



State of Idaho Endowment Fund

*REPORT OF
INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018*

Administered by the Endowment Fund Investment Board



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IDAHO ENDOWMENT FUND
INVESTMENT BOARD

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 years ended June 30, 2019 and 2018, 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 audits. We conducted our audits 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, 2019 and 2018, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-matter

As discussed in Note 1, the financial statements of The State of Idaho Endowment Funds are intended to present the financial position and the changes in financial position of The State of Idaho Endowment Funds. The financial statements do not purport to, and do not, represent the financial position or changes in financial position, of the State of Idaho as of June 30, 2019 and 2018. Our opinions are not modified with respect to this matter.

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 4 through 12 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

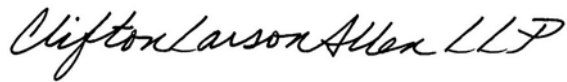
Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Idaho Endowment Funds' basic financial statements. The supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are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

The supplementary schedules included on pages 41 through 44 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 45 and 46 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 22, 2019, 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 solely 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 the effectiveness of State of Idaho Endowment Funds' 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Boise, Idaho
August 22, 2019

The Management Discussion and Analysis highlights the financial performance of the State of Idaho Land Grant Endowment Fund (“Endowment Fund”) for the fiscal years ended June 30, 2019, 2018 and 2017.

BACKGROUND

When Idaho became the 43rd state in 1890, the Congress of the United States endowed certain lands to be used to generate income for education and other important purposes. At statehood, 3.6 million acres of land were granted to the State of Idaho (“State”) and 2.4 million acres remain. Proceeds from the sale of land and income generated by the land have accumulated in the Endowment Fund which provides financial support for beneficiaries.

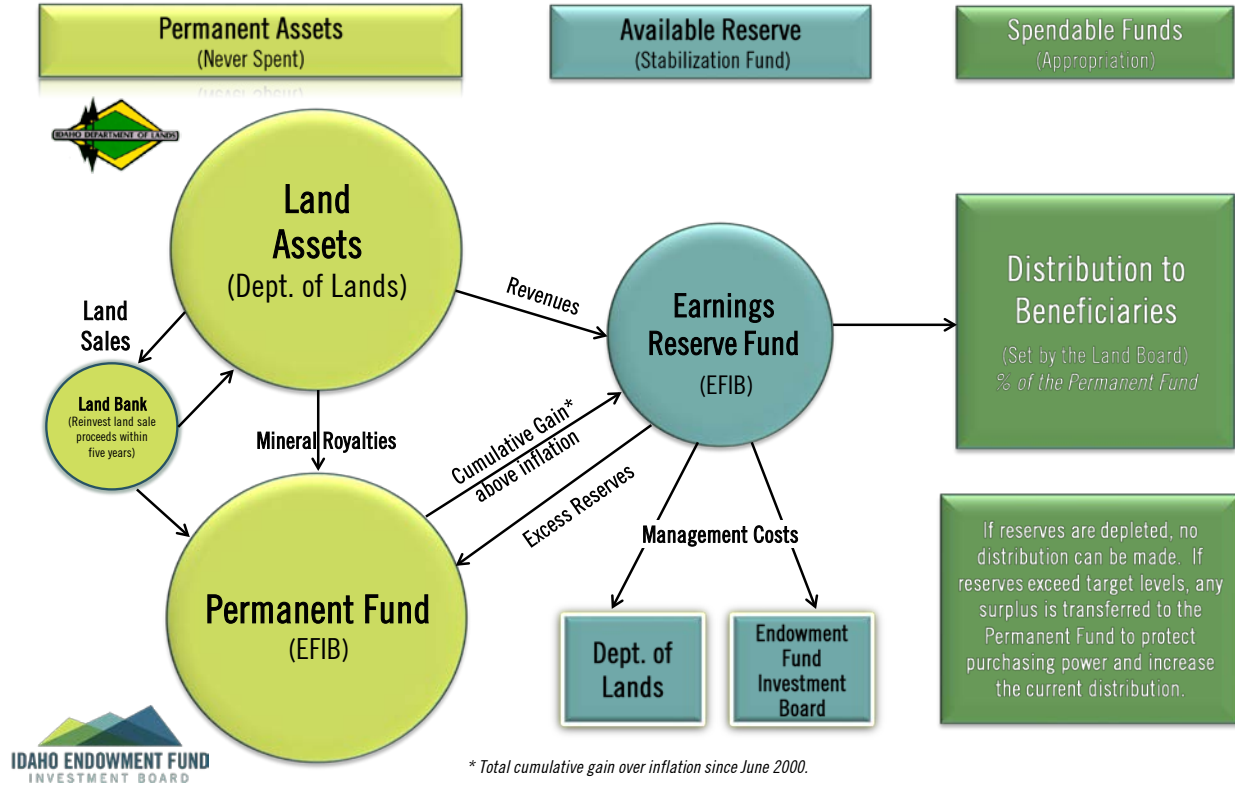
The Endowment Fund supports the following beneficiaries: Public Schools, University of Idaho Agricultural College, Charitable Institutions (Idaho State University, Juvenile Corrections Center, State Hospital North, Veterans’ Home, School for the Deaf and Blind), Normal School (Idaho State University, Lewis-Clark State College), Penitentiary, University of Idaho School of Science, State Hospital South, University of Idaho and the Capitol Permanent Fund.

The Endowment Fund Investment Board (“EFIB”) was created by the 1969 Idaho Legislature and charged with administration and investment management responsibilities for the Endowment Fund according to policies established by the Idaho State Board of Land Commissioners. In addition, EFIB provides investment management services for funds associated with other state agencies including the State Insurance Fund, Idaho Department of Environmental Quality, Idaho Department of Fish and Game, Idaho State Parks & Recreation and the Idaho Department of Lands. Investment results related to non-Land Grant Endowment Funds are not included in these financial statements.

THE ENDOWMENT FUND STRUCTURE

The Endowment Fund is structured to include Permanent Funds and Earnings Reserve Funds for each beneficiary. The Permanent Funds are to remain intact and grow at least at the rate of inflation. Under legislation passed by the 1998 Idaho Legislature, Earnings Reserve Funds were established to pay distributions to beneficiaries and cover Department of Lands and EFIB expenses. Most land revenue is an addition to the Earnings Reserve Funds, while distributions to beneficiaries and payment of Department of Lands and EFIB expenses are depletions. Each June 30, the proportionate change in market value of the Endowment Fund portfolio is allocated to each endowment’s Earnings Reserve Fund and gains up to the rate of inflation to each endowment’s Permanent Fund. This allocation methodology is specified in Idaho Code Section 57-720 and reflected in the following table.

STRUCTURE OF IDAHO'S ENDOWMENT ASSETS

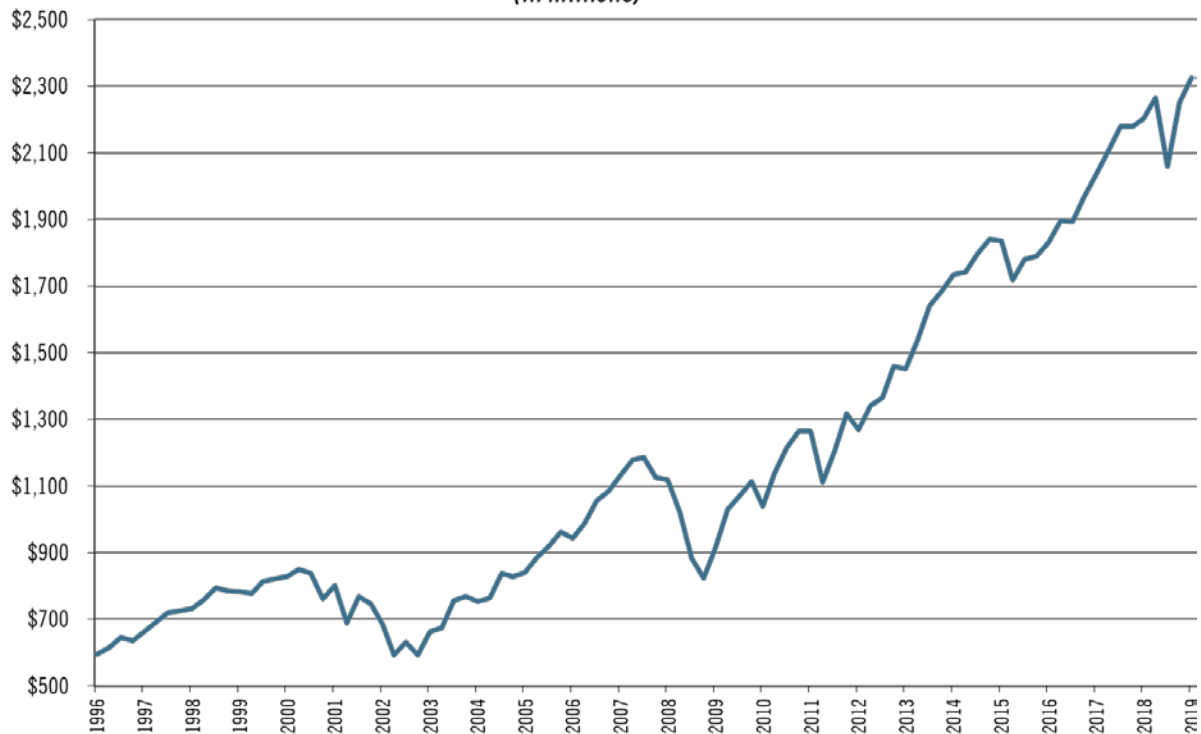


FINANCIAL HIGHLIGHTS:

CHANGES IN NET POSITION AND FUND BALANCE

Changes in the net position of the Endowment Fund are the result of investment gains or losses in the Endowment Fund portfolio, revenue generated from land assets, beneficiary distributions and Department of Lands and EFIB expenses. The Endowment Fund increased by \$122.5 million, \$165.5 million and \$205.7 million during the fiscal years ended June 30, 2019, 2018 and 2017, respectively. Net position and fund balance totaled \$2,324 million, \$2,201 million and \$2,036 million as of June 30, 2019, 2018 and 2017, respectively.

Total Land Grant Endowment Fund Assets
June 1996 - June 2019
(in millions)



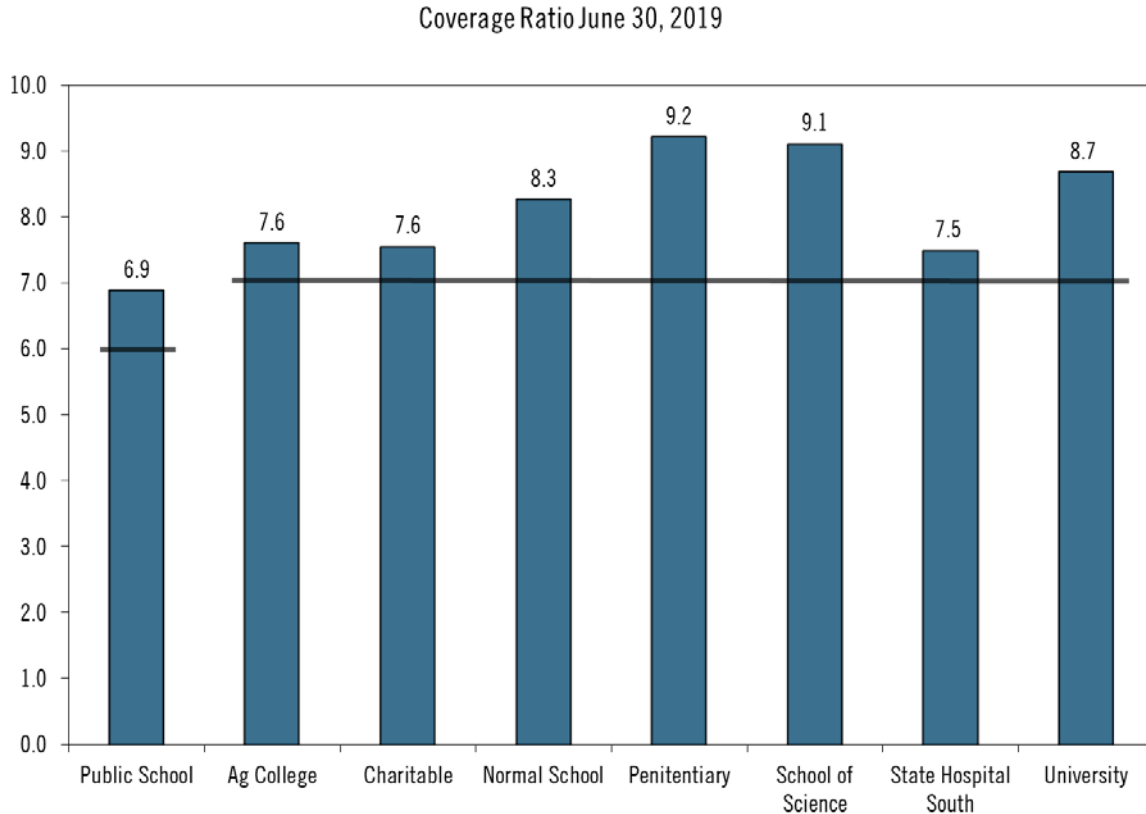
EARNINGS RESERVES

The Idaho State Board of Land Commissioners has established target earnings reserve levels for each of the Earnings Reserve Funds. The target earnings reserve levels equate to six years of beneficiary distributions for Public Schools and seven years of beneficiary distributions for Agricultural College, Charitable Institutions, Normal School, Penitentiary, School of Science, State Hospital South, and the University of Idaho. When earnings reserves exceed the target earnings reserve levels, excess amounts may be transferred from Earnings Reserve Funds into the corresponding Permanent Funds.

Total earnings reserve levels were \$604.6 million, \$569.2 million and \$569.7 million as of June 30, 2019, 2018 and 2017, respectively. As of June 30, 2019, the earnings reserve balances for all of the Endowment Funds were at or above target earnings reserve levels.

Earnings Reserves cont.:

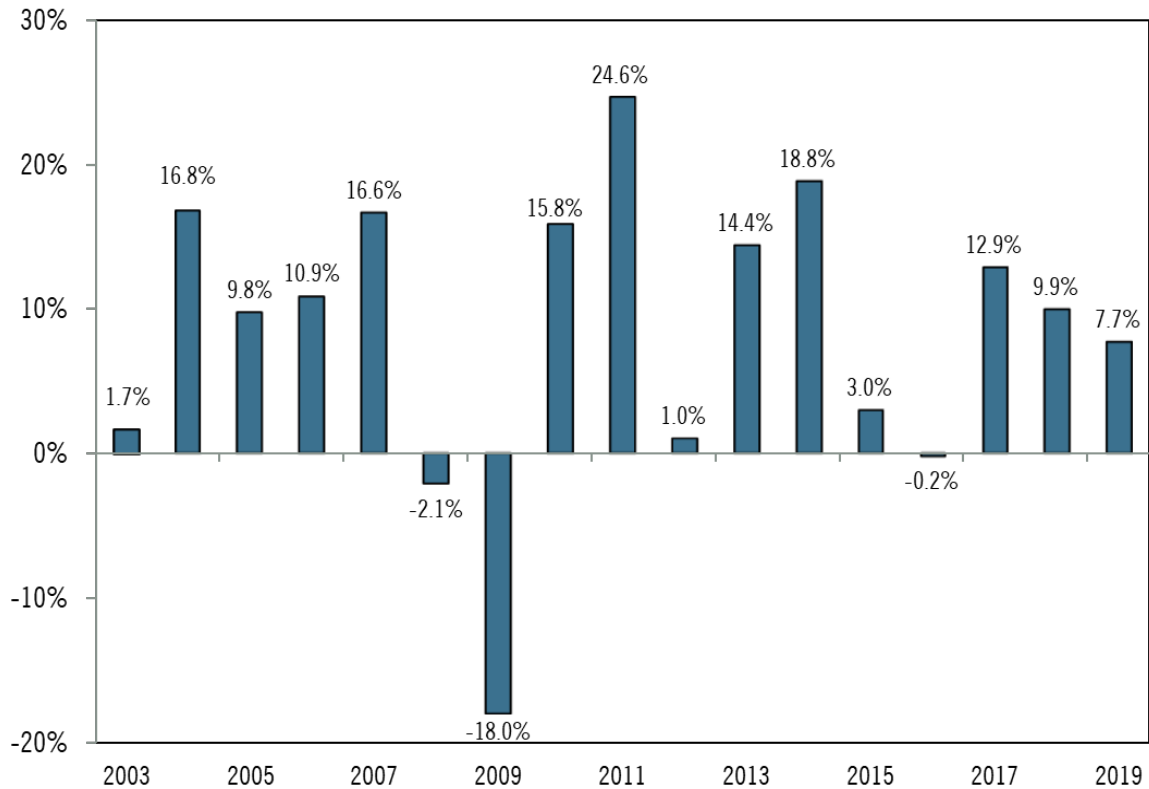
The table below highlights the earnings reserve levels of each Endowment Fund.



INVESTMENT RESULTS

The Endowment Fund portfolio generated investment returns before fees of 7.7%, 9.9% and 12.9% in fiscal years end June 30, 2019, 2018 and 2017, respectively. The average annual investment returns were 7.7%, 10.1%, 6.6%, and 10.5% during the last one, three, five and ten-year periods. These investment returns ranked in the top 11th, 12th, 24th and 8th percentile in the Callan Public Fund Sponsor Database for the one, three, five and ten-year periods.

Annual Gross Fund Return



Annualized (gross of fees, ending June 30, 2019)					
	<u>FY 2019</u>	<u>3 Years</u>	<u>5 Years</u>	<u>7 Years</u>	<u>10 Years</u>
Total Fund	7.7%	10.1%	6.6%	9.3%	10.5%
<i>Benchmark (38% Russell 3000, 19% ACWI ex-US, 9% ACWI, 8% ODCE, 26% BBC Aggregate)</i>	7.1%	9.4%	6.4%	8.9%	9.9%
Total Equity	7.4%	13.3%	7.9%	11.9%	12.9%
Domestic Equity	7.6%	14.9%	9.9%	14.0%	15.5%
Large Cap.	8.6%	15.0%	10.3%	14.2%	15.5%
Mid Cap.	9.2%	14.4%	8.8%	13.4%	14.7%
Small Cap.	-1.2%	14.4%	9.0%	14.0%	16.9%
International Equity	5.8%	11.0%	4.0%	7.8%	7.1%
Global Equity	9.8%	10.9%	5.0%	8.4%	----
<i>MSCI ACWI Index</i>	5.7%	11.6%	6.2%	9.9%	----
Real Estate (net of fees)	6.8%	6.6%			
<i>NCREIF ODCE Index</i>	6.6%	7.0%			
Fixed Income	7.9%	2.4%	2.9%	2.5%	3.9%
<i>Benchmark (85% BBC U.S. Aggregate, 15% BBC U.S. TIPS)</i>	7.4%	2.3%	2.8%	2.4%	3.8%

ASSET ALLOCATION

The target asset allocation for the Endowment Fund portfolio is 66% equity, 26% fixed income, and 8% real estate. The equity portion of the portfolio currently includes 38% U.S. equity, 19% international equity and 9% global equity. The fixed income portion of the portfolio includes 11% in the Bloomberg Barclay's Aggregate Index, 11% in an actively managed core plus strategies and 4% in Treasury Inflation Protected Securities. The real estate portion of the portfolio include 4% in a core strategy and 4% in a participating mortgage loan fund.

INVESTMENT MANAGEMENT

The EFIB engages the services of an investment consultant who acts as an independent fiduciary and provides advise in areas such as investment policies and guidelines, asset allocation strategies, portfolio risk/return modeling and hiring and monitoring of investment managers. Callan has served as EFIB's investment consultant since 2007.

The EFIB engages investment managers who are given full discretion to make investment decisions subject to policies and guidelines specific to the investment strategy they are managing. As of June 30, 2019, the EFIB engaged nineteen investment managers including; Barrow Hanley, Boston Partners, Clearwater Advisors, DWS Investment Management, DoubleLine Capital, Eagle Asset Management, Fiera Capital, LSV Asset Management, Northern Trust Investments, Sands Capital, TimesSquare Capital Management, Schroders, State Street Global Advisors, Sycamore Capital, UBS Realty Investors, Vanguard, WCM Investment Management, Wellington and Western Asset Management.

The EFIB engages Northern Trust Company for custodial services. Northern Trust Company is responsible for custodial services such as the safekeeping of assets, trade settlement, accounting, security valuation and proxy voting.

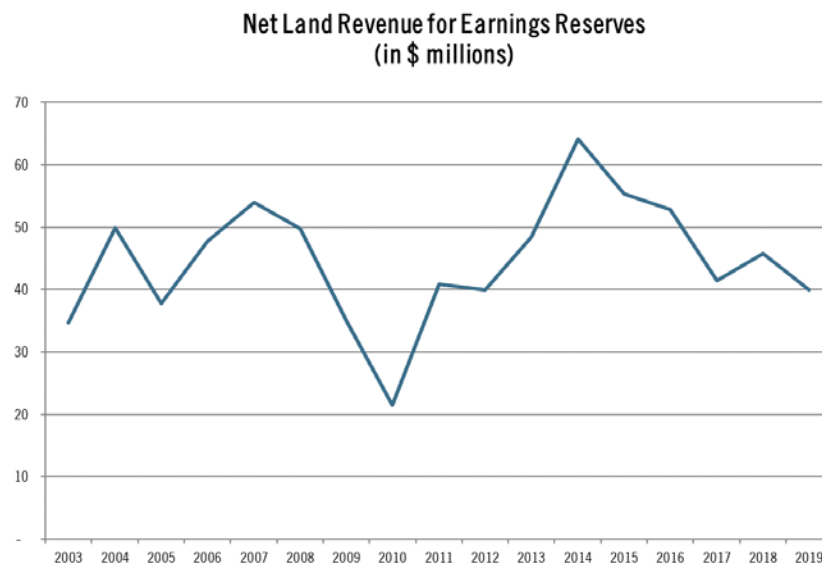
COST OF INVESTMENT MANAGEMENT

The cost for investment management was \$9.1 million, \$9.1 million and \$7.8 million in fiscal years 2019, 2018 and 2017, respectively. Investment management expenses as a percentage of year-end Endowment Fund net positions equates to 0.39%, 0.41% and 0.38% in fiscal years 2019, 2018 and 2017, respectively. The table below provides a breakdown of investment management expenses.

Investment Management Operating Costs	2019	2018	2017
Internal Investment Costs	\$ 511,841	\$ 572,161	\$ 440,031
Outside investment manager and legal fees	8,853,754	7,977,192	7,391,512
Custody Expense	826,571	483,911	455,540
Consultant and auditor fees	329,112	249,511	261,256
Subtotal	10,521,278	9,282,775	8,548,339
Less Manager fees charged directly	(925,337)	(589,487)	(765,658)
Total expenditures	9,595,941	8,693,288	7,782,681
Change in Manager Fee Accrual	(512,909)	432,666	49,635
Total Accrual Basis Expense	\$ 9,083,032	\$ 9,125,954	\$ 7,832,316

NET LAND REVENUE

Net land revenue (land revenue less Department of Lands expenses) totaled \$40.0 million, \$45.8 million and \$41.4 million in fiscal years 2019, 2018 and 2017, respectively. The decline in net land revenue over the last few years is primarily the result of the sales of leased cabin sites located near Payette and Priest Lakes.



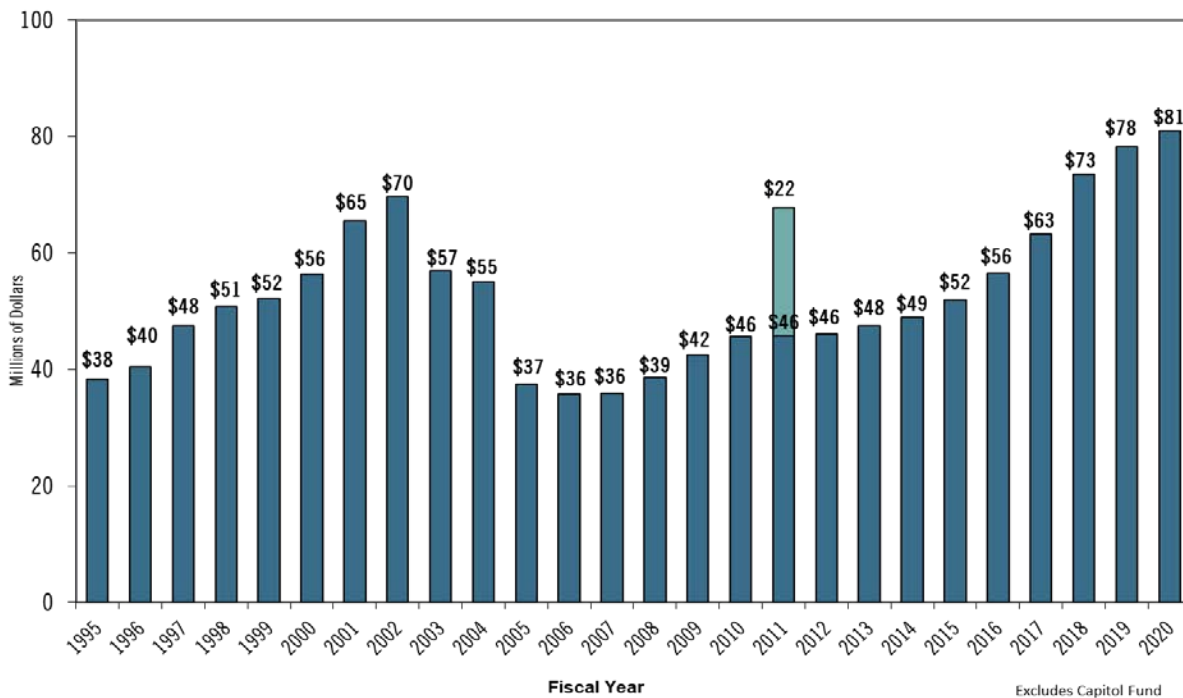
BENEFICIARY DISTRIBUTIONS

The Endowment Fund exists to provide distributions to beneficiaries in perpetuity. For all endowments, except Capitol Permanent, the Idaho State Board of Land Commissioners has established a beneficiary distribution policy. The current policy provides for annual distributions at a rate of 5% of the three-year moving average of the Permanent Fund balance (with the exception of State Hospital South which is 7%) and allows for adjustments to the distributions based on factors including the level of Earnings Reserve Funds and transfers to the Permanent Funds.

Distributions to land-grant beneficiaries totaled \$78.2 million, \$73.5 million and \$63.2 million in fiscal years 2019, 2018 and 2017, respectively. The Board of Land Commissioners approved distributions of \$80.9 million and \$84.5 million in fiscal years 2020 and 2021, respectively. The table below provide a summary of land-grant beneficiary distributions.

Beneficiary Distributions 1995-2020

(includes special Public School distribution in 2011 of \$22M)



On July 1, 2004, the Capitol Permanent Fund was pooled with the Endowment Fund for investment purposes. Additions to the Capitol Permanent Fund include revenue from its lands, license plate royalties, and investment income. The EFIB authorizes distributions from the Capitol Permanent Fund to the Capitol Maintenance Reserve Fund. Distribution from the Capitol Permanent Fund to the Capitol Maintenance Reserve Fund totaled \$1.41 million, \$1.39 million and \$1.38 million in

fiscal years 2019, 2018 and 2017, respectively. Distributions from the Capitol Maintenance Reserve Fund are determined by the Capitol Commission, subject to legislative appropriation. Distributions from the Capital Maintenance Reserve Fund to the Capitol Commission were \$250,000, \$396,000 and \$500,000 in fiscal years 2019, 2018 and 2017, respectively.

CREDIT ENHANCEMENT PROGRAM

On July 1, 2002, the State of Idaho's Credit Enhancement Program for school district bond financing was established. 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 \$300 million in notes of the State that may be issued to avoid default on school district bonds. This credit enhancement allows eligible voter-approved school bonds to be issued with AAA ratings, which is above the State's AA+ rating. The enhanced credit rating results in lower borrowing costs for Idaho school districts. EFIB has committed to provide credit enhancement on up to \$1.2 billion in school bonds, with a limit of \$40 million per school district. There were \$655.4 million, \$667.6 million and \$539.3 million in bonds guaranteed by the Credit Enhancement Program as of June 30, 2019, 2018 and 2017, respectively.

USING THIS ANNUAL REPORT

The annual report consists of the independent auditors' report, financial statements, notes to the financial statements and supplementary schedules. The financial statements, notes to the financial statements and supplementary schedules are prepared by the EFIB staff and are intended to give the reader a complete understanding of the Endowment Fund. The financial statements consist of the Governmental Balance Sheets and Statements of Net Position, the Governmental Statements of Revenues, Expenditures and Changes in Governmental Fund Balances and the Statements of Governmental Activities. The notes to the financial statements are an integral part of the financial statements and provide additional information on the Endowment Fund and its operations.

STATE OF IDAHO ENDOWMENT FUND
 GOVERNMENTAL BALANCE SHEETS AND STATEMENTS OF NET POSITION -
 GOVERNMENTAL ACTIVITIES
 JUNE 30, 2019 AND 2018



Assets:	2019	2018
Investments, at Fair Value	\$ 2,322,739,061	\$ 2,193,559,264
Receivable for Unsettled Trades	45,247,663	10,774,592
Receivable From Idaho Department of Lands	2,532,470	7,776,309
Accrued Interest and Dividends Receivable	7,505,090	7,496,597
Prepaid Expenses to the Department of Lands	1,966,355	3,883,152
Total Assets	\$ 2,379,990,639	\$ 2,223,489,914
Liabilities:		
Payable for Unsettled Trades	\$ 54,287,704	\$ 19,693,436
Investment Manager Expenses Payable	1,645,823	2,245,900
Total Liabilities	55,933,527	21,939,336
Fund Balances:		
Nonexpendable - Permanent Funds	1,719,504,105	1,632,348,013
Expendable - Earnings Reserve Funds	604,553,007	569,202,565
Total Fund Balances	2,324,057,112	2,201,550,578
Total Liabilities and Fund Balances	\$ 2,379,990,639	\$ 2,223,489,914

The EFIB has no liabilities, that are different from modified accrual to full accrual basis, so the balances in the Statement of Net Position are the same as the fund balances in the Governmental Balance Sheet.

Statement of Net Position:		
Restricted for Permanent Trust - Nonexpendable	\$ 1,719,504,105	\$ 1,632,348,013
Restricted for Permanent Trust - Expendable	604,553,007	569,202,565
Total Net Position - Governmental Activities	\$ 2,324,057,112	\$ 2,201,550,578

See Notes to Financial Statements

STATE OF IDAHO ENDOWMENT FUND
 GOVERNMENTAL STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
 GOVERNMENTAL FUND BALANCES AND STATEMENTS OF GOVERNMENTAL ACTIVITIES
 FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018



Revenues:

	2019	2018
Receipts from the Department of Lands		
Permanent Receipts	\$ 2,701,162	\$ 2,645,986
Earnings Reserve Receipts	69,352,297	73,490,591
Income from Investments	167,392,206	200,007,135
Total Revenues	<u>239,445,665</u>	<u>276,143,712</u>

Expenditures:

Department of Lands Expense	29,399,699	27,654,885
EFIB Expense	9,083,032	9,125,954
Total Expenditures	<u>38,482,731</u>	<u>36,780,839</u>

Revenues over Expenditures

200,962,934 239,362,873

Other Financing Uses

Distributions to Beneficiaries 78,456,400 73,879,200

Net Increase in Fund Balance

122,506,534 165,483,673

Fund Balance - Beginning of Year

2,201,550,578 2,036,066,905

Fund Balance - End of Year

\$ 2,324,057,112 \$2,201,550,578

There were no expenses which require the use of current financial resources. The amount for the Change in Net Position (shown below) is the same amount as shown above in the Governmental Statement of Revenues, Expenditures and Changes in Governmental Fund Balances.

Change in Net Position - Government Activities

\$ 122,506,534 \$ 165,483,673

NOTE 1 - GENERAL DESCRIPTION OF THE FUND

The Endowment Fund Investment Board (the EFIB) is charged with administration and investment management responsibilities for the State of Idaho Endowment Fund (the “Endowment Fund”), which is comprised of Permanent and Earnings Reserve Funds for beneficiaries including 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.

The Endowment Fund is part of the State of Idaho’s financial reporting and is included in the State’s Comprehensive Annual Financial Report (CAFR). The Endowment Fund is invested according to investment policies established by the Idaho State Board of Land Commissioners.

The EFIB has no control over assets held by the Idaho Department of Lands (IDL); therefore, the EFIB gives accounting recognition only when transactions related to endowment land assets are completed by IDL.

Endowment Fund Investment Reform Legislation

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

The legislation provides that:

- (1) The EFIB, as trustees, will control, manage and invest the Endowment Fund according to policies established by the Idaho 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 was established to create a buffer to preserve the Permanent Fund balances.
- (4) Administrative costs are to be paid from earnings of the Endowment Fund instead of from annual General Fund appropriations.
- (5) Distributions to beneficiaries are determined by the Idaho State Board of Land Commissioners and are to be paid from the Earnings Reserve Funds, which include investment earnings, net capital gains and certain 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 provides that any income and market appreciation of the Permanent Funds can only be transferred to the Earnings Reserve Funds if that objective has been achieved.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The financial statements reflect the assets of the Endowment Fund and are prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements.

The Endowment Fund is part of the State reporting entity based on certain GASB criteria. These statements present only the Endowment Fund 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 Fund is accounted for and reported as a Permanent Fund as defined by GASB and uses the modified accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenditures are recognized when they are incurred. The statement of net position and the statement of activities display information about the Endowment Fund and includes the financial activity of the overall reporting entity. These statements report all activities of the Endowment Fund as a governmental type activity. Given the type of assets and liabilities held by Endowment Fund, 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 Fund in certain fixed income, real estate and equity investments as defined by the investment policy of the EFIB and consistent with Idaho Code Section 57-723. 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, the EFIB's investment policy, specified that the Endowment Funds may be invested in equities (63% to 69% of the investment portfolio, with a target of 66%), fixed income (23% to 29% of the investment portfolio, with a target of 26%), and real estate (4% to 12% of the investment portfolio, with a target of 8%).

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: U.S. government and agency securities; bank loans; corporate notes and bonds; residential mortgage backed bonds; commercial mortgage backed bonds; municipal bonds, infrastructure securities, USD and non-USD fixed income securities of foreign governments and corporations; planned amortization class collateralized mortgage obligations; or other "early tranche" CMO's; Sequential pay CMO's; collateralized loan obligations, asset backed securities; convertible notes and bonds; Securities defined under Rule 144A and Section 4(2) of Securities Act of 1933; or any other fixed income securities eligible for inclusion in the Bloomberg Barclays U.S. TIPS Index or Bloomberg Barclays Aggregate Bond Index.
- (3) Equities: Common stocks; convertible preferred stocks; preferred stocks; REITS; American depository receipts (ADRs); stocks of non-U.S. companies (ordinary shares).
- (4) Real Estate: Domestic, private, open-end, core comingled funds, REITS.
- (5) ETFs, Mutual Funds and Collective Funds which invest in securities as allowed in this statement or as permitted in Investment Manager Guidelines. Investment managers will advise the MOI of their intent to utilize ETFs prior to their purchase, what specific ETFs they intend to use and the purposes they serve.
- (6) Futures, Options and Swaps: The EFIB may approve the use of financial index futures and options in order to adjust the overall effective asset allocation of the entire portfolio or it may use swaps, futures or options to hedge interest rate or currency exposure. For example, S&P 500 and 10-Year Treasury futures are used to equitize idle cash and to passively rebalance the portfolio. Futures and options positions are not to be used for speculation, and the EFIB must specifically approve the program for each type of use. Derivative exposure must have sufficient cash, cash equivalents, offsetting derivatives or other liquid assets to cover such exposures. Investment securities are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants at the measurement date. Purchase and sale transactions are recorded on the trade date.
- (7) Derivative securities: Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Most derivative securities are derived from equity or fixed income securities and are packaged in the form of options, futures, and interest rate swaps, among others. The EFIB will take a conservative posture on derivative securities in order to maintain its risk averse nature. Since it is anticipated that new derivative products will be created each year, it is not the intention of this document to list specific derivatives that are prohibited from investment, rather it will form a general policy on derivatives. Unless a specific type of derivative security is allowed in the Investment Manager Guidelines, the Investment Manager(s) must seek written permission from the EFIB to include derivative

investments in the Fund's portfolio. The Investment Manager(s) must present detailed written information as to the expected return and risk characteristics of such investment vehicles.

(8) Investment securities are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants at the measurement date. Purchase and sale transactions are recorded on the trade date.

In fiscal years 2019 and 2018, 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.

The table below summarizes the various contracts in the portfolio as of June 30, 2019. The notional value of these instruments is not recorded in the financial statements.

Derivatives	Expiration Date	Contracts	Notional Value	Unrealized Gain/(Loss)	Required Margin
10-Year Treasury Notes	Sept. 2019	211	\$26,956,753	\$169,532	\$254,888
E-Mini S&P 500 Index	Sept. 2019	76	\$11,124,832	\$112,860	\$523,699
MSCI EAFE	Sept. 2019	71	\$6,812,980	\$150,443	\$34,006
Swaps	Various	23	\$52,424,720	(\$843,486)	
Fixed Income Derivatives	Various	4	(8,472)	\$3,553	

The table below summarizes the various contracts in the portfolio as of June 30, 2018. The notional value of these instruments is not recorded in the financial statements.

Futures	Expiration Date	Contracts	Notional Value	Unrealized Gain/(Loss)	Required Margin
10-Year Treasury Notes	Sept. 2018	195	\$23,426,301	\$107,526	\$225,126
E-Mini S&P 500 Index	Sept. 2018	169	\$22,996,162	(\$262,772)	\$1,040,979
MSCI EAFE	Sept. 2018	20	\$1,971,393	(\$54,946)	\$90,736

Expendable and Nonexpendable Net Position

The net position of the Earnings Reserve Funds is the expendable assets of the Endowment Fund. These expendable assets are used for distributions to beneficiaries and distributions for expenses of the EFIB and the IDL. The net position of the Permanent Funds is the 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 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 Idaho Code Sections 57-723A and 57-724A. 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.

The Gain Benchmark, as specified in Idaho Code Section 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 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 income from investments 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. The Permanent Funds at the end of FY2019 and 2018 were at the gain benchmark.

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 30, 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.

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.

There is no statutory requirement to make up losses or calculate a Gain or Loss Benchmark in the Capitol Permanent Fund.

Distributions to Beneficiaries

With the exception of the Capitol Funds, distributions to the other eight beneficiaries are authorized annually by the State Board of Land Commissioners and are made in equal installments on approximately the 10th of each month. Distributions to the Capitol Maintenance Reserve Fund from the Capitol Permanent Fund are authorized by the EFIB and distributed in July 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 or 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 that 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 primarily investment grade fixed income securities.

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, 2019 and 2018:

Fund Investments	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Aberdeen Asset Management	\$ 7,434	\$ 7,434	\$ 84,505,276	\$ 98,556,748
Allianz NFJ	12,352	12,353	45,171	45,171
Barrow, Hanley	38,230,311	46,436,728	32,284,076	48,987,249
Boston Partners	98,144,930	109,984,866	88,416,421	106,463,584
Clearwater Advisors	3,088,708	3,088,708	2,154,900	2,154,900
DoubleLine Capital - Core Plus	116,542,596	121,500,293	-	-
Eagle Asset Management	38,258,172	51,971,250	33,546,442	50,069,738
Fiera Capital Global	92,318,675	111,877,929	92,020,804	97,102,593
Lazard Asset Management	8,998	8,998	163,408	163,408
LSV Asset Management	87,659,964	109,146,185	77,892,145	104,247,647
NTGI S&P 500 Index	157,870,016	260,583,651	157,334,836	248,840,676
Northern Trust Money Market Fund	7,783,898	7,783,898	16,656,368	16,656,368
RREEF America REIT II IN	86,689,091	95,811,931	77,892,434	84,262,129
Sands Capital Management	60,995,658	117,444,467	55,342,531	112,044,288
Schroders QEP International Value	213,420,797	200,789,793	188,798,619	176,325,743
State Street Global Advisors	325,732,752	320,625,010	578,234,172	554,865,060
State Street EAFE Index Funds	249,160	249,160	37,176,695	42,484,890
Systematic Financial Management	-	-	81,676,384	84,586,630
Sycamore Capital Mid Cap	88,624,378	90,129,023	-	-
TimesSquare Capital Management	71,929,996	94,781,837	65,164,255	87,735,984
UBS Trumbull Property	88,858,110	94,230,709	75,922,268	79,214,459
Vanguard Dev Market Index Fund	41,244,599	42,254,669	-	-
WCM Focused Growth	144,473,678	205,645,418	152,635,281	189,833,155
Wellington Global	99,864,687	107,455,367	-	-
Western Asset Management - US Core	117,170,197	121,879,343	-	-
Total Fund Investments	1,979,179,157	2,313,699,020	1,897,862,486	2,184,640,420
Pending Trades:				
Receivable for Investments Sold	(45,247,662)	(45,247,663)	(10,774,592)	(10,774,592)
Payable for Investments Purchased	54,287,704	54,287,704	19,693,436	19,693,436
Total Net Investments	\$ 1,988,219,199	\$ 2,322,739,061	\$ 1,906,781,330	\$ 2,193,559,264

*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, 2019, all Endowment Fund 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 the Endowment Fund 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, 2019 and 2018, the Endowment Fund did not hold any credit positions exceeding 5% of the total portfolio, other than securities issued or guaranteed by the United States government.

As of June 30, 2019 and 2018, the Endowment Funds held \$64.0 million and \$58.5 million, respectively, in a comingled Treasury-only money market fund rated AAAM by S&P with a modified adjusted duration of 0.1 years. These balances as of June 30, 2019 and 2018, include \$7.7 million and \$16.7 million of general cash and \$56.3 million and \$41.8 million of cash held in accounts allocated to the Funds' bond and equity managers, respectively.

As of June 30, 2019 and 2018, the Endowment Fund's fixed income investments had the following characteristics:

Credit Ratings Summary by Market Value-Moody's
 As of June 30, 2019

Investment Type	Modified Duration	Aaa	Aa	A	Baa	Ba	B	Ca	Caa	Agy	NR/ Not	Total
Asset Backed Securities	2.2	\$ 1,453,073	\$ -	\$ 10,579,418	\$ 934,957	\$ -	\$ -	\$ -	\$ 663,048	\$ -	\$ 1,834,475	\$ 15,464,971
Commercial Mortgage-Backed	2.0	5,092,272	960,557	8,443,687	-	-	1,107,284	-	-	-	434,897	16,038,697
Corporate Bond Fund	3.6	-	11,801,232	-	-	-	-	-	-	-	-	11,801,232
Corporate Bonds	7.4	2,384,893	6,683,109	38,310,007	57,734,557	9,967,693	9,089,164	-	671,395	-	1,000,005	125,840,823
Corporate Convertible Bonds	5.5	-	-	-	-	193,176	15,037	-	-	-	558,981	767,194
Government Agencies	4.5	6,717,378	601,548	532,884	682,542	-	-	-	-	48,793	118,244	8,701,389
Government Agencies Fund	4.6	-	-	-	-	-	-	-	-	8,903,448	-	8,903,448
Government Bonds	7.2	122,631,510	214,720	3,844,326	3,461,394	1,817,972	737,118	-	-	-	1,312,476	134,019,516
Government Mortgage Backed Securities	4.7	-	-	-	-	-	-	-	-	111,221,956	563,549	111,785,505
Gov't-issued Commercial Mortgage-Backed	2.9	393,052	-	-	-	-	-	-	-	2,098,957	-	2,492,009
Index Linked Government Bonds	8.2	90,835,699	-	-	-	-	-	-	-	-	-	90,835,699
Municipal/Provincial Bonds	9.3	82,181	1,446,355	277,648	108,956	76,557	-	-	-	-	86,287	2,077,984
Non-Government Backed C.M.O.s	1.6	-	-	-	-	-	3,169,079	591,963	2,552,761	-	-	6,313,803
Other Fixed Income Fund	4.6	-	-	-	-	-	17,233,345	-	-	-	-	17,233,345
Total		\$ 229,590,058	\$ 21,707,521	\$ 61,987,970	\$ 62,922,406	\$ 12,055,398	\$ 31,351,027	\$ 591,963	\$ 3,887,204	\$ 122,273,154	\$ 5,908,914	\$ 552,275,615

Credit Ratings Summary by Market Value-Moody's
 As of June 30, 2018

Investment Type	Modified Duration	Aaa	Aa	A	Baa	Ba *	Agy	NR/ Not Available	Total
Asset Backed Securities	2.3	\$ 654,049	\$ -	\$ 15,798	\$ 80,290	\$ -	\$ -	\$ 1,419,249	\$ 2,169,386
Commercial Mortgage-Backed	5.6	5,375,319	-	-	-	-	-	472,908	5,848,227
Corporate Bonds	7.3	3,547,634	11,099,127	46,321,466	53,525,493	3,908,587	-	1,012,341	119,414,648
Government Agencies	4.2	15,477,534	1,075,957	760,404	1,251,272	-	699,648	864,118	20,128,933
Government Bonds	6.0	175,918,916	137,352	1,742,426	2,161,532	-	2,855,083	-	182,815,309
Government Mortgage Backed Securities	5.4	-	-	-	-	-	130,414,278	2,497,518	132,911,796
Gov't-issued Comm. Mtg-Backed	1.7	966,842	-	-	-	-	2,467,080	-	3,433,922
Index Linked Government Bonds	7.8	83,434,083	-	-	-	-	-	-	83,434,083
Municipal/Provincial Bonds	9.3	385,791	2,938,342	541,890	101,741	73,465	-	279,426	4,320,655
Total		\$ 285,760,168	\$ 15,250,778	\$ 49,381,984	\$ 57,120,328	\$ 3,982,052	\$ 136,436,089	\$ 6,545,560	\$ 554,476,959

*The Ba column includes bonds that are split rate and meet the minimum requirement of one of the two ratings agencies specified in the EFIB Statement of Investment Policy.

CREDIT RISK - EFIB Investment policy limits fixed income securities to: U.S. government and agency securities; bank loans; corporate notes and bonds; residential mortgage backed bonds; commercial mortgage backed bonds; municipal bonds, infrastructure securities, USD and non-USD fixed income securities of foreign governments and corporations; planned amortization class collateralized mortgage obligations; or other “early tranche” CMO’s; Sequential pay CMO’s; collateralized loan obligations, asset backed securities; convertible notes and bonds; Securities defined under Rule 144A and Section 4(2) of Securities Act of 1933; or any other fixed income securities eligible for inclusion in the Bloomberg Barclays U.S. TIPS Index or Bloomberg Barclays Aggregate Bond Index.

INTEREST RATE RISK - Managers will provide EFIB with the expected portfolio duration in their portfolio guidelines. If the duration of the portfolio differs from expectations, managers are to be required to report these occurrences to Staff and these disclosures are to be made available to the Board.

FOREIGN CURRENCY RISKS – The EFIB’s Investment Policy Statement permits investments in international equities. The Endowment Fund’s exposure to foreign currency risk is as follows:

Investment and Country	Currency	2019 Fair Value	2018 Fair Value
Equities and Cash			
Argentina	ARS	\$ 106,498	\$ -
Australia	AUD	12,692,607	18,996,321
Brazil	BRL	6,847,786	5,200,062
Canada	CAD	14,530,265	14,671,506
Chile	CLP	929,371	255,108
Chinese Yuan	CNY	(1,136,196)	-
Chinese Yuan (HK)	CNH	594,505	-
Czech Republic	CZK	75,898	-
Denmark	DKK	9,999,901	8,507,394
European Monetary Union	EUR	93,911,841	91,060,868
Great Britain	GBP	51,856,676	70,849,714
Hong Kong	HKD	38,733,333	30,745,820
Hungary	HUF	264,951	837,493
India	INR	1,174,742	-
Indonesia	IDR	2,030,775	1,195,497
Israel	ILS	1,563,197	1,979,244
Japan	JPY	55,808,074	75,128,802
Malaysia	MYR	1,613,931	1,124,014
Mexico	MXN	10,268,562	6,066,375
New Zealand	NZD	66,171	314,410
Norway	NOK	5,741,175	3,625,713
Philippines	PHP	-	165,204
Poland	PLN	1,075,956	933,835
Russia	RUB	2,792,516	-
Singapore	SGD	3,447,937	4,460,678
South Africa	ZAR	3,801,434	3,750,987
South Korea	KRW	9,070,925	8,219,984
Sweden	SEK	5,928,903	13,894,222
Switzerland	CHF	49,940,763	41,935,150
Taiwan	TWD	6,687,196	4,599,766
Thailand	THB	2,879,182	4,393,060
Turkey	TRY	2,452,436	665,403
Total Fund Investments		\$ 395,751,311	\$ 413,576,630

NOTE 4 – INCOME FROM INVESTMENTS

Per Idaho Code Section 57-724A, income distributed to the Earnings Reserve Fund would include the Permanent Fund’s total cumulative income (interest, dividends and market appreciation/depreciation) above its Gain Benchmark (original principal, adjusted for deposits and inflation). The Permanent Fund retains any income to the extent of inflation and any cumulative losses carried forward from the previous year.

The Components of income from investments for Fiscal Year 2019 and their allocation are shown below:

Permanent Fund Income
 For the Fiscal Year Ended June 30, 2019

Endowment	Net Increase in Fair Value	Income Retained to Offset Inflation or Losses *	Cap Perm Fund Interest and Dividends	Total Investment Income
Public School	\$ -	\$ 21,271,898	\$ -	\$ 21,271,898
Agricultural College	-	622,334	-	622,334
Charitable	-	2,472,656	-	2,472,656
Normal School	-	2,095,866	-	2,095,866
Penitentiary	-	942,509	-	942,509
School of Science	-	2,075,119	-	2,075,119
State Hospital South	-	1,884,551	-	1,884,551
University of Idaho	-	1,817,889	-	1,817,889
Capitol Permanent **	1,658,766	-	710,342	2,369,108
Total	\$ 1,658,766	\$ 33,182,822	\$ 710,342	\$ 35,551,930

* For all Permanent funds (except Capitol Permanent), any cumulative total income vs. the Gain Benchmark is allocated to the Earning Reserve Fund as part of Allocation of Permanent Fund Gain in the table below).

**The Capitol Permanent Fund retains its interest and dividends.

Earnings Reserve Fund Income
 For the Fiscal Year Ended June 30, 2019

Endowment	Net Increase in Fair Value	Interest, Dividends and Other Income	Allocation of Permanent Fund Gain *	Total Investment Gain
Public School	\$ 16,008,198	\$ 31,171,179	\$ 34,004,921	\$ 81,184,298
Agricultural College	507,656	946,360	1,036,119	2,490,135
Charitable	1,988,178	3,612,065	3,828,201	9,428,444
Normal School	1,869,995	3,289,449	3,596,672	8,756,116
Penitentiary	951,499	1,567,183	1,733,548	4,252,230
School of Science	2,067,625	3,374,869	3,682,906	9,125,400
State Hospital South	2,090,692	3,032,344	2,927,371	8,050,407
University of Idaho	1,735,564	2,970,068	3,295,826	8,001,458
Capitol Maintenance **	385,727	166,061	-	551,788
Total	\$ 27,605,134	\$ 50,129,578	\$ 54,105,564	\$ 131,840,276

* All Endowments (except Capitol Permanent), are allocated the Permanent Fund's total cumulative income over the Gain Benchmark.

**The Capitol Maintenance Fund retains its proportionate share of interest and dividends and the net increase or decrease in fair value.

The Components of income from investments for Fiscal Year 2018 and their allocation are shown below:

Permanent Fund Income
For the Fiscal Year Ended June 30, 2018

Endowment	Net Increase in Fair Value	Income Retained to Offset Inflation or Losses *	Cap Perm Fund Interest and Dividends	Total Investment Income
Public School	\$ -	\$ 20,548,914	\$ -	\$ 20,548,914
Agricultural College	-	628,287	-	628,287
Charitable	-	2,425,552	-	2,425,552
Normal School	-	2,087,390	-	2,087,390
Penitentiary	-	916,436	-	916,436
School of Science	-	2,054,230	-	2,054,230
State Hospital South	-	1,903,002	-	1,903,002
University of Idaho	-	1,827,749	-	1,827,749
Capitol Permanent **	2,164,196	-	665,504	2,829,700
Total	\$ 2,164,196	\$ 32,391,560	\$ 665,504	\$ 35,221,260

* For all Permanent funds (except Capitol Permanent), any cumulative total income vs. the Gain Benchmark is allocated to the Earning Reserve Fund as part of Allocation of Permanent Fund Gain in the table below).

**The Capitol Permanent Fund retains its interest and dividends.

Earnings Reserve Fund Income
For the Fiscal Year Ended June 30, 2018

Endowment	Net Increase in Fair Value	Interest, Dividends and Other Income	Allocation of Permanent Fund Gain *	Total Investment Gain
Public School	\$ 18,911,736	\$ 28,995,000	\$ 54,573,852	\$ 102,480,588
Agricultural College	700,145	898,293	1,567,492	3,165,930
Charitable	2,186,426	3,354,108	6,303,997	11,844,531
Normal School	2,491,051	2,989,035	5,309,577	10,789,663
Penitentiary	1,287,109	1,405,986	2,411,636	5,104,731
School of Science	2,650,577	3,043,432	5,270,448	10,964,457
State Hospital South	2,567,780	2,852,227	4,746,222	10,166,229
University of Idaho	2,436,590	2,684,965	4,586,864	9,708,419
Capitol Maintenance **	432,731	128,596	-	561,327
Total	\$ 33,664,145	\$ 46,351,642	\$ 84,770,088	\$ 164,785,875

* All Endowments (except Capitol Permanent), are allocated the Permanent Fund's total cumulative income over the Gain Benchmark.

**The Capitol Maintenance Fund retains its proportionate share of interest and dividends and the net increase or decrease in fair value.

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

Income From Investments	2019	2018
Interest, Other Income and Fees	\$ 23,392,927	\$ 21,455,089
Dividends	27,446,993	25,562,057
Total	\$ 50,839,920	\$ 47,017,146

NOTE 5 – CLIENT EXPENSES

Four clients, representing ten additional perpetual funds in Fiscal Year 2019 and four funds in Fiscal Year 2018, are included in the same comingled investment pool as the Endowment Fund and their assets totaled \$136 million and \$90.9 million as of June 30, 2019 and 2018, respectively. These balances are not included in the EFIB financial statements.

In fiscal year 2019, 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 were \$402,320 and \$332,722 for the fiscal years ended June 30, 2019 and 2018, respectively.

NOTE 6 – BENEFICIARY DISTRIBUTIONS

Distributions to beneficiaries for the Fiscal Years ended June 30, 2019 and 2018 are shown below.

Beneficiary	Total Fund Distributions	
	2019	2018
Public School	\$ 50,325,600	47,049,600
Agricultural College	1,447,200	1,347,600
Charitable Institutions	5,754,000	5,544,000
Normal School	4,410,000	4,262,400
Penitentiary	2,193,600	1,965,600
School of Science	4,826,400	4,708,800
State Hospital South	5,024,400	4,562,400
University of Idaho	4,225,200	4,042,800
Subtotal	78,206,400	73,483,200
Capitol Maintenance	250,000	396,000
Total Distributions	\$ 78,456,400	\$ 73,879,200

Pursuant to Idaho Code Section 66-1106, the Charitable Institutions Endowment Fund income is distributed to five institutions according to the factors shown below. Distributions to these sharing institutions for the years ended June 30, 2019 and 2018, were as follows:

Charitable Institutions			
Beneficiaries	Factor	2019 Distribution	2018 Distribution
Idaho State University Fund	8/30	\$ 1,534,400	\$ 1,478,400
State Juvenile Corrections Institutions Fund	8/30	1,534,400	1,478,400
School for the Deaf and Blind Fund	1/30	191,800	184,800
Veterans Home Fund	5/30	959,000	924,000
State Hospital North Fund	8/30	1,534,400	1,478,400
Total		<u>\$ 5,754,000</u>	<u>\$ 5,544,000</u>

Pursuant to Idaho Code Section 33-3301B, the Normal School Endowment Fund Income is distributed to the two institutions shown below. Distributions to these sharing institutions for the years ended June 30, 2019 and 2018:

Normal School			
Beneficiaries	%	2019 Distribution	2018 Distribution
Idaho State University, Pocatello	50%	\$ 2,205,000	\$ 2,131,200
Lewis-Clark State College, Lewiston	50%	2,205,000	2,131,200
Total		<u>\$ 4,410,000</u>	<u>\$ 4,262,400</u>

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, currently requires the Public School Endowment Fund to purchase up to \$300 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.

The capacity of the School Bond Credit Enhancement Program to guaranty payments on general obligation school bonds is \$300 million and the bond principal that can be guaranteed is \$1.2 billion. The maximum available to any one district for bond principal is \$40 million.

As of June 30, 2019, \$655.4 million of bonds guaranteed by the Credit Enhancement Program remained outstanding. Expected principal and interest payments in the coming year total \$68.7 million. As of June 30, 2018, \$667.6 million of bonds guaranteed by the Credit Enhancement Program remained outstanding.

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 fiscal year 2019 totaled \$3,000 and guaranty fees, included in Income from Investments, totaled \$27,286. Application fees for fiscal year 2018 totaled \$4,500 and guaranty fees, included in Income from Investments, totaled \$41,397.

NOTE 8 – BUDGETARY COMPARISON

Budgets are adopted on a cash basis for the Endowment Fund. 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, net of sale expenses (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)
- Royalties arising from extraction of minerals from navigable waterways (Idaho Code Section 58-104)

In fiscal year 2019, the Public School Permanent Fund received \$21,592 representing the net proceeds from the sale of federal land in Idaho. Also, in fiscal 2019, the Public School Permanent Fund received \$210 representing a donation from a class action suit and a private citizen chose to direct the proceeds to the Idaho School Public Endowment.

In fiscal year 2018, the Public School Permanent Fund received \$15,892 representing the net proceeds from the sale of federal land in Idaho. Also, in fiscal 2018, the Public School Permanent Fund received donations of \$496 from citizens choosing to give up their rights to certain unclaimed property per Idaho Code Section 14-524. Finally, in fiscal 2018, the Public School Permanent Fund received \$200 in anonymous political contributions.

These miscellaneous revenues are included in Receipts from the Department of Lands.

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 fiscal 2019 and 2018, this revenue totaled \$84,455 and \$80,360, respectively and is included in Receipts from Department of Lands.

NOTE 10 – PENSION AND OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The 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.

Responsibility for administration of the Base Plan is assigned to the PERSI 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, 2019 and 2018, the rate was 6.79%. The employer contribution rate is set by the Retirement Board and was of covered compensation. The EFIB's contributions were \$41,752 and \$44,612, for the fiscal years ended June 30, 2019 and 2018, respectively.

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.

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 Idaho 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, 2019 and 2018, the Land Bank Fund balances were \$110.4 million and \$122.1 million, respectively. No funds were transferred out of the fund during fiscal year 2019. The Land Bank balances by endowment, as of June 30, 2019 were as follows:

Land Bank						
As of June 30, 2019						
FY Quarter Received	Public School	Normal School	State Hospital South	University of Idaho	Total	FY Quarter Expires
2017-02	2,852,032	2,161,254	9,515,446	-	14,528,732	2022-02
2017-03	5,766,250	10,431,970	1,593,780	-	17,792,000	2022-03
2017-04	-	25,100	-	-	25,100	2022-04
2018-01	-	3,331,000	4,439,000	-	7,770,000	2023-01
2018-02	27,869,832	-	125,500	-	27,995,332	2023-02
2018-03	-	2,000,712	829,888	5,650,029	8,480,629	2023-03
2018-04	10,500	-	-	-	10,500	2023-04
2019-01	-	2,428,000	1,442,000	-	3,870,000	2024-01
2019-02	25,136,124	-	-	-	25,136,124	2024-02
2019-03	-	-	-	-	-	2024-03
2019-04	-	-	-	-	-	2024-04
Total Principal Remaining	61,634,738	20,378,036	17,945,614	5,650,029	105,608,417	
Interest	2,927,728	804,588	913,045	156,770	4,802,131	
Land Bank Cash Balance with Interest	\$ 64,562,466	\$ 21,182,624	\$ 18,858,659	\$ 5,806,799	\$ 110,410,548	

These balances relate to land sales made in fiscal years 2017, 2018 and 2019. 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.

NOTE 12 - INVESTMENTS MEASURED AT FAIR VALUE

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Fund has the ability to access.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair market value measurement. There were no Level 3 assets to report.

STATE OF IDAHO ENDOWMENT FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018



Investments Measured at Fair Value
Investments by Fair Value Level

	Fair Value Measurements Using			
	6/30/2019 (value before accruals)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities				
Asset Backed Securities	\$ 15,464,972	\$ -	\$ 15,464,972	\$ -
Commercial Mortgage-Backed	16,038,697	-	16,038,697	-
Corporate Bonds	125,840,823	-	125,840,823	-
Corporate Bond Fund	11,801,232	-	11,801,232	-
Corporate Convertible Bonds	767,194	-	767,194	-
Government Agencies	8,701,389	-	8,701,389	-
Government Agencies Fund	8,903,448	-	8,903,448	-
Government Bonds	134,019,516	-	134,019,516	-
Government Mortgage Backed Securities	111,785,505	-	111,785,505	-
Gov't-issued Commercial Mortgage-Backed	2,492,009	-	2,492,009	-
Index Linked Government Bonds	90,835,699	-	90,835,699	-
Municipal/Provincial Bonds	2,077,983	-	2,077,983	-
Non-Government Backed C.M.O.s	6,313,802	-	6,313,802	-
Other Fixed Income Fund	17,233,345	-	17,233,345	-
Total Debt Securities	552,275,614	-	552,275,614	-
Preferred Stock Securities				
Consumer Discretionary	895,399	895,399	-	-
Financials	868,824	868,824	-	-
Materials	84,039	84,039	-	-
Other	50,450	50,450	-	-
Total Preferred Stock Securities	1,898,712	1,898,712	-	-
Equity Securities				
Communication Services	118,897,176	118,897,176	-	-
Consumer Discretionary	174,220,714	174,220,714	-	-
Consumer Staples	93,274,660	93,274,660	-	-
Energy	62,915,023	62,915,023	-	-
Financials	221,656,495	221,656,495	-	-
Health Care	194,219,921	194,219,921	-	-
Industrials	207,023,582	207,023,582	-	-
Information Technology	275,245,114	275,245,114	-	-
Materials	67,903,225	67,903,225	-	-
Real Estate	32,325,435	32,325,435	-	-
Utilities	21,626,251	21,626,251	-	-
Common Stock Fund	43,057,094	43,057,094	-	-
Equity ETFs	2,156,216	2,156,216	-	-
Total Equity Securities	1,514,520,906	1,514,520,906	-	-
Derivatives				
Futures Contracts	432,835	432,835	-	-
Exchange Cleared Swaps	(843,486)	(843,486)	-	-
Fixed Income - Derivative Options	3,553	3,553	-	-
Total Derivatives	(407,098)	(407,098)	-	-
Total Investments by Fair Value Level	\$ 2,068,288,134	\$ 1,516,012,520	\$ 552,275,614	\$ -
Investments Measured at amortized cost				
Money Market Fund	64,175,874			
Investments Measured at the Net Asset Value (NAV)				
Real Estate (private)	190,275,053			
Total Investments	<u>\$ 2,322,739,061</u>			

Investments Measured at Fair Value
Investments by Fair Value Level

	Fair Value Measurements Using			
	6/30/2018 (value before accruals)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities				
Asset-Backed Securities	\$ 2,169,385	\$ -	\$ 2,169,385	\$ -
Commercial Mortgage-Backed Securities	5,848,227	-	5,848,227	-
Corporate Bonds	119,414,648	-	119,414,648	-
Government Agencies	20,128,932	-	20,128,932	-
Government Bonds	182,815,311	-	182,815,311	-
Government Agency Mortgage-Backed Securities	132,911,796	-	132,911,796	-
Govt-Issued Commercial Mortgage-Backed	3,433,922	-	3,433,922	-
Index-Linked Government Bonds	83,434,083	-	83,434,083	-
Municipal/Provincial Bonds	4,320,655	-	4,320,655	-
Total Debt Securities	554,476,959	-	554,476,959	-
Preferred Stock Securities				
Consumer Staples	847,662	847,662	-	-
Consumer Discretionary	2,534,761	2,534,761	-	-
Energy	148,538	148,538	-	-
Financials	508,967	508,967	-	-
Health Care	15,653	15,653	-	-
Information Technology	2,325,693	2,325,693	-	-
Materials	37,137	37,137	-	-
Other	43,068	43,068	-	-
Total Preferred Stock Securities	6,461,479	6,461,479	-	-
Equity Securities				
Consumer Discretionary	178,644,624	178,644,624	-	-
Consumer Staples	96,534,357	96,534,357	-	-
Energy	79,692,599	79,692,599	-	-
Financials	225,684,198	225,684,198	-	-
Health Care	187,090,793	187,090,793	-	-
Industrials	176,263,174	176,263,174	-	-
Information Technology	301,896,275	301,896,275	-	-
Materials	76,313,973	76,313,973	-	-
Other	776	776	-	-
Real Estate	33,855,966	33,855,966	-	-
Telecommunication Services	29,661,331	29,661,331	-	-
Utilities	23,621,533	23,621,533	-	-
Equity ETFs	1,581,084	1,581,084	-	-
Total Equity Securities	1,410,840,683	1,410,840,683	-	-
Derivatives				
Futures Contracts	(210,192)	(210,192)	-	-
Total Investments by Fair Value Level	\$ 1,971,568,929	\$ 1,417,091,970	\$ 554,476,959	\$ -
Investments Measured at amortized cost				
Money Market Fund	58,513,747			
Investments Measured at the Net Asset Value (NAV)				
Real Estate (private)	163,476,588			
Total Investments	<u>\$ 2,193,559,264</u>			

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is described below.

NET ASSET VALUE (NAV)

Real estate investment fund - This type includes two real estate funds; UBS TPI and DB RAR II invest primarily in U.S. commercial real estate. Net Asset Value (NAV) is determined in accordance with accounting principles generally accepted in the United States, NCREIF Real Estate Information Standards, and market-based accounting rules where appropriate and applicable. Net Asset Value (NAV) is based on the fund's gross asset value less the value of any debt or other outstanding liabilities, whether held directly or indirectly through another entity or entities, anticipated distributions and similar items, as determined by the Advisor at its discretion.

Investments Measured at the NAV for 2019:

Investments Measured at the NAV 6/30/2019				
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
<i>Real Estate Funds</i>				
UBS TPI	\$ 95,201,353	-	Quarterly	60 Days
DB RAR II	<u>95,073,700</u>	-	Quarterly	45 days
Total Investments measured at the NAV	<u>\$ 190,275,053</u>			

Investments Measured at the NAV for 2018:

Investments Measured at the NAV 6/30/2018				
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
<i>Real Estate Funds</i>				
UBS TPI	\$ 79,214,459	10,561,876	Quarterly	60 Days
DB RAR II	<u>84,262,129</u>	7,345,305	Quarterly	45 days
Total Investments measured at the NAV	<u>\$ 163,476,588</u>			

NOTE 13 - 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 2020.

	FY 2020
Public School	\$ 51,260,000
Agricultural College	1,466,000
Charitable Institutions	5,754,000
Normal School	4,946,000
Penitentiary	2,247,000
School of Science	4,930,000
State Hospital South	5,955,000
University of Idaho	4,360,000
Total	\$ 80,918,000

The EFIB authorizes distributions from the Capitol Permanent Fund to the Capitol Maintenance Reserve Fund, effective July 1 of each fiscal year. For fiscal year 2020, the EFIB authorized a regular distribution of \$1,409,300 based on approximately 5% of the Capitol Permanent Fund balance.

NOTE 14 - SUBSEQUENT EVENTS

On August 20, 2019, the Board of Land Commissioners approved beneficiary distributions for fiscal year 2021. Fiscal year 2021 beneficiary distributions have not yet been appropriated by the legislature and will be considered by the legislature in its 2020 session.

<u>Beneficiaries</u>	<i>Distributions Proposed</i> FY 2021
Public School	\$ 52,586,400
Agricultural College	1,551,600
Charitable Institutions	5,991,600
Normal School	5,334,000
Penitentiary	2,500,800
School of Science	5,420,400
State Hospital South	6,369,600
University of Idaho	4,766,400
Total	<u>\$84,520,800</u>

On August 20, 2019, the Board of Land Commissioners also approved a \$57,803,000 transfer from Earnings Reserve Funds into Permanent Funds, effective September 1, 2019.

**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 years ended June 30, 2019 and 2018, 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 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audits 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 22, 2019



Supplementary Schedules

STATE OF IDAHO ENDOWMENT FUND
 SUPPLEMENTARY SCHEDULE OF STATEMENT OF NET POSITION BY ENDOWMENT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019



	Public School	Agricultural College	Charitable Institutions	Normal School
PERMANENT NET POSITION				
Permanent Net Position, beginning of year	\$ 1,026,454,837	\$ 30,030,117	\$ 119,315,621	\$ 101,133,968
Program Revenues:				
Receipts from Dept. of Lands	1,333,260	47	22,867	148,926
Income from Investments	21,271,898	622,334	2,472,656	2,095,866
Total Program Revenue	22,605,158	622,381	2,495,523	2,244,792
Transfer to Earnings Reserve	-	-	-	-
Transfer from Earnings Reserve	19,157,000	1,381,000	-	6,534,000
Increase in Net Position	41,762,158	2,003,381	2,495,523	8,778,792
Permanent Net Position, end of year	1,068,216,995	32,033,498	121,811,144	109,912,760
EARNINGS RESERVE NET POSITION				
Earnings Reserve Net Position, beginning of year	326,716,780	11,642,692	37,767,021	41,156,208
Program Revenues:				
Receipts from Dept. of Lands	40,577,973	353,519	4,255,953	4,313,659
Income from Investments	81,184,298	2,490,135	9,428,444	8,756,116
Total Program Revenues	121,762,271	2,843,654	13,684,397	13,069,775
Program Expenses:				
Distribution for Expenses-Lands	20,214,419	329,399	1,578,923	1,811,576
Distribution for Expenses-EFIB	5,573,025	169,943	645,955	585,956
Distributions to Beneficiaries	50,325,600	1,447,200	5,754,000	4,410,000
Total Program Expenses	76,113,044	1,946,542	7,978,878	6,807,532
Net Program Revenue	45,649,227	897,111	5,705,519	6,262,244
Transfer to Permanent Fund	(19,157,000)	(1,381,000)	-	(6,534,000)
Transfer from Permanent Fund	-	-	-	-
Increase/(Decrease) in Net Position	26,492,227	(483,889)	5,705,519	(271,756)
Earnings Reserve Net Position, end of year	353,209,008	11,158,803	43,472,540	40,884,451
TOTAL NET POSITION	\$ 1,421,426,003	\$ 43,192,301	\$ 165,283,683	\$ 150,797,211

STATE OF IDAHO ENDOWMENT FUND
 SUPPLEMENTARY SCHEDULE OF STATEMENT OF NET POSITION BY ENDOWMENT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019



Penitentiary	School of Science	State Hospital South	University of Idaho	Capitol	Total
\$ 45,479,855	\$ 100,132,842	\$ 90,937,187	\$ 87,720,455	\$ 31,143,131	\$ 1,632,348,013
759	21,367	200,809	3,518	969,609	2,701,162
942,509	2,075,119	1,884,551	1,817,889	2,369,108	35,551,930
943,268	2,096,486	2,085,360	1,821,407	3,338,717	38,253,092
-	-	-	-	(1,406,000)	(1,406,000)
5,204,000	8,903,000	-	9,130,000	-	50,309,000
6,147,268	10,999,486	2,085,360	10,951,407	1,932,717	87,156,092
51,627,123	111,132,328	93,022,547	98,671,862	33,075,848	1,719,504,105
20,933,338	43,412,680	41,696,992	39,649,788	6,227,066	569,202,565
4,179,895	8,311,526	1,899,554	5,374,762	85,455	69,352,297
4,252,230	9,125,400	8,050,407	8,001,458	551,788	131,840,276
8,432,125	17,436,926	9,949,961	13,376,220	637,243	201,192,572
982,244	1,607,970	1,462,532	1,239,965	172,671	29,399,699
279,151	600,812	544,180	527,791	156,219	9,083,032
2,193,600	4,826,400	5,024,400	4,225,200	250,000	78,456,400
3,454,995	7,035,182	7,031,112	5,992,956	578,890	116,939,130
4,977,130	10,401,745	2,918,849	7,383,264	58,353	84,253,442
(5,204,000)	(8,903,000)	-	(9,130,000)	-	(50,309,000)
-	-	-	-	1,406,000	1,406,000
(226,870)	1,498,745	2,918,849	(1,746,736)	1,464,353	35,350,442
20,706,468	44,911,424	44,615,842	37,903,053	7,691,419	604,553,007
\$ 72,333,591	\$ 156,043,753	\$ 137,638,389	\$ 136,574,914	\$ 40,767,268	\$ 2,324,057,112

STATE OF IDAHO ENDOWMENT FUND
 SUPPLEMENTARY SCHEDULE OF STATEMENT OF NET POSITION BY ENDOWMENT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018



	Public School	Agricultural College	Charitable Institutions	Normal School
PERMANENT NET POSITION				
Permanent Net Position, beginning of year	\$ 911,562,087	\$ 27,871,168	\$ 107,598,945	\$ 92,597,859
Program Revenues:				
Receipts from Dept. of Lands	2,260,836	(338)	41,124	111,719
Income from Investments	20,548,914	628,287	2,425,552	2,087,390
Total Program Revenue	22,809,750	627,949	2,466,676	2,199,109
Transfer to Earnings Reserve	-	-	-	-
Transfer from Earnings Reserve	92,083,000	1,531,000	9,250,000	6,337,000
Increase in Net Position	114,892,750	2,158,949	11,716,676	8,536,109
Permanent Net Position, end of year	1,026,454,837	30,030,117	119,315,621	101,133,968
EARNINGS RESERVE NET POSITION				
Earnings Reserve Net Position, beginning of year	343,711,519	11,657,168	38,019,573	37,208,703
Program Revenues:				
Receipts from Dept. of Lands	43,616,361	229,260	4,948,419	6,198,618
Income from Investments	102,480,588	3,165,930	11,844,531	10,789,663
Total Program Revenues	146,096,949	3,395,190	16,792,950	16,988,281
Program Expenses:				
Distribution for Expenses-Lands	18,334,407	356,321	1,599,834	1,859,565
Distribution for Expenses-EFIB	5,624,681	174,745	651,668	581,811
Distributions to Beneficiaries	47,049,600	1,347,600	5,544,000	4,262,400
Total Program Expenses	71,008,688	1,878,666	7,795,502	6,703,776
Net Program Revenue	75,088,261	1,516,524	8,997,448	10,284,505
Transfer to Permanent Fund	(92,083,000)	(1,531,000)	(9,250,000)	(6,337,000)
Transfer from Permanent Fund	-	-	-	-
Increase/(Decrease) in Net Position	(16,994,739)	(14,476)	(252,552)	3,947,505
Earnings Reserve Net Position, end of year	326,716,780	11,642,692	37,767,021	41,156,208
TOTAL NET POSITION	\$ 1,353,171,618	\$ 41,672,809	\$ 157,082,641	\$ 142,290,176

STATE OF IDAHO ENDOWMENT FUND
 SUPPLEMENTARY SCHEDULE OF STATEMENT OF NET POSITION BY ENDOWMENT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018



Penitentiary	School of Science	State Hospital South	University of Idaho	Capitol	Total
\$ 40,653,668	\$ 91,126,874	\$ 84,418,300	\$ 81,080,027	\$ 29,495,839	\$ 1,466,404,767
751	8,738	8,885	4,679	209,592	2,645,986
916,436	2,054,230	1,903,002	1,827,749	2,829,700	35,221,260
917,187	2,062,968	1,911,887	1,832,428	3,039,292	37,867,246
-	-	-	-	(1,392,000)	(1,392,000)
3,909,000	6,943,000	4,607,000	4,808,000	-	129,468,000
4,826,187	9,005,968	6,518,887	6,640,428	1,647,292	165,943,246
45,479,855	100,132,842	90,937,187	87,720,455	31,143,131	1,632,348,013
19,266,703	40,728,969	39,781,655	34,386,595	4,901,253	569,662,138
3,552,800	5,557,707	2,999,488	6,307,418	80,520	73,490,591
5,104,731	10,964,457	10,166,229	9,708,419	561,327	164,785,875
8,657,531	16,522,164	13,165,717	16,015,837	641,847	238,276,466
844,315	1,595,914	1,526,101	1,380,492	157,936	27,654,885
271,981	590,739	554,879	521,352	154,098	9,125,954
1,965,600	4,708,800	4,562,400	4,042,800	396,000	73,879,200
3,081,896	6,895,453	6,643,380	5,944,644	708,034	110,660,039
5,575,635	9,626,711	6,522,337	10,071,193	(66,187)	127,616,427
(3,909,000)	(6,943,000)	(4,607,000)	(4,808,000)	-	(129,468,000)
-	-	-	-	1,392,000	1,392,000
1,666,635	2,683,711	1,915,337	5,263,193	1,325,813	(459,573)
20,933,338	43,412,680	41,696,992	39,649,788	6,227,066	569,202,565
\$ 66,413,193	\$ 143,545,522	\$ 132,634,179	\$ 127,370,243	\$ 37,370,197	\$ 2,201,550,578

STATE OF IDAHO ENDOWMENT FUNDS
 SCHEDULE OF THE GAIN BENCHMARK
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019



<i>Endowment</i>	<i>Fiscal Year</i>	<i>Beginning Benchmark</i>	<i>Deposits</i>	<i>Reinvested Income</i>	<i>Inflation Impact</i>	<i>Ending Benchmark</i>
Public School	2001-2018	555,954,750	63,129,657	139,478,000	267,892,430	1,026,454,837
	2019	1,026,454,837	1,333,260	19,157,000	21,271,898	1,068,216,995
Agricultural College	2001-2018	14,787,041	58,140	7,959,000	7,225,936	30,030,117
	2019	30,030,117	47	1,381,000	622,334	32,033,498
Charitable Institutions	2001-2018	54,513,960	302,856	37,776,000	26,722,805	119,315,621
	2019	119,315,621	22,867	-	2,472,656	121,811,144
Normal School	2001-2018	47,258,942	11,962,089	18,575,000	23,337,937	101,133,968
	2019	101,133,968	148,926	6,534,000	2,095,866	109,912,760
Penitentiary	2001-2018	18,258,289	25,469	17,795,000	9,401,097	45,479,855
	2019	45,479,855	759	5,204,000	942,509	51,627,123
School of Science	2001-2018	54,836,451	299,913	18,857,000	26,139,478	100,132,842
	2019	100,132,842	21,367	8,903,000	2,075,119	111,132,328
State Hospital South	2001-2018	23,442,162	16,209,649	37,166,000	14,119,376	90,937,187
	2019	90,937,187	200,809	-	1,884,551	93,022,547
University	2001-2018	42,442,536	273,157	24,209,000	20,795,762	87,720,455
	2019	87,720,455	3,518	9,130,000	1,817,889	98,671,862

STATE OF IDAHO ENDOWMENT FUNDS
 SCHEDULE OF THE GAIN BENCHMARK
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018



<i>Endowment</i>	<i>Fiscal Year</i>	<i>Beginning Benchmark</i>	<i>Deposits</i>	<i>Reinvested Income</i>	<i>Inflation Impact</i>	<i>Ending Benchmark</i>
Public School	2001-2017	555,954,750	60,868,821	47,395,000	247,343,516	911,562,087
	2018	911,562,087	2,260,836	92,083,000	20,548,914	1,026,454,837
Agricultural College	2001-2017	14,787,041	58,478	6,428,000	6,597,649	27,871,168
	2018	27,871,168	(338)	1,531,000	628,287	30,030,117
Charitable Institutions	2001-2017	54,513,960	261,732	28,526,000	24,297,253	107,598,945
	2018	107,598,945	41,124	9,250,000	2,425,552	119,315,621
Normal School	2001-2017	47,258,942	11,850,370	12,238,000	21,250,547	92,597,859
	2018	92,597,859	111,719	6,337,000	2,087,390	101,133,968
Penitentiary	2001-2017	18,258,289	24,718	13,886,000	8,484,661	40,653,668
	2018	40,653,668	751	3,909,000	916,436	45,479,855
School of Science	2001-2017	54,836,451	291,175	11,914,000	24,085,248	91,126,874
	2018	91,126,874	8,738	6,943,000	2,054,230	100,132,842
State Hospital South	2001-2017	23,442,162	16,200,764	32,559,000	12,216,374	84,418,300
	2018	84,418,300	8,885	4,607,000	1,903,002	90,937,187
University	2001-2017	42,442,536	268,478	19,401,000	18,968,013	81,080,027
	2018	81,080,027	4,679	4,808,000	1,827,749	87,720,455