



FINANCIAL STATEMENTS FOR THE YEARS
ENDED JUNE 30, 2020 AND 2019 AND
REPORTS OF INDEPENDENT AUDITORS



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Report of Independent Auditors

Idaho State Board of Education
University of Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Idaho (University) and the discretely presented component unit, the University of Idaho Foundation (Foundation), as of and for the years ended June 30, 2020 and 2019, and the aggregate remaining fund information of the University (the University of Idaho Health Benefits Trust, the University of Idaho Retiree Benefits Trust, and the University of Idaho Death Benefits Trust), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Foundation, which represent 100% of the assets, net position, and revenues of the discretely presented component unit, or the University of Idaho Health Benefits Trust, which represent 10%, 4%, and 82% of the assets, net position, and additions of the aggregate remaining fund information, respectively, for December 31, 2019, and 14%, 6%, and 104% of the assets, net position, and additions of the aggregate remaining fund information, respectively, for December 31, 2018. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation and the University of Idaho Health Benefits Trust, are based solely on the reports of other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University, and its discretely presented component unit, as of June 30, 2020 and 2019, and the aggregate remaining fund information of the University, as of December 31, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14, the schedule of the University's proportionate share of net pension liability – PERSI base plan, the schedule of University contributions – PERSI base plan on page 72, the schedule of changes in Net OPEB liability on page 73, and the schedule of OPEB contributions on page 74, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2020, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Moss Adams LLP

Portland, Oregon
September 25, 2020



MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited) FOR THE YEAR ENDED JUNE 30, 2020

The following Management's Discussion and Analysis (MD&A) is designed to provide an easy to read analysis of the University of Idaho's financial performance based on facts, decisions and conditions known at the date of the auditor's reports, June 30, 2020 and assist readers in understanding the accompanying financial statements. Three financial statements are presented: Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and Statement of Cash Flows. These statements are prepared using the accrual basis of accounting, whereby revenues are recognized when goods and services are provided and expenses are recognized when goods or services are received, regardless of when cash is exchanged. The financial statements include those of the University of Idaho ("University") as well as those of its component unit, the University of Idaho Foundation, Inc ("Foundation"). The MD&A focuses only on the University of Idaho and information relating to the Foundation can be found in its separately issued financial statements.

The University has included financial statements for the Health Benefits Trust ("HBT"), Retirement Benefits Trust ("RBT"), and the Death Benefits Trust ("DBT"). The HBT was established to meet the requirements of the State of Idaho Department of Insurance in order to manage the University's self-insurance program. Separate audited financial statements are prepared for the HBT and may be obtained by contacting the Vice President for Finance and Administration for the University of Idaho. The RBT and DBT do not produce annual financial statements other than in summary form as part of the University's statements. The statements for the HBT, the RBT, and the DBT are presented after the University's financial statements and preceding the notes to the financial statements.

The University of Idaho, a comprehensive land-grant, doctoral research-intensive institution founded in 1889, is the State of Idaho's oldest institution of higher learning and serves over 11,000 students. The University serves state, national and international communities by providing academic instruction and conducting research that advances fundamental knowledge. In addition to its main campus in Moscow, the University has instructional centers in Coeur d'Alene, Boise, and Idaho Falls as well as nine Research and Extension centers and Extension offices in 42 counties. The University offers degrees through 94 undergraduate and 62 graduate programs.



**MANAGEMENT’S DISCUSSION AND ANALYSIS (unaudited)
FOR THE YEAR ENDED JUNE 30, 2020**

Student fall enrollment history and annual graduation statistics for the University’s fall semesters for 2017 through 2019 are presented in the following table:

Enrollment and Graduation Statistics Fall Semester			
	2019	2018	2017
<u>Enrollments</u>			
Total Headcount	11,926	11,841	12,072
Total Full-time Equivalents (FTE)	9,068	9,273	9,433
Undergraduate Headcount:			
Full-time	6,948	7,044	7,168
Part-time	2,762	2,646	2,844
Graduate Headcount:			
Full-time	1,498	1,465	1,340
Part-time	718	686	720
Resident Student Percentage	72%	74%	73%
First-year Undergraduate Enrollment Statistics Including Transfers			
Applied	9,414	9,276	8,527
Admitted	7,220	7,069	6,200
Enrolled	2,011	1,972	2,114
SAT Combined Score Mean	1,117	1,114	1,121
Degrees Awarded			
Bachelors	1,761	1,702	1,670
Masters	551	490	487
Doctoral	63	65	79
Law	99	95	97
Specialist	13	22	24
Academic Certificates, Undergraduate/Graduate	125	100	88

Statement of Net Position

The Statement of Net Position outlines the University’s financial condition at fiscal year-end. This is a point-in-time financial statement and presents end-of-year data for assets, liabilities and net position. From the data presented, readers are able to determine the assets available to continue the operations of the University, and determine how much the University owes vendors, investors and lending institutions. Finally, it provides a picture of the net position (assets minus liabilities) and its availability for expenditure by the University. Trends in net position are a useful indicator of whether the entity’s financial condition is improving or declining.

The Statement of Net Position is presented in a classified format, which differentiates between current and noncurrent assets and liabilities, and groups net position into four categories which are:

1. Net Investment in Capital Assets - the University’s investment in property, plant, and equipment - net of depreciation and outstanding debt obligations related to those capital assets.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
FOR THE YEAR ENDED JUNE 30, 2020**

2. Restricted Nonexpendable - the corpus of nonexpendable restricted resources is available only for investment purposes. These assets are held in perpetuity.
3. Restricted Expendable - subject to external donor or grantor stipulations regarding their use. The University may expend these assets for purposes as determined by donors and/or external entities.
4. Unrestricted - may be expended for any lawful purpose of the University.

Condensed Statement of Net Position			
As of June 30			
(Dollars in Thousands)			
	2020	2019	2018
ASSETS			
Current assets	\$ 58,311	\$ 59,699	\$ 50,198
Capital assets - net	437,644	427,395	424,518
Other noncurrent assets	91,390	71,149	102,595
Total Assets	587,345	558,243	577,311
Deferred Outflows of Resources	13,715	18,923	14,247
Total Assets and Deferred Outflows of Resources	\$ 601,060	\$ 577,166	\$ 591,558
LIABILITIES			
Current liabilities	\$ 50,967	\$ 46,104	\$ 38,631
Noncurrent liabilities	239,643	231,084	241,055
Total Liabilities	290,610	277,188	279,686
Deferred Inflows of Resources	33,164	23,593	16,154
Total Liabilities and Deferred Inflows of Resources	323,774	300,781	295,840
NET POSITION			
Net investment in capital assets	258,246	251,956	243,910
Restricted expendable	28,753	38,281	35,790
Unrestricted	(9,713)	(13,852)	16,018
Total Net Position	277,286	276,385	295,718
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 601,060	\$ 577,166	\$ 591,558

The University's total assets increased by \$29.1 million to \$587.3 million as of June 30, 2020 ("FY20"). This increase was primarily due to an \$18.8 million increase in restricted cash associated with unspent bond proceeds from the 2020A Series bond issuance, as well as net capital assets additions of \$10.3 million. Changes in capital assets are explained in more detail under the section on capital assets and debt.



MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited) FOR THE YEAR ENDED JUNE 30, 2020

The University's total assets decreased during the year ended June 30, 2019 ("FY19") by \$19 million to \$558 million. This decline in assets was primarily driven by the drawdown of \$25.1 million in investments and cash to meet operating needs. This was offset by an increase in net accounts receivable of \$2.7 million associated with larger accounts receivable balances in unbilled charges for grants and contracts over that of the prior year.

Total deferred outflows of resources decreased by \$5.2 million during FY20. This decrease is directly related to deferred contributions and changes of assumptions for the University's pension and other post-employment benefits ("OPEB").

Total deferred outflows of resources increased by \$4.7 million during FY19 due to increases in deferred contributions and changes of assumptions for the University's pension and OPEB.

The University's total liabilities increased during FY20 by \$13.4 million to \$291 million as of June 30, 2020. The increase in liabilities is the result of an \$9.4 million increase in salaries and benefits payable of which \$6.7 million is attributable to payments owed to former employees electing to exit the University under the Voluntary Separation Incentive Program (VSIP) and the Optional Retirement Incentive Program (ORIP). The remaining \$2.5 million increase is due to payroll calendar timing of payroll accrual differences between fiscal years. An increase in notes and bonds payable of \$26.7 million is due to the issuance of the 2020A Series bonds net of principal payments. These increases were offset by a \$6.6 million decrease in net pension liability and \$14.4 million decrease in net OPEB liability.

The University's total liabilities decreased during FY19 by \$2.5 million to \$277 million as of June 30, 2019. The decrease in liabilities was due to a decrease in bonds payable resulting from principal payments of \$5.9 million and decreases in net pension liability and OPEB liability of \$2.0 million and \$2.4 million, respectively. These decreases were offset by an increase of accrued salaries and benefits payable of \$5.6 million and an increase in accounts payable of \$1.6 million.

Total deferred inflows of resources increased by \$9.6 million in FY20. This rise is the result of an increase in deferred pension plan inflows of \$4.6 million and deferred OPEB inflows of \$5.9 million associated with change in assumptions.

Total deferred inflows of resources rose by \$7.4 million in FY19 resulting primarily of increased deferred OPEB inflows of \$5.8 million due to changes in actuarial assumptions.

Overall net position increased by \$0.9 million as of June 30, 2020. Net investments in capital assets increased \$6.3 million due to additions to capital assets during the year, combined with the net increase in related long-term debt. Restricted net position decreased by \$9.5 million due to spending of funds specifically restricted to the Arena project, while unrestricted net position increased by \$4.1 million.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Changes in total net position as presented in the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of this statement is to present the revenues earned and expenses incurred during the year, classifying activities as either operating or non-operating. Operating revenues are earned from exchange transaction activities associated with providing goods and services for instruction, research, public service or related support to entities separate from the University. Examples include

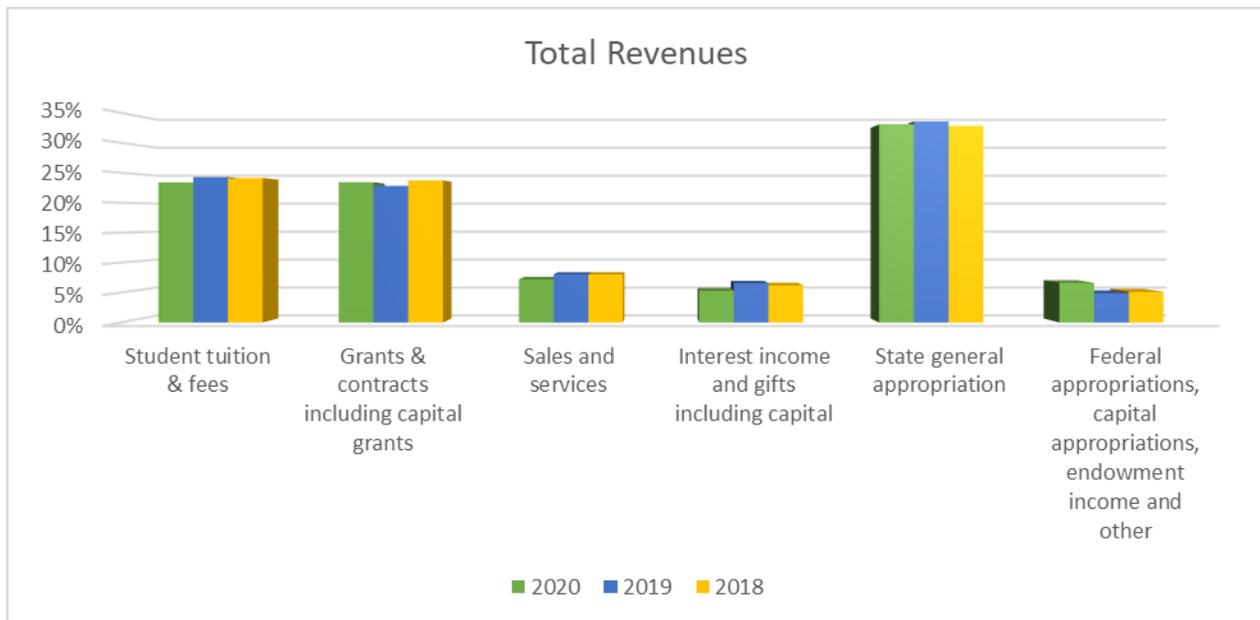
student tuition and fees, sales and services, grants and contracts. Operating expenses are those expenses paid to acquire or produce the goods and services to carry out the functions of the University. Examples include salaries,

**MANAGEMENT’S DISCUSSION AND ANALYSIS (unaudited)
FOR THE YEAR ENDED JUNE 30, 2020**

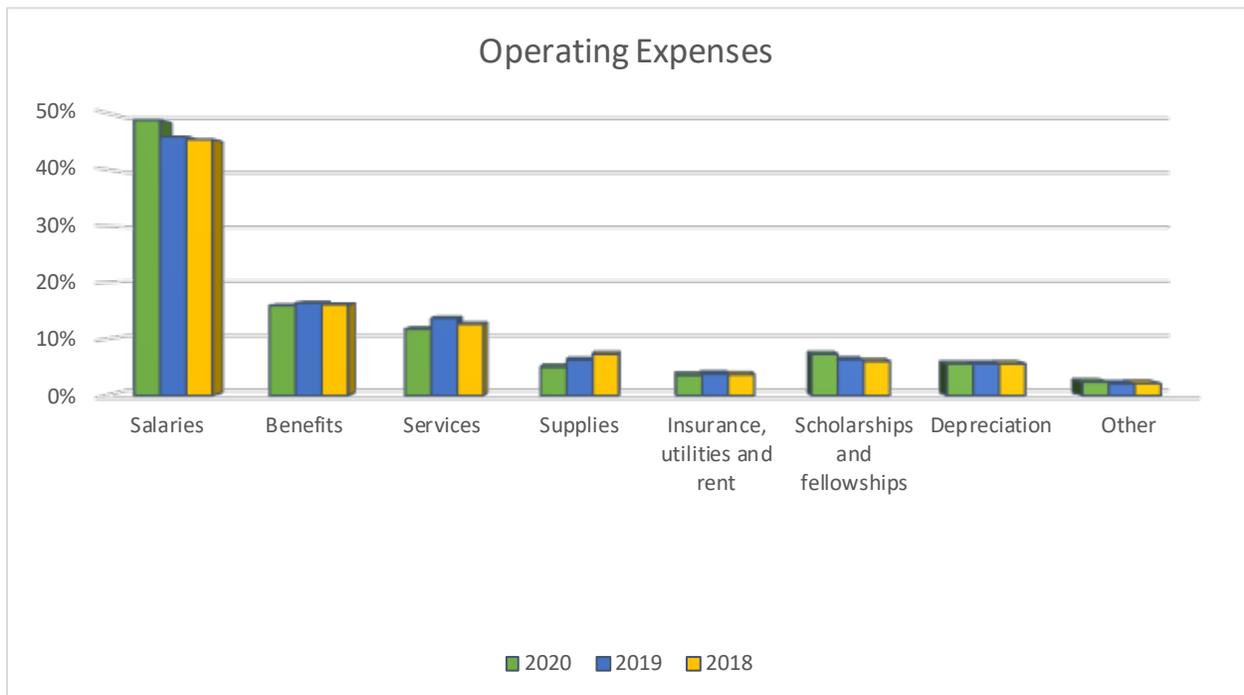
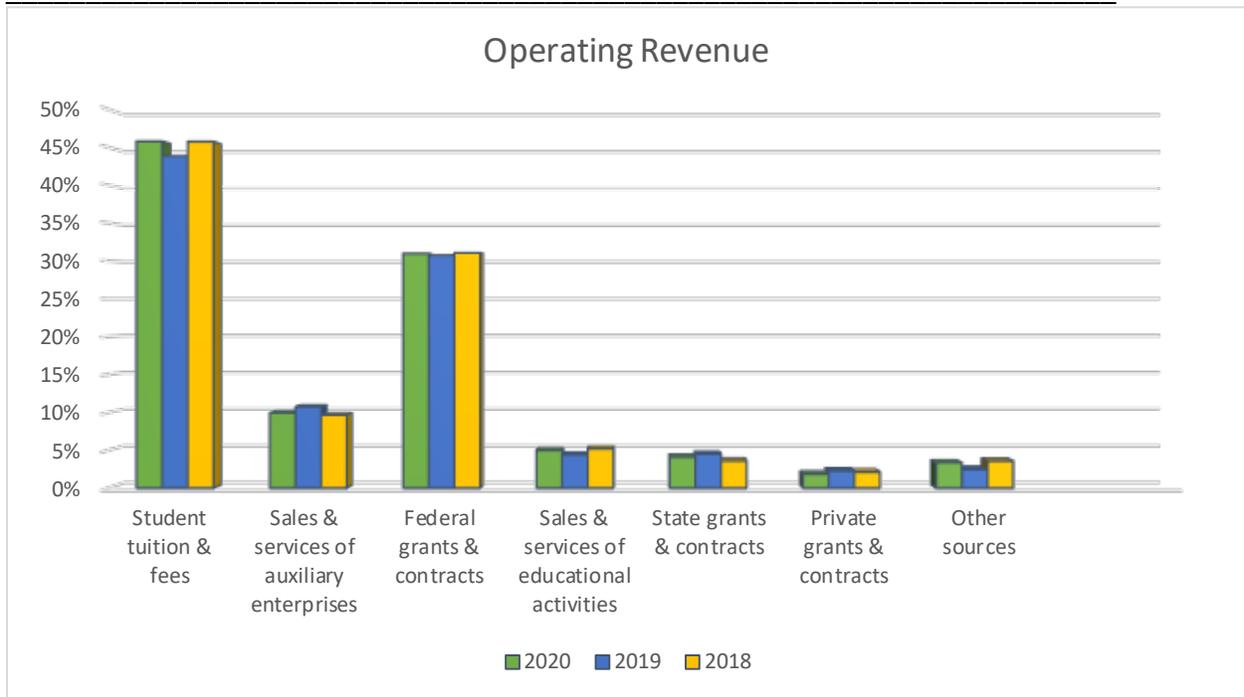
benefits, scholarships, and purchases of supplies. Non-operating revenues as defined by the GASB 34 reporting model are derived from activities that are non-exchange transactions, such as gifts and contributions, investment income, state and federal appropriations. Without these non-operating revenues, the University would not be able to cover its costs of operations, which results in a net operating loss on the statement.

The Statement of Revenues, Expenses, and Changes in Net Position shows the activity that resulted in a \$0.9 million increase in net position for the year ended June 30, 2020.

The graphs on the following pages show the composition of total revenues, operating revenues and operating expenses for fiscal years 2020, 2019 and 2018.



**MANAGEMENT’S DISCUSSION AND ANALYSIS (unaudited)
FOR THE YEAR ENDED JUNE 30, 2020**



**MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
FOR THE YEAR ENDED JUNE 30, 2020**

Condensed Statement of Revenues, Expenses and Changes in Net Position			
Fiscal Years Ended June 30			
(Dollars in Thousands)			
	2020	2019	2018
Operating revenues	\$ 212,731	\$ 216,760	\$ 214,018
Operating expenses	415,809	429,127	418,389
Operating loss	(203,078)	(212,367)	(204,371)
Net nonoperating revenues	193,937	187,528	178,460
Gain (loss) before other revenues	(9,141)	(24,839)	(25,911)
Other revenues	10,042	5,506	4,845
Increase (Decrease) In Net Position	901	(19,333)	(21,066)
Net Position - Beginning of year	276,385	295,718	351,524
Cumulative effect implementing GASB 75	-	-	(34,740)
Net Position - Beginning of year (as fully restated)	276,385	295,718	316,784
Net Position - End of year	\$ 277,286	\$ 276,385	\$ 295,718

The University ended FY20 with an aggregate change in net position of \$0.9 million and an ending net position of \$277 million. This compares to a decrease in total net position of \$19.3 million in FY19 and \$21.1 million in FY18. The University ended FY19 with an aggregate net position of \$276 million compared to an ending aggregate net position of \$296 million in FY18.

FY20 operating revenues of \$213 million were \$4.0 million lower than the prior year. This is due to a reduction of net student tuition and fees revenues by \$2.0 million to \$97.4 million as of June 30, 2020 in addition to a \$2.1 million decline in sales and services of auxiliary enterprises. This -1.9% decrease in operating revenues was attributable to a lower aggregate student full-time equivalents for the year of -2.2% and lost dining and other auxiliary sales during the campus closure in Spring 2020 in response to the COVID-19 pandemic.

FY19 operating revenues of \$217 million were \$2.7 million higher than that of FY18. This was primarily from net student tuition and fees revenues of \$99.4 million increasing by \$3.6 million over the prior year. This 3.8% increase was attributable to an average tuition and fee increase of 6% (5% resident increase, 8% nonresident), a slightly higher mix of nonresident to resident students, and a slightly higher mix of graduate to undergraduate students, offset by lower aggregate student full-time equivalents for the year of -2.7%.

FY20 operating expenses totaling \$416 million decreased \$13.3 million when compared to FY19. Services and supplies expenses in FY20 reduced by \$9.7 million and \$7.5 million, respectively. These operating expenses were impacted by both intentional budget reductions and the campus closure from the COVID-19 pandemic. The largest impact was seen in library acquisitions, various categories of supplies, and travel expenses. These decreases were offset by higher salary expenses resulting entirely from the accrual of \$6.7 million in severance and retirement incentives scheduled to be paid to former employees through July 2022.

FY19 operating expenses totaling \$429 million increased \$10.7 million when compared to FY18. Increased salary expenses in FY19 accounted for \$6.9 million of this increase, being 3.6% higher than FY18 salaries. This increase was

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited) FOR THE YEAR ENDED JUNE 30, 2020

due to a FY19 compensation increase of 3% approved by the State Board of Education, combined with an increase in full-time equivalent staff and faculty of 0.6% due to filling vacant positions. In addition, scholarship and fellowship expenses increased \$1.8 million due to increased financial assistance and stipends awarded to graduate assistants, and other operating expenses related to student travel, royalties and promotional expenses went up \$1.8 million over FY18.

FY20 net nonoperating revenues of \$194 million were \$6.4 million higher than the prior year. This increase is attributable primarily to the University receiving \$5.1 million in federal grants under the CARES Act and land sales of \$3.9 million offset by a decrease of \$2.4 million in investment returns.

FY19 net nonoperating revenues of \$188 million were \$9.1 million higher than the prior year. State appropriations of \$137.4 million increased \$3.1 million over FY18, and the University's investment portfolio recorded an increase in fair value of \$3.2 million compared to a decrease in FY18 of -\$2.7 million.

Other revenues of \$10 million increased \$4.5 million over FY19. This increase is driven by revenues recognized from projects funded by the Idaho Department of Public Works as follows: \$2.1 million related to entry and exterior renovations to Administration Building; \$0.6 million for replacement of environmental coolers in Gibb Hall Life Science South; and \$1.5 million for various other campus improvement projects.

Other revenues of \$5.5 million in FY19 were slightly ahead of \$4.8 million recorded in FY18. Capital gifts from the Foundation of \$4.3 million in FY19 exceeded FY18 by \$3.6 million. The primary projects for which these revenues were recorded were \$1.0 million for the new President's residence completed in FY19, and \$2.6 million for the Idaho Central Credit Union Arena project expected to be completed in 2021. Revenues recognized in FY19 from projects funded by the Idaho Department of Public Works of \$0.8 million were \$2.3 million less than that of FY18.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows presents cash inflows and outflows of the University during the year ended June 30, 2020. The various sources of cash, along with their application and use, provides an analytical perspective that is useful in assessing the ability of the University to satisfy its financial obligations as they come due and to reconcile to the operating income or loss as reflected in the Statement of Revenues, Expenses and Changes in Net Position. The statement classifies the flow of cash in the following four categories.

Operating activities – Displays the net cash flow required to conduct the day-to day operating activities of the University.

Noncapital financing activities – Reflects the net cash flow of nonoperating transactions not related to investing or capital financing activities and includes funds provided by state appropriations.

Capital and related financing activities – Includes payments for the acquisition of capital assets, proceeds from long term debt, and debt repayment.

Investing activities – Details the funds involved in the purchase and sale of investments and reflects the change in rates of return on invested funds.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
FOR THE YEAR ENDED JUNE 30, 2020**

Condensed Statement of Cash Flows			
Fiscal Years Ended June 30			
(Dollars in Thousands)			
	2020	2019	2018
Cash provided (used) by:			
Operating activities	\$ (174,350)	\$ (183,931)	\$ (181,124)
Noncapital financing activities	193,467	188,996	186,224
Capital and related financing activities	761	(33,764)	(18,983)
Investing activities	83	37,314	710
Net change in cash	19,961	8,615	(13,173)
Cash beginning of the year	34,192	25,577	38,750
Cash end of the year	<u>\$ 54,153</u>	<u>\$ 34,192</u>	<u>\$ 25,577</u>

Cash increased by \$20 million during FY20 compared to an increase of \$8.6 million during FY19. Cash used in operating activities decreased by \$9.6 million compared to the prior year as a result of increased grant revenues and lower payments for supplies and services. Net cash generated by noncapital financing activities increased by \$4.5 million due to increased federal nonoperating grants of \$5.1 million related to the CARES Act federal grant. Net cash used in capital and related financing activities decreased by \$33.0 million primarily due to proceeds from capital debt of \$55.7 million offset by decreases in notes and bonds payable of \$30.5 million, all related to the issuance of the 2020A Bond Series. The 2020A series was issued to refund 2010B&C Series debt and provide \$32 million in working capital for the ICCU Arena project. Cash generated by investing activities decreased by \$37.2 million as no investments were liquidated for operational cash needs in FY20 as was done in FY19.

Cash increased by \$8.6 million during FY19 from the end of FY18. Cash used in operating activities increased by \$2.8 million compared to the prior year as a result of increased student tuition and fees, grant revenues, and sales of services offset by higher payments to employees. Net cash generated by noncapital financing activities increased by \$2.7 million due to increased state appropriated revenues. Net cash used in capital and related financing activities increased by \$14.8 million primarily due to a bond issuance in FY18 but nothing similar in FY19. Cash generated by investing activities increased by \$36.6 million due to the liquidation of long-term investments for operational cash needs.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
FOR THE YEAR ENDED JUNE 30, 2020**
CAPITAL ASSETS AND DEBT

Capital Assets			
Fiscal Years Ended June 30			
(Dollars in Thousands)			
	2020	2019	2018
Capital Assets at Cost			
Buildings and improvements	\$ 685,781	\$ 682,348	\$ 666,947
Equipment	111,568	111,293	109,060
Construction in progress	33,326	10,415	8,868
Library materials	57,105	57,359	56,444
Capitalized collections	2,517	2,420	2,408
Land	32,254	30,160	27,714
Total Capital Assets at Cost	\$ 922,551	\$ 893,995	\$ 871,441
Accumulated Depreciation			
Buildings and improvements	\$ (337,116)	\$ (320,798)	\$ (303,887)
Equipment	(93,821)	(91,496)	(89,289)
Library materials	(53,970)	(54,306)	(53,747)
Total Accumulated Depreciation	\$ (484,907)	\$ (466,600)	\$ (446,923)
Total Capital Assets, Net	\$ 437,644	\$ 427,395	\$ 424,518

The University's net capital assets of \$438 million increased \$10.3 million during FY20. This increase was the result of \$28.6 million in asset acquisitions, less disposals and transfers, during the year, offset by an increase of \$18.3 million in accumulated depreciation. The University acquired two properties (land) during the year totaling \$2.1 million: in Bellevue, Idaho (\$1.2 million) to provide agricultural research and education programs; and in Jerome, Idaho (\$0.9 million) for future development of the Idaho Center for Agriculture, Food, and the Environment ("CAFÉ"), a facility focused on dairy, crop production and food processing research.

Significant projects completed and capitalized during the year included renovations to E.J. Iddings Agricultural Science Lab, Morrill Hall, Sheep Center Residence, JW Martin Agricultural Engineering Building, Park Farm Seed House and Renfrew Hall (combined \$1.7 million). In June 2019, the University broke ground for the construction of the Idaho Central Credit Union ("ICCU") Arena, a modern sports and events venue to be opened in 2021. Costs for FY20 progress on the ICCU Arena construction were \$17.7 million and were reflected in capitalized construction in progress at year-end. Construction in progress increased \$22.9 million during FY20 with the ICCU Arena being the largest contributor, \$1.3 million for the West Campus Utilities Expansion & Improvement Project and \$0.2 million for the Energy Plant Steam Turbine Power Project. The remaining additions consisted of a significant number of other smaller scale projects on the Moscow campus and other University locations.

During FY19 net capital assets increased \$2.9 million from FY18. The increase was a result of \$27.4 million in asset acquisitions. The University acquired \$5.0 million in land and associated buildings. Property was purchased in Sandpoint (\$2.2 million) for the establishment of the Sandpoint Organic Agriculture Center to provide research and outreach programs related to organic farming; in Rupert (\$2.5 million) for future development of CAFÉ; and in Moscow (\$335 thousand) for future campus development.



**MANAGEMENT’S DISCUSSION AND ANALYSIS (unaudited)
FOR THE YEAR ENDED JUNE 30, 2020**

Significant projects completed and capitalized during FY19 included the new Presidential Residence (\$2.2 million) and Aquaculture Research Institute (\$3.1 million). Costs for FY19 progress on the ICCU Arena construction were \$3.2 million and are reflected in capitalized construction-in-progress at year-end.

The additions in FY19 were offset by an increase of \$19.7 million in net accumulated depreciation. With the ending net capital asset balance for FY19 being \$427.4 million.

Bonds and Capital Leases, 2020, 2019, and 2018:

Bonds and Capital Leases			
Fiscal Years Ended June 30			
(Dollars in Thousands)			
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Bonds & Capital Leases	<u>\$ 205,232</u>	<u>\$ 178,627</u>	<u>\$ 184,666</u>

The University issued the 2020A Bond Series in FY20. This issuance refunded the 2010B Series in the amount of \$10.2 million and the 2010C Series in the amount of \$13.1 million, as well as provided \$32 million in new money for the construction of the ICCU Arena. Total debt of \$205.2 million increase of \$26.6 million from prior year reflects this issuance, the refunded debt and scheduled principal payments.

Total debt in FY19 of \$178.6 million decreased \$6.0 million from that of FY18 due to scheduled principal payments.

ECONOMIC OUTLOOK

Funding for the major activities of the University comes from a variety of sources including tuition and fees, state appropriations, private and governmental grants and contracts, auxiliary sales and services, donor gifts and investment income. Revenues are also generated through recovery of costs associated with federal grants and contracts activities, which serve to offset related administrative and facility costs of the University.

State of Idaho support for the University has increased steadily over the past several years, in whole dollars and as a percentage of revenues, although fiscal year 2020 growth was nearly flat compared to the prior year due to holdbacks from the state in light of uncertainties at the time in fiscal year 2020 state general fund revenue. The overall economy of the state showed strong growth in fiscal year 2020 to finish the year with \$4 billion in general fund receipts, which exceeded the target by \$70 million and exceeded fiscal year 2019 by nearly \$300 million. The Idaho Division of Financial Management has projected general fund revenues to increase by 2.0% in fiscal year 2021 after adjusting for anticipated impact of the coronavirus pandemic. Idaho has experienced very strong economic growth in the last several years and the pandemic is expected to force a sharp decline on local economic activity, followed by a slow recovery.

The State Board of Education has continued to support necessary and reasonable tuition and fee increases for the University, authorizing a 5.6% increase for fiscal year 2020. Total enrollment has been relatively stable for the past five years after several years of declines. Increased investment in strategic enrollment efforts and financial aid management continue to be a focus of University leadership and management. The University has led efforts with

**MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
FOR THE YEAR ENDED JUNE 30, 2020**

the State Board of Education to promote and encourage an increase in Idaho high school “go on” rates to college and will continue such efforts. Significant efforts across all areas of the University continue to remain focused on student retention with promising results seen at both the undergraduate and graduate levels. U.S. News and World Report ranks the University in the top 6% of all U.S. public colleges and universities, and the campus is regularly recognized as among the safest in the country for college students.

The University continues to excel as a national leader in high-quality academic research. Recognized by the Carnegie Foundation as a high research activity institution, the University was actively engaged in sponsored programs, grant and contract activities during fiscal year 2020, which resulted in \$79 million of grant revenue. Enhancing research activity and developing into a Carnegie R1 Institution is one of the primary strategic objectives of President C. Scott Green, who assumed leadership over the University in July 2019. President Green also seeks to enhance the regional and national profile of the University and improve on student success through access to online courses for remote students, scholarships and on-campus mental health services.



**STATEMENT OF NET POSITION
AS OF JUNE 30, 2020 AND 2019**

	University of Idaho	University of Idaho	University of Idaho Foundation (note 17)	University of Idaho Foundation (note 17)
	2020	2019	2020	2019
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 16,858,366	\$ 15,662,282	\$ 4,859,170	\$ 14,493,160
Due from state agencies	440,311	266,170	-	-
Prepaid expenses	1,630,588	1,748,973	-	-
Investments	-	-	28,714,516	24,214,225
Interest and other receivables	855,146	792,746	310,131	276,762
Student loans receivable - net	2,053,110	2,150,353	-	-
Accounts receivable & unbilled charges - net	34,853,410	36,972,065	-	-
Inventories	1,393,482	1,861,880	-	-
Promises to give - net	-	-	1,732,393	1,358,300
Notes receivable	226,901	244,022	-	24,915
Total Current Assets	58,311,314	59,698,491	35,616,210	40,367,362
Noncurrent Assets				
Restricted cash and cash equivalents	37,295,185	18,529,824	13,625,510	14,091,462
Student loans receivable - net	5,254,364	6,867,696	-	-
Investments	48,839,954	45,751,552	301,684,058	300,361,894
Promises to give - net	-	-	5,812,426	3,414,362
Real estate holdings	-	-	5,166,957	4,865,957
Non-depreciable capital assets	68,097,399	42,994,283	-	-
Depreciable capital assets - net	369,546,461	384,400,393	-	-
Other noncurrent assets	-	-	358,120	312,347
Total Noncurrent Assets	529,033,363	498,543,748	326,647,071	323,046,022
TOTAL ASSETS	587,344,677	558,242,239	362,263,281	363,413,384
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to refunding of debt	1,308,208	1,534,966	-	-
Deferred outflows related to pension	10,519,534	12,272,565	-	-
Deferred outflows related to OPEB	1,887,145	5,115,718	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	13,714,887	18,923,249	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 601,059,564	\$ 577,165,488	\$ 362,263,281	\$ 363,413,384

See notes to financial statements

Continued



**STATEMENT OF NET POSITION
AS OF JUNE 30, 2020 AND 2019**

	University of Idaho	University of Idaho	University of Idaho Foundation (note 17)	University of Idaho Foundation (note 17)
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 6,168,587	\$ 7,834,987	\$ 537,973	\$ 203,550
Accrued salaries and benefits payable	17,917,560	12,407,109	-	-
Compensated absences payable	8,020,842	7,942,781	-	-
Endowment earnings payable to trust beneficiaries	-	-	11,751,176	11,312,048
Accrued interest payable	2,220,462	2,083,398	-	-
State teacher education loan advance	128,076	128,076	-	-
Deposits	696,121	713,049	-	-
Unearned revenue	7,349,160	6,844,069	1,000,000	-
Funds held in custody for others	1,419,367	1,414,916	-	-
Obligations under capital leases	67,539	64,816	-	-
Current portion long-term liabilities	6,476,639	5,492,475	-	-
Other liabilities	502,404	1,178,613	-	-
Split interest agreements	-	-	866,083	801,008
Total Current Liabilities	<u>50,966,757</u>	<u>46,104,289</u>	<u>14,155,232</u>	<u>12,316,606</u>
Noncurrent Liabilities				
Accrued salary incentives	3,903,930	-	-	-
Obligations under capital leases	70,379	137,918	-	-
Bonds payable	198,617,601	172,931,591	-	-
Net pension liability	20,569,074	27,122,978	-	-
Net OPEB liability	16,481,684	30,891,246	-	-
Other funds due to University of Idaho	-	-	5,695,667	10,000,000
Split interest agreements	-	-	7,613,305	7,186,343
Total Noncurrent Liabilities	<u>239,642,668</u>	<u>231,083,733</u>	<u>13,308,972</u>	<u>17,186,343</u>
TOTAL LIABILITIES	<u>290,609,425</u>	<u>277,188,022</u>	<u>27,464,204</u>	<u>29,502,949</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	10,066,517	5,429,308	-	-
Deferred inflows related to naming rights agreement and service concession arrangement	10,000,000	10,922,736	-	-
Deferred inflows related to OPEB	13,097,582	7,240,505	-	-
Split interest trusts	-	-	3,857,664	5,283,184
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>33,164,099</u>	<u>23,592,549</u>	<u>3,857,664</u>	<u>5,283,184</u>
NET POSITION				
Net investment in capital assets	258,246,064	251,956,088	-	-
Restricted for:				
Nonexpendable	-	-	256,117,549	246,202,912
Expendable	28,752,979	38,281,066	67,708,084	74,672,796
Unrestricted	(9,713,003)	(13,852,237)	7,115,780	7,751,543
TOTAL NET POSITION	<u>277,286,040</u>	<u>276,384,917</u>	<u>330,941,413</u>	<u>328,627,251</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 601,059,564</u>	<u>\$ 577,165,488</u>	<u>\$ 362,263,281</u>	<u>\$ 363,413,384</u>

See notes to financial statements



**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	University of Idaho 2020	University of Idaho 2019	University of Idaho Foundation (note 17) 2020	University of Idaho Foundation (note 17) 2019
OPERATING REVENUES				
Student tuition and fees (net of scholarship allowances of \$23,948,567 and \$23,314,163 for FY 2020 and FY 2019 respectively)	\$ 97,404,612	\$ 99,431,771	\$ -	\$ -
Federal grants and contracts	65,860,866	66,615,671	-	-
State and local grants and contracts	8,729,387	7,561,658	-	-
Private grants and contracts	3,954,408	4,929,896	-	-
Sales and services of educational activities	8,883,097	9,557,950	-	-
Sales and services of auxiliary enterprises	21,165,206	23,284,674	-	-
Interest on loans receivable	314,897	320,858	-	-
Other sources	6,418,510	5,057,716	295,486	74,210
Gifts	-	-	25,046,410	22,015,344
Total operating revenue	212,730,983	216,760,194	25,341,896	22,089,554
OPERATING EXPENSES				
Salaries	203,337,891	196,438,566	-	-
Benefits	64,843,803	70,339,670	-	-
Services	49,116,930	58,771,287	-	-
Supplies	19,329,415	26,873,323	-	-
Insurance, utilities and rent	15,021,745	16,403,426	-	-
Scholarships and fellowships	30,593,625	27,289,088	-	-
Depreciation	23,491,853	24,080,561	-	-
Other	10,074,301	8,931,405	217,016	77,491
Administrative expense	-	-	2,552,649	2,523,297
Total operating expenses	415,809,563	429,127,326	2,769,665	2,600,788
OPERATING (LOSS) INCOME	(203,078,580)	(212,367,132)	22,572,231	19,488,766

See notes to financial statements

Continued



**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	University of Idaho 2020	University of Idaho 2019	University of Idaho Foundation (note 17) 2020	University of Idaho Foundation (note 17) 2019
NONOPERATING REVENUES (EXPENSES)				
State appropriations	137,839,878	137,438,200	-	-
Land grant endowment income	10,756,000	10,498,800	-	-
Federal appropriations	4,389,818	6,284,369	-	-
Federal grants and contracts	18,221,056	13,899,589	-	-
Gifts (including gifts from Foundation)	20,856,425	20,067,352	-	-
Private grants and contracts	86,405	-	-	-
Net investment income	1,402,000	2,414,318	6,474,054	6,864,754
Net increase (decrease) in fair value of investments	1,769,447	3,167,674	(3,882,972)	10,508,129
Gain (loss) on sale of real estate holdings	-	-	397,500	(73,500)
Distribution of endowment income to University and trust beneficiaries	-	-	(11,751,176)	(11,312,048)
Distribution to University and affiliates	-	-	(11,577,585)	(11,299,351)
Distribution of trust income to life income beneficiaries	-	-	-	-
Lease and rental income	-	-	101,266	104,123
Property management	-	-	(19,156)	(55,617)
Change to split interest trusts	-	-	-	-
Interest expense (net of capitalized interest of \$1,032,160 and \$642,213 for FY 2020 and FY 2019 respectively)	(6,506,297)	(7,252,574)	-	-
Other sources	5,122,590	1,009,670	-	-
Net nonoperating revenues	193,937,322	187,527,398	(20,258,069)	(5,263,510)
GAIN (LOSS) BEFORE OTHER REVENUES	(9,141,258)	(24,839,734)	2,314,162	14,225,256
OTHER REVENUES				
Capital grants and contracts	670,992	385,941	-	-
Projects with Idaho Department of Public Works	5,374,323	825,411	-	-
Capital gifts from Foundation	3,997,066	4,294,897	-	-
Total other revenues	10,042,381	5,506,249	-	-
INCREASE (DECREASE) IN NET POSITION	901,123	(19,333,485)	2,314,162	14,225,256
NET POSITION - Beginning of year	276,384,917	295,718,402	328,627,251	314,401,995
NET POSITION - End of year	\$ 277,286,040	\$ 276,384,917	\$ 330,941,413	\$ 328,627,251

See notes to financial statements



**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	University of Idaho 2020	University of Idaho 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts and disbursements		
Tuition and fees	\$ 97,746,096	\$ 97,865,909
Grants and contracts	81,037,859	76,313,163
Sales of services - net	29,145,376	34,823,040
Payments to or for employees	(264,176,828)	(263,557,095)
Payments to suppliers	(95,298,217)	(108,676,604)
Scholarships disbursed	(30,593,625)	(27,289,088)
Funds held for others	4,451	(69,571)
Student loans collected	2,021,772	2,153,601
Student loans disbursed	(58,700)	(97,735)
Other receipts	5,822,235	4,604,663
Net cash used by operating activities	<u>(174,349,581)</u>	<u>(183,929,717)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Appropriated general education revenues:		
State general account	138,031,460	137,236,164
Land grant endowment income	10,756,000	10,498,800
Federal appropriations	4,389,818	6,284,369
Federal grants and contracts	18,307,461	13,899,589
Gifts	20,856,425	20,067,352
Other receipts	1,126,251	1,009,670
Net cash provided by noncapital financing activities	<u>193,467,415</u>	<u>188,995,944</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State appropriations, capital	5,374,323	825,411
Sale of land	3,996,339	-
Capital grants and gifts	4,668,058	5,603,574
Capital asset purchases	(33,741,037)	(26,957,367)
Proceeds from capital debt	55,758,692	-
Principal paid on capital debt	(28,926,576)	(6,017,955)
Interest paid on capital debt	(6,369,233)	(7,218,078)
Net cash used by capital & related financing activities	<u>760,566</u>	<u>(33,764,415)</u>

See notes to financial statements.

Continued



**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	University of Idaho 2020	University of Idaho 2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	2,189,230	72,767,218
Investment income	1,402,000	2,414,318
Purchase of investments	(3,508,185)	(37,867,845)
Net cash provided (used) by investing activities	<u>83,045</u>	<u>37,313,691</u>
NET CHANGE IN CASH		
Cash - Beginning of year	19,961,445	8,615,503
Cash - End of year	<u>\$ 54,153,551</u>	<u>\$ 34,192,106</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (203,078,580)	\$ (212,367,132)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation expense	23,491,853	24,080,561
Decrease (increase) in assets:		
Receivables, net	3,418,228	(771,951)
Inventories and prepaids	586,783	(196,364)
Deferred contributions and changes of assumptions to pension	1,753,031	(197,587)
Deferred contributions and changes to OPEB	3,228,573	(4,500,718)
Increase (decrease) in liabilities:		
Accounts payable	(1,666,400)	1,563,594
Accrued payroll, benefits and compensated absences	9,492,442	5,817,498
Deposits and unearned revenues	488,163	(304,870)
Funds held in custody for others	4,451	(69,571)
Net pension liability	(6,553,904)	(1,969,186)
Net OPEB liability	(14,409,562)	(2,444,585)
Other liabilities	(676,209)	914,875
Deferred inflows of resources	9,571,550	6,515,719
Net cash used by operating activities	<u>\$ (174,349,581)</u>	<u>\$ (183,929,717)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Amortization of deferred amounts on refunding and bond premium	\$ (731,760)	\$ (794,179)
Donated assets	100,000	91,116
Change in fair value of investments (unrealized gains/(losses))	1,785,707	3,092,300
Total non-cash activities	<u>\$ 1,153,947</u>	<u>\$ 2,389,237</u>

See notes to financial statements



**STATEMENTS OF FIDUCIARY FUNDS NET POSITION
AS OF DECEMBER 31, 2019**

	Retiree Benefits Trust 2019	Health Benefits Trust 2019	Death Benefits Trust 2019
Assets			
Cash and short-term investments	\$ 1,236,146	\$ 185,723	\$ 20,676
Accounts receivable	-	-	-
Interest receivable	1,929	24,410	27
Investments, at fair value			
Fixed income securities	3,689,789	4,422,393	-
Equity securities	3,594,359	-	-
Pooled securities	31,651,034	-	-
Total assets	40,173,257	4,632,526	20,703
Liabilities			
Accounts payable	-	567,387	-
IBNR liability	-	2,382,100	-
Total liabilities	-	2,949,487	-
Net position held in trust for benefits	\$ 40,173,257	\$ 1,683,039	\$ 20,703

**STATEMENTS OF CHANGES IN FIDUCIARY FUNDS NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2019**

	Retiree Benefits Trust 2019	Health Benefits Trust 2019	Death Benefits Trust 2019
Additions			
Contributions			
Employer	\$ -	\$ 24,932,052	\$ 160,000
Plan members	-	5,666,085	-
Total contributions	-	30,598,137	160,000
Net investment (loss) income	6,522,912	215,730	786
Total additions	6,522,912	30,813,867	160,786
Deductions			
Insurance claim benefits	-	27,065,741	140,000
Change in IBNR	-	(61,200)	-
Premiums	-	149,648	-
Administrative expenses	109,135	4,301,993	83
Total deductions	109,135	31,456,182	140,083
Net increase (decrease) in assets held in trust for benefits	6,413,777	(642,315)	20,703
Benefit plan net position, beginning of year	33,759,480	2,325,354	-
Benefit plan net position, end of year	\$ 40,173,257	\$ 1,683,039	\$ 20,703

See notes to financial statements



**STATEMENTS OF FIDUCIARY FUNDS NET POSITION
AS OF DECEMBER 31, 2018**

	Retiree Benefits Trust 2018	Health Benefits Trust 2018	Death Benefits Trust 2018
Assets			
Cash and short-term investments	\$ 1,189,945	\$ 143,892	\$ -
Accounts receivable	-	-	-
Interest receivable	2,330	37,314	-
Investments, at fair value			
Fixed income securities	3,581,028	5,183,059	-
Equity securities	2,672,700	-	-
Pooled securities	26,313,477	-	-
Total assets	33,759,480	5,364,265	-
Liabilities			
Accounts payable	-	595,611	-
IBNR liability	-	2,443,300	-
Total liabilities	-	3,038,911	-
Net position held in trust for benefits	\$ 33,759,480	\$ 2,325,354	\$ -

**STATEMENTS OF CHANGES IN FIDUCIARY FUNDS NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2018**

	Retiree Benefits Trust 2018	Health Benefits Trust 2018	Death Benefits Trust 2018
Additions			
Contributions			
Employer	\$ 615,000	\$ 23,902,117	\$ -
Plan members	-	5,648,548	-
Total contributions	615,000	29,550,665	-
Net investment (loss) income	(1,734,110)	99,171	-
Total additions	(1,119,110)	29,649,836	-
Deductions			
Insurance claim benefits	-	25,908,915	-
Change in IBNR	-	141,900	-
Premiums	-	119,167	-
Administrative expenses	105,781	4,213,458	-
Total deductions	105,781	30,383,440	-
Net increase (decrease) in assets held in trust for benefits	(1,224,891)	(733,604)	-
Benefit plan net position, beginning of year	34,984,371	3,058,958	-
Benefit plan net position, end of year	\$ 33,759,480	\$ 2,325,354	\$ -

See notes to financial statements



**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity — The University of Idaho (“University”) is a publicly-supported comprehensive land grant institution created in 1889 by a statute of the 15th territorial legislature and is part of the public system of higher education in the State of Idaho. The system is considered part of the State of Idaho’s financial reporting entity. The State Board of Education, appointed by the Governor and confirmed by the State Senate, directs the University. The significant accounting policies followed by the University are described below to enhance the usefulness of the financial statements to the reader.

The University is presenting its financial statements in accordance with the Governmental Accounting Standards Board (“GASB”) financial reporting standards. GASB statements are recognized as the authoritative standard for state and local governments. The University considers the University of Idaho Foundation, Inc (“Foundation”) as a material component unit and accordingly is discretely presented with the University’s financial statements for all years presented. The Foundation was established in 1970 to solicit financial support for the University and to manage and invest the resulting charitable gifts. The Foundation is a separate 501(c)(3) corporation comprised of 25 members who serve as a self-perpetuating Board of Directors.

The University of Idaho Health Benefits Trust (“HBT”) was established in June 2007 in accordance with the State of Idaho Department of Insurance (“DOI”) requirements. The HBT receives the employer, employee, and retiree contributions for the University’s self-insured health plan, and pays the medical, dental, mental health and vision claims, and corresponding administrative processing fees, associated with the health plan. The University of Idaho Retiree Benefits Trust (“RBT”) was established in April 2008 to fund the University’s actuarially-determined projected liability for its self-insured retiree health plan. The University of Idaho Death Benefits Trust (“DBT”) was established in January 2019 to self-insure the University’s payment of sum-certain death benefits to designated beneficiaries of a fixed and unchanging class of current and future retirees pursuant to a 2010 settlement agreement. The liability for this death benefit obligation is actuarially-determined and recorded as part of the University’s aggregate post-employment benefits other than pensions (“OPEB”) obligation. The HBT, RBT, and DBT all have December 31 fiscal year ends.

Basis of Accounting — For financial statement purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University’s financial statements have been presented 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. All significant intra-agency transactions have been eliminated.

Cash and Cash Equivalents — The University considers all highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents.

Student Loans Receivable — Loans receivable from students bear interest at rates ranging from 3% to 7% and are generally repayable in installments to the University over a 5 to 10-year period commencing 6 or 9 months from the date of separation from the University.

Accounts Receivable — Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, including the University of Idaho Foundation, in connection with reimbursement of allowable expenditures made pursuant to the University’s grants, contracts and gifts. Accounts receivable are recorded net of estimated uncollectible amounts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories — All inventories are valued at the lower of first-in-first-out cost or market.

Investments — Investments are recorded at fair value. Unrealized gains or losses on the carrying value of investments are reported as a component of net investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

Restricted Cash and Cash Equivalents — Cash and cash equivalents that are restricted to make debt service payments and maintain sinking or reserve funds, except for currently due payments, and monies reserved for specific projects are classified as non-current assets in the statement of net position.

Capital Assets — Capital Assets are stated at cost when purchased or constructed, or if acquired by gift, at the estimated fair value at the date of gift. For equipment, the University's capitalization policy includes all tangible items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Renovations to buildings, and land improvements that significantly increase the value or extend the useful life of the structure, are capitalized. Routine repairs and maintenance are charged to operating expense in the period in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 40 years for buildings and building improvements, 20 years for improvements other than buildings, 10 years for library materials, and an average of 7 years for equipment. A full year of depreciation is recorded in the year an asset is placed into service. Depreciation is not computed on capitalized collections which include works of art, historical treasures, and various special collections comprising of anthropological, geological, entomological, musical, and wildlife subjects.

The University capitalizes intangible assets of \$200,000 or greater in value that have an expected useful life of one year or longer. Depreciation on intangible assets is computed using the straight-line method over the estimated useful lives of the assets, primarily consisting of computer software and licenses that generally have a useful life of 5 years. A full year of depreciation is recorded in the year an asset is placed in service. The University adopted this policy in compliance with the State of Idaho guidelines.

Compensated Absences — Employee vacation and compensatory time earned is accrued at year-end for financial statement purposes. Compensated absence costs are included in benefits expense in the statement of revenues, expenses, and changes in net position.

Unearned Revenue — Unearned revenue includes 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. Unearned revenue also includes amounts received from grant and contract sponsors that have not yet been earned.

Noncurrent Liabilities — Noncurrent liabilities include (1) principal amounts of revenue bonds payable and notes payable with contractual maturities greater than one year; and (2) estimated amounts for other liabilities that will not be paid within the next fiscal year.

Pensions — For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan ("Base Plan") and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources — In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. Deferred outflows of resources represents consumptions of net position that apply to a future period and will be recognized as an outflow (expense) at that time.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. Deferred inflows of resources, represents acquisitions of net position that apply to a future period and will be recognized as an inflow (revenue) when received.

Net Position — The University's net position is classified as follows:

Net Investment In Capital Assets: This represents the University's investment in capital assets, net of depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are offset against their corresponding net debt amount when included as a component of net investment in capital assets.

Restricted—Nonexpendable: Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted—Expendable: Restricted expendable net position includes resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted: Unrestricted net position represents resources derived from student tuition and fees, state appropriations, investment income, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the governing board for any lawful purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff. When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards restricted resources, and then toward unrestricted resources.

Income and Unrelated Business Income Taxes — The University is excluded from federal income taxes under Section 115(1) of the Internal Revenue Code, per letter dated November 7, 1945. The University is also considered a Section 501(c)(3) corporation via letter from the Internal Revenue Service dated August 29, 1961. The University is subject to unrelated business income tax.

Classification of Revenues and Expenses — The University has classified its revenues as either operating or non-operating according to the following criteria:

Operating Revenues and Expenses: Operating revenues and expenses include revenues and expenses from activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and their related expenses, (3) most federal, state and local grants and contracts revenues and expenditures (excluding federal Pell grant revenues which constitute nonoperating federal grants and contracts revenues), (4) interest on institutional student loans, and (5) administrative and other expenses associated with daily operations of the University, including its off-campus operations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonoperating Revenues and Expenses: Nonoperating revenues and expenses include revenues and expenses from activities that have the characteristics of non-exchange transactions, such as private gifts, state appropriations, Pell grants, investment income, unrealized gains or losses in fair market value of investments and interest expense.

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 Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are 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. Federal, state and nongovernmental student aid grants are recorded as operating revenues in the University's financial statements, except for federal Pell grants which are recorded in nonoperating revenues. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net position and disclosures regarding contingent assets and liabilities. Actual results could differ from those estimates.

Service Concession Arrangements — The University entered into a service concessions arrangement ("SCA") with Sodexo America, LLC ("Sodexo") in 2015, with an addendum in 2017, to provide University-wide food services in University-owned properties. Beginning in 2015, Sodexo agreed to fund three separate renovation projects to existing dining facilities in Wallace dormitory and in the Commons building. Sodexo committed \$2.55 million for the funding of these projects, all of which were completed by the commencement of the University's 2018-2019 academic year. The University has ownership of these capital improvements and recorded them as assets during its 2019 fiscal year with corresponding revenue and deferred inflows of resources.

New Accounting Standards — In January of 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. Initially, the requirements of this Statement were effective for reporting periods beginning after December 15, 2018. However, due to the COVID-19 pandemic, the effective date of Statement No. 84 has been extended by one year. Statement 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Management is evaluating the impact of implementing this Statement will have on the University's future financial statements.

In June of 2017, the GASB issued Statement 87, *Leases*, which is now effective for reporting periods beginning after July 15, 2021 after GASB extended the effective date. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of government financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financial obligations for the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information



**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

about governments' leasing activities. Management is evaluating the impact of implementing this Statement will have on the University's future financial statements.

In June of 2018, the GASB issued Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for reporting periods beginning after December 15, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management is evaluating the impact of implementing this Statement will have on the University's future financial statements.

In May of 2020 GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The University adopted GASB Statement No. 95 in the current year, which allowed the extension of GASB Statement No. 84.

Reclassifications — Certain items previously reported in the 2019 financial statements have been reclassified to conform to the current 2020 financial statement presentation. Such reclassifications had no effect on the previously reported change in net position.



**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are deposited with various financial institutions. Custodial credit risk on deposits is the risk that in the event of a bank failure, the University's deposits may not be returned to it. At June 30, 2020, \$14,987,567 of the University's bank balance of \$54,153,551 was exposed to custodial credit risk because it was uninsured and uncollateralized. At June 30, 2019, \$21,646,551 of the University's bank balance of \$34,192,106 was exposed to custodial credit risk because it was uninsured and uncollateralized.

3. INVESTMENTS

The general investment policy of the University as adopted by the State Board of Education is that investments in securities are to be made with the objectives of maximizing long-term total return, ensuring safety of principal, and providing satisfactory current income. The University is restricted by the State of Idaho statutes and Idaho State Board of Education policy in the types of investments in which it may invest.

Investment of cash shall be restricted to:

- FDIC passbook savings accounts
- Certificates of deposit
- U.S. government securities
- Federal funds repurchase agreements
- Reverse repurchase agreements
- Federal agency securities
- Large money market funds
- Banker's acceptances
- Corporate bonds of A grade or better
- Mortgage backed securities of A grade or better
- Commercial paper of prime or equivalent grade

In accordance with established investment policy, the University may invest in various mortgage-backed securities, such as collateralized mortgage obligations. These securities are recorded at fair value in the Statement of Net Position. Investment income, including change in fair value of investments, is recognized as revenue in the Statement of Revenues, Expenses and Changes in Net Position.

INVESTMENTS MEASURED AT FAIR VALUE

Per GASB Statement No. 72, fair value is described as an exit price. Fair value measurements assume a transaction takes place in a government's principal market or a government's most advantageous market in the absence of a principal market. The fair value also should be measured assuming that general market participants would act in their economic best interest. Fair value does not take into consideration transaction costs.

The tables on the following page classify the fair value of the University's investments at June 30, 2020 and June 30, 2019 respectively:



**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

3. INVESTMENTS (CONTINUED)

Investment Securities Measured at Fair Value at June 30, 2020

	Total Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Money market funds/cash sweeps	\$ 2,883,064	\$ 2,883,064	\$ -	\$ -
Debt securities				
U.S. Government and agency obligations	4,012,781	-	4,012,781	-
Corporate obligations	35,523,804	-	35,523,804	-
Mortgage-backed securities	6,420,305	-	6,420,305	-
Total debt securities	45,956,890	-	45,956,890	-
Total investments by fair value	\$ 48,839,954	\$ 2,883,064	\$ 45,956,890	\$ -

Investment Securities Measured at Fair Value at June 30, 2019

	Total Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Money market funds/cash sweeps	\$ 778,794	\$ 778,794	\$ -	\$ -
Debt securities				
U.S. Government and agency obligations	4,648,233	-	4,648,233	-
Corporate obligations	33,981,290	-	33,981,290	-
Mortgage-backed securities	6,343,235	-	6,343,235	-
Total debt securities	44,972,758	-	44,972,758	-
Total investments by fair value	\$ 45,751,552	\$ 778,794	\$ 44,972,758	\$ -

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**
3. INVESTMENTS (CONTINUED)

Money market securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a variety of pricing techniques, including but not limited to fundamental analytical data related to the securities, values of baskets of securities, market interest rates, matrix calculated prices, and purchase price. The University does not hold any securities that would be classified as Level 3, significant unobservable inputs, for fair value measurement.

Interest Rate Risk

Interest rate risk is defined as the risk a government may face should interest rate variances affect the fair value of investments. The University does not presently have a formal policy that addresses interest rate risk; however, it does incorporate weighted average maturity methodology in selecting and reporting its investments. As of June 30, 2020 and June 30, 2019 respectively, the University had the following investments subject to interest rate risk:

Investment Securities Subject to Interest Rate Risk at June 30, 2020

Investment Type	Total Fair Value	Investment Maturities in Years		
		<1	1-5	6-10
Corporate bonds	\$ 35,523,804	\$ -	\$ 28,348,656	\$ 7,175,148
U.S. government agency securities	4,012,781	-	1,972,617	2,040,164
Mortgage-backed securities	6,420,305	-	2,817,201	3,603,104
Money market mutual funds	2,883,064	2,883,064	-	-
Total	\$ 48,839,954	\$ 2,883,064	\$ 33,138,474	\$ 12,818,416

Investment Securities Subject to Interest Rate Risk at June 30, 2019

Investment Type	Total Fair Value	Investment Maturities in Years		
		<1	1-5	6-10
Corporate bonds	\$ 33,981,290	\$ -	\$ 17,544,779	\$ 16,436,511
U.S. government agency securities	4,648,233	-	2,683,897	1,964,336
Mortgage-backed securities	6,343,235	-	2,327,897	4,015,338
Money market mutual funds	778,794	778,794	-	-
Total	\$ 45,751,552	\$ 778,794	\$ 22,556,573	\$ 22,416,185

Interest rate risk disclosed for Mutual Funds - Government Securities is related to the mutual funds' underlying assets.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**
3. INVESTMENTS (CONTINUED)
Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. The University does not presently have a formal policy that addresses credit risk. (The credit risk ratings listed below are issued by standards set by Standard and Poor's.)

As of June 30, 2020 and June 30, 2019 respectively, the University had the following investment credit risk:

Investment Securities Subject to Credit Risk at June 30, 2020

Credit Rating	Corporate Bonds	U.S. Government	Mortgage-	Money Market	Total
		Agency Securities	Backed Securities	Mutual Funds	
AAA	\$ -	\$ 4,012,781	\$ 5,229,537	\$ 1,937,879	\$ 11,180,197
AA	12,440,912	-	-	-	12,440,912
A	20,751,945	-	1,190,768	-	21,942,713
BBB	2,330,947	-	-	-	2,330,947
Not rated	-	-	-	945,185	945,185
Total	\$ 35,523,804	\$ 4,012,781	\$ 6,420,305	\$ 2,883,064	\$ 48,839,954

Investment Securities Subject to Credit Risk at June 30, 2019

Credit Rating	Corporate Bonds	U.S. Government	Mortgage-	Money Market	Total
		Agency Securities	Backed Securities	Mutual Funds	
AAA	\$ 515,082	\$ 4,648,233	\$ 5,083,083	\$ 506,530	\$ 10,752,928
AA	11,421,314	-	-	-	11,421,314
A	20,510,761	-	1,260,152	-	21,770,913
BBB	1,534,133	-	-	-	1,534,133
Not rated	-	-	-	272,264	272,264
Total	\$ 33,981,290	\$ 4,648,233	\$ 6,343,235	\$ 778,794	\$ 45,751,552

Concentration of Credit Risk

Concentration of Credit Risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Governmental Accounting Standards Board has adopted a principle that governments should provide note disclosure when 5 percent of investments are concentrated in any one issuer. The University does not presently have a formal policy that addresses concentration of risk. As of June 30, 2020 and June 30, 2019, the University has the following concentration of credit risk as shown as following:

Investment Securities Subject to Concentration of Credit Risk

	At June 30, 2020		At June 30, 2019	
	Total Fair Value	Percentage of Total Investments	Total Fair Value	Percentage of Total Investments
BlackRock, Inc.	2,750,500	5.64%	2,693,016	5.89%
JPMorgan Chase & Co.	4,153,874	8.52%	Less than 5% concentration	
Wells Fargo & Company	3,596,507	7.37%	Less than 5% concentration	
Apple, Inc.	Less than 5% concentration		2,306,178	5.04%
Federal National Mortgage Association (FNMA)	Less than 5% concentration		\$ 2,546,436	5.57%
Total	\$ 10,500,881	21.53%	\$ 7,545,630	16.50%

3. INVESTMENTS (CONTINUED)**Custodial Credit Risk**

Custodial credit risk on investments is the risk that in the event of a failure of the counterparty, the University will not be able to recover the value of its investments that are in the possession of an outside party. The University does not presently have an investment policy that addresses custodial credit risk. At June 30, 2020 and June 30, 2019, all investments were held by the University or its counterparty in the University's name.

Risk and Uncertainties

Per Regents of University of Idaho policies, the University invests in various types of investment securities rated A grade or better, although ratings of individual securities have changed during the holding period, which is allowed under the policy. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, changes in the values of investment securities may occur in the near term and such changes could affect the amounts reported in the statements of financial position.

There is always risk and volatility in the domestic and international investment markets. Consequently, the fair value of the University's investments may be exposed to higher than typical price volatility which could result in a subsequent reduction in fair value of certain investments from the amounts reported as of June 30, 2020.



**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

4. ACCOUNTS RECEIVABLE AND UNBILLED CHARGES

Receivables and unbilled charges consisted of the following at June 30, 2020 and June 30, 2019 respectively:

	<u>2020</u>	<u>2019</u>
Student tuition and fees, including federal financial aid funds	\$ 7,291,438	\$ 7,182,559
Auxiliary enterprises	1,151,114	1,278,397
Educational activities	795,000	687,526
Federal appropriations	17,285	208,867
Grants and contracts	14,161,999	16,655,197
Due from Foundation	11,739,974	11,300,719
	<u>35,156,810</u>	<u>37,313,265</u>
Less allowance for doubtful accounts	<u>(303,400)</u>	<u>(341,200)</u>
Net accounts receivable and unbilled charges	<u>\$ 34,853,410</u>	<u>\$ 36,972,065</u>

5. STUDENT LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program (“Program”) comprise substantially all of the loans receivable at June 30, 2020 and June 30, 2019. Under this Program, the Federal government provides approximately 67% of the funding for the Program, with the University providing the balance. The Program provides for the cancellation of a loan at rates of 12.5% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The federal government reimburses the University for amounts cancelled under these provisions.

The Program has been suspended by federal law, preventing universities from issuing any new loans after September 30, 2017. Final disbursements for existing loans as of that date were permitted through June 30, 2018. The University will continue to manage repayments of existing loans through its loan servicer.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The allowance for uncollectible loans was \$1,945,850 at June 30, 2020 and \$2,040,259 at June 30, 2019.



**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

6. CAPITAL ASSETS

Capital assets at June 30, 2020 and 2019 consisted of the following:

	Year ended June 30, 2020				Balance June 30, 2020
	Balance June 30, 2019	Additions	Transfers	Retirements	
Capital assets not being depreciated:					
Land	\$ 30,159,590	\$ 2,167,890	\$ -	\$ (73,538)	\$ 32,253,942
Capitalized collections	2,419,981	100,000	-	(3,250)	2,516,731
Equipment construction in progress	380,835	274,066	(188,282)	(2,300)	464,319
Construction in progress	10,033,877	23,308,462	(426,303)	(53,629)	32,862,407
Total capital assets not being depreciated	\$ 42,994,283	\$ 25,850,418	\$ (614,585)	\$ (132,717)	\$ 68,097,399
Other capital assets:					
Buildings	\$ 614,689,439	\$ 4,026,387	\$ -	\$ (1,486,173)	\$ 617,229,653
Other improvements	67,658,755	892,601	-	-	68,551,356
Furniture and equipment	111,293,296	3,869,172	-	(3,594,532)	111,567,936
Library materials	57,359,380	672,475	(927,010)	-	57,104,845
Total other capital assets	851,000,870	9,460,635	(927,010)	(5,080,705)	854,453,790
Less accumulated depreciation:					
Buildings	(274,486,639)	(15,064,520)	-	906,948	(288,644,211)
Other improvements	(46,311,913)	(2,160,336)	-	-	(48,472,249)
Furniture and equipment	(91,495,789)	(5,676,282)	-	3,351,043	(93,821,028)
Library materials	(54,306,136)	(590,715)	927,010	-	(53,969,841)
Total accumulated depreciation	(466,600,477)	(23,491,853)	927,010	4,257,991	(484,907,329)
Other capital assets — net	\$ 384,400,393	\$ (14,031,218)	\$ -	\$ (822,714)	\$ 369,546,461
Capital assets summary:					
Capital assets not being depreciated	\$ 42,994,283	\$ 25,850,418	\$ (614,585)	\$ (132,717)	\$ 68,097,399
Other capital assets - at cost	851,000,870	9,460,635	(927,010)	(5,080,705)	854,453,790
Total cost of capital assets	893,995,153	35,311,053	(1,541,595)	(5,213,422)	922,551,189
Less accumulated depreciation	(466,600,477)	(23,491,853)	927,010	4,257,991	(484,907,329)
Capital assets — net	\$ 427,394,676	\$ 11,819,200	\$ (614,585)	\$ (955,431)	\$ 437,643,860



**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

6. CAPITAL ASSETS (CONTINUED)

	Year ended June 30, 2019				Balance June 30, 2019
	Balance	Additions	Transfers	Retirements	
	July 1, 2018				
Capital assets not being depreciated:					
Land	\$ 27,714,070	\$ 2,445,520	\$ -	\$ -	\$ 30,159,590
Capitalized collections	2,408,265	11,716	-	-	2,419,981
Equipment construction in progress	448,240	366,446	(335,800)	(98,051)	380,835
Construction in progress	8,419,331	8,723,593	(7,045,903)	(63,144)	10,033,877
Total capital assets not being depreciated	\$ 38,989,906	\$ 11,547,275	\$ (7,381,703)	\$ (161,195)	\$ 42,994,283
Other capital assets:					
Buildings	\$ 600,781,025	\$ 7,229,658	\$ 6,714,489	\$ (35,733)	\$ 614,689,439
Other improvements	66,165,817	1,573,030	331,414	(411,506)	67,658,755
Furniture and equipment	109,060,281	6,126,973	335,800	(4,229,758)	111,293,296
Library materials	56,444,394	914,986	-	-	57,359,380
Total other capital assets	832,451,517	15,844,647	7,381,703	(4,676,997)	851,000,870
Less accumulated depreciation:					
Buildings	(259,299,005)	(15,201,872)	-	14,238	(274,486,639)
Other improvements	(44,588,078)	(2,135,341)	-	411,506	(46,311,913)
Furniture and equipment	(89,289,290)	(6,184,392)	-	3,977,893	(91,495,789)
Library materials	(53,747,180)	(558,956)	-	-	(54,306,136)
Total accumulated depreciation	(446,923,553)	(24,080,561)	-	4,403,637	(466,600,477)
Other capital assets — net	\$ 385,527,964	\$ (8,235,914)	\$ 7,381,703	\$ (273,360)	\$ 384,400,393
Capital assets summary:					
Capital assets not being depreciated	\$ 38,989,906	\$ 11,547,275	\$ (7,381,703)	\$ (161,195)	\$ 42,994,283
Other capital assets - at cost	832,451,517	15,844,647	7,381,703	(4,676,997)	851,000,870
Total cost of capital assets	871,441,423	27,391,922	-	(4,838,192)	893,995,153
Less accumulated depreciation	(446,923,553)	(24,080,561)	-	4,403,637	(466,600,477)
Capital assets — net	\$ 424,517,870	\$ 3,311,361	\$ -	\$ (434,555)	\$ 427,394,676

In addition to accounts payable for construction in progress, the estimated cost to complete property authorized or under construction at June 30, 2020 is approximately \$37.3 million. These CIP costs will be borne by the University and supplemented with additional funds provided by state appropriations, gifts, grants and contracts, and/or long-term borrowings.



**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

7. ACCOUNTS PAYABLE

Accounts payable consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Operating activities	\$ 6,179,667	\$ 7,824,436
Sales and use tax payable (receivable)	(11,080)	10,551
Total accounts payable	<u>\$ 6,168,587</u>	<u>\$ 7,834,987</u>

8. OPERATING LEASES

The University has entered into various noncancellable operating lease agreements covering certain assets. The lease terms range from one to five years. The expense for operating leases was \$3,728,657 for the year ended June 30, 2020 and \$ 3,520,181 for the year ended June 30, 2019.

Future minimum lease payments on noncancellable leases at June 30, 2020 are as follows:

FY2021	\$ 3,697,459
FY2022	277,962
FY2023	174,430
FY2024	160,663
FY2025	-
Total future minimum obligation	<u>\$ 4,310,514</u>



**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

9. LONG-TERM LIABILITIES

Long-term liability activity for years ended June 30, 2020 and 2019 is as follows:

	Ending Balance June 30, 2019	Additions	Reductions	Ending Balance June 30, 2020	Amounts Due Within One Year
Accrued salary incentives	\$ -	\$ 6,695,343	\$ -	\$ 6,695,343	\$ 2,785,413
Net pension liability	27,122,978	-	6,553,904	20,569,074	-
Net OPEB liability	30,891,246	-	14,409,562	16,481,684	-
Bonds payable	168,040,000	44,015,000	28,130,000	183,925,000	5,445,000
Capital lease obligatons	202,734	-	64,816	137,918	67,539
	<u>226,256,958</u>	<u>50,710,343</u>	<u>49,158,282</u>	<u>227,809,019</u>	<u>8,297,952</u>
Premium on bonds	10,384,066	11,743,693	958,519	21,169,240	1,031,639
Totals	<u>\$ 236,641,024</u>	<u>\$ 62,454,036</u>	<u>\$ 50,116,801</u>	<u>\$ 248,978,259</u>	<u>\$ 9,329,591</u>

	Ending Balance June 30, 2018	Additions	Reductions	Ending Balance June 30, 2019	Amounts Due Within One Year
Accrued salary incentives	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability	29,092,164	-	1,969,186	27,122,978	-
Net OPEB liability	33,335,831	-	2,444,585	30,891,246	-
Bonds payable	173,360,000	-	5,320,000	168,040,000	4,835,000
Capital lease obligatons	264,938	-	62,204	202,734	64,816
	<u>236,052,933</u>	<u>-</u>	<u>9,795,975</u>	<u>226,256,958</u>	<u>4,899,816</u>
Premium on bonds	11,041,544	-	657,478	10,384,066	657,475
Totals	<u>\$ 247,094,477</u>	<u>\$ -</u>	<u>\$ 10,453,453</u>	<u>\$ 236,641,024</u>	<u>\$ 5,557,291</u>

As of June 30, 2020, the University accrued a total liability of \$6.7 million for incentive payments to former employees under a voluntary exit program: \$3.9 million is due to be paid after June 30, 2021 and, thus, is classified as non-current. Accrued salary incentives due within one year are included in Accrued Salaries and Benefits on the Statement of Net Positon.



**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

10. BONDS PAYABLE

Bonds payable consisted of the following at June 30, 2020 and 2019:

Bond Issue	Bonds Payable As of June 30, 2020				
	Original Face Value	Range of Semi-Annual Interest Percentages	Original Maturity Date	Outstanding Balance 2020	Outstanding Balance 2019
General Revenue Refunding Bonds, Series 2010B, range of annual principal payments \$810,000 - 1,245,000	\$10,150,000	4.50% - 5.50%	2032	\$ -	\$ 10,150,000
General Revenue Refunding Bonds, Series 2010C, range of annual principal payments \$1,120,000 - 1,870,000	13,145,000	6.42% - 6.52%	2041	-	13,145,000
General Revenue Refunding Bonds, Series 2011, range of annual principal payments \$895,000 - 3,775,000	60,765,000	5.25%	2041	50,795,000	52,145,000
General Revenue and Refunding Bonds, Series 2013A, range of annual principal payments \$85,000 - 1,570,000	8,745,000	2.00% - 5.00%	2033	1,770,000	2,290,000
Taxable General Revenue Bonds, Series 2013B, range of annual principal payments \$260,000 - 425,000	6,325,000	1.95% - 4.30%	2033	4,470,000	4,745,000
General Revenue Bonds, Series 2014, range of annual principal payments \$830,000 - 2,930,000	48,660,000	2.00% - 5.00%	2045	45,165,000	46,080,000
General Revenue Refunding Bonds, Series 2015A, range of annual principal payments \$1,210,000 - 2,055,000	16,280,000	2.00% - 5.00%	2026	8,700,000	10,340,000
General Revenue Refunding Bonds, Series 2018A, range of annual principal payments \$100,000 - 2,470,000	29,145,000	2.00% - 5.00%	2041	29,010,000	29,145,000
General Revenue and Refunding Bonds, Series 2020A, range of annual principal payments \$390,000 - 2,395,000	44,015,000	4.00% - 5.00%	2050	44,015,000	-
Bonds before premium				183,925,000	168,040,000
Premium on Bonds				21,169,240	10,384,066
Total bonds outstanding				<u>\$ 205,094,240</u>	<u>\$ 178,424,066</u>

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**
10. BONDS PAYABLE (CONTINUED)

Principal and interest maturities on bonds and notes payable, excluding amortization of bond premium and principal and interest on bonds subject to an in-substance debt defeasance, and capital leases are as follows for the years ending June 30:

	Bonds Payable		Capital Leases Payable	
	Principal	Interest	Principal	Interest
2021	\$ 5,445,000	\$ 8,930,648	\$ 67,539	\$ 5,516
2022	5,235,000	8,671,323	70,379	2,676
2023	5,410,000	8,418,255	-	-
2024	5,655,000	8,155,280	-	-
2025	5,905,000	7,879,313	-	-
2026-2030	33,320,000	34,899,126	-	-
2031-2035	40,360,000	25,913,355	-	-
2036-2040	48,800,000	15,108,450	-	-
2041-2045	26,725,000	4,661,438	-	-
2046-2050	7,070,000	1,094,750	-	-
	<u>\$ 183,925,000</u>	<u>\$ 123,731,938</u>	<u>\$ 137,918</u>	<u>\$ 8,192</u>

Pledged Revenues – As stated in the bond descriptions above, the University has pledged certain revenues as collateral for debt instruments comprised of all outstanding University bond issuances. The pledged revenue amounts for the years ended June 30, 2020 and 2019 are as follows:

	FY20	FY19
Source of Pledged Revenues		
Student Fees	\$ 97,404,612	\$ 99,431,771
Sales and Services Revenues	30,048,303	32,842,624
Other Operating Revenues	6,201,539	4,538,946
Investment Income	1,402,000	2,414,318
F&A Recovery Revenues	12,749,973	11,223,062
Direct Payments for Series 2010B Bonds	-	297,732
Total Pledged Revenues	\$ 147,806,427	\$ 150,748,453
Revenues Available for Debt Service	\$ 147,806,427	\$ 150,748,453
Debt Service on Bonds	12,935,905	13,948,727
Debt Service Coverage	11.4	10.8

Debt Defeased Through Refunding – During the fiscal year ending June 30, 2020, the University legally defeased certain debt obligations through current refunding with the 2020A Series issuance.

The specific debt, principal payments, refunded amounts and remaining balances for the refunded bonds are as follows:

Refunded Issue	Original Issue Amount	Principal Payments	Refunded Amount	Balance 6/30/2020
General Revenue Bonds, Series 2010B	10,150,000	-	10,150,000	-
Taxable General Revenue Bonds, Series 2010C	13,145,000	-	13,145,000	-
Totals	<u>\$ 23,295,000</u>	<u>\$ -</u>	<u>\$ 23,295,000</u>	<u>\$ -</u>

10. BONDS PAYABLE (CONTINUED)

Events of Default – Certain conditions detailed in the University’s bond agreements constitute events of default. Such conditions include failure to make punctual payment of principal and interest payments on its bonds, failure to perform or observe any of its covenants, agreements or conditions identified as the responsibility of the University in its bond resolutions, failure to pay any rendered judgement against the University within 120 days of the entry of such judgement, dissolution or liquidation of the University or any filing by the University of a voluntary petition in bankruptcy, or the failure within 90 days to vacate or discharge upon entry of any order or decree, with consent of the University, appointing a receiver or receivers of the project being financed by the bond issue. If an event of default is not remedied by the University, the outstanding bonds and accrued interest as of that date will become immediately due and payable.

Lines of Credit – The University currently maintains no used or unused lines of credit.

11. HEALTH INSURANCE PLAN AND HEALTH BENEFITS TRUST

The University of Idaho (“University”) is self-insured for the health insurance benefits provided to employees and retirees. In June 2007, the University established an affiliated but independent trust for the purpose of funding and paying its medical, mental health, dental and vision claims and their associated administrative costs under its health insurance plan for both active and retired employees. This trust, known as the University of Idaho Health Benefits Trust (“HBT”), was established as a tax-exempt entity under Section 115(1) of the Internal Revenue Code of 1986, as amended. The HBT is administered by a board of trustees who are members of the University’s active staff and faculty. The trust is maintained under the sole control of the HBT board of trustees. The University as employer retains authority for establishing and amending benefits under this self-insured health plan.

The HBT receives its funding for claims through a combination of employer, employee, and retiree contributions. These contribution amounts are established by the University in advance of the health plan year based upon independent actuarial valuation, which takes into account health plan participant demographics, health plan design, expected health claim costs, and expected investment returns on HBT reserves.

Employee contributions are made to the HBT on a bi-weekly basis corresponding to the University’s payroll schedule. Retiree contributions are billed, collected, and remitted to the University by a third-party administrator on a monthly basis and are submitted to the HBT when received. Employer contributions are made monthly in advance in an amount equal to 1/12th the projected employer cost for the plan year. Additional employer funding may be provided by the University to the HBT as necessary to ensure the solvency of the HBT. Deposits into the HBT are irrevocable and may only be utilized for the payment of participating employee and retiree health plan claims, the associated administrative costs of such claims, and other necessary incidental costs attributable to the administration of the HBT.

Payments under the HBT are initiated via electronic request by University personnel on a weekly basis based upon processed claim information provided to the University by its contracted claim administrators. All retiree-related costs incurred on an annual basis within the HBT apply toward the calculation of the actuarially-determined contribution for each fiscal year, as determined under the requirements of Governmental Accounting Standards Board (“GASB”) Statement 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” and GASB Statement 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. Additional contributions required for the funding of the University’s OPEB obligation are deposited to the University of Idaho Retiree Benefits Trust (“RBT”) and Death Benefits Trust (“DBT”) as disclosed in Footnote 13 of these financial statements. The RBT and DBT only reports University resources transferred to it and held to make future benefit payments of the University’s net OPEB liability.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**
11. HEALTH INSURANCE PLAN AND HEALTH BENEFITS TRUST (CONTINUED)
Investments Measured at Fair Value

The fair value of the HBT investments as of December 31, 2019 and December 31, 2018 respectively were as outlined as following:

Investments at Fair Value at December 31, 2019

Investment Type	12/31/2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds/cash sweeps	\$ 185,723	\$ 185,723	\$ -	\$ -
Debt securities				
U.S. government agency securities	2,222,794	255,693	1,967,101	-
Corporate certificates of deposit	2,199,599	-	2,199,599	-
Total debt securities	4,422,393	255,693	4,166,700	-
Total investments by fair value	\$ 4,608,116	\$ 441,416	\$ 4,166,700	\$ -

Investments at Fair Value at December 31, 2018

Investment Type	12/31/2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds/cash sweeps	\$ 143,892	\$ 143,892	\$ -	\$ -
Debt securities				
U.S. government agency securities	3,428,685	-	3,428,685	-
Corporate certificates of deposit	1,754,374	-	1,754,374	-
Total debt securities	5,183,059	-	5,183,059	-
Total investments by fair value	\$ 5,326,951	\$ 143,892	\$ 5,183,059	\$ -

Interest Rate Risk

Interest rate risk is defined as the risk a government may face should interest rate variances affect the fair value of investments. The HBT does not presently have a formal policy that addresses interest rate risk; however, it does incorporate weighted average maturity methodology in selecting and reporting its investments.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**
11. HEALTH INSURANCE PLAN AND HEALTH BENEFITS TRUST (CONTINUED)

HBT Investments subject to interest rate risk were as follows at December 31, 2019 and 2018:

Investment Securities Subject to Interest Rate Risk at December 31, 2019

Investment Type	Total Fair Value	Investment Maturity in Years	
		<1	1-5
Money market funds/cash sweeps	\$ 185,723	\$ 185,723	\$ -
U.S. government agency securities	2,222,794	211,012	2,011,782
Corporate certificates of deposit	2,199,599	200,010	1,999,589
Total	<u>\$ 4,608,116</u>	<u>\$ 596,745</u>	<u>\$ 4,011,371</u>

Investment Securities Subject to Interest Rate Risk at December 31, 2018

Investment Type	Total Fair Value	Investment Maturity in Years	
		<1	1-5
Money market funds/cash sweeps	\$ 143,892	\$ 143,892	\$ -
U.S. government agency securities	3,428,685	830,857	2,597,828
Corporate certificates of deposit	1,754,374	566,519	1,187,855
Total	<u>\$ 5,326,951</u>	<u>\$ 1,541,268</u>	<u>\$ 3,785,683</u>

Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. The HBT does not presently have a formal policy that addresses credit risk. (The credit risk ratings listed below are issued by standards set by Standard and Poor's.)

HBT Investments subject to credit risk were as follows at December 31, 2019 and 2018:

Investment Securities Subject to Credit Risk at December 31, 2019

Credit Rating	U.S. Government		Corporate		Total Investments
	Agency Securities	Certificates of Deposit	Money Market Funds		
AA+	\$ 1,867,613	\$ -	\$ -	\$ -	\$ 1,867,613
Not Rated	355,181	2,199,599	185,723		2,740,503
	<u>\$ 2,222,794</u>	<u>\$ 2,199,599</u>	<u>\$ 185,723</u>	<u>\$ -</u>	<u>\$ 4,608,116</u>

Investment Securities Subject to Credit Risk at December 31, 2018

Credit Rating	U.S. Government		Corporate		Total Investments
	Agency Securities	Certificates of Deposit	Money Market Funds		
AA+	\$ 3,428,685	\$ -	\$ -	\$ -	\$ 3,428,685
Not Rated	-	1,754,374	143,892		1,898,266
	<u>\$ 3,428,685</u>	<u>\$ 1,754,374</u>	<u>\$ 143,892</u>	<u>\$ -</u>	<u>\$ 5,326,951</u>

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**
11. HEALTH INSURANCE PLAN AND HEALTH BENEFITS TRUST (CONTINUED)
Concentration of Credit Risk

Concentration of Credit Risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Governmental Accounting Standards Board has adopted a principle that governments should provide note disclosure when 5% of the investments are concentrated in any one issuer.

As of December 31, 2019 and 2018, the HBT had the following investments which exceeded 5% concentration in any one issuer:

Investment Securities Subject to Concentration of Credit Risk at December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Federal Home Loan Banks	7%	18%
Federal Hom Loan Mortgage Corporation	20%	19%
Federal National Mortgage Association	**	7%
Federal Farm Credit Bank	28%	21%
US Treasury Nt	6%	

** Investment balance less than 5% for the applicable year.

Custodial Credit Risk

Custodial credit risk on investments is the risk that in the event of a failure of the counterparty, the HBT will not be able to recover the value of its investments that are in the possession of an outside party. The HBT minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be clearly marked as to HBT ownership and further to the extent possible, be held in the HBT's name. At December 31, 2019 and 2018, respectively, all HBT funds were insured or registered investments, or investments held by the HBT or their agent in the HBT's name.

The financial statements of the HBT are audited annually on a calendar-year basis and are publicly available via public records request through the Office of the General Counsel at the University of Idaho.



**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

12. RETIREMENT PLANS

Pension Plan

Plan Description

The University contributes to the Base Plan, which is a cost-sharing multiple-employer defined benefit pension plan, administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to a Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board. The authority to set or amend benefit provisions of the Base Plan is vested solely with the State of Idaho Legislature.

Employee membership data related to the PERSI Base Plan, as of June 30, 2019 and 2018 were:

	2019	2018
Retirees and beneficiaries currently receiving benefits	48,120	46,907
Terminated employees entitled to but not yet receiving benefits	13,536	13,133
Active plan members	72,502	71,112
Total system members	<u>134,158</u>	<u>131,152</u>

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee



**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

12. RETIREMENT PLANS (CONTINUED)

contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by State statute at 60% of the employer rate. As of June 30, 2020, it was 7.16% of their annual pay. The employer contribution rate is set by the Retirement Board and was 11.89% of covered compensation. The University's contributions were \$7,069,110 and \$7,185,973 for the years ended June 30, 2020 and 2019 respectively.

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020 and June 30, 2019, the University reported a liability of \$20,569,074 and \$27,122,978 respectively for its proportionate share of the net pension liability. The net pension liability for each year was measured as of July 1, 2019 and 2018 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability for each year was based on the University's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At July 1, 2019 and 2018, the University's proportion was 1.80 and 1.84 percent, respectively. Since the prior measurement date the University's proportion of the collective net pension liability decreased by 2.0%.

For the years ended June 30, 2020 and 2019 respectively, the University recognized pension expense of \$6,905,555 and \$5,479,547. At June 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,911,579	\$ 2,424,168
Changes in assumptions or other inputs	1,144,168	-
Net difference between projected and actual earnings on pension plan investments	-	7,007,287
Change in proportion	394,563	635,062
University contributions subsequent to the measurement date, net	7,069,224	-
Total	<u>\$ 10,519,534</u>	<u>\$ 10,066,517</u>

	June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,977,333	\$ 2,048,441
Changes in assumptions or other inputs	1,764,885	-
Net difference between projected and actual earnings on pension plan investments	-	3,013,516
Change in proportion	602,227	367,351
University contributions subsequent to the measurement date, net	6,928,120	-
Total	<u>\$ 12,272,565</u>	<u>\$ 5,429,308</u>



**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

12. RETIREMENT PLANS (CONTINUED)

The June 30, 2020 amount of \$7,069,224 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. \$6,928,120 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date at June 30, 2019 were recognized as a reduction of the net pension liability in the year ending June 30, 2020.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2018 the beginning of the measurement period ended June 30, 2019 is 4.8 years and 4.8 years for the measurement period June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<u>Year Ended June 30</u>	<u>Pension Expense (Revenue)</u>
2021	\$ (776,913)
2022	(3,140,012)
2023	(1,691,579)
2024	(1,007,703)
2025	-
Thereafter*	-
	<u>\$ (6,616,207)</u>

*Note that additional future deferred inflows and outflows of resources may impact these numbers.

Actuarial Assumptions

Valuations are based on actuarial assumptions, benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years on an open basis.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019****12. RETIREMENT PLANS (CONTINUED)**

The total pension liability in the June 30, 2019 actuarial valuation was determined using the actuarial assumptions on the following page, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases **	3.75%
Salary inflation	3.75%
Investment rate of return *	7.00%
Cost-of-living adjustments	1.00%

*net of all expenses

** there is an additional component of assumed salary growth (on top of the 3.75%) that varies for each individual member based on years of service

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Set forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

The last experience study was completed in 2018 for the period July 1, 2011 through June 30, 2017 and reviewed economic assumptions, mortality and all demographic assumptions. These assumptions will be studied in 2022 for the period from July 1, 2017 through June 30, 2021. Assumptions were adopted as noted. The Total Pension Liability as of June 30, 2019 is based on the results of an actuarial valuation date of July 1, 2019.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. The assumptions and the System's formal policy for asset allocation are shown in the following table. The formal asset allocation policy is somewhat more conservative than the current allocation of PERSI's assets. The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**
12. RETIREMENT PLANS (CONTINUED)

Capital Market Assumptions				
Asset Class	Expected Return*	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%
Total Fund	Expected Return*	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

* Expected arithmetic return net of fees and expenses
Data provided by Callan Associates 2015

Actuarial Assumptions	
Assumed Inflation - Mean	2.25%
Assumed Inflation - Standard Deviation	1.50%
Portfolio Arithmetic Mean Return	6.75%
Portfolio Long-Term Expected Rate of Return	6.13%
Assumed Investment Expenses	0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	5.73%

Discount Rate

The discount rate used to measure the total pension liability was 7.05%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense, but without reduction for administrative expense.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.05%, as well as what the Employer's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate, as follows:

	1% Decrease	Current Discount Rate	1% Increase
	6.05%	7.05%	8.05%
Employer's proportionate share of the net pension liability (asset)	\$ 62,126,531	\$ 20,569,074	\$ (13,797,615)



**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

12. RETIREMENT PLANS (CONTINUED)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Payables to the pension plan

At June 30, 2020 the University had no payables related to legally-required employer or employee contributions due the defined benefit pension plan for fiscal year 2020 and 2019 that had not been remitted to PERSI as of that date.

Other Retirement Plans

Optional Retirement Plan – Effective July 1, 1990, the Idaho State Legislature authorized the Board of Regents to establish an Optional Retirement Plan (ORP), a defined contribution plan, for faculty and exempt employees. The employee contribution requirement for the ORP is based on a percentage of total payroll. Employer contributions are determined by the State of Idaho. The plan provisions were established by and may be amended by the State of Idaho.

New faculty and exempt employees hired July 1, 1990 or thereafter automatically enroll in the ORP and select their vendor option. Faculty and exempt employees hired before July 1, 1990 had a one-time opportunity to enroll in the ORP. Enrollees in the ORP no longer belong to PERSI. Vendor options include Teachers Insurance and Annuity Association – College Retirement Equities Fund and Variable Annuity Life Insurance Company.

Participants are fully vested in the ORP immediately. Retirement benefits are available either as a lump sum or any portion thereof upon attaining 55 years of age. The contribution requirements (and amounts paid) for the three years ended June 30, 2020, 2019 and 2018 were as follows:

ORP Contributions

	2020	2019	2018
Employer	\$ 10,401,285	\$ 10,136,083	\$ 9,698,946
Employee	7,820,602	7,620,682	7,292,007
Total Contributions	<u>\$ 18,221,887</u>	<u>\$ 17,756,765</u>	<u>\$ 16,990,953</u>



**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

12. RETIREMENT PLANS (CONTINUED)

For the ORP enrollees who opted to irrevocably migrate from PERSI to the ORP plan when the ORP was first implemented, although such enrollees in the ORP no longer belong to PERSI, the University is required by the State of Idaho to contribute supplemental payments to PERSI for these enrollees in the amount of 1.49% of the annual covered payroll. The University will be required to make these annual supplemental payments through July 1, 2025. These supplemental amounts are not included in the regular University PERSI contribution discussed previously. During the three years ended June 30, 2020, 2019 and 2018, these supplemental funding payments made to PERSI were as follows:

ORP Supplemental Contributions to PERSI

	2020	2019	2018
Employer	\$ 1,671,834	\$ 1,627,778	\$ 1,556,579

In addition to the University’s Optional Retirement Program, the University has a disability benefit for ORP participants and makes payments to Standard Insurance on behalf of these ORP participants. Should an employee become unable to work and is transitioned into long-term disability (LTD), the insurance will continue to pay into their retirement account. The amounts paid for the three years ended June 30, 2020, 2019 and 2018 were as indicated on the following page:

ORP Disability Contributions

	2020	2019	2018
Employer	\$ 89,835	\$ 87,462	\$ 83,531

The University also contributes to the federal Civil Service and Thrift Savings retirement programs on behalf of its federal employees. The contribution requirements (and amounts paid) for the three years ended June 30, 2020, 2019 and 2018 were as follows:

Federal Civil Service and Thrift Savings Contributions

	2020	2019	2018
Employer	\$ 98,372	\$ 85,638	\$ 82,171
Employee	43,686	40,824	38,874
Total Contributions	<u>\$ 142,058</u>	<u>\$ 126,462</u>	<u>\$ 121,045</u>

The University also sponsors 401(k), 403(b), and 457(b) supplemental retirement plans for its employees. Contributions to these plans are strictly voluntary for employees and such contributions are subject to the applicable plan limitations. The University does not provide any matching or discretionary contributions for these plans.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**
13. POSTEMPLOYMENT BENEFITS (OTHER THAN PENSIONS), RETIREE BENEFITS TRUST, AND DEATH BENEFITS TRUST
Plan Description
Plan Administration:

The University of Idaho administers the OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for permanent full-time general employees. Management of the OPEB plan is overseen by University of Idaho Administration.

Plan membership: At December 31, 2019, the University of Idaho plan membership consisted of the following:

	<u>Medical</u>	<u>Life</u>	<u>Sick-Leave</u>
Retired members or beneficiaries currently receiving benefits	810	618	56
Vested terminated members entitled to but not yet receiving benefits	N/A	N/A	N/A
Active members	704	22	1,932
Total	<u>1,514</u>	<u>640</u>	<u>1,988</u>

Benefits provided:

The University provides medical and dental benefits (dental benefits discontinued as of January 1, 2020) to eligible retirees, disabled employees, spouses, and survivors. The University also provides life insurance benefits to eligible retirees. Long-term disabled employees are treated as retirees and eligible for these same retiree benefits. The benefits represent a single-employer defined benefit plan administered by the University.

Under certain conditions the University pays a portion of the coverage for retirees and disabled employees and the retiree or disabled employee pays the remainder. Spouses and survivors are required to pay 100% of the cost for these benefits. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at least 80 to qualify for this benefit. Employees who were hired on or after January 1, 2002 are not eligible for this benefit. Employees hired after January 1, 2002 are eligible to participate in the University's health insurance plan, but the University does not cover any portion of their premiums, deductibles, or coinsurance; those costs are the sole responsibility of the employee. However, these employees are eligible to convert 50% of unused accrued sick time, up to 600 hours, to pay for their medical premiums. All University post-employment benefits may be further established or amended by the University or the Idaho State Board of Education.

The University offers a death benefit only to retirees who qualify for and are enrolled in the Tier I retiree health plan, and were hired by the University on or prior to January 1, 2002. The death benefit plan pays a benefit to a spouse or other designated beneficiary upon the death of a Tier I retiree. Retirees who are disabled, using sick leave conversion or are enrolled in the University's Retiree Health Plan on a self-pay basis or who retire under Tier II, III or IV eligibility criteria are not eligible for death benefits. Tier I Federal University retirees with Federal Employees Group Life Insurance are also not eligible for the death benefit.



**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

13. POSTEMPLOYMENT BENEFITS (OTHER THAN PENSIONS), RETIREE BENEFITS TRUST, AND DEATH BENEFITS TRUST (CONTINUED)

University of Idaho Contributions:

The University makes an annual determination of funding needs for the OPEB liability. After the University has paid off the entire Net OPEB Liability contributions will be equal to the annual normal cost.

OPEB Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the years ended June 30, 2020 and 2019 respectively, the University recognized OPEB expense of -\$2,664,270 and \$2,132,577. At June 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	\$ -	\$ 11,134,183
Net difference between projected and actual earnings on OPEB plan investments	-	1,963,399
Difference between expected and actual experience in the Total OPEB Liability	1,887,145	-
Total	<u>\$ 1,887,145</u>	<u>\$ 13,097,582</u>

	June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	\$ -	\$ 7,240,505
Net difference between projected and actual earnings on OPEB plan investments	1,942,651	-
Difference between expected and actual experience in the Total OPEB Liability	3,173,067	-
Total	<u>\$ 5,115,718</u>	<u>\$ 7,240,505</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (revenue) as follows:

Year Ended June 30	OPEB Expense (Revenue)
2021	(1,909,043)
2022	(1,909,043)
2023	(1,548,342)
2024	(2,304,531)
2025	(1,426,890)
Therafter	(2,112,588)
	<u>(11,210,437)</u>



**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

13. POSTEMPLOYMENT BENEFITS (OTHER THAN PENSIONS), RETIREE BENEFITS TRUST, AND DEATH BENEFITS TRUST (CONTINUED)

University of Idaho Retiree Benefits Trust and Death Benefits Trust:

The University established the Retiree Benefits Trust (“RBT”) in 2008 and the Death Benefits Trust (“DBT”) in 2019 to fund the future payments required for its OPEB obligation. The RBT and DBT are independent, irrevocable trusts administered on behalf of the University by Wells Fargo Bank as trustee. Funding and payment of the annual, ongoing retiree benefits through the HBT as described in note 11 of these financial statements apply toward the ongoing annual funding requirements of the RBT and DBT.

The RBT and DBT operate on a calendar-year basis and the financial statements are audited as an integral part of the University’s annual audit as represented in these statements.

The investments held in the RBT are summarized in the *Retiree Benefits Basis of Accounting and Valuation of Trust Assets* section of this note.

The University of Idaho OPEB liability has been calculated and reported combined for both RBT and DBT trusts.

Sensitivity

The following presents the Net OPEB Liability (“NOL”) of the University as well as what the University’s NOL would be if it were calculated using a discount rate that is 1-percentage point lower (5.00%) or 1-percentage point higher (7.00%) than the current rate. Also, shown is the NOL as if it were calculated using healthcare cost trend rates that were 1-percentage point lower or 1-percentage point higher than the current healthcare trend rates.

	1% Decrease in Discount Rate (5.00%)	Current Discount Rate (6.00%)	1% Increase in Discount Rate (7.00%)
Net OPEB Liability	\$ 23,581,843	\$ 16,481,684	\$ 10,571,564
	1% Decrease in Healthcare Cost Trend Rates	Current Healthcare Cost Trend Rates	1% Increase in Healthcare Cost Trend Rates
Net OPEB Liability	\$ 11,080,150	\$ 16,481,684	\$ 22,982,457



**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

13. POSTEMPLOYMENT BENEFITS (OTHER THAN PENSIONS), RETIREE BENEFITS TRUST, AND DEATH BENEFITS TRUST (CONTINUED)

Net OPEB Liability

Reporting date for Employer under GASB 75	June 30, 2020
Reporting date for Trust under GASB 74	December 31, 2019
Measurement date for Employer under GASB 74 & 75	December 31, 2019

The components of the NET OPEB Liability are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total OPEB Liability	\$ 56,654,940	\$ 64,650,726
Plan Fiduciary Net Position (Plan Assets)	40,173,256	33,759,480
Net OPEB Liability	\$ 16,481,684	\$ 30,891,246
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	70.91%	52.22%

The Net OPEB Liability was measured as of December 31, 2019 and 2018. Plan Fiduciary Net Position (plan assets) was valued as of the measurement dates and the Total OPEB Liability was determined from actuarial valuations using data as of December 31, 2019 and December 31, 2018 using standard actuarial techniques, respectively.

Actuarial Assumptions

The Total OPEB Liability was measured by an actuarial valuation as of December 31, 2019 using the actuarial assumptions below, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions

Inflation	2.00%
Salary increases	3.00%, including inflation
Discount rate	6.00%
Healthcare cost trend rates:	
Non-Medicare medical & prescription drug rates	7.25% graded to 4.50% over 11 years
Medicare medical	6.00% graded to 4.50% over 10 years
Medicare prescription drugs	8.00% graded to 4.50% over 12 years
Mortality rates:	
Healthy	Approximate 2006 table based on Headcount-Weighted RP-2014 Combined Healthy Annuitant, projected generationally with Scale MP-2019 from 2006.
Disabled	Approximate 2006 table based on Headcount-Weighted RP-2014 Disabled Retiree, projected generationally with Scale MP-2019 from 2006.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**
13. POSTEMPLOYMENT BENEFITS (OTHER THAN PENSIONS), RETIREE BENEFITS TRUST, AND DEATH BENEFITS TRUST (CONTINUED)
Development of Long-Term Rate:

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best estimate ranges of expected future rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The current allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized on the following page:

Determination of Discount Rate and Investment Rates of Return

Asset Class	Allocation at December 31, 2019	Long-Term Expected Real Rate of Return	Money Weighted Real Rate of Return
Domestic equity	45.17%	6.40%	2.89%
International equity, developed markets	11.94%	7.05%	0.84%
International equity, emerging markets	3.04%	9.00%	0.27%
Fixed income, core	36.77%	1.15%	0.42%
Short term governmental money market	3.08%	0.65%	0.02%
Total	100.00%		4.45%
Inflation			2.00%
Investment Rate of Return (Gross)			6.45%
Investment Expenses			-0.25%
Investment Rate of Return (Net)			6.20%
Long-Term Rate of Return Used in Valuation			6.00%

Discount Rate:

The projection of cash flow used to determine the discount rate assumed that the University of Idaho's contributions would be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 6.00% on plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability.

Retiree Benefits Trust Basis of Accounting and Valuation of Trust Assets

Basis of accounting – Financial statements of the RBT and DBT are prepared using the accrual basis of accounting. University contributions are recorded and recognized in the period in which they are paid into the RBT and DBT.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**
13. POSTEMPLOYMENT BENEFITS (OTHER THAN PENSIONS), RETIREE BENEFITS TRUST, AND DEATH BENEFITS TRUST (CONTINUED)

Valuation of investments – Investments are reported at fair value. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of the net change in fair value of investments in the RBT Statement of Changes in Fiduciary Funds Net Position. Valuation of investments does not include DBT funds, as the balance consists of cash as of June 30, 2020.

Investments Measure at Fair Value

The fair value of the RBT investments as of December 31, 2019 and December 31, 2018 were as disclosed below:

Investments at Fair Value at December 31, 2019

	Quoted Prices			
	12/31/2019	in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Money market funds/cash sweeps	\$ 1,238,075	\$ 1,238,075	\$ -	\$ -
Bond/fixed income mutual funds	14,772,017	-	14,772,017	-
Stock mutual funds	24,163,165	7,284,148	16,879,017	-
Combined mutual funds	38,935,182	7,284,148	31,651,034	-
Total investments by fair value	\$ 40,173,257	\$ 8,522,223	\$ 31,651,034	\$ -

Investments at Fair Value at December 31, 2018

	Quoted Prices			
	12/31/2018	in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Money market funds/cash sweeps	\$ 1,192,275	\$ 1,192,275	\$ -	\$ -
Bond/fixed income mutual funds	14,310,169	-	14,310,169	-
Stock mutual funds	18,257,036	6,253,728	12,003,308	-
Combined mutual funds	32,567,205	6,253,728	26,313,477	-
Total investments by fair value	\$ 33,759,480	\$ 7,446,003	\$ 26,313,477	\$ -

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**
13. POSTEMPLOYMENT BENEFITS (OTHER THAN PENSIONS), RETIREE BENEFITS TRUST, AND DEATH BENEFITS TRUST (CONTINUED)
Interest Rate Risk

Interest rate risk is defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as the risk a government may face should interest rate variances affect the fair value of investments. The RBT does not presently have as formal policy that addresses interest rate risk; however, it does incorporate weighted average maturity methodology in selecting and reporting its investments.

The investments of the RBT subject to interest rate risk as of December 31, 2019 and December 31, 2018 are as follows:

Investment Securities Subject to Interest Rate Risk at December 31, 2019

Investment Type	Total Fair Value	Investment Maturity in Years				
		<1	1 - 5	6 - 10	11 - 15	>15
Money market funds/cash sweeps	\$ 1,238,075	\$ -	\$ -	\$ -	\$ -	\$ 1,238,075
Bond mutual funds	14,772,017	399,005	4,386,026	3,723,737	413,263	5,849,986
Total	\$ 16,010,092	\$ 399,005	\$ 4,386,026	\$ 3,723,737	\$ 413,263	\$ 7,088,061

Investment Securities Subject to Interest Rate Risk at December 31, 2018

Investment Type	Total Fair Value	Investment Maturity in Years				
		<1	1 - 5	6 - 10	11 - 15	>15
Money market funds/cash sweeps	\$ 1,192,275	\$ -	\$ -	\$ -	\$ -	\$ 1,192,275
Bond mutual funds	14,310,169	205,145	2,524,446	3,176,543	1,089,843	7,314,192
Total	\$ 15,502,444	\$ 205,145	\$ 2,524,446	\$ 3,176,543	\$ 1,089,843	\$ 8,506,467

Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. The University does not presently have a formal policy that addresses credit risk. (The credit risk ratings listed below are issued by standards set by Standard and Poor's.)

As of December 31, 2019 and December 31, 2018 respectively, the University had the following investment credit risk:



**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

13. POSTEMPLOYMENT BENEFITS (OTHER THAN PENSIONS), RETIREE BENEFITS TRUST, AND DEATH BENEFITS TRUST (CONTINUED)

Investment Securities Subject to Credit Risk at December 31, 2019

Investment Type	Total Fair Value	AAA	AA	A	BBB	BB	B	Below B	Not Rated
Money market funds/cash sweeps	\$ 1,238,075	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,238,075
Bond mutual funds	14,772,017	8,982,287	444,379	1,193,662	3,137,128	444,905	219,094	173,888	176,674
Total	\$ 16,010,092	\$ 8,982,287	\$ 444,379	\$ 1,193,662	\$ 3,137,128	\$ 444,905	\$ 219,094	\$ 173,888	\$ 1,414,749

Investment Securities Subject to Credit Risk at December 31, 2018

Investment Type	Total Fair Value	AAA	AA	A	BBB	BB	B	Below B	Not Rated
Money market funds/cash sweeps	\$ 1,192,275	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,192,275
Bond mutual funds	14,310,169	7,091,742	1,572,076	1,317,353	3,190,840	623,669	167,294	161,401	185,794
Total	\$ 15,502,444	\$ 7,091,742	\$ 1,572,076	\$ 1,317,353	\$ 3,190,840	\$ 623,669	\$ 167,294	\$ 161,401	\$ 1,378,069

Custodial Credit Risk

Custodial credit risk on investments is the risk that in the event of a failure of the counterparty, the RBT will not be able to recover the value of its investments that are in the possession of an outside party. The RBT does not presently have an investment policy that addresses custodial credit risk. At December 31, 2019 and December 31, 2018, all investments were held by the RBT or its counterparty in the RBT's name.

OPEB Accounting and Reporting

The University adopted GASB Statements 74 and 75 in fiscal year 2018. Statement 74 requires the University to disclose and report its net OPEB plan liability and associated components and assumptions in specific OPEB financial statements, footnotes, and required supplementary information. With the adoption of GASB 75, the University is now required to report within its own financial statements the impact of the net OPEB liability as calculated under Statement 74 along with deferred inflows and outflows relating to changes in the net OPEB liability.



**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

14. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATION

The following table shows the University's operating expenses by natural classifications within their functional classifications for the years ending June 30, 2020 and 2019:

<u>Expenses 2020</u>	<u>Salaries</u>	<u>Benefits</u>	<u>Services</u>	<u>Supplies</u>	<u>Ins, utilities & rent</u>	<u>Scholarships & Fellowships</u>	<u>Depreciation</u>	<u>Other</u>	<u>Totals</u>
Instruction	\$ 74,388,300	\$ 23,582,730	\$ 6,063,331	\$ 3,666,683	\$ 857,983	\$ 8,986,151	\$ -	\$ 3,036,826	\$ 120,582,004
Research	39,341,836	11,075,300	14,025,109	5,830,587	825,515	3,663,022	-	623,726	75,385,095
Public Service	20,614,603	6,580,911	6,129,376	827,455	495,117	1,011,314	-	1,158,528	36,817,304
Academic Support	12,736,863	4,268,226	2,079,080	603,514	154,527	124,853	-	232,061	20,199,124
Libraries	2,685,148	823,728	2,364,614	178,411	93,045	-	-	43,295	6,188,241
Student Services	8,635,956	3,118,173	2,317,889	291,038	116,619	83,214	-	384,072	14,946,961
Insitutional Support	22,603,702	7,520,619	8,267,573	35,002	1,725,076	10,199	-	1,768,926	41,931,097
Plant Operations	9,747,355	3,757,562	3,081,591	3,963,549	9,194,092	1,748	23,491,853	535,117	53,772,867
Scholarships & Fellowships	1,910,973	429,832	32,204	20,875	494	13,074,272	-	60,015	15,528,665
Auxiliary Enterprises	10,673,155	3,686,722	4,756,163	3,912,301	1,559,277	3,638,852	-	2,231,735	30,458,205
	<u>\$ 203,337,891</u>	<u>\$ 64,843,803</u>	<u>\$ 49,116,930</u>	<u>\$ 19,329,415</u>	<u>\$ 15,021,745</u>	<u>\$ 30,593,625</u>	<u>\$ 23,491,853</u>	<u>\$ 10,074,301</u>	<u>\$ 415,809,563</u>

<u>Expenses 2019</u>	<u>Salaries</u>	<u>Benefits</u>	<u>Services</u>	<u>Supplies</u>	<u>Ins, utilities & rent</u>	<u>Scholarships & Fellowships</u>	<u>Depreciation</u>	<u>Other</u>	<u>Totals</u>
Instruction	\$ 74,146,914	\$ 30,925,978	\$ 7,473,832	\$ 5,350,950	\$ 1,300,175	\$ 6,215,093	\$ -	\$ 2,794,942	\$ 128,207,884
Research	38,684,707	10,758,644	15,201,667	7,759,102	832,472	4,068,827	-	661,343	77,966,762
Public Service	19,286,653	6,057,092	6,738,743	1,426,368	548,370	1,088,665	-	1,789,854	36,935,745
Academic Support	11,644,816	4,035,111	2,708,408	1,348,260	199,304	214,132	-	421,681	20,571,712
Libraries	2,555,215	817,938	5,487,008	245,551	93,621	-	-	26,140	9,225,473
Student Services	7,753,035	2,776,381	3,004,630	724,587	297,684	109,355	-	456,194	15,121,866
Insitutional Support	19,366,140	7,273,397	8,651,479	259,110	1,046,894	97,543	-	1,548,908	38,243,471
Plant Operations	10,259,489	3,732,416	3,583,389	4,351,267	10,479,645	-	24,080,561	86,838	56,573,605
Scholarships & Fellowships	1,992,042	429,369	61,912	37,827	470	12,243,581	-	36,843	14,802,044
Auxiliary Enterprises	10,749,555	3,533,344	5,860,219	5,370,301	1,604,791	3,251,892	-	1,108,662	31,478,764
	<u>\$ 196,438,566</u>	<u>\$ 70,339,670</u>	<u>\$ 58,771,287</u>	<u>\$ 26,873,323</u>	<u>\$ 16,403,426</u>	<u>\$ 27,289,088</u>	<u>\$ 24,080,561</u>	<u>\$ 8,931,405</u>	<u>\$ 429,127,326</u>

15. CONTINGENCIES AND LEGAL MATTERS

Revenue from federal research and service grants includes amounts for the recovery of overhead and other costs allocated to these projects. The University may be required to make refunds of amounts received for overhead and other costs reimbursed as a result of audits by agencies of the federal government. The University considers any such potential refunds likely to be immaterial.

The University is a defendant in litigation arising from the normal course of operations. Based on present knowledge, the University's administration believes any ultimate liability in these legal matters will not materially affect the financial position of the University.

16. RISK MANAGEMENT

The University participates in the State of Idaho's risk and insurance program, which includes liability and property coverage. The State of Idaho's Retained Risk Fund has a \$500,000 cap for tort claims. The University's premiums are based on the State's actuarial calculations and are weighted for losses sustained by the University. Deductibles for the programs include \$2,000 for property losses, \$1,000 for auto physical damage, \$5,000 for boiler and machinery losses, \$500 for fine art losses and \$100 for inland marine losses. There are no casualty deductibles. During the past three fiscal years, no settled claims have exceeded insurance coverage levels, and there has been no significant reduction in coverage.

In July 2014, the University became self-insured for its Worker's Compensation coverage. The University utilizes a third-party administrator to adjudicate its claims and make payments under this coverage. The University maintains two separate bank accounts for its self-insured program, a \$500,000 reserve account as well as a separate account for ongoing claims processing and payments. The University provides for estimated losses to be incurred for reported and unreported worker's compensation claims based on individual case estimates and historical data adjusted for current trends. Liability claims have not exceeded the maximum amount of self-insurance per claimant in the past year. Self-insured Worker's Compensation liability balances, which are included in accrued salaries and benefits payable on the Statement of Net Position, at year-end June 30, 2020 and 2019 were as seen on the following page:



**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

16. RISK MANAGEMENT (CONTINUED)

Self-Insured Outstanding Liability at June 30, 2020

Accident Year	Projected	Paid-to-Date	Case Reserves	IBNR ^a	Unpaid	Projected Paid	Outstanding	Discounted at .25%
	Ultimate Loss	at 5/31/2020	at 5/31/2020	at 5/31/2020	at 5/31/2020	6/1/20 - 6/30/20	Liability ^b	Liability
7/1/2014	\$ 610,848	\$ 522,269	\$ 42,451	\$ 46,128	\$ 88,579	\$ 1,385	\$ 87,194	\$ 85,937
7/1/2015	713,914	508,246	104,946	100,722	205,668	3,820	201,848	198,949
7/1/2016	637,386	576,418	13,843	47,125	60,968	1,242	59,726	58,891
7/1/2017	721,386	558,697	63,033	99,656	162,689	4,488	158,201	156,086
7/1/2018	919,941	561,270	171,347	187,324	358,671	20,610	338,061	333,960
7/1/2019	860,899	294,375	239,284	327,240	566,524	23,284	543,240	538,375
	<u>\$ 4,464,374</u>	<u>\$ 3,021,275</u>	<u>\$ 634,904</u>	<u>\$ 808,195</u>	<u>\$ 1,443,099</u>	<u>\$ 54,829</u>	<u>\$ 1,388,270</u>	<u>\$ 1,372,198</u>

a. For 7/1/2019 year includes accident period from 6/1/20 to 6/30/20.

b. Equals unpaid at 5/31/2020 minus projected paid from 6/1/2020 to 6/30/2020.

Self-Insured Outstanding Liability at June 30, 2019

Accident Year	Projected	Paid-to-Date	Case Reserves	IBNR	Unpaid	Projected Paid	Outstanding	Discounted at 2%
	Ultimate Loss	at 5/31/2019	at 5/31/2019	at 5/31/2019	at 5/31/2019	6/1/19 - 6/30/19	Liability	Liability
7/1/2014	\$ 552,303	\$ 483,604	\$ 27,177	\$ 68,699	\$ 68,699	\$ 1,354	\$ 67,345	\$ 60,651
7/1/2015	715,199	478,576	124,346	236,623	236,623	6,159	230,464	208,286
7/1/2016	811,710	623,257	79,464	188,453	188,453	6,852	181,601	165,496
7/1/2017	730,260	514,775	60,639	215,485	215,485	13,075	202,410	186,942
7/1/2018	1,023,314	254,947	403,380	768,367	768,367	32,288	736,079	693,720
	<u>\$ 3,832,786</u>	<u>\$ 2,355,159</u>	<u>\$ 695,006</u>	<u>\$ 1,477,627</u>	<u>\$ 1,477,627</u>	<u>\$ 59,728</u>	<u>\$ 1,417,899</u>	<u>\$ 1,315,095</u>

17. COMPONENT UNIT

The University of Idaho Foundation, Inc. (Foundation) is a legally separate 501(c)(3) component unit of the University of Idaho (University) which was established in 1970. The mission of the University of Idaho Foundation, Inc. is to inspire, manage, and distribute private support to enhance the excellence of the University of Idaho. A Board of Directors comprised of up to 25 members governs and conducts the business of the Foundation, meeting three to four times each fiscal year. The officers of the Foundation are Chairman, Vice-Chairman, Treasurer, Secretary, and Past Chairman. Committees include: Executive Committee, Committee on Directors, Operations Committee, Investment Committee, Audit Committee, Gift Acceptance Committee, and other committees appointed by the Chairman as necessary to carry out the business of the Foundation. Foundation business is conducted via regular meetings of the Board of Directors and its Executive Committee as well as through ongoing communications with committees and staff. Members of the Foundation's Board of Directors provide strong leadership and expertise in a variety of areas relative to its mission. In addition, directors also advise University leadership as requested, advocate for higher education, serve on various college advisory committees, and personally provide major private funding support for the University. Located in Moscow, the Foundation professional staff work collaboratively with the University development team, donors, and their advisors. The Foundation strategically partners with the leadership team at the University of Idaho including the President, Vice President of University Advancement, and the Vice President for Finance and Administration. Separate audited financial statements are prepared by the Foundation and may be obtained by contacting the University of Idaho Foundation.

17. COMPONENT UNIT (CONTINUED)

The majority of the resources, or income earned from those resources, that the Foundation holds and invests are restricted to the activities of the University by donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University and because these resources provide a significant amount of support to the University, the Foundation has been determined to be a component unit of the University and is discretely presented in the University's financial statements.

INVESTMENTS— Investments represent the largest asset of the Foundation making up 91% and 89% of the total assets at June 30, 2020 and 2019, respectively. Of those investments, 83% and 85%, respectively, are endowed and therefore held by the Consolidated Investment Trust (CIT) which was established by the Regents of the University of Idaho in 1959 to pool the endowment funds.

Certain assets and liabilities are reported at fair value in the Foundation financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of the Foundation's investment assets are classified within Level 1 because they are comprised of open-ended mutual funds and stocks with readily determinable fair values based on daily redemption values. The Foundation invests in debt securities and real assets, which are traded in the financial markets. The U.S. Government obligations are valued by the custodians of the securities using pricing models

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**
17. COMPONENT UNIT (CONTINUED)

based on credit quality, time to maturity, stated interest rates and market-rate assumptions. Real assets are based on marketable securities or other periodic appraisals of assets. Debt securities, U.S. Government obligations and real assets are classified within Level 2. There are no investments within Level 3.

The Foundation's commingled debt funds are held in an investment trust with the objective to outperform the Barclays U.S. Government/Credit Index. The trust may invest in out-of-benchmark securities in order to provide value and diversification. The CIT's commingled international equity funds are held in an investment trust which invests in global markets excluding the U.S. The trust is not index-oriented and is designed to protect in down markets. The fair values of these funds have been determined using the net asset value (NAV) per share.

The Foundation's private equity limited partnerships are invested in real estate, venture funds, and international funds. The fair values have been determined using the NAV per share. The fair values of the private equity limited partnerships have no readily ascertainable market prices. Similar to real estate, costs closely approximate fair value of recent acquisitions. Therefore, the fair values of private equity limited partnership investments are based on the valuations as presented in the fund's December 31st audited financial statements and adjusted for any cash calls and distributions through June 30th. Generally, the companies within a fund are valued by the general partner, taking into account many factors such as the purchase price, estimated liquidation value, significant events like initial public offerings, bankruptcies, and additional rounds of financing, and other relevant factors. The fair value may differ significantly from the values that would have been used had a ready market for the investments existed. Although these differences could be material to the individual Foundation values, private equity only represents 10.05% and 7.99% of total investments as of June 30, 2020 and 2019, respectively.

Investments in certain entities that calculate NAV per share are as follows:

	Number of Investments	Principal Valuation Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<u>As of June 30, 2020</u>					
Commingled funds					
Debt funds	1	\$ 23,490,153	\$ -	Daily	None
International equity	1	13,486,721	-	Monthly	15 days
Private equity	19	33,192,672	32,051,211	Illiquid	N/A
Total		<u>\$ 70,169,546</u>	<u>\$ 32,051,211</u>		

	Number of Investments	Principal Valuation Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<u>As of June 30, 2019</u>					
Commingled funds					
Debt funds	1	\$ 21,302,344	\$ -	Daily	None
International equity	1	15,537,488	-	Monthly	15 days
Private equity	16	25,929,654	22,339,834	Illiquid	N/A
Total		<u>\$ 62,769,486</u>	<u>\$ 22,339,834</u>		

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**
17. COMPONENT UNIT (CONTINUED)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At June 30, 2020, the fair value of restricted and unrestricted investments was \$320,350,485 and \$10,048,089, respectively. At June 30, 2019 the fair value of restricted and unrestricted investments was \$315,252,481 and \$9,323,638, respectively.

The following table represents the fair value of investments by type at June 30, 2020 and 2019 respectively on the following page:

Investment Type	2020	2019
U.S. government agency obligations	\$ 4,166,115	\$ 3,541,873
Corporate debt	32,261,896	24,367,370
U.S. treasuries	7,651,528	5,781,452
Common stock	57,002,739	62,972,009
Mutual funds		
U.S. equity	55,846,092	58,006,640
Debt	25,778,476	26,933,546
International/Emerging markets	46,352,820	50,932,791
Inflation protected	15,593,162	14,720,309
U.S. treasury	15,558,220	14,527,492
Comingled funds	36,976,874	36,839,832
Private equity	33,192,672	25,929,654
Preferred stock	17,980	23,151
	\$ 330,398,574	\$ 324,576,119



**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

17. COMPONENT UNIT (CONTINUED)

The related fair value of assets not valued at NAV are determined as follows:

	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
As of June 30, 2020			
Equity Investments			
Common stock	\$ 57,002,739	\$ -	\$ -
Preferred stock	17,980	-	-
Mutual funds	102,198,912	-	-
Fixed income investments			
Corporate bonds	-	32,261,896	-
U.S. government agency obligations	-	11,817,643	-
Mutual funds	56,929,858	-	-
	<u>\$ 216,149,489</u>	<u>\$ 44,079,539</u>	<u>\$ -</u>
As of June 30, 2019			
Equity Investments			
Common stock	\$ 62,972,009	\$ -	\$ -
Preferred stock	23,151	-	-
Mutual funds	108,939,431	-	-
Fixed income investments			
Corporate bonds	-	24,367,370	-
U.S. government agency obligations	-	9,323,325	-
Mutual funds	56,181,347	-	-
	<u>\$ 228,115,938</u>	<u>\$ 33,690,695</u>	<u>\$ -</u>

Interest Rate Risk

Interest rate risk is defined by GASB Statement No. 40 as the risk a government may face should interest rate variances affect the fair value of investments. Investments in debt securities that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. The Foundation does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**
17. COMPONENT UNIT (CONTINUED)

As of June 30, 2020, The Foundation had the following investments subject to interest rate risk:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Corporate debt	\$ 32,261,896	\$ 13,967,582	\$ 17,190,134	\$ 258,234	\$ 845,946
U.S. government agency obligations	4,166,115	803,898	3,335,762	488	25,967
U.S. treasuries	7,651,528	4,001,980	3,649,548	-	-
	<u>\$ 44,079,539</u>	<u>\$ 18,773,460</u>	<u>\$ 24,175,444</u>	<u>\$ 258,722</u>	<u>\$ 871,913</u>

As of June 30, 2019, The Foundation had the following investments subject to interest rate risk:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Corporate debt	\$ 24,367,370	\$ 9,344,094	\$ 13,607,822	\$ 449,275	\$ 966,179
U.S. government agency obligations	3,541,873	997,063	2,502,787	706	41,317
U.S. treasuries	5,781,452	4,014,402	1,767,050	-	-
	<u>\$ 33,690,695</u>	<u>\$ 14,355,559</u>	<u>\$ 17,877,659</u>	<u>\$ 449,981</u>	<u>\$ 1,007,496</u>

Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. GASB Statement No. 40 requires disclosure of credit quality ratings for investments in debt securities. The Foundation does not have a formal policy that limits its investment choices. (The credit risk ratings listed below are issued upon standards set by Standard and Poor's).

At June 30, 2020, the Foundation had the investment credit risk as shown on the following page:

Credit Rating	Investment Type		
	U.S. Government Agency Obligatons	Corporate Debt	Total
AAA	\$ -	\$ 2,018,560	\$ 2,018,560
AA	4,166,115	2,882,790	7,048,905
A	-	18,882,131	18,882,131
BBB	-	7,744,774	7,744,774
BB	-	503,617	503,617
B	-	-	-
D	-	-	-
Not Rated	-	230,024	230,024
Total	<u>\$ 4,166,115</u>	<u>\$ 32,261,896</u>	<u>\$ 36,428,011</u>



**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

17. COMPONENT UNIT (CONTINUED)

At June 30, 2019, the Foundation had the following investment credit risk:

Credit Rating	Investment Type		
	U.S. Government Agency Obligatons	Corporate Debt	Total
AAA	\$ -	\$ 1,989,170	\$ 1,989,170
AA	3,541,873	5,772,673	9,314,546
A	-	10,372,591	10,372,591
BBB	-	5,500,857	5,500,857
BB	-	278,721	278,721
B	-	-	-
D	-	161,250	161,250
Not Rated	-	292,108	292,108
Total	\$ 3,541,873	\$ 24,367,370	\$ 27,909,243

Concentration of Credit Risk

Per GASB Statement No. 40, Concentration of Credit Risk is defined as the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Foundation has a formal policy addressing concentration of credit risk. Investments shall be diversified with the intent to minimize the risk of large realized and unrealized losses to the invested assets. The total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holding in individual issues, corporations, or industries.

- Not more than 5% of the total equity portfolio valued at market may be invested in the common stock of any one corporation.
- Debt securities of any one issuer shall not exceed 5% of the market value of the total bond portfolio at the time of purchase (except U.S. Treasury or other federal agencies).
- With the exception of passively managed portfolios, not more than 20% of the total portfolio may be invested in any one investment manager, fund, or pool.
- With the exception of passively managed portfolios, not more than 30% of the total portfolio may be invested with any one investment manager regardless of the number of funds with that manager.

At the end of 2020 and 2019, the Foundation was in compliance with the policy addressing concentration of credit risk.

Custodial Credit Risk

The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Foundation will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Foundation minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be clearly marked as to Foundation ownership and further to the extent possible, be held in the Foundation’s name. At June 30, 2020 and 2019 all Foundation funds were held in the name of the counterparty for benefit of the Foundation.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Foundation investment policy limits the exposure to foreign investment holdings in the portfolio.



**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

17. COMPONENT UNIT (CONTINUED)

The Foundation is exposed to foreign currency risk in foreign stocks that it holds as follows:

Currency Type		June 30, 2020 Fair Value	June 30, 2019 Fair Value
AUD	Australia	\$ 1,288,270	\$ 1,177,486
CAD	Canada	286,841	438,834
CHF	Switzerland	1,995,853	2,064,092
DKK	Denmark	962,994	811,765
EUR	Euro	5,694,987	4,883,815
GBP	Great Britain	3,143,298	3,470,454
HKD	Hong Kong	1,889,290	2,056,737
JPY	Japan	333,247	660,929
SGD	Singapore	719,061	629,824
		\$ 16,313,841	\$ 16,193,936

DISTRIBUTIONS TO UNIVERSITY OF IDAHO AND AFFILIATES

During fiscal years 2020 and 2019, earnings from endowments invested in the CIT, direct gifts and other revenues to the Foundation were distributed as follows:

	2020		2019	
	CIT Endowment Income	Gifts and Other Revenues	CIT Endowment Income	Gifts and Other Revenues
Scholarships	\$ 7,096,291	\$ 2,074,517	\$ 6,796,415	\$ 1,748,396
Student loans	189,947	-	189,151	-
Building funds	-	4,040,610	-	4,221,615
University of Idaho College and Department Operating Accounts				
Academic Excellence	547,852	-	720,549	2,943
Agricultural and Life Sciences	671,823	1,587,656	562,850	1,742,017
Art and Architecture	19,359	197,381	19,202	213,074
Athletics	75,446	185,771	62,895	294,776
Business and Economics	445,251	149,103	440,647	209,403
Education	53,905	135,365	53,055	93,903
Engineering	334,486	509,623	383,887	633,408
Law	241,138	162,144	239,554	196,521
Letters, Art and Social Science	771,515	406,640	780,974	235,780
Library	213,372	2,042	204,727	9,130
Natural Resources	413,482	371,050	406,699	348,857
Science	211,440	356,945	211,473	256,288
Other departments	452,591	1,374,722	227,201	1,037,000
Life beneficiaries	12,863	-	12,355	-
University of Idaho affiliates	415	24,016	414	56,240
Total Distributions	\$ 11,751,176	\$ 11,577,585	\$ 11,312,048	\$ 11,299,351

17. COMPONENT UNIT (CONTINUED)**DONOR RESTRICTED ENDOWMENTS**

The Foundation receives certain gift assets that are restricted for endowment purposes, and by definition the original gift amount is in perpetuity for the benefit of the University. Restriction requirements for principal preservation are addressed by Idaho statute, and are applicable lacking any further guidance from the individual gift agreement. During the fiscal years ended June 30, 2020 and 2019, \$9,188,789 and \$8,320,547 were contributed to endowments, respectively.

The Foundation Board of Directors establishes a spending rate annually for endowments. The approved fiscal year 2020 and 2019 spending rate was set at 4.3% and 4.4%, respectively, of the 36-months rolling average of the CIT's monthly fair market value.

During the fiscal years ended June 30, 2020 and 2019, the endowments held by the Foundation had net appreciation (depreciation) on endowments of (\$4,477,214) and \$9,754,511, respectively. Unrealized appreciation (depreciation) is included with the "Restricted-Expendable" Net Position.

18. RELATED ORGANIZATIONS

The Idaho Research Foundation, Inc. ("Research Foundation") is a separate legal entity that until 2008 provided technology transfer services to the University. In 2008 an agreement was reached between the University and Research Foundation to integrate some of the services into the University. The new role of the Research Foundation is to hold equity from licensing transactions on behalf of the University. The Research Foundation is a legally separate organization which provides a valuable service to the University. It does not provide financial resources to the University and is not reported as a component unit.

The Vandal Boosters, Inc. ("Boosters") is a fund raising organization that provides financial assistance and services to the University of Idaho intercollegiate athletic department. Contributions received by the University from this organization are recorded as gifts. It does not provide significant financial resources to the University and is not reported as a component unit.

The University of Idaho Alumni Association ("Association") was established to develop and maintain a positive relationship with alumni, parents, and friends of the University. The Association is a legally separate organization which provides a valuable service to the University. It does not provide significant financial resources to the University and is not reported as a component unit.

19. NOVEL CORONAVIRUS VIRUS (COVID-19)

On March 11, 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. The University's results of operations could be adversely affected to the extent that the coronavirus or any other epidemic harms the economy. The University's management is monitoring the outbreak and potential financial impact, which are currently uncertain. Although the University does not expect the impact on its operations and financial results to be significant, the duration and intensity of the impact of the coronavirus and resulting disruption to the University's operations are uncertain and could adversely affect financial results.



University of Idaho

**REQUIRED SUPPLEMENTARY INFORMATION (unaudited)
JUNE 30, 2020 AND 2019**

REQUIRED SUPPLEMENTARY INFORMATION

**REQUIRED SUPPLEMENTARY INFORMATION (unaudited)
JUNE 30, 2020 AND 2019**

REQUIRED SUPPLEMENTARY INFORMATION – Pension Plan
Schedule of University’s Proportionate Share of Net Pension Liability

PERSI – Base Plan

	2020	2019	2018	2017	2016
University's portion of net pension liability	1.80%	1.84%	1.85%	1.79%	1.81%
University's proportionate share of the net pension liability	\$ 20,569,074	\$ 27,122,978	\$ 29,092,164	\$ 36,275,764	\$ 23,973,741
University's covered payroll	63,480,316	59,160,024	57,486,009	52,317,861	50,667,755
University's proportional share of the net pension liability as a percentage of its covered payroll	32.40%	45.85%	50.61%	69.34%	47.32%
Plan fiduciary net position as a percentage of the total pension liability	93.79%	91.69%	90.68%	87.26%	91.38%

Schedule of University Contributions

PERSI – Base Plan

	2020	2019	2018	2017	2016
Statutorially-required contribution	\$ 7,069,224	\$ 7,185,973	\$ 6,696,913	\$ 6,507,425	\$ 5,917,860
Contributions in relation to the statutorily-required contribution	7,069,224	7,185,973	6,696,913	6,507,425	5,917,860
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -	\$ -
University's covered payroll	59,445,025	63,480,316	59,160,024	57,486,009	52,317,861
Contributions as a percentage of covered payroll	11.89%	11.32%	11.32%	11.32%	11.32%

**REQUIRED SUPPLEMENTARY INFORMATION (unaudited)
JUNE 30, 2020 AND 2019**
**REQUIRED SUPPLEMENTARY INFORMATION – Postemployment Benefits
(Other Than Pensions) – (“OPEB”)**
Schedule of Changes in Net OPEB Liability - Last Three Fiscal Years¹

Reporting date for Employer under GASB 75	June 30, 2020	June 30, 2019	June 30, 2018
Reporting date for Employer under GASB 74	December 31, 2019	December 31, 2018	December 31, 2017
Measurement Date	December 31, 2019	December 31, 2018	December 31, 2017
Total OPEB Liability			
Service cost	\$ 578,929	\$ 505,261	\$ 505,073
Interest	3,837,295	3,697,710	3,606,077
Change of benefit terms	(3,256,044)	-	-
Differences between expected and actual experience	(917,763)	3,653,835	-
Changes of assumptions	(5,688,728)	(8,337,551)	-
Benefit payments, including refunds of member contributions	(2,549,475)	(3,188,730)	(2,676,167)
Net change in Total OPEB Liability	(7,995,786)	(3,669,475)	1,434,983
Total OPEB Liability - beginning	64,650,726	68,320,201	66,885,217
Total OPEB Liability - ending	56,654,940	64,650,726	68,320,200
Plan Fiduciary Net Position			
Contributions - employer	2,659,639	3,895,180	2,961,065
Contributions - employee	-	-	-
Net investment income	6,413,776	(1,839,891)	3,527,768
Benefit payments, including refunds of member contributions	(2,549,475)	(3,188,730)	(2,676,167)
Administrative expense	(110,164)	(91,450)	(74,899)
Net change in Plan Fiduciary Net Position	6,413,776	(1,224,891)	3,737,767
Plan Fiduciary Net Position - beginning	33,759,480	34,984,371	31,246,603
Plan Fiduciary Net Position - ending	40,173,256	33,759,480	34,984,370
Net OPEB Liability - ending	\$ 16,481,684	\$ 30,891,246	\$ 33,335,830
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	70.91%	52.22%	51.21%
Covered payroll	\$ 170,117,886	\$ 165,468,096	\$ 159,935,268
University's net OPEB liability as a percentage of covered payroll	9.69%	18.67%	20.84%

¹ The above information is required beginning in 2017. A full 10-year trend will be compiled in future years.

**REQUIRED SUPPLEMENTARY INFORMATION (unaudited)
JUNE 30, 2020 AND 2019**
**REQUIRED SUPPLEMENTARY INFORMATION – Postemployment Benefits
(Other Than Pensions) – (“OPEB”)**
Schedule of OPEB Contributions - Last Ten Fiscal Years¹

Year Ended June 30,	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contributions Deficiency / (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2012	\$ 4,806,000	\$ 5,201,000	\$ (395,000)	\$ 123,237,000	4.22%
2013	3,723,000	4,404,000	(681,000)	123,592,000	3.56%
2014	3,368,000	3,178,000	190,000	132,777,000	2.39%
2015	3,177,000	3,233,000	(56,000)	140,728,000	2.30%
2016	2,711,000	2,751,000	(40,000)	150,995,000	1.82%
2017	3,321,000	3,157,000	164,000	152,999,000	2.06%
2018	3,537,000	3,592,000	(55,000)	157,589,000	2.28%
2019	3,451,000	2,937,000	514,000	162,317,000	1.81%
2020	3,285,000	N/A	N/A	172,651,000	N/A
2021	2,151,000	N/A	N/A	177,830,000	N/A

See accompanying notes to this schedule

¹ All the numbers shown above are rounded to the nearest thousand.

For years prior to the year ended June 30, 2017, the Actuarial Determined Contribution ("ADC") was assumed to be equal to the Annual Required Contribution ("ARC") as reported under GASB Statement No. 45 for each applicable year.

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Valuation date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported
Measurement date	June 30, 2020
Actuarial cost method	Entry Age, Level Percentage of Payroll
Amortization method	Level Dollar, Closed
Remaining amortization period	19 years remaining for the year ending June 30, 2018 18 years remaining for the year ending June 30, 2019 17 years remaining for the year ending June 30, 2020 16 years remaining for the year ending June 30, 2021
Asset valuation method	The market value of assets as of December 31, 2019 projected to the measurement date.