



**IDAHO ENDOWMENT FUND**  
INVESTMENT BOARD

# State of Idaho Endowment Funds

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**FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

*Administered by the Endowment Fund Investment Board*



**IDAHO ENDOWMENT FUND**  
INVESTMENT BOARD

**FINANCIAL STATEMENTS – JUNE 30, 2015**  
**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 governmental fund and governmental activities 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, 2015, 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 governmental fund and governmental activities as of June 30, 2015, 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 included on pages 30-32 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.

The schedules included on pages 33-37 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2015, 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**

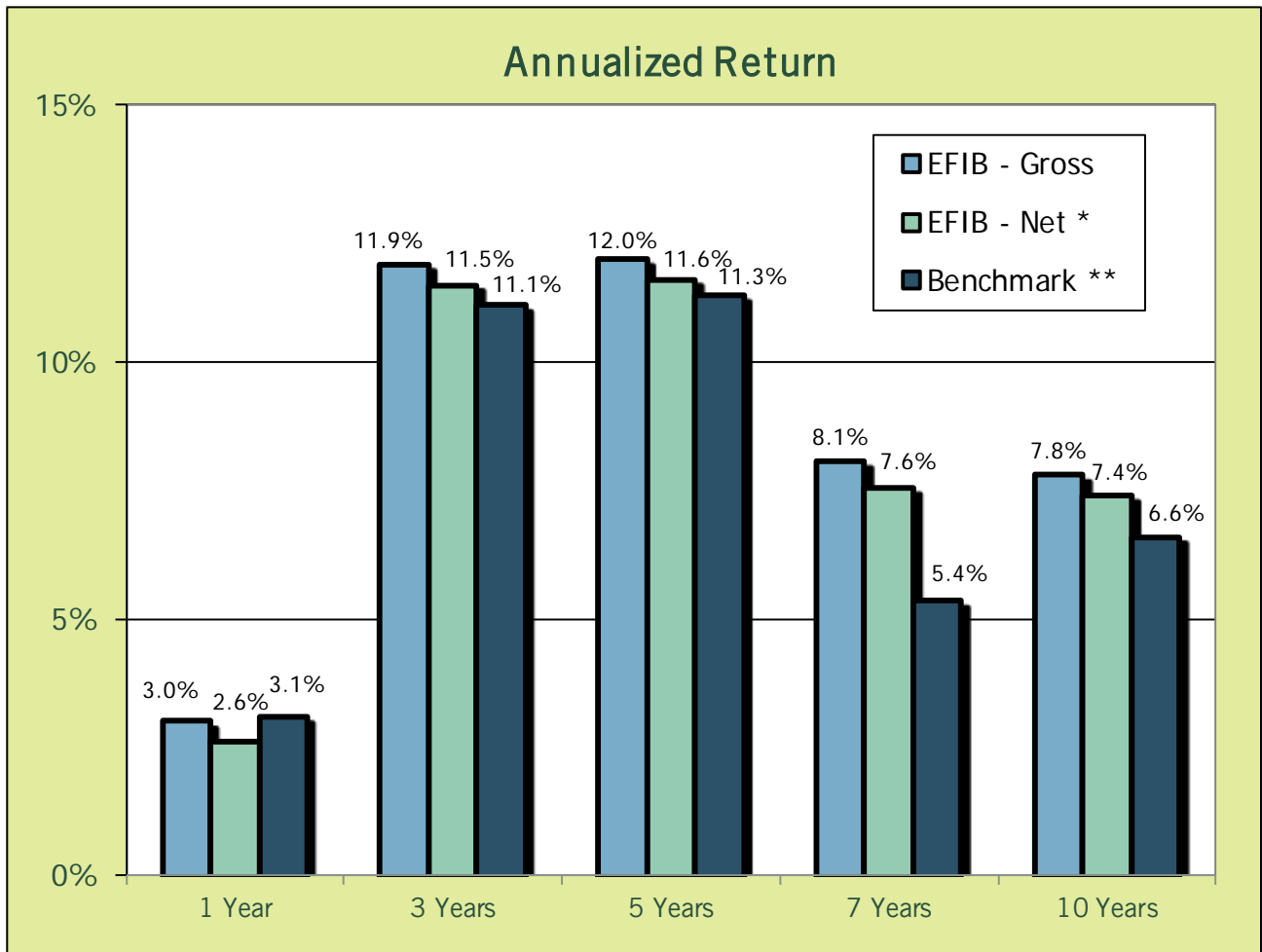
Boise, Idaho  
August 18, 2015

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, 2015.

**FINANCIAL HIGHLIGHTS**

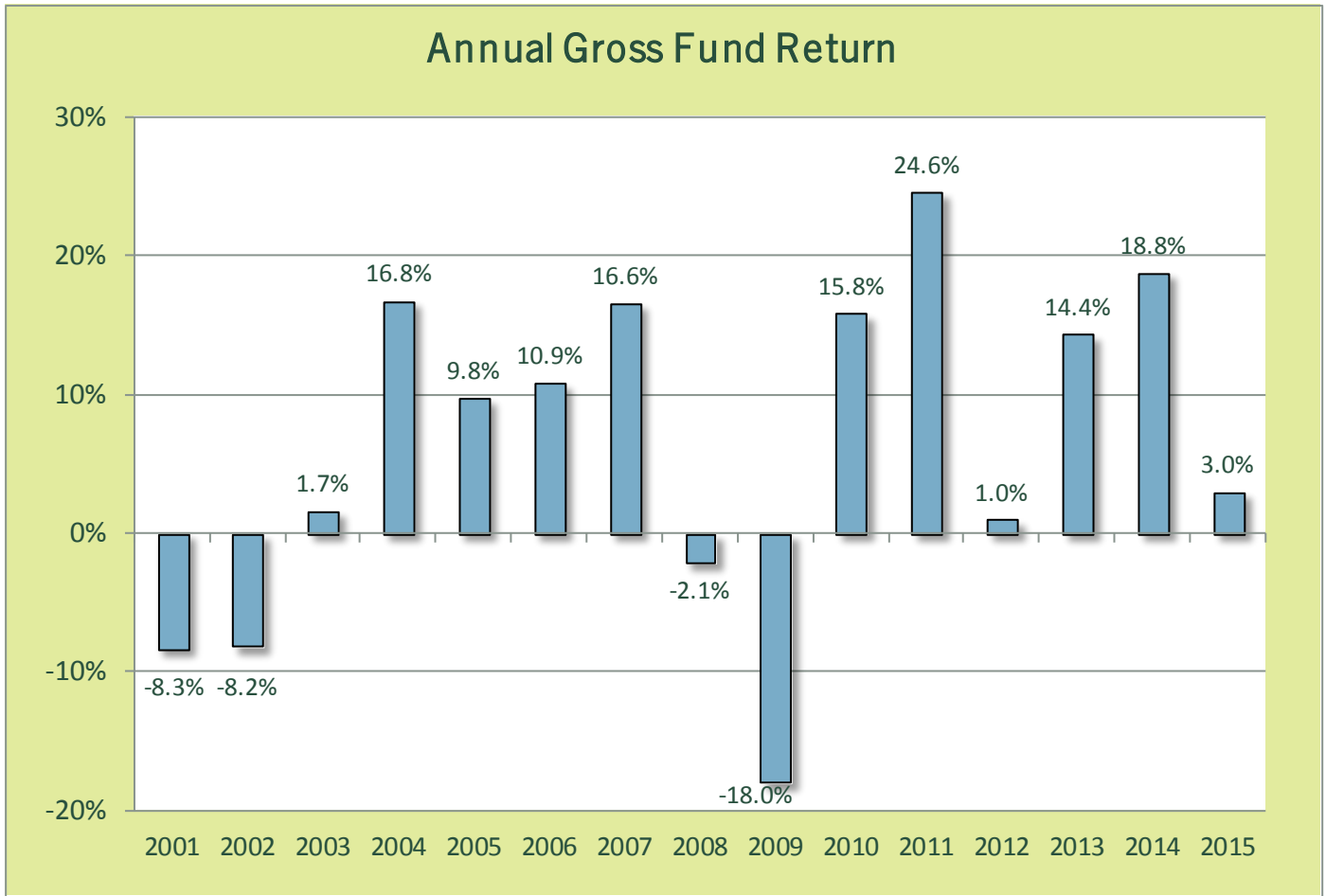
*Total of the Endowment Funds*

- Net position increased \$100 million, which represents a 5.6% increase from fiscal year 2014.
- Receipts to Earnings Reserves from endowment lands, were \$83.1 million, a 5.4% decrease from fiscal year 2014.
- Net distributions to beneficiaries, excluding the Capitol Commission, increased 6.4% in fiscal year 2015 to \$52.0 million, from \$48.8 million in fiscal year 2014.
- Total investment return, before fees, was 3.0% in fiscal year 2015, compared to 18.8% in fiscal year 2014 and 14.4% in fiscal year 2013.



\* Net returns are net of outside investment manager fees (approximately 36 basis points in 2015). The ratio of total fiscal year 2015 EFIB expenses to year-end net assets was 44 basis points.

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



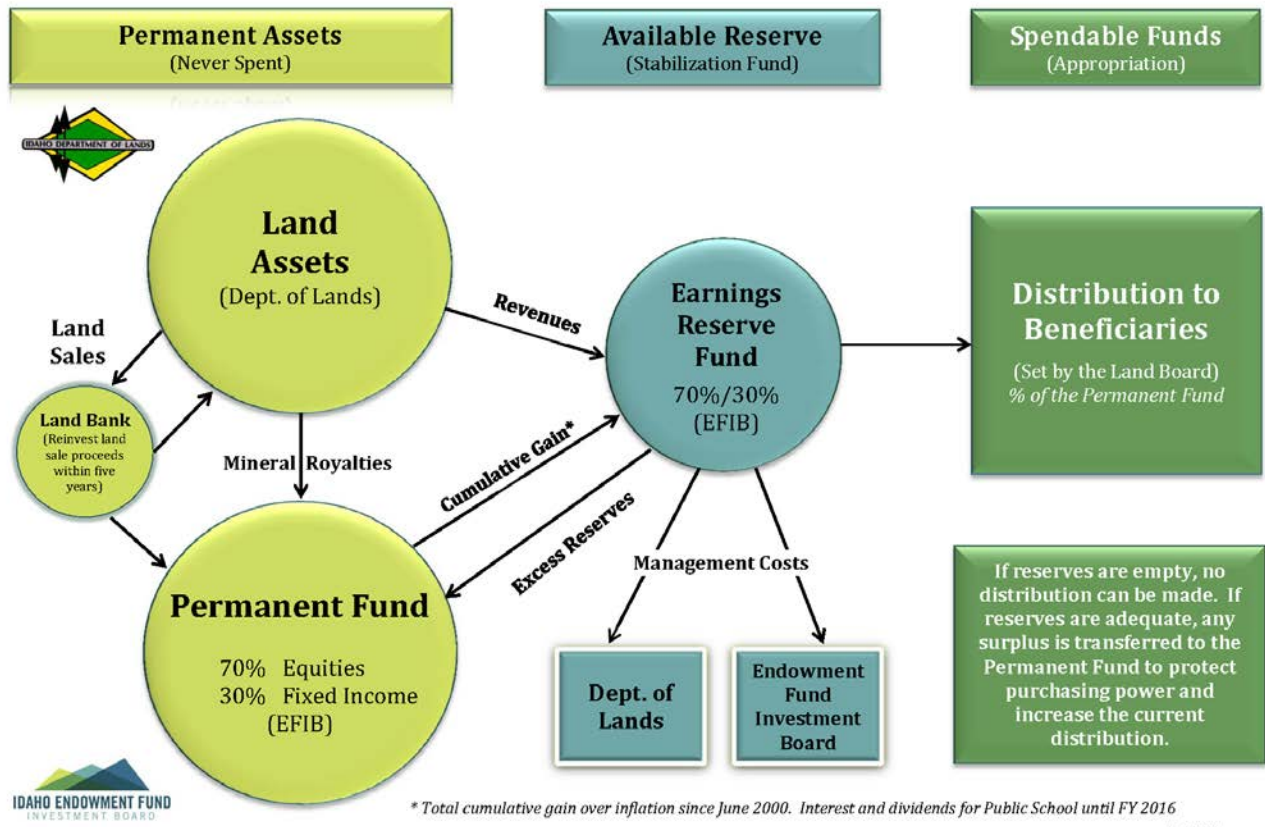
**PURPOSE OF THE STATE OF IDAHO ENDOWMENT FUNDS**

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.

## STRUCTURE OF IDAHO'S ENDOWMENT ASSETS



### 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, the Trail of the Coeur d'Alene's Endowment Fund, the Bunker Hill Water Treatment Endowment (effective July 2014), and two Fish and Game wildlife habitat endowments (effective October 2014).

### USING THIS ANNUAL REPORT

The annual report consists of the independent auditors' 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.

### 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 balance sheet, a statement of net position, a statement of revenues, expenditures and changes in fund balances, and a statement of activities. 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 2014 Idaho Legislature passed House Bill 552 to appropriate the fiscal year 2015 distributions to the beneficiary institutions.

**Total Fund Distributions**

|                            | 2015                 | 2014                 |
|----------------------------|----------------------|----------------------|
| Public School              | \$ 31,292,400        | 31,292,400           |
| Agricultural College       | 1,164,000            | 967,200              |
| Charitable Institutions    | 3,852,000            | 3,348,000            |
| Normal School              | 3,144,000            | 2,670,000            |
| Penitentiary               | 1,707,600            | 1,422,000            |
| School of Science          | 3,866,400            | 3,338,400            |
| State Hospital South       | 3,625,400            | 2,946,000            |
| University of Idaho        | 3,326,400            | 2,860,800            |
| Subtotal                   | 51,978,200           | 48,844,800           |
| Capitol Maintenance        | 100,000              | 50,000               |
| <b>Total Distributions</b> | <b>\$ 52,078,200</b> | <b>\$ 48,894,800</b> |

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 \$1,168,000, as determined by the EFIB. Distributions from the Maintenance Reserve Fund are determined by the Capitol Commission, subject to legislative appropriation, and in FY 2015 the Commission requested a \$100,000 distribution.

**Statement of Net Position**

|                                  | 2015                   | 2014                   |
|----------------------------------|------------------------|------------------------|
| <b>Total Current Assets</b>      | <b>\$1,869,238,509</b> | <b>\$1,767,846,494</b> |
| <b>Total Current Liabilities</b> | <b>26,499,097</b>      | <b>23,078,082</b>      |
| Net Position - Permanent Funds   | 1,454,943,783          | 1,399,811,244          |
| Net Position - Earnings Reserve  | 387,795,629            | 344,957,168            |
| <b>Total Net Position</b>        | <b>\$1,842,739,412</b> | <b>\$1,744,768,412</b> |



**Statement of Activities**

|   | 2015                 | 2014                  |
|---|----------------------|-----------------------|
| <b>Program Revenues</b>                           |                      |                       |
| Receipts from Dept. of Lands                      |                      |                       |
| Permanent Receipts                                | \$ 49,136,323        | \$ 2,366,453          |
| Earnings Reserve Receipts                         | 83,092,538           | 87,868,817            |
| Income from Investments                           | 36,527,183           | 32,907,617            |
| Increase in Value of Investments                  | 16,640,375           | 240,843,706           |
| <b>Total Program Revenues</b>                     | <b>185,396,419</b>   | <b>363,986,593</b>    |
| <b>Program Expenses</b>                           |                      |                       |
| Distribution to Beneficiaries                     | 52,078,200           | 48,894,800            |
| Distribution for Expenses-Lands                   | 27,692,642           | 23,721,424            |
| Distribution for Expenses-EFIB                    | 7,654,577            | 7,274,894             |
| <b>Total Program Expenses</b>                     | <b>87,425,419</b>    | <b>79,891,118</b>     |
| <b>Net Program Revenue/Change in Net Position</b> | <b>\$ 97,971,000</b> | <b>\$ 284,095,475</b> |

Revenues reflect all receipts from endowment lands and total income from investments. During fiscal year 2015, land revenues increased by 46.5%, primarily due to cottage site sales totaling \$47 million, partly offset by a modest decline in timber sales. During the same period, income from investments increased 11.0% due to higher dividends and higher invested balances. Market value gains of \$16.6 million were due primarily to a modest rise in stock prices.

Total expenses reflect distributions to beneficiaries as well as expenses paid. The fiscal year 2015 distribution to beneficiaries of \$52.1 million represented a 6.5% 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 investments of the Funds. Distributions to the EFIB for their expenses increased 5.2% in fiscal year 2015, due to higher invested assets and resultant higher investment manager fees. Distributions to the Idaho Department of Lands increased 16.7% due to increased costs of road maintenance, replanting due to fires, and costs related to cottage site auctions.

**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 the Public School endowments. For the remaining seven endowments 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 Charitable Institutions, Normal School and

**STATE OF IDAHO ENDOWMENT FUNDS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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School of Science endowments adopted this methodology 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 2015, the EFIB authorized that a distribution of \$1,276,000 be made to the Capitol Maintenance Reserve Fund in July 2015, 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 231, the following distributions to beneficiaries for FY 2016.

|                         | 2016                 |
|-------------------------|----------------------|
| Public School           | \$ 32,758,800        |
| Agricultural College    | 1,288,800            |
| Charitable Institutions | 4,500,000            |
| Normal School           | 3,608,400            |
| Penitentiary            | 1,872,000            |
| School of Science       | 3,866,400            |
| State Hospital South    | 4,562,400            |
| University of Idaho     | 4,016,400            |
| <b>Total</b>            | <b>\$ 56,473,200</b> |

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 2016.

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. Based on this policy, on August 18, 2015, the Board of Land Commissioners approved the transfer of certain excess Earnings Reserves to the Permanent Funds of all endowments except Public School and State Hospital South (see Note 13). The transfers are expected to occur in September 2015 and were targeted to reduce the years of reserves at June 30, 2015 to five years for Charitable Institutions, six years for Normal Schools and seven years for Agricultural College, Penitentiary, School of Science and University.

**NEW 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. The EFIB portion of the net pension liability was calculated and determined to be immaterial to the financial statement and has not been included in the financial statements (see Note 10).

The 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. Information regarding PERSI's current funding status can be found in their financial reports on the PERSI web site ([www.persi.idaho.gov](http://www.persi.idaho.gov)).

**TOTAL COST OF INVESTMENT MANAGEMENT**

In fiscal year 2015, the EFIB had expenditures of \$7,654,577 to manage the Endowment Funds.

| Investment Management Operating Costs | Expense                    | Basis Points* |
|---------------------------------------|----------------------------|---------------|
| Internal investment oversight         | \$ 276,445                 | 2             |
| Internal accounting                   | 162,410                    | 1             |
| Outside investment manager fees**     | 6,693,940                  | 36            |
| Custody expense                       | 524,295                    | 3             |
| Consultant and auditor fees           | 314,537                    | 2             |
| Subtotal                              | <u>7,971,627</u>           | 44            |
| Less manager fees deducted from NAV** | <u>251,890</u>             |               |
| Total cash expenditures               | <u>7,719,737</u>           |               |
| Less accrual                          | <u>(65,160)</u>            |               |
| <b>Total Accrual Basis Expense</b>    | <u><u>\$ 7,654,577</u></u> |               |

\* Relative to total fiscal-year end 2015 net position of \$1,842,739,412.

\*\* 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.



**IDAHO ENDOWMENT FUND**  
INVESTMENT BOARD

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**FINANCIAL STATEMENTS**  
**For the Year Ended JUNE 30, 2015**

STATE OF IDAHO ENDOWMENT FUNDS  
**GOVERNMENTAL BALANCE SHEET AND STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES**  
 JUNE 30, 2015

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|  |                                    |
|--|------------------------------------|
| <b>Current Assets:</b>                         |                                    |
| Cash with Treasurer                            | \$ 338,669                         |
| Investments, at Fair Value                     | 1,848,480,238                      |
| Receivable for Unsettled Trades                | 7,055,032                          |
| Receivable From Idaho Department of Lands      | 7,423,762                          |
| Accrued Interest and Dividends Receivable      | 5,489,349                          |
| Prepaid Expenses to the Department of Lands    | 451,459                            |
| <b>Total Assets</b>                            | <u>1,869,238,509</u>               |
| <br><b>Current Liabilities:</b>                |                                    |
| Payable for Unsettled Trades                   | 24,815,438                         |
| Investment Manager Expenses Payable            | 1,683,659                          |
| <b>Total Liabilities</b>                       | <u>26,499,097</u>                  |
| <br><b>Fund Balances:</b>                      |                                    |
| Nonspendable - Permanent Funds                 | 1,454,943,783                      |
| Restricted - Earnings Reserve                  | 387,795,629                        |
| <b>Total Fund Balances</b>                     | <u>1,842,739,412</u>               |
| <br><b>Total Liabilities and Fund Balances</b> | <br><u><u>\$ 1,869,238,509</u></u> |

Amounts reported for governmental activities in the statement of net position are different because:

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. (There are no such liabilities in the current year.)

|   |                                |
|---|--------------------------------|
| <b>Net Position:</b>                                |                                |
| Restricted for Permanent Trust - Nonexpendable      | 1,454,943,783                  |
| Restricted for Permanent Trust - Expendable         | 387,795,629                    |
| <b>Total Net Position - Governmental Activities</b> | <u><u>\$ 1,842,739,412</u></u> |

STATE OF IDAHO ENDOWMENT FUNDS  
**GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN GOVERNMENTAL FUND BALANCES AND  
STATEMENT OF GOVERNMENTAL ACTIVITIES**  
FOR THE YEAR ENDED JUNE 30, 2015

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|  |                                |
|--|--------------------------------|
| <b>Revenues:</b>                             |                                |
| Receipts from the Department of Lands        | \$ 132,228,861                 |
| Income from Investments                      | 53,167,558                     |
| <b>Total Revenues</b>                        | <u>185,396,419</u>             |
| <br><b>Expenditures:</b>                     |                                |
| Department of Lands Expense                  | 27,692,642                     |
| EFIB Expense                                 | 7,654,577                      |
| <b>Total Expenditures</b>                    | <u>35,347,219</u>              |
| <br><b>Revenues over Expenditures</b>        | <br>150,049,200                |
| <br><b>Other Financing Uses</b>              |                                |
| Distributions to Beneficiaries               | 52,078,200                     |
| <b>Net Increase in Fund Balance</b>          | <u>97,971,000</u>              |
| <br><b>Fund Balances - Beginning of Year</b> | <br><u>1,744,768,412</u>       |
| <b>Fund Balances - End of Year</b>           | <u><u>\$ 1,842,739,412</u></u> |

Amounts reported for governmental activities in the statement of governmental activities are different because:

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. Some expenditures reported in the governmental funds either increase or decrease long-term liabilities reported in the Statement of Net Position. (There are no such expenditures in the current year.)

|   |                                 |
|---|---------------------------------|
|   | <u>-</u>                        |
| <br><b>Change in Net Position - Governmental Activities</b> | <br><u><u>\$ 97,971,000</u></u> |

## 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 the State in conformity with generally accepted accounting principles in the United States of America.

*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 2015, 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.



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The table below summarizes the various contracts in the portfolio as of June 30, 2015. The notional value of these instruments is not recorded in the financial statements.

| <b>Futures</b>        | <b>Expiration Date</b> | <b>Contracts</b> | <b>Notional Value</b> | <b>Unrealized Gain (Loss)</b> | <b>Required Margin</b> |
|-----------------------|------------------------|------------------|-----------------------|-------------------------------|------------------------|
| 10-Year Treasury Note | Sep-15                 | 107              | \$ 13,492,065         | \$ 25,771                     | \$ 144,361             |
| S&P 500 Index         | Sep-15                 | 273              | 28,014,906            | (362,169)                     | 1,254,562              |
|                       |                        | 380              | \$ 41,506,971         | \$ (336,398)                  | \$ 1,398,923           |

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 is 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 is 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.

*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, 2015, the market value of the Public School Permanent Fund was \$340 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, 2015, the market value of the Permanent Fund portion of the Agricultural College endowment was \$11.4 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 Funds, distributions to the other eight beneficiaries are authorized by the State Board of Land Commissioners and are made in equal installments on approximately the 10<sup>th</sup> 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.

*Pensions*

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, see Note 10.

*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.

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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.

**NOTE 3 - INVESTMENTS**

Investments at June 30, 2015:

| <b>Fund Investments</b>                     | <b>Cost</b>             | <b>Fair Value</b>       |
|---|-------------------------|-------------------------|
| Marketable Securities:                      |                         |                         |
| Northern Money Market Fund*                 | \$ 20,910,900           | \$ 20,910,900           |
| State Street Fixed Income Index Funds       |                         |                         |
| Barclays Capital Aggregate Bond & U.S. TIPS | 545,785,292             | 533,898,314             |
| Equity Funds                                |                         |                         |
| Aberdeen Asset Management                   | 63,657,793              | 73,313,663              |
| Allianz NFJ                                 | 111,530,002             | 114,384,138             |
| Barrow, Hanley, Mewhinney & Strauss         | 34,252,614              | 47,601,337              |
| Capital International                       | 13,551,431              | 16,726,408              |
| Clearwater Advisors                         | 3,520,529               | 3,520,529               |
| Eagle Asset Management                      | 36,067,008              | 48,484,570              |
| Grantham, Mayo, Van Otterloo                | 13,432,064              | 16,457,652              |
| INTECH                                      | 88,112,202              | 95,667,025              |
| Lazard Asset Management                     | 64,963,518              | 81,770,637              |
| LSV Asset Management                        | 72,679,899              | 99,006,826              |
| Northern Equity Index Funds S&P 500 SMA     | 139,512,492             | 189,626,276             |
| Boston Partners                             | 83,177,479              | 103,096,231             |
| Sands Capital                               | 56,209,566              | 94,210,372              |
| Systematic Financial Management             | 79,721,964              | 81,874,258              |
| TimesSquare Capital Management              | 66,215,576              | 89,911,040              |
| WCM Investment Management                   | 110,311,134             | 120,259,656             |
| <b>Total Fund Investments</b>               | <b>1,603,611,463</b>    | <b>1,830,719,832</b>    |
| Pending Trades                              |                         |                         |
| Receivable for Investments sold             | (7,055,032)             | (7,055,032)             |
| Payable for Investments purchased           | 24,815,438              | 24,815,438              |
| <b>Total Net Investments</b>                | <b>\$ 1,621,371,869</b> | <b>\$ 1,848,480,238</b> |

\* 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, 2015, 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.

**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, 2015, 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:

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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, 2015, the Endowment Funds held \$67,687,855 in a comingled Treasury-only money market fund rated AAAm by S&P with a modified adjusted duration of 0.2 years. This balance includes \$20,910,900 of general cash and \$46,776,955 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:

| <b>Fund Investments</b>            | <b>Fair Value</b> | <b>Modified Adjusted Duration</b> | <b>S&amp;P/Moody's Average Rating</b> |
|------------------------------------|-------------------|-----------------------------------|---------------------------------------|
| Barclays U.S. Aggregate Bond Index | \$ 453,784,487    | 5.6 years                         | AA-/Aa2                               |
| U.S. TIPS Index                    | \$ 80,113,827     | 8.1 years                         | AA+/Aaa                               |

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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:

| <b>Investment and Country</b> | <b>Currency</b> | <b>Fair Value</b>            |
|-------------------------------|-----------------|------------------------------|
| <b>Equities and Cash</b>      |                 |                              |
| Australia                     | AUD             | \$ 6,315,113                 |
| Brazil                        | BRL             | 70,427                       |
| Canada                        | CAD             | 6,965,777                    |
| Denmark                       | DKK             | 9,829,820                    |
| European Monetary Union       | EUR             | 28,410,042                   |
| Great Britain                 | GBP             | 43,713,004                   |
| Hong Kong                     | HKD             | 27,061,732                   |
| Indonesia                     | IDR             | 1,087,848                    |
| Israel                        | ILS             | 805,450                      |
| Japan                         | JPY             | 39,322,725                   |
| Mexico                        | MXN             | 2,286,802                    |
| Norway                        | NOK             | 3,064,596                    |
| Singapore                     | SGD             | 6,153,344                    |
| South Africa                  | ZAR             | 3,091,881                    |
| South Korea                   | KRW             | 1,715,260                    |
| Sweden                        | SEK             | 12,284,146                   |
| Switzerland                   | CHF             | 24,387,377                   |
| <b>Total Fund Investments</b> |                 | <b><u>\$ 216,565,344</u></b> |

**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.

All Endowment Permanent Funds have passed their Gain Benchmark and, except for Public School, allocate the total cumulative gain or loss of their Permanent Funds according to this alternative methodology. Public School passed its Gain Benchmark in FY 2015 and will utilize the alternative methodology in FY 2016.

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The components of income from investments for FY 2015 and their allocation are shown below.

**Permanent Fund Income**

| <b>Endowment</b>     | <b>Net Increase in Fair Value</b> | <b>Income Retained to Offset Inflation or Losses</b> | <b>Cap Perm Fund Interest and Dividends**</b> | <b>Total Investment Income</b> |
|----------------------|-----------------------------------|--|---|--------------------------------|
| Public School*       | \$ 8,615,072                      |  |   | \$ 8,615,072                   |
| Agricultural College |                                   | \$ 166,260   |   | 166,260                        |
| Charitable           |                                   | 581,276  |   | 581,276                        |
| Normal School        |                                   | 491,637  |   | 491,637                        |
| Penitentiary         |                                   | 254,067  |   | 254,067                        |
| School of Science    |                                   | 586,236  |   | 586,236                        |
| State Hospital South |                                   | 401,735  |   | 401,735                        |
| University of Idaho  |                                   | 468,600  |   | 468,600                        |
| Cap Perm Fund**      | 264,980                           |  | \$ 579,106                                    | 844,086                        |
| <b>Total</b>         | <b>\$ 8,880,052</b>               | <b>\$ 2,949,811</b>                                  | <b>\$ 579,106</b>                             | <b>\$ 12,408,969</b>           |

\* For all funds except Public School and Capitol, the cumulative total income vs. the Gain Benchmark is allocated to its 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 and the net increase or decrease in fair value.

**Earnings Reserve Fund Income**

| <b>Endowment</b>      | <b>Net Increase in Fair Value</b> | <b>Interest, Dividends and Other Income</b> | <b>Allocation of Permanent Fund Gain</b> | <b>Total Investment Income</b> |
|-----------------------|-----------------------------------|---|--|--------------------------------|
| Public School*        | \$ 1,658,192                      | \$ 22,668,216                               |  | \$ 24,326,408                  |
| Agricultural College  | 93,012                            | 730,786                                     | \$ 71,447                                | 895,245                        |
| Charitable            | 272,429                           | 2,594,018                                   | 344,369                                  | 3,210,816                      |
| Normal School         | 206,566                           | 2,263,660                                   | 346,788                                  | 2,817,014                      |
| Penitentiary          | 136,543                           | 1,061,723                                   | 91,738                                   | 1,290,004                      |
| School of Science     | 228,312                           | 2,432,882                                   | 285,795                                  | 2,946,989                      |
| State Hospital South  | 213,608                           | 1,977,866                                   | 344,621                                  | 2,536,095                      |
| University of Idaho   | 255,217                           | 2,168,445                                   | 245,682                                  | 2,669,344                      |
| Capitol Maintenance** | 16,193                            | 50,481                                      |  | 66,674                         |
| <b>Total</b>          | <b>\$ 3,080,072</b>               | <b>\$ 35,948,077</b>                        | <b>\$ 1,730,440</b>                      | <b>\$ 40,758,589</b>           |

\* All endowments are using the alternative total return income methodology except Public School and Capitol Maintenance. Under the alternative method the Earnings Reserve Fund is allocated the Permanent Fund's total 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 Capitol Maintenance Fund retains its proportionate share of interest and dividends and the net increase or decrease in fair value.

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

|                                 |                             |
|---------------------------------|-----------------------------|
| Interest, Other Income and Fees | \$ 14,130,295               |
| Dividends                       | 22,396,888                  |
| <b>Total *</b>                  | <b><u>\$ 36,527,183</u></b> |

\* 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 (\$114 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 – CLIENT EXPENSES**

In fiscal year 2015, two new clients, representing three additional perpetual funds, decided to invest in the same comingled investment pool as the land grant endowments. The Department of Environmental Quality invested over \$52 million for the Bunker Hill Water Treatment Endowment, of which \$26.2 million has been phased into the comingled endowment fund. The Department of Fish and Game invested over \$17 million in two separate wildlife mitigation endowments, of which \$8.5 million has been phased into the comingled endowment fund.

In fiscal year 2015, expenses of the EFIB were paid from the Earnings Reserve Funds and by the EFIB's other clients. 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 2015 paid by the other clients were as follows:

|  |                          |
|--|--------------------------|
| State Insurance Fund                         | \$ 100,240               |
| Department of Environmental Quality          | 64,025                   |
| Fish & Game - Stewardship Endowment          | 8,865                    |
| Fish & Game - Trust Endowment                | 1,881                    |
| Parks and Rec - Trail of the Coeur d' Alenes | 3,000                    |
| Parks and Rec - Ritter Island                | 3,000                    |
| <b>Total</b>                                 | <b><u>\$ 181,011</u></b> |

**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, 2015 were as follows:

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| Beneficiaries                                | Charitable Institutions |                     |                     | EFIB              |
|--|-------------------------|---------------------|---------------------|-------------------|
|  | Factor                  | Distribution        | Lands Expenses      | Expenses          |
| Idaho State University Fund                  | 8/30                    | \$ 1,027,200        | \$ 352,517          | \$ 145,099        |
| State Juvenile Corrections Institutions Fund | 8/30                    | 1,027,200           | 352,517             | 145,099           |
| School for the Deaf and Blind Fund           | 1/30                    | 128,400             | 44,065              | 18,137            |
| Veterans Home Fund                           | 5/30                    | 642,000             | 220,322             | 90,687            |
| State Hospital North Fund                    | 8/30                    | 1,027,200           | 352,517             | 145,099           |
| <b>Total</b>                                 |                         | <b>\$ 3,852,000</b> | <b>\$ 1,321,938</b> | <b>\$ 544,121</b> |

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, 2015 were as follows:

| Beneficiaries                       | Normal School |                     |                     | EFIB              |
|-------------------------------------|---------------|---------------------|---------------------|-------------------|
|                                     | %             | Distribution        | Lands Expenses      | Expenses          |
| Idaho State University, Pocatello   | 50%           | \$ 1,572,000        | \$ 999,545          | \$ 236,984        |
| Lewis-Clark State College, Lewiston | 50%           | 1,572,000           | 999,545             | 236,983           |
| <b>Total</b>                        |               | <b>\$ 3,144,000</b> | <b>\$ 1,999,090</b> | <b>\$ 473,967</b> |

**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, 2015, 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. \$505 million of bonds guaranteed by the Credit Enhancement Program remained outstanding as of June 30, 2015. Expected principal and interest payments in the coming year total \$58.5 million.

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 2015 totaled \$5,500 and guaranty fees, included in Income from Investments, totaled \$25,109.

#### **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 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 2015, the Public School Permanent Fund received \$9,479 representing five percent of the net proceeds from the sale of federal land in Idaho, net of sales expenses, and \$100 from contributions. These miscellaneous revenues are included in Receipts from Department of Lands. There were no revenues from anonymous political contributions, 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 2015, this revenue totaled \$67,700 and is included in Receipts from Department of Lands.

#### **NOTE 10 – PENSION AND OTHER POST-EMPLOYMENT BENEFITS**

##### *Plan Description*

The Endowment Fund Investment Board (EFIB) contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

##### *Pension Benefits*

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for

each month of credited service is 2.0% of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

#### *Member and Employer Contributions*

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate. As of June 30, 2015 it was 6.79%. The employer contribution rate is set by the Retirement Board and was 11.32% of covered compensation. The EFIB's contributions were \$36,698 for FY 2015, \$35,966 for FY 2014, and \$31,857 for FY 2013.

The EFIB portion of the net pension liability was calculated and determined to be immaterial to the financial statements and the EFIB has no legal obligation to fund this shortfall. The EFIB has determined to not include the net pension liability and associated deferred inflow and outflow of resources on its financial statements. The EFIB's proportionate share of the net pension liability can be found on the PERSI website.

#### *Pension plan fiduciary net position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

#### **NOTE 11 – 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, 2015, the Land Bank Fund balance was \$4,983,428, all in the Public School Endowment Fund.

All of this balance relates to land sales made in fiscal year 2015. 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. During fiscal year 2015, the Board of Land Commissioners decided to transfer \$47.2 million of land sales proceeds and accumulated investment earning from the Land Bank to the Permanent Funds. This consisted of a beginning balance in the Land Bank of \$12.5 million as of July 1, 2014 with the remainder being proceeds collected during fiscal year 2015 and interest earned.

**NOTE 12– COMMITMENTS**

For endowments other than the Capitol Funds, the Board of Land Commissioners has approved, and the legislature has appropriated, the following distributions to beneficiaries for FY 2016.

|                         | <u>FY 2016</u>              |
|-------------------------|-----------------------------|
| Public School           | \$ 32,758,800               |
| Agricultural College    | 1,288,800                   |
| Charitable Institutions | 4,500,000                   |
| Normal School           | 3,608,400                   |
| Penitentiary            | 1,872,000                   |
| School of Science       | 3,866,400                   |
| State Hospital South    | 4,562,400                   |
| University of Idaho     | 4,016,400                   |
| <b>Total</b>            | <b><u>\$ 56,473,200</u></b> |

The EFIB authorizes distributions from the Capitol Permanent Fund to the Capitol Maintenance Reserve Fund, effective July 1 of each fiscal year. For FY 2016, the EFIB authorized a regular distribution of \$1,276,000, based on approximately 5% of the Capitol Permanent Fund balance.

**NOTE 13– SUBSEQUENT EVENTS**

For endowments other than the Capitol Funds, on August 18, 2015, the Board of Land Commissioners approved the following distributions to beneficiaries for FY 2017. The FY 2017 approved distributions have not yet been appropriated by the legislature and will be considered by the legislature in its 2016 session.

|                         | <u>FY 2017</u>              |
|-------------------------|-----------------------------|
| Public School           | 36,724,800                  |
| Agricultural College    | 1,347,600                   |
| Charitable Institutions | 5,544,000                   |
| Normal School           | 4,262,400                   |
| Penitentiary            | 1,965,600                   |
| School of Science       | 4,708,800                   |
| State Hospital South    | 4,562,400                   |
| University of Idaho     | 4,042,800                   |
| <b>Total</b>            | <b><u>\$ 63,158,400</u></b> |

**STATE OF IDAHO ENDOWMENT FUNDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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On August 18, 2015, the Board of Land Commissioners also approved the following transfers from Earnings Reserves to the Permanent Funds, effective September 1, 2015.

|                         | <b>Total Transfer</b> | <b>Principal Addition</b> | <b>Loss Makeup</b> |
|-------------------------|-----------------------|---------------------------|--------------------|
| Agricultural College    | \$ 935,000            | \$ 935,000                | \$ -               |
| Charitable Institutions | 18,329,000            | 18,329,000                | -                  |
| Normal School           | 10,850,000            | 10,850,000                | -                  |
| Penitentiary            | 1,449,000             | 1,449,000                 | -                  |
| School of Science       | 7,763,000             | 7,763,000                 | -                  |
| University of Idaho     | 209,000               | 209,000                   | -                  |
| <b>Total</b>            | <b>\$ 39,535,000</b>  | <b>\$ 39,535,000</b>      | <b>\$ -</b>        |

At the Board of Land Commissioner's discretion, transfers can either increase permanent principal (increasing the Gain Benchmark) or make up for inflation or past investment losses (with no impact on the Gain Benchmark). Since all six endowments ended the fiscal year at their Gain Benchmark, all of the transfers are considered an increase in permanent principal (i.e., increased each fund's Gain Benchmark).

**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, 2015, 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 18, 2015.

**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.



**CliftonLarsonAllen LLP**

Boise, Idaho  
August 18, 2015



# IDAHO ENDOWMENT FUND

INVESTMENT BOARD



## SUPPLEMENTAL SCHEDULES

**STATE OF IDAHO ENDOWMENT FUNDS  
SUPPLEMENTAL SCHEDULE OF STATEMENT OF NET POSITION BY ENDOWMENT  
FOR THE YEAR ENDED JUNE 30, 2015**

|  | Public School*          | Agricultural College | Charitable Institutions | Normal School         |
|--|-------------------------|----------------------|-------------------------|-----------------------|
| <b>PERMANENT NET POSITION</b>                    |                         |                      |                         |                       |
| Permanent Net Position, beginning of year        | \$ 922,378,031          | \$ 22,836,366        | \$ 95,294,185           | \$ 80,728,253         |
| Program Revenues:                                |                         |                      |                         |                       |
| Receipts from Dept. of Lands                     | 23,031,802              | 11,401               | 18,190                  | 9,891,728             |
| Income from Investments                          | 8,615,072               | 166,260              | 581,276                 | 491,637               |
| Total Program Revenue                            | 31,646,874              | 177,661              | 599,466                 | 10,383,365            |
| Transfer to Earnings Reserve                     | -                       | -                    | (15,453,988)            | (13,200,290)          |
| Transfer from Earnings Reserve                   | -                       | 3,238,000            | 6,267,000               | 1,388,000             |
| Increase (Decrease) in Net Position              | 31,646,874              | 3,415,661            | (8,587,522)             | (1,428,925)           |
| Permanent Net Position, end of year              | 954,024,905             | 26,252,027           | 86,706,663              | 79,299,328            |
| <b>EARNINGS RESERVE NET POSITION</b>             |                         |                      |                         |                       |
| Earnings Reserve Net Position, beginning of year | 163,794,087             | 12,254,956           | 28,790,159              | 23,040,978            |
| Program Revenues:                                |                         |                      |                         |                       |
| Receipts from Dept. of Lands                     | 50,836,298              | 2,093,676            | 10,496,962              | 4,368,805             |
| Income from Investments                          | 24,326,408              | 895,245              | 3,210,816               | 2,817,014             |
| Total Program Revenues                           | 75,162,706              | 2,988,921            | 13,707,778              | 7,185,819             |
| Program Expenses:                                |                         |                      |                         |                       |
| Distribution for Expenses-Lands                  | 19,286,763              | 317,026              | 1,321,938               | 1,999,090             |
| Distribution for Expenses-EFIB                   | 4,750,955               | 153,311              | 544,121                 | 473,967               |
| Distributions to Beneficiaries                   | 31,292,400              | 1,164,000            | 3,852,000               | 3,144,000             |
| Total Program Expenses                           | 55,330,118              | 1,634,337            | 5,718,059               | 5,617,057             |
| Net Program Revenue                              | 19,832,588              | 1,354,584            | 7,989,719               | 1,568,762             |
| Transfer to Permanent Fund                       | -                       | (3,238,000)          | (6,267,000)             | (1,388,000)           |
| Transfer from Permanent Fund                     | -                       | -                    | 15,453,988              | 13,200,290            |
| Increase (Decrease) in Net Position              | 19,832,588              | (1,883,416)          | 17,176,707              | 13,381,052            |
| Earnings Reserve Net Position, end of year       | 183,626,675             | 10,371,540           | 45,966,866              | 36,422,030            |
| <b>TOTAL NET POSITION</b>                        | <b>\$ 1,137,651,580</b> | <b>\$ 36,623,567</b> | <b>\$ 132,673,529</b>   | <b>\$ 115,721,358</b> |

\*Income for the Public School Fund is allocated using a different methodology (see Note 4).



**STATE OF IDAHO ENDOWMENT FUNDS  
 SUPPLEMENTAL SCHEDULE OF STATEMENT OF NET POSITION BY ENDOWMENT  
 FOR THE YEAR ENDED JUNE 30, 2015**

| Penitentiary         | School of Science     | State Hospital South  | University of Idaho   | Capitol              | Total                   |
|----------------------|-----------------------|-----------------------|-----------------------|----------------------|-------------------------|
| \$ 34,896,917        | \$ 95,679,982         | \$ 55,179,651         | \$ 64,363,756         | \$ 28,454,103        | \$ 1,399,811,244        |
| 1,374                | 15,819                | 15,991,759            | 128,838               | 45,412               | 49,136,323              |
| 254,067              | 586,236               | 401,735               | 468,600               | 844,086              | 12,408,969              |
| 255,441              | 602,055               | 16,393,494            | 597,438               | 889,498              | 61,545,292              |
| -                    | (15,158,475)          | -                     | -                     | (1,168,000)          | (44,980,753)            |
| 3,050,000            | -                     | 10,733,000            | 13,892,000            | -                    | 38,568,000              |
| 3,305,441            | (14,556,420)          | 27,126,494            | 14,489,438            | (278,502)            | 55,132,539              |
| 38,202,358           | 81,123,562            | 82,306,145            | 78,853,194            | 28,175,601           | 1,454,943,783           |
| 16,155,277           | 23,337,412            | 33,543,495            | 42,002,418            | 2,038,386            | 344,957,168             |
| 3,305,576            | 4,975,361             | 4,344,702             | 2,603,458             | 67,700               | 83,092,538              |
| 1,290,004            | 2,946,989             | 2,536,095             | 2,669,344             | 66,674               | 40,758,589              |
| 4,595,580            | 7,922,350             | 6,880,797             | 5,272,802             | 134,374              | 123,851,127             |
| 558,313              | 1,314,686             | 1,652,840             | 1,094,288             | 147,698              | 27,692,642              |
| 222,551              | 509,775               | 413,694               | 454,385               | 131,818              | 7,654,577               |
| 1,707,600            | 3,866,400             | 3,625,400             | 3,326,400             | 100,000              | 52,078,200              |
| 2,488,464            | 5,690,861             | 5,691,934             | 4,875,073             | 379,516              | 87,425,419              |
| 2,107,116            | 2,231,489             | 1,188,863             | 397,729               | (245,142)            | 36,425,708              |
| (3,050,000)          | -                     | (10,733,000)          | (13,892,000)          | -                    | (38,568,000)            |
| -                    | 15,158,475            | -                     | -                     | 1,168,000            | 44,980,753              |
| (942,884)            | 17,389,964            | (9,544,137)           | (13,494,271)          | 922,858              | 42,838,461              |
| 15,212,393           | 40,727,376            | 23,999,358            | 28,508,147            | 2,961,244            | 387,795,629             |
| <b>\$ 53,414,751</b> | <b>\$ 121,850,938</b> | <b>\$ 106,305,503</b> | <b>\$ 107,361,341</b> | <b>\$ 31,136,845</b> | <b>\$ 1,842,739,412</b> |

**STATE OF IDAHO ENDOWMENT FUNDS  
SCHEDULE OF EFIB EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2015**

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|  |                            |
|--|----------------------------|
| <b>PERSONNEL</b>   |                            |
| Regular Employees  | \$ 322,523                 |
| Board/Commission Members   | 1,608                      |
| Total Benefits   | <u>106,186</u>             |
| Subtotal Personnel Expenditures  | <u>430,317</u>             |
| <b>OPERATING</b>   |                            |
| Audit  | 44,750                     |
| Other Operating Expenses   | <u>119,971</u>             |
| Subtotal Operating Expenditures  | 164,721                    |
| <b>CAPITAL OUTLAY</b>  |                            |
| Subtotal Capital Expenditures  | <u>932</u>                 |
| <b>Total Appropriated Expenses</b>   | 595,970                    |
| Less Payments Made by Other Clients  | <u>(112,365)</u>           |
| <b>Subtotal</b>  | <b>483,605</b>             |
| <b>CONTINUOUS APPROPRIATION - Consultant, Custodial and Manager Fees**</b> |                            |
| Callan Associates  | 269,787                    |
| Aberdeen Asset Management  | 506,992                    |
| Allianz NFJ  | 764,521                    |
| Barrow, Hanley, Mewhinney & Strauss  | 275,012                    |
| Clearwater Advisors  | 56,358                     |
| Eagle Asset Management   | 308,269                    |
| INTECH Investment Management   | 462,033                    |
| Lazard Asset Management  | 650,283                    |
| LSV Asset Management   | 461,777                    |
| Northern Trust   | 607,340                    |
| Boston Partners  | 428,553                    |
| Sands Capital Management   | 585,038                    |
| State Street Global Advisors   | 181,321                    |
| Systematic Financial Management  | 397,903                    |
| TimesSquare Capital Management   | 645,549                    |
| WCM Investment Management  | <u>704,042</u>             |
| Total Consultant, Custodial, and Manager Fees                              | <u>7,304,778</u>           |
| <b>Total Endowment Cash Expenditures</b>                                   | <b>7,788,383</b>           |
| Less Payments Made by Clients in Endowment Pool                            | (68,646)                   |
| Change in Manager Fee Accrual  | <u>(65,160)</u>            |
| <b>TOTAL ACCRUAL BASIS EXPENSE - Endowment Funds</b>                       | <b><u>\$ 7,654,577</u></b> |

*\*\* Fees of \$85,451 and \$166,439 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, 2015**

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.

All endowments, except Public School and Capitol, were using the alternative income allocation methodology at the end of FY 2015. 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 so it will begin utilizing the alternative method in FY 2016.

At June 30, 2015, the Permanent Funds of the Public School endowment included undistributed cumulative total income vs. benchmark that will either be allocated to Earnings Reserves in FY 2016, or be used to offset any decrease in market value during FY 2016.

| <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> |
|--------------------------------|---|----------------------------|-----------------|--------------------------|-------------------------|-------------------------|
| <b>Public School</b>           | 2001-2014   | 555,954,750                | 34,866,260      | -                        | 220,185,021             | 811,006,031             |
|                                | 2015  | 811,006,031                | 23,031,802      | -                        | 5,904,520               | 839,942,353             |
|                                | <i>Actual Permanent Fund Balance Over(Under) Benchmark at June 30, 2015</i> |                            |                 |                          |                         |                         |
| <b>Agricultural College</b>    | 2001-2014   | 14,787,041                 | 43,400          | 2,255,000                | 5,750,925               | 22,836,366              |
|                                | 2015  | 22,836,366                 | 11,401          | 3,238,000                | 166,260                 | 26,252,027              |
|                                | <i>Actual Permanent Fund Balance Over(Under) Benchmark at June 30, 2015</i> |                            |                 |                          |                         |                         |
| <b>Charitable Institutions</b> | 2001-2014   | 54,513,960                 | 208,042         | 3,930,000                | 21,188,195              | 79,840,197              |
|                                | 2015  | 79,840,197                 | 18,190          | 6,267,000                | 581,276                 | 86,706,663              |
|                                | <i>Actual Permanent Fund Balance Over(Under) Benchmark at June 30, 2015</i> |                            |                 |                          |                         |                         |
| <b>Normal School</b>           | 2001-2014   | 47,258,942                 | 1,716,100       | -                        | 18,552,921              | 67,527,963              |
|                                | 2015  | 67,527,963                 | 9,891,728       | 1,388,000                | 491,637                 | 79,299,328              |
|                                | <i>Actual Permanent Fund Balance Over(Under) Benchmark at June 30, 2015</i> |                            |                 |                          |                         |                         |
| <b>Penitentiary</b>            | 2001-2014   | 18,258,289                 | 13,024          | 9,387,000                | 7,238,604               | 34,896,917              |
|                                | 2015  | 34,896,917                 | 1,374           | 3,050,000                | 254,067                 | 38,202,358              |
|                                | <i>Actual Permanent Fund Balance Over(Under) Benchmark at June 30, 2015</i> |                            |                 |                          |                         |                         |
| <b>School of Science</b>       | 2001-2014   | 54,836,451                 | 227,427         | 4,151,000                | 21,306,629              | 80,521,507              |
|                                | 2015  | 80,521,507                 | 15,819          | -                        | 586,236                 | 81,123,562              |
|                                | <i>Actual Permanent Fund Balance Over(Under) Benchmark at June 30, 2015</i> |                            |                 |                          |                         |                         |
| <b>State Hospital South</b>    | 2001-2014   | 23,442,162                 | 176,697         | 21,826,000               | 9,734,792               | 55,179,651              |
|                                | 2015  | 55,179,651                 | 15,991,759      | 10,733,000               | 401,735                 | 82,306,145              |
|                                | <i>Actual Permanent Fund Balance Over(Under) Benchmark at June 30, 2015</i> |                            |                 |                          |                         |                         |
| <b>University</b>              | 2001-2014   | 42,442,536                 | 118,118         | 5,300,000                | 16,503,102              | 64,363,756              |
|                                | 2015  | 64,363,756                 | 128,838         | 13,892,000               | 468,600                 | 78,853,194              |
|                                | <i>Actual Permanent Fund Balance Over(Under) Benchmark at June 30, 2015</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, 2015

**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                |
| 2015         | 23,031,802                  | 613,852,811              | 954,024,905                | 8,615,072              | 340,172,094                |
| <b>TOTAL</b> | <b>\$ 57,898,061</b>        |                          |                            | <b>\$ 340,172,094</b>  |                            |

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 2015, the Fund had a cumulative gain above principal or corpus of \$340 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, 2015**

| Gross of Fees   | FY 2015      | 2-Yr.<br>Annual | 3-Yr.<br>Annual | 4-Yr.<br>Annual | 5-Yr.<br>Annual | 10-Yr.<br>Annual |
|---|--------------|-----------------|-----------------|-----------------|-----------------|------------------|
| <b>Total Account</b>  | <b>3.0</b>   | <b>10.6</b>     | <b>11.9</b>     | <b>9.0</b>      | <b>12.0</b>     | <b>7.8</b>       |
| <i>Benchmark</i>  | <i>3.1</i>   | <i>10.3</i>     | <i>11.1</i>     | <i>8.6</i>      | <i>11.3</i>     | <i>6.6</i>       |
| <i>Total fund benchmark: 49% Russell 3000, 21% MSCI ACWI ex-US, &amp; 30% BC Aggregate.</i> |              |                 |                 |                 |                 |                  |
| <b>Total Fixed Income</b>   | <b>1.4</b>   | <b>2.9</b>      | <b>1.4</b>      | <b>3.1</b>      | <b>3.3</b>      | <b>4.5</b>       |
| State Street Bond Fund  | 1.4          | 2.9             | 1.4             | 3.1             | 3.3             | --               |
| <i>Fixed Income Benchmark</i>   | <i>1.3</i>   | <i>2.8</i>      | <i>1.4</i>      | <i>3.1</i>      | <i>3.3</i>      | <i>4.4</i>       |
| <i>BC U.S. Aggregate Index</i>  | <i>1.9</i>   | <i>3.1</i>      | <i>1.8</i>      | <i>3.2</i>      | <i>3.4</i>      | <i>4.4</i>       |
| <i>BC US TIPS Index</i>   | <i>(1.7)</i> | <i>1.3</i>      | <i>(0.8)</i>    | <i>2.2</i>      | <i>3.3</i>      | <i>4.1</i>       |
| <i>Total fixed income benchmark: 85% B.C Aggregate &amp; 15% TIPS</i>                       |              |                 |                 |                 |                 |                  |
| <b>Total Equity</b>   | <b>3.5</b>   | <b>13.5</b>     | <b>15.9</b>     | <b>11.0</b>     | <b>15.1</b>     | <b>8.6</b>       |
| <i>Total Equity Benchmark</i>   | <i>3.5</i>   | <i>13.4</i>     | <i>15.3</i>     | <i>10.7</i>     | <i>14.6</i>     | <i>7.1</i>       |
| <b>Total Domestic Equity</b>  | <b>6.7</b>   | <b>16.1</b>     | <b>18.7</b>     | <b>14.4</b>     | <b>18.4</b>     | <b>9.6</b>       |
| <i>Russell 3000 Index</i>   | <i>7.3</i>   | <i>15.9</i>     | <i>17.7</i>     | <i>14.1</i>     | <i>17.5</i>     | <i>8.2</i>       |
| <b>Large Cap Core</b>   | <b>7.4</b>   | <b>15.7</b>     | <b>17.3</b>     | <b>14.2</b>     | <b>17.3</b>     | <b>8.0</b>       |
| Northern Trust S&P 500 Index  | 7.4          | 15.7            | --              | --              | --              | --               |
| <i>S&amp;P 500 Index</i>  | <i>7.4</i>   | <i>15.7</i>     | <i>17.3</i>     | <i>14.2</i>     | <i>17.3</i>     | <i>7.9</i>       |
| <b>Large Cap Growth</b>   | <b>7.7</b>   | <b>18.7</b>     | <b>18.0</b>     | <b>15.3</b>     | <b>20.0</b>     | <b>10.0</b>      |
| INTECH  | 7.3          | 16.5            | 16.3            | 13.3            | 17.4            | 8.4              |
| Sands Capital Mgt.  | 8.2          | 20.4            | 19.5            | 17.1            | 22.5            | 11.5             |
| <i>Russell 1000 Growth Index</i>  | <i>10.6</i>  | <i>18.5</i>     | <i>18.0</i>     | <i>14.8</i>     | <i>18.6</i>     | <i>9.1</i>       |
| <b>Large Cap Value</b>  | <b>6.3</b>   | <b>15.5</b>     | <b>20.2</b>     | <b>15.5</b>     | <b>18.4</b>     | <b>9.5</b>       |
| LSV   | 6.1          | 16.6            | 21.3            | 15.8            | 18.2            | 8.2              |
| Boston Partners   | 6.5          | 14.3            | 19.1            | 15.2            | --              | --               |
| <i>Russell 1000 Value Index</i>   | <i>4.1</i>   | <i>13.6</i>     | <i>17.3</i>     | <i>13.6</i>     | <i>16.5</i>     | <i>7.1</i>       |
| <b>Mid Cap</b>  | <b>3.9</b>   | <b>14.6</b>     | <b>18.0</b>     | <b>12.8</b>     | <b>16.9</b>     | <b>9.0</b>       |
| Systematic  | (0.4)        | 12.8            | 16.3            | 10.6            | 15.7            | 10.3             |
| TimesSquare   | 8.2          | 16.2            | 19.7            | 14.8            | 18.0            | --               |
| <i>Russell Mid Cap Index</i>  | <i>6.6</i>   | <i>16.3</i>     | <i>19.3</i>     | <i>13.7</i>     | <i>18.2</i>     | <i>9.4</i>       |
| <b>Small Cap</b>  | <b>8.9</b>   | <b>15.4</b>     | <b>21.0</b>     | <b>13.3</b>     | <b>19.3</b>     | <b>13.1</b>      |
| Eagle Asset Management  | 12.4         | 15.7            | 19.9            | 12.0            | 18.9            | --               |
| Barrow, Hanley  | 5.6          | 14.9            | 21.9            | 14.0            | 19.1            | 12.5             |
| <i>Russell 2000 Index</i>   | <i>6.5</i>   | <i>14.7</i>     | <i>17.8</i>     | <i>12.5</i>     | <i>17.1</i>     | <i>8.4</i>       |
| <b>Global Equity</b>  | <b>(2.7)</b> | <b>8.3</b>      | <b>10.2</b>     | <b>6.7</b>      | <b>10.4</b>     | <b>--</b>        |
| Aberdeen  | (7.6)        | 5.4             | 7.9             | 5.5             | 10.2            | --               |
| Lazard  | 2.1          | 11.1            | 12.4            | 7.8             | 10.5            | --               |
| <i>MSCI ACWI Index</i>  | <i>0.7</i>   | <i>11.3</i>     | <i>13.0</i>     | <i>7.8</i>      | <i>11.9</i>     | <i>6.4</i>       |
| <b>International Equity</b>   | <b>(2.7)</b> | <b>8.3</b>      | <b>10.5</b>     | <b>3.0</b>      | <b>7.5</b>      | <b>6.4</b>       |
| WCM Focused Growth Int'l.   | 2.9          | --              | --              | --              | --              | --               |
| Allianz NFJ   | (6.7)        | 5.6             | --              | --              | --              | --               |
| Capital International*  | (7.8)        | 1.9             | 2.6             | (4.2)           | 1.0             | --               |
| GMO**   | (9.3)        | 1.6             | 0.6             | (4.5)           | 2.3             | --               |
| <i>MSCI ACWI ex-US Index</i>  | <i>(5.3)</i> | <i>7.4</i>      | <i>9.4</i>      | <i>2.9</i>      | <i>7.8</i>      | <i>5.5</i>       |

\*Annual performance net of 0.8% mgr. fee

\*\*Annual performance net of 1.2% mgr. fee

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

**No manager changes in FY 2015**

STATE OF IDAHO ENDOWMENT FUNDS  
**SCHEDULE OF WEIGHTED INVESTMENT RETURNS BY ASSET MANAGER**  
**NET OF FEES**  
**PERIOD ENDING JUNE 30, 2015**

| Net of Fees   | FY 2015      | 2-Yr.<br>Annual | 3-Yr.<br>Annual | 4-Yr.<br>Annual | 5-Yr.<br>Annual | 10-Yr.<br>Annual |
|---|--------------|-----------------|-----------------|-----------------|-----------------|------------------|
| <b>Total Account</b>  | <b>2.6</b>   | <b>10.2</b>     | <b>11.5</b>     | <b>8.6</b>      | <b>11.6</b>     | <b>7.4</b>       |
| <i>Benchmark</i>  | <i>3.1</i>   | <i>10.3</i>     | <i>11.1</i>     | <i>8.6</i>      | <i>11.3</i>     | <i>6.6</i>       |
| <i>Total fund benchmark: 49% Russell 3000, 21% MSCI ACWI ex-US, &amp; 30% BC Aggregate.</i> |              |                 |                 |                 |                 |                  |
| <b>Total Fixed Income</b>   | <b>1.3</b>   | <b>2.8</b>      | <b>1.4</b>      | <b>3.1</b>      | <b>3.3</b>      | <b>4.5</b>       |
| State Street Bond Fund  | 1.3          | 2.8             | 1.4             | 3.1             | 3.3             | --               |
| Fixed Income Benchmark  | 1.3          | 2.8             | 1.4             | 3.1             | 3.3             | 4.4              |
| <i>BC U.S. Aggregate Index</i>  | <i>1.9</i>   | <i>3.1</i>      | <i>1.8</i>      | <i>3.2</i>      | <i>3.4</i>      | <i>4.4</i>       |
| <i>BC US TIPS Index</i>   | <i>(1.7)</i> | <i>1.3</i>      | <i>(0.8)</i>    | <i>2.2</i>      | <i>3.3</i>      | <i>4.1</i>       |
| <i>Total fixed income benchmark: 85% B.C Aggregate &amp; 15% TIPS</i>                       |              |                 |                 |                 |                 |                  |
| <b>Total Equity</b>   | <b>2.9</b>   | <b>12.9</b>     | <b>15.4</b>     | <b>10.5</b>     | <b>14.6</b>     | <b>8.1</b>       |
| <i>Total Equity Benchmark</i>   | <i>3.5</i>   | <i>13.4</i>     | <i>15.3</i>     | <i>10.7</i>     | <i>14.6</i>     | <i>7.1</i>       |
| <b>Total Domestic Equity</b>  | <b>6.2</b>   | <b>15.6</b>     | <b>18.2</b>     | <b>13.9</b>     | <b>17.9</b>     | <b>9.3</b>       |
| <i>Russell 3000 Index</i>   | <i>7.3</i>   | <i>15.9</i>     | <i>17.7</i>     | <i>14.1</i>     | <i>17.5</i>     | <i>8.2</i>       |
| <b>Large Cap Core</b>   | <b>7.4</b>   | <b>15.6</b>     | <b>17.3</b>     | <b>14.2</b>     | <b>17.3</b>     | <b>8.0</b>       |
| Northern Trust S&P 500 Index  | 7.4          | 15.6            | --              | --              | --              | --               |
| <i>S&amp;P 500 Index</i>  | <i>7.4</i>   | <i>15.7</i>     | <i>17.3</i>     | <i>14.2</i>     | <i>17.3</i>     | <i>7.9</i>       |
| <b>Large Cap Growth</b>   | <b>7.1</b>   | <b>18.0</b>     | <b>17.3</b>     | <b>14.6</b>     | <b>19.3</b>     | <b>9.4</b>       |
| INTECH  | 6.8          | 16.0            | 15.8            | 12.7            | 16.8            | 7.9              |
| Sands Capital Mgt.  | 7.5          | 19.7            | 18.7            | 16.4            | 21.7            | 10.7             |
| <i>Russell 1000 Growth Index</i>  | <i>10.6</i>  | <i>18.5</i>     | <i>18.0</i>     | <i>14.8</i>     | <i>18.6</i>     | <i>9.1</i>       |
| <b>Large Cap Value</b>  | <b>5.8</b>   | <b>14.9</b>     | <b>19.6</b>     | <b>14.9</b>     | <b>17.9</b>     | <b>9.0</b>       |
| LSV   | 5.6          | 16.1            | 20.7            | 15.2            | 17.7            | 7.7              |
| Boston Partners   | 6.1          | 13.9            | 18.6            | 14.7            | --              | --               |
| <i>Russell 1000 Value Index</i>   | <i>4.1</i>   | <i>13.6</i>     | <i>17.3</i>     | <i>13.6</i>     | <i>16.5</i>     | <i>7.1</i>       |
| <b>Mid Cap</b>  | <b>3.3</b>   | <b>13.9</b>     | <b>17.3</b>     | <b>12.1</b>     | <b>16.2</b>     | <b>8.4</b>       |
| Systematic  | (0.9)        | 12.3            | 15.7            | 10.1            | 15.2            | 9.7              |
| TimesSquare   | 7.4          | 15.4            | 18.8            | 13.9            | 17.1            | --               |
| <i>Russell Mid Cap Index</i>  | <i>6.6</i>   | <i>16.3</i>     | <i>19.3</i>     | <i>13.7</i>     | <i>18.2</i>     | <i>9.4</i>       |
| <b>Small Cap</b>  | <b>8.2</b>   | <b>14.6</b>     | <b>20.3</b>     | <b>12.5</b>     | <b>18.5</b>     | <b>12.4</b>      |
| Eagle   | 11.6         | 14.9            | 19.0            | 11.2            | 18.1            | --               |
| Barrow, Hanley  | 5.0          | 14.2            | 21.2            | 13.3            | 18.4            | 11.8             |
| <i>Russell 2000 Index</i>   | <i>6.5</i>   | <i>14.7</i>     | <i>17.8</i>     | <i>12.5</i>     | <i>17.1</i>     | <i>8.4</i>       |
| <b>Global Equity</b>  | <b>(3.4)</b> | <b>7.5</b>      | <b>9.4</b>      | <b>6.0</b>      | <b>9.6</b>      | <b>--</b>        |
| Aberdeen  | (8.2)        | 4.8             | 7.2             | 4.9             | 9.5             | --               |
| Lazard  | 1.4          | 10.3            | 11.6            | 7.0             | 9.7             | --               |
| <i>MSCI ACWI Index</i>  | <i>0.7</i>   | <i>11.3</i>     | <i>13.0</i>     | <i>7.8</i>      | <i>11.9</i>     | <i>6.4</i>       |
| <b>International Equity</b>   | <b>(3.3)</b> | <b>7.7</b>      | <b>9.9</b>      | <b>2.4</b>      | <b>6.9</b>      | <b>5.8</b>       |
| WCM Focused Growth Int'l.   | 2.1          | --              | --              | --              | --              | --               |
| Allianz NFJ   | (7.3)        | 4.9             | --              | --              | --              | --               |
| Capital International*  | (7.8)        | 1.9             | 2.6             | (4.2)           | 1.0             | --               |
| GMO**   | (9.3)        | 1.6             | 0.6             | (4.5)           | 2.3             | --               |
| <i>MSCI ACWI ex-US Index</i>  | <i>(5.3)</i> | <i>7.4</i>      | <i>9.4</i>      | <i>2.9</i>      | <i>7.8</i>      | <i>5.5</i>       |

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

No manager changes in FY 2015

**STATE OF IDAHO ENDOWMENT FUNDS**  
**SCHEDULE OF BROKER COMMISSIONS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

| <b>Broker Name</b>                   | <b>Shares Traded</b> | <b>Dollar Volume of Trades</b> | <b>Commission Dollar Amount</b> | <b>Commission per Share</b> |
|--------------------------------------|----------------------|--------------------------------|---------------------------------|-----------------------------|
| Credit Suisse                        | 9,151,809            | 71,611,160                     | 53,425                          | \$ 0.006                    |
| J.P. Morgan                          | 1,827,800            | 66,418,229                     | 44,992                          | 0.025                       |
| Deutsche Bank                        | 1,950,368            | 54,356,974                     | 39,069                          | 0.020                       |
| Lynch, Jones, Ryan                   | 1,291,639            | 35,143,312                     | 34,028                          | 0.026                       |
| Weeden & Co.                         | 2,269,030            | 32,008,590                     | 29,830                          | 0.013                       |
| Investment Technology Group          | 2,346,750            | 90,314,812                     | 27,323                          | 0.012                       |
| Jefferies & Co.                      | 1,053,811            | 39,823,632                     | 22,904                          | 0.022                       |
| Goldman Sachs                        | 821,281              | 36,945,531                     | 19,232                          | 0.023                       |
| UBS                                  | 1,674,098            | 32,737,989                     | 19,213                          | 0.011                       |
| CLSA Limited                         | 4,570,635            | 9,860,697                      | 18,596                          | 0.004                       |
| Morgan Stanley                       | 688,165              | 18,600,193                     | 18,535                          | 0.027                       |
| Citigroup                            | 3,059,989            | 22,732,943                     | 16,658                          | 0.005                       |
| Sanford Bernstein                    | 606,967              | 33,987,690                     | 17,842                          | 0.029                       |
| Merrill Lynch                        | 1,019,345            | 29,809,566                     | 16,512                          | 0.016                       |
| Joh. Berenberg, Gossler              | 245,583              | 10,176,949                     | 15,177                          | 0.062                       |
| Guzman & Co.                         | 440,550              | 27,801,439                     | 13,901                          | 0.032                       |
| Barclays                             | 600,361              | 15,470,309                     | 13,529                          | 0.023                       |
| Rosenblatt Securities                | 375,900              | 26,718,297                     | 13,359                          | 0.036                       |
| INSTINET                             | 763,625              | 29,268,906                     | 12,825                          | 0.017                       |
| Cap Institutional Services           | 344,329              | 22,067,430                     | 11,613                          | 0.034                       |
| Liquidnet                            | 865,584              | 35,213,370                     | 11,463                          | 0.013                       |
| RBC Dain Rauscher                    | 311,743              | 16,246,612                     | 10,411                          | 0.033                       |
| Stifer Nicholas & Co.                | 222,359              | 7,528,639                      | 6,876                           | 0.031                       |
| Robert W. Baird & Co.                | 174,053              | 7,443,631                      | 6,344                           | 0.036                       |
| Cantor Fitzgerald                    | 554,169              | 5,001,974                      | 5,906                           | 0.011                       |
| Knight Trading                       | 120,203              | 6,597,984                      | 5,826                           | 0.048                       |
| Daiwa Capital Markets                | 183,000              | 4,148,699                      | 5,403                           | 0.030                       |
| Other Brokers < \$5,000              | 4,228,974            | 118,388,273                    | 93,749                          | 0.022                       |
| Trades for clients in endowment pool | (791,560)            | (17,180,367)                   | (11,458)                        | 0.014                       |
| <b>Total</b>                         | <b>40,970,560</b>    | <b>889,243,463</b>             | <b>\$ 593,083</b>               | <b>\$ 0.014</b>             |

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