



Consolidated Financial Statements
June 30, 2019 and 2018

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

Idaho State University Foundation, Inc. and Subsidiary

Table of Contents
June 30, 2019 and 2018

Independent Auditor's Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statement of Functional Expense	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	9



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, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the consolidated statement of functional expenses for the year ended June 30, 2019, 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, 2019 and 2018, 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.

Adoption of New Accounting Standard – ASU 2016-14

As discussed in Note 1 and Note 13 to the consolidated financial statements, Idaho State University Foundation, Inc. has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, Presentation of Financial Statements for Not-For-Profit Entities. Accordingly, the June 30, 2018 consolidated financial statements have been adjusted to adopt this standard. Our opinion is not modified with respect to this matter.

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

Boise, Idaho
September 12, 2019

Idaho State University Foundation, Inc. and Subsidiary
Consolidated Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 2,170,296	\$ 8,750,013
Life insurance cash surrender value	126,891	122,546
Operating investments	15,660,257	2,936,243
Promises to give, net	2,133,524	2,087,574
Pharmacy receivables, net	226,251	198,249
Miscellaneous receivables, net	38,500	77,000
Prepaid expenses	127,638	134,949
Inventory	405,254	684,856
Property and equipment, net	336,713	211,993
Goodwill	199,241	199,241
Donated land held for sale	655,793	1,252,384
Investments held under split interest agreements	2,641,859	2,560,422
Investments held for endowment	56,346,446	57,664,916
Total assets	\$ 81,068,663	\$ 76,880,386
Liabilities and Net Assets (Deficit)		
Liabilities		
Accounts payable	\$ 322,190	\$ 858,566
Scholarship and program support payable to Idaho State University	80,760	171,838
Obligations to beneficiaries under split-interest agreements	1,103,265	1,160,852
Funds held in custody for others	949,742	1,210,515
Long-term debt	3,667,001	4,209,619
Total liabilities	6,122,958	7,611,390
Net Assets (Deficit)		
Net assets without donor restrictions	621,623	(87,763)
Net assets with donor restrictions	74,324,082	69,356,759
Total net assets	74,945,705	69,268,996
	\$ 81,068,663	\$ 76,880,386

Idaho State University Foundation, Inc. and Subsidiary
Consolidated Statement of Activities
Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support, Revenue, and Gains			
Contributions and gifts	\$ 712,606	\$ 11,731,597	\$ 12,444,203
Contributed services	342,191	-	342,191
Interest and dividends	257,891	1,370,950	1,628,841
Net realized/unrealized gain on investments	478,530	1,156,356	1,634,886
Fees, charges, and miscellaneous	1,096,208	20,641	1,116,849
Pharmacy revenue	5,597,002	-	5,597,002
Less cost of goods sold	(4,780,924)	-	(4,780,924)
Pharmacy Gross Margin	816,078	-	816,078
Net change in value of split-interest agreements and life insurance	4,345	139,694	144,039
Donor designated transfers	(21,637)	21,637	-
Net assets released from program restrictions	9,473,552	(9,473,552)	-
	<u>13,159,764</u>	<u>4,967,323</u>	<u>18,127,087</u>
Expenses			
Program services			
Academic, development and program support	9,399,019	-	9,399,019
Endowment and private resource management	75,431	-	75,431
Pharmacy expenses	1,005,241	-	1,005,241
Support services			
Management and general	1,448,558	-	1,448,558
Fundraising	522,129	-	522,129
Total expenses	<u>12,450,378</u>	<u>-</u>	<u>12,450,378</u>
Change in Net Assets	709,386	4,967,323	5,676,709
Net Assets (Deficit), Beginning of Year	<u>(87,763)</u>	<u>69,356,759</u>	<u>69,268,996</u>
Net Assets, End of Year	<u>\$ 621,623</u>	<u>\$ 74,324,082</u>	<u>\$ 74,945,705</u>

Idaho State University Foundation, Inc. and Subsidiary
Consolidated Statement of Activities
Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support, Revenue, and Gains			
Contributions and gifts	\$ 861,735	\$ 8,966,192	\$ 9,827,927
Contributed services	355,641	-	355,641
Interest and dividends	175,535	425,993	601,528
Net realized/unrealized gain on investments	1,249,442	4,090,859	5,340,301
Fees, charges, and miscellaneous	999,380	30,468	1,029,848
Pharmacy revenue	5,934,797	-	5,934,797
Less cost of goods sold	(4,958,539)	-	(4,958,539)
Pharmacy Gross Margin	976,258	-	976,258
Net change in value of split-interest agreements and life insurance	34,649	62,876	97,525
Donor designated transfers	901,863	(901,863)	-
Net assets released from program restrictions	3,508,397	(3,508,397)	-
	<u>9,062,900</u>	<u>9,166,128</u>	<u>18,229,028</u>
Expenses			
Program services			
Academic, development and program support	3,697,597	-	3,697,597
Pharmacy expenses	1,048,770	-	1,048,770
Support services			
Management and general	1,305,680	-	1,305,680
Fundraising	731,469	-	731,469
Total expenses	<u>6,783,516</u>	<u>-</u>	<u>6,783,516</u>
Change in Net Assets	2,279,384	9,166,128	11,445,512
Net Assets (Deficit), Beginning of Year	<u>(2,367,147)</u>	<u>60,190,631</u>	<u>57,823,484</u>
Net Assets (Deficit), End of Year	<u>\$ (87,763)</u>	<u>\$ 69,356,759</u>	<u>\$ 69,268,996</u>

Idaho State University Foundation, Inc. and Subsidiary
Consolidated Statement of Functional Expense
Year Ended June 30, 2019

	Program Services						
	Academic, Development and Program Support	Endowment and Private Resource Management	Bengal Pharmacy	Total	Management and General	Fundraising	Total
Personnel costs	\$ -	\$ -	\$ 598,221	\$ 598,221	\$ 119,459	\$ -	\$ 717,680
Cost of goods sold	-	-	4,780,924	4,780,924	-	-	4,780,924
Professional services	-	10,000	32,358	42,358	41,628	-	83,986
Travel	-	-	15,423	15,423	744	-	16,167
Conferences and meetings	-	-	520	520	8,792	-	9,312
Other operating expenses	-	1,608	100,742	102,350	4,552	60	106,962
Credit card and processing fees	-	-	111,374	111,374	-	15,156	126,530
Life insurance premiums	-	-	-	-	-	68,918	68,918
Interest expense	-	-	16,802	16,802	139,315	-	156,117
Payments under planned gift instruments	-	63,775	-	63,775	-	-	63,775
Management and gift fees	-	-	-	-	686,623	415,872	1,102,495
Contributed services	-	-	-	-	342,191	-	342,191
Information technology	73,579	-	74,574	148,153	16,435	18,456	183,044
Insurance	-	-	19,210	19,210	11,309	-	30,519
Accounting and audit fees	-	-	-	-	47,870	-	47,870
Bad debt	-	-	3,743	3,743	(45,524)	-	(41,781)
Depreciation and amortization	36,524	-	32,274	68,798	5,707	2,282	76,787
Development office support	10,221	48	-	10,269	69,457	1,385	81,111
Promotional transfers	135,500	-	-	135,500	-	-	135,500
Scholarships	2,084,549	-	-	2,084,549	-	-	2,084,549
Athletics	280,390	-	-	280,390	-	-	280,390
General and capital support	6,778,256	-	-	6,778,256	-	-	6,778,256
Total expenses by function	<u>9,399,019</u>	<u>75,431</u>	<u>5,786,165</u>	<u>15,260,615</u>	<u>1,448,558</u>	<u>522,129</u>	<u>17,231,302</u>
Less expenses included with revenues on the statement of activities							
Pharmacy cost of goods sold	-	-	(4,780,924)	(4,780,924)	-	-	(4,780,924)
Total reductions of revenues	<u>-</u>	<u>-</u>	<u>(4,780,924)</u>	<u>(4,780,924)</u>	<u>-</u>	<u>-</u>	<u>(4,780,924)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 9,399,019</u>	<u>\$ 75,431</u>	<u>\$ 1,005,241</u>	<u>\$ 10,479,691</u>	<u>\$ 1,448,558</u>	<u>\$ 522,129</u>	<u>\$ 12,450,378</u>

Idaho State University Foundation, Inc. and Subsidiary

Consolidated Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	\$ 5,676,709	\$ 11,445,512
Adjustments to reconcile change in net assets to net cash		
From (used for) operating activities		
Unrealized gain on investments	(3,362,309)	(5,125,156)
Realized loss (gain) on sale of property held for sale and investments	41,591	(526,468)
Donated assets held for sale	-	(403,211)
Land and property donated to Idaho State University	-	144,211
Contributions restricted to endowment	(2,499,785)	(1,775,987)
Change in life insurance valuation	(16,880)	19,233
Change in value of split interest agreements	(76,437)	(139,098)
Amortization and depreciation expense	76,787	83,955
Changes in assets and liabilities		
Promises to give	(29,070)	673,486
Life insurance cash surrender value	(4,345)	564,812
Inventory	279,602	(233,640)
Pharmacy receivables	(28,002)	(29,792)
Miscellaneous receivables	38,500	(9,153)
Prepaid expenses	7,311	(8,617)
Accounts payable	(536,377)	585,113
Scholarships and other payables to Idaho State University	(91,078)	(19,846)
Funds held in custody for others	(304,008)	330,007
Obligations to beneficiaries	122,077	586,209
Net Cash from (used for) Operating Activities	(705,714)	6,161,570
Investing Activities		
Proceeds from sale of investments	46,383,773	21,049,675
Purchase of investments	(53,810,207)	(20,863,529)
Property and equipment purchases	(201,507)	(32,323)
Proceeds from sale of land	555,000	1,000,000
(Addition to) withdrawal from assets held under split-interest agreements	(5,000)	76,436
Net Cash from (used for) Investing Activities	(7,077,941)	1,230,259

Idaho State University Foundation, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Financing Activities		
Proceeds from contributions restricted to endowment	2,499,786	1,775,987
Donated securities	(573,566)	(756,047)
Payments to beneficiaries	(179,664)	(169,542)
Proceeds from establishment of split-interest agreements	-	(342,330)
Payment on notes payable	(542,618)	(540,143)
Net Cash from (used for) Financing Activities	1,203,938	(32,075)
Change in Cash and Cash Equivalents	(6,579,717)	7,359,754
Cash and Cash Equivalents, Beginning of Year	8,750,013	1,390,259
Cash and Cash Equivalents, End of Year	\$ 2,170,296	\$ 8,750,013
Supplemental Disclosures		
Cash paid for interest	\$ 156,117	\$ 117,834

Note 1 - Foundation Operations and Significant Accounting Policies

Organization

The Idaho State University Foundation, Inc. (the Foundation) and Subsidiary was formed in March 1967. The Foundation is 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, Idaho State University (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 accomplished by focusing on three primary service areas.

Academic, development and program support

The Foundation works to stimulate voluntary private support from alumni, parents, friends, corporations, foundations, and others for the benefit of the University. These resources provide opportunities for students and 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 on 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.

Per the operating agreement, any distribution of income will be allocated and paid 25% to the Foundation and 75% to the ISU College of Pharmacy. There were no distributions for the years ended June 30, 2019 and 2018.

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, 2019 and 2018, the allowance was \$112,133 and \$157,658, 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, 2019 and 2018, the allowance was \$21,953 and \$18,209, 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 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 year ended June 30, 2019.

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, 2019 and 2018, 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 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. 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

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Pharmacy revenues are recorded when the prescription has been picked up by the customer.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially 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 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 under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Sections 509(a)(1). 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 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 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.

Reclassification

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

Adoption of New Accounting Standard – ASU 2016-14

The Financial Accounting Standards Board (FASB) issued ASU 2016-14 (the ASU) Presentation of Financial Statements for Not-for-Profit Entities during August 2016. The ASU is the first in a two-phase FASB project that changed the way not-for-profit (NFP) entities present their financial statements and related disclosures. It seeks to improve NFP financial reporting by simplifying net asset classifications and enhancing presentation and disclosure requirements regarding liquidity, financial performance, and cash flows. The ASU is effective for fiscal years beginning after December 15, 2018; for the Foundation, the ASU was effective July 1, 2018. The most significant changes resulting from the ASU are summarized as follows:

- The three existing classes of net assets are now two. The new categories of Net Assets without Donor Restrictions, which is not substantively different than current Unrestricted Net Assets, and Net Assets with Donor Restrictions, which includes all net assets subject to a donor restriction, replaced unrestricted, temporarily restricted, and permanently restricted net assets.
- Quantitative and qualitative information about liquidity is required to provide financial statement users with an understanding of a NFP's exposure to risk, management of liquidity risks, and availability of assets to meet cash needs for general expenditures.
- NFPs presenting an intermediate measure of operations will provide additional information about items included or excluded from the operating measure.
- Investment returns presented in the statement of activities are recorded net of both external and direct internal investment expenses.
- NFPs are required to report expenses both by function and natural classification in a single location.
- NFPs presenting a direct method statement of cash flows no longer need to present or disclose reconciliation to the indirect method.

The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification (the separate presentation of expenses by functional classification and expenses by natural classification is still required), and the disclosure about liquidity and availability of resources. The Foundation has elected not to present comparative information for these amendments.

Subsequent Events

The Foundation has evaluated subsequent events through September 12, 2019, 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:

	Combined
Cash and cash equivalents	\$ 2,170,296
Operating investments	15,660,257
Pharmacy receivables	226,251
Miscellaneous receivables	38,500
Distributions from assets held under split-interest agreements	191,243
Endowment spending rate distributions and appropriations	2,496,336
	<u>\$ 20,782,883</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. 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. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

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, 2019 and 2018:

	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, 2019</u>					
Operating Investments					
Mutual funds	\$ 2,824,050	\$ -	\$ -	\$ -	\$ 2,824,050
Cash and money market funds	2,453,536	-	-	-	2,453,536
Bond funds	-	10,382,671	-	-	10,382,671
Assets held under split interest agreements					
Mutual funds	2,641,859	-	-	-	2,641,859
Co-mingled and pooled investment funds					
Cash and money market funds	425,528	-	-	-	425,528
Real estate funds	-	142,727	-	-	142,727
Bond funds	-	9,175,867	-	-	9,175,867
Equity funds	-	30,729,655	-	8,798,419	39,528,074
Hedge funds	-	-	-	2,056,649	2,056,649
Real asset funds	-	3,897,669	-	1,119,932	5,017,601
	<u>\$ 8,344,973</u>	<u>\$ 54,328,589</u>	<u>\$ -</u>	<u>\$ 11,975,000</u>	<u>\$ 74,648,562</u>

Idaho State University Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

	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, 2018</u>					
Operating Investments					
Mutual funds	\$ 2,391,374	\$ -	\$ -	\$ -	\$ 2,391,374
Assets held under split interest agreements					
Mutual funds	2,560,422	-	-	-	2,560,422
Co-mingled and pooled investment funds					
Cash and money market funds	21,353	923,865	-	-	945,218
Real estate funds	-	125,962	-	-	125,962
Bond funds	-	6,115,796	-	-	6,115,796
Equity funds	-	36,100,341	-	-	36,100,341
Hedge funds	-	-	-	7,840,347	7,840,347
Real asset funds	-	5,564,774	-	1,517,347	7,082,121
	<u>\$ 4,973,149</u>	<u>\$ 48,830,738</u>	<u>\$ -</u>	<u>\$ 9,357,694</u>	<u>\$ 63,161,581</u>

Investments in certain entities that calculate NAV per share are as follows at June 30, 2019 and 2018:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
<u>2019</u>				
Co-mingled and pooled investment funds				
Hedge funds	\$ 2,056,649	\$ -	Quarterly, limited	65 days
Equity Funds	8,798,419	-	Illiquid	none
Real asset funds	1,119,932	-	Illiquid	none
<u>2018</u>				
Co-mingled and pooled investment funds				
Hedge funds	\$ 7,840,347	\$ -	Quarterly, limited	65 days
Real asset funds	1,517,347	-	Daily, Illiquid	2 days, none

Real Estate Fund – This fund is a real estate investment trust that contains real estate located in various sections of the United States. The fund also is involved with various aspects of real estate including, leasing and development. Income is received primarily through rental income and the sale of property thus distributions received are received primarily through liquidation of the underlying asset.

Bond Funds – Funds focused on various other bond funds in an effort to fully diversify its fixed income portfolio. The funds invest directly or indirectly in dollar-denominated investment grade bonds and other fixed income securities in an attempt to outperform the broad U.S. bond market.

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.

Hedge Funds – The fund focuses on a multi-manager, marketable alternative that is capable of outperforming the MSCI World Index over a full market cycle while providing some protection during down markets. These contain various forward foreign currency contracts, futures, written and purchased options and swaps investment vehicles.

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, 2019 and 2018:

	2019	2018
Receivable in less than one year	\$ 280,247	\$ 263,135
Receivable in one to five years	582,938	676,513
Receivable in more than five years	2,080,312	2,113,339
	2,943,497	3,052,987
Less discount to present value (at 1.85% - 8.75%)	(697,840)	(807,755)
Less allowance for uncollectable promises to give	(112,133)	(157,658)
	\$ 2,133,524	\$ 2,087,574

Note 5 - Property and Equipment

Property and equipment consisted of the following as of June 30, 2019 and 2018:

	2019	2018
Furniture and equipment	\$ 449,900	\$ 449,900
Construction in process	201,507	-
	651,407	449,900
Less accumulated depreciation and amortization	(314,694)	(237,907)
Total	\$ 336,713	\$ 211,993

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 \$2,641,859 and \$2,560,422 at market value at June 30, 2019 and 2018,

Idaho State University Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

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, 2019 and 2018 are discounted to total \$1,103,265 and \$1,160,852, respectively. The discount rates used range between 1.86% and 5.09% for the years ending June 30, 2019 and 2018. 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 net assets with donor restrictions in accordance with donor-imposed restrictions.

Note 7 - Long-Term Debt

Notes Payable - Foundation

Notes payable for the Foundation consist of the following:

	2019	2018
3.7% note payable to bank, due in annual installments of \$500,000 with interest due quarterly, maturing December 2024,	<u>\$ 3,500,000</u>	<u>\$ 4,000,000</u>

Total interest expense during 2019 and 2018 was \$139,315 and \$157,970, respectively.

Notes Payable - Pharmacy

Notes payable for the Pharmacy consist of the following:

	2019	2018
6% note payable to private lender, due in monthly installments of \$3,053, including interest, maturing May 2024, unsecured	\$ 155,658	\$ 182,088
6% note payable to private lender, due in monthly installments of \$1,450, including interest, maturing March 2020, unsecured	<u>11,343</u>	<u>27,531</u>
	<u>\$ 167,001</u>	<u>\$ 209,619</u>

Idaho State University Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Total interest expense and fees during 2019 and 2018 were \$16,802 and \$16,229, respectively.

Future maturities of the notes payable are as follows:

	Foundation	Pharmacy	Total
2020	\$ 500,000	\$ 39,404	\$ 539,404
2021	500,000	29,791	529,791
2022	500,000	31,629	531,629
2023	500,000	33,579	533,579
2024	500,000	32,598	532,598
Thereafter	1,000,000	-	1,000,000
	\$ 3,500,000	\$ 167,001	\$ 3,667,001

The Pharmacy has two notes payable with the Foundation totaling \$70,317 at year end. One loan for \$75,000 was issued with payments commencing in April 2016 until maturity at May 2021. The note bears interest at 6% and is unsecured and will bear interest at 18% if the Pharmacy were to default. The second note for \$100,000 was issued with payments commencing in April 2016 until maturity at May 2021. The note bears interest at 6% and is unsecured and will bear interest at 18% if the Pharmacy were to default. These notes have been eliminated in the consolidated financial statements.

Note 8 - Donated Materials and Services

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

	Management and General	Total
2019		
Salaries and benefits	\$ 303,165	\$ 303,165
Materials and supplies	28,626	28,626
Office space	10,400	10,400
	\$ 342,191	\$ 342,191
2018		
Salaries and benefits	\$ 329,607	\$ 329,607
Materials and supplies	14,594	14,594
Office space	11,440	11,440
	\$ 355,641	\$ 355,641

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, 2019, 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 net assets with donor restrictions totaling \$987,377 and \$1,096,463 as of June 30, 2019 and 2018, 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.

Idaho State University Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

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.

The endowment fund net asset composition is as follows:

At June 30, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 59,074,509	\$ 59,074,509
At June 30, 2018	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 57,584,648	\$ 57,584,648

Idaho State University Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Changes in endowment net assets are as follows:

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Assets, Beginning of Year July 1, 2018	\$ -	\$ 57,584,648	\$ 57,584,648
Investment return			
Investment income	-	371,533	371,533
Net realized and unrealized appreciation	-	1,841,425	1,841,425
Contributions	-	2,531,054	2,531,054
Appropriation of endowment assets for expenditures	-	(1,853,039)	(1,853,039)
Transfer of alumni center and foundation balances	-	(1,401,112)	(1,401,112)
	-	(1,401,112)	(1,401,112)
Endowment Assets, End of Year June 30, 2019	\$ -	\$ 59,074,509	\$ 59,074,509
	June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Assets, Beginning of Year July 1, 2017	\$ -	\$ 53,258,798	\$ 53,258,798
Investment return			
Investment income	-	355,962	355,962
Net realized and unrealized appreciation	-	3,948,090	3,948,090
Contributions	-	1,775,928	1,775,928
Appropriation of endowment assets for expenditures	-	(1,720,985)	(1,720,985)
Other changes	-	(33,145)	(33,145)
	-	(33,145)	(33,145)
Endowment Assets, End of Year June 30, 2018	\$ -	\$ 57,584,648	\$ 57,584,648

Idaho State University Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Note 10 - Related Party Transactions

The Foundation provides scholarships to the University based on the terms of the donations. The Foundation also provides various departmental support and athletic scholarships.

Several members of the Board of Directors have made promises to give to the Foundation. For the years ended June 30, 2019 and 2018, the balances outstanding on those promises to give were approximately \$1,360,031 and \$1,420,444 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 in funds held in custody of others. Funds held for others totaled \$949,742 and \$1,210,515 as of June 30, 2019 and 2018, 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:

	2019	2018
Subject to expenditure for specified purpose:		
Academic Support	\$ 3,142,082	\$ 2,665,046
Institutional Support	9,987,220	7,636,065
Scholarships	2,120,271	1,471,000
	15,249,573	11,772,111
Endowments		
Subject to appropriation and expenditure for a specified purpose		
Academic Support	6,423,272	6,301,240
Institutional Support	840,226	2,280,991
Scholarships	6,261,123	5,301,353
	13,524,621	13,883,584
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
Academic Support	8,204,990	8,082,270
Institutional Support	1,996,194	1,922,014
Scholarships	36,336,082	34,793,243
Underwater endowments	(987,378)	(1,096,463)
	45,549,888	43,701,064
Total endowments	59,074,509	57,584,648
	\$ 74,324,082	\$ 69,356,759

Idaho State University Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

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, 2019 and 2018:

Net assets released from restrictions

	2019	2018
Satisfactions of purpose restrictions:		
Academic Support	\$ 1,645,996	\$ 520,166
Institutional Support	4,780,534	344,960
Scholarships	2,040,628	1,784,646
Restricted-purpose spending-rate distributions and appropriates	1,006,394	858,625
	\$ 9,473,552	\$ 3,508,397

Note 12 - Retail Pharmacy Operation

Supplementary information for the Pharmacy includes the following:

Balance Sheets

	2019	2018
Assets		
Cash	\$ 253,973	\$ 413,410
Pharmacy receivables, net	226,251	198,250
Inventory	405,254	684,856
Prepaid expenses	12,832	24,887
Property and equipment, net	135,206	167,480
Goodwill	199,241	199,241
Total assets	\$ 1,232,757	\$ 1,688,124
Liability and Member's Equity (Deficit)		
Accounts payable	\$ 280,755	\$ 813,670
Long-term debt	237,318	315,161
Total liabilities	518,073	1,128,831
Member's Equity (Deficit)		
Investment from ISUF (Wallace Fund)	1,092,054	747,500
Accumulated earnings	(377,370)	(188,207)
Total net assets	714,684	559,293
	\$ 1,232,757	\$ 1,688,124

Idaho State University Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Statements of Operations

	2019	2018
Pharmacy sales	\$ 5,597,002	\$ 5,934,797
Cost of sales	(4,780,924)	(4,958,539)
Gross profit	816,078	976,258
Expenses		
Payroll	(598,221)	(674,405)
Operations	(407,020)	(374,365)
Total expenses	(1,005,241)	(1,048,770)
Loss from retail pharmacy operation	\$ (189,163)	\$ (72,512)

Statements of Cash Flows

	2019	2018
Operating Activities		
Loss from pharmacy operation	\$ (189,163)	\$ (72,512)
Adjustments to reconcile loss in pharmacy operation to net cash from (used for) operating activities		
Depreciation	32,274	33,654
Changes in assets and liabilities		
Pharmacy receivables, net	(28,002)	(29,792)
Inventory	279,602	(233,638)
Prepaid expenses	12,055	17,238
Accounts payable and accrued liabilities	(532,915)	588,554
Net cash from (used for) Operating Activities	(426,149)	303,504
Investing Activities		
Purchase of equipment	-	(32,323)
Net cash from (used for) Financing Activities	-	(32,323)
Financing Activities		
Proceeds from ISUF (Wallace Fund)	344,554	-
Payment on notes payable	(77,842)	(73,322)
Net cash from (used for) Financing Activities	266,712	(73,322)
Change in Cash	(159,437)	197,859
Cash , Beginning of Year	413,410	215,551
Cash , End of Year	\$ 253,973	\$ 413,410

Idaho State University Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

The following percentages reflect the concentration of gross revenues by major payor for the pharmacy's revenues for the years ended June 30, 2019 and 2018.

Concentration of gross revenues by major payor:

	2019	2018
Blue Cross and Other Commercial Payors	53.69%	59.66%
Medicare Part D	19.86%	14.75%
Medicaid	20.36%	19.45%
Self Pay	6.09%	6.14%
	100.00%	100.00%

The following percentages reflect the concentration of credit risk by major payer for the pharmacy's receivables as of June 30, 2019 and 2018:

	2019	2018
Blue Cross and Other Commercial Payors	56.13%	75.00%
Medicare Part D	15.47%	14.75%
Medicaid	19.38%	10.25%
Self Pay	9.01%	0.00%
	100.00%	100.00%

Note 13 - Adjustment Resulting from Change in Accounting Policy

As disclosed in Note 1, the Foundation adopted the provisions of ASU 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities* as of June 30, 2019. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and require that the underwater portion of the Foundation's donor restricted endowment funds be presented as a reduction of net assets with donor restrictions rather than as a component of unrestricted net assets as in prior periods. Following is a summary of the effects of the change in accounting policy in the Foundation's June 30, 2018 net assets.

Idaho State University Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

The effect on the Foundation's statement of financial position as of June 30, 2019, is as follows:

	<u>As Previously Reported</u>	<u>Adoption of ASU 2016-14</u>	<u>As Adjusted</u>
Unrestricted	\$ (1,184,227)	\$ 1,184,227	\$ -
Temporarily restricted net assets	26,752,159	(26,752,159)	-
Permanently restricted net assets	43,701,064	(43,701,064)	-
Net assets without donor restrictions	-	(87,763)	(87,763)
Net assets with donor restrictions	-	69,356,759	69,356,759

The effect on the Foundation's statement of activities for the year ended June 30, 2018, is as follows:

	<u>As Previously Reported</u>	<u>Adoption of ASU 2016-14</u>	<u>As Adjusted</u>
Net assets released from restriction	\$ 3,994,330	\$ (485,933)	\$ 3,508,397
Net Assets, Beginning of Year			
Unrestricted	\$ (3,949,544)	\$ 3,949,544	\$ -
Temporarily restricted net assets	19,736,747	(19,736,747)	-
Permanently restricted net assets	42,036,281	(42,036,281)	-
Net assets without donor restrictions	-	(2,367,147)	(2,367,147)
Net assets with donor restrictions	-	60,190,631	60,190,631
Net Assets, End of Year			
Unrestricted	\$ (1,184,227)	\$ 1,184,227	\$ -
Temporarily restricted net assets	26,752,159	(26,752,159)	-
Permanently restricted net assets	43,701,064	(43,701,064)	-
Net assets without donor restrictions	-	(87,763)	(87,763)
Net assets with donor restrictions	-	69,356,759	69,356,759