



Financial Statements
June 30, 2023 and 2022

Idaho State University Foundation, Inc.

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Independent Auditor's Report

The Board of Directors and Management
Idaho State University Foundation, Inc.
Pocatello, Idaho

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Idaho State University Foundation, Inc., which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Idaho State University Foundation, Inc. as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Idaho State University Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Idaho State University Foundation, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Idaho State University Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Idaho State University Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Eide Bailly LLP

Boise, Idaho
September 15, 2023

Idaho State University Foundation, Inc.
 Statements of Financial Position
 June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 11,170,690	\$ 3,242,688
Life insurance cash surrender value	159,691	151,698
Promises to give, net	13,689,201	17,849,813
Miscellaneous receivables	123,200	60,871
Advances to related parties	1,753,450	1,187,723
Prepaid expenses	134,758	84,737
Donated land held for ISU	205,793	205,793
Investments held under split interest agreements	2,144,188	2,434,422
Investments held for operations and endowments	95,399,179	92,641,018
	\$ 124,780,150	\$ 117,858,763
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 46,520	\$ 6,094
Scholarship and program support payable to Idaho State University	660,586	51,799
Obligations to beneficiaries under split-interest agreements	677,615	961,092
Funds held in custody for others	1,271,464	1,225,482
Long-term debt	3,000,000	3,000,000
Total liabilities	5,656,185	5,244,467
Net Assets		
Net assets without donor restrictions	5,333,481	3,377,441
Net assets with donor restrictions	113,790,484	109,236,855
Total net assets	119,123,965	112,614,296
	\$ 124,780,150	\$ 117,858,763

Idaho State University Foundation, Inc.

Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support, Revenue, and Gains			
Contributions and gifts	\$ 831,650	\$ 20,984,258	\$ 21,815,908
Donated materials and services	146,496	-	146,496
Net interest and dividends	363,554	2,860,842	3,224,396
Net realized gain on investments	(113,468)	4,008	(109,460)
Net unrealized loss on investments	964,380	(77,251)	887,129
Fees, charges, and miscellaneous	1,362,704	40,774	1,403,478
Net change in value of split-interest agreements and life insurance	-	46,762	46,762
Donor designated transfers	828,319	(828,319)	-
Net assets released from program restrictions	18,477,445	(18,477,445)	-
Total support, revenue and gains	22,861,080	4,553,629	27,414,709
Expenses			
Program services			
Academic, development and program support	18,812,452	-	18,812,452
Endowment and private resource management	5,227	-	5,227
Support services			
Management and general	1,442,922	-	1,442,922
Fundraising	644,439	-	644,439
Total expenses	20,905,040	-	20,905,040
Change in Net Assets	1,956,040	4,553,629	6,509,669
Net Assets, Beginning of Year	3,377,441	109,236,855	112,614,296
Net Assets, End of Year	\$ 5,333,481	\$ 113,790,484	\$ 119,123,965

Idaho State University Foundation, Inc.

Statement of Activities

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support, Revenue, and Gains			
Contributions and gifts	\$ 737,454	\$ 28,914,408	\$ 29,651,862
Donated materials and services	139,455	-	139,455
Net interest and dividends	554,446	5,448,373	6,002,819
Net realized/unrealized gain/(loss) on investments	(1,839,162)	(6,984,797)	(8,823,959)
Fees, charges, and miscellaneous	1,334,897	-	1,334,897
Net change in value of split-interest agreements and life insurance	4,918	(488,339)	(483,421)
Donor designated transfers	101,142	(101,142)	-
Net assets released from program restrictions	11,719,722	(11,719,722)	-
Total support, revenue and gains	12,752,872	15,068,781	27,821,653
Expenses			
Program services			
Academic, development and program support	11,262,613	-	11,262,613
Endowment and private resource management	8,953	-	8,953
Support services			
Management and general	1,244,329	-	1,244,329
Fundraising	810,655	-	810,655
Total expenses	13,326,550	-	13,326,550
Change in Net Assets	(573,678)	15,068,781	14,495,103
Net Assets, Beginning of Year	3,951,119	94,168,074	98,119,193
Net Assets, End of Year	\$ 3,377,441	\$ 109,236,855	\$ 112,614,296

Idaho State University Foundation, Inc.

Statement of Functional Expense

Year Ended June 30, 2023

	Program Services			Management and General	Fundraising	Total
	Academic, Development and Program Support	Endowment and Private Resource Management	Total			
Personnel costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Professional services	-	200	200	24,620	1,779	26,599
Printing and postage	-	-	-	27	-	27
Travel	-	-	-	525	-	525
Conferences and meetings	-	-	-	11,318	-	11,318
Credit card and processing fees	-	-	-	-	24,741	24,741
Life insurance premiums	-	-	-	-	68,880	68,880
Interest expense	-	-	-	120,000	-	120,000
Payments under planned gift instruments	-	5,027	5,027	-	-	5,027
Management and gift fees	-	-	-	961,814	316,638	1,278,452
Contributed services	-	-	-	146,496	-	146,496
Insurance	-	-	-	11,492	-	11,492
Accounting and audit fees	-	-	-	47,202	-	47,202
Bad debt expense	-	-	-	103,624	-	103,624
Information technology	97,028	-	97,028	15,804	16,881	129,713
Development office support	185,151	-	185,151	-	215,520	400,671
Promotional transfers	135,500	-	135,500	-	-	135,500
Scholarships	3,339,527	-	3,339,527	-	-	3,339,527
Athletics	1,284,144	-	1,284,144	-	-	1,284,144
General and capital support	13,771,102	-	13,771,102	-	-	13,771,102
Total expenses included in the expense section on the statement of activities	<u>\$ 18,812,452</u>	<u>\$ 5,227</u>	<u>\$ 18,817,679</u>	<u>\$ 1,442,922</u>	<u>\$ 644,439</u>	<u>\$ 20,905,040</u>

Idaho State University Foundation, Inc.

Statement of Functional Expense

Year Ended June 30, 2022

	Program Services			Management and General	Fundraising	Total
	Academic, Development and Program Support	Endowment and Private Resource Management	Total			
Personnel costs	\$ -	\$ -	\$ -	\$ 5,837	\$ -	\$ 5,837
Professional services	-	-	-	19,542	45,335	64,877
Printing and postage	-	-	-	537	-	537
Travel	-	-	-	1,859	-	1,859
Conferences and meetings	-	-	-	8,062	-	8,062
Credit card and processing fees	-	-	-	-	23,086	23,086
Life insurance premiums	-	-	-	-	68,880	68,880
Interest expense	-	-	-	120,000	-	120,000
Payments under planned gift instruments	-	8,953	8,953	-	-	8,953
Management and gift fees	-	-	-	867,542	462,747	1,330,289
Contributed services	-	-	-	139,455	-	139,455
Insurance	-	-	-	12,043	-	12,043
Accounting and audit fees	-	-	-	57,092	-	57,092
Bad debt expense	-	-	-	(3,191)	-	(3,191)
Information technology	87,060	-	87,060	15,551	13,922	116,533
Development office support	106,109	-	106,109	-	196,685	302,794
Promotional transfers	135,500	-	135,500	-	-	135,500
Scholarships	3,036,560	-	3,036,560	-	-	3,036,560
Athletics	62,999	-	62,999	-	-	62,999
General and capital support	7,834,385	-	7,834,385	-	-	7,834,385
Total expenses included in the expense section on the statement of activities	<u>\$ 11,262,613</u>	<u>\$ 8,953</u>	<u>\$ 11,271,566</u>	<u>\$ 1,244,329</u>	<u>\$ 810,655</u>	<u>\$ 13,326,550</u>

Idaho State University Foundation, Inc.

Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	\$ 6,509,669	\$ 14,495,103
Adjustments to reconcile change in net assets to net cash from operating activities		
Unrealized loss/(gain) on investments	797,637	11,116,116
Contributions restricted to endowment	(4,518,349)	(2,894,848)
Change in life insurance valuation	(45,527)	(20,067)
Change in value of split interest agreements	290,234	564,021
Gain on sale of donated property	-	(575,000)
Changes in assets and liabilities		
Promises to give	4,206,139	(14,220,323)
Life insurance cash surrender value	(7,993)	(4,919)
Miscellaneous receivables	(62,329)	(17,273)
Advances to related parties	(565,727)	(584,483)
Prepaid expenses	(50,021)	7,926
Accounts payable	40,426	(13,624)
Scholarships and program support payable to Idaho State University	608,787	30,165
Funds held in custody for others	68,582	4,496
Obligations to beneficiaries under split-interest agreement	150,027	146,269
Net Cash from Operating Activities	7,421,555	8,033,559
Investing Activities		
Proceeds from sale of investments	23,097,241	18,489,118
Purchase of investments	(26,077,491)	(27,170,617)
Proceeds from sale of land held for sale	-	700,000
Net Cash used for Investing Activities	(2,980,250)	(7,981,499)
Financing Activities		
Proceeds from contributions restricted to endowment	4,518,349	2,894,848
Donated securities	(598,148)	(496,660)
Payments to beneficiaries of split-interest agreements	(433,504)	(206,799)
Net Cash from Financing Activities	3,486,697	2,191,389
Change in Cash and Cash Equivalents	7,928,002	2,243,449
Cash and Cash Equivalents, Beginning of Year	3,242,688	999,239
Cash and Cash Equivalents, End of Year	\$ 11,170,690	\$ 3,242,688
	2023	2022
Supplemental Disclosures		
Cash paid for unrelated business income taxes	\$ 4,446	\$ 1,170

Note 1 - Foundation Operations and Significant Accounting Policies**Organization**

The Idaho State University Foundation, Inc. (the Foundation) is the primary affiliated foundation supporting Idaho State University (the University). The Foundation was formed in March 1967 as a not-for-profit corporation incorporated in accordance with the laws of the State of Idaho and is managed by a volunteer Board of Directors. Under the Idaho State Board of Education's administrative rules, the Foundation must be independent of, and cannot be controlled by the University. Operating and services agreements between the Foundation and the University define the relationship between the two entities in accordance with the State Board of Education's rules.

The mission of the Foundation is to stimulate voluntary private support from alumni, parents, friends, corporations, foundations, and others for the benefit of the University and its students. The mission is accomplished by focusing on two primary service areas.

Academic, development and program support

The Foundation supports private individuals and organizations in contributing to the University programs and projects that are meaningful to the donor and important to the University. The Foundation provides assurance that contributions will be received, distributed and used in the manner donor intended. The donated resources provide additional opportunities for students and promote a degree of institutional excellence unavailable with state funding levels.

Endowment and private resource management

The Foundation manages the endowment and other privately donated funds received for the benefit of the University and its programs. Management of these resources includes selection of investment advisors, establishing investment targets and allocations, enhancing returns invested funds and managing cash flows to meet the spending needs of the University from endowment and other funds.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature or other long-term purposes are excluded from this definition. Cash and cash equivalents held by investment managers are considered investments as the funds have been designated by the Foundation for investment purposes. Cash deposits at times during the years ended June 30, 2023 and 2022 exceeded FDIC insured limits.

Investments Held for Operations

The Foundation holds certain funds that are not intended for long-term investment as part of the endowment pool. These funds are expected to be called by the University or used for Foundation operations within a 3-year time frame, but could be called for at any time. The investment risk profile for these funds is intended to ensure the original value of the investments is maintained and the risk of loss is minimized.

Promises to Give

The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2023 and 2022, the allowance was \$239,130 and \$135,506, respectively.

Donated Land Held for ISU

The Foundation periodically receives donations of land which are held for resale or for use at the University. As of June 30, 2023 and 2022, the Foundation's only piece of land was held for the University. Such assets are recorded at fair value at date of donation. Subsequently, such assets are carried at the lower of their recorded amounts or fair value.

Assets Held and Liabilities under Split Interest Agreements

The Foundation administers life income agreements such as charitable remainder trusts where an income beneficiary is the lifetime recipient of income and the Foundation is the remainder beneficiary. Upon receipt of the gift, a liability is established for the estimated net present value of the lifetime recipient's interest using applicable mortality tables and a risk-adjusted discount rate designed to reflect the assumptions market participants would make in pricing the liability. A contribution is recognized for the estimated remainder interest.

Charitable Trusts

The Foundation acts as trustee for various irrevocable trusts. These trusts are governed by the respective trust agreements, which generally provide for a future distribution of cash or other assets upon the occurrence of a specific event. Trust assets are recorded at fair value, and a related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the trust liability is recorded as a contribution with donor restrictions until such amount is received via trust distribution or is expended in satisfaction of the donor-restricted purpose stipulated by the trust agreement, or both, if any. At that time, net assets with donor-imposed time or purpose restrictions are released to net assets without restrictions, and net assets with donor restrictions that are perpetual in nature are transferred to the endowment. In subsequent years, the liability for future trust payments to the donor is reduced by payments made to the donor and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the trust, the remaining liability is removed and recognized as income.

Charitable Gift Annuities

Under charitable gift annuity contracts, the Foundation receives immediate and unrestricted title to contributed assets and agree to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as a contribution without donor restrictions. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

Investments

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Investments in equity and debt securities that have readily determinable fair values are recorded at quoted market prices. Investment securities without quoted market prices are valued at estimated fair value using appropriate valuation methods that consider the underlying assets and financial reports.

The Foundation, through the Board of Directors, appoints an investment committee that determines investment guidelines, sets the spending rules, and engages the investment manager(s) and custodian(s). The Board of Directors oversees and approves all investment and asset allocation policies proposed by the Investment Committee.

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without

donor restrictions and reported in the statements of activities as net assets released from restrictions. The Foundation reports conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

The Foundation recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. As of June 30, 2023 and 2022, contributions approximating \$5,639,355 and \$17,977,355, respectively, have not been recognized in the accompanying statement of activities because the conditions on which they depend has not been met.

Assessments

All endowment funds are charged an annual administrative fee of 1.5%. New gifts with donor-imposed restrictions are charged an administrative fee which may vary with the size of the gift.

Donated Services and In-Kind Contributions

Donated materials and services are reflected as contributions at their estimated fair market values at date of receipt. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, provided by an individual possessing those skills, and would typically need to be purchased if not provided by donation. The Foundation does not sell donated gifts in-kind.

The Foundation's office is located in the Idaho State University's administration building. The use of space is donated by Idaho State University, which also donates the services of employees that perform administrative functions for the Foundation. These items represent in-kind donations that are recognized as revenues with a corresponding expense.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses have been allocated to programs or functions when the expense was specifically for that program. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Fundraising includes annual giving program expenses and other costs of fundraising such as transaction and administrative gift fees. The costs included in fundraising are specifically identifiable to that function.

Certain information technology expenses, including donor database expenses and amortization, are allocated according to the number of users in each program or function.

Income Taxes

Idaho State University Foundation, Inc. is organized as an Idaho nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Foundation has filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS or various state equivalents to report its unrelated business taxable income.

The Foundation has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material. The most significant estimates used in the financial statements relate to the present value of the promises to give, the obligations under the split interest agreements, and the fair market values of certain investments.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Foundation to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Foundation's mission. Investments are made by diversified investment managers whose performance is monitored by management and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Note 2 - Liquidity and Availability

Financial assets available to the Foundation for general use, that is, assets that are not subject to restrictions limiting their use, within one year of the statement of financial position, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 11,170,690	\$ 3,242,688
Enhanced liquidity investment fund	8,347,669	18,961,879
Miscellaneous receivables	123,200	60,871
Distributions from assets held under split-interest agreements	166,322	203,832
Endowment distributions and appropriations	<u>3,693,216</u>	<u>3,432,788</u>
	<u>\$ 23,501,097</u>	<u>\$ 25,902,058</u>

Endowment funds are donor-restricted and are not available for general expenditure. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use.

As part of a liquidity management plan, cash in excess of projected requirements is invested in short-term investments, CDs, and money market funds.

Note 3 - Fair Value of Assets and Liabilities

Certain assets and liabilities are reported at fair value in the 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 the Foundation can access 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.

Investment assets classified within Level 1 are comprised of open-end mutual funds and other investments with readily determinable fair values based on daily redemption values. Certificates of deposit are invested and traded in the financial markets. Those certificates of deposit and 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, and are classified within Level 2. The fair values of beneficial interest in charitable and perpetual trusts are determined by using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees.

The Foundation uses net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate the fair values of certain hedge funds and private equity funds which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

Idaho State University Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

The following table presents assets and liabilities measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified in the following, at June 30, 2023 and 2022:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV	Total
<u>June 30, 2023</u>					
Operating Investments					
Bond funds	\$ -	\$ 8,329,553	\$ -	\$ -	\$ 8,329,553
Assets held under split interest agreements					
Cash and money market funds	\$ 14,244	\$ -	\$ -	\$ -	14,244
Bond funds		1,000,400	-	-	1,000,400
Equity funds	-	1,129,544	-	-	1,129,544
Co-mingled and pooled investment funds					
Cash and money market funds	80,832	-	-	-	80,832
Stock held for investment	2,087	-	-	-	2,087
Stock held for sale	28,332	-	-	-	28,332
Real estate funds	-	89,969	-	-	89,969
Bond funds	-	19,438,339	-	-	19,438,339
Equity funds	-	50,125,714	-	12,900,406	63,026,120
Real asset funds	-	2,776,440	-	1,627,507	4,403,947
	<u>\$ 125,495</u>	<u>\$ 82,889,959</u>	<u>\$ -</u>	<u>\$ 14,527,913</u>	<u>\$ 97,543,367</u>

Idaho State University Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV	Total
<u>June 30, 2022</u>					
Operating Investments					
Equity Funds	\$ -	\$ 6,740,940	\$ -	\$ -	\$ 6,740,940
Bond funds	-	12,220,939	-	-	12,220,939
Assets held under split interest agreements					
Cash and money market funds	\$ 720	\$ -	\$ -	\$ -	720
Bond funds	-	1,228,886	-	-	1,228,886
Equity funds	-	1,204,816	-	-	1,204,816
Co-mingled and pooled investment funds					
Cash and money market funds	118,827	-	-	-	118,827
Real estate funds	-	115,341	-	-	115,341
Bond funds	-	11,749,725	-	-	11,749,725
Equity funds	-	42,418,379	-	14,564,908	56,983,287
Real asset funds	-	3,085,922	-	1,626,037	4,711,959
	<u>\$ 119,547</u>	<u>\$ 78,764,948</u>	<u>\$ -</u>	<u>\$ 16,190,945</u>	<u>\$ 95,075,440</u>

Investments in certain entities that calculate NAV per share are as follows at June 30, 2023 and 2022:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
<u>2023</u>				
Co-mingled and pooled investment funds				
Equity Funds	\$ 12,900,406	\$ -	Illiquid	none
Real asset funds	1,627,507	-	Illiquid	none
<u>2022</u>				
Co-mingled and pooled investment funds				
Equity Funds	\$ 14,564,908	\$ -	Illiquid	none
Real asset funds	1,626,037	-	Illiquid	none

Equity Funds – Funds focused primarily on equities of publicly traded companies. These funds may include global equity funds, which invest all over the world, including investment in emerging markets; sector equity funds, which invest in individual areas of the economy such as technology firm or banks, and market capitalization equity funds, which generally limit investments to small-cap, mid-cap, and large-cap companies. These funds are used to promote growth in the value of the endowment portfolio.

Real Assets Funds – These funds focus on investments in the commodities and natural resources industries. With the commodities focus, the fund engages in various derivative type transactions with some investment income earnings. The various funds invest in natural resources commodities and commercial property opportunities.

Fair Value of Financial Instruments Not Required to Be Reported at Fair Value

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and other liabilities, approximate fair value due to the short-term nature of the items, and are considered to fall within Level 1 of the fair value hierarchy. The carrying amount of promises to give due in more than one year is based on the discounted net present value of the expected future cash receipts, and approximates fair value. The carrying amount of liabilities under split-interest agreements is based on the discounted net present value of the expected future cash payments, and approximates fair value. The fair values of other notes payable are based on a combination of the stated interest rates and the unsecured borrowing rate available to the Foundation at the measurement dates, and approximate their carrying amounts. These estimates are considered to fall within Level 2 of the fair value hierarchy.

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2023 and 2022:

	2023	2022
Receivable in less than one year	\$ 4,550,849	\$ 4,672,751
Receivable in one to five years	4,334,157	7,071,183
Receivable in more than five years	8,834,854	9,437,766
	17,719,860	21,181,700
Less discount to present value (at 2.00% - 8.75%)	(3,791,529)	(3,196,381)
Less allowance for uncollectable promises to give	(239,130)	(135,506)
	<u>\$ 13,689,201</u>	<u>\$ 17,849,813</u>

Note 5 - Property and Equipment

The Foundation's property and equipment as of June 30, 2023 and 2022 totaled \$150,902. These assets were fully depreciated as of June 30, 2023 and 2022.

Note 6 - Split Interest Agreement Obligations

Split interest agreements held by the Foundation are irrevocable charitable remainder annuity trusts. Assets and liabilities related to the split interest agreements are included in the accompanying statements of financial position. Trust assets are recorded as fair market value and a liability is recorded for the present value of estimated distributions to the beneficiaries. The liability is calculated using the life expectancy tables published by the IRS and discounted to present value using risk-adjusted discount rates designed to reflect the assumptions market participants would make in pricing the liability. Assets held in the charitable remainder trusts totaled \$2,144,188 and \$2,434,422 at market value at June 30, 2023 and 2022, respectively, and are included in investments in the accompanying statements of financial position. The benefit obligation payments for the charitable remainder annuity trusts at June 30, 2023 and 2022, are discounted to total \$677,615 and \$961,092, respectively. The discount rates used range between 0.60% and 5.09% for the years ending June 30, 2023 and 2022, 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. Changes in the value of the trust have been reported in the statements of activities in temporarily and permanently restricted net assets in accordance with donor-imposed restrictions.

Note 7 - Long-Term Debt**Notes Payable - Foundation**

During the year ended June 30, 2020, the Foundation entered into an agreement with the University in order to refinance its note payable to the bank in the amount of \$3,500,000. In a subsequent written agreement with the Foundation and University, a donor amended their pledge agreement to redistribute a portion of the pledge to scholarship endowment funds. As a result, the Foundation recognized contributed revenue and a decrease in its payable to the University in the amount of \$500,000. As of June 30, 2023, and June 30, 2022, the balance owed to the University by the Foundation was \$3,000,000.

This agreement with the University is secured by conditional pledges for the Stephens Performing Arts Center (SPAC). As part of the agreement, the Foundation agreed to make payments in advance of the receipt of the conditional pledges. The Foundation has recorded these amounts paid in advance as advances in promises to give on the statement of financial position. The balance of these advances at June 30, 2023 and 2022, was \$1,753,450 and \$1,187,723, respectively, and is disclosed as Advanced to Related Parties in the statements of financial position.

The agreement does not carry a stated interest rate. However, interest imputed at the University's bond rate of 4.00% is recognized as both contribution revenue without donor restrictions and interest expense. For the years ended June 30, 2023 and 2022, the amount of imputed interest was \$120,000 per year.

Note 8 - Donated Materials and Services

Donated materials and services from Idaho State University posted to management and general expenses for the years ended June 30 were:

	2023	2022
Salaries and benefits	\$ 104,177	\$ 117,546
Materials and supplies	32,791	10,053
Office space	9,528	11,856
	<u>\$ 146,496</u>	<u>\$ 139,455</u>

Contributed salaries and benefits are provided by the University to assist in Foundation operations. Contributed salaries and benefits are used in management and general services and are recognized at fair value based on actual rates paid by the University for the services.

All gifts-in-kind received during the years ended June 30, 2023 and 2022, were unrestricted.

Note 9 - Endowment Funds

The Foundation's endowment consists of over 700 individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions. Changes in the fair value of split-interest agreements, life insurance, and the net change in charitable remainder trusts relating to permanently restricted assets are not included in the endowment funds.

The Board of Directors of the Foundation has interpreted the Idaho Prudent Management of Institutional Funds Act (IPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the endowment. The remaining portion of the donor-restricted endowment fund, that is not classified in permanently restricted net assets, is classified as temporarily restricted net assets until those amounts are appropriated for expenditures by the Foundation in a manner that is consistent with the standard of prudence prescribed by IPMIFA.

In accordance with IPMIFA, the Foundation considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

In accordance with IPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund or endowment
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Donor imposed restrictions requiring earnings to be contributed back to the corpus are not formally complied with by the Foundation. The Foundation addresses this indirectly through the strategy established through its investment and spending policies.

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or IPMIFA requires the Foundation to maintain as a fund of perpetual duration. Deficiencies have been reported in net assets without donor restrictions totaling \$381,887 and \$384,742 as of June 30, 2023 and 2022, respectively.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and scholarships supported by its endowment while seeking to maintain the fair value of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide both a reasonably predictable income stream and principal appreciation that exceeds inflation. The Foundation expects its endowment funds, over time, to provide an average minimum rate of return equal to the annual change in the United States Consumer Price Index plus the Foundation's spending rate percentage and management fee.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a current policy of appropriating for annual distribution 4% of its endowment funds' average fair values over the prior 12 quarters through the calendar year end proceeding the current fiscal year, assuming the endowment grows at an average rate at least equal to the change in the Consumer Price Index annually.

In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow spending consistent with objectives to maintain the principal of the endowment assets in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The annual percentage distribution is reviewed annually by the Board of Directors and may change based on those reviews.

Idaho State University Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

During the fiscal year ended June 30, 2018, the Foundation amended its policy for appropriating endowment funds for annual distributions. As amended, the policy allows a distribution from 0% to 4% of each endowment fund's average fair value. Distributions of less than 4% may be made if the fair market value of an endowment falls below its historical contribution value. The amended policy went into effect July 1, 2018.

The endowment fund net assets are composed entirely of assets with donor restrictions. The balances at June 30, 2023 and 2022, were \$86,222,690 and \$88,703,400, respectively.

Changes in endowment net assets are as follows:

	June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Assets, Beginning of Year July 1, 2022	\$ -	\$ 88,703,400	\$ 88,703,400
Investment return			
Net investment income	-	2,695,760	2,695,760
Net realized and unrealized appreciation	-	(75,067)	(75,067)
Contributions	-	(1,769,844)	(1,769,844)
Appropriation of endowment assets for expenditures	-	(3,331,559)	(3,331,559)
	\$ -	\$ 86,222,690	\$ 86,222,690
	June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Assets, Beginning of Year July 1, 2021	\$ -	\$ 75,070,367	\$ 75,070,367
Investment return			
Net investment income	-	5,151,314	5,151,314
Net realized and unrealized depreciation	-	(6,565,951)	(6,565,951)
Contributions	-	19,139,940	19,139,940
Appropriation of endowment assets for expenditures	-	(4,092,270)	(4,092,270)
	\$ -	\$ 88,703,400	\$ 88,703,400

Note 10 - Related Party Transactions

The Foundation provides support to the University from resources both with and without donor restrictions. Support from donor restricted resources includes academic and athletic scholarships to students attending the University and various types of departmental support, in accordance with the terms of the gifts generating the resources. The Foundation also provides support from resources without donor restrictions for University advancement efforts.

During the year ended June 30, 2023, the Foundation entered into an agreement with the University to refinance the existing long-term debt on the SPAC, as discussed in Note 7.

Several members of the Board of Directors have made promises to give to the Foundation. For the years ended June 30, 2023 and 2022, the balances outstanding on those promises to give were \$1,366,845 and \$1,294,735, respectively.

The Pullen-Grey Foundation, the Bengal Athletic Boosters and various other entities transferred certain assets to the Foundation for investment and management, which are included in the amount of funds held in custody for others. Funds held for others totaled \$1,271,464 and \$1,225,482 as of June 30, 2023 and 2022, respectively. Interest and fees on investments are allocated accordingly to the respective investments.

Note 11 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Academic Support	\$ 5,679,956	\$ 5,788,840
Institutional Support	18,296,083	11,703,085
Scholarships	3,591,755	3,041,530
	<u>27,567,794</u>	<u>20,533,455</u>
Endowments		
Subject to appropriation and expenditure for a specified purpose		
Academic Support	6,241,180	6,292,123
Institutional Support	10,905,532	15,233,126
Scholarships	10,246,159	10,702,720
	<u>27,392,871</u>	<u>32,227,969</u>
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
Academic Support	10,131,649	9,701,024
Institutional Support	2,405,666	2,298,232
Scholarships	46,674,391	44,860,917
Underwater endowments	(381,887)	(384,742)
	<u>58,829,819</u>	<u>56,475,431</u>
Total endowments	<u>86,222,690</u>	<u>88,703,400</u>
	<u>\$ 113,790,484</u>	<u>\$ 109,236,855</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Net assets released from restrictions		
Satisfactions of purpose restrictions:		
Academic Support	\$ 2,042,469	\$ 477,880
Institutional Support	11,794,771	6,944,442
Scholarships	3,379,646	2,980,079
Restricted-purpose spending-rate distributions and appropriates	<u>1,260,559</u>	<u>1,317,321</u>
	<u>\$ 18,477,445</u>	<u>\$ 11,719,722</u>

Note 12 - Contingencies

Over the course of several years, the University and Foundation have raised funds for the construction of an Alumni Center on the University's campus. The fundraising campaign concluded December 31, 2019, when the University and Foundation reached their target of \$9 million dollars through cash collections and future gift commitments. Due to the COVID-19 pandemic, the competitive bid process for the project was not undertaken until 2021. Altered economic conditions and availability of materials resulted in a substantial cost increase: the lowest qualified bidder estimated the cost to build the Alumni Center was \$2.5 million dollars more than the \$9 million dollars raised.

In order to expediently accept the lowest bid, the University asked the Foundation to use a portion of its net assets without donor restrictions to provide a fundraising guarantee of up to \$2.5 million dollars. The University and Foundation will continue with fundraising efforts, and the additional funds raised, whether collected or pledged, will reduce the amount of the potential future payment to the University under the terms of the guarantee by the amount of the additional funds raised. Because the results of additional fundraising efforts are not yet known, the Foundation cannot estimate the amount of potential future payments to the University.

The Foundation's guarantee to make payment to the University of up to \$2.5 million dollars is not due until fiscal year 2027. As of June 30, 2023, the Foundation estimates that the amount due to be paid to the University under this agreement is approximately \$2,063,000.

Note 13 - Subsequent Events

The Foundation has evaluated subsequent events through September 15, 2023, the date the financial statements were available to be issued.