



Consolidated Financial Statements
June 30, 2021 and 2020

**Idaho State University Foundation, Inc.
and Subsidiary**

Idaho State University Foundation, Inc. and Subsidiary

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June 30, 2021 and 2020

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Idaho State University Foundation, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Idaho State University Foundation, Inc. and Subsidiary as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Boise, Idaho
September 13, 2021

Idaho State University Foundation, Inc. and Subsidiary
Consolidated Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 999,239	\$ 1,439,093
Life insurance cash surrender value	146,779	133,750
Promises to give, net	3,609,423	3,605,964
Pharmacy receivables, net	-	314,004
Miscellaneous receivables	43,598	60,871
Advances to related parties	603,240	-
Prepaid expenses	92,663	127,071
Inventory	-	378,133
Property and equipment, net	-	145,430
Goodwill	-	199,241
Donated land held for sale	330,793	330,793
Investments held under split interest agreements	2,998,443	2,554,100
Investments held for operations	19,366,095	16,404,246
Investments held for endowment	75,190,280	56,133,138
	\$ 103,380,553	\$ 81,825,834
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 19,718	\$ 349,210
Scholarship and program support payable to Idaho State University	21,634	15,906
Obligations to beneficiaries under split-interest agreements	1,021,622	969,469
Funds held in custody for others	1,198,386	1,024,539
Long-term debt	3,000,000	3,127,597
	5,261,360	5,486,721
Net Assets		
Net assets without donor restrictions	3,951,119	1,652,019
Net assets with donor restrictions	94,168,074	74,687,094
	98,119,193	76,339,113
	\$ 103,380,553	\$ 81,825,834

Idaho State University Foundation, Inc. and Subsidiary
Consolidated Statement of Activities
Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support, Revenue, and Gains			
Contributions and gifts	\$ 427,386	\$ 9,527,177	\$ 9,954,563
Donated materials and services	159,493	-	159,493
Net interest and dividends	269,135	1,314,653	1,583,788
Net realized/unrealized gain/(loss) on investments	1,450,970	17,090,485	18,541,455
Fees, charges, and miscellaneous	1,165,530	-	1,165,530
Net change in value of split-interest agreements and life insurance	13,029	337,528	350,557
Donor designated transfers	(5,100)	5,100	-
Net assets released from program restrictions	8,793,963	(8,793,963)	-
	<u>12,274,406</u>	<u>19,480,980</u>	<u>31,755,386</u>
Total support, revenue and gains			
Expenses			
Program services			
Academic, development and program support	7,312,206	-	7,312,206
Endowment and private resource management	36,961	-	36,961
Support services			
Management and general	1,340,616	-	1,340,616
Fundraising	478,163	-	478,163
	<u>9,167,946</u>	<u>-</u>	<u>9,167,946</u>
Total expenses			
Deconsolidation of Subsidiary			
Loss on deconsolidation of subsidiary	(807,360)	-	(807,360)
Change in Net Assets	2,299,100	19,480,980	21,780,080
Net Assets, Beginning of Year	<u>1,652,019</u>	<u>74,687,094</u>	<u>76,339,113</u>
Net Assets, End of Year	<u>\$ 3,951,119</u>	<u>\$ 94,168,074</u>	<u>\$ 98,119,193</u>

Idaho State University Foundation, Inc. and Subsidiary
Consolidated Statement of Activities
Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support, Revenue, and Gains			
Contributions and gifts	\$ 1,437,794	\$ 9,058,645	\$ 10,496,439
Donated materials and services	401,601	-	401,601
Interest and dividends	377,994	1,780,570	2,158,564
Net realized/unrealized gain on investments	471,692	(4,303,695)	(3,832,003)
Fees, charges, and miscellaneous	1,071,598	-	1,071,598
Pharmacy revenue	6,198,121	-	6,198,121
Less cost of goods sold	(5,195,063)	-	(5,195,063)
Pharmacy Gross Margin	1,003,058	-	1,003,058
Net change in value of split-interest agreements and life insurance	6,859	32,090	38,949
Donor designated transfers	(502,877)	502,877	-
Net assets released from program restrictions	6,707,475	(6,707,475)	-
Total support, revenue and gains	<u>10,975,194</u>	<u>363,012</u>	<u>11,338,206</u>
Expenses			
Program services			
Academic, development and program support	6,990,690	-	6,990,690
Endowment and private resource management	14,671	-	14,671
Pharmacy expenses	910,382	-	910,382
Support services			
Management and general	1,528,968	-	1,528,968
Fundraising	500,087	-	500,087
Total expenses	<u>9,944,798</u>	<u>-</u>	<u>9,944,798</u>
Change in Net Assets	1,030,396	363,012	1,393,408
Net Assets (Deficit), Beginning of Year	<u>621,623</u>	<u>74,324,082</u>	<u>74,945,705</u>
Net Assets, End of Year	<u>\$ 1,652,019</u>	<u>\$ 74,687,094</u>	<u>\$ 76,339,113</u>

Idaho State University Foundation, Inc. and Subsidiary
Consolidated Statement of Functional Expense
Year Ended June 30, 2021

	Program Services						Total
	Academic, Development and Program Support	Endowment and Private Resource Management	Bengal Pharmacy	Total	Management and General	Fundraising	
Personnel costs	\$ -	\$ -	\$ 397,433	\$ 397,433	\$ 130,493	\$ -	\$ 527,926
Cost of goods sold	-	-	5,644,047	5,644,047	-	-	5,644,047
Professional services	-	-	321	321	20,541	-	20,862
Printing and postage	-	-	-	-	18,178	-	18,178
Travel	-	-	27,745	27,745	-	-	27,745
Conferences and meetings	-	-	500	500	534	-	1,034
Other operating expenses	-	-	100,405	100,405	1,166	-	101,571
Credit card and processing fees	-	-	129,862	129,862	25	16,717	146,604
Life insurance premiums	-	-	-	-	-	8,880	8,880
Interest expense	-	-	7,757	7,757	120,000	-	127,757
Payments under planned gift instruments	-	36,961	-	36,961	-	-	36,961
Management and gift fees	-	-	-	-	797,113	360,568	1,157,681
Contributed services	-	-	-	-	159,493	-	159,493
Insurance	-	-	9,678	9,678	11,769	-	21,447
Accounting and audit fees	-	-	21,488	21,488	57,109	-	78,597
Bad debt	-	-	(1,265)	(1,265)	8,371	-	7,106
Information technology	92,418	-	76,886	169,304	15,824	6,193	191,321
Depreciation and amortization	-	-	30,806	30,806	-	-	30,806
Development office support	64,158	-	-	64,158	-	85,805	149,963
Promotional transfers	135,500	-	-	135,500	-	-	135,500
Scholarships	2,778,249	-	-	2,778,249	-	-	2,778,249
Athletics	16,352	-	-	16,352	-	-	16,352
General and capital support	4,225,529	-	-	4,225,529	-	-	4,225,529
Total expenses by function	<u>7,312,206</u>	<u>36,961</u>	<u>6,445,663</u>	<u>13,794,830</u>	<u>1,340,616</u>	<u>478,163</u>	<u>15,613,609</u>
Less expenses included with loss on deconsolidation on the statement of activities							
Pharmacy cost of goods sold	-	-	(6,445,663)	(6,445,663)	-	-	(6,445,663)
Total reductions of loss on deconsolidation	<u>-</u>	<u>-</u>	<u>(6,445,663)</u>	<u>(6,445,663)</u>	<u>-</u>	<u>-</u>	<u>(6,445,663)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 7,312,206</u>	<u>\$ 36,961</u>	<u>\$ -</u>	<u>\$ 7,349,167</u>	<u>\$ 1,340,616</u>	<u>\$ 478,163</u>	<u>\$ 9,167,946</u>

See Notes to Consolidated Financial Statements

Idaho State University Foundation, Inc. and Subsidiary
Consolidated Statement of Functional Expense
Year Ended June 30, 2020

	Program Services						
	Academic, Development and Program Support	Endowment and Private Resource Management	Bengal Pharmacy	Total	Management and General	Fundraising	Total
Personnel costs	\$ -	\$ -	\$ 459,469	\$ 459,469	\$ 118,577	\$ -	\$ 578,046
Cost of goods sold	-	-	5,195,063	5,195,063	-	-	5,195,063
Professional services	-	-	-	-	18,278	21,447	39,725
Travel	-	-	16,087	16,087	1,056	-	17,143
Conferences and meetings	-	-	-	-	6,073	-	6,073
Other operating expenses	-	-	124,499	124,499	-	-	124,499
Credit card and processing fees	-	-	143,060	143,060	-	21,928	164,988
Life insurance premiums	-	-	-	-	-	8,888	8,888
Interest expense	-	-	12,034	12,034	137,949	-	149,983
Payments under planned gift instruments	-	14,671	-	14,671	-	-	14,671
Management and gift fees	-	-	-	-	737,698	323,612	1,061,310
Contributed services	-	-	-	-	401,601	-	401,601
Insurance	-	-	17,950	17,950	11,149	-	29,099
Accounting and audit fees	-	-	23,352	23,352	62,241	-	85,593
Bad debt	-	-	(295)	(295)	18,193	-	17,898
Information technology	74,247	-	83,378	157,625	16,153	33,229	207,007
Depreciation and amortization	-	-	30,848	30,848	-	-	30,848
Development office support	191,353	-	-	191,353	-	90,983	282,336
Promotional transfers	135,500	-	-	135,500	-	-	135,500
Scholarships	2,790,296	-	-	2,790,296	-	-	2,790,296
Athletics	47,468	-	-	47,468	-	-	47,468
General and capital support	3,751,826	-	-	3,751,826	-	-	3,751,826
Total expenses by function	<u>6,990,690</u>	<u>14,671</u>	<u>6,105,445</u>	<u>13,110,806</u>	<u>1,528,968</u>	<u>500,087</u>	<u>15,139,861</u>
Less expenses included with revenues on the statement of activities							
Pharmacy cost of goods sold	-	-	(5,195,063)	(5,195,063)	-	-	(5,195,063)
Total reductions of revenues	<u>-</u>	<u>-</u>	<u>(5,195,063)</u>	<u>(5,195,063)</u>	<u>-</u>	<u>-</u>	<u>(5,195,063)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 6,990,690</u>	<u>\$ 14,671</u>	<u>\$ 910,382</u>	<u>\$ 7,915,743</u>	<u>\$ 1,528,968</u>	<u>\$ 500,087</u>	<u>\$ 9,944,798</u>

Idaho State University Foundation, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 21,780,080	\$ 1,393,408
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Unrealized gain/(loss) on investments	(16,884,596)	1,358,377
Loss on deconsolidation of subsidiary	807,360	-
Land and property donated to Idaho State University	-	245,857
Contributions restricted to endowment	(2,477,503)	(4,189,244)
Change in life insurance valuation	(33,123)	(22,354)
Change in value of split interest agreements	(444,343)	87,759
Depreciation and amortization expense	-	30,848
Changes in assets and liabilities		
Promises to give	29,664	(1,450,086)
Life insurance cash surrender value	(13,029)	(6,859)
Inventory	-	27,121
Pharmacy receivables	-	(87,753)
Miscellaneous receivables	17,273	(22,371)
Advances to related parties	(603,240)	-
Prepaid expenses	2,136	567
Accounts payable	6,070	27,020
Scholarships and program support payable to Idaho State University	5,728	(564,854)
Funds held in custody for others	(89,105)	35,530
Obligations to beneficiaries under split-interest agreement	253,750	231,563
Net Cash from (used for) Operating Activities	<u>2,357,122</u>	<u>(2,905,471)</u>
Investing Activities		
Proceeds from sale of investments	17,659,291	16,854,799
Purchase of investments	(21,538,760)	(17,248,341)
Equipment purchases	-	(85,422)
Proceeds from sale of land	-	325,000
Net Cash used for Investing Activities	<u>(3,879,469)</u>	<u>(153,964)</u>

Idaho State University Foundation, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Financing Activities		
Proceeds from contributions restricted to endowment	2,477,503	4,189,244
Donated securities	(991,974)	(1,456,249)
Payments to beneficiaries of split-interest agreements	(201,597)	(365,359)
Proceeds from debt refinancing	-	3,500,000
Payment on notes payable	32,920	(3,539,404)
	1,316,852	2,328,232
Net Cash from Financing Activities		
Cash Flows from Deconsolidated Subsidiary		
Net cash from operating activities	388,847	-
Net cash from investing activities	(462,689)	-
Net cash used for financing activities	(160,517)	-
	(234,359)	-
Net Cash used for Deconsolidated Subsidiary		
Change in Cash and Cash Equivalents	(439,854)	(731,203)
Cash and Cash Equivalents, Beginning of Year	1,439,093	2,170,296
Cash and Cash Equivalents, End of Year	\$ 999,239	\$ 1,439,093
Supplemental Disclosures		
Cash paid for interest	\$ 7,757	\$ 61,317
Cash paid for unrelated business income taxes	\$ 10,139	\$ 2,205
Supplemental Disclosure of Non-Cash Investing and Financing Activity		
Forgiveness of debt owed to Idaho State University	\$ -	\$ 500,000

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

The Idaho State University Foundation, Inc. (the Foundation) and Subsidiary 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 three 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.

Pharmacy

The Foundation has a subsidiary corporation called Bengal Pharmacy, LLC (the Pharmacy). The Pharmacy was formed in 2014 as a limited liability company (LLC) with the Foundation as the sole member.

The Pharmacy was formed to serve students, administrative staff, and faculty being seen by the student health center as well as patients of the Idaho State University (ISU) residency program. The residency program treats patients of a local Federally Qualified health Center (FQHC) including those who qualify for discount drug purchases under Section 340b of the Public Health Service Act.

The Pharmacy has expanded its original mission to support ISU's rural health mission by operating tele-health pharmacy locations in Arco, Challis and Kendrick, Idaho, with the Kendrick location added in 2018.

During the fiscal year, the Pharmacy also provides pharmacy management services to an FQHC-owned pharmacy in Council, Idaho. Late in fiscal 2019 the FQHC-owned pharmacy in Council was able to take over management of its pharmacy. Going forward, the Pharmacy will provide pharmacist back-up services as requested by the FQHC.

The Pharmacy was transferred to the University during the year. See Note 13.

Principles of Consolidation

As the Foundation has both control over and an economic interest in the Pharmacy, the consolidated financial statements include the accounts of both the Foundation and the Pharmacy. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as the Foundation.

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.

Operating Investments

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, 2021 and 2020, the allowance was \$138,697 and \$130,326, respectively.

Pharmacy Receivables

Pharmacy receivables consist primarily of non-interest-bearing amounts due to the Pharmacy for prescriptions dispensed and delivered to patients. Management determines the allowance for uncollectable pharmacy receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2021 and 2020, the allowance was \$0, and \$23,642, respectively.

Inventory

Inventory is comprised of Pharmacy merchandise held for sale. Inventories are stated at the lower of cost or net realizable value using the first-in, first out (FIFO) method. Cost is determined on an average cost basis.

Property and Equipment

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to be a result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2021 and 2020.

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the underlying assets for one location acquired by the Pharmacy.

Goodwill is not amortized: rather, potential impairment is considered on an annual basis, or more frequently upon the occurrence of an event or when circumstances indicate that the amount of goodwill is greater than its fair value. As of June 30, 2021 and 2020, the carrying value of goodwill was not considered impaired.

Donated Land Held for Sale

Certain assets received from donors are held for resale. 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. 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. 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, 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.

Revenue and Revenue Recognition

The pharmacy recognizes prescription revenues when the prescription has been picked up by the customer. The Foundation recognizes contributions when cash, securities, or other assets; and 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.

Consequently, at June 30, 2021 and 2020, contributions approximating \$11,152,35 and \$4,533,622, respectively, have not been recognized in the accompanying consolidated 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 varies 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'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 consolidated 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.

Pharmacy expenses are specific to that program only, and have been included in functional expenses for that program accordingly.

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. Bengal Pharmacy LLC is treated as a disregarded entity for income tax purposes, and accordingly, all income and expenses are reported through the 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 to report its unrelated business taxable income.

The Foundation believes it 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 consolidated 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 consolidated 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 consolidated 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.

Subsequent Events

The Foundation has evaluated subsequent events through September 13, 2021, the date the consolidated financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, comprise the following:

	2021	2020
Cash and cash equivalents	\$ 999,239	\$ 1,439,094
Investments held for operations	19,366,095	16,404,246
Pharmacy receivables	-	314,004
Miscellaneous receivables	43,598	60,871
Distributions from assets held under split-interest agreements	204,636	182,926
Endowment spending rate distributions and appropriations	3,062,197	2,817,828
	<u>\$ 23,675,765</u>	<u>\$ 21,218,969</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 consolidated 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. 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, real asset 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. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020:

	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, 2021</u>					
Operating Investments					
Equity Funds	\$ -	\$ 2,232,153	\$ -	\$ -	\$ 2,232,153
Bond funds	-	17,133,942	-	-	17,133,942
Assets held under split interest agreements					
Bond funds	-	1,466,028	-	-	1,466,028
Equity funds	-	1,532,415	-	-	1,532,415
Co-mingled and pooled investment funds					
Cash and money market funds	126,439	-	-	-	126,439
Real estate funds	-	145,134	-	-	145,134
Bond funds	-	11,639,997	-	-	11,639,997
Equity funds	-	45,746,483	-	13,200,605	58,947,088
Real asset funds	-	3,094,329	-	1,237,293	4,331,622
	<u>\$ 126,439</u>	<u>\$ 82,990,481</u>	<u>\$ -</u>	<u>\$ 14,437,898</u>	<u>\$ 97,554,818</u>

Idaho State University Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

	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, 2020</u>					
Operating Investments					
Mutual funds	\$ 3,320,132	\$ -	\$ -	\$ -	\$ 3,320,132
Cash and money market funds	2,488,262	-	-	-	2,488,262
Bond funds	-	10,595,852	-	-	10,595,852
Assets held under split interest agreements					
Mutual funds	2,554,100	-	-	-	2,554,100
Co-mingled and pooled investment funds					
Cash and money market funds	67,905	-	-	-	67,905
Real estate funds	-	117,709	-	-	117,709
Bond funds	-	10,171,727	-	-	10,171,727
Equity funds	-	33,184,820	-	8,747,734	41,932,554
Hedge funds	-	-	-	-	-
Real asset funds	-	2,656,056	-	1,187,187	3,843,243
	\$ 8,430,399	\$ 56,726,164	\$ -	\$ 9,934,921	\$ 75,091,484

Investments in certain entities that calculate NAV per share are as follows at June 30, 2021 and 2020:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
<u>2021</u>				
Co-mingled and pooled investment funds				
Equity Funds	\$ 13,200,605	\$ -	Illiquid	none
Real asset funds	1,237,293	-	Illiquid	none
<u>2020</u>				
Co-mingled and pooled investment funds				
Equity Funds	\$ 8,747,734	\$ -	Illiquid	none
Real asset funds	1,187,187	-	Illiquid	none

Idaho State University Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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 Idaho State University Foundation, Inc. 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, 2021 and 2020:

	2021	2020
Receivable in less than one year	\$ 814,937	\$ 754,686
Receivable in one to five years	1,377,488	1,306,607
Receivable in more than five years	2,138,096	2,232,809
	4,330,521	4,294,102
Less discount to present value (at 2.00% - 8.75%)	(582,401)	(557,812)
Less allowance for uncollectable promises to give	(138,697)	(130,326)
	\$ 3,609,423	\$ 3,605,964

Note 5 - Property and Equipment

Property and equipment consisted of the following as of June 30, 2021 and 2020:

	2021	2020
Furniture and equipment	\$ 150,902	\$ 454,370
	150,902	454,370
Less accumulated depreciation and amortization	(150,902)	(308,940)
Total	\$ -	\$ 145,430

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 consolidated 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 Internal Revenue Service 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 \$2,998,443 and \$2,554,100 at market value at June 30, 2021 and 2020, respectively, and are included in investments in the accompanying consolidated statements of financial position. The benefit obligation payments for the charitable remainder annuity trusts at June 30, 2021 and 2020, are discounted to total \$1,021,622 and \$969,469, respectively. The discount rates used range between 0.60% and 5.09% for the years ending June 30, 2021 and 2020. 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 consolidated 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. The agreement with the University is secured by conditional pledges for the Stephens Performing Arts Center (SPAC). As the pledges mature, the Foundation will remit the proceeds to the University. 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, 2021 and 2020, the amount of imputed interest was \$120,000 and \$86,667, respectively.

Idaho State University Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

In a subsequent written agreement with the Foundation and University, a donor holding a SPAC pledge amended the pledge agreement to redistribute a portion of the pledge to scholarship endowment funds. As a result of the subsequent agreement, the Foundation recognized contribution revenue and a decrease in its payable to the University in the amount of \$500,000.

Notes payable for the Foundation consist of the following:

	2021	2020
Interest-free payable to Idaho State University, without specified payment terms, secured	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

Total interest expense during 2021 and 2020 was \$120,000 and \$135,949, respectively.

Notes Payable - Pharmacy

Notes payable for the Pharmacy consist of the following:

	2021	2020
6% note payable to private lender, due in monthly installments of \$3,053, including interest, maturing May 2024, unsecured	<u>\$ -</u>	<u>\$ 127,597</u>
	<u>\$ -</u>	<u>\$ 127,597</u>

Total interest expense and fees for the year ended June 30, 2020 was \$12,034.

The Pharmacy had two notes payable with the Foundation that were paid off in April 2021. One loan for \$75,000 was issued with payments commencing in April 2016 and continuing to maturity in May of 2021. The note was unsecured and bore interest at 6%. The second note for \$100,000 was issued with payments commencing in April 2016 and continuing to maturity in May 2021. The note was unsecured and bore interest at 6%.

Note 8 - Donated Materials and Services

Donated materials and services from Idaho State University for the years ended June 30 were:

	Management and General
2021	
Salaries and benefits	\$ 148,653
Materials and supplies	1,333
Office space	9,507
	\$ 159,493
2020	
Salaries and benefits	\$ 380,538
Materials and supplies	11,079
Office space	9,984
	\$ 401,601

Note 9 - Endowment Funds

The Foundation's endowment consists of approximately 600 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 donor restricted assets are summarized in other changes in the Endowment asset rollforward.

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. At June 30, 2021 and 2020, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of the gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the endowment. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by IPMIFA.

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 unrestricted net assets totaling \$17,713 and \$2,289,594 as of June 30, 2021 and 2020, 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.

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.

Idaho State University Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

The endowment fund net asset composition is as follows:

At June 30, 2021	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds	<u>\$ -</u>	<u>\$ 75,070,367</u>	<u>\$ 75,070,367</u>
At June 30, 2020	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds	<u>\$ -</u>	<u>\$ 58,999,191</u>	<u>\$ 58,999,191</u>

Changes in endowment net assets are as follows:

	<u>June 30, 2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Assets, Beginning of Year July 1, 2020	\$ -	\$ 58,999,191	\$ 58,999,191
Investment return			
Net investment income	-	1,883,710	1,883,710
Net realized and unrealized appreciation	-	16,088,609	16,088,609
Contributions	-	2,283,046	2,283,046
Appropriation of endowment assets for expenditures	<u>-</u>	<u>(4,184,189)</u>	<u>(4,184,189)</u>
Endowment Assets, End of Year June 30, 2021	<u>\$ -</u>	<u>\$ 75,070,367</u>	<u>\$ 75,070,367</u>

Idaho State University Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

	June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Assets, Beginning of Year July 1, 2019	\$ -	\$ 59,074,509	\$ 59,074,509
Investment return			
Net investment income	-	2,205,544	2,205,544
Net realized and unrealized depreciation	-	(3,892,444)	(3,892,444)
Contributions	-	4,136,615	4,136,615
Appropriation of endowment assets for expenditures	-	(2,525,033)	(2,525,033)
	\$ -	\$ 58,999,191	\$ 58,999,191
Endowment Assets, End of Year June 30, 2020			

Note 10 - Related Party Transactions

The Foundation is the primary affiliated foundation for the University, 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, 2020, the Foundation entered into an agreement with the University to refinance the existing long-term debt on the SPAC, as discussed in Note 7. Under the terms of that agreement, the Foundation made a \$500,000 contribution to a capital project undertaken by the University. Furthermore, under the terms of this agreement the Foundation agreed to advance funds to the University to cover certain costs incurred by the University. During the year ended June 30, 2021 the Foundation advanced \$603,240 to the University. This amount is presented as Advances Paid to Related Parties on the Consolidated Statement of Financial Position.

Several members of the Board of Directors have made promises to give to the Foundation. For the years ended June 30, 2021 and 2020, the balances outstanding on those promises to give were approximately \$1,188,906 and \$1,198,000, 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 \$1,198,386 and \$1,024,539 as of June 30, 2021 and 2020, respectively. Interest and fees on investments are allocated accordingly to the respective investments.

Idaho State University Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 11 - Net Assets With Donor Restrictions

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

	2021	2020
Subject to expenditure for specified purpose:		
Academic Support	\$ 4,398,903	\$ 3,684,144
Institutional Support	12,048,433	10,051,396
Scholarships	2,650,371	1,952,363
	19,097,707	15,687,903
Endowments		
Subject to appropriation and expenditure for a specified purpose		
Academic Support	7,943,225	5,543,775
Institutional Support	851,770	1,168,978
Scholarships	14,100,227	2,588,796
	22,895,222	9,301,549
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
Academic Support	8,755,989	9,292,202
Institutional Support	2,495,029	3,054,164
Scholarships	40,941,840	39,640,870
Underwater endowments	(17,713)	(2,289,594)
	52,175,145	49,697,642
Total endowments	75,070,367	58,999,191
	\$ 94,168,074	\$ 74,687,094

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, 2021 and 2020:

	2021	2020
Net assets released from restrictions		
Satisfactions of purpose restrictions:		
Academic Support	\$ 808,843	\$ 1,176,349
Institutional Support	4,146,369	1,844,336
Scholarships	2,739,457	2,777,045
Restricted-purpose spending-rate distributions and appropriates	1,099,294	909,745
	\$ 8,793,963	\$ 6,707,475

Idaho State University Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Note 12 - Retail Pharmacy Operation

Supplementary information for the Pharmacy includes the following:

Balance Sheets

	2021	2020
Assets		
Cash	\$ -	\$ 234,359
Pharmacy receivables, net	-	314,004
Inventory	-	378,133
Prepaid expenses	-	32,272
Property and equipment, net	-	145,430
Goodwill	-	199,241
	<u>\$ -</u>	<u>\$ 1,303,439</u>
Liability and Member's Equity		
Accounts payable	\$ -	\$ 335,562
Long-term debt	-	160,517
	<u>-</u>	<u>496,079</u>
Member's Equity		
Investment from ISUF (Wallace Fund)	-	1,092,054
Accumulated earnings	-	(284,694)
	<u>-</u>	<u>807,360</u>
	<u>\$ -</u>	<u>\$ 1,303,439</u>

Statements of Operations

	2021	2020
Pharmacy sales	\$ -	\$ 6,198,121
Cost of sales	-	(5,195,063)
	<u>-</u>	<u>1,003,058</u>
Expenses		
Payroll	-	(459,469)
Operations	-	(450,913)
	<u>-</u>	<u>(910,382)</u>
	<u>\$ -</u>	<u>\$ 92,676</u>

Idaho State University Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Statements of Cash Flows

	2021	2020
Operating Activities		
Income (loss) from pharmacy operation	\$ -	\$ 92,676
Adjustments to reconcile loss in pharmacy operation to net cash from (used for) operating activities		
Depreciation	-	30,848
Changes in assets and liabilities		
Pharmacy receivables, net	-	(87,753)
Inventory	-	27,121
Prepaid expenses	-	(19,440)
Accounts payable and accrued liabilities	-	54,807
Net cash from Operating Activities	-	98,259
Investing Activities		
Purchase of equipment	-	(41,072)
Net cash used for Financing Activities	-	(41,072)
Financing Activities		
Payment on notes payable	-	(76,801)
Net cash used for Financing Activities	-	(76,801)
Cash Flows from Deconsolidated Subsidiary		
Net cash from operating activities	143,360	-
Net cash used for investing activities	(369,962)	-
Net cash used for financing activities	(7,757)	-
Net cash flows used for deconsolidated subsidiary	(234,359)	-
Change in Cash	(234,359)	(19,614)
Cash , Beginning of Year	234,359	253,973
Cash , End of Year	\$ -	\$ 234,359

Note 13 - Deconsolidation of Subsidiary

In January, 2021, the Foundation and the University entered into an agreement to transfer ownership of the Pharmacy to the University, effective June 30, 2021, to be directed and managed by the College of Pharmacy. No interest in Pharmacy was retained by the Foundation. The Foundation received no consideration from the University for this transfer. The transfer of Pharmacy assets and liabilities from the Foundation to the University constitutes a gift to the University of the following:

Balance Sheet	<u>2021</u>
Current assets	
Cash	369,962
Accounts receivable	256,153
Inventories	357,580
Prepaid expenses	900
Noncurrent assets	
Fixed assets, net	111,182
Goodwill	199,241
Current liabilities	
Accounts payable	(212,270)
340b payable	(106,025)
Other Liabilities	(16,467)
Noncurrent liabilities	
Note payable	(97,806)
Member's equity deconsolidated	<u>\$ 862,450</u>
Statement of Operations	<u>2021</u>
Pharmacy sales	\$ 6,500,723
Cost of sales	<u>(5,644,047)</u>
Gross profit	<u>856,676</u>
Payroll and operating expenses	(801,590)
Loss on deconsolidation	<u>807,364</u>
Member's equity deconsolidated	<u>\$ 862,450</u>

Note 14 - 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 in 2019 when the University and Foundation reached their target of \$9 million dollars through cash collections and future gifts 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 asset 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 is 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.