



State of Idaho Endowment Fund

*REPORT OF
INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020*

Administered by the Endowment Fund Investment Board



TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-13
FINANCIAL STATEMENTS	
Governmental Balance Sheets and Statements of Net Position-Governmental Activities	14
Governmental Statements of Revenues, Expenditures and Changes in Governmental Fund Balances and Statements of Governmental Activities	15
Notes to Financial Statements	16-38
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	39-40
SUPPLEMENTARY SCHEDULES	
Supplementary Schedules of Statements of Net Position by Endowment	41-44
Schedules of the Gain Benchmark	45-46



IDAHO ENDOWMENT FUND
INVESTMENT BOARD



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Idaho Endowment Funds governmental fund and governmental activities administered by the Endowment Fund Investment Board (the EFIB), a component unit of the State of Idaho, as of and for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020. 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, 2021, on our consideration of State of Idaho Endowment Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of State of Idaho Endowment Funds' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering State of Idaho Endowment Funds' internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP

Boise, Idaho
August 18, 2021

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, 2021, 2020 and 2019.

BACKGROUND

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

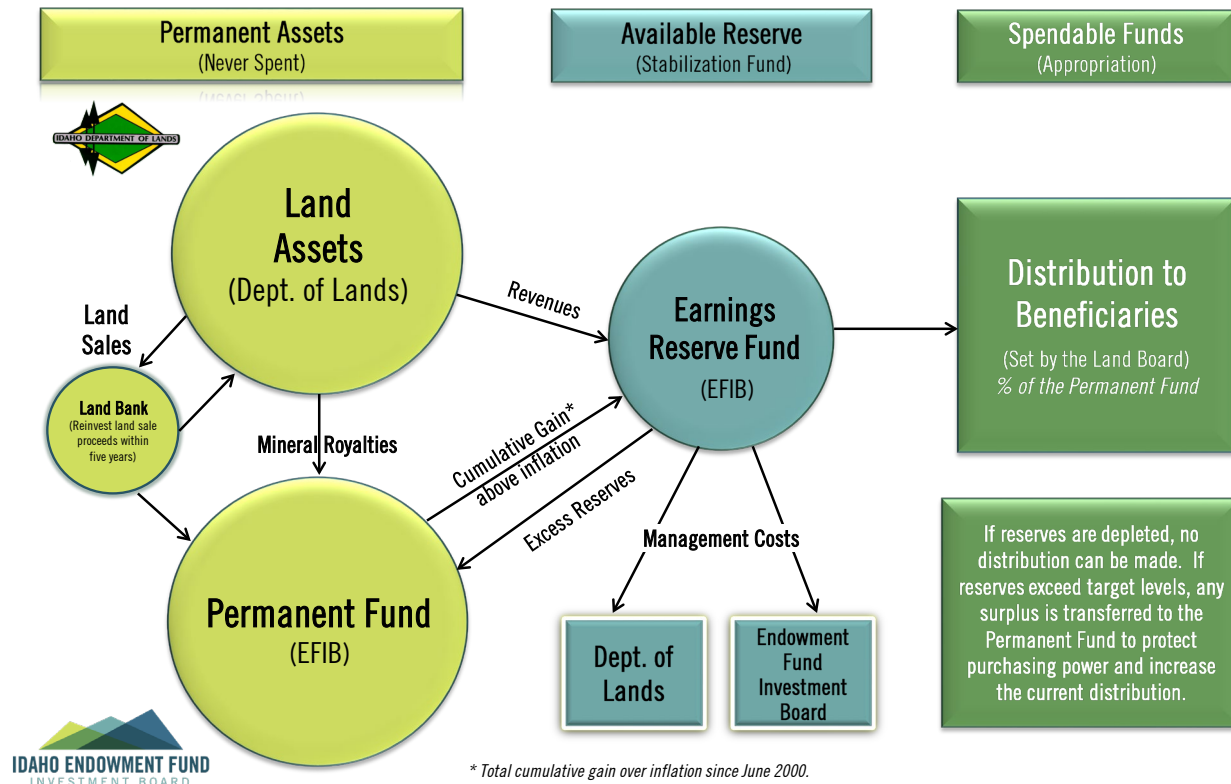
The Endowment Fund supports the following beneficiaries: Public Schools, University of Idaho Agricultural College, Charitable Institutions (Idaho State University, Juvenile Corrections Center, State Hospital North, Veterans’ Home, School for the Deaf and Blind), Normal School (Idaho State University,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

The Endowment Fund Investment Board (“EFIB”) was created by the 1969 Idaho Legislature and charged with administration and investment management responsibilities for the Endowment Fund according to policies established by the Idaho State Board of Land Commissioners. In addition, EFIB provides investment management services for funds associated with other state agencies including 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 Idaho Department of Lands and EFIB. Most land revenue is considered an addition to the Earnings Reserve Funds, while distributions to beneficiaries and payment of Idaho 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



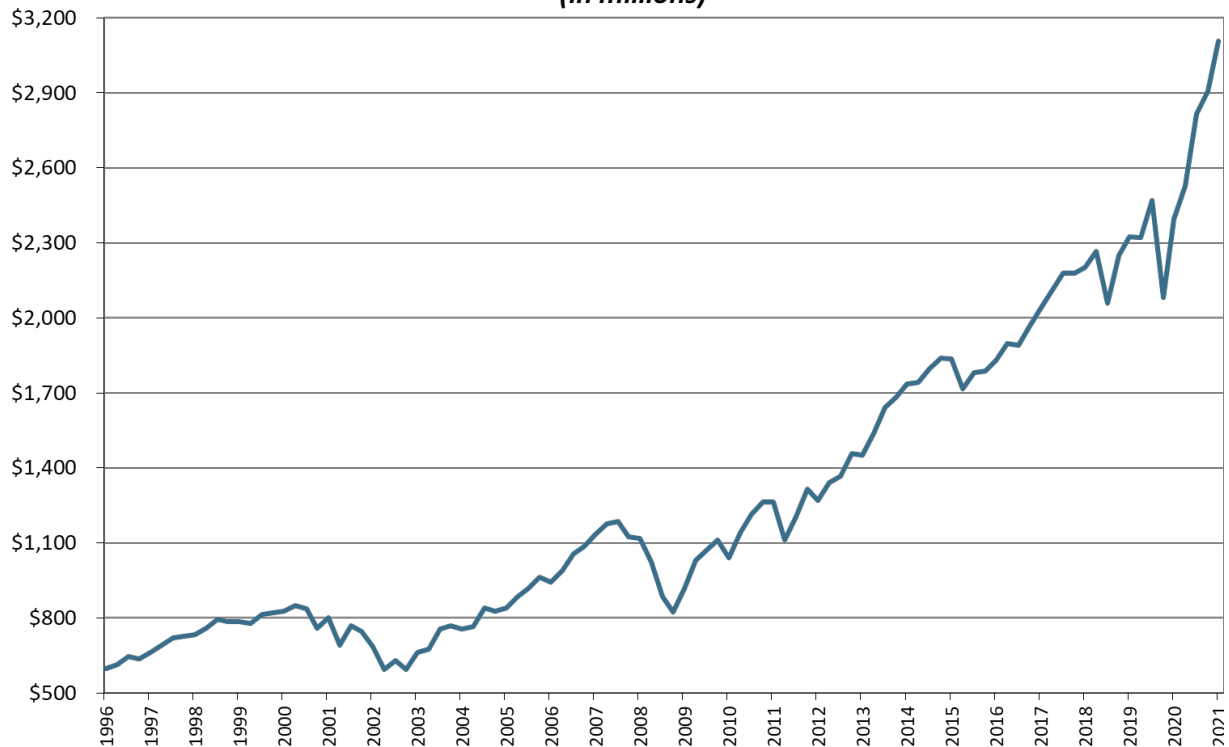
Rev 7/31/18

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 \$711.6 million, \$72.2 million and \$122.5 million during the fiscal years ended June 30, 2021, 2020 and 2019, respectively. Net position and fund balance totaled \$3,108 million, \$2,396 million and \$2,324 million as of June 30, 2021, 2020 and 2019, respectively.

Total Land Grant Endowment Fund Assets
June 1996 - June 2021
(in millions)



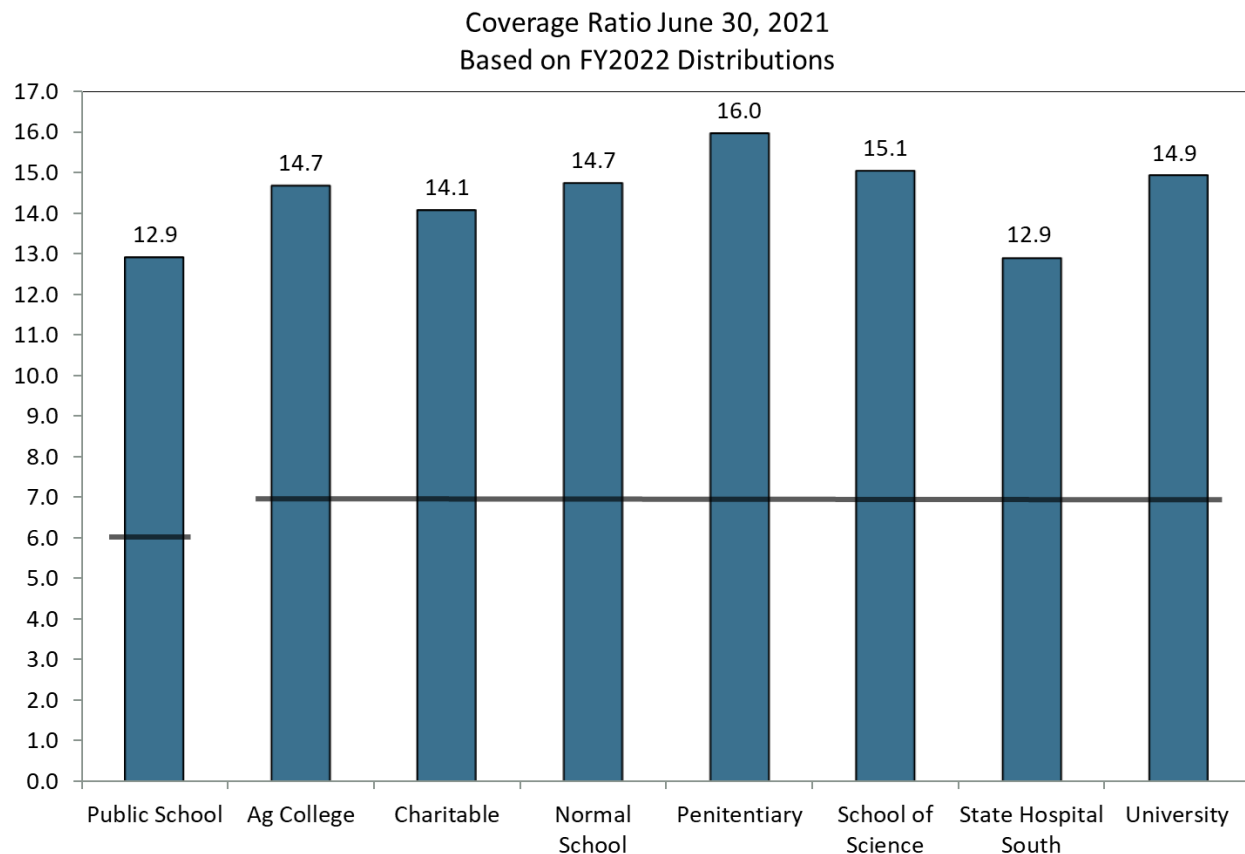
EARNINGS RESERVES

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 \$1,198.8 million, \$589.3 million and \$604.6 million as of June 30, 2021, 2020 and 2019, respectively. As of June 30, 2021, the earnings reserve balances for all of the Endowment Funds were at or above target earnings reserve levels.

Earnings Reserves cont.:

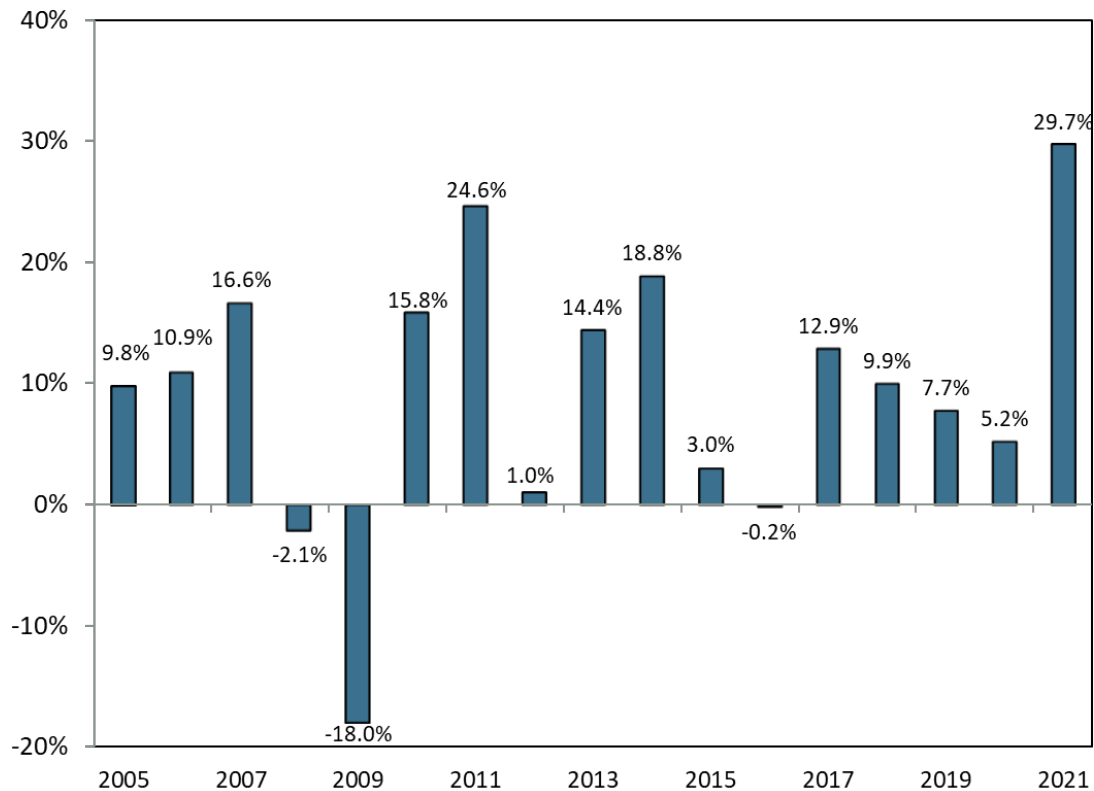
The table below highlights the earnings reserve levels of each Endowment Fund.



INVESTMENT RESULTS

The Endowment Fund portfolio generated investment returns before fees of 29.7%, 5.2% and 7.7% in fiscal years end June 30, 2021, 2020 and 2019, respectively. The average annual investment returns were 29.7%, 13.7%, 12.8%, and 9.9% during the last one, three, five and ten-year periods. These investment returns ranked in the top 15th, 4th, 7th and 11th percentile in the Callan Public Fund Sponsor Database for the one, three, five and ten-year periods.

Annual Gross Fund Returns



Annualized Gross Fund Returns, ending June 30, 2021

	FY 2021	3 Years	5 Years	7 Years	10 Years
Total Fund	29.7%	13.7%	12.8%	9.4%	9.9%
<i>Benchmark (38% Russell 3000, 19% ACWI ex-US, 9% ACWI, 8% ODCE, 26% BBC Aggregate)</i>	26.0%	12.3%	11.6%	8.8%	9.3%
Total Equity	45.4%	17.5%	17.1%	12.0%	12.5%
Domestic Equity	48.8%	18.8%	18.8%	14.0%	14.9%
Large Cap.	47.2%	18.9%	18.7%	14.2%	15.3%
Mid Cap.	49.7%	19.2%	18.3%	13.0%	13.9%
Small Cap.	55.4%	16.9%	19.4%	13.9%	14.2%
International Equity	41.1%	15.0%	14.4%	8.3%	7.3%
Global Equity	40.9%	17.9%	15.2%	9.6%	9.8%
<i>MSCI ACWI Index</i>	39.3%	14.6%	14.6%	9.8%	9.9%
Total Real Estate (net of fees)	1.8%	4.7%	5.4%		
<i>NCREIF ODCE Index</i>	2.3%	4.9%	6.2%		
Total Fixed Income	2.4%	5.6%	3.2%	3.3%	3.4%
<i>Fixed-Income Benchmark (85% BBC U.S. Aggregate, 15%</i>	0.7%	5.5%	3.2%	3.3%	3.4%

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, 2021, the EFIB engaged eighteen investment managers including; Barrow Hanley, Boston Partners, Clearwater Advisors, DoubleLine Capital, DWS, Eagle Asset Management, Fiera Capital, LSV Asset Management, Northern Trust Investments, Sands Capital, Schroders, State Street Global Advisors, Sycamore/Victory Capital, TimesSquare Capital Management, UBS Realty Investors, 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, trade settlement, accounting, security valuation and proxy voting.

COST OF INVESTMENT MANAGEMENT

The cost for investment management was \$12.1 million, \$11.6 million and \$9.1 million in fiscal years 2021, 2020 and 2019, respectively. Investment management expenses as a percentage of year-end Endowment Fund net positions equates to 0.39%, 0.48% and 0.39% in fiscal years 2021, 2020 and 2019, respectively. The table below provides a breakdown of investment management expenses.

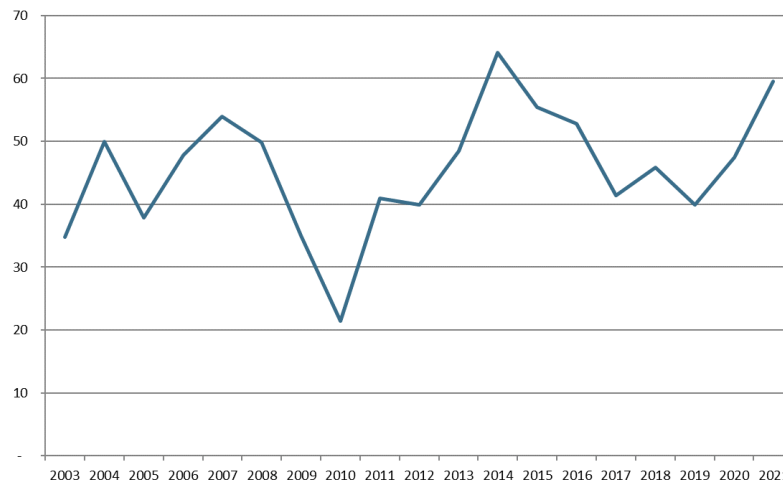
Cost of Investment Management

Investment Management Operating Cost	2021	2020	2019
Internal Investment Costs	\$ 523,664	\$ 534,709	\$ 511,841
Outside investment manager and legal fees	10,811,662	10,038,882	8,853,754
Custody Expense	932,146	1,184,565	826,571
Consultant and auditor fees	257,529	208,029	329,112
Subtotal	12,525,001	11,966,185	10,521,278
Less Manager fees charged directly	(1,006,707)	(995,343)	(925,337)
Total expenditures	11,518,294	10,970,842	9,595,941
Change in Manager Fee Accrual	535,488	571,476	(512,909)
Total Accrual Basis Expense	\$ 12,053,782	\$ 11,542,318	\$ 9,083,032

NET LAND REVENUE

Net land revenue (land revenue less Department of Lands expenses) totaled \$59.6 million, \$47.5 million and \$40.0 million in fiscal years 2021, 2020 and 2019, 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. In May of 2021, the Land Board authorized the transfer of \$31,785,592 from the Land Bank to the Permanent Fund.

**Net Land Revenue for Earnings Reserves
(in \$ millions)**



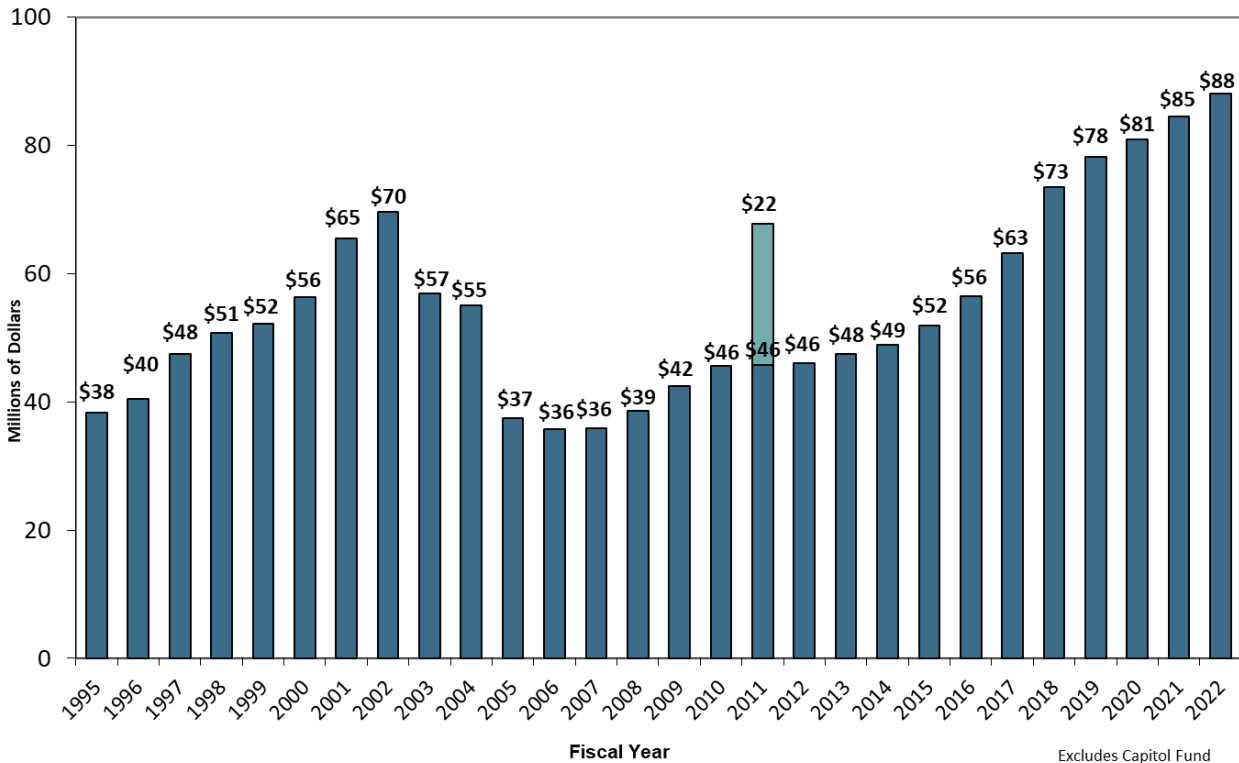
BENEFICIARY DISTRIBUTIONS

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 \$84.5 million, \$80.9 million and \$78.2 million in fiscal years 2021, 2020 and 2019, respectively. The Board of Land Commissioners approved distributions of \$88.1 million and \$100.3 million in fiscal years 2022 and 2023, respectively. The table below provides a summary of land-grant beneficiary distributions.

Beneficiary Distributions 1995-2022

(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 \$1.56 million, \$1.41 million and \$1.41 million in fiscal years 2021, 2020 and 2019, 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 \$2,450,000, \$325,000 and \$250,000 in fiscal years 2021, 2020 and 2019, 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 \$608.1 million, \$618.9 million and \$655.4 million in bonds guaranteed by the Credit Enhancement Program as of June 30, 2021, 2020 and 2019, respectively.

RISKS

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 events associated with the Delta variant and are still developing.

The Endowment Fund is aware that macroeconomic and geopolitical risks broadly affect financial markets and it works closely with its consultant and investment managers to monitor important trends and address risks assumed in the portfolio. It also recognizes the recent escalation of cyber security risk and consistently reviews and monitors best practices used to mitigate these risks.

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, 2021 AND 2020



	2021	2020
Assets:		
Investments, at Fair Value	\$ 3,117,669,982	\$ 2,408,053,809
Receivable for Unsettled Trades	48,432,418	42,317,286
Receivable From Idaho Department of Lands	2,327,982	2,949,976
Accrued Interest and Dividends Receivable	6,715,855	5,009,368
Prepaid Expenses to the Department of Lands	7,141,576	2,270,227
Total Assets	\$3,182,287,813	\$2,460,600,666
Liabilities:		
Payable for Unsettled Trades	\$ 71,605,011	\$ 62,013,517
Investment Manager Expenses Payable	2,840,242	2,304,755
Total Liabilities	74,445,253	64,318,272
Fund Balances:		
Nonexpendable - Permanent Funds	1,909,079,493	1,806,951,268
Expendable - Earnings Reserve Funds	1,198,763,067	589,331,126
Total Fund Balances	3,107,842,560	2,396,282,394
Total Liabilities and Fund Balances	\$3,182,287,813	\$2,460,600,666

The EFIB one liability that is not included in the Statement of Net Position, which makes it different from modified accrual to full accrual basis. The difference is the Lease payable that is required to be disclosed through GASB Statement No. 87. The Lease liability for 2021 and 2020 were \$76,667 and \$115,000, respectively. This liability is offset by a corresponding asset, Lease - Right to Use, and therefore not included in the Statement of Net Position.

Statement of Net Position:		
Restricted for Permanent Trust - Nonexpendable	\$ 1,909,079,493	\$ 1,806,951,268
Restricted for Permanent Trust - Expendable	1,198,763,067	589,331,126
Total Net Position - Governmental Activities	\$ 3,107,842,560	\$ 2,396,282,394

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, 2021 AND 2020



Revenues:	2021	2020
Receipts from the Department of Lands		
Permanent Receipts	\$ 34,401,055	\$ 3,060,341
Earnings Reserve Receipts	86,471,855	75,906,052
Income from Investments	716,607,386	114,486,770
Total Revenues	837,480,296	193,453,163
Expenditures:		
Department of Lands	26,895,548	28,442,563
EFIB	12,053,782	11,542,318
Total Expenditures	38,949,330	39,984,881
Revenues over Expenditures	798,530,966	153,468,282
Other Financing Uses		
Distributions to Beneficiaries	86,970,800	81,243,000
Net Increase in Fund Balance	711,560,166	72,225,282
Fund Balance - Beginning of Year	2,396,282,394	2,324,057,112
Fund Balance - End of Year	\$3,107,842,560	\$ 2,396,282,394

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. The EFIB expense amount does reflect the cost of principal and interest for the Lease Payable and the Right of Use under GASB 87. For FY 2021 and 2020, the principal paid was \$38,334, and \$38,334, the interest paid was \$8,812, and \$7,439, respectively.

Change in Net Position - Government Activities	\$ 711,560,166	\$ 72,225,282
---	-----------------------	----------------------

See Notes to Financial Statements

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 recommended by the EFIB Board and 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 of Idaho 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 of Idaho 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 (61% to 71% 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 (6% to 10% 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 use 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 may be 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. 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 2021 and 2020, 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, 2021. 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	Sept. 2021	411	\$54,497,739	\$289,862	\$1,105,303
Swaps	Various	22	\$70,881,021	\$1,125,281	
Equity Contracts	Various	1	7,427	\$0	
Foreign Exchange Cont	Various	54	8,354,005	\$385,472	

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	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 Cont	Various	57	-	(\$63,961)	

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 FY2021 and 2020 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, 2021 and 2020:

Fund Investments	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Barrow, Hanley	\$ 39,369,636	\$ 63,693,476	\$ 42,463,241	\$ 46,436,271
Boston Partners	110,293,234	153,702,774	113,094,586	118,151,212
Clearwater Advisors	1,773,500	1,773,500	1,540,684	1,540,684
DoubleLine Capital - Core Plus	171,994,662	173,660,108	135,910,122	138,149,707
Eagle Asset Management	46,734,973	69,938,505	37,240,569	52,002,733
Fiera Capital Global	86,198,904	146,027,509	84,829,166	106,959,666
Lazard Asset Management	260	260	-	-
LSV Asset Management	106,477,023	150,477,512	112,929,311	114,966,087
NTGIS & P 500 Index	165,675,084	360,350,820	162,567,912	264,402,846
Northern Trust Money Market Fund*	13,988,385	13,988,385	20,200,616	20,200,616
RREEF America REIT II IN	91,438,249	103,910,932	89,707,056	99,067,100
Sands Capital Management	94,938,404	169,960,114	65,941,117	128,396,676
Schroders QEP International Value	231,454,462	261,321,013	218,290,702	199,165,688
State Street Global Advisors	414,750,037	433,663,884	291,220,134	313,271,066
State Street EAFE Index Funds	4,448	4,448	-	-
Sycamore Capital Mid Cap	92,405,031	116,838,687	92,447,423	84,583,243
Times Square Capital Management	88,247,501	124,968,491	69,450,029	92,441,331
UBS Trumbull Property	90,757,522	98,485,369	88,431,611	92,327,684
Vanguard Dev Market Index Fund	48,804,594	62,506,649	47,253,029	46,014,661
WCM Focused Growth	149,989,430	270,627,184	148,422,796	225,746,902
Wellington Global	119,517,522	143,695,182	95,657,919	108,096,742
Western Asset Management - US Core	166,876,357	174,902,588	132,029,563	136,436,663
Total Fund Investments	2,331,689,218	3,094,497,390	2,049,627,586	2,388,357,578
Pending Trades:				
Receivable for Investments Sold	(48,432,418)	(48,432,418)	(42,317,286)	(42,317,286)
Payable for Investments Purchased	71,605,011	71,605,011	62,013,517	62,013,517
Total Net Investments	\$ 2,354,861,810	\$ 3,117,669,982	\$ 2,069,323,816	\$ 2,408,053,809

*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, 2021, 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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, the Endowment Fund's fixed income investments had the following characteristics:

Credit Ratings Summary by Market Value-Moody's
As of June 30, 2021

Investment Type	Modified Duration	Aaa	Aa	A	Baa	Ba	B	>B	Agy	NR/Not Available	Total
Asset Backed Securities	3.4	\$ 634,598	\$ 557,342	\$ 887,041	\$ 16,727,126	\$ -	\$ 2,059,074	\$ 5,202,441	\$ -	\$ 1,587,164	\$ 27,654,786
Commercial Mortgage-Backed	4.5	4,100,776	832,798	11,850,948	752,120	121,352	1,456,371	-	-	1,874,057	20,988,422
Corporate Bonds	7.9	2,529,872	10,723,126	59,478,117	87,573,730	11,657,856	4,311,568	1,700,990	-	3,850,159	181,825,418
Corporate Convertible Bonds	3.7	-	-	-	54,040	-	193,964	-	-	198,671	446,675
Funds - Corporate Bond	3.8	-	11,846,050	-	-	-	-	-	-	-	11,846,050
Funds - Government Agencies	7.0	-	-	-	-	-	-	-	8,455,481	-	8,455,481
Funds - Other Fixed Income	2.0	342,914	-	-	199,211	1,833,019	30,079,719	222,031	-	81,711	32,758,605
Government Agencies	4.6	10,034,763	1,356,973	746,391	-	594,955	-	-	352,422	139,278	13,224,781
Government Bonds	8.0	177,312,240	1,405,749	1,999,948	15,522,069	1,980,446	405,119	-	3,935,614	892,540	203,453,726
Government Mortgage Backed Secu	4.3	-	-	-	91,385	-	-	-	128,742,710	179,219	129,013,314
Gov't-issued Commercial Mortgage-B	5.9	-	-	-	-	-	-	-	3,146,659	-	3,146,659
Index Linked Government Bonds	5.0	118,513,322	-	-	-	-	-	-	-	-	118,513,322
Municipal/Provincial Bonds	9.4	412,664	1,827,743	307,763	224,268	-	-	-	-	463,315	3,235,752
Non-Government Backed C.M.O.s	4.0	-	-	7,266,981	-	-	-	3,886,535	-	812,819	11,966,336
Total		\$ 313,881,149	\$ 28,549,781	\$ 82,537,189	\$ 121,143,949	\$ 16,187,628	\$ 38,505,815	\$ 11,011,997	\$ 144,632,886	\$ 10,078,933	\$ 766,529,327

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
Total		\$ 224,686,262	\$ 26,604,160	\$ 58,790,889	\$ 80,506,170	\$ 15,624,841	\$ 23,322,977	\$ 11,552,072	\$ 119,840,140	\$ 11,701,921	\$ 572,629,432

*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	2021 Fair Value	2020 Fair Value
Equities and Cash			
Argentina	ARS	\$ 78,982	\$ 107,267
Australia	AUD	16,156,726	18,096,544
Brazil	BRL	8,585,547	3,276,350
Canada	CAD	20,080,705	14,854,535
Chile	CLP	285,859	429,692
Chinese Yuan	CNY	(2,716,323)	(2,498,903)
Chinese Yuan (HK)	CNH	530,655	1,967,522
Czech Republic	CZK	193,145	322,237
Denmark	DKK	12,779,517	10,032,263
European Monetary Union	EUR	96,455,042	71,499,752
Great Britain	GBP	58,199,470	46,940,642
Hong Kong	HKD	57,610,838	39,343,160
Hungary	HUF	579,395	884,677
India	INR	237,737	234,095
Indonesia	IDR	2,990,765	2,975,439
Israel	ILS	565,447	490,869
Japan	JPY	74,146,943	57,851,564
Malaysia	MYR	1,088,224	1,130,763
Mexico	MXN	6,429,800	9,411,791
New Zealand	NZD	285,827	278,735
Norway	NOK	3,904,709	2,051,759
Philippines	PHP	36,196	26,931
Poland	PLN	1,927,002	1,972,608
Russia	RUB	3,860,543	1,861,284
Singapore	SGD	1,865,961	3,056,288
South Africa	ZAR	2,390,829	2,678,500
South Korea	KRW	18,489,283	9,088,669
Sweden	SEK	17,037,300	8,272,639
Switzerland	CHF	54,491,984	43,026,067
Taiwan	TWD	19,215,670	11,474,015
Thailand	THB	2,121,509	3,170,077
Turkey	TRY	2,251,170	1,777,183
Total Fund Investments		<u>\$ 482,156,456</u>	<u>\$ 366,085,013</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 2021 and their allocation are shown below:

Permanent Fund Income For the Fiscal Year Ended June 30, 2021

Endowment	Net Increase in Fair Value	Income Retained to Offset Inflation or Losses *	Cap Perm Fund Interest and Dividends	Total Investment Income
Public School	\$ -	\$ 25,890,301	\$ -	\$ 25,890,301
Agricultural College	-	755,708	-	755,708
Charitable	-	2,883,380	-	2,883,380
Normal School	-	2,651,556	-	2,651,556
Penitentiary	-	1,280,585	-	1,280,585
School of Science	-	2,759,334	-	2,759,334
State Hospital South	-	2,175,312	-	2,175,312
University of Idaho	-	2,411,282	-	2,411,282
Capitol Permanent **	8,989,347	-	807,266	9,796,613
Total	\$ 8,989,347	\$ 40,807,458	\$ 807,266	\$ 50,604,070

* For all Permanent funds (except Capitol Permanent), any cumulative total income vs. the Gain Benchmark is allocated to the Earnings 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, 2021

Endowment	Net Increase in Fair Value	Interest, Dividends and Other Income	Allocation of Permanent Fund Gain *	Total Investment Gain
Public School	\$ 90,136,525	\$ 36,003,209	\$ 281,947,172	\$ 408,086,906
Agricultural College	3,282,747	1,160,340	8,866,554	13,309,641
Charitable	11,757,057	4,174,909	31,519,666	47,451,632
Normal School	10,420,410	3,778,140	31,679,626	45,878,177
Penitentiary	6,200,882	1,861,194	13,658,819	21,720,895
School of Science	12,051,876	3,926,701	29,440,604	45,419,181
State Hospital South	11,997,304	3,438,697	26,182,982	41,618,983
University of Idaho	10,613,967	3,472,558	26,064,126	40,150,650
Capitol Maintenance **	2,148,176	219,075	-	2,367,251
Total	\$ 158,608,945	\$ 58,034,823	\$ 449,359,548	\$ 666,003,316

* 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 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
Total	\$ 973,756	\$ 26,379,399	\$ 639,967	\$ 27,993,122

* 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
Total	\$ 16,147,662	\$ 45,270,916	\$ 25,075,070	\$ 86,493,648

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

**The Capitol Maintenance Fund retains its proportionate share of interest and dividends and the net increase or

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

Income From Investments	2021	2020
Interest, Other Income and Fees	\$ 30,710,163	\$ 17,248,224
Dividends	28,134,908	28,662,659
Total	\$ 58,845,071	\$ 45,910,883

NOTE 5 – CLIENT EXPENSES

Four clients, representing twelve additional perpetual funds in Fiscal Year 2021 and eleven funds in Fiscal Year 2020, are included in the same comingled investment pool as the Endowment Fund and their assets totaled \$186 million and \$144 million as of June 30, 2021 and 2020, respectively. These balances are not included in the EFIB financial statements.

In fiscal year 2021, 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 \$696,243 and \$623,655 for the fiscal years ended June 30, 2021 and 2020, respectively.

NOTE 6 – BENEFICIARY DISTRIBUTIONS

Distributions to beneficiaries for the Fiscal Years ended June 30, 2021 and 2020 are shown below.

Total Fund Distributions		
Beneficiary	2021	2020
Public School	\$ 52,586,400	51,260,000
Agricultural College	1,551,600	1,466,000
Charitable Institutions	5,991,600	5,754,000
Normal School	5,334,000	4,946,000
Penitentiary	2,500,800	2,247,000
School of Science	5,420,400	4,930,000
State Hospital South	6,369,600	5,955,000
University of Idaho	4,766,400	4,360,000
Subtotal	84,520,800	80,918,000
Capitol Maintenance	2,450,000	325,000
Total Distributions	<u>\$ 86,970,800</u>	<u>\$ 81,243,000</u>

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, 2021 and 2020, were as follows:

Charitable Institutions			
Beneficiaries	Factor	2021 Distribution	2020 Distribution
Idaho State University Fund	8/30	\$ 1,597,760	\$ 1,534,400
State Juvenile Corrections Institutions	8/30	1,597,760	1,534,400
School for the Deaf and Blind Fund	1/30	199,720	191,800
Veterans Home Fund	5/30	998,600	959,000
State Hospital North Fund	8/30	1,597,760	1,534,400
Total		<u>\$ 5,991,600</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, 2021 and 2020:

Normal School			
Beneficiaries	%	2021 Distribution	2020 Distribution
Idaho State University, Pocatello	50%	\$ 2,667,000	\$ 2,473,000
Lewis-Clark State College, Lewiston	50%	2,667,000	2,473,000
Total		<u>\$ 5,334,000</u>	<u>\$ 4,946,000</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, 2021, \$608.1 million of bonds guaranteed by the Credit Enhancement Program remained outstanding. Expected principal and interest payments in the coming year total \$46.3 million. As of June 30, 2020, \$618.9 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 2021 totaled \$3,000 and guaranty fees, included in Income from Investments, totaled \$17,326. Application fees for fiscal year 2020 totaled \$1,000 and guaranty fees, included in Income from Investments, totaled \$4,435.

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 2021, the Public School Permanent Fund received \$104,060 representing the net proceeds from the sale of federal land in Idaho. Also, in fiscal 2021, the Public School Permanent Fund received \$150 representing a donation, and \$52,496 from 2 unclaimed estate properties.

In fiscal year 2020, the Public School Permanent Fund received \$69,233 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.

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 2021 and 2020, this revenue totaled \$136,502 and \$95,885, respectively and is included in Receipts from Department of Lands.

NOTE 10 – PENSION AND OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

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

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority

to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate. As of June 30, 2021 and 2020, 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 \$48,782 and \$48,282, for the fiscal years ended June 30, 2021 and 2020, 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 – LEASES

The EFIB implemented GASB Statement No. 87 – Leases for FY2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. These amounts are disclosed in the Governmental Balance Sheets and Statements of Net Position – Governmental Activities, which are offset and noted that these are payable in a modified accrual basis. The EFIB entered into a 10 year lease for office space effective 7/1/2014 and expires on 6/30/2024. The current net present value of that lease is \$76,667. This amount is based on a 3% discount rate over the life of the lease. For FY2021 and FY2020, the principal paid was \$38,334, \$38,334, the interest paid was \$8,812, and \$7,439 respectively.

Year Ending	Principal	Interest	
6/30	Payments	Payments	Total
2022	\$ 38,334	\$ 10,226	\$ 48,560
2023	38,333	11,683	50,016
	<u>\$ 76,667</u>	<u>\$ 21,909</u>	<u>\$ 98,576</u>

NOTE 12 – LAND BANK

The Land Bank Fund was established under Idaho Code Section 58-133 to allow the State Board of Land Commissioners to hold proceeds from the sale of state endowment land pending the purchase of other 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, 2021 and 2020, the Land Bank Fund balances were \$111.4 million and \$130.8 million, respectively. During fiscal year 2021, \$31.8 million was transferred out of the fund to the Permanent Funds in the endowment by direction of the Land Board. The Land Bank balances by endowment, as of June 30, 2021 were as follows:

FY Quarter Received	Land Bank As of June 30, 2021				Total	FY Quarter Expires
	Public School	Normal School	State Hospital South	University of Idaho		
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	0	0	-	10,500	2023-04
2019-01	-	2,428,000	1,442,000	-	3,870,000	2024-01
2019-02	25,136,124	0	0	-	25,136,124	2024-02
2019-03	-	-	-	-	-	2024-03
2019-04	-	0	0	-	-	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
2021-01	5,159,720	-	-	-	5,159,720	2026-01
2021-02	6,595,000	-	-	-	6,595,000	2026-02
Total Principal Remaining	78,482,710	10,342,212	8,506,388	5,650,029	102,981,339	
Interest	5,310,346	1,372,543	1,408,208	299,788	8,390,885	
Land Bank Cash Balance with Interest	\$ 83,793,056	\$ 11,714,755	\$ 9,914,596	\$ 5,949,817	\$ 111,372,225	

These balances relate to land sales made in fiscal years 2018, 2019, 2020 and 2021. 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 13 - 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, 2021 AND 2020



Investments Measured at Fair Value
Investments by Fair Value Level

	Fair Value Measurements Using 6/30/2021 (value before accruals)			
	Total Investments	Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities				
Asset Backed Securities	\$ 27,654,786	\$ -	\$ 27,654,786	\$ -
Commercial Mortgage-Backed	20,988,422	-	20,988,422	-
Corporate Bonds	181,825,419	-	181,825,419	-
Corporate Bond Fund	446,675	-	446,675	-
Corporate Convertible Bonds	11,846,050	-	11,846,050	-
Government Agencies	8,455,481	-	8,455,481	-
Government Agencies Fund	32,758,605	-	32,758,605	-
Government Bonds	13,224,781	-	13,224,781	-
Government Mortgage Backed Securities	203,453,725	-	203,453,725	-
Gov't-issued Commercial Mortgage-Back	129,013,314	-	129,013,314	-
Index Linked Government Bonds	3,146,659	-	3,146,659	-
Municipal/P rovincial Bonds	118,513,322	-	118,513,322	-
Non-Government Backed C.M.O.s	3,235,753	-	3,235,753	-
Other Fixed Income Fund	11,966,335	-	11,966,335	-
Total Debt Securities	766,529,327	-	766,529,327	-
Preferred Stock Securities				
Consumer Discretionary	1,103,112	1,103,112	-	-
Consumer Staples	702,859	702,859	-	-
Health Care	104,987	104,987	-	-
Total Preferred Stock Securities	1,910,958	1,910,958	-	-
Equity Securities				
Communication Services	175,410,608	175,410,608	-	-
Consumer Discretionary	259,099,514	259,099,514	-	-
Consumer Staples	101,829,684	101,829,684	-	-
Energy	57,583,928	57,583,928	-	-
Financials	245,558,791	245,558,791	-	-
Health Care	290,152,885	290,152,885	-	-
Industrials	278,943,614	278,943,614	-	-
Information Technology	439,060,942	439,060,942	-	-
Materials	95,190,819	95,190,819	-	-
Other	4,043	4,043	-	-
Real Estate	33,193,566	33,193,566	-	-
Utilities	25,104,498	25,104,498	-	-
Common Stock Fund	66,092,255	66,092,255	-	-
Equity ETFs	1,475,455	1,475,455	-	-
Total Equity Securities	2,068,700,602	2,068,700,602	-	-
Derivatives				
Futures Contracts	273,854	273,854	-	-
Exchange Cleared Swaps	1,122,304	1,122,304	-	-
Swaps	2,977	2,977	-	-
Foreign Exchange Contracts	401,480	401,480	-	-
Total Derivatives	1,800,615	1,800,615	-	-
Total Investments by Fair Value Level	\$ 2,838,941,502	\$ 2,072,412,175	\$ 766,529,327	\$ -
Investments Measured at amortized cost				
Money Market Fund	76,332,179			
Investments Measured at the Net Asset Value (NAV)				
Real Estate (private)	202,396,301			
Total Investments	\$ 3,117,669,982			

STATE OF IDAHO ENDOWMENT FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020



Investments Measured at Fair Value
Investments by Fair Value Level

	Fair Value Measurements Using 6/30/2020 (value before accruals)			
	Total Investments	Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities				
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-Back	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	-
Preferred Stock Securities				
Consumer Discretionary	187,359	187,359	-	-
Financials	276,114	276,114	-	-
Total Preferred Stock Securities	463,473	463,473	-	-
Equity Securities				
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	-	-
Derivatives				
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	\$ -
Investments Measured at amortized cost				
Money Market Fund	82,350,386			
Investments Measured at the Net Asset Value (NAV)				
Real Estate (private)	191,394,784			
Total Investments	\$ 2,408,053,809			

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 2021:

Investments Measured at the NAV 6/30/2021				
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
<i>Real Estate Funds</i>				
UBS TPI	\$ 98,485,369	-	Quarterly	60 Days
DB RAR II	103,910,932	47,167,854	Quarterly	45 days
Total Investments measured at the NAV	<u>\$ 202,396,301</u>			

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	99,067,100	-	Quarterly	45 days
Total Investments measured at the NAV	<u>\$ 191,394,784</u>			

NOTE 14 - 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 2022.

	FY 2022
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
Total	\$ 88,076,500

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 2022, the EFIB authorized a regular distribution of \$1,637,400 based on approximately 5% of the Capitol Permanent Fund balance.

NOTE 15 - SUBSEQUENT EVENTS

On August 17, 2021, the Board of Land Commissioners approved beneficiary distributions for fiscal year 2023. Fiscal year 2023 beneficiary distributions have not yet been appropriated by the legislature and will be considered by the legislature in its 2022 session.

	<i>Distributions Proposed</i>
<u>Beneficiaries</u>	<u>FY 2023</u>
Public School	\$ 61,532,200
Agricultural College	1,927,500
Charitable Institutions	7,008,000
Normal School	6,568,700
Penitentiary	3,139,600
School of Science	6,672,700
State Hospital South	7,586,400
University of Idaho	5,879,900
Total	\$ 100,315,000

On July 20, 2021, the Board of Land Commissioners approved a transfer of \$4,021,508 from the Land Bank, which represents the total interest that must be transferred to comply with statute. On August 17, 2021, the Board of Land Commissioners also approved a \$486,409,000 transfer from Earnings Reserve Funds into Permanent Funds, effective September 1, 2021.



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 governmental activities and general fund 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, 2021 and 2020, 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, 2021.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

CliftonLarsonAllen LLP

Boise, Idaho
August 18, 2021



Supplementary Schedules

STATE OF IDAHO ENDOWMENT FUND
SUPPLEMENTARY SCHEDULE OF STATEMENT OF NET POSITION BY ENDOWMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021



	Public School	Agricultural College	Charitable Institutions	Normal School
PERMANENT NET POSITION				
Permanent Net Position, beginning of year	\$ 1,124,833,127	\$ 32,832,571	\$ 125,271,671	\$ 115,199,821
Program Revenues:				
Receipts from Dept. of Lands	10,264,378	3,914	47,525	12,677,693
Income from Investments	25,890,301	755,708	2,883,379	2,651,556
Total Program Revenue	36,154,680	759,622	2,930,904	15,329,249
Transfer to Earnings Reserve	-	-	-	-
Transfer from Earnings Reserve	11,551,000	3,005,000	2,827,000	1,000
Increase in Net Position	47,705,680	3,764,622	5,757,904	15,330,249
Permanent Net Position, end of year	1,172,538,806	36,597,193	131,029,575	130,530,070
EARNINGS RESERVE NET POSITION				
Earnings Reserve Net Position, beginning of year	340,339,241	14,624,757	46,079,826	38,414,004
Program Revenues:				
Receipts from Dept. of Lands	50,180,207	1,568,063	4,623,857	4,078,958
Income from Investments	408,086,906	13,309,641	47,451,632	45,878,177
Total Program Revenues	458,267,113	14,877,704	52,075,488	49,957,135
Program Expenses:				
Distribution for Expenses-Lands	19,266,537	331,038	1,411,975	1,346,688
Distribution for Expenses-EFIB	7,373,660	237,780	854,738	774,946
Distributions to Beneficiaries	52,586,400	1,551,600	5,991,600	5,334,000
Total Program Expenses	79,226,597	2,120,418	8,258,313	7,455,634
Net Program Revenue	379,040,516	12,757,286	43,817,175	42,501,501
Transfer to Permanent Fund	(11,551,000)	(3,005,000)	(2,827,000)	(1,000)
Transfer from Permanent Fund	-	-	-	-
Increase/(Decrease) in Net Position	367,489,516	9,752,286	40,990,175	42,500,501
Earnings Reserve Net Position, end of year	707,828,757	24,377,043	87,070,001	80,914,505
TOTAL NET POSITION	\$ 1,880,367,563	\$ 60,974,236	\$ 218,099,576	\$ 211,444,575

STATE OF IDAHO ENDOWMENT FUND
SUPPLEMENTARY SCHEDULE OF STATEMENT OF NET POSITION BY ENDOWMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021



Penitentiary	School of Science	State Hospital South	University of Idaho	Capitol	Total
\$ 55,636,442	\$ 119,882,355	\$ 94,508,877	\$ 104,759,964	\$ 34,026,440	\$ 1,806,951,268
7,601	54,591	11,119,521	13,666	212,166	34,401,055
1,280,585	2,759,334	2,175,312	2,411,282	9,796,613	50,604,070
1,288,186	2,813,925	13,294,833	2,424,948	10,008,779	85,005,125
-	-	-	-	(1,561,900)	(1,561,900)
3,000	3,000	2,000	1,293,000	-	18,685,000
1,291,186	2,816,925	13,296,833	3,717,948	8,446,879	102,128,225
56,927,628	122,699,280	107,805,710	108,477,912	42,473,319	1,909,079,493
18,829,349	40,151,063	44,977,025	37,006,577	8,909,285	589,331,126
5,965,711	8,393,196	4,680,509	6,844,852	136,502	86,471,855
21,720,895	45,419,181	41,618,983	40,150,650	2,367,251	666,003,316
27,686,606	53,812,378	46,299,492	46,995,502	2,503,753	752,475,171
675,591	1,352,070	1,331,034	1,018,602	162,013	26,895,548
379,504	804,056	705,435	710,548	213,115	12,053,782
2,500,800	5,420,400	6,369,600	4,766,400	2,450,000	86,970,800
3,555,895	7,576,526	8,406,069	6,495,550	2,825,128	125,920,130
24,130,712	46,235,851	37,893,423	40,499,952	(321,375)	626,555,041
(3,000)	(3,000)	(2,000)	(1,293,000)	-	(18,685,000)
-	-	-	-	1,561,900	1,561,900
24,127,712	46,232,851	37,891,423	39,206,952	1,240,525	609,431,941
42,957,060	86,383,914	82,868,448	76,213,528	10,149,810	1,198,763,067
\$ 99,884,688	\$ 209,083,195	\$ 190,674,158	\$ 184,691,440	\$ 52,623,129	\$ 3,107,842,560

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
PERMANENT NET POSITION				
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
EARNINGS RESERVE NET POSITION				
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
TOTAL NET POSITION	\$ 1,465,172,367	\$ 47,457,327	\$ 171,351,497	\$ 153,613,825

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 FUNDS
SCHEDULE OF THE GAIN BENCHMARK
FOR THE FISCAL YEAR ENDED JUNE 30, 2021



<i>Endowment</i>	<i>Fiscal Year</i>	<i>Beginning Benchmark</i>	<i>Deposits</i>	<i>Reinvested Income</i>	<i>Inflation Impact</i>	<i>Ending Benchmark</i>
Public School	2001-2020	555,954,750	66,678,816	196,326,000	305,873,561	1,124,833,127
	2021	1,124,833,127	10,264,378	11,551,000	25,890,301	1,172,538,806
Agricultural College	2001-2020	14,787,041	58,187	9,638,000	8,349,343	32,832,571
	2021	32,832,571	3,914	3,005,000	755,708	36,597,193
Charitable Institutions	2001-2020	54,513,960	349,859	39,307,000	31,100,852	125,271,671
	2021	125,271,671	47,524	2,827,000	2,883,380	131,029,575
Normal School	2001-2020	47,258,942	12,132,802	28,655,000	27,153,077	115,199,821
	2021	115,199,821	12,677,693	1,000	2,651,556	130,530,070
Penitentiary	2001-2020	18,258,289	26,987	26,200,000	11,151,166	55,636,442
	2021	55,636,442	7,601	3,000	1,280,585	56,927,628
School of Science	2001-2020	54,836,451	363,956	34,729,000	29,952,948	119,882,355
	2021	119,882,355	54,591	3,000	2,759,334	122,699,280
State Hospital South	2001-2020	23,442,162	16,412,713	37,195,000	17,459,002	94,508,877
	2021	94,508,877	11,119,521	2,000	2,175,312	107,805,710
University	2001-2020	42,442,536	283,355	37,877,000	24,157,093	104,759,984
	2021	104,759,984	13,666	1,293,000	2,411,262	108,477,912

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