



Financial Statements
June 30, 2019 and 2018

University of Idaho Foundation, Inc.

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Independent Auditor's Report

To the Board of Directors
University of Idaho Foundation, Inc.
Moscow, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Idaho Foundation, Inc. (the Foundation), a component unit of the University of Idaho, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Foundation'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 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 Foundation'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 Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Idaho Foundation, Inc., as of June 30, 2019 and 2018, and the respective changes in its financial position and its cash flows 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, as listed in the table of contents, 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 12, 2019 on our consideration of the Foundation'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 Foundation'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 Foundation's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
September 12, 2019

The mission of the University of Idaho Foundation, Inc. (the Foundation) is to inspire, manage, and distribute private support to enhance the excellence of the University of Idaho (the University). Established in 1970, the Foundation is a Section 501(c)(3) organization.

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: the 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.

Overview

The Management's Discussion and Analysis is designed to provide an easily readable analysis of the Foundation's financial condition, results of operations, and cash flows based on facts, decisions, and conditions known at the date of the auditor's report. This discussion includes a comparative analysis of financial data.

The financial statements are prepared in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis—for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. There are three financial statements presented: the statements of net position; the statements of revenues, expenses, and changes in net position; and the statements of cash flows. They are prepared using the accrual basis of accounting.

Reporting Entity

The Foundation is a nonprofit corporation whose purpose is to enhance the excellence of the University. Accordingly, the Foundation is included in the University's financial statements as a discretely presented component unit. Transactions with the University relate primarily to the disbursement of gift funds.

Statements of Net Position

The statements of net position outline the Foundation's financial condition at fiscal year-end. The Foundation operates on a fiscal year which begins July 1 and ends June 30. These statements reflect the various assets, liabilities, and net position of the Foundation as of the fiscal years ended June 30, 2019 and 2018.

From the data presented, readers of the statements of net position have the information to determine the assets available to continue the operations of the Foundation. They are also able to determine how much the Foundation owes vendors and trust beneficiaries.

Finally, the statements of net position provides a snapshot of the net position (assets minus liabilities and deferred inflows) and availability for expenditure by the Foundation.

The statements of net position are presented in a classified format, which differentiates between current and noncurrent assets and liabilities, and also categorizes net position into three categories:

- Restricted Nonexpendable—Net position subject to donor stipulations that must be maintained permanently by the Foundation.
- Restricted Expendable—Net position subject to donor stipulations that will be transferred to the University for direct use by a designated program.
- Unrestricted—Net position not subject to donor stipulations which may be expended for any lawful purpose of the Foundation.

The corpus of restricted nonexpendable resources as it pertains to endowments is available only for investment purposes. The Consolidated Investment Trust (CIT) is a pooled endowment fund and comprises the majority of the assets of the Foundation. Donors designate income derived from these investments to fund scholarships, research, and other programs at the University of Idaho restricting the use of funds for the intended purpose. This income is included in restricted expendable net position and will be available for expenditure by the University for purposes as determined by donors.

Condensed Statements of Net Position
As of June 30, 2019 and 2018

	2019	2018	Change 2018 to 2019	2017	Change 2017 to 2018
Assets					
Current assets	\$ 40,367,362	\$ 22,448,407	\$ 17,918,955	\$ 18,891,671	\$ 3,556,736
Real estate holdings	4,865,957	4,963,457	(97,500)	4,420,457	543,000
Noncurrent investments	300,361,894	292,627,721	7,734,173	276,922,808	15,704,913
Other assets	17,818,171	29,491,452	(11,673,281)	20,001,682	9,489,770
Total Assets	363,413,384	349,531,037	13,882,347	320,236,618	29,294,419
Liabilities					
Current liabilities	22,316,606	12,911,465	9,405,141	11,799,604	1,111,861
Noncurrent liabilities	7,186,343	17,867,540	(10,681,197)	6,497,564	11,369,976
Total Liabilities	29,502,949	30,779,005	(1,276,056)	18,297,168	12,481,837
Deferred Inflow					
Split interest trusts	5,283,184	4,350,037	933,147	7,069,284	(2,719,247)
Total Deferred Inflow	5,283,184	4,350,037	933,147	7,069,284	(2,719,247)
Net Position					
Restricted - nonexpendable	246,202,912	237,176,160	9,026,752	228,811,089	8,365,071
Restricted - expendable	74,672,796	70,092,088	4,580,708	59,106,827	10,985,261
Unrestricted	7,751,543	7,133,747	617,796	6,952,250	181,497
Total Net Position	\$ 328,627,251	\$ 314,401,995	\$ 14,225,256	\$ 294,870,166	\$ 19,531,829

During fiscal year 2019, the total net position of the Foundation increased by \$14.2 million. Restricted nonexpendable net position increased by \$9.0 million, restricted expendable net position increased by \$4.6 million, and unrestricted net position increased by \$0.6 million.

The \$9.0 million fiscal year 2019 increase in restricted nonexpendable net position is the result of continued strong giving to endowment funds. In fiscal year 2018, restricted nonexpendable increased \$8.4 million.

The \$4.6 million increase in restricted expendable net position is driven by an \$13.9 million increase in the net market value of the endowment offset by the endowment distribution of \$11.3 million, a \$0.9 million change in deferred inflow for split-interest agreements with donors, and an increase in funds held for University programs. In fiscal year 2018, restricted expendable funds increased by \$11 million driven by an \$18.5 million increase in market value of the endowment offset by the endowment distribution of \$10.9 million, an increase in the funds held for University programs, and a \$2.7 million change in the deferred inflow because of a new accounting standard, GASB Statement 81, related to irrevocable split-interest agreements with donors.

Unrestricted net position increased by \$0.6 million in fiscal year 2019 and \$0.2 million in 2018, both due to increases in unrestricted investments earnings. Higher overall market interest rates resulted in higher earnings in fiscal year 2019.

Total assets of the Foundation for the fiscal year ended June 30, 2019 were \$363 million, an increase of \$13.9 million since the fiscal year ended June 30, 2018. The net increase in assets primarily results from the increase in the fair market value of the pooled endowment fund, known as the CIT. The categorization of current or non-current assets depends largely on the underlying investment allocation decisions in the CIT and cash management fund. Current investments and cash increased by \$18 million while noncurrent assets decreased \$4 million primarily as a result of a reclassification to current from noncurrent in anticipation of funding due to the University for a large University capital project. Restricted cash is shown as a noncurrent asset.

The net asset value of the CIT after distributions and gifts increased \$11.3 million in fiscal year 2019 and \$16.1 million in fiscal year 2018. The asset value changes are largely due to the market fluctuations in the general worldwide investment markets and the asset allocation of the CIT. For fiscal year 2019, the CIT had a preliminary total return of 4.9%. The final return number will not be available until private equity funds report in October. In fiscal year 2018, the CIT had a preliminary return of 6.9% and a final return of 7.4%. The preliminary annualized return for the ten year period ended June 30, 2019 is 8.4%. The Foundation is committed to the long-term focus of the endowment portfolio and the diversity of the asset allocation.

Total liabilities of the Foundation for the fiscal year ended June 30, 2019 were \$29.5 million, a decrease of \$1.3 million from the prior fiscal year, primarily resulting from a \$1.0 million reduction of the split-interest trust liability and a \$0.7 million reduction of other payables. In addition, the Foundation generated endowment earnings of \$11.3 million to be transferred to the University for fiscal year 2019 scholarships and programs resulting in a \$0.4 million increase in liability for amounts to be transferred to the University.

Statements of Revenues, Expenses and Changes in Net Position

Changes in total net position, as presented on the statements of net position, are based on the activity presented in the statements of revenues, expenses and changes in net position. The purpose of the statements are to present the revenues received by the Foundation, both operating and nonoperating, and the expenses paid by the Foundation.

The Foundation receives operating revenues for providing services to constituents of the institution. Operating expenses are expenses paid to acquire or produce the goods and services provided in return for the operating revenues. The main purpose of the Foundation is the stewardship of the endowment and to support the University by accepting, managing, and distributing gifts. Gift and investment income comprise the majority of the revenue received in a given year. Likewise, the primary use of such funds is to distribute them to the University.

Condensed Statements of Revenues, Expenses and Changes in Net Position Years Ended June 30, 2019 and 2018

	2019	2018	Change 2018 to 2019	2017	Change 2017 to 2018
Operating revenues	\$ 39,493,060	\$ 42,415,482	\$ (2,922,422)	\$ 50,065,698	\$ (7,650,216)
Operating expenses	25,267,804	22,883,653	2,384,151	24,312,031	(1,428,378)
Operating income (loss)	14,225,256	19,531,829	(5,306,573)	25,753,667	(6,221,838)
Change in Financial Position	14,225,256	19,531,829	(5,306,573)	25,753,667	(6,221,838)
Net Position, Beginning of Year	314,401,995	294,870,166	19,531,829	269,116,499	25,753,667
Net Position, End of Year	<u>\$ 328,627,251</u>	<u>\$ 314,401,995</u>	<u>\$ 14,225,256</u>	<u>\$ 294,870,166</u>	<u>\$ 19,531,829</u>

The net position increased \$14.2 million during fiscal year 2019 as explained by the following notable items:

The change in fair value of investments was \$10.5 million in fiscal year 2019, \$3.9 million less than the \$14.4 million change in fair value in fiscal year 2018. Fair market value changes are a result of overall market performance and are the primary reason for the \$2.9 million decrease in operating revenue in fiscal year 2019 as compared to fiscal year 2018. The fair value increases were \$3.9 million less than the prior year with gift revenue increasing by \$0.9 million, investment income increasing by \$0.6 million, and other income decreasing by \$0.5 million resulting in the \$2.9 million change in revenue between fiscal years 2018 and 2019.

For fiscal year 2019, overall operating expenses increased by \$2.4 million, primarily resulting from a \$1.6 million increase in distributions to the University for outright gifts, which vary each year depending on University projects. Endowment distributions increased by \$0.4 million. The Foundation strives to keep administrative expenses as low as possible while providing excellent service to its donors and the University. Administrative expenses increased \$0.4 million as a result of several categories of increased costs in fiscal year 2019.

The Foundation distributed a total of \$22.6 million from outright gifts and CIT earnings to the University in fiscal year 2019. Outright gifts were \$11.3 million and \$9.7 million, respectively, for fiscal years 2019 and 2018. These outright gifts support scholarships, faculty, program operations, and building projects at the University. CIT earnings distributed were \$11.3 million and \$10.9 million, respectively, for fiscal years 2019 and 2018. The CIT used a spending rate of 4.4% of the three-year rolling average for both fiscal years 2019 and 2018.

The Foundation is very proud of the opportunity and resources the CIT endowment earnings provide the University, and consider the stewardship of the CIT endowment pool a primary mission. The Foundation distributed over \$199 million from endowment earnings to fund scholarships and programs for the University since the establishment of the CIT in 1959, including more than \$150 million since 2000.

Economic Outlook

Through the volunteer leadership of its Board of Directors and its professional staff, the Foundation strives to ensure that the University continues to provide excellence in education and research on a state, national, and global level.

The Foundation directors and staff take seriously their mission to inspire, manage, and distribute private support to enhance the excellence of the University. With total assets of over \$363 million, the University of Idaho Foundation is the largest public foundation in the State. The Foundation will continue to support the University to ensure the margin of excellence for the outstanding students, faculty, and programs at the University.

For further information, please refer to the financial statements and corresponding footnotes.

University of Idaho Foundation, Inc.

Statements of Net Position

June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 14,493,160	\$ 6,889,365
Accrued interest and other receivables	276,762	248,646
Promises to give, net	1,358,300	1,088,960
Investments	24,214,225	14,119,854
Notes receivable	24,915	101,582
Total current assets	<u>40,367,362</u>	<u>22,448,407</u>
Noncurrent Assets		
Restricted cash and cash equivalents	14,091,462	26,920,677
Promises to give, net	3,414,362	2,221,147
Investments	300,361,894	292,627,721
Notes receivable	-	30,577
Real estate holdings	4,865,957	4,963,457
Other assets	312,347	319,051
Total noncurrent assets	<u>323,046,022</u>	<u>327,082,630</u>
	<u>\$ 363,413,384</u>	<u>\$ 349,531,037</u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 203,550	\$ 890,150
Other funds due to University of Idaho	10,000,000	-
Liability for split interest trusts	801,008	1,091,545
Endowment earnings payable to trust beneficiaries	11,312,048	10,929,770
Total current liabilities	<u>22,316,606</u>	<u>12,911,465</u>
Noncurrent Liabilities		
Other funds due to University of Idaho	-	10,000,000
Liability for split interest trusts	7,186,343	7,867,540
Total noncurrent liabilities	<u>7,186,343</u>	<u>17,867,540</u>
Total liabilities	<u>29,502,949</u>	<u>30,779,005</u>
Deferred Inflow		
Split interest trusts	5,283,184	4,350,037
Total deferred inflow	<u>5,283,184</u>	<u>4,350,037</u>
Net Position		
Restricted - nonexpendable	246,202,912	237,176,160
Restricted - expendable	74,672,796	70,092,088
Unrestricted	7,751,543	7,133,747
Total net position	<u>328,627,251</u>	<u>314,401,995</u>
	<u>\$ 363,413,384</u>	<u>\$ 349,531,037</u>

University of Idaho Foundation, Inc.
 Statements of Revenues, Expenses, and Changes in Net Position
 Years Ended June 30, 2019 and 2018

	2019	2018
Operating Revenues		
Gifts	\$ 22,015,344	\$ 21,117,965
Dividends	5,428,135	5,393,345
Interest	1,436,619	839,839
Change in fair value of investments	10,508,129	14,372,680
(Loss) gain on sale of real estate holdings	(73,500)	(141,000)
Lease and rental income	104,123	113,020
Other	74,210	719,633
	<u>39,493,060</u>	<u>42,415,482</u>
Operating Expenses		
Distribution of endowment income to trust beneficiaries	11,312,048	10,929,770
Distribution to University and affiliates	11,299,351	9,669,738
Administrative expense	2,523,297	2,147,407
Property management	55,617	27,960
Other	77,491	108,778
	<u>25,267,804</u>	<u>22,883,653</u>
Operating Income	<u>14,225,256</u>	<u>19,531,829</u>
Change in Net Position	<u>14,225,256</u>	<u>19,531,829</u>
Net Position, Beginning of Year	<u>314,401,995</u>	<u>294,870,166</u>
Net Position, End of Year	<u>\$ 328,627,251</u>	<u>\$ 314,401,995</u>

University of Idaho Foundation, Inc.

Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Activities		
Donations received	\$ 16,142,082	\$ 17,349,496
Investment income	7,309,856	6,685,973
Cash received from lease and rental income	104,123	113,020
Split interest trust obligations	(74,061)	(484,382)
Real estate contracts	107,244	101,582
Net distributions for the benefit of trust beneficiaries	(10,929,770)	(10,675,358)
Funds held for the University of Idaho	-	10,000,000
Distributions for the benefit of University of Idaho	(12,109,237)	(10,347,272)
Administrative and management fees	(3,285,512)	(1,380,576)
Proceeds from sales of real estate holdings	2,775,652	378,036
Proceeds from sales and maturities of investments	46,566,069	72,460,069
Purchase of investments and related fees	(51,835,289)	(70,773,578)
Other receipts	3,423	659,158
	<u>(5,225,420)</u>	<u>14,086,168</u>
Net Cash (used for) from Operating Activities		
Net Change in Cash and Cash Equivalents	(5,225,420)	14,086,168
Cash and Cash Equivalents, Beginning of Year	<u>33,810,042</u>	<u>19,723,874</u>
Cash and Cash Equivalents, End of Year	<u>\$ 28,584,622</u>	<u>\$ 33,810,042</u>

University of Idaho Foundation, Inc.

Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of Operating Income to Net		
Cash and cash equivalents from Operating Activities		
Operating income	\$ 14,225,256	\$ 19,531,829
Adjustments to reconcile operating income to net cash from operating activities		
Capital contributions	(4,378,241)	(2,919,262)
Uncollectible expense	77,391	108,778
Loss (gain) on sale of real estate holdings	73,500	141,000
Proceeds from sales of real estate holdings	2,775,652	378,036
Proceeds from sales and maturities of investments	46,566,069	72,130,595
Purchase of investments and related fees	(51,835,289)	(70,773,577)
Change in fair value of investments	(10,932,735)	(14,153,871)
Changes in assets and liabilities		
Accrued interest and other receivables	(28,116)	(21,366)
Promises to give	(1,539,946)	(248,469)
Other receivables, net and other assets	113,948	149,885
Liability for split interest trusts	(971,734)	1,409,021
Accounts payable	(686,600)	818,404
Endowment earnings payable to trust beneficiaries	382,278	10,254,412
Deferred inflow split interest trust	933,147	(2,719,247)
Net Cash (used for) from Operating Activities	<u>\$ (5,225,420)</u>	<u>\$ 14,086,168</u>
Noncash Activities		
Noncash gifts	<u>\$ 4,378,241</u>	<u>\$ 2,919,262</u>

Note 1 - Organization and Summary of Significant Accounting Policies

The University of Idaho Foundation, Inc., (the Foundation) is a nonprofit corporation whose objective is to facilitate the acceptance and management of gifts for the benefit of the University of Idaho (the University). In this capacity, the Foundation is considered to be a discrete component unit of the University. Accordingly, the Foundation is included in the University's financial statements as a discretely presented component unit. Transactions with the University relate primarily to the disbursement of gift funds.

Included within the Foundation is the Consolidated Investment Trust (CIT), which is a pooled investment fund for endowment assets having a market value of \$290.8 million and \$279.9 million at June 30, 2019 and 2018, respectively. The significant accounting policies followed by the Foundation are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting

The Foundation uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. The statements of net position and the statements of revenues, expenses, and changes in net position display information about the Foundation. These statements include the financial activity of the overall reporting entity.

The statements of revenues, expenses, and changes in net position are statements of financial activities related to the current reporting period.

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds have been combined to report by classification and only the net position is shown.

Restricted resources may only be utilized in accordance with the purposes established by the source of such resources and are in contrast with unrestricted resources over which the Directors of the Foundation retain full control to use in fulfilling the Foundation's objectives.

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.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and temporary investments with an original maturity of three months or less at the date of acquisition. For cash flow purposes, the cash balance includes both restricted and unrestricted cash and cash equivalents.

Promises to Give

The Foundation reports promises to give made by donors that are measurable, verifiable, unconditional, and are probable of collection. Promises to give are recorded net of estimated uncollectible amounts.

Investments

The Foundation accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and GASB Statement No. 72, *Fair Value Measurement and Application*. Changes in unrealized gains or losses on the carrying value of investments are reported as a component of the change in fair value of investments in the statements of revenues, expenses, and changes in net position.

Current investments are comprised of the investment balances that are not restricted for endowments. This category excludes debt securities.

Restricted Cash and Cash Equivalents and Investments

Cash and cash equivalents and investments that are restricted in accordance with donor stipulations for endowments are classified as noncurrent assets in the statements of net position.

Real Estate Holdings

Investments in real estate are stated at cost, which approximates fair value, when purchased or constructed, or if acquired by gift, at the estimated fair value at the date of the gift. Cost includes expenditures for major improvements and the net amount of interest cost associated with significant capital additions. Gains and losses from sales are included in income as they occur. Routine repairs and maintenance are charged to operating expense in the period in which the expense was incurred.

Split-Interest Agreements

The Foundation applies GASB Statement No. 81, *Irrevocable Split-Interest Agreements* to account for irrevocable charitable remainder trusts and charitable gift annuity agreements. Assets, liabilities, and deferred inflows related to split-interest agreements for which the Foundation is the trustee and is the designated remainderman for the trusts' assets are included in the accompanying statements of net position. Trust assets are recorded at fair value and a liability is recorded for the present value of estimated distributions to the beneficiaries. The liability is calculated using life expectancy tables and discount rates published by the Internal Revenue Service. The deferred inflow represents resources pursuant to an irrevocable split-interest agreement. These resources will be recognized as gift revenue upon the termination of the agreements.

Deferred Inflows

Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until termination. The Foundation's unavailable revenues from split-interest agreements are reported as deferred inflows of resources on the Statements of Net Position.

Net Position

The Foundation applies GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, as amended, which establishes standards for external reporting for government entities and requires that resources are classified for accounting and reporting purposes into the following three net position categories:

Restricted Nonexpendable—Net position that is subject to donor stipulations that must be maintained permanently by the Foundation.

Restricted Expendable—Net position that is subject to donor stipulations that will be transferred to the University for direct use by a designated program.

Unrestricted—Net position that is not subject to donor stipulations, which may be expended for any lawful purpose of the Foundation.

Revenue Recognition

All income, gains and losses arising from the sale, collection or disposition of investments and other noncash assets are accounted for in the fund owning such assets.

Noncash tangible assets, other than marketable securities, contributed to the Foundation are recorded on the date legal title passes at the appraised value; which is considered the acquisition value, when it is provided by an independent third party acceptable to Foundation management. If no such independent third party appraisal is available, the asset is recorded at an objective, verifiable basis which is, in the judgment of Foundation management, a fair value to the Foundation for its purposes. Marketable securities contributed to the Foundation are recorded at fair value as of the date of the gift. In-kind contributions of labor and services are not recorded.

Operating and Nonoperating Revenues and Expenses

The Foundation's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Transactions deemed by management to be ongoing, major, or central to the Foundation primary operations are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as other nonoperating revenues and expenses.

Income Taxes

The Foundation is a tax-exempt organization under Section 501(c)(3) and, as such, is subject to federal income tax only on net unrelated business income.

Note 2 - Cash and Cash Equivalents

The Foundation accounts for its cash on a pooled basis whereby each fund has a positive or negative equity in cash depending upon the net effect of its cash receipts and disbursements activity.

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 of a depository financial institution, the Foundation may not be able to recover its deposits or may not be able to recover collateral securities that are in possession of an outside party. The Foundation received \$10 million cash on the last working day of fiscal year 2018 after the cut-off to invest, and thus held the cash uninsured until investing on the first working day of fiscal year 2019. Deposits for the years ended June 30, 2019 and 2018 that are uninsured and uncollateralized are as follows:

	<u>2019</u>	<u>2018</u>
Uninsured and uncollateralized	<u>\$ 168,384</u>	<u>\$ 10,485,850</u>

Note 3 - Promises to Give

For the fiscal years ended June 30, 2019 and 2018, the Foundation recorded \$2,579,684 and \$1,589,784 respectively, of gift revenue in the form of unconditional promises to give. An uncollectible promises to give expense in the amount of \$77,391 and \$108,778 was recorded for fiscal years ended June 30, 2019 and 2018, respectively.

The estimated collection of these gifts is as follows:

One year or less	\$ 1,429,811
2021	1,151,592
2022	822,239
2023	582,763
2024	260,863
2025-2029	<u>777,000</u>
	5,024,268
Less allowance for promises to give	<u>(251,606)</u>
Unconditional promises to give, end of year	<u>\$ 4,772,662</u>

In fiscal year 2019, the Foundation received an unconditional promise to give from a single donor that accounted for 25% of the total promises to give balance. The donor has already begun payments as of the issuance of these financials. In fiscal year 2018, there were no unconditional promises to give from a single donor exceeding 10% of the total promise to give balance. Outstanding promises to give from board and audit committee members at June 30, 2019 and 2018 totaled \$238,400 and \$487,800, respectively.

Note 4 - Investments

Investments represent the largest asset of the Foundation making up 89% and 88% of the total assets at June 30, 2019 and 2018, respectively. Of those investments, 85% and 86% 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 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 7.99% of total investments.

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, 2019</u>					
Commingled funds					
Debt funds	1	\$ 21,302,344	\$ -	Daily	None
International equity	1	15,537,488	-	Monthly	15 days
Private equity funds	16	25,929,654	22,339,834	Illiquid	N/A
Total		<u>\$ 62,769,486</u>	<u>\$ 22,339,834</u>		
<u>As of June 30, 2018</u>					
Commingled funds					
Debt funds	1	\$ 19,661,488	\$ -	Daily	None
International	1	15,266,313	-	Monthly	15 days
Private equity funds	12	19,640,191	26,271,736	Illiquid	N/A
Total		<u>\$ 54,567,992</u>	<u>\$ 26,271,736</u>		

University of Idaho Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

The methods described 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, 2019, the fair value of restricted and unrestricted investments was \$315,252,481 and \$9,323,638, respectively. At June 30, 2018, the fair value of restricted and unrestricted investments was \$297,046,572 and \$9,701,003, respectively.

The following table represents the fair value of investments by type at June 30, 2019 and 2018:

	2019	2018
U.S. government agency obligations	\$ 3,541,873	\$ 3,463,838
Corporate debt	24,367,370	21,807,179
U.S. treasuries	5,781,452	4,433,072
Common stock	62,972,009	60,226,698
Mutual funds		
U.S. equity	58,006,640	56,043,487
Debt	26,933,546	25,795,014
International/Emerging markets	50,932,791	51,988,214
Inflation protected	14,720,309	14,464,013
U.S. treasury	14,527,492	13,863,947
Commingled funds	36,839,832	34,927,801
Private equity	25,929,654	19,640,191
Preferred stock	23,151	94,121
	<u>\$ 324,576,119</u>	<u>\$ 306,747,575</u>

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

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
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 and treasuries	-	9,323,325	-
Mutual funds	56,181,347	-	-
	<u>\$ 228,115,938</u>	<u>\$ 33,690,695</u>	<u>\$ -</u>

University of Idaho Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
As of June 30, 2018			
Equity investments			
Common stock	\$ 60,226,698	\$ -	\$ -
Preferred stock	94,121	-	-
Mutual funds	108,031,701	-	-
Fixed income investments			
Corporate bonds	-	21,807,179	-
U.S. government agency obligations and treasuries	-	7,896,910	-
Mutual funds	54,122,974	-	-
	<u>\$ 222,475,494</u>	<u>\$ 29,704,089</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.

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>

University of Idaho Foundation, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

As of June 30, 2018, 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	\$ 21,807,179	\$ 4,857,641	\$ 15,429,646	\$ 364,238	\$ 1,155,654
U.S. government agency obligations	3,463,838	498,885	2,915,550	780	48,623
U.S. treasuries	4,433,072	1,746,545	2,686,527	-	-
	<u>\$ 29,704,089</u>	<u>\$ 7,103,071</u>	<u>\$ 21,031,723</u>	<u>\$ 365,018</u>	<u>\$ 1,204,277</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, 2019, the Foundation had the following investment credit risk:

Investment Ratings	Investment Type		
	U.S. Government Agency Obligations	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	-	-	-
CCC	-	161,250	161,250
Not Rated	-	292,108	292,108
	<u>\$ 3,541,873</u>	<u>\$ 24,367,370</u>	<u>\$ 27,909,243</u>

At June 30, 2018, the Foundation had the following investment credit risk:

Investment Ratings	Investment Type		
	U.S. Government Agency Obligations	Corporate Debt	Total
AAA	\$ -	\$ 965,165	\$ 965,165
AA	3,463,838	5,176,690	8,640,528
A	-	10,349,840	10,349,840
BBB	-	4,580,362	4,580,362
BB	-	263,462	263,462
B	-	185,250	185,250
D	-	118	118
Not Rated	-	286,292	286,292
	<u>\$ 3,463,838</u>	<u>\$ 21,807,179</u>	<u>\$ 25,271,017</u>

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 the 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 2019 and 2018, 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, 2019 and 2018 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.

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

Currency Type	2019 Fair Value	2018 Fair Value
AUD Australia	\$ 1,177,486	\$ 956,183
CAD Canada	438,834	401,914
CHF Switzerland	2,064,092	1,737,171
DKK Denmark	811,765	816,905
EUR Euro	4,883,815	3,983,197
GBP Great Britain	3,470,454	3,160,039
HKD Hong Kong	2,056,737	2,733,941
JPY Japan	660,929	785,235
SGD Singapore	629,824	-
	\$ 16,193,936	\$ 14,574,585

Note 5 - Notes Receivable

Notes receivable are held in escrow and substantially all are collateralized by real estate. Interest earnings on the contracts are to be used for the purposes specified by the donor. Principal payments on the contracts are added to the corpus of the appropriate endowment as they are received. Notes and other contracts receivable at June 30 consist of the following:

	<u>2019</u>	<u>2018</u>
Note receivable dated March 5, 1993, due in equal installments of principal and interest payments of \$74,704, including interest at 6% per annum, through 2019.	\$ -	\$ 89,196
Note receivable dated April 20, 2015, due in equal installments of principal and interest payments of \$13,103, including interest at 5% per annum, through 2019.	-	12,117
Note receivable dated April 20, 2015, due in equal installments of principal and interest payments of \$7,319, including interest at 4.5% per annum, through 2024.	<u>24,915</u>	<u>30,846</u>
	<u>\$ 24,915</u>	<u>\$ 132,159</u>

Note 6 - Real Estate Holdings

Real estate holdings consist of the following at June 30, 2019 and 2018:

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Real estate holdings				
Land	<u>\$ 4,963,457</u>	<u>\$ 2,745,000</u>	<u>\$ (2,842,500)</u>	<u>\$ 4,865,957</u>
	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Real estate holdings				
Land	<u>\$ 4,420,457</u>	<u>\$ 1,054,000</u>	<u>\$ (511,000)</u>	<u>\$ 4,963,457</u>

Note 7 - Distributions to University of Idaho and Affiliates

During fiscal years 2019 and 2018, earnings from endowments invested in the CIT, direct gifts and other revenues to the Foundation were distributed as follows:

	2019		2018	
	CIT Endowment Income	Gifts and Other Revenues	CIT Endowment Income	Gifts and Other Revenues
Scholarships	\$ 6,796,415	\$ 1,748,396	\$ 6,589,073	\$ 2,588,860
Student loans	189,151	-	186,916	-
Building funds	-	4,221,615	-	795,692
University of Idaho College and Department Operating Accounts				
Academic Excellence	720,549	2,943	700,577	5,720
Agricultural and Life Sciences	562,850	1,742,017	534,244	1,767,011
Art and Architecture	19,202	213,074	18,897	180,554
Athletics	62,895	294,776	61,487	339,356
Business and Economics	440,647	209,403	426,424	428,829
Education	53,055	93,903	50,970	52,377
Engineering	383,887	633,408	353,003	1,099,934
Law	239,554	196,521	234,526	167,960
Letters, Art and Social Science	780,974	235,780	709,865	521,941
Library	204,727	9,130	191,469	20,038
Natural Resources	406,699	348,857	395,739	343,850
Science	211,473	256,288	209,276	330,180
Other departments	227,201	1,037,000	249,715	997,263
Life beneficiaries	12,355	-	17,180	-
University of Idaho affiliates	414	56,240	409	30,173
Total Distributions	\$ 11,312,048	\$ 11,299,351	\$ 10,929,770	\$ 9,669,738

Note 8 - Split-Interest Agreements

At June 30, 2019 and 2018, the Foundation managed 58 and 60 charitable gift arrangements of which the underlying assets have a market value of \$13,270,536 and \$13,309,122, respectively. The actuarial obligation to pay the trust beneficiaries at June 30, 2019 and 2018, was \$7,987,351 and \$8,959,085, respectively. The assets of the individual trusts are invested and are expected to generate sufficient income to pay this obligation until the termination of the individual trusts. Contributions of \$150,951 and \$20,000 were received in connection with split-interest agreements during the years ended June 30, 2019 and 2018, respectively. During the year ended June 30, 2019, 4 agreements with a market value of \$257,478 were terminated. During the year ended June 30, 2018, 8 agreements with a market value of \$1,213,898 were terminated.

Activity for the year ended June 30, 2019 and 2018 was as follows:

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Liability for split interest trusts	<u>\$ 8,959,085</u>	<u>\$ 72,920</u>	<u>\$ (1,044,654)</u>	<u>\$ 7,987,351</u>	<u>\$ 801,008</u>
	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Liability for split interest trusts	<u>\$ 7,550,064</u>	<u>\$ 1,904,244</u>	<u>\$ (495,223)</u>	<u>\$ 8,959,085</u>	<u>\$ 1,091,545</u>

Note 9 - Endowments

The Foundation receives certain gift assets that are restricted for endowment purposes, and by definition the original gift amount is held 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, 2019 and 2018, \$8,320,547 and \$6,517,420 were contributed to endowments, respectively.

The Foundation Board of Directors establishes a spending rate annually for endowments. The approved fiscal year 2019 and 2018 spending rate was set at 4.4% of the three-year rolling average of the CIT's monthly fair market value.

During the fiscal years ended June 30, 2019 and 2018, the endowments held by the Foundation had net appreciation on endowments of \$9,754,511 and \$14,862,172, respectively. Unrealized appreciation is included with the "Restricted – expendable" Net Position.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
University of Idaho Foundation, Inc.
Moscow, Idaho

We have audited, 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, the financial statements of the University of Idaho Foundation, Inc. (the Foundation) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated September 12, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and

material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
September 12, 2019