM. In an effort to address tension that can potentially arise between students and the Missoula community, ASUM began a program last year called the Neighborhood Ambassador Program. The goal, according to Brown, is to "demonstrate to the community that students are interested in being good neighbors." As one part of the program students work as "Sunday Sweepers," picking up trash and doing yard work the day after a major event, like a football game. The most significant factor here is "engagement," Brown says. "Relationships may never be perfect, but people have to see us make the attempt."

Brown's work has been widely recognized and appreciated. According to University President Engstrom, "Zach is an adept problem-solver. He listens carefully and speaks effectively. I recently had the opportunity to work with him in a situation of tremendous complexity. He stands by his values while respectfully engaging those with differing viewpoints. That skill, combined with his ambitious agenda, makes Zach an exceptional leader."

"HERE AT UM, PEOPLE HAVE THE WILLINGNESS TO GIVE YOU THE TIME, MENTOR YOU, TAKE YOU INTO THEIR LIVES."

A Passionate Student Ally for Montana

amy L. Verlanic has served as the director for Montana Tech's Institute for Educational Opportunities for the past 15 years. The institute is dedicated to providing K-12 students and teachers throughout the state with college-based programming that supports science, engineering and technology education. Verlanic's passion and dedication are inspirational and in September, she was honored by the Council of Opportunity in Education (COE) when she was appointed board chair-elect. Verlanic is the youngest person and only woman west of the Mississippi River to have held the position.

Verlanic grew up in Anaconda as part of a low-income family and she's particularly concerned with addressing poverty in Montana. COE allows Verlanic to advocate for key issues, most significantly, as she puts it, "to demonstrate that everyone deserves access to education regardless of race, color, creed or zip code." The council is a nonprofit focused on expanding opportunities for lower-income, first-generation students, students with disabilities and veterans, by working with more than 1,000 colleges and agencies that host TRIO programs. Tech's Institute for Educational Opportunities is one such entity, offering five TRIO projects including Upward Bound, Talent Search and Student Support Services.

For Verlanic, although getting students into college adequately funded is important, it is equally vital to provide them with the kind of support system they need to succeed, beginning even before they've enrolled.

"TRIO participants," she points out, "are three times more likely to graduate and pay back their loans." Verlanic and her staff work diligently toward maintaining these supports. She knows firsthand about the importance of someone taking an interest in students' futures: As a high school senior, she planned to work after graduation as a semi-truck driver because she wanted to travel. Luckily, a mentor stepped in and urged her to consider Montana Tech, where she was accepted on a scholarship and went on to earn a bachelor's in society and technology.

Verlanic's time as a student at Montana Tech provided an important foundation for her professional success and her team aims to give the same to others across the state. Tech has a history of excellence, dating back to 1900 when it was known as the Montana State School of Mines. Today, the university is a well-established purveyor of both undergraduate and graduate studies in engineering, science, energy, health, information sciences and technology. The school's focus on keeping education affordable sets it apart, as do degrees such as the B.S. in geophysical engineering (one of two programs in the country) and the B.S. in metallurgical engineering (one of 10 such programs). "My staff and I ascribe to the values Tech ascribes to," Verlanic says "That is, the only bar for performance that's acceptable is excellence."

For Verlanic, success is all about giving back. "It's about empowering people at the grassroots level through policy and advocacy," she says.

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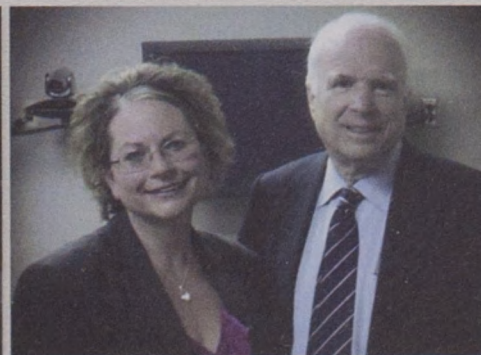



She further observes that it's "all about students and staff, if you spend all your energy making them successful, you end up successful." She constantly works to provide an example, to inspire others to reach beyond what they know. Verlanic has been the recipient of many honors and has held many prestigious positions. She is currently a volunteer for APSIRE, the vice chair of the Anaconda-School Board, the governor's appointee on the Board of Personnel Appeals, and has received awards including Most Influential Educator from the United States Army and Most Accomplished Alumni from Montana Tech. Verlanic is a delight to talk with, full of fascinating stories and overflowing with consideration, especially for attending to her four daughters, aged 3 to 16. She recalls at one meeting balancing her baby and laptop. It's important, she stresses, to show that "you can be a professional and a mother." She is firm believer in contributing to her community and in demonstrating to those she interacts with on all levels the significance of her mission. "I expect a lot," Verlanic says, "because our work matters a lot."

According to Dr. Doug Coe, dean of the College of Letters, Sciences, & Professional Studies at Montana Tech, "Amy is a passionate voice for students who are the first in their families to go to college. In advocating for these students she has increased the awareness across Montana Tech of the importance of providing for and supporting educational opportunities for all students."

MontanaTech

THE UNIVERSITY OF MONTANA





The University of Montana Western

"MY EDUCATION AT THE UNIVERSITY OF MONTANA WESTERN HAS OPENED UP A WORLD OF POSSIBILITIES TO ME AND FOSTERED PROFESSIONAL

Shooting For the Moon

University of Montana Western mathematics major Nathan Boll proves it's never too late to succeed fiercely in college. A non-traditional math major, Boll has been the recipient of many honors, most notably the opportunity to intern with NASA for 10 weeks this past summer in their Jet Propulsion Lab, a program sponsored by the Montana Space Grant Consortium. In this capacity, Boll was able to work on the Mars Exploration Program, using geo-referencing and statistical software he was introduced to at Montana Western. He was also afforded the opportunity to take part in a special viewing of the historic Mars Rover landing in August.

When asked to define success, Boll asserts, it is "the realization of personally identified goals through careful planning and consistent execution. I measure my own success by setting those goals to be as distant and difficult as possible, then finding, or sometimes inventing, a way to achieve them." Boll's record boasts considerable and diverse achievements, including his work as a residence hall director and an ASUMW senator. He is the founder of the UMW Rugby and Cryptography clubs and general manager of KDWG Campus Radio. In the latter role, he has helped to create a scholarship dedicated to volunteer DJs and has formed alliances with community service organizations such as the Women's Resource/Community Support Center.

Hailing from Hope, Alaska, Boll has led a fascinating life. Before returning to school three years ago, he traveled widely, worked as a professional musician and co-owned Humbolt Brews, a restaurant, pub and music venue in northern California. Though Boll's interests are wide-ranging, since boyhood he's been deeply interested in science, specifically space and space exploration, which was inspired in part, he claims, by a youthful passion for the movie "The Last Starfighter"

When Boll decided it was time to pursue his degree, he was drawn to Montana Western's innovative block scheduling system called Experience One (X1). As the only program of its kind nationwide to exist within a public college, X1 offers students the opportunity to focus on one class, three hours a day for 18 days, four times a semester. Experience One includes the type of hands-on, collaborative and research-based instruction that prepares graduates for professions and further study. The program's success might be measured in many ways, but one sure sign is indicative: enrollment at Montana Western has increased each year for the past six. In addition to degrees in biology, environmental science, math, the liberal arts, business and education, the university features a School of Outreach offering extensive continuing education opportunities.

In spite of his achievements, Boll is notably full of appreciation and humility. He expresses gratitude toward family, friends, his professors, University staff and the TRIO program, which he has participated in for three years. Boll is confident he made the right decision in attending Montana Western. "My education at the University of Montana Western has opened up a world of possibilities to me and fostered professional relationships, which will help to propel me to great heights," Boll explains. "Anything is possible if you can dream it, but you have to dream big and dream out loud, for nothing so measures the merit of an individual as the living of a life less ordinary." His environmental sciences professor Rob Thomas concurs. "The bottom line is that the Montana Western approach provides opportunities for those who are passionate about their education. Nathan is deeply passionate about his education and has taken advantage of the many opportunities we have to offer. For the highly-motivated student, Montana Western is a dream come true. Nathan's dreams are now coming true."

RELATIONSHIPS, WHICH WILL HELP TO PROPEL ME TO GREAT HEIGHTS."



Jet Propulsion Laboratory
CALIFORNIA INSTITUTE OF TECHNOLOGY



The University of Montana's Creative Writing Program boasts a long and dynamic history. The program began in 1920, making it one of the oldest and most recognized nationwide. Significant contributions by celebrated writers including Richard Hugo, Leslie Fiedler and Patricia Goedicke laid the groundwork for what is now an increasingly successful and well-regarded program for student writers, both graduate and undergrad.

In fact, one of these pioneers, William Kittredge, retired from a 29-year career as Professor of Creative Writing, has returned to campus to instruct in a position honored by his name; he is this year's Kittredge Visiting Writer. He is a Regents Professor Emeritus at UM and the distinguished author of seven books. Kittredge has been the recipient of a Stegner Fellowship, two NEA Fellowships, the Los Angeles Times Award for Lifetime Achievement, and many other awards, as well as having appeared repeatedly in publications of repute, including the Atlantic, Harper's and The New York Times.

Students in his graduate fiction workshop find the experience highly rewarding. According to Andrew Martin, "Every class with Bill Kittredge always yields at least one amazing anecdote – the time he got locked in a car trunk for a day and a half, the time he had to send a convict working on his ranch back to a life in prison. Kittredge's stories and advice serve as vivid, continuous reminders that being a writer is a daily task, not a process with an end point." Another student, Beth Ambury, greatly appreciates the time Kittredge takes for each student, meeting with them individually after their story has been reviewed in class, and welcoming them to send each and every new draft his way.

UM's program is honored each year by a host of accomplished visiting writers. Ed Skoog, a visiting poetry instructor, is an alumni of UM's M.F.A. program [graduate of the school's Masters of Fine Arts in Creative Writing

"MISSOULA IS A WRITER'S TOWN. A PLACE TO GET SERIOUS
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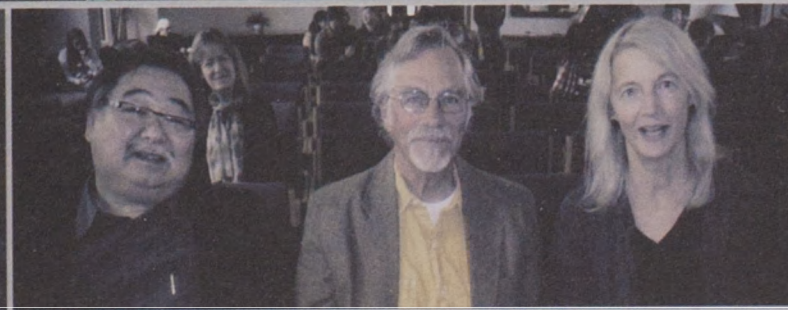
Inspiration and Creative Space

(MFA).] As Skoog observes, "The success of this writing program is that it draws geniuses and oddballs from all over the country, not only for the wilderness and wildness of Montana, but also for the renowned teachers and mentors. And the legacy of decades of such. Missoula is a writer's town, a place to get serious work done and have a pleasant time doing it. It was the only school I applied to 18 years ago. To me, becoming a poet and moving to Montana were a single gesture."

In addition to visiting instructors and a highly regarded faculty of 10 (with 40 total books published by national presses and countless awards to their credit), the Creative Writing Program sponsors an exciting reading series and publishes two literary magazines. The program is widely recognized for producing writers and teachers, many of whom work in academia,

publishing, editing and public relations. In the past three years, MFA students in creative writing have received nine of the UM Graduate School's Bertha Morton scholarships, and five MFA graduates in creative writing have been awarded Fulbright Scholarships in the past four years.

Program Director Judy Blunt, herself an MFA graduate in Poetry and Nonfiction, highlights the significance of "learning the one skill set that is most valuable in the workforce today: writing." Not only do abilities honed by the Creative Writing Program contribute to future accomplishment, but also small-group, hands-on instruction in this region's historically established tradition of place-based writing and strong literary ties, bolster success. As Blunt observes, "our close family-like connection extends beyond graduation. We are proud to make good citizens."



The Friendly Faces of Innovative Technology

Helena College University of Montana has been providing essential training in technical fields to a diverse population since 1939. In a diligent attempt to further serve the community, Helena College continues to expand academic offerings and recently completed construction and renovation projects that began in 2007. Today, the college boasts more than 1,500 enrolled students, 70 percent of whom receive financial aid, in a wide variety of programs, including such distinctively practicable offerings as aviation maintenance, construction technology, diesel technology, fire and rescue, nursing and water resources. One of several departments within the college constantly seeking to improve is already remarkable for an interesting reason: all four members of the IT department at Helena are graduates of the school.

According to Director of IT Services Jeff Block, when he took over the department in 2006, there was quite a bit to be done. Block had been teaching for the previous six years at Helena College in electronics, the department he graduated from and the field he worked in for 13 years. "We've come so far since then," he says. "We started with one switch and four old servers. Today we have 25 servers, all with redundant routes and high availability. We've increased reliability by 99 percent."

In 2007, Block hired Danny Straw to work with him as a computer support specialist. Straw had just graduated with a degree in computer networking. He was drawn to Helena for the small class sizes, location and excellent instruction. Both Block and Straw agree – the faculty at Helena College is known for taking time to give students the training and support they need.

When the time came, as a result of continuing innovations, to hire another computer specialist, a fellow student from Straw's time fit the bill – Rick Odermann. Odermann's path to Helena was unique in that an injury from

his previous profession had forced him to start over. After a couple years otherwise employed following graduation, Odermann joined the IT team in awe of how much things had changed since his time as a student.

"At that time, you had to wait 15 minutes for a log-in screen," he claims. "I couldn't believe how much they [Block and Straw] had brought up to spec in just a few years." Both Odermann and Straw attest that their time enrolled at Helena College helps them better understand student needs today; "I completely remember what annoyed me as a student," says Straw.

The final member to join the team was Tim Wunderwald, another student who returned to school after life in another career was no longer feasible. He completed a degree, began a work-study job in the IT department and was hired full-time. For Wunderwald, this fulfills his understanding of success. "You approach a problem and determine short and long-term solutions to achieve your goals," Wunderwald says. "I started a program with no experience. I wanted to see what I could do and learn. Now I have a job."

For Director Jeff Block, though he's earned significant achievements as an individual, he measures the accomplishment of the IT department by what he and his staff accomplish together. "The better you work together as a team," Block says, "the more you can share your success. When we succeed at making things easier for the user, that makes our job easier and more exciting."

In an attempt to stay on par with the rapid pace of technology, the team is constantly learning. According to Block, current proposed innovations include work on an intranet portal system and more wireless upgrades. "The support we've received from the other university system campuses, especially Missoula, has been great," he says. "We've come a long way

in a relatively short time and it wouldn't have happened without them."

If you're looking for the IT department at Helena College, you won't have to look far. An open door marks their office. The room is a hub of activity, offering services, advice and repair to students, faculty and staff from 7 a.m. until 8 p.m.

The atmosphere is friendly and lively. It's evident the IT crew is enjoying the job they do so well at the very school that prepared them for success.

According to Dean Daniel Bingham, "... over the past five years our IT department moved the college away from its Duct tape and bailing wire roots into a .999 highly sophisticated operation backbone that included a complete makeover of our communications system. I have never worked with better service-oriented, technology-savvy miracle workers anywhere."

**"I STARTED A PROGRAM WITH NO
EXPERIENCE. I WANTED TO SEE WHAT I
COULD DO AND LEARN. NOW I HAVE A JOB."**



HELENA COLLEGE
University of Montana



GLI Students Embrace the Future

As University of Montana President Royce Engstrom has observed, our highly complex “global century” requires a new approach to tackling problems. “Nearly every big issue we face,” he says, “has components of science, economics, history, creative expression and communication.” UM’s duty to prepare students for this reality has given rise to an exciting new program: the Global Leadership Initiative (GLI). In just its second year, GLI is already promoting significant change at UM.

Among several GLI students honored to speak about their program experiences at the President’s Brunch last spring was Amanda Arriondo.

Arriondo decided to sign up for GLI because “I realized it was an amazing opportunity that provides students with a way to observe the world on a global scale and think about world problems.”

Each spring, GLI invites incoming freshman to serve as Fellows. Students of all four-year majors are eligible for consideration. The program is comprised of distinct and sequential components to be completed each year. Fellows in their first year focus on “The Context of Global Questions,” where they address large issues from a collaborative and multidisciplinary perspective through seminars and attendance at

"I THINK GLI WILL MAKE ME MUCH MORE EMPLOYABLE, I WILL BE ABLE TO WORK WITH ALL DIFFERENT KINDS OF PEOPLE, APPLY AN OPEN WAY OF THINKING AND BE A PRO-ACTIVE PROBLEM SOLVER."

the President's Lecture Series. The second year's component, "Models of Leadership," includes weekend retreats with national and world leaders in a variety of specialties. Fellows in their third year, "Beyond the Classroom," apply their learning directly through one of several program options, including study abroad and service learning. During their fourth year, in fulfillment of "The Capstone" component, Fellows work in small groups to design and present a project addressing major global issues.

For Arriondo, a sophomore in the program, the most significant experience thus far occurred during the seminar "Global Climate Change: Science, Society and Ethics," taught by UM biology Professor Art Woods. She was greatly surprised by the presented facts – global warming could be supported by data. "It was the most eye-opening experience," she says. "This is a prevalent issue that people need to work together on." Arriondo is a student of wide interests, a true model of the open mindedness that facing modern dilemmas requires. Although she entered college as an Art major with a focus on pottery, Arriondo has decided to pursue Marketing with an English minor, having discovered through extended deliberation that she wanted most to further develop her natural analytical skills.

GLI's practical applications appeal to her immensely. One of Arriondo's most significant goals is to be able to duly support herself. "I think GLI will make me much more employable," she says. "I will be able to work with all different kinds of people, apply an open way of thinking and be a pro-active problem solver." Arriondo, also an honors student and intern with the UM Foundation, has greatly enjoyed working with her GLI class so far, a group of 85 sophomores. She says the group is "interested and interesting, goal-oriented. They are leaders. I want to be a leader too."

As the program expands, with 225 freshmen this year and around 300 expected next fall, GLI continues to seek financial assistance to reach its goal of \$3 million. The program is supported entirely by the UM Foundation, and funds are allotted toward advising and mentorship, participating faculty stipends, scholarships and passports for junior year "Beyond the Classroom" opportunities, retreats and capstone projects.





The University of
Montana

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December 2012

To Colleagues and Friends of The University of Montana,

We are pleased to present The University of Montana's Annual Financial Report for the fiscal year ending June 30, 2012. The report contains our summary financial statements, encompassing all four campuses of The University of Montana.

We created this report based on information from the University's June 30, 2012, audited financial statements. These statements are presented in accordance with generally accepted accounting principles and have been audited by the Montana State Legislative Audit Division. Their unqualified audit opinion appears along with the audited financial statements.

We are responsible for resources from both public and private sources and take that stewardship very seriously. We believe you will agree, upon review, that these statements reflect our commitment to excellence.

Sincerely,

Royce C. Engstrom
President

Robert A. Duringer
Vice President of Administration and Finance

**JOINT MESSAGE
FROM THE
PRESIDENT AND
VICE PRESIDENT FOR
ADMINISTRATION
AND FINANCE**

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:
Cindy Jorgenson
Angus Maciver

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, as of and for the fiscal years ended June 30, 2012, and 2011 (not presented herein), which collectively comprise The University of Montana's basic financial statements, and have issued our report thereon dated November 26, 2012.

As explained in the Use of the Summary Financial Statements note on page 21, the accompanying summary financial information of The University of Montana, as of and for the fiscal years ended June 30, 2012, and 2011, 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, ASUM President-Zach Brown, MT Tech-Amy Verlanic, UM Western-Nathan Boll, UM Creating Writing Program, Helena College, UM-GLI, Message from the President and V.P. for 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 "Cindy Jorgenson".

Cindy Jorgenson, CPA
Deputy Legislative Auditor

November 26, 2012



SUMMARY STATEMENTS OF NET ASSETS As of June 30, 2012 & 2011

ASSETS

Current Assets

	2012	2011
Cash and Cash Equivalents	\$62,047,582	\$73,576,523
Securities lending collateral	5,549,695	1,618,758
Investments.....	300,265	298,523
Accounts and grants receivable, net	6,223,443	6,217,715
Due from governments	10,651,939	9,845,875
Loans to students, net	1,796,341	1,882,046
Other assets	6,455,016	6,538,524
Total Current Assets	\$93,024,281	\$99,977,964

Noncurrent Assets

Restricted cash and cash equivalents.....	\$285,709	\$291,099
Endowment and other investments.....	68,366,978	51,417,432
Loans to students, net	9,935,837	9,808,321
Bond issuance costs.....	1,170,965	1,617,790
Capital assets, net.....	354,632,786	355,071,245
Total Noncurrent Assets.....	\$434,392,275	\$418,205,887

Total Assets.....	\$527,416,556	\$518,183,851
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LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	\$16,920,811	\$23,862,372
Due to governments.....	1,656,934	1,117,886
Securities lending liability	5,549,695	1,618,758
Student and other deposits.....	2,356,943	1,883,430
Deferred revenue.....	12,815,551	14,552,941
Accrued compensated absences.....	9,782,001	9,500,465
Current portion of long-term obligations.....	6,712,582	6,342,596
Total Current Liabilities.....	\$55,794,517	\$58,878,448

Noncurrent Liabilities

Accrued compensated absences.....	\$14,318,175	\$14,001,830
Deferred compensation	136,866	-
Long term obligations.....	111,623,981	118,399,626
Advances from primary government	14,644,719	9,940,935
Other post employment benefits	39,867,018	33,256,652
Due to Federal government	10,189,903	10,257,305

Total Noncurrent Liabilities	\$190,780,662	\$185,856,348
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Total Liabilities	\$246,575,179	\$244,734,796
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NET ASSETS

Invested in capital assets, net of related debt	\$223,808,759	\$226,563,565
Restricted	25,878,529	26,353,732
Unrestricted.....	31,154,089	20,531,758

Total Net Assets.....	\$280,841,377	\$273,449,055
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Total Liabilities and Net Assets	\$527,416,556	\$518,183,851
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The Information in the Summary Statements of Net Assets is derived from The University of Montana's June 30, 2012 audited financial statements.

The audited financial statements and related notes can be viewed online at www.umt.edu/bussrvcs/employees/reports.aspx

SUMMARY STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS For the Years Ended June 30, 2012 & 2011

OPERATING REVENUES

	2012	2011
Tuition and fees	\$124,293,893	\$124,581,298
Federal grants and contracts	52,309,030	55,911,233
State and local grants and contracts	10,037,240	11,041,634
Nongovernmental grants and contracts	6,754,837	5,963,467
Grant and contract facilities and administrative cost allowances	9,040,847	9,580,411
Sales and services of educational departments	16,927,044	15,841,888
Auxiliary enterprises charges	39,554,454	39,011,576
Other operating revenues	5,438,817	5,703,832
Total Operating Revenues	\$ 264,356,162	\$267,635,339

OPERATING EXPENSES

Compensation and employee benefits	\$ 241,556,727	\$ 239,299,531
Other post employment benefits	6,610,365	9,310,299
Other	90,939,245	89,073,774
Scholarships and fellowships	29,551,301	30,097,552
Depreciation and amortization	22,373,703	22,019,856
Total Operating Expenses	\$391,031,341	\$ 389,801,012
Operating Loss	\$(126,675,179)	\$(122,165,673)

NON-OPERATING REVENUES (EXPENSES)

State appropriations	\$84,222,427	\$69,184,267
State appropriations – Federal ARRA	-	13,346,787
Federal financial aid grants and contracts	34,426,489	33,922,436
Land grant revenues	1,771,181	1,646,236
Private gifts	13,330,780	10,648,261
Investment income	1,566,772	5,214,416
Interest expense	(6,142,545)	(6,496,347)
Net Non-operating Revenues	\$129,175,104	\$127,466,056
Income Before Other Revenues (Expenses)	\$2,499,925	\$5,300,383

OTHER REVENUES (EXPENSES)

Capital grants and gifts	\$5,027,229	\$17,715,130
Loss on Disposal of Capital Assets	(134,832)	(2,660)
Other	-	(1,750,000)
Total Other Revenues	\$4,892,397	\$15,962,470
Net Increase in Net Assets	\$7,392,322	\$21,262,853
Net Assets – beginning of year	\$273,449,055	\$252,186,202
Net Assets – end of year	\$280,841,377	\$273,449,055

The information in the Summary Statements Revenue, Expenses and Changes in Net Assets is derived from the University of Montana's June 30, 2012 audited financial statements. The audited financial statements and related notes can be viewed online at www.umt.edu/bussrvcs/employees/reports.aspx

SUMMARY STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2012 & 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$123,078,722	\$124,097,203
Grants and contracts	67,313,935	74,649,150
Grants and contracts facilities and administrative cost allowances	9,040,847	9,580,411
Sales and services of educational departments	17,515,204	15,644,571
Auxiliary enterprise charges	39,822,358	38,954,973
Other operating activities, net	5,613,071	5,815,502
Payments to employees for salaries and benefits	(245,454,921)	(238,994,884)
Operating expenses	(92,981,296)	(89,280,391)
Payments for scholarships and fellowships	(29,551,301)	(30,097,552)
Net Cash Used in Operating Activities	\$(105,603,381)	\$(89,631,017)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	\$84,222,427	\$69,184,268
State appropriations - Federal ARRA	-	13,346,787
Matching funds paid on federal capital grant	-	(1,750,000)
Land grants	1,771,187	1,646,236
Federal and financial aid grants and contracts	34,426,489	33,922,436
Private gifts	13,255,129	10,648,261
Net Cash Provided by Non-Capital Financing Activities	\$133,675,232	126,997,988
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales (purchases) from investing activities	\$(17,418,751)	\$9,126,432
Earnings received on investments	2,095,955	2,003,575
Net Cash (Used in) Provided by Investing Activities	\$(15,322,796)	\$11,130,007
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash paid for capital assets	\$(16,962,708)	\$(20,675,860)
Capital gifts	-	6,783,039
Proceeds from the issuance of refunding revenue bonds	41,036,856	48,667,400
Payment to advance refund revenue bonds	(40,840,709)	(48,277,772)
Bond issue cost paid on new issue	(196,146)	(352,587)
Proceeds from the issuance of subordinated bonds payable	-	107,710
Proceeds from notes payable and advances from primary government	6,648,494	2,038,278
Principal paid on long term obligations	(8,087,257)	(7,280,991)
Interest paid on capital debt and leases	(5,881,916)	(5,713,223)
Net Cash Used in Capital and Related Financing Activities	\$(24,283,386)	\$(24,704,006)
Net Decrease in Cash and Cash Equivalents	\$(11,534,331)	\$(23,792,972)
Cash and Cash Equivalents - beginning of year	73,867,622	50,074,650
Cash and Cash Equivalents - end of year	\$62,333,291	\$73,867,622

The Information in the Summary Statements of Cash Flows is derived from The University of Montana's June 30, 2012 audited financial statements.
The audited financial statements and related notes can be viewed online at www.umt.edu/bussrvcs/employees/reports.aspx

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, 2012 basic audited financial statements. The summary financial statements aggregate certain line items contained within some basic audited financial 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 unit basic financial statements and related notes, which are presented in conformity with generally accepted accounting principles, can be viewed on our website at www.umd.edu/bussrvcs/employees/reports.aspx

- **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 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 21,000 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.

• 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 method.

• 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, land improvements, intangible assets 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.

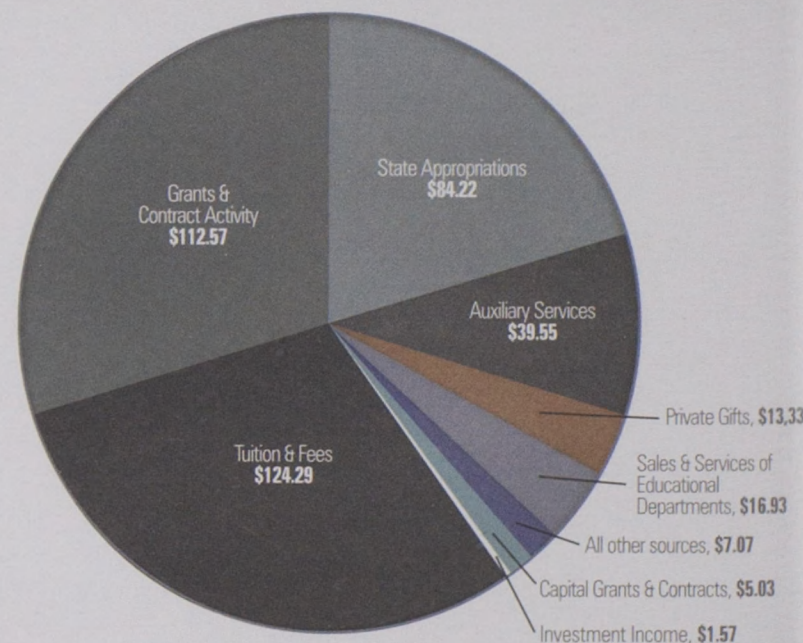
• SCHOLARSHIP DISCOUNTS AND ALLOWANCES

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.

• COMMITMENTS AND 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 21 of the notes to the University's consolidated financial statements for more information on commitments and contingencies at June 30, 2012.

FY12 REVENUES = 404.56 MILLION (\$ IN MILLIONS) SUPPLEMENTAL INFORMATION



ADMINISTRATION

BOARD OF REGENTS

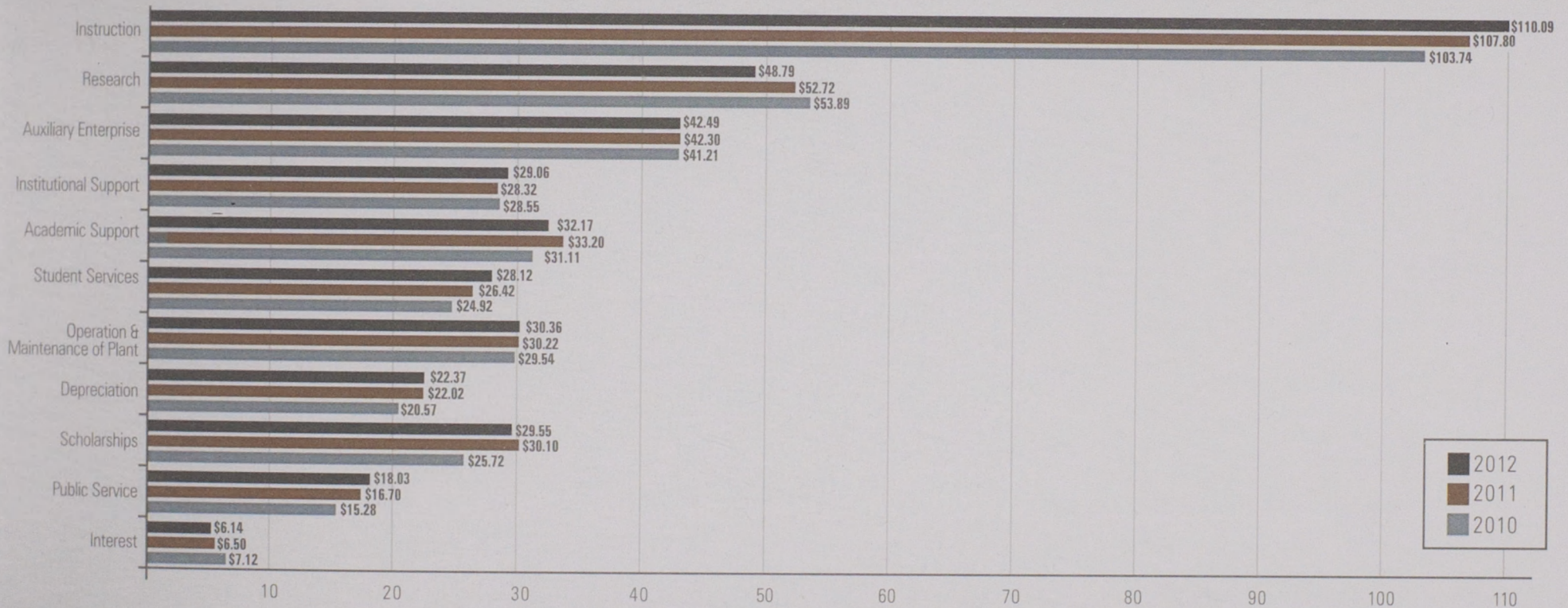
- Brian Schweitzer – Governor*
- Denise Juneau – Superintendent of Public Instruction*
- Clayton Christian – Commissioner of Higher Education*
- Angela McLean – Chair

- Major Robinson – Vice Chair
- Todd Buchanan – Regent
- Jeffrey Krauss – Regent
- Paul Tuss – Regent
- Pat Williams – Regent
- Joseph Thiel – Student Regent

THE UNIVERSITY OF MONTANA – MISSOULA

- Royce Engstrom – President
- Teresa S. Branch – Vice President for Student Affairs
- Robert A. Durringer – Vice President for Administration and Finance†
- David Forbes – Interim Vice President for Research and Development
- Perry J. Brown – Provost and Vice President for Academic Affairs
- James. P. Foley – University Executive Vice President
- David Aronofsky – Legal Council
- Rosi Keller – Associate Vice President for Administration and Finance
- John McCormick – Interim Director of Business Services
- Dan Jenko – Assistant Director of Business Services

FY12 EXPENSES BY FUNCTION/PURPOSE = 397.17 (\$ IN MILLIONS) SUPPLEMENTAL INFORMATION



MONTANA TECH OF THE UNIVERSITY OF MONTANA

- **Donald M. Blacketter** – Chancellor
- **Doug Abbott** – Vice Chancellor for Academic Affairs, University Associate Vice President
- **Joseph F. Figueira** – Associate Vice Chancellor for Academic Affairs and Research; University Associate Vice President
- **Margaret Peterson** – Vice Chancellor for Administration and Finance, University Associate Vice President
- **Mike Johnson** – Vice Chancellor for Development and Student Services
- **John Badovinac** – Controller/Business Manager, Post-Retirement
- **Carleen Cassidy** – Director, Contracts and Grants

THE UNIVERSITY OF MONTANA – HELENA COLLEGE OF TECHNOLOGY

- **Daniel J. Bingham** – Dean/Chief Executive Officer, University Executive Vice President
- Vacant – Associate Dean for Academic Affairs
- **Elizabeth Stearns-Sims** – Assistant Dean for Student Services
- **Russ Fillner** – Assistant Dean for Fiscal and Plant Operations
- **Valerie Lambert** – Director of Financial Aid

THE UNIVERSITY OF MONTANA – WESTERN

- **Richard Storey** – Chancellor, University Executive Vice President
- **Karl E. Ulrich** – Provost and Vice Chancellor for Academic Affairs, University Associate Vice President
- **Susan D. Briggs** – Vice Chancellor, Administration/Finance and Student Affairs, University Associate Vice President
- **Liane Forrester** – Director of Business Services

The 2012 Annual Financial Report is dedicated to Robert A. Durringer, UM Vice President of Administration and Finance. Bob served UM for 12 years and was planning to retire at the end of the year when he unexpectedly passed away Dec. 12. During his tenure at UM Bob was responsible for managing the largest physical expansion in campus history, as well as effectively overseeing several University departments. He was tremendously proud of his work, his colleagues

and his many contributions to the University. Bob was instrumental in developing an annual report that resembles one of a public corporation, reporting to UM's stakeholders as if they were shareholders. He believed this report was an opportunity to provide more than just a snapshot of financial condition, and he advocated for narratives to describe the work and vision of UM and its affiliates. We believe he would be proud of this year's edition of the report.



2012

ANNUAL FINANCIAL REPORT