



Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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 18, 2020, 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 black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
September 18, 2020

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: 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, 2020 and 2019.

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 provide 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, 2020 and 2019

	2020	2019	Change 2019 to 2020	2018	Change 2018 to 2019
Assets					
Current assets	\$ 35,616,210	\$ 40,367,362	\$ (4,751,152)	\$ 22,448,407	\$ 17,918,955
Real estate holdings	5,166,957	4,865,957	301,000	4,963,457	(97,500)
Noncurrent investments	301,684,058	300,361,894	1,322,164	292,627,721	7,734,173
Other assets	19,796,056	17,818,171	1,977,885	29,491,452	(11,673,281)
Total Assets	362,263,281	363,413,384	(1,150,103)	349,531,037	13,882,347
Liabilities					
Current liabilities	14,155,232	22,316,606	(8,161,374)	12,911,465	9,405,141
Noncurrent liabilities	13,308,972	7,186,343	6,122,629	17,867,540	(10,681,197)
Total Liabilities	27,464,204	29,502,949	(2,038,745)	30,779,005	(1,276,056)
Deferred Inflow					
Split interest trusts	3,857,664	5,283,184	(1,425,520)	4,350,037	933,147
Total Deferred Inflow	3,857,664	5,283,184	(1,425,520)	4,350,037	933,147
Net Position					
Restricted - nonexpendable	256,117,549	246,202,912	9,914,637	237,176,160	9,026,752
Restricted - expendable	67,708,084	74,672,796	(6,964,712)	70,092,088	4,580,708
Unrestricted	7,115,780	7,751,543	(635,763)	7,133,747	617,796
Total Net Position	\$ 330,941,413	\$ 328,627,251	\$ 2,314,162	\$ 314,401,995	\$ 14,225,256

During fiscal year 2020, the total net position of the Foundation increased by \$2.3 million. Restricted nonexpendable net position increased by \$9.9 million, restricted expendable net position decreased by \$7.0 million, and unrestricted net position increased by \$0.6 million.

The \$9.9 million fiscal year 2020 increase in restricted nonexpendable net position is the result of continued strong giving to endowment funds. In fiscal year 2019, restricted nonexpendable increased \$9.0 million.

The \$7.0 million decrease in restricted expendable net position is driven by the change in the net market value of the investments and distributions to the University offset by investment earnings and gift revenue. In fiscal year 2019, restricted expendable funds increased by \$4.6 million driven by an increase in market value of the endowment offset by the endowment distributions.

Unrestricted net position decreased by \$0.6 million in fiscal year 2020 and increased \$0.6 million in 2019, both due to changes in unrestricted investments earnings. Lower overall market interest rates and conditions resulted in lower earnings and the decrease in fiscal year 2020.

Total assets of the Foundation for the fiscal year ended June 30, 2020, were \$362 million, a decrease of \$1.1 million since the fiscal year ended June 30, 2019. The net decrease in assets primarily results from the decrease 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 decreased by \$4.7 million while noncurrent assets increased by \$3.6 million primarily as a result of a reclassification from current to noncurrent because of a change in timing 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 decreased \$3.4 million in fiscal year 2020 and increased \$11.3 million in fiscal year 2019. The asset value changes are largely due to the market fluctuations in the general worldwide investment markets, the asset allocation of the CIT, and the spending distributions to the University that exceeded current year performance because of the spending rate applied to the 36 month rolling average market value to compute distributions. As of the end of fiscal year 2020, the CIT had almost recovered from the COVID-19 market downturn with a preliminary return of -0.4%. The final return will not be available until private equity funds report in October 2020. In fiscal year 2019, the CIT had a preliminary return of 4.9% and a final return of 5.3%. The preliminary annualized return for the ten year period ended June 30, 2020, is 6.9%. 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, 2020, were \$27.5 million, a decrease of \$2 million from the prior fiscal year, primarily resulting from a \$3.8 million decrease in liability for amounts transferred to the University combined with increases for unearned revenue of \$1 million, a \$0.5 million increase of the split-interest trust liability, and a \$0.3 million increase of other payables.

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 is to present the revenues received by the Foundation, both operating and nonoperating, and the expenses paid by the Foundation.

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. The Foundation also receives operating revenues for providing services to constituents of the institution and incurs expenses to provide such services. Operating expenses include expenses paid to acquire or produce the goods and services provided in return for the operating revenues.

Condensed Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2020 and 2019

	2020	2019	Change 2019 to 2020	2018	Change 2018 to 2019
Operating revenues	\$ 28,431,744	\$ 39,493,060	\$ (11,061,316)	\$ 42,415,482	\$ (2,922,422)
Operating expenses	<u>26,117,582</u>	<u>25,267,804</u>	<u>849,778</u>	<u>22,883,653</u>	<u>2,384,151</u>
Operating income (loss)	2,314,162	14,225,256	(11,911,094)	19,531,829	(5,306,573)
Change in Financial Position	<u>2,314,162</u>	<u>14,225,256</u>	<u>(11,911,094)</u>	<u>19,531,829</u>	<u>(5,306,573)</u>
Net Position, Beginning 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>
Net Position, End of Year	<u><u>\$330,941,413</u></u>	<u><u>\$328,627,251</u></u>	<u><u>\$ 2,314,162</u></u>	<u><u>\$314,401,995</u></u>	<u><u>\$ 14,225,256</u></u>

The net position increased \$2.3 million during fiscal year 2020 as explained by the following notable items:

Gift revenue increased by \$3 million and other revenue increased by \$0.3 million over the prior year. The change in fair value of investments was \$3.9 million in fiscal year 2020, which was \$14.4 million less than the change in fair value in fiscal year 2019. The decrease in this fair market value combined with the increased revenue resulted in a net decrease of \$11.1 million in revenues as compared to the prior year. Fair market value decreases are the result of overall market performance including the market impact of COVID-19 in March of 2020. Also, the Foundation uses a 36 month average spending rate to determine endowment distributions which may lead to a reduction of the value of the endowment when the spending is higher than investment performance which occurred in 2020.

For fiscal year 2020, overall operating expenses increased by \$0.8 million, primarily resulting from increases of amounts paid to the University. Increases included a \$0.3 million increase in distributions to the University for outright gifts, which vary each year depending on University projects, and an increase for endowment distributions of \$0.4 million transferred to the University. The Foundation strives to keep administration expenses as low as possible while providing excellent service to its donors and the University. Administrative expenses remained almost constant with other expenses increasing by \$0.1 million during fiscal year 2020 because of the corresponding increase in uncollectable pledge expenses and pledges.

For fiscal year 2020, the Foundation distributed a total of \$23.4 million to the University comprised of \$11.8 from the CIT and \$11.6 from outright gifts. For fiscal year 2019, the Foundation distributed a total of \$22.6 million comprised of \$11.3 million from the CIT and \$11.3 million from outright gifts. These distributions support scholarships, faculty, program operations, and projects at the University. The CIT used a spending rate of 4.3% and 4.4% for fiscal years 2020 and 2019, respectively, of the 36-month rolling average fair market value.

The Foundation is very proud of the opportunity and resources the CIT endowment earnings provide the University, and considers the stewardship of the CIT endowment pool a primary objective. The Foundation distributed \$211 million from endowment earnings to fund scholarships and programs for the University since the establishment of the CIT in 1959, including \$162 million since 2000.

Economic Outlook

The Foundation successfully pivoted to remote operations when necessitated during the year because of COVID-19. The office is currently open and has the versatility to shift again, if required. Gift levels sustained during the current fiscal year 2020 with COVID-19. We remain cautiously optimistic about the upcoming fiscal year. Regardless, the Foundation has enough assets and cash to operate, fulfill obligations, and continue support to the University.

Through its professional staff and the volunteer leadership of its Board of Directors, 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 \$362 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, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,859,170	\$ 14,493,160
Accrued interest and other receivables	310,131	276,762
Promises to give, net	1,732,393	1,358,300
Investments	28,714,516	24,214,225
Notes receivable	-	24,915
Total current assets	<u>35,616,210</u>	<u>40,367,362</u>
Noncurrent Assets		
Restricted cash and cash equivalents	13,625,510	14,091,462
Promises to give, net	5,812,426	3,414,362
Investments	301,684,058	300,361,894
Real estate holdings	5,166,957	4,865,957
Other assets	358,120	312,347
Total noncurrent assets	<u>326,647,071</u>	<u>323,046,022</u>
	<u>\$ 362,263,281</u>	<u>\$ 363,413,384</u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 537,973	\$ 203,550
Other funds due to University of Idaho	-	10,000,000
Liability for split interest trusts	866,083	801,008
Unearned revenue	1,000,000	-
Endowment earnings payable to trust beneficiaries	11,751,176	11,312,048
Total current liabilities	<u>14,155,232</u>	<u>22,316,606</u>
Noncurrent Liabilities		
Other funds due to University of Idaho	5,695,667	-
Liability for split interest trusts	7,613,305	7,186,343
Total noncurrent liabilities	<u>13,308,972</u>	<u>7,186,343</u>
Total liabilities	<u>27,464,204</u>	<u>29,502,949</u>
Deferred Inflow		
Split interest trusts	3,857,664	5,283,184
Total deferred inflow	<u>3,857,664</u>	<u>5,283,184</u>
Net Position		
Restricted - nonexpendable	256,117,549	246,202,912
Restricted - expendable	67,708,084	74,672,796
Unrestricted	7,115,780	7,751,543
Total net position	<u>330,941,413</u>	<u>328,627,251</u>
	<u>\$ 362,263,281</u>	<u>\$ 363,413,384</u>

University of Idaho Foundation, Inc.
 Statements of Revenues, Expenses, and Changes in Net Position
 Years Ended June 30, 2020 and 2019

	2020	2019
Operating Revenues		
Gifts	\$ 25,046,410	\$ 22,015,344
Dividends	5,282,475	5,428,135
Interest	1,191,579	1,436,619
Change in fair value of investments	(3,882,972)	10,508,129
Gain (loss) on sale of real estate holdings	397,500	(73,500)
Lease and rental income	101,266	104,123
Other	295,486	74,210
Total operating revenues	28,431,744	39,493,060
Operating Expenses		
Distribution of endowment income to trust beneficiaries	11,751,176	11,312,048
Distribution to University and affiliates	11,577,585	11,299,351
Administrative expense	2,552,649	2,523,297
Property management	19,156	55,617
Other	217,016	77,491
Total operating expenses	26,117,582	25,267,804
Operating Income	2,314,162	14,225,256
Change in Net Position	2,314,162	14,225,256
Net Position, Beginning of Year	328,627,251	314,401,995
Net Position, End of Year	\$ 330,941,413	\$ 328,627,251

University of Idaho Foundation, Inc.

Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Activities		
Donations received	\$ 20,947,703	\$ 16,142,082
Investment income	6,910,189	7,309,856
Cash received from lease and rental income	101,266	104,123
Split interest trust obligations	9,387	(74,061)
Real estate contracts	24,915	107,244
Net distributions for the benefit of trust beneficiaries	(11,312,048)	(10,929,770)
Funds held for the University of Idaho	(4,304,333)	-
Distributions for the benefit of University of Idaho	(12,238,474)	(12,109,237)
Administrative and management fees	(2,257,350)	(3,285,512)
Proceeds from sales of real estate holdings	101,165	2,775,652
Proceeds from sales and maturities of investments	83,191,475	46,566,069
Purchase of investments and related fees	(91,306,534)	(51,835,289)
Other receipts	32,697	3,423
	<u>(10,099,942)</u>	<u>(5,225,420)</u>
Net Cash from Operating Activities	<u>(10,099,942)</u>	<u>(5,225,420)</u>
Net Change in Cash and Cash Equivalents	(10,099,942)	(5,225,420)
Cash and Cash Equivalents, Beginning of Year	<u>28,584,622</u>	<u>33,810,042</u>
Cash and Cash Equivalents, End of Year	<u>\$ 18,484,680</u>	<u>\$ 28,584,622</u>

University of Idaho Foundation, Inc.

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Income to Net		
Cash and cash equivalents from Operating Activities		
Operating income	\$ 2,314,162	\$ 14,225,256
Adjustments to reconcile operating income to net cash from operating activities		
Capital contributions	(2,251,441)	(4,378,241)
Uncollectible expense	217,016	77,391
Unrealized (gain) on real estate holdings	(417,000)	-
Loss on real estate holdings	19,500	73,500
Proceeds from sales of real estate holdings	101,165	2,775,652
Proceeds from sales and maturities of investments	83,191,475	46,566,069
Purchase of investments and related fees	(91,306,534)	(51,835,289)
Change in fair value of investments	4,539,380	(10,932,735)
Changes in assets and liabilities		
Accrued interest and other receivables	(33,369)	(28,116)
Promises to give	(2,989,173)	(1,539,946)
Other receivables, net and other assets	(20,858)	113,948
Liability for split interest trusts	492,037	(971,734)
Accounts payable	334,423	(686,600)
Endowment earnings payable to trust beneficiaries	439,128	382,278
Funds held in trust for University of Idaho	(4,304,333)	-
Deferred inflow split interest trust	(1,425,520)	933,147
Unearned revenue	1,000,000	-
Net Cash (used for) Operating Activities	<u>\$ (10,099,942)</u>	<u>\$ (5,225,420)</u>
Non-Cash Activities		
Noncash gifts	<u>\$ 2,251,441</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 \$285.6 million and \$290.8 million at June 30, 2020 and 2019, 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. Deposits for the years ended June 30, 2020 and 2019 that are uninsured and uncollateralized are as follows:

	<u>2020</u>	<u>2019</u>
Uninsured and uncollateralized	<u>\$ 195,079</u>	<u>\$ 168,384</u>

Note 3 - Promises to Give

For the fiscal years ended June 30, 2020 and 2019, the Foundation recorded \$4,340,330 and \$2,579,684, respectively, of gift revenue in the form of unconditional promises to give. An uncollectible promises to give expense in the amount of \$217,016 and \$77,391 was recorded for fiscal years ended June 30, 2020 and 2019, respectively.

The estimated collection of these gifts is as follows:

One year or less	\$ 1,814,280
2022	1,772,911
2023	1,526,488
2024	1,183,768
2025	582,000
2026-2030	<u>1,022,000</u>
	7,901,447
Less allowance for promises to give	<u>(356,628)</u>
Unconditional promises to give, end of year	<u>\$ 7,544,819</u>

At the end of fiscal year 2020, the Foundation had unconditional promises to give from three specific donors that accounted for 41% of the total promises to give balance. Outstanding promises to give from board and audit committee members at June 30, 2020 and 2019 totaled \$180,000 and \$238,400, respectively.

Note 4 - 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% 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 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:

	<u>Number of Investments</u>	<u>Principal Valuation Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<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 funds	19	33,192,672	32,051,211	Illiquid	N/A
Total		<u>\$ 70,169,546</u>	<u>\$ 32,051,211</u>		
<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>		

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.

University of Idaho Foundation, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

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:

	<u>2020</u>	<u>2019</u>
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
Commingled funds	36,976,874	36,839,832
Private equity	33,192,672	25,929,654
Preferred stock	17,980	23,151
	<u>\$ 330,398,574</u>	<u>\$ 324,576,119</u>

The related fair values 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 and treasuries	-	11,817,643	-
Mutual funds	56,929,858	-	-
	<u>\$ 216,149,489</u>	<u>\$ 44,079,539</u>	<u>\$ -</u>

University of Idaho Foundation, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

	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	-	-
	\$ 228,115,938	\$ 33,690,695	\$ -

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, 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	-	-
	\$ 44,079,539	\$ 18,773,460	\$ 24,175,444	\$ 258,722	\$ 871,913

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	-	-
	\$ 33,690,695	\$ 14,355,559	\$ 17,877,659	\$ 449,981	\$ 1,007,496

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 following investment credit risk:

Investment Ratings	Investment Type		
	U.S. Government Agency Obligations	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
Not Rated	-	230,024	230,024
	<u>\$ 4,166,115</u>	<u>\$ 32,261,896</u>	<u>\$ 36,428,011</u>

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
D	-	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>

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 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.

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

Currency Type	2020 Fair Value	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

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:

	2020	2019
Note receivable dated April 20, 2015, repaid during the current year	\$ -	\$ 24,915
	\$ -	\$ 24,915

Note 6 - Real Estate Holdings

Real estate holdings consist of the following at June 30, 2020 and 2019:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Real estate holdings				
Land	\$ 4,865,957	\$ 417,000	\$ (116,000)	\$ 5,166,957
	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Real estate holdings				
Land	\$ 4,963,457	\$ 2,745,000	\$ (2,842,500)	\$ 4,865,957

Note 7 - 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

Note 8 - Split-Interest Agreements

At June 30, 2020 and 2019, the Foundation managed 60 and 58 charitable gift arrangements of which the underlying assets had a market value of \$12,337,052 and \$13,270,536, respectively. The actuarial obligation to pay the trust beneficiaries at June 30, 2020 and 2019, was \$8,479,388 and \$7,987,351, 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 \$92,500 and \$150,951 were received in connection with split-interest agreements during the years ended June 30, 2020 and 2019, respectively. During the year ended June 30, 2020, 2 agreements with a market value of \$158,222 were terminated. During the year ended June 30, 2019, 4 agreements with a market value of \$257,478 were terminated.

Activity for the year ended June 30, 2020 and 2019 was as follows:

	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Liability for split interest trusts	<u>\$ 7,987,351</u>	<u>\$ 544,324</u>	<u>\$ (52,287)</u>	<u>\$ 8,479,388</u>	<u>\$ 866,083</u>
	<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>

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, 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 month rolling average of the CIT's 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 is included with the "Restricted – expendable" Net Position.