



## **State of Idaho Endowment Fund**

*REPORT OF  
INDEPENDENT AUDITORS  
AND FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019*

*Administered by the Endowment Fund Investment Board*





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**IDAHO ENDOWMENT FUND**  
INVESTMENT BOARD



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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 years ended June 30, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019. 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 18, 2020, 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.



**CliftonLarsonAllen LLP**

Boise, Idaho  
August 18, 2020

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, 2020, 2019 and 2018.

## **BACKGROUND**

When Idaho became the 43<sup>rd</sup> 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.

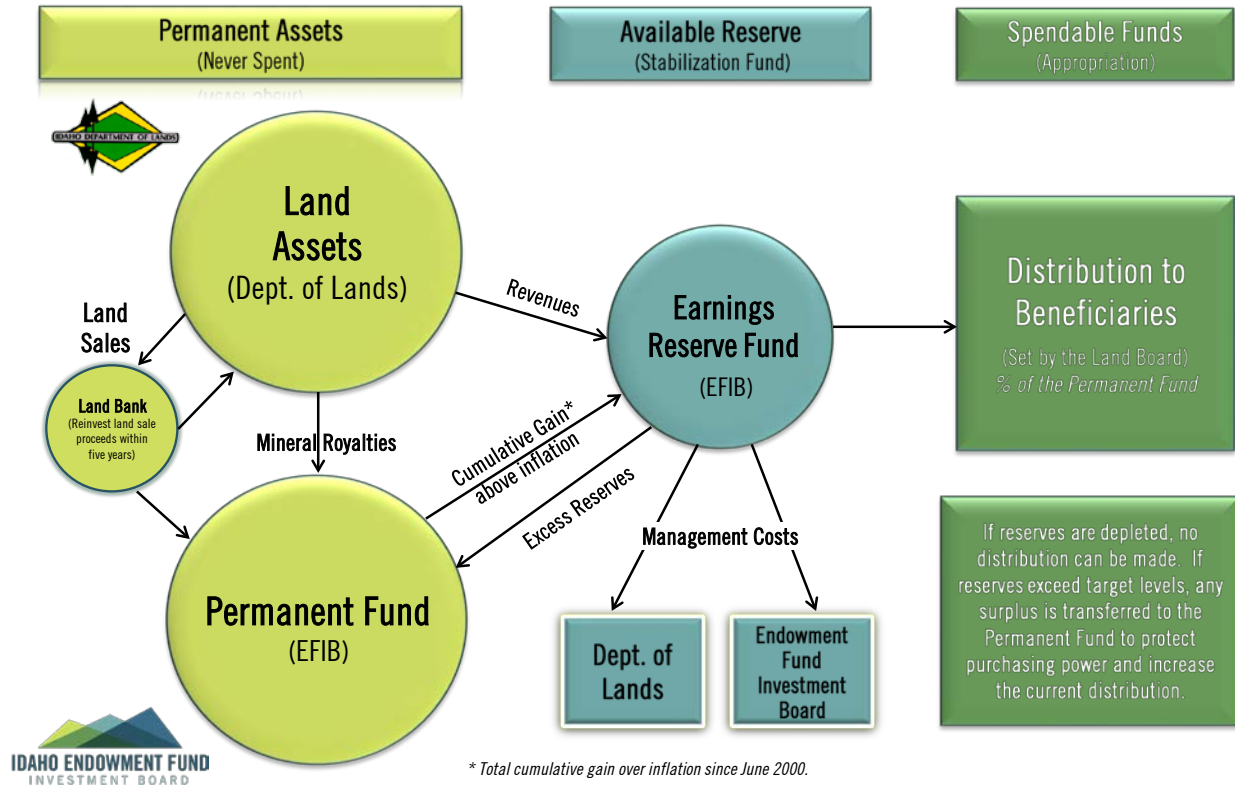
The Endowment Fund Investment Board (“EFIB”) was created by the 1969 Idaho Legislature and charged with administration and investment management responsibilities for the Endowment Fund according to policies established by the Idaho State Board of Land Commissioners. In addition, EFIB provides investment management services for funds associated with other state agencies including SIF (formerly known as 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. Financial 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 expenses for the Department of Lands and EFIB. Most land revenue is considered 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

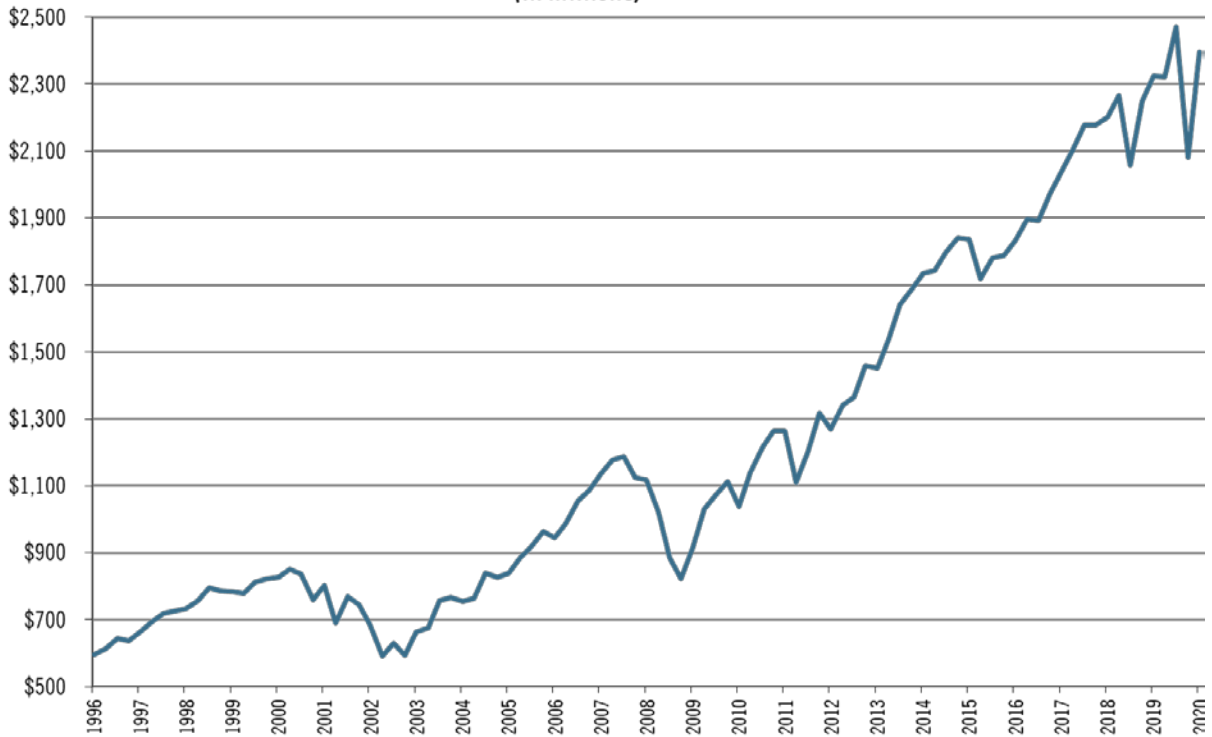


### FINANCIAL HIGHLIGHTS:

#### 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 \$72.2 million, \$122.5 million and \$165.5 million during the fiscal years ended June 30, 2020, 2019 and 2018, respectively. Net position and fund balance totaled \$2,396 million, \$2,324 million and \$2,201 million as of June 30, 2020, 2019 and 2018, respectively.

Total Land Grant Endowment Fund Assets  
June 1996 - June 2020  
(in millions)



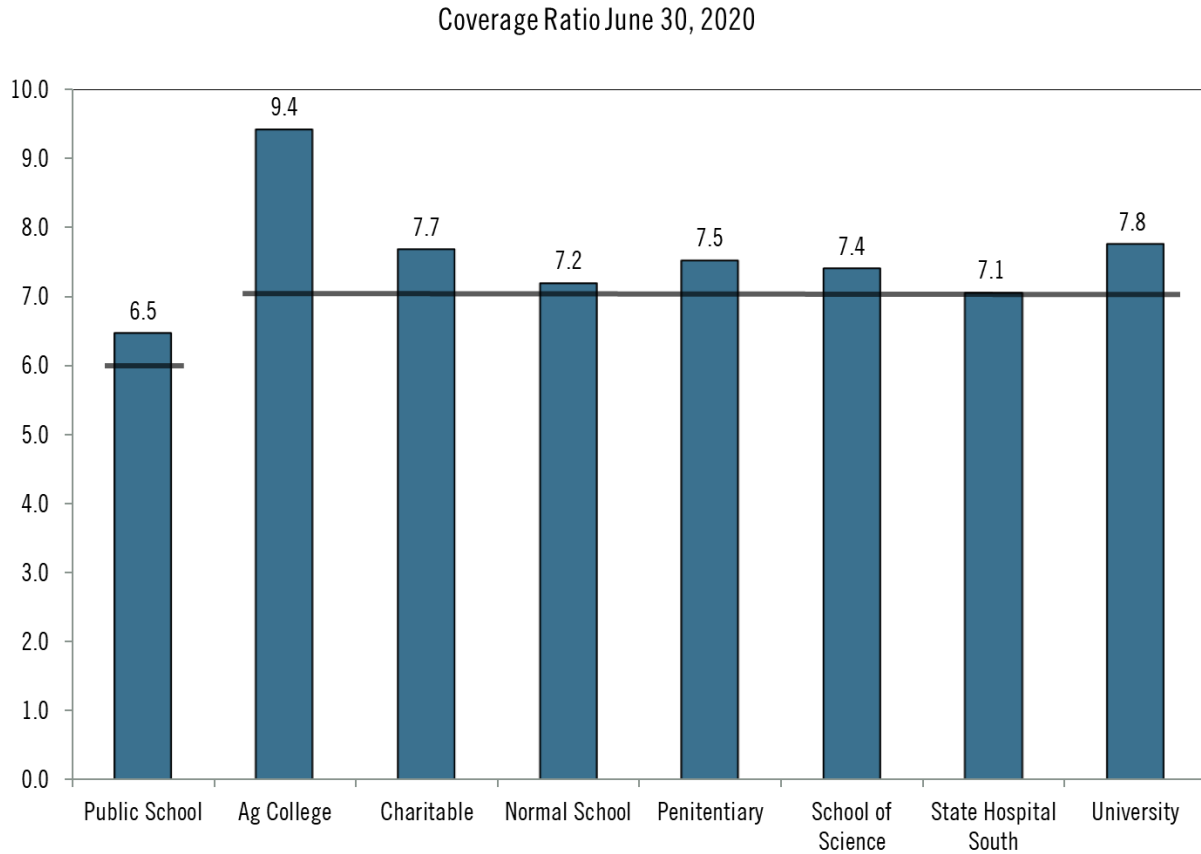
## EARNINGS RESERVES

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 \$589.3 million, \$604.6 million and \$569.2 million as of June 30, 2020, 2019 and 2018, respectively. As of June 30, 2020, the earnings reserve balances for all of the Endowment Funds were at or above target earnings reserve levels.

*Earnings Reserves cont.:*

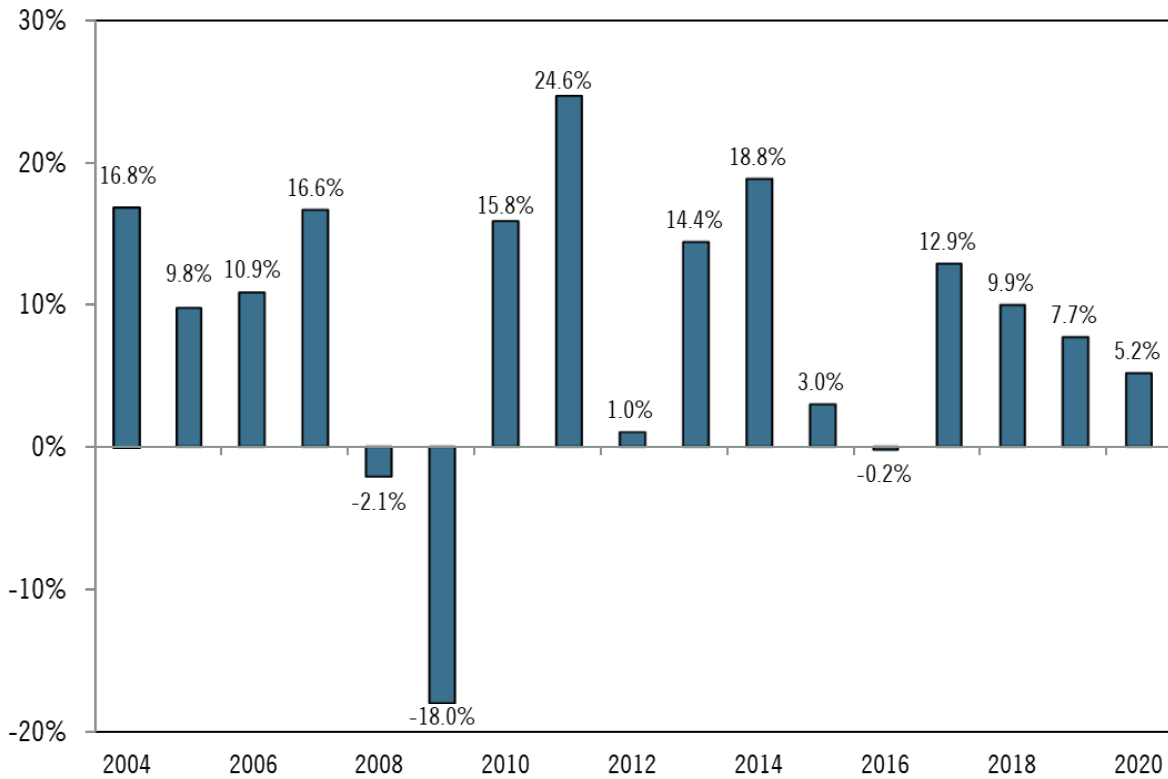
The table below highlights the earnings reserve levels of each Endowment Fund.



**INVESTMENT RESULTS**

The Endowment Fund portfolio generated investment returns before fees of 5.2%, 7.7% and 9.9% in fiscal years end June 30, 2020, 2019 and 2018, respectively. The average annual investment returns were 5.2%, 7.6%, 7.0%, and 9.5% during the last one, three, five and ten-year periods. These investment returns ranked in the top 15<sup>th</sup>, 6<sup>th</sup>, 15<sup>th</sup> and 9<sup>th</sup> 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, 2020)					
	FY 2020	3 Years	5 Years	7 Years	10 Years
<b>Total Fund</b>	5.2%	7.6%	7.0%	8.0%	9.5%
<i>Benchmark (38% Russell 3000, 19% ACWI ex-US, 9% ACWI, 8% ODCE, 26% BBC Aggregate)</i>	4.9%	6.8%	6.7%	7.7%	9.0%
<b>Total Equity</b>	4.4%	8.5%	8.1%	9.6%	11.5%
Domestic Equity	5.2%	9.9%	9.6%	11.4%	13.9%
Large Cap.	5.5%	10.2%	10.0%	11.9%	14.3%
Mid Cap.	4.2%	9.8%	8.8%	10.4%	12.8%
Small Cap.	5.7%	8.2%	8.4%	10.3%	13.8%
International Equity	2.0%	5.6%	5.0%	5.9%	6.2%
Global Equity	5.8%	8.1%	6.8%	7.2%	8.5%
<i>MSCI ACWI Index</i>	2.1%	6.1%	6.5%	7.8%	9.2%
<b>Total Real Estate (net of fees)</b>	5.6%	6.4%			
<i>NCREIF ODCE Index</i>	3.9%	5.9%			
<b>Total Fixed Income</b>	6.7%	4.8%	3.9%	3.6%	3.6%
<i>Benchmark (85% BBC U.S. Aggregate, 15% BBC U.S. TIPS)</i>	8.7%	5.3%	4.2%	3.8%	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 includes 4% in a core real estate 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 advice 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. They were reappointed in 2019 after a national consultant search.

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, 2020, 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/Victory 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 the safekeeping of assets, trading, accounting, security valuation and proxy voting.

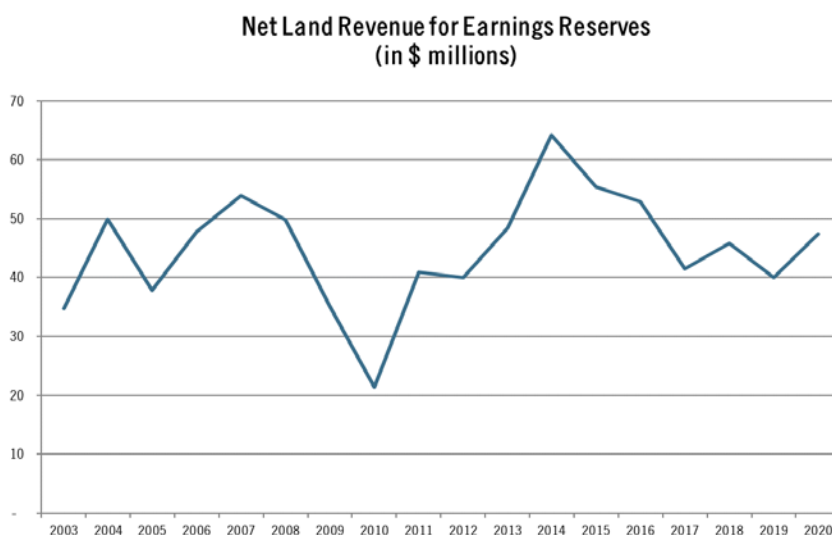
## COST OF INVESTMENT MANAGEMENT

The cost for investment management was \$11.6 million, \$9.1 million and \$9.1 million in fiscal years 2020, 2019 and 2018, respectively. Investment management expenses as a percentage of year-end Endowment Fund net positions equates to 0.48%, 0.39% and 0.41% in fiscal years 2020, 2019 and 2018, respectively. The table below provides a breakdown of investment management expenses.

Investment Management Operating Costs	2020	2019	2018
Internal Investment Costs	\$ 534,709	\$ 511,841	\$ 572,161
Outside investment manager and legal fees	10,038,882	8,853,754	7,977,192
Custody Expense	1,184,565	826,571	483,911
Consultant and auditor fees	208,029	329,112	249,511
Subtotal	11,966,185	10,521,278	9,282,775
Less Manager fees charged directly	(995,343)	(925,337)	(589,487)
Total expenditures	10,970,842	9,595,941	8,693,288
Change in Manager Fee Accrual	571,476	(512,909)	432,666
Total Accrual Basis Expense	\$ 11,542,318	\$ 9,083,032	\$ 9,125,954

## NET LAND REVENUE

Net land revenue (land revenue less Department of Lands expenses) totaled \$47.5 million, \$40.0 million and \$45.8 million in fiscal years 2020, 2019 and 2018, respectively. Net land revenue increased in fiscal 2020 due to greater timber harvest volumes. The decline in net land revenue since the peak in fiscal 2014 is the result of the sales of leased cabin sites located near Payette and Priest Lakes and lower timber prices.



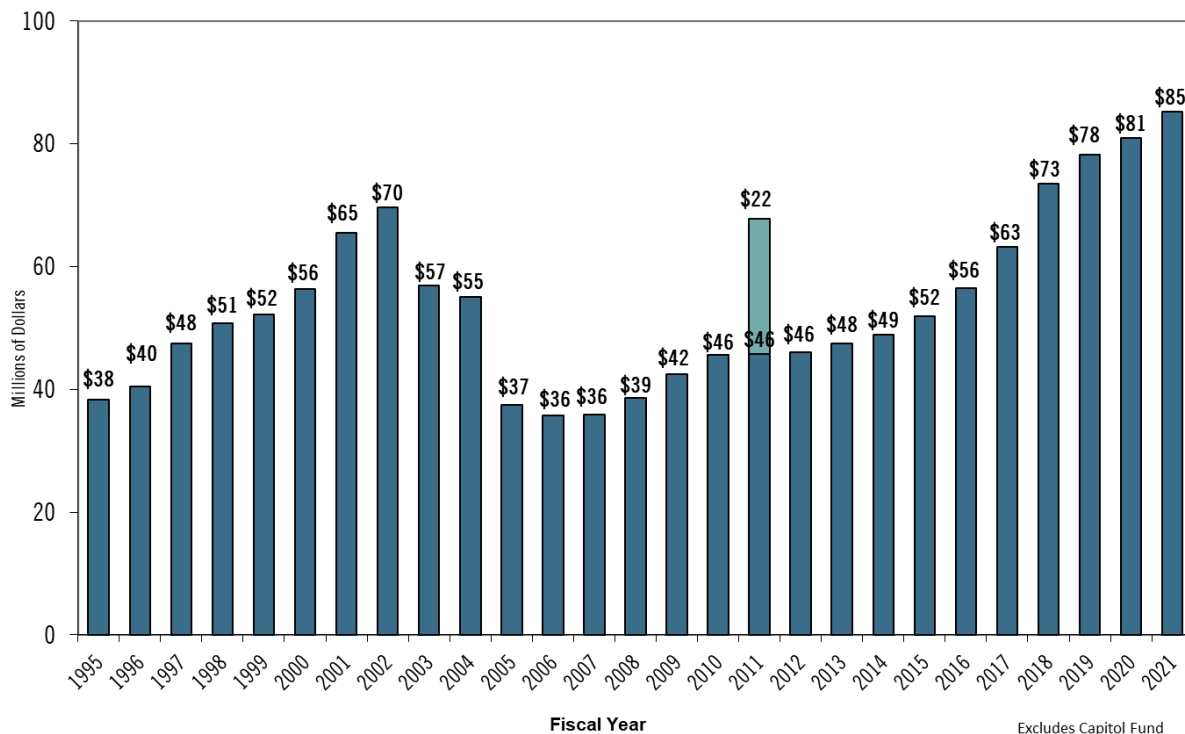
## BENEFICIARY DISTRIBUTIONS

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 \$80.9 million, \$78.2 million and \$73.5 million in fiscal years 2020, 2019 and 2018, respectively. The Board of Land Commissioners approved distributions of \$84.5 million and \$88.1 million in fiscal years 2021 and 2022, respectively. The table below provides a summary of land-grant beneficiary distributions.

### Beneficiary Distributions 1995-2021

*(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 timber 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, \$1.41 million and \$1.39 million in fiscal years 2020, 2019 and 2018, 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 \$325,000, \$250,000 and \$396,000 in fiscal years 2020, 2019 and 2018, 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 \$618.9 million, \$655.4 million and \$667.6 million in bonds guaranteed by the Credit Enhancement Program as of June 30, 2020, 2019 and 2018, respectively.

### **COVID-19**

During the year ended June 30, 2020 the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global financial markets, supply chains, businesses and communities and consequently may impact various parts of operations and financial results. Management believes appropriate actions have been taken to mitigate the negative impact, however, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events near fiscal year-end and are still developing.

### **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, 2020 AND 2019



<b>Assets:</b>	2020	2019
Investments, at Fair Value	\$ 2,408,053,808	\$ 2,322,739,061
Receivable for Unsettled Trades	42,317,286	45,247,663
Receivable From Idaho Department of Lands	2,949,976	2,532,470
Accrued Interest and Dividends Receivable	5,009,368	7,505,090
Prepaid Expenses to the Department of Lands	2,270,227	1,966,355
<b>Total Assets</b>	<b>\$ 2,460,600,666</b>	<b>\$ 2,379,990,639</b>
<b>Liabilities:</b>		
Payable for Unsettled Trades	\$ 62,013,517	\$ 54,287,704
Investment Manager Expenses Payable	2,304,755	1,645,823
<b>Total Liabilities</b>	<b>64,318,271</b>	<b>55,933,527</b>
<b>Fund Balances:</b>		
Nonexpendable - Permanent Funds	1,806,951,268	1,719,504,105
Expendable - Earnings Reserve Funds	589,331,126	604,553,007
<b>Total Fund Balances</b>	<b>2,396,282,394</b>	<b>2,324,057,112</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,460,600,666</b>	<b>\$ 2,379,990,639</b>

*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.*

<b>Statement of Net Position:</b>		
Restricted for Permanent Trust - Nonexpendable	\$ 1,806,951,268	\$ 1,719,504,105
Restricted for Permanent Trust - Expendable	589,331,126	604,553,007
<b>Total Net Position - Governmental Activities</b>	<b>\$ 2,396,282,394</b>	<b>\$ 2,324,057,112</b>

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, 2020 AND 2019



<b>Revenues:</b>	2020	2019
Receipts from the Department of Lands		
Permanent Receipts	\$ 3,060,341	\$ 2,701,162
Earnings Reserve Receipts	75,906,052	69,352,297
Income from Investments	114,486,770	167,392,206
<b>Total Revenues</b>	<b>193,453,163</b>	<b>239,445,665</b>
<b>Expenditures:</b>		
Department of Lands Expense	28,442,563	29,399,699
EFIB Expense	11,542,318	9,083,032
<b>Total Expenditures</b>	<b>39,984,881</b>	<b>38,482,731</b>
<b>Revenues over Expenditures</b>	153,468,282	200,962,934
<b>Other Financing Uses</b>		
Distributions to Beneficiaries	81,243,000	78,456,400
<b>Net Increase in Fund Balance</b>	<b>72,225,282</b>	<b>122,506,534</b>
<b>Fund Balance - Beginning of Year</b>	2,324,057,112	2,201,550,578
<b>Fund Balance - End of Year</b>	<b>\$ 2,396,282,394</b>	<b>\$2,324,057,112</b>

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.

<b>Change in Net Position - Government Activities</b>	<b>\$ 72,225,282</b>	<b>\$ 122,506,534</b>
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## 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, specifies 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 2020 and 2019, 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, 2020. 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. 2020	249	\$34,645,158	\$74,157	\$655,160
Swaps	Various	21	\$76,846,619	(\$1,387,482)	
Equity Contracts	Various	2	12,255	\$2,059	
Foreign Exchange Contracts	Various	57	-	(\$63,961)	

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	

*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 FY2020 and 2019 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, 2020 and 2019:

Fund Investments	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Aberdeen Asset Management	\$ -	\$ -	\$ 7,434	\$ 7,434
Allianz NFJ	-	-	12,352	12,353
Barrow, Hanley	42,463,241	46,436,271	38,230,311	46,436,728
Boston Partners	113,094,586	118,151,212	98,144,930	109,984,866
Clearwater Advisors	1,540,684	1,540,684	3,088,708	3,088,708
DoubleLine Capital - Core Plus	135,910,122	138,149,707	116,542,596	121,500,293
Eagle Asset Management	37,240,569	52,002,733	38,258,172	51,971,250
Fiera Capital Global	84,829,166	106,959,666	92,318,675	111,877,929
Lazard Asset Management	-	-	8,998	8,998
LSV Asset Management	112,929,311	114,966,087	87,659,964	109,146,185
NTGI S&P 500 Index	162,567,912	264,402,846	157,870,016	260,583,651
Northern Trust Money Market Fund*	20,200,616	20,200,616	7,783,898	7,783,898
RREEF America REIT II IN	89,707,056	99,067,100	86,689,091	95,811,931
Sands Capital Management	65,941,117	128,396,676	60,995,658	117,444,467
Schroders QEP International Value	218,290,702	199,165,688	213,420,797	200,789,793
State Street Global Advisors	291,220,134	313,271,066	325,732,752	320,625,010
State Street EAFE Index Funds	-	-	249,160	249,160
Sycamore Capital Mid Cap	92,447,423	84,583,243	88,624,378	90,129,023
TimesSquare Capital Management	69,450,029	92,441,331	71,929,996	94,781,837
UBS Trumbull Property	88,431,611	92,327,684	88,858,110	94,230,709
Vanguard Dev Market Index Fund	47,253,029	46,014,661	41,244,599	42,254,669
WCM Focused Growth	148,422,796	225,746,902	144,473,678	205,645,418
Wellington Global	95,657,919	108,096,742	99,864,687	107,455,367
Western Asset Management - US Core	132,029,563	136,436,663	117,170,197	121,879,343
<b>Total Fund Investments</b>	<b>2,049,627,586</b>	<b>2,388,357,578</b>	<b>1,979,179,157</b>	<b>2,313,699,020</b>
Pending Trades:				
Receivable for Investments Sold	(42,317,286)	(42,317,286)	(45,247,662)	(45,247,663)
Payable for Investments Purchased	62,013,517	62,013,517	54,287,704	54,287,704
<b>Total Net Investments</b>	<b>\$ 2,069,323,816</b>	<b>\$ 2,408,053,808</b>	<b>\$ 1,988,219,199</b>	<b>\$ 2,322,739,061</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, 2020, 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, 2020 and 2019, 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, 2020 and 2019, the Endowment Funds held \$82.3 million and \$64.0 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, 2020 and 2019, include \$20.0 million and \$7.7 million of general cash and \$62.3 million and \$56.3 million of cash held in accounts allocated to the Funds' bond and equity managers, respectively.

As of June 30, 2020 and 2019, the Endowment Fund's fixed income investments had the following characteristics:

**Credit Ratings Summary by Market Value-Moody's**  
 As of June 30, 2020

Investment Type	Modified Duration	Aaa	Aa	A	Baa	Ba	B	>B	Agy	NR/Not Available	Total
Asset Backed Securities	3.1	\$ 388,584	\$ 811,300	\$ 1,211,381	\$ 1,934,519	\$ 358,141	\$ 767,446	\$ 2,133,235	\$ 2,989,384	\$ 1,963,820	\$ 12,557,810
Commercial Mortgage-Backed	4.3	4,092,248	1,375,276	1,139,577	854,954	407,506	2,548,295	2,580,569	-	886,499	13,884,924
Corporate Bonds	8.0	2,026,339	10,107,567	54,163,854	65,931,512	9,314,517	3,479,704	2,785,027	-	782,193	148,590,713
Corporate Convertible Bonds	4.4	-	-	-	54,897	179,805	-	-	-	-	234,702
Funds - Corporate Bond	0.5	-	10,998,824	-	-	-	-	-	-	-	10,998,824
Funds - Government Agencies	1.0	-	-	-	-	-	-	-	10,214,925	-	10,214,925
Funds - Other Fixed Income	0.5	164,780	-	-	221,289	4,177,444	16,334,935	286,346	-	45,113	21,229,907
Government Agencies	4.1	6,146,887	650,424	576,946	-	121,223	-	-	283,517	310,596	8,089,592
Government Bonds	8.8	119,958,590	1,211,866	1,397,829	11,316,463	1,066,205	192,597	309,437	3,254,364	-	138,707,352
Government Mortgage Backed Securities	2.6	2,249,965	-	-	-	-	-	-	100,644,598	302,115	103,196,678
Gov't-issued Commercial Mortgage-Backed	6.0	-	-	-	-	-	-	-	2,453,352	-	2,453,352
Index Linked Government Bonds	7.5	89,568,241	-	-	-	-	-	-	-	-	89,568,241
Municipal/Provincial Bonds	10.7	90,628	1,448,903	301,302	192,536	-	-	-	-	190,164	2,223,532
Non-Government Backed C.M.O.s	3.6	-	-	-	-	-	-	3,457,458	-	7,221,421	10,678,880
<b>Total</b>		<b>\$ 224,686,262</b>	<b>\$ 26,604,160</b>	<b>\$ 58,790,889</b>	<b>\$ 80,506,170</b>	<b>\$ 15,624,841</b>	<b>\$ 23,322,977</b>	<b>\$ 11,552,072</b>	<b>\$ 119,840,140</b>	<b>\$ 11,701,921</b>	<b>\$ 572,629,432</b>

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

Investment Type	Modified Duration	Aaa	Aa	A	Baa	Ba	B	>B	Agy	NR/Not Available	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	3,144,723	-	-	6,313,802
Other Fixed Income Fund	4.6	-	-	-	-	-	17,233,345	-	-	-	17,233,345
<b>Total</b>		<b>\$ 229,590,058</b>	<b>\$ 21,707,521</b>	<b>\$ 61,987,970</b>	<b>\$ 62,922,406</b>	<b>\$ 12,055,398</b>	<b>\$ 31,351,027</b>	<b>\$ 4,479,166</b>	<b>\$ 122,273,154</b>	<b>\$ 5,908,914</b>	<b>\$ 552,275,614</b>

\*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	2020 Fair Value	2019 Fair Value
Equities and Cash			
Argentina	ARS	\$ 107,267	\$ 106,498
Australia	AUD	18,096,544	12,692,607
Brazil	BRL	3,276,350	6,847,786
Canada	CAD	14,854,535	14,530,265
Chile	CLP	429,692	929,371
Chinese Yuan	CNY	(2,498,903)	(1,136,196)
Chinese Yuan (HK)	CNH	1,967,522	594,505
Czech Republic	CZK	322,237	75,898
Denmark	DKK	10,032,263	9,999,901
European Monetary Union	EUR	71,499,752	93,911,841
Great Britain	GBP	46,940,642	51,856,676
Hong Kong	HKD	39,343,160	38,733,333
Hungary	HUF	884,677	264,951
India	INR	234,095	1,174,742
Indonesia	IDR	2,975,439	2,030,775
Israel	ILS	490,869	1,563,197
Japan	JPY	57,851,564	55,808,074
Malaysia	MYR	1,130,763	1,613,931
Mexico	MXN	9,411,791	10,268,562
New Zealand	NZD	278,735	66,171
Norway	NOK	2,051,759	5,741,175
Philippines	PHP	26,931	-
Poland	PLN	1,972,608	1,075,956
Russia	RUB	1,861,284	2,792,516
Singapore	SGD	3,056,288	3,447,937
South Africa	ZAR	2,678,500	3,801,434
South Korea	KRW	9,088,669	9,070,925
Sweden	SEK	8,272,639	5,928,903
Switzerland	CHF	43,026,067	49,940,763
Taiwan	TWD	11,474,015	6,687,196
Thailand	THB	3,170,077	2,879,182
Turkey	TRY	1,777,183	2,452,436
Total Fund Investments		<u>\$ 366,085,013</u>	<u>\$ 395,751,311</u>

**NOTE 4 – INCOME FROM INVESTMENTS**

Per Idaho Code Section 57-724A, income distributed to the Earnings Reserve Fund includes 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 2020 and their allocation are shown below:

**Permanent Fund Income**  
 For the Fiscal Year Ended June 30, 2020

Endowment	Net Increase in Fair Value	Income Retained to Offset Inflation or Losses *	Cap Perm Fund Interest and Dividends	Total Investment Income
Public School	\$ -	\$ 16,709,233	\$ -	\$ 16,709,233
Agricultural College	-	501,073	-	501,073
Charitable	-	1,905,391	-	1,905,391
Normal School	-	1,719,274	-	1,719,274
Penitentiary	-	807,560	-	807,560
School of Science	-	1,738,350	-	1,738,350
State Hospital South	-	1,455,075	-	1,455,075
University of Idaho	-	1,543,442	-	1,543,442
Capitol Permanent **	973,756	-	639,967	1,613,723
<b>Total</b>	<b>\$ 973,756</b>	<b>\$ 26,379,399</b>	<b>\$ 639,967</b>	<b>\$ 27,993,122</b>

\* 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, 2020

Endowment	Net Increase in Fair Value	Interest, Dividends and Other Income	Allocation of Permanent Fund Gain *	Total Investment Gain
Public School	\$ 9,283,622	\$ 28,109,424	\$ 15,936,884	\$ 53,329,929
Agricultural College	405,606	880,444	451,435	1,737,486
Charitable	1,269,213	3,272,673	1,729,067	6,270,953
Normal School	1,052,844	2,957,650	1,623,943	5,634,437
Penitentiary	515,736	1,427,590	807,738	2,751,064
School of Science	1,099,168	3,058,144	1,742,256	5,899,569
State Hospital South	1,250,323	2,706,807	1,286,356	5,243,486
University of Idaho	1,016,188	2,684,659	1,497,390	5,198,237
Capitol Maintenance **	254,962	173,525	-	428,487
<b>Total</b>	<b>\$ 16,147,662</b>	<b>\$ 45,270,916</b>	<b>\$ 25,075,070</b>	<b>\$ 86,493,648</b>

\* 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 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
<b>Total</b>	<b>\$ 1,658,766</b>	<b>\$ 33,182,822</b>	<b>\$ 710,342</b>	<b>\$ 35,551,930</b>

\* 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
<b>Total</b>	<b>\$ 27,605,134</b>	<b>\$ 50,129,578</b>	<b>\$ 54,105,564</b>	<b>\$ 131,840,276</b>

\* 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	2020	2019
Interest, Other Income and Fees	\$ 17,248,224	\$ 23,392,927
Dividends	28,662,659	27,446,993
<b>Total</b>	<b>\$ 45,910,883</b>	<b>\$ 50,839,920</b>

**NOTE 5 – CLIENT EXPENSES**

Four clients, representing eleven additional perpetual funds in Fiscal Year 2020 and ten funds in Fiscal Year 2019, are included in the same comingled investment pool as the Endowment Fund and their assets totaled \$144 million and \$136 million as of June 30, 2020 and 2019, respectively. These balances are not included in the EFIB financial statements.

In fiscal year 2020, 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 \$623,655 and \$402,320 for the fiscal years ended June 30, 2020 and 2019, respectively.

**NOTE 6 – BENEFICIARY DISTRIBUTIONS**

Distributions to beneficiaries for the Fiscal Years ended June 30, 2020 and 2019 are shown below.

<b>Beneficiary</b>	<b>Total Fund Distributions</b>	
	<b>2020</b>	<b>2019</b>
Public School	\$ 51,260,000	50,325,600
Agricultural College	1,466,000	1,447,200
Charitable Institutions	5,754,000	5,754,000
Normal School	4,946,000	4,410,000
Penitentiary	2,247,000	2,193,600
School of Science	4,930,000	4,826,400
State Hospital South	5,955,000	5,024,400
University of Idaho	4,360,000	4,225,200
Subtotal	80,918,000	78,206,400
Capitol Maintenance	325,000	250,000
Total Distributions	\$ 81,243,000	\$ 78,456,400

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, 2020 and 2019, were as follows:

<b>Charitable Institutions</b>			
<b>Beneficiaries</b>	<b>Factor</b>	<b>2020 Distribution</b>	<b>2019 Distribution</b>
Idaho State University Fund	8/30	\$ 1,534,400	\$ 1,534,400
State Juvenile Corrections Institutions Fund	8/30	1,534,400	1,534,400
School for the Deaf and Blind Fund	1/30	191,800	191,800
Veterans Home Fund	5/30	959,000	959,000
State Hospital North Fund	8/30	1,534,400	1,534,400
Total		<u>\$ 5,754,000</u>	<u>\$ 5,754,000</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, 2020 and 2019:

<b>Normal School</b>			
<b>Beneficiaries</b>	<b>%</b>	<b>2020 Distribution</b>	<b>2019 Distribution</b>
Idaho State University, Pocatello	50%	\$ 2,473,000	\$ 2,205,000
Lewis-Clark State College, Lewiston	50%	2,473,000	2,205,000
Total		<u>\$ 4,946,000</u>	<u>\$ 4,410,000</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, 2020, \$618.9 million of bonds guaranteed by the Credit Enhancement Program remained outstanding. Expected principal and interest payments in the coming year total \$67.8 million. As of June 30, 2019, \$655.4 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 2020 totaled \$1,000 and guaranty fees, included in Income from Investments, totaled \$4,435. Application fees for fiscal year 2019 totaled \$3,000 and guaranty fees, included in Income from Investments, totaled \$27,286.

#### **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 2020, the Public School Permanent Fund received \$69,223 representing the net proceeds from the sale of federal land in Idaho. Also, in fiscal 2020, the Public School Permanent Fund received \$230 representing a donation from an unclaimed estate property.

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.

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 2020 and 2019, this revenue totaled \$92,885 and \$84,455, 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](http://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, 2020 and 2019, 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 \$48,282 and \$41,752, for the fiscal years ended June 30, 2020 and 2019, 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, 2020 and 2019, the Land Bank Fund balances were \$130.8 million and \$110.4 million, respectively. No funds were transferred out of the fund during fiscal year 2020. The Land Bank balances by endowment, as of June 30, 2020 were as follows:

FY Quarter Received	Land Bank As of June 30, 2020				Total	FY Quarter Expires
	Public School	Normal School	State Hospital South	University of Idaho		
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
2020-01	-	2,582,500	1,670,000	-	4,252,500	2025-01
2020-02	12,793,400	-	-	-	12,793,400	2025-02
2020-03	866,000	-	-	-	866,000	2025-03
2020-04	52,134	-	-	-	52,134	2025-04
Total Principal Remaining	75,346,272	22,960,536	19,615,614	5,650,029	123,572,451	
Interest	4,347,664	1,259,505	1,310,555	271,982	7,189,705	
Land Bank Cash Balance with Interest	\$ 79,693,936	\$ 24,220,041	\$ 20,926,169	\$ 5,922,011	\$ 130,762,156	

These balances relate to land sales made in fiscal years 2017, 2018, 2019 and 2020. 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, 2020 AND 2019



Investments Measured at Fair Value  
Investments by Fair Value Level

	Total Investments	Fair Value Measurements Using 6/30/2020 (value before accruals)		Significant Unobservable Inputs (Level 3)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
<b>Investments by Fair Value Level</b>				
<b>Debt Securities</b>				
Asset Backed Securities	\$ 12,557,810	\$ -	\$ 12,557,810	\$ -
Commercial Mortgage-Backed	13,884,924	-	13,884,924	-
Corporate Bonds	148,590,713	-	148,590,713	-
Corporate Bond Fund	234,702	-	234,702	-
Corporate Convertible Bonds	10,998,824	-	10,998,824	-
Government Agencies	10,214,925	-	10,214,925	-
Government Agencies Fund	21,229,907	-	21,229,907	-
Government Bonds	8,089,592	-	8,089,592	-
Government Mortgage Backed Securities	138,707,352	-	138,707,352	-
Gov't-issued Commercial Mortgage-Backed	103,196,678	-	103,196,678	-
Index Linked Government Bonds	2,453,352	-	2,453,352	-
Municipal/Provincial Bonds	89,568,241	-	89,568,241	-
Non-Government Backed C.M.O.s	2,223,532	-	2,223,532	-
Other Fixed Income Fund	10,678,880	-	10,678,880	-
Total Debt Securities	572,629,432	-	572,629,432	-
<b>Preferred Stock Securities</b>				
Consumer Discretionary	187,359	187,359	-	-
Financials	276,114	276,114	-	-
Total Preferred Stock Securities	463,473	463,473	-	-
<b>Equity Securities</b>				
Communication Services	135,548,311	135,548,311	-	-
Consumer Discretionary	181,195,359	181,195,359	-	-
Consumer Staples	86,064,369	86,064,369	-	-
Energy	36,778,543	36,778,543	-	-
Financials	189,247,405	189,247,405	-	-
Health Care	243,482,159	243,482,159	-	-
Industrials	181,614,627	181,614,627	-	-
Information Technology	334,239,956	334,239,956	-	-
Materials	74,901,488	74,901,488	-	-
Other	302,811	302,811	-	-
Real Estate	27,539,258	27,539,258	-	-
Utilities	22,374,911	22,374,911	-	-
Common Stock Fund	48,618,466	48,618,466	-	-
Equity ETFs	683,299	683,299	-	-
Total Equity Securities	1,562,590,962	1,562,590,962	-	-
<b>Derivatives</b>				
Futures Contracts	74,157	74,157	-	-
Exchange Cleared Swaps	(1,459,330)	(1,459,330)	-	-
Swaps	71,848	71,848	-	-
Equity Contracts	2,059	2,059	-	-
Foreign Exchange Contracts	(63,961)	(63,961)	-	-
Total Derivatives	(1,375,227)	(1,375,227)	-	-
Total Investments by Fair Value Level	\$ 2,134,308,640	\$ 1,561,679,208	\$ 572,629,432	\$ -
<b>Investments Measured at amortized cost</b>				
Money Market Fund	82,350,385			
<b>Investments Measured at the Net Asset Value (NAV)</b>				
Real Estate (private)	191,394,784			
Total Investments	<u>\$ 2,408,053,808</u>			

STATE OF IDAHO ENDOWMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019



Investments Measured at Fair Value  
Investments by Fair Value Level

	Fair Value Measurements Using 6/30/2019 (value before accruals)			
	Total Investments	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
<b>Debt Securities</b>				
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	-
<b>Preferred Stock Securities</b>				
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	-	-
<b>Equity Securities</b>				
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	-	-
<b>Derivatives</b>				
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	\$ -
<b>Investments Measured at amortized cost</b>				
Money Market Fund	64,175,874			
<b>Investments Measured at the Net Asset Value (NAV)</b>				
Real Estate (private)	190,275,053			
Total Investments	\$ 2,322,739,061			

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 2020:

Investments Measured at the NAV 6/30/2020				
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
<i>Real Estate Funds</i>				
UBS TPI	\$ 92,327,684	-	Quarterly	60 Days
DB RAR II	<u>99,067,100</u>	-	Quarterly	45 days
Total Investments measured at the NAV	<u>\$ 191,394,784</u>			

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>			



**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 2021.

	<u>FY 2021</u>
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>

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 2021, the EFIB authorized a regular distribution of \$1,561,900 based on approximately 5% of the Capitol Permanent Fund balance.

**NOTE 14 - SUBSEQUENT EVENTS**

On August 18, 2020, the Board of Land Commissioners approved beneficiary distributions for fiscal year 2022. Fiscal year 2022 beneficiary distributions have not yet been appropriated by the legislature and will be considered by the legislature in its 2021 session.

<u>Beneficiaries</u>	<i>Distributions Proposed FY 2022</i>
Public School	\$ 54,798,000
Agricultural College	1,660,000
Charitable Institutions	6,179,000
Normal School	5,487,500
Penitentiary	2,689,500
School of Science	5,735,500
State Hospital South	6,425,000
University of Idaho	5,102,000
<b>Total</b>	<u><b>\$88,076,500</b></u>

On August 18, 2020, the Board of Land Commissioners also approved a \$18,685,000 transfer from Earnings Reserve Funds into Permanent Funds, effective September 1, 2020.



**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, 2020 and 2019, 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, 2020.

**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 18, 2020



## **Supplementary Schedules**

STATE OF IDAHO ENDOWMENT FUND  
 SUPPLEMENTARY SCHEDULE OF STATEMENT OF NET POSITION BY ENDOWMENT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020



	Public School	Agricultural College	Charitable Institutions	Normal School
<b>PERMANENT NET POSITION</b>				
Permanent Net Position, beginning of year	\$ 1,068,216,995	\$ 32,033,498	\$ 121,811,144	\$ 109,912,760
Program Revenues:				
Receipts from Dept. of Lands	2,215,899	-	24,136	21,787
Income from Investments	16,709,233	501,073	1,905,391	1,719,274
Total Program Revenue	18,925,132	501,073	1,929,528	1,741,061
Transfer to Earnings Reserve	-	-	-	-
Transfer from Earnings Reserve	37,691,000	298,000	1,531,000	3,546,000
Increase in Net Position	56,616,132	799,073	3,460,528	5,287,061
Permanent Net Position, end of year	1,124,833,127	32,832,571	125,271,671	115,199,821
<b>EARNINGS RESERVE NET POSITION</b>				
Earnings Reserve Net Position, beginning of year	353,209,008	11,158,803	43,472,540	40,884,451
Program Revenues:				
Receipts from Dept. of Lands	49,915,577	4,076,344	5,960,176	2,832,841
Income from Investments	53,329,929	1,737,486	6,270,953	5,634,437
Total Program Revenues	103,245,506	5,813,830	12,231,129	8,467,278
Program Expenses:				
Distribution for Expenses-Lands	20,096,551	364,207	1,516,289	1,702,039
Distribution for Expenses-EFIB	7,067,723	219,670	822,554	743,686
Distributions to Beneficiaries	51,260,000	1,466,000	5,754,000	4,946,000
Total Program Expenses	78,424,273	2,049,877	8,092,843	7,391,725
Net Program Revenue	24,821,233	3,763,953	4,138,286	1,075,553
Transfer to Permanent Fund	(37,691,000)	(298,000)	(1,531,000)	(3,546,000)
Transfer from Permanent Fund	-	-	-	-
Increase/(Decrease) in Net Position	(12,869,767)	3,465,953	2,607,286	(2,470,447)
Earnings Reserve Net Position, end of year	340,339,241	14,624,756	46,079,826	38,414,004
<b>TOTAL NET POSITION</b>	<b>\$ 1,465,172,367</b>	<b>\$ 47,457,327</b>	<b>\$ 171,351,497</b>	<b>\$ 153,613,825</b>

STATE OF IDAHO ENDOWMENT FUND  
 SUPPLEMENTARY SCHEDULE OF STATEMENT OF NET POSITION BY ENDOWMENT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020



Penitentiary	School of Science	State Hospital South	University of Idaho	Capitol	Total
\$ 51,627,123	\$ 111,132,328	\$ 93,022,547	\$ 98,671,862	\$ 33,075,848	\$ 1,719,504,105
759	42,676	2,255	6,660	746,169	3,060,341
807,560	1,738,350	1,455,075	1,543,442	1,613,723	27,993,122
808,319	1,781,027	1,457,330	1,550,102	2,359,892	31,053,463
-	-	-	-	(1,409,300)	(1,409,300)
3,201,000	6,969,000	29,000	4,538,000	-	57,803,000
4,009,319	8,750,027	1,486,330	6,088,102	950,592	87,447,163
55,636,442	119,882,355	94,508,877	104,759,964	34,026,440	1,806,951,268
20,706,467	44,911,424	44,615,842	37,903,053	7,691,419	604,553,007
1,880,876	3,577,628	3,114,735	4,454,990	92,885	75,906,052
2,751,064	5,899,569	5,243,486	5,198,237	428,487	86,493,648
4,631,939	9,477,196	8,358,221	9,653,227	521,372	162,399,700
701,397	1,569,026	1,331,250	977,750	184,054	28,442,563
359,661	769,532	681,788	673,953	203,753	11,542,319
2,247,000	4,930,000	5,955,000	4,360,000	325,000	81,243,000
3,308,058	7,268,558	7,968,038	6,011,703	712,807	121,227,881
1,323,881	2,208,639	390,183	3,641,524	(191,434)	41,171,818
(3,201,000)	(6,969,000)	(29,000)	(4,538,000)	-	(57,803,000)
-	-	-	-	1,409,300	1,409,300
(1,877,119)	(4,760,361)	361,183	(896,476)	1,217,866	(15,221,882)
18,829,349	40,151,063	44,977,025	37,006,577	8,909,285	589,331,126
\$ 74,465,791	\$ 160,033,418	\$ 139,485,902	\$ 141,766,541	\$ 42,935,725	\$ 2,396,282,394

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
<b>PERMANENT NET POSITION</b>				
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
<b>EARNINGS RESERVE NET POSITION</b>				
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
<b>TOTAL NET POSITION</b>	<b>\$ 1,421,426,003</b>	<b>\$ 43,192,301</b>	<b>\$ 165,283,683</b>	<b>\$ 150,797,211</b>

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 FUNDS  
 SCHEDULE OF THE GAIN BENCHMARK  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020



<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>	2001-2019	555,954,750	64,462,917	158,635,000	289,164,328	1,068,216,995
	2020	1,068,216,995	2,215,899	37,691,000	16,709,233	1,124,833,127
<b>Agricultural College</b>	2001-2019	14,787,041	58,187	9,340,000	7,848,270	32,033,498
	2020	32,033,498	-	298,000	501,073	32,832,571
<b>Charitable Institutions</b>	2001-2019	54,513,960	325,723	37,776,000	29,195,461	121,811,144
	2020	121,811,144	24,136	1,531,000	1,905,391	125,271,671
<b>Normal School</b>	2001-2019	47,258,942	12,111,015	25,109,000	25,433,803	109,912,760
	2020	109,912,760	21,787	3,546,000	1,719,274	115,199,821
<b>Penitentiary</b>	2001-2019	18,258,289	26,228	22,999,000	10,343,606	51,627,123
	2020	51,627,123	759	3,201,000	807,560	55,636,442
<b>School of Science</b>	2001-2019	54,836,451	321,280	27,760,000	28,214,597	111,132,328
	2020	111,132,328	42,676	6,969,000	1,738,351	119,882,355
<b>State Hospital South</b>	2001-2019	23,442,162	16,410,458	37,166,000	16,003,927	93,022,547
	2020	93,022,547	2,255	29,000	1,455,075	94,508,877
<b>University</b>	2001-2019	42,442,536	276,675	33,339,000	22,613,651	98,671,862
	2020	98,671,862	6,660	4,538,000	1,543,442	104,759,964

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>
<b>Public School</b>	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
<b>Agricultural College</b>	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
<b>Charitable Institutions</b>	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
<b>Normal School</b>	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
<b>Penitentiary</b>	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
<b>School of Science</b>	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
<b>State Hospital South</b>	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
<b>University</b>	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