



State of Idaho Endowment Funds

**Administered by the
Endowment Fund Investment Board**



**FINANCIAL STATEMENTS – JUNE 30, 2014
STATE OF IDAHO ENDOWMENT FUNDS**

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INDEPENDENT AUDITORS' REPORT

Endowment Fund Investment Board
State of Idaho Endowment Funds
Boise, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Idaho Endowment Funds administered by the Endowment Fund Investment Board (the EFIB), a component unit of the State of Idaho, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State of Idaho Endowment Funds' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the State of Idaho Endowment Funds as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Idaho Endowment Funds' basic financial statements. The supplemental schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2014, on our consideration of State of Idaho Endowment Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering State of Idaho Endowment Funds' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Boise, Idaho
August 20, 2014

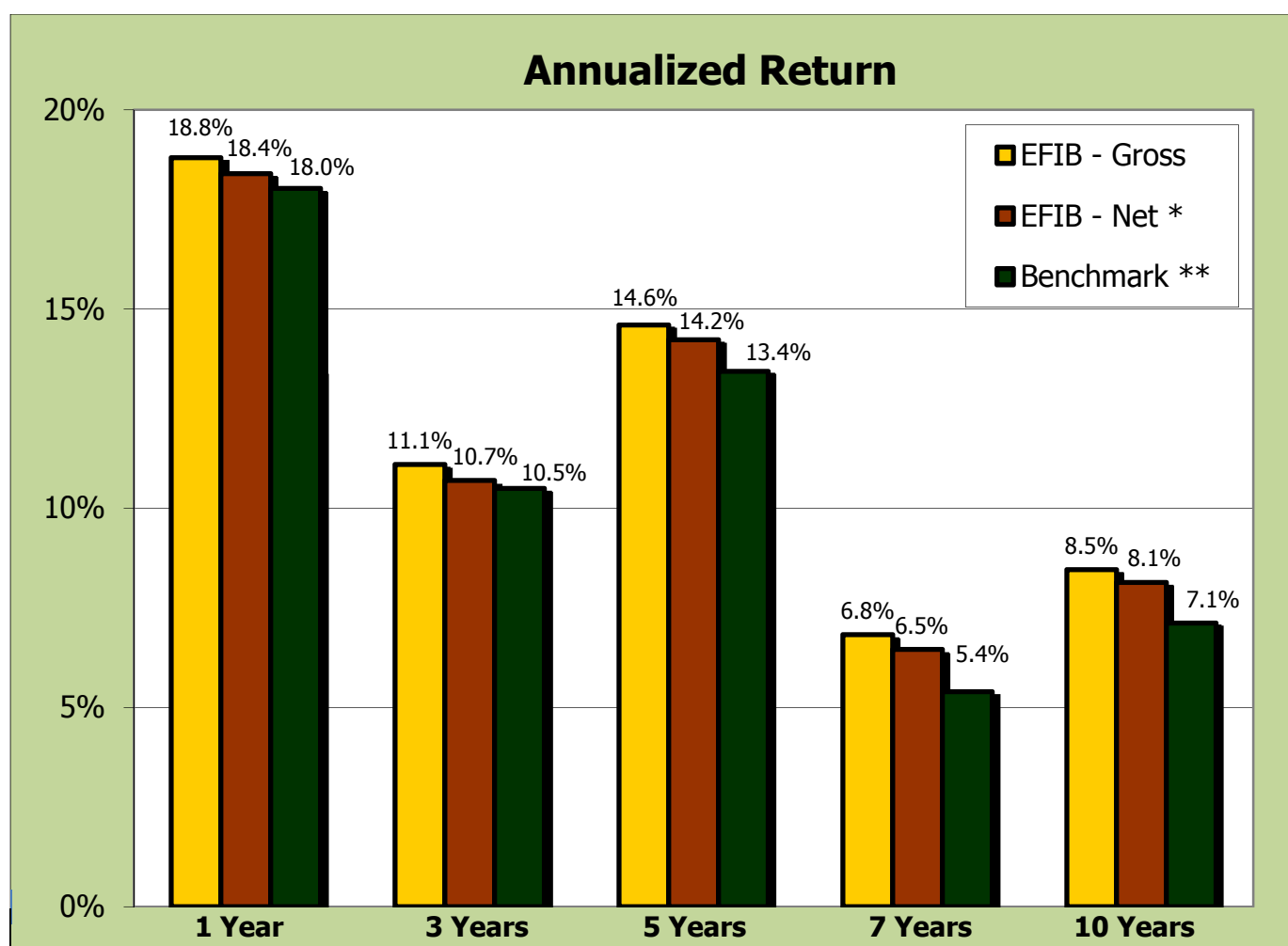
**STATE OF IDAHO ENDOWMENT FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

This discussion and analysis of the State of Idaho Land Grant Endowment Funds' (the Endowment Funds) financial performance provides a summary of the financial activities of the Endowment Funds, and its manager, the Endowment Fund Investment Board (the EFIB), for the year ended June 30, 2014.

FINANCIAL HIGHLIGHTS

Total of the Endowment Funds

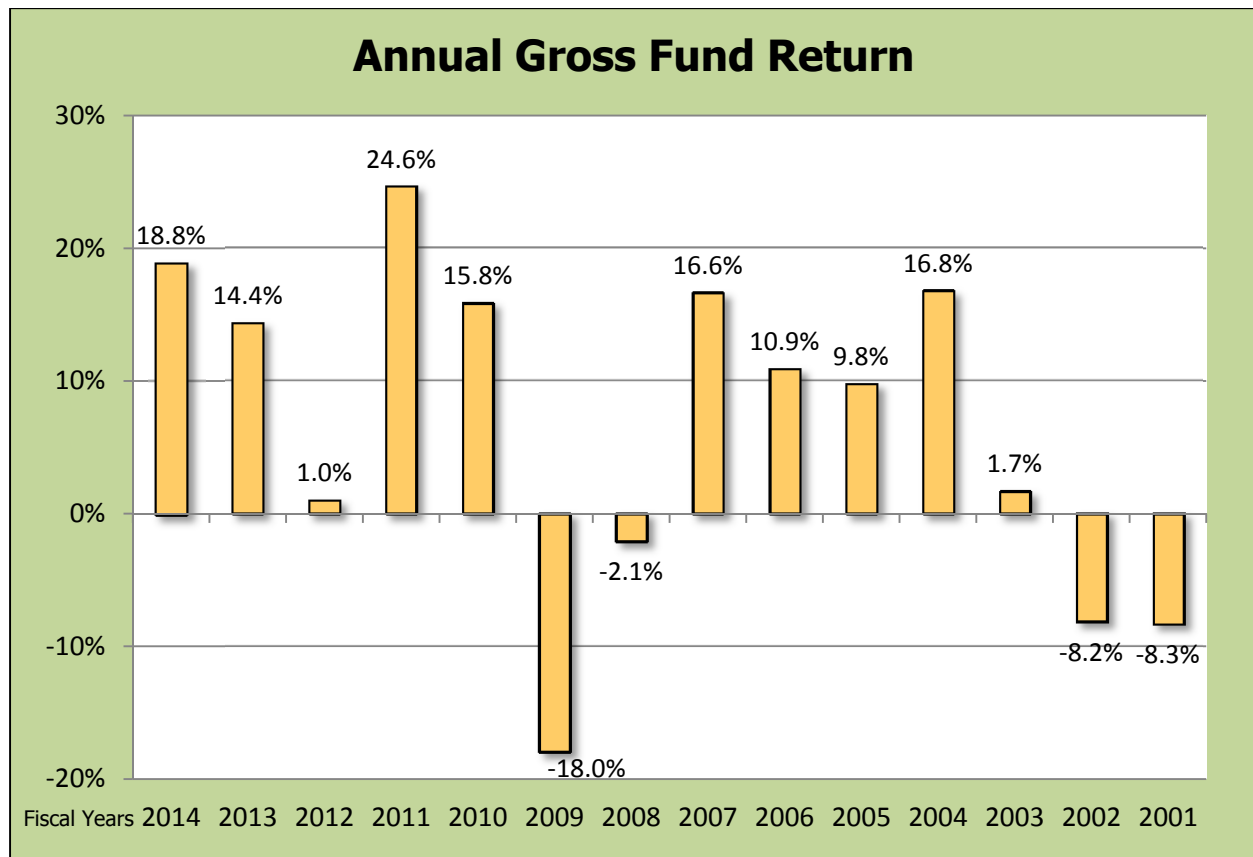
- Net position increased \$284 million, which represents a 19.4% increase from fiscal year 2013.
- Receipts to Earnings Reserves from endowment lands, increased to \$87.8 million, an 18.1% increase from fiscal year 2013.
- Net distributions to beneficiaries, excluding the Capitol Commission, increased 2.8% in fiscal year 2014 to \$48.8 million, from \$47.5 million in fiscal year 2013.
- Total investment return, before fees, was 18.8% in fiscal year 2014, compared to 14.4% in fiscal year 2013 and 1.0% in fiscal year 2012.



* Net returns are net of outside investment manager fees (approximately 36 basis points in 2014). The ratio of total fiscal year 2014 EFIB expenses to year-end net assets was 42 basis points.

** Benchmark consists, as of June 30, 2014, of 49% Russell 3000 Index, 21% MSCI All-Country World Index (ACWI) ex-US, & 30% Barclays Capital Aggregate Index.

**STATE OF IDAHO ENDOWMENT FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

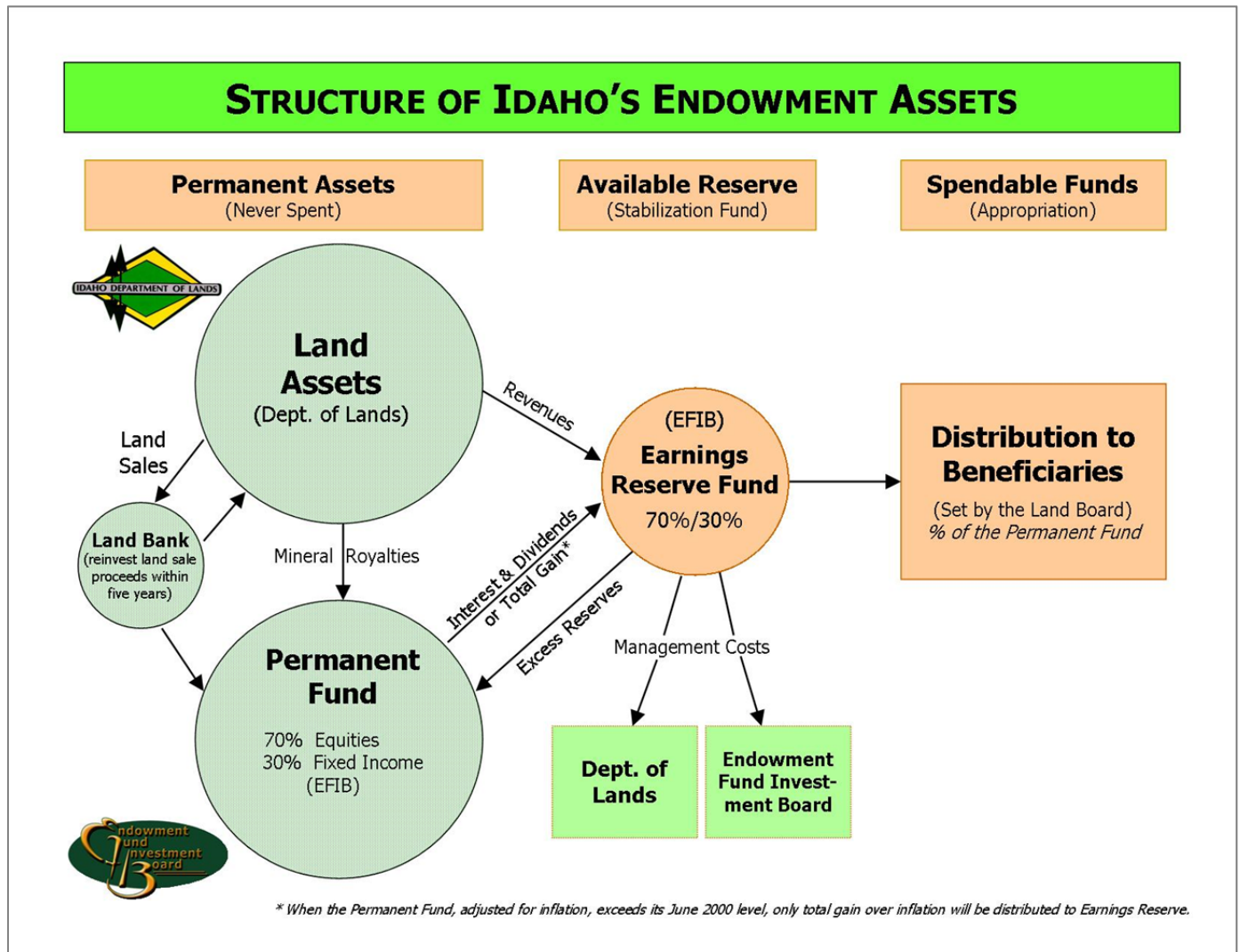


PURPOSE OF THE STATE OF IDAHO ENDOWMENT FUNDS

The purpose of the Endowment Funds is to manage and invest the revenues generated from the management and sale of endowment land assets of the State.

Monies are generated from lands endowed to, and for the benefit of nine different endowments: Public School, University of Idaho Agricultural College, Charitable Institutions (Idaho State University, Juvenile Corrections Center, State Hospital North, Veterans' Home, School for Deaf and Blind), Normal School (Idaho State University, Lewis-Clark State College), Penitentiary, University of Idaho School of Science, State Hospital South, University of Idaho and the Capitol Permanent Fund.

The financial assets of all institutions are pooled for investment purposes and distributions are based on their proportionate share of the total pooled fund. Assets of the Public School endowment account for approximately two-thirds of the total of the Endowment Funds.



ROLE OF THE ENDOWMENT FUND INVESTMENT BOARD

The Endowment Fund Investment Board was created by the 1969 Idaho Legislature and charged with management responsibility of the permanent land grant endowment funds of the State of Idaho (the State). In addition to managing the Endowment Funds, the EFIB also oversees the investments of the State Insurance Fund, the Ritter Island Endowment Fund, and the Trail of the Coeur d'Alene's Endowment Fund and effective July 11, 2014 the Bunker Hill Water Treatment Endowment. The EFIB oversaw the investment of the Judges' Retirement Fund through June 30, 2014, at which time responsibility for its administration and investment was assumed by the Public Employees Retirement System of Idaho.

USING THIS ANNUAL REPORT

The annual report consists of the independent auditor's report, the financial statements and the notes to the financial statements, supplemental schedules, and examination of management assertions. These statements are organized to give the reader a complete understanding of the total Endowment Funds, as a whole, along with the specifics of each individual endowment.

**STATE OF IDAHO ENDOWMENT FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

FINANCIAL STATEMENTS

The financial statements and notes to the financial statements are prepared by the Endowment Funds' management. The total of the Endowment Funds combines the assets of nine different endowments. The financial statements consist of a statement of net position and a statement of activities with combined totals. The notes to the financial statements are an integral part of the financial statements and provide additional information on the Fund and its operations.

DISTRIBUTIONS TO THE BENEFICIARIES

The Endowment Funds exist to provide perpetual distributions to their beneficiaries. For all endowments, except Capitol Permanent, the State Board of Land Commissioners has established a distribution policy. The current policy establishes distributions at a rate of 5% of the three-year moving average Permanent Fund balance (7% for State Hospital South) and allows for adjustments to the distributions based on factors including the amount in the Earnings Reserve and transfers to the Permanent Fund. The 2013 Idaho Legislature passed Senate Bill 1131 to appropriate the fiscal year 2014 distributions to the beneficiary institutions.

Total Fund Distributions

	2014	2013
Public School	\$ 31,292,400	31,292,400
Agricultural College	967,200	916,800
Charitable Institutions	3,348,000	2,964,600
Normal School	2,670,000	2,670,000
Penitentiary	1,422,000	1,246,800
School of Science	3,338,400	2,997,600
State Hospital South	2,946,000	2,868,000
University of Idaho	2,860,800	2,552,400
Subtotal	48,844,800	47,508,600
Capitol Maintenance	50,000	-
Total Distributions	\$ 48,894,800	\$ 47,508,600

Legislation passed by the 2013 Idaho Legislature (House Bill 181) established, as of the beginning of FY 2014, the Capitol Maintenance Reserve Fund to accumulate distributions from the Permanent Fund to support major maintenance needs of the Capitol building, as they arise, as well as to pay the expenses of the EFIB and the Department of Lands and the administrative expenses of the Capitol Commission. The Reserve Fund received a regular distribution from its Permanent Fund of \$1,019,000, as determined by the EFIB, plus an additional one-time transfer of \$1,000,000. Distributions from the Maintenance Reserve Fund are determined by the Capitol Commission, subject to legislative appropriation, and in FY 2014 the Commission requested a \$50,000 distribution.

**STATE OF IDAHO ENDOWMENT FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Statement of Net Position

	2014	2013
Total Current Assets	\$ 1,767,846,494	\$ 1,485,511,780
Total Current Liabilities	23,078,082	24,838,843
Net Position - Permanent Funds	1,399,811,244	1,211,084,091
Net Position - Earnings Reserve	344,957,168	249,588,846
Total Net Position	\$ 1,744,768,412	\$ 1,460,672,937

Statement of Activities

	2014	2013
Program Revenues		
Receipts from Dept. of Lands		
Permanent Receipts	\$ 2,366,453	\$ 2,899,700
Earnings Reserve Receipts	87,868,817	74,419,147
Income from Investments	32,907,617	31,121,257
Increase in Value of Investments	240,843,706	151,430,062
Total Program Revenues	363,986,593	259,870,166
Program Expenses		
Distribution to Beneficiaries	48,894,800	47,508,600
Distribution for Expenses-Lands	23,721,424	26,001,715
Distribution for Expenses-EFIB	7,274,894	6,165,409
Total Program Expenses	79,891,118	79,675,724
Net Program Revenue/Change in Net Position	\$ 284,095,475	\$ 180,194,442

Revenues reflect all receipts from endowment lands and total income from investments. During fiscal year 2014, land revenues increased by 16.7%, primarily due to higher timber harvest volume and also higher realizations. During the same period, income from investments increased 5.7%. Market value gains of \$241 million were due primarily to a rise in stock prices.

Total expenses reflect distributions to beneficiaries as well as expenses paid. The fiscal year 2014 distribution to beneficiaries of \$48.9 million represented a 2.9% increase over the previous year.

The distributions for expenses reflect the expenses paid by the Endowment Funds to the Department of Lands for its expenditures associated with the management of the lands and to the EFIB for the management of the

**STATE OF IDAHO ENDOWMENT FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

investments of the Funds. Distributions to the EFIB for their expenses increased 18% in fiscal year 2014, due to higher invested assets and resultant higher investment manager fees.

FACTORS THAT MAY AFFECT FINANCIAL POSITION

With the exception of the Capitol Permanent Fund, each Endowment Fund is distinct in that it has a permanent corpus and an Earnings Reserve Fund. The permanent corpus, or Permanent Fund, is to remain intact while distributions are permitted from the Earnings Reserve Fund. Both the Permanent and Earnings Reserve Funds are affected by market gains and losses of the Fund.

Under legislation passed by the 1998 Idaho Legislature, an Earnings Reserve Fund was established to pay distributions to beneficiaries and expenses of the EFIB and the Department of Lands. Most land revenue is an addition to the Earnings Reserve Fund while Department of Lands and EFIB expenses as well as distributions to beneficiaries are depletions. Each June 30, the proportionate change in market value is allocated to the Permanent Fund and the Earnings Reserve Fund for four of the endowments. For Agricultural College, State Hospital South, Penitentiary, and University, the proportionate change in market value is allocated to their Earnings Reserve fund as well as the cumulative total return above inflation of its Permanent Fund. The University of Idaho endowment adopted this methodology in FY 2014, the Charitable Institutions, Normal School and School of Science endowments will adopt it in FY 2015, and the Public School endowment will adopt it in FY 2016. These allocation methodologies are specified in *Idaho Code* 57-720.

On July 1, 2004, the Capitol Permanent Fund was pooled with the other endowment funds for investment purposes. Additions to that fund include revenue from its lands as well as investment income. The EFIB authorizes distributions from the Permanent Fund to the Capitol Maintenance Reserve Fund, effective July 1 of each fiscal year. In May of 2014, the EFIB authorized that a distribution of \$1,168,000 be made to the Capitol Maintenance Reserve Fund in July 2014, based on 5% of the value of the Capitol Permanent Fund.

For endowments other than the Capitol Permanent Fund, the Board of Land Commissioners has approved, and the legislature has appropriated in House Bill 552, the following distributions to beneficiaries for FY 2015.

2015		
Public School	\$	31,292,400
Agricultural College		1,164,000
Charitable Institutions		3,852,000
Normal School		3,144,000
Penitentiary		1,707,600
School of Science		3,866,400
State Hospital South		3,625,400
University of Idaho		3,326,400
Total	\$	51,978,200

Even if a distribution has been approved and appropriated, it cannot be paid if there are not sufficient funds in Earnings Reserve. A measure the EFIB uses to evaluate the adequacy of reserves is the "Coverage Ratio", (Annual Distribution divided by Reserves). Based on these coverage ratios, the EFIB believes that Earnings Reserves are sufficient to permit payment of approved distributions to all endowments in FY 2015.

**STATE OF IDAHO ENDOWMENT FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

By Board of Land Commissioners' Policy, the level of Earnings Reserves deemed adequate is at least five years of future distributions and any excess may be transferred from the Earnings Reserve Fund to the corresponding Permanent Fund. However, this policy is under review, so no transfers of excess Earnings Reserves to the respective Permanent Funds, based on FY 2014 results, have yet been approved.

UPCOMING GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) issued Statement No. 68 *Accounting and Financial Reporting for Pensions* (Statement No. 68), which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The EFIB provides its employees with pension benefits through the Public Employee Retirement System of Idaho (PERSI), a multiple employer cost-sharing defined benefit retirement program. Statement No. 68 requires cost-sharing employers participating in the PERSI program, such as the EFIB, to record their proportionate share, as defined in Statement No. 68, of PERSI's unfunded pension liability. EFIB has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefits, or annual required contribution decisions made by PERSI. Statement No. 68 is effective for fiscal year 2015. At this time, management believes the impact to be immaterial. Information regarding PERSI's current funding status can be found in their financial reports on the PERSI web site (www.persi.idaho.gov).

TOTAL COST OF INVESTMENT MANAGEMENT

In fiscal year 2014, the EFIB had expenditures of \$7,274,894 to manage the Endowment Funds.

Investment Management Operating Costs	Expense	Basis Points*
Internal investment oversight	\$ 221,041	1
Internal accounting	187,726	1
Outside investment manager fees**	6,196,879	36
Custody expense	414,714	2
Consultant and auditor fees	267,164	2
Subtotal	7,287,524	42
Less manager fees deducted from NAV**	192,939	
Total Cash Expenditures	7,094,585	
Plus accrual	180,309	
Total Accrual Basis Expense	\$ 7,274,894	

* Relative to total fiscal-year end 2014 net position of \$1,744,768,412.

** Fees for investments in mutual funds are deducted directly from the fund by the investment manager. They are included in "Outside investment manager fees" but are not directly paid by the EFIB.



FINANCIAL STATEMENTS

JUNE 30, 2014

**Administered by the
Endowment Fund Investment Board**

STATE OF IDAHO ENDOWMENT FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014

Current Assets:	
Cash with Treasurer	\$ 467,499
Investments, at Fair Value	1,746,383,315
Receivable for Unsettled Trades	6,216,408
Receivable From Idaho Department of Lands	6,567,642
Accrued Interest and Dividends Receivable	4,596,452
Prepaid Expenses to the Department of Lands	3,615,178
Total Assets	<u>1,767,846,494</u>
Current Liabilities:	
Payable for Unsettled Trades	21,329,265
Investment Manager Expenses Payable	1,748,817
Total Liabilities	<u>23,078,082</u>
Restricted Nonexpendable Net Position - Permanent Funds:	
Public School	922,378,031
Agricultural College	22,836,366
Charitable Institutions	95,294,185
Normal School	80,728,253
Penitentiary	34,896,917
School of Science	95,679,982
State Hospital South	55,179,651
University of Idaho	64,363,756
Capitol Permanent Fund	28,454,103
Total Permanent Net Position	<u>1,399,811,244</u>
Restricted Expendable Net Position - Earnings Reserve:	
Public School	163,794,087
Agricultural College	12,254,956
Charitable Institutions	28,790,159
Normal School	23,040,978
Penitentiary	16,155,277
School of Science	23,337,412
State Hospital South	33,543,495
University of Idaho	42,002,418
Capitol Maintenance	2,038,386
Total Earnings Reserve Net Position	<u>344,957,168</u>
Total Net Position	<u>\$ 1,744,768,412</u>

STATE OF IDAHO ENDOWMENT FUNDS
STATEMENT OF ACTIVITIES
JUNE 30, 2014

	Public School	Agricultural College*	Charitable Institutions	Normal School
PERMANENT NET POSITION				
Permanent Net Position, beginning of year	\$ 792,921,747	\$ 20,644,643	\$ 78,201,933	\$ 69,461,116
Program Revenues:				
Receipts from Dept. of Lands	2,134,448	(1,734)	8,176	123,691
Income from Investments	127,321,836	322,457	13,154,076	11,143,446
Total Program Revenue	129,456,284	320,723	13,162,252	11,267,137
Transfer to Earnings Reserve	-	-	-	-
Transfer from Earnings Reserve	-	1,871,000	3,930,000	-
Increase (Decrease) in Net Position	129,456,284	2,191,723	17,092,252	11,267,137
Permanent Net Position, end of year	922,378,031	22,836,366	95,294,185	80,728,253
EARNINGS RESERVE NET POSITION				
Earnings Reserve Net Position, beginning of year	122,017,927	9,713,331	23,186,096	15,719,512
Program Revenues:				
Receipts from Dept. of Lands	50,584,402	689,735	8,432,664	6,923,802
Income from Investments	43,223,020	5,191,845	6,259,573	5,106,908
Total Program Revenues	93,807,422	5,881,580	14,692,237	12,030,710
Program Expenses:				
Distribution for Expenses-Lands	16,200,165	353,912	1,306,952	1,615,270
Distribution for Expenses-EFIB	4,538,697	147,843	503,222	423,974
Distributions to Beneficiaries	31,292,400	967,200	3,348,000	2,670,000
Total Program Expenses	52,031,262	1,468,955	5,158,174	4,709,244
Net Program Revenue	41,776,160	4,412,625	9,534,063	7,321,466
Transfer to Permanent Fund	-	(1,871,000)	(3,930,000)	-
Transfer from Permanent Fund	-	-	-	-
Increase (Decrease) in Net Position	41,776,160	2,541,625	5,604,063	7,321,466
Earnings Reserve Net Position, end of year	163,794,087	12,254,956	28,790,159	23,040,978
TOTAL NET POSITION	\$ 1,086,172,118	\$ 35,091,322	\$ 124,084,344	\$ 103,769,231

* Income for the Agricultural College, Penitentiary, State Hospital South and University Funds are allocated using a different methodology (see Note 4).

STATE OF IDAHO ENDOWMENT FUNDS
STATEMENT OF ACTIVITIES
JUNE 30, 2014

Penitentiary*	School of Science	State Hospital South*	University of Idaho*	Capitol	Total
\$ 30,210,332	\$ 78,312,101	\$ 48,415,077	\$ 67,000,934	\$ 25,916,208	\$ 1,211,084,091
718	9,551	7,360	4,141	80,102	2,366,453
471,867	13,207,330	756,214	929,204	4,476,793	171,783,223
472,585	13,216,881	763,574	933,345	4,556,895	174,149,676
-	-	-	(7,510,523)	(2,019,000)	(9,529,523)
4,214,000	4,151,000	6,001,000	3,940,000	-	24,107,000
4,686,585	17,367,881	6,764,574	(2,637,178)	2,537,895	188,727,153
34,896,917	95,679,982	55,179,651	64,363,756	28,454,103	1,399,811,244
12,754,466	23,484,258	22,139,310	20,573,946	-	249,588,846
2,255,154	3,650,341	8,710,128	6,559,631	62,960	87,868,817
7,542,676	5,482,541	13,105,085	15,737,807	318,645	101,968,100
9,797,830	9,132,882	21,815,213	22,297,438	381,605	189,836,917
547,818	1,291,852	1,108,607	1,141,857	154,991	23,721,424
213,201	498,476	355,421	436,832	157,228	7,274,894
1,422,000	3,338,400	2,946,000	2,860,800	50,000	48,894,800
2,183,019	5,128,728	4,410,028	4,439,489	362,219	79,891,118
7,614,811	4,004,154	17,405,185	17,857,949	19,386	109,945,799
(4,214,000)	(4,151,000)	(6,001,000)	(3,940,000)	-	(24,107,000)
-	-	-	7,510,523	2,019,000	9,529,523
3,400,811	(146,846)	11,404,185	21,428,472	2,038,386	95,368,322
16,155,277	23,337,412	33,543,495	42,002,418	2,038,386	344,957,168
\$51,052,194	\$ 119,017,394	\$88,723,146	\$ 106,366,174	\$ 30,492,489	\$ 1,744,768,412

**STATE OF IDAHO ENDOWMENT FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 - GENERAL DESCRIPTION OF THE FUNDS

The Endowment Fund Investment Board (the EFIB) is charged with the administration and investment of the Permanent Endowment and Earnings Reserve Funds of the State of Idaho (the State), comprised of the Public School, Agricultural College, Charitable Institutions, Normal School, Penitentiary, School of Science, State Hospital South, and University of Idaho Endowment Funds, as well as the Capitol Permanent Fund and Capitol Maintenance Reserve Fund, all held for the benefit of certain State institutions.

The State of Idaho Endowment Funds (the Endowment Funds) is considered part of the State financial reporting entity and is included in the State Comprehensive Annual Financial Report (CAFR). The Endowment Funds are invested according to an investment policy established by the EFIB.

The EFIB has no jurisdiction over assets held by the Idaho Department of Lands (IDL) or other agencies; therefore, the EFIB gives accounting recognition only when a transaction related to endowment land assets has been consummated by IDL.

The EFIB employs external investment managers for management of the Endowment Funds.

Endowment Funds Investment Reform Legislation

On July 1, 2000, the EFIB significantly changed operations and reporting of the Endowment Funds, under legislation enacted by the Idaho Legislature in 1998.

The legislation provides that:

- (1) The EFIB, as trustees, will control, manage and invest Endowment Funds according to policies established by the State Board of Land Commissioners.
- (2) The application of the Uniform Prudent Investor Act replaces the previous, more restrictive, investment criteria.
- (3) An Earnings Reserve Fund is established to create a buffer to preserve the Permanent Fund balances.
- (4) Administrative costs are to be paid from earnings of the Endowment Funds instead of from annual General Fund appropriations.
- (5) Distributions to beneficiaries are determined by the State Board of Land Commissioners and are to be paid from the Earnings Reserve Funds, which include investment earnings, net capital gains and receipts from IDL.

In March 2004, legislation was enacted which establishes an objective that the Permanent Funds of each endowment grow from June 2000 levels at least at the cumulative rate of inflation plus deposits. Further, it provided that any market appreciation of the Permanent Fund could not be transferred to the Earnings Reserve if that objective had not been achieved.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The financial statements include all funds for which the EFIB is financially accountable, i.e., the land grant endowments of the State, and are prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements.

The Endowment Funds are part of the State reporting entity based on certain GASB criteria. These statements present only the Endowment Funds and are not intended to present the financial position and results of operations of State in conformity with generally accepted accounting principles in the United States of America.

STATE OF IDAHO ENDOWMENT FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Basis of Presentation

The Endowment Funds are accounted for and reported as a Permanent Fund as defined by GASB and use the modified accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred. The statement of net position and the statement of activities display information about the Endowment Funds and include the financial activity of the overall reporting entity. These statements report all activities of the Endowment Funds as a governmental type activity. Given the type of assets and liabilities held by Endowment Funds, there are no adjustments required to convert from modified accrual basis to full accrual basis as required by GASB.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments

According to policies established by the State Board of Land Commissioners, the EFIB is authorized to invest the Endowment Funds in certain fixed income and equity investments as defined by the policy of the EFIB and consistent with Section 57-723 of the *Idaho Code*. This section states in part, "The EFIB and its investment manager(s) or custodian(s) shall be governed by the Idaho Uniform Prudent Investor Act (Chapter 5, Title 68, *Idaho Code*), and shall invest and manage the assets of the respective trusts in accordance with that act and the Idaho constitution." In accordance with this code section and the EFIB's investment policy, the Endowment Funds may be invested in equities (67% to 73% of the investment portfolio, with a current target of 70%) and fixed income (27% to 33% of the investment portfolio, with a current target of 30%).

The following is a list of investments by asset class allowed by the general investment policy:

- (1) Cash Equivalents: Treasury bills; money market funds; STIF funds; commercial paper; banker's acceptances; repurchase agreements; certificates of deposit.
- (2) Fixed Income: US government and agency securities; corporate notes and bonds; mortgage backed bonds; fixed income securities of foreign governments and corporations; planned amortization class collateralized mortgage obligations; or other "early tranche" CMOs; asset backed securities.
- (3) Mutual or Collective Funds: Registered funds or Delaware Business Trusts only.
- (4) Equities: Common stocks; convertible notes and bonds; convertible preferred stocks; American depository receipts (ADR's); stocks of non-US companies (ordinary shares); non-investment grade bonds; preferred stocks.
- (5) Futures, Options & certain Derivatives: Financial index futures and options used to adjust the overall effective asset allocation of the entire portfolio and for use as hedges, and certain derivatives as approved by the EFIB.

Investment securities are stated at fair value, based on published market prices and quotations from major investment brokers when available. Purchase and sale transactions are recorded on the trade date.

Derivatives are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes. They include such things as futures contracts, swap contracts, option contracts, and foreign currency forwards.

In fiscal year 2014, the EFIB utilized equity and fixed income index futures for cash equitization and passive rebalancing. Index futures obligate the buyer to purchase an asset (or the seller to sell an asset) at a predetermined future date and price. Futures contracts detail the quality and quantity of the underlying asset and are standardized to facilitate trading on a futures exchange.

STATE OF IDAHO ENDOWMENT FUNDS
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The tables below summarize the various contracts in the portfolio as of June 30, 2014. The notional value of these instruments is not recorded in the financial statements.

Futures	Expiration Date	Contracts	Notional Value	Unrealized Gain	Required Margin
10-Year Treasury Note	Sep-14	264	\$33,045,375	\$ 56,653	\$ 377,520

Any idle monies after cash flow transactions are swept into the Idle Pool for overnight investment. The Idle Pool is managed by the State of Idaho Treasurer's office. The funds of the Idle Pool are invested pursuant to *Idaho Code* 67-1210 and 67-1210A, and invested in US Treasury and US Government Agency obligations, investment grade corporate obligations, high quality commercial paper, and bank Certificates of Deposit. For performance evaluation, the fund is compared to the 180-day Treasury constant maturity rate. The Idle Pool is not rated. All investments are held in trust by a safekeeping bank. An annual audit of Idle Pool is conducted by an independent accountant.

Expendable and Nonexpendable Net Position

The net position of the Earnings Reserve Funds are expendable assets of the Endowment Funds. These expendable assets are used for distributions to beneficiaries and distributions for expenses of the EFIB and IDL. The net position of the Permanent Funds are nonexpendable assets.

Income from Investments

Income from investments is recognized when earned and includes interest, dividends, other income, and market appreciation (realized and unrealized). Income from investments is allocated and distributed to each fund participating in the investment pool in the same ratio that each fund's average daily balance bears to the total daily balance of all participants' funds. Income from investments is recorded on an accrual basis.

Within each endowment, income from investments is further allocated to its Permanent Fund and Earnings Reserve Fund in accordance with Sections 57-723A and 57-724A of the *Idaho Code*. The definition of "income" to be allocated depends on whether or not the Permanent Fund portion of an endowment fund has exceeded, at the end of the fiscal year, its "Gain Benchmark" as defined in statute. If the Permanent Fund balance of an endowment has never achieved its Gain Benchmark at fiscal year-end, interest and dividends from its Permanent Fund assets are allocated to its Earnings Reserve Fund and any market appreciation or depreciation from its Permanent Fund assets is retained by its Permanent Fund.

The Gain Benchmark, as specified in *Idaho Code* 57-724, represents the desired or targeted value of principal or corpus in each endowment fund (excluding Capitol Permanent). It is determined by starting with the ending balance at June 30, 2000 and adding deposits (mainly extracted minerals from endowment land), the annual impact of inflation (based on the Consumer Price Index – All Urban (CPI)), and certain reinvested income (transfers from Earnings Reserve designated by the Land Board as a permanent increase in corpus). The level of the Gain Benchmark determines whether market appreciation in the Permanent Fund should be retained to offset inflation and previous losses or is eligible to be transferred to the Earnings Reserve as distributable income.

Once the Permanent Fund balance of an endowment has achieved or exceeded its Gain Benchmark at fiscal year-end for the first time, then total cumulative income in excess of inflation of its Permanent Fund (including market appreciation) will be transferred each year to its Earnings Reserve Fund. This alternative methodology for allocating income is implemented two years after a Permanent Fund first crosses the Gain Benchmark. The two year delay in implementing the cumulative total return allocation method accommodates the lead times inherent in the state's budget and appropriation process.

**STATE OF IDAHO ENDOWMENT FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Losses in Principal of the Permanent Funds

At the end of each fiscal year, the EFIB is required to calculate whether the market values of the Permanent Funds are below the principal or Loss Benchmark level as defined in statute (June 2000 value adjusted for deposits – primarily revenues from extracted minerals and proceeds of land sales).

A loss in principal of the Public School Permanent Fund is made up as follows:

- (1) The State Board of Land Commissioners may transfer any funds in the Public School Earnings Reserve Fund that they determine will not be needed for administrative costs or scheduled distributions in the following fiscal year to the Public School Permanent Fund, to make up for any prior losses in value.
- (2) If funds transferred from the Earnings Reserve Fund are insufficient to make up all losses in value to the Public School Permanent Fund, the remaining loss shall be made up, within ten years, by legislative transfer or appropriation. If subsequent gains, as determined pursuant to the statute, or transfers from the Earnings Reserve Fund, make up for any remaining loss before this ten year period expires, then no legislative transfer or appropriation shall be necessary.

At June 30, 2014, the market value of the Public School Permanent Fund was \$322 million above the loss benchmark as defined by statute.

A loss in principal of the Permanent Funds other than the Public School Permanent or Capitol Permanent Funds shall be made up from Earnings Reserve Fund monies that the State Board of Land Commissioners determines will not be needed for administrative costs or scheduled distributions to each endowment's respective beneficiary.

Federal law requires that losses to the Agricultural College fund must be made up by the State, but the requirement to restore losses to that endowment has not been established in statute. As of June 30, 2014, the market value of the Permanent Fund portion of the Agricultural College endowment was \$8 million above the principal or Loss Benchmark level as defined in statute.

There is no statutory requirement to make up losses in the Capitol Permanent Fund, nor a requirement to calculate a Gain or Loss Benchmark.

Distributions to Beneficiaries

With the exception of the Capitol Permanent Fund, distributions to the other eight beneficiaries are authorized by the State Board of Land Commissioners and are made in equal installments on approximately the 10th of each month. Distributions to the Capitol Maintenance Reserve Fund from the Capitol Permanent Fund are authorized by the EFIB and made on approximately July 1 of each fiscal year. Distributions from the Capitol Maintenance Reserve Fund are authorized by the Capitol Commission.

Other

Investments have risks the other parties to securities transactions do not fulfill their contractual obligations. The EFIB attempts to minimize such risks by diversifying the portfolio investments, monitoring investment grade and quality, and purchasing only high-grade or government-backed securities in fixed income portfolios.

The EFIB does not intend to use market timing as an investment strategy. However, the investment policy provides the flexibility for tactical asset allocation using capitalizations, investment styles, sectors, and other factors.

STATE OF IDAHO ENDOWMENT FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 - INVESTMENTS

Investments at June 30, 2014:

Fund Investments	Cost	Fair Value
Marketable Securities:		
Northern Money Market Fund*	\$ 16,605,090	\$ 16,605,090
State Street Fixed Income Index Funds		
Barclays Capital Aggregate Bond & U.S. TIPS	471,244,927	466,499,587
Equity Funds		
Aberdeen Asset Management	62,719,768	80,886,420
Allianz NFJ	107,915,095	117,800,538
Barrow, Hanley, Mewhinney & Strauss	29,712,367	45,946,474
Capital International	9,313,247	14,202,915
Clearwater Advisors	1,891,587	1,948,240
Eagle Asset Management	30,623,087	43,988,666
Graham, Mayo, Van Otterloo	9,691,575	14,426,775
INTECH	80,313,996	90,916,902
Lazard Asset Management	63,935,719	81,672,930
LSV Asset Management	66,815,890	95,157,115
Northern Equity Index Funds S&P 500 SMA	139,576,756	185,655,709
Robeco Boston Investment Management	74,712,021	98,680,328
Sands Capital	49,730,281	88,791,041
Systematic Financial Management	74,092,856	83,860,380
TimesSquare Capital Management	59,657,380	84,679,682
WCM Investment Management	110,755,774	119,551,666
Total Fund Investments	1,459,307,416	1,731,270,458
Pending Trades		
Receivable for Investments sold	(6,214,614)	(6,216,408)
Payable for Investments purchased	21,329,265	21,329,265
Total Net Investments	\$ 1,474,422,067	\$ 1,746,383,315
* This is cash that is not allocated to an investment manager		

CUSTODIAL CREDIT RISK - The EFIB minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be clearly marked as to EFIB ownership and further to the extent possible, be held in the EFIB's name. At June 30, 2014, all of the Endowment Funds' investments were insured or registered investments, or investments held by the EFIB or their agent in the EFIB's name.

The State Treasurer, per the State Constitution, is the custodian of the investments of the Public School Endowment Fund. Investments for all endowment funds, are held under a safekeeping agreement with the Trust Department of the Northern Trust Company.

STATE OF IDAHO ENDOWMENT FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

CONCENTRATION OF CREDIT RISK – The EFIB minimizes exposure to concentration of credit risk by establishing concentration of credit risk limits in investment manager portfolio guidelines. As of June 30, 2014, the Endowment Funds did not hold any credit positions exceeding 5% of the total portfolio, other than securities issued or guaranteed by the United States government.

INVESTMENT AND CREDIT RISK – The EFIB Investment Policy Statement permits investment in the following types of fixed income securities:

Cash Equivalents: Treasury bills, money market funds, short-term investment funds, commercial paper, banker's acceptances, repurchase agreements and certificates of deposit.

Fixed Income: U.S. government and agency securities, corporate notes and bonds, mortgage backed bonds, fixed income securities of foreign governments and corporations, planned amortization class collateralized mortgage obligations, or other "early tranche" commercial mortgage obligations (CMOs), asset backed securities.

Restricted investments include interest-only (IO), principal-only (PO), residual tranche CMOs, naked options, and purchase of securities on margin and short-sale transactions.

The EFIB Investment Policy Statement further provides the following guidelines for fixed income and cash equivalent investments:

- Assets are to be invested only in investment grade bonds rated Baa3/BBB- (or equivalent) or better.
- Assets may be invested only in commercial paper rated A1 (or equivalent) or better.
- The fixed income weighted average portfolio maturity may not exceed that of the Barclays Capital Aggregate Bond Index by more than 0.5 years.
- Money market funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poor's (S&P) and/or Moody's.

As of June 30, 2014, the Endowment Funds held \$54,595,478 in a comingled Treasury-only money market fund rated AAAM by S&P with a modified adjusted duration of 0.3 years. This balance includes \$16,605,090 of general cash and \$37,990,388 of cash held in accounts allocated to the Funds' bond and equity managers.

As of the fiscal year end, the Endowment Funds' other fixed income investments had the following characteristics:

Fund Investments	Fair Value	Modified Adjusted Duration	S&P/Moody's Average Rating
Barclays U.S. Aggregate Bond Index	\$ 396,739,226	5.6 years	AA/Aa2
U.S. TIPS Index	\$ 70,291,108	7.2 years	AA+/Aaa

STATE OF IDAHO ENDOWMENT FUNDS
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FOREIGN CURRENCY RISKS – The EFIB’s Investment Policy Statement permits investing approximately 21% of total investments in international equities. No foreign fixed income securities are permitted except currency. The Endowment Funds’ exposure to foreign currency risk is as follows:

Investment and Country	Currency	Fair Value
Equities and Cash		
Australia	AUD	\$ 2,601,910
Brazil	BRL	121,737
Canada	CAD	6,472,059
Denmark	DKK	10,461,743
European Monetary Union	EUR	32,577,456
Great Britain	GBP	43,835,057
Hong Kong	HKD	26,958,435
Israel	ILS	936,779
Japan	JPY	32,506,419
Mexico	MXN	2,558,968
Norway	NOK	3,801,352
Singapore	SGD	6,353,813
South Africa	ZAR	3,307,342
South Korea	KRW	2,057,561
Sweden	SEK	8,884,715
Switzerland	CHF	25,205,745
Taiwan	TWD	2
Total Fund Investments		\$ 208,641,093

NOTE 4 – INCOME FROM INVESTMENTS

Per *Idaho Code* Section 57-724A, once the balance of an endowment’s Permanent Fund exceeds the statutory Gain Benchmark at the end of a fiscal year, then, beginning two fiscal years later, income distributed to the endowment’s Earnings Reserve would include the Permanent Fund’s total cumulative income (interest, dividends and market appreciation/depreciation) above its Gain Benchmark.

State Hospital South, Agricultural College, Penitentiary, and University of Idaho’s Permanent Funds have passed their Gain Benchmark and allocate the total cumulative gain or loss of their Permanent Funds according to this alternative methodology. Charitable Institutions, Normal School, and School of Science passed their Gain Benchmarks in FY 2013 and will utilize the alternative methodology in FY 2015. Public School passed its Gain Benchmark in FY 2014 and will utilize the alternative methodology in FY 2016.

The components of income from investments for FY 2014 and their allocation are shown below.

STATE OF IDAHO ENDOWMENT FUNDS
NOTES TO FINANCIAL STATEMENTS
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Permanent Fund Income

Endowment	Net Increase in Fair Value	Income Retained to Offset Inflation or Losses	Cap Perm Fund Interest and Dividends**	Total Investment Income
Public School	\$ 127,321,836			\$ 127,321,836
Agricultural College*		\$ 322,457		322,457
Charitable	13,154,076			13,154,076
Normal School	11,143,446			11,143,446
Penitentiary*		471,867		471,867
School of Science	13,207,330			13,207,330
State Hospital South*		756,214		756,214
University of Idaho*		929,204		929,204
Cap Perm Fund**	3,927,705		\$ 549,088	4,476,793
Total	\$ 168,754,393	\$ 2,479,742	\$ 549,088	\$ 171,783,223

* For Agricultural College, Penitentiary, State Hospital South, and the University of Idaho, the cumulative total income vs. the Gain Benchmark is allocated to their Earnings Reserve Fund as part of Allocation of Permanent Fund Gain or (Loss) in the table below.

** The Capitol Permanent Fund retains its proportionate share of interest and dividends.

Earnings Reserve Fund Income

Endowment	Net Increase in Fair Value	Interest, Dividends and Other Income	Allocation of Permanent Fund Gain	Total Investment Income
Public School	\$ 22,609,563	\$ 20,613,457		\$ 43,223,020
Agricultural College*	1,238,462	670,419	\$ 3,282,964	5,191,845
Charitable	3,974,093	2,285,480		6,259,573
Normal School	3,180,496	1,926,412		5,106,908
Penitentiary*	1,534,172	967,477	5,041,027	7,542,676
School of Science	3,221,415	2,261,126		5,482,541
State Hospital South*	3,531,558	1,614,267	7,959,260	13,105,085
University of Idaho*	3,321,133	1,984,597	10,432,077	15,737,807
Capitol Maintenance	283,351	35,294		318,645
Total	\$ 42,894,243	\$ 32,358,529	\$ 26,715,328	\$ 101,968,100

* For endowments using the alternative income methodology (currently Agricultural College, Penitentiary, State Hospital South and University of Idaho), the Earnings Reserve Fund is allocated the Permanent Fund's total

STATE OF IDAHO ENDOWMENT FUNDS
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JUNE 30, 2014

cumulative income vs. the Gain Benchmark or the Permanent Fund's total cumulative loss up to the amount of Interest, Dividends and Other Income attributable to the Permanent Fund.

The components of Interest, Dividends and Other Income are shown below.

Income From Investments	
Interest, Other Income and Fees	\$ 12,395,676
Dividends	20,511,941
Total *	\$32,907,617

* The total includes Capitol Permanent Fund's interest and dividends.

Because there is a two-year delay in switching to the alternative total cumulative income method of allocating Permanent Fund earnings, at the beginning of the fiscal year the new method is implemented, the Permanent Fund will contain a previously undistributed transition gain or loss versus the Gain Benchmark. Any undistributed or deferred gain (\$15 million for Charitable Institutions, \$13 million for Normal School, \$15 million for School of Science, and \$111 million for Public School) becomes available for allocation to Earnings Reserves in the year the alternative method is implemented and is in addition to any gain, or is an offset to any loss, experienced in the fiscal year of implementation. After implementation, any undistributed or deferred loss must first be offset by future income before any income from the Permanent Fund can accrue to the Earnings Reserve.

NOTE 5 – EXPENSES

In fiscal year 2014, expenses of the EFIB were paid from the Earnings Reserve Funds and by the EFIB's three other clients: the State Insurance Fund, the Supreme Court and two endowments associated with the Department of Parks and Recreation. The portions paid by the other clients were paid under investment management contracts and are not considered an expenditure of the Endowment Funds and are therefore not included as expenditures or as reimbursements in these financial statements. Total expenses for fiscal year 2014 paid by the other clients were \$126,180.

NOTE 6 – DISTRIBUTIONS

Pursuant to Section 66-1106 of the *Idaho Code*, Charitable Institutions Endowment Fund income is distributed to five institutions according to the factors shown below. Distributions to these sharing institutions for the year ended June 30, 2014 were as follows:

Charitable Institutions Distributions

Beneficiaries	Factor	Distribution	Lands Expenses	EFIB Expenses
Idaho State University Fund	8/30	\$ 892,800	\$ 348,521	\$ 134,193
State Juvenile Corrections Institutions Fund	8/30	892,800	348,521	134,193
School for the Deaf and Blind Fund	1/30	111,600	43,565	16,774
Veterans Home Fund	5/30	558,000	217,824	83,869
State Hospital North Fund	8/30	892,800	348,521	134,193
Total		\$ 3,348,000	\$ 1,306,952	\$ 503,222

STATE OF IDAHO ENDOWMENT FUNDS
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JUNE 30, 2014

Pursuant to Section 33-3301B of the *Idaho Code*, Normal School Endowment Fund Income is distributed to the two institutions shown below. Distributions to these sharing institutions at June 30, 2014 were as follows:

Normal School Distributions

Beneficiaries	%	Distribution	Lands Expenses	EFIB Expenses
Idaho State University, Pocatello	50%	\$ 1,335,000	\$ 807,635	\$ 211,987
Lewis-Clark State College, Lewiston	50%	1,335,000	807,635	211,987
Total		\$ 2,670,000	\$ 1,615,270	\$ 423,974

NOTE 7 – CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICT BONDS

On July 1, 2002, the State of Idaho's Credit Enhancement Program for school district bonds became effective. This program, in accordance with *Idaho Code* Section 57-728 and in conjunction with *Idaho Code* Chapter 53, Title 33, requires the Public School Endowment Fund to purchase up to \$200 million in notes of the State of Idaho that are issued to avoid the default of a voter-approved school district bond that has been guaranteed by the program. This program results in a higher credit rating for qualifying school bonds and, through lower interest costs, saves school districts thousands of dollars throughout the life of the bond issue. As of June 30, 2014, the Public School Endowment Fund had not been required to purchase any notes and the EFIB was not aware of any purchase commitments.

The outstanding principal amount of debt guaranteed by the Credit Enhancement Program is limited to four times the amount made available by the Public School Endowment Fund, or \$800 million. Participation in the Credit Enhancement Program is limited to \$20 million per school district, with the exception that any guarantees exceeding the \$20 million limit prior to July 1, 2007 remain in effect. \$549 million of bonds guaranteed by the Credit Enhancement Program remained outstanding as of June 30, 2014. Expected principal and interest payments in the coming year total \$66 million. Only one district, Meridian School District, with an outstanding balance of \$36.4 million, exceeded the \$20 million limit as of June 30, 2014.

The Public School Endowment Fund would only be required to loan monies to the State to make payments on school bonds after several other potential funding sources have been exhausted. If a school district does not make timely prepayment of debt service on guaranteed bonds, the State Treasurer is required to make the payment, if possible, by intercepting monies due to that school district from the State, including General Fund payments and distributions from the Public School Endowment Fund. If these funds are not sufficient to meet the debt service payment, the State Treasurer is required to utilize any available funds from the state sales tax account. If all these sources prove insufficient to make the payment, the Treasurer may borrow the remaining amount from the Public School Endowment Fund, at a rate of 400 basis points above one-year Treasury Bills. This loan from the Endowment Fund would be repaid by the intercept of future state funds due to the school district and other sources.

Since July 2009, the EFIB has charged an application fee to offset administrative costs and a guaranty fee that is deposited in the Public School Endowment Fund for providing the ongoing credit enhancement. Application fees for FY 2014 totaled \$5,500 and guaranty fees, included in Income from Investments, totaled \$23,574.

NOTE 8 – BUDGETARY COMPARISON

Budgets are adopted on a cash basis for the Endowment Funds. The budget for administrative expenses (personnel, operating and capital outlay) from the Earnings Reserve Funds is approved by the legislature on an

**STATE OF IDAHO ENDOWMENT FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

annual basis. Expenses for consulting fees, bank custodial fees, and portfolio-related external costs are continually appropriated by the Idaho Legislature on an annual basis. The EFIB is not required by law to adopt or publish an overall budget for operations.

NOTE 9 – MISCELLANEOUS REVENUE

By law, certain miscellaneous State revenue is required to be deposited in the Public School Permanent Fund:

- Unclaimed estates, dividends and stock certificates from Idaho corporations (Idaho Constitution Section 4 Article IX)
- Five percent of federal land sales (Section 7 of the Idaho Admission Bill)
- Anonymous political contributions in excess of \$50 (*Idaho Code* Section 67-6610)
- Unqualified election expenses of political parties paid from state income tax funds (*Idaho Code* Section 34-2505)

In FY 2014, the Public School Permanent Fund received \$2,350 representing five percent of the net proceeds from the sale of federal land in Idaho and \$80 from anonymous political contributions. These miscellaneous revenues are included in Receipts from Department of Lands. There were no revenues from unqualified election expenses, unclaimed estates, and unclaimed dividends and stock certificates.

The Capitol Maintenance Reserve Fund receives a portion of the additional fees charged for the special Idaho Capitol vehicle license plate (*Idaho Code* Section 49-420A). In FY 2014, this revenue totaled \$62,960 and is included in Receipts from Department of Lands.

NOTE 10 – PENSION AND OTHER POST-EMPLOYMENT BENEFITS

All employees of the EFIB are covered by the Public Employee Retirement System of Idaho (PERSI). The PERSI Base Plan is a cost sharing multiple employer defined benefit retirement plan created by the Legislature. The provisions of the plan require that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age and compensation. In addition, benefits are provided for disability, death, and survivors of eligible state employees. Financial reports for the Plan are available on the PERSI web site (www.persi.idaho.gov).

After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% of the average monthly salary for the highest consecutive 42 months.

The contribution requirements of the EFIB and its employees are established and may be amended by the PERSI Board of Trustees. For the year ending June 30, 2014, the required contribution rate as a percentage of covered payroll for members was 6.79% and 11.32% for employers. The EFIB employer contributions required and paid were \$35,952 for FY 2014, \$31,857 for FY 2013, and \$31,242 for FY 2012.

The State funds or partially funds post-employment benefits relating to health, disability, and life insurance. The EFIB participates in the State of Idaho's post-employment benefit programs. The State administers the retiree healthcare plan which allows retirees to purchase healthcare insurance coverage for themselves and eligible dependents. The State provides long-term disability income benefits for active employees who become disabled, generally up to a maximum age of 70. The State provides basic life and dependent life coverage for disabled employees, generally up to a maximum age of 70. For up to 30 months following the date of disability, an employee is entitled to continue healthcare coverage. Benefit costs are paid by the EFIB through a rate charged by the State. The primary government (State of Idaho) is reporting the liability for the retiree healthcare and long-term disability benefits. Specific details of these other post-employment benefits are available in the Comprehensive Annual Financial Report of the State of Idaho, which may be accessed at www.sco.idaho.gov or obtained by contacting: State Controller's Office, P.O. Box 83720, Boise, ID 83720-0011.

STATE OF IDAHO ENDOWMENT FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 11– COMMITMENTS

For endowments other than the Capitol Permanent Fund, the Board of Land Commissioners has approved, and the legislature has appropriated, the following distributions to beneficiaries for FY 2015.

	2015
Public School	\$ 31,292,400
Agricultural College	1,164,000
Charitable Institutions	3,852,000
Normal School	3,144,000
Penitentiary	1,707,600
School of Science	3,866,400
State Hospital South	3,625,400
University of Idaho	3,326,400
Total	\$ 51,978,200

The EFIB authorizes distributions from the Capitol Permanent Fund to the Capitol Maintenance Reserve Fund, effective July 1 of each fiscal year. For FY 2015, the EFIB authorized a regular distribution of \$1,168,000, based on approximately 5% of the Capitol Permanent Fund balance.

NOTE 12 – LAND BANK

The Land Bank Fund was established under *Idaho Code* Section 58-133 to allow the State Board of Land Commissioners to hold proceeds from the sale of state endowment land pending the purchase of other land for the benefit of the beneficiaries of that endowment. These proceeds may be held for a period not to exceed five years from the effective date of the sale. Funds in the Land Bank are invested in the State Treasurer's Idle Pool and any investment earnings are added to the original proceeds. Land Bank Fund assets are not included in the balances of the Endowment Funds since they are being held primarily for purchase of land that will be managed by IDL. The authority to acquire land using Land Bank assets rests with the State Board of Land Commissioners.

As of June 30, 2014 the Land Bank Fund balance was as follows:

Land Bank Fund	2014
Public School	\$ 41,559
Normal School	6,517,457
State Hospital South	5,874,582
University	116,329
Total	\$ 12,549,927

If by the end of the fifth year, the proceeds from a land sale have not been spent or encumbered to purchase other land within the State, the proceeds are deposited in the Permanent Fund along with accumulated investment earnings.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Endowment Fund Investment Board
State of Idaho Endowment Funds
Boise, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State of Idaho Endowment Funds administered by the Endowment Fund Investment Board (the EFIB), a component unit of the State of Idaho, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State of Idaho Endowment Funds' basic financial statements, and have issued our report thereon dated August 20, 2014.

Internal Control Over Financial Reporting

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

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

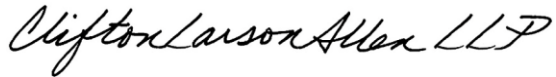
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Idaho Endowment Funds' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

CliftonLarsonAllen LLP

Boise, Idaho
August 20, 2014



SUPPLEMENTAL SCHEDULES

**State of Idaho
Endowment Funds**

**STATE OF IDAHO ENDOWMENT FUNDS
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

Expenditures	
PERSONNEL	
Regular Employees	\$ 319,231
Board/Commission Members	1,973
Total Benefits	102,545
Subtotal Personnel Expenditures	423,749
OPERATING	
Telephone and Data Line Charges	4,379
Publications & Subscriptions	17,334
Employee Training	3,519
Audit	44,750
Travel and Board Meeting Expenses	20,059
Office and Other Materials and Supplies	4,258
Office Space	40,657
Governmental Overhead - State	13,472
Other Expenses	969
Subtotal Operating Expenditures	149,397
CAPITAL OUTLAY	
Furniture and Other Office Equipment	479
Computer Equipment	6,072
Subtotal Capital Expenditures	6,551
Total Appropriated Expenses	579,697
Less Payments Made by Other Clients*	(126,180)
Subtotal	453,517
CONTINUOUS APPROPRIATION - Consultant, Custodial and Manager Fees**	
Callan Associates	222,414
Aberdeen Asset Management	472,274
Allianz NFJ	650,643
Barrow, Hanley, Mewhinney & Strauss	265,057
Clearwater Advisors	61,601
Eagle Asset Management	284,781
INTECH Investment Management	430,288
Lazard Asset Management	566,102
LSV Asset Management	435,790
Marvin & Palmer Associates	440,214
Northern Trust	474,839
Robeco Boston Investments	417,713
Sands Capital Management	605,821
State Street Global Advisors	149,619
Systematic Financial Management	371,760
TimesSquare Capital Management	622,276
WCM	169,876
Total Consultant, Custodial, and Manager Fees	6,641,068
Total Endowment Cash Expenditures	7,094,585
Change in Manager Fee Accrual	180,309
TOTAL ACCRUAL BASIS EXPENSE - Endowment Funds	\$ 7,274,894

* State Insurance Fund, Supreme Court and Department of Parks and Recreation

** Fees of \$68,200 & \$124,739 were paid to Capital International and Grantham Mayo, respectively, on an indirect basis as deductions from Net Asset Value of their mutual funds and are not reported as EFIB expenditures.

**STATE OF IDAHO ENDOWMENT FUNDS
SCHEDULE OF THE GAIN BENCHMARK
FOR THE YEAR ENDED JUNE 30, 2014**

The table below summarizes the status of each endowment's Permanent Fund compared to its Gain Benchmark. See Note 4, *Income from Investments*, for more information on the methodology used to calculate the Gain Benchmark and the statutory provisions that govern its use.

When the current fund structure was established July 1, 2000, each Earnings Reserve Fund received dividends and interest (but not market appreciation) from its Permanent Fund. However, once an endowment achieves its Gain Benchmark for the first time, then cumulative total income in excess of inflation of its Permanent Fund (including market appreciation) will be transferred each year to its Earnings Reserve Fund. This new methodology for allocating total income is implemented two years after the fund first crosses the Gain Benchmark.

Four endowments were utilizing the alternative income allocation methodology at the end of FY 2014: Agricultural College, Penitentiary, State Hospital South, and University of Idaho. The Charitable Institutions, Normal School and School of Science endowments passed their Gain Benchmarks at the end of FY 2013. Public School achieved its Gain Benchmark in FY 2014.

At June 30, 2014, the Permanent Funds of the Public School, Charitable Institutions, Normal School, and School of Science endowments included undistributed cumulative total income vs. benchmark that will either be allocated to Earnings Reserves in FY 2015 for Charitable Institutions, Normal School and School of Science, or in FY 2016 for Public School, or be used to offset any future decrease in market value.

<i>Endowment</i>	<i>Fiscal Year</i>	<i>Beginning Benchmark</i>	<i>Deposits</i>	<i>Reinvested Income</i>	<i>Inflation Impact</i>	<i>Ending Benchmark</i>
Public School	2001-2013	555,954,750	32,731,812	-	207,745,240	796,431,801
	2014	796,431,801	2,134,448	-	12,439,782	811,006,031
	<i>Actual Permanent Fund Balance Over(Under) Benchmark at June 30, 2014</i>					<i>111,372,000</i>
Agricultural College	2001-2013	14,787,041	45,134	384,000	5,428,468	20,644,643
	2014	20,644,643	(1,734)	1,871,000	322,457	22,836,366
	<i>Actual Permanent Fund Balance Over(Under) Benchmark at June 30, 2014</i>					<i>-</i>
Charitable Institutions	2001-2013	54,513,960	199,866	-	20,020,884	74,734,710
	2014	74,734,710	8,176	3,930,000	1,167,311	79,840,197
	<i>Actual Permanent Fund Balance Over(Under) Benchmark at June 30, 2014</i>					<i>15,453,988</i>
Normal School	2001-2013	47,258,942	1,592,409	-	17,516,299	66,367,650
	2014	66,367,650	123,691	-	1,036,622	67,527,963
	<i>Actual Permanent Fund Balance Over(Under) Benchmark at June 30, 2014</i>					<i>13,200,290</i>
Penitentiary	2001-2013	18,258,289	12,306	5,173,000	6,766,737	30,210,332
	2014	30,210,332	718	4,214,000	471,867	34,896,917
	<i>Actual Permanent Fund Balance Over(Under) Benchmark at June 30, 2014</i>					<i>-</i>
School of Science	2001-2013	54,836,451	217,876	-	20,132,260	75,186,587
	2014	75,186,587	9,551	4,151,000	1,174,369	80,521,507
	<i>Actual Permanent Fund Balance Over(Under) Benchmark at June 30, 2014</i>					<i>15,158,475</i>
State Hospital South	2001-2013	23,442,162	169,337	15,825,000	8,978,578	48,415,077
	2014	48,415,077	7,360	6,001,000	756,214	55,179,651
	<i>Actual Permanent Fund Balance Over(Under) Benchmark at June 30, 2014</i>					<i>-</i>
University	2001-2013	42,442,536	113,977	1,360,000	15,573,898	59,490,411
	2014	59,490,411	4,141	3,940,000	929,204	64,363,756
	<i>Actual Permanent Fund Balance Over(Under) Benchmark at June 30, 2014</i>					<i>-</i>

STATE OF IDAHO ENDOWMENT FUNDS
SCHEDULE OF GAINS AND (LOSSES) ON FAIR VALUE OF PUBLIC SCHOOL PERMANENT FUND
INVESTMENTS THROUGH THE YEAR ENDED JUNE 30, 2014

Summary Schedule of Gains and (Losses) on Fair Value of Investments Public School Permanent Endowment Fund					
Fiscal Year	Deposits to Original Corpus	Adjusted Original Corpus	Actual Ending Fund Balance	Annual Net Gain (Loss)	Cumulative Net Gain (Loss)
2000		\$ 555,954,750			
2001	\$ 1,742,339	557,697,089	\$511,726,709	\$ (45,970,380)	\$ (45,970,380)
2002	1,369,675	559,066,764	441,549,031	(71,547,353)	(117,517,733)
2003	2,190,629	561,257,393	436,160,540	(7,579,120)	(125,096,853)
2004	840,647	562,098,040	500,618,909	63,617,722	(61,479,131)
2005	1,551,570	563,649,610	537,181,394	35,010,915	(26,468,216)
2006	1,758,724	565,408,334	581,893,579	42,953,461	16,485,245
2007	3,358,272	568,766,606	662,500,453	77,248,602	93,733,847
2008	4,090,835	572,857,441	633,149,828	(33,441,460)	60,292,387
2009	4,201,860	577,059,301	511,571,551	(125,780,137)	(65,487,750)
2010	2,790,873	579,850,174	583,075,344	68,712,920	3,225,170
2011	3,843,950	583,694,124	714,690,423	127,771,129	130,996,299
2012	2,669,972	586,364,096	708,395,945	(8,964,450)	122,031,849
2013	2,322,465	588,686,561	792,921,747	82,203,337	204,235,186
2014	2,134,448	590,821,009	922,378,031	127,321,836	331,557,022
TOTAL	\$ 34,866,259			\$ 331,557,022	

The Adjusted Original Corpus above is the same as the Loss Benchmark as defined by Section 57-724 of *Idaho Code*. Any cumulative loss in the Public School Permanent Fund (vs. the Loss Benchmark) that remains after ten years must be made up by the State. At the end of FY 2014, the Fund had a cumulative gain above principal or corpus of \$332 million. See Note 2, *Losses in Principal of the Permanent Funds* for more information.

STATE OF IDAHO ENDOWMENT FUNDS
SCHEDULE OF WEIGHTED INVESTMENT RETURNS BY ASSET MANAGER
GROSS OF FEES
PERIOD ENDING JUNE 30, 2014

Gross of Fees	FY 2014	2-Yr. Annual	3-Yr. Annual	4-Yr. Annual	5-Yr. Annual
Total Account	18.8	16.6	11.1	14.3	14.6
<i>Benchmark</i>	<i>18.0</i>	<i>15.4</i>	<i>10.5</i>	<i>13.5</i>	<i>13.4</i>
Total fund benchmark: 49% Russell 3000, 21% MSCI ACWI ex-US, & 30% BC Aggregate.					
Total Fixed Income	4.4	1.5	3.7	3.8	4.9
State Street Bond Fund	4.4	1.5	3.7	3.8	--
<i>Fixed Income Benchmark</i>	<i>4.4</i>	<i>1.5</i>	<i>3.7</i>	<i>3.8</i>	<i>4.9</i>
<i>BC U.S. Aggregate Index</i>	<i>4.4</i>	<i>1.8</i>	<i>3.7</i>	<i>3.7</i>	<i>4.9</i>
<i>BC US TIPS Index</i>	<i>4.4</i>	<i>(0.3)</i>	<i>3.6</i>	<i>4.6</i>	<i>5.6</i>
Total fixed income benchmark: 85% B.C Aggregate & 15% TIPS					
Total Domestic Equity	26.3	25.2	17.1	21.5	21.3
<i>Russell 3000 Index</i>	<i>25.2</i>	<i>23.3</i>	<i>16.5</i>	<i>20.2</i>	<i>19.3</i>
Large Cap Core	24.5	22.5	16.6	20.0	18.9
<i>S&P 500 Index</i>	<i>24.6</i>	<i>22.6</i>	<i>16.6</i>	<i>20.0</i>	<i>18.8</i>
Large Cap Growth	30.7	23.5	17.9	23.3	22.5
INTECH	26.6	21.1	15.3	20.1	18.6
Sands Capital Mgt.	34.1	25.5	20.2	26.3	26.4
<i>Russell 1000 Growth Index</i>	<i>26.9</i>	<i>21.9</i>	<i>16.3</i>	<i>20.7</i>	<i>19.2</i>
Large Cap Value	25.4	27.8	18.7	21.7	20.8
LSV	28.3	29.7	19.2	21.5	20.6
Robeco Investment Mgmt	22.7	26.0	18.3	--	--
<i>Russell 1000 Value Index</i>	<i>23.8</i>	<i>24.6</i>	<i>16.9</i>	<i>19.8</i>	<i>19.2</i>
Mid Cap	26.4	25.8	15.9	20.4	20.9
Systematic	27.9	25.7	14.6	20.2	21.1
TimesSquare	24.9	25.8	17.1	20.6	20.6
<i>Russell Mid Cap Index</i>	<i>26.9</i>	<i>26.1</i>	<i>16.1</i>	<i>21.3</i>	<i>22.1</i>
Small Cap	22.2	27.6	14.8	22.0	25.1
Eagle	19.2	23.8	11.9	20.6	22.3
Barrow, Hanley	25.0	31.0	16.9	22.7	27.1
<i>Russell 2000 Index</i>	<i>23.6</i>	<i>23.9</i>	<i>14.6</i>	<i>19.9</i>	<i>20.2</i>
Global Equity	20.5	17.2	10.1	13.9	--
Aberdeen	20.3	16.5	10.3	15.1	--
Lazard	20.9	18.0	9.8	12.7	--
<i>MSCI ACWI Index</i>	<i>23.0</i>	<i>19.7</i>	<i>10.3</i>	<i>14.9</i>	<i>14.3</i>
International Equity	20.5	17.7	4.9	10.2	10.3
WCM Focused Growth Int'l.	--	--	--	--	--
Allianz NFJ	19.4	--	--	--	--
Capital International*	12.6	8.1	(2.9)	3.3	6.9
GMO**	13.7	5.9	(2.8)	5.4	8.5
<i>MSCI ACWI ex-US Index</i>	<i>21.8</i>	<i>17.6</i>	<i>5.7</i>	<i>11.3</i>	<i>11.1</i>

* Annual performance net of 0.8% manager fees

** Annual performance net of 1.2% manager fees

The actual returns of terminated managers are included in the Total Account and the appropriate category sub-total.

Manager changes in FY 2014:

Managers Hired: WCM Investment Management (January 2014)

Managers Discharged: Marvin & Palmer Associates, Inc. (December 2013)

STATE OF IDAHO ENDOWMENT FUNDS
SCHEDULE OF WEIGHTED INVESTMENT RETURNS BY ASSET MANAGER
NET OF FEES
PERIOD ENDING JUNE 30, 2014

Net of Fees	FY 2014	2-Yr. Annual	3-Yr. Annual	4-Yr. Annual	5-Yr. Annual
Total Account	18.4	16.2	10.7	13.9	14.2
<i>Benchmark</i>	<i>18.0</i>	<i>15.4</i>	<i>10.5</i>	<i>13.5</i>	<i>13.4</i>
Total fund benchmark: 49% Russell 3000, 21% MSCI ACWI ex-US, & 30% BC Aggregate.					
Total Fixed Income	4.3	1.4	3.6	3.8	4.9
State Street Bond Fund	4.3	1.4	3.6	3.8	--
Fixed Income Benchmark	4.4	1.5	3.7	3.8	4.9
<i>BC U.S. Aggregate Index</i>	4.4	1.8	3.7	3.7	4.9
<i>BC US TIPS Index</i>	4.4	(0.3)	3.6	4.6	5.6
Total fixed income benchmark: 85% B.C Aggregate & 15% TIPS					
Total Domestic Equity	25.8	24.6	16.6	21.0	20.8
<i>Russell 3000 Index</i>	<i>25.2</i>	<i>23.3</i>	<i>16.5</i>	<i>20.2</i>	<i>19.3</i>
Large Cap Core	24.4	22.5	16.5	19.9	18.8
<i>S&P 500 Index</i>	<i>24.6</i>	<i>22.6</i>	<i>16.6</i>	<i>20.0</i>	<i>18.8</i>
Large Cap Growth	30.0	22.8	17.2	22.6	21.9
INTECH	26.0	20.5	14.8	19.5	18.0
Sands Capital Mgt.	33.3	24.7	19.5	25.5	25.6
<i>Russell 1000 Growth Index</i>	<i>26.9</i>	<i>21.9</i>	<i>16.3</i>	<i>20.7</i>	<i>19.2</i>
Large Cap Value	24.8	27.2	18.1	21.1	20.2
LSV	27.6	29.0	18.6	20.9	20.0
Robeco Investment Mgmt	22.2	25.4	17.7		
<i>Russell 1000 Value Index</i>	<i>23.8</i>	<i>24.6</i>	<i>16.9</i>	<i>19.8</i>	<i>19.2</i>
Mid Cap	25.6	25.1	15.1	19.7	20.1
Systematic	27.2	25.1	14.0	19.6	20.5
TimesSquare	23.9	24.9	16.2	19.7	19.7
<i>Russell Mid Cap Index</i>	<i>26.9</i>	<i>26.1</i>	<i>16.1</i>	<i>21.3</i>	<i>22.1</i>
Small Cap	21.4	26.8	14.0	21.2	24.3
Eagle	18.4	22.9	11.1	19.7	21.4
Barrow, Hanley	24.3	30.2	16.2	22.0	26.3
<i>Russell 2000 Index</i>	<i>23.6</i>	<i>23.9</i>	<i>14.6</i>	<i>19.9</i>	<i>20.2</i>
Global Equity	19.7	16.4	9.3	13.1	--
Aberdeen	19.5	15.8	9.6	14.3	--
Lazard	20.0	17.1	9.0	11.9	--
<i>MSCI ACWI Index</i>	<i>23.0</i>	<i>19.7</i>	<i>10.3</i>	<i>14.9</i>	<i>14.3</i>
International Equity	19.9	17.1	4.4	9.6	9.8
WCM Focused Growth Int'l.	--	--	--	--	--
Allianz NFJ	18.6	--	--	--	--
Capital International	12.6	8.1	(2.9)	3.3	6.9
GMO	13.7	5.9	(2.8)	5.4	8.5
<i>MSCI ACWI ex-US Index</i>	<i>21.8</i>	<i>17.6</i>	<i>5.7</i>	<i>11.3</i>	<i>11.1</i>

The actual returns of terminated managers are included in the Total Account and the appropriate category sub-total.

Manager changes in FY 2014:

Managers Hired: WCM Investment Management (January 2014)

Managers Discharged: Marvin & Palmer Associates, Inc. (December 2013)

**STATE OF IDAHO ENDOWMENT FUNDS
SCHEDULE OF BROKER COMMISSIONS
FOR THE YEAR ENDED JUNE 30, 2014**

SCHEDULE OF BROKERAGE COMMISSIONS*

Broker Name	Shares Traded	Dollar Volume of Trades	Commission Dollar Amount	Commission per Share
ConvergEx	12,874,548	\$ 253,182,905	\$ 75,538	\$ 0.006
Credit Suisse	4,446,664	81,237,481	50,208	0.011
Merrill Lynch	2,706,771	90,090,594	48,840	0.018
UBS	1,286,060	49,075,127	37,020	0.029
Deutsche Bank	1,113,401	52,484,637	36,539	0.033
Investment Technology Group	2,806,408	93,774,419	34,025	0.012
INSTINET	4,494,957	56,521,778	32,014	0.007
J.P. Morgan	1,861,924	42,963,132	30,981	0.017
Liquidnet	2,520,157	76,349,494	30,523	0.012
Bernstein	770,722	51,953,839	22,060	0.029
Citigroup	1,813,113	24,059,567	21,350	0.012
Broadcorp Capital	617,486	19,503,183	20,393	0.033
Goldman Sachs	751,155	33,108,143	19,517	0.026
Weeden & Co.	1,062,076	21,041,657	15,847	0.015
Jefferies	585,474	26,725,500	13,321	0.023
Barclays	531,870	14,953,025	12,972	0.024
Rosenblatt	542,384	21,570,322	10,785	0.020
Guzman	416,566	24,901,682	10,224	0.025
Morgan Stanley	520,868	9,618,868	8,410	0.016
Credit Agricole	2,917,900	2,854,781	8,122	0.003
CAPIS	245,900	12,900,762	7,203	0.029
RBC	303,049	16,955,450	6,767	0.022
Robert Baird	190,603	5,733,502	6,593	0.035
Cantor Fitzgerald	194,269	7,690,166	5,495	0.028
Raymond James	188,301	4,907,002	5,367	0.029
Wells Fargo Securities	143,766	3,911,511	5,103	0.035
Knight Trading	101,700	5,268,268	5,069	0.050
Other Brokers < \$5,000	3,916,468	123,396,139	92,075	0.024
Total	49,924,560	1,226,732,934	\$ 672,361	\$ 0.013

* Equity trading only. No commissions are paid on fixed income trades