



Financial Statements  
June 30, 2021 and 2020

University of Idaho Foundation, Inc.

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## Independent Auditor's Report

To the Board of Directors  
University of Idaho Foundation, Inc.  
Moscow, Idaho

### Report on the Financial Statements

We have audited the accompanying financial statements of the University of Idaho Foundation, Inc. (the Foundation), a component unit of the University 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 Foundation's 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.

### Auditor's Responsibility

Our responsibility is to express an opinion 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 auditor's 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 Foundation'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 Foundation'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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Idaho Foundation, Inc., as of June 30, 2021 and 2020, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2021, on our consideration of the Foundation's 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 results of that testing, and not to provide an opinion on the effectiveness of the Foundation's 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 the Foundation's internal control over financial reporting and compliance.



Boise, Idaho  
October 4, 2021

The mission of the University of Idaho Foundation, Inc. (the Foundation) is to inspire, manage, and distribute private support to enhance the excellence of the University of Idaho (the University). Established in 1970, the Foundation is a Section 501(c)(3) organization.

A Board of Directors comprised of up to 25 members governs and conducts the business of the Foundation, meeting three to four times each fiscal year. The officers of the Foundation are Chairman, Vice-Chairman, Treasurer, Secretary, and Past Chairman. Committees include: Executive Committee, Committee on Directors, Operations Committee, Investment Committee, Audit Committee, Gift Acceptance Committee, and other committees appointed by the Chairman as necessary to carry out the business of the Foundation.

Located in Moscow, the Foundation professional staff work collaboratively with the Board, donors, their advisors, and University development team. Foundation business is conducted via regular meetings of the Board of Directors and its Executive Committee as well as through ongoing communications with committees and staff. Members of the Foundation's Board of Directors provide strong leadership and expertise in a variety of areas relative to its mission. In addition, directors also advise University leadership as requested, advocate for higher education, serve on various college advisory committees, and personally provide major private funding support for the University.

The Foundation strategically partners with the leadership team at the University of Idaho including the President, Vice President of University Advancement, and the Vice President for Finance.

## **Overview**

The Management's Discussion and Analysis is designed to provide an easily readable analysis of the Foundation's financial condition, results of operations, and cash flows based on facts, decisions, and conditions known at the date of the auditor's report. This discussion includes a comparative analysis of financial data.

The financial statements are prepared in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis—for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. There are three financial statements presented: the statements of net position; the statements of revenues, expenses, and changes in net position; and the statements of cash flows. They are prepared using the accrual basis of accounting.

## **Reporting Entity**

The Foundation is a nonprofit corporation whose purpose is to enhance the excellence of the University. Accordingly, the Foundation is included in the University's financial statements as a discretely presented component unit. Transactions with the University relate primarily to the disbursement of gift funds.

## Statements of Net Position

The statements of net position outline the Foundation's financial condition at fiscal year-end. The Foundation operates on a fiscal year which begins July 1 and ends June 30. These statements reflect the various assets, liabilities, and net position of the Foundation as of the fiscal years ended June 30, 2021 and 2020.

From the data presented, readers of the statements of net position have the information to determine the assets available to continue the operations of the Foundation. They are also able to determine how much the Foundation owes vendors and trust beneficiaries.

Finally, the statements of net position provide a snapshot of the net position (assets minus liabilities and deferred inflows) and availability for expenditure by the Foundation.

The statements of net position are presented in a classified format, which differentiates between current and noncurrent assets and liabilities, and also categorizes net position into three categories:

- Restricted Nonexpendable—Net position subject to donor stipulations that must be maintained permanently by the Foundation.
- Restricted Expendable—Net position subject to donor stipulations that will be transferred to the University for direct use by a designated program.
- Unrestricted—Net position not subject to donor stipulations which may be expended for any lawful purpose of the Foundation.

The corpus of restricted nonexpendable resources as it pertains to endowments is available only for investment purposes. The Consolidated Investment Trust (CIT) is a pooled endowment fund and comprises the majority of the assets of the Foundation. Donors designate income derived from these investments to fund scholarships, research, and other programs at the University of Idaho restricting the use of funds for the intended purpose. This income is included in restricted expendable net position and will be available for expenditure by the University for purposes as determined by donors.

Condensed Statements of Net Position  
As of June 30, 2021, 2020, and 2019

	2021	2020	Change 2020 to 2021	2019	Change 2019 to 2020
<b>Assets</b>					
Current assets	\$ 49,748,913	\$ 35,616,210	\$ 14,132,703	\$ 40,367,362	\$ (4,751,152)
Real estate holdings	4,959,630	5,166,957	(207,327)	4,865,957	301,000
Noncurrent investments	363,529,092	301,684,058	61,845,034	300,361,894	1,322,164
Other assets	43,158,966	19,796,056	23,362,910	17,818,171	1,977,885
<b>Total Assets</b>	<b>461,396,601</b>	<b>362,263,281</b>	<b>99,133,320</b>	<b>363,413,384</b>	<b>(1,150,103)</b>
<b>Liabilities</b>					
Current liabilities	19,262,290	14,155,232	5,107,058	22,316,606	(8,161,374)
Noncurrent liabilities	7,215,580	13,308,972	(6,093,392)	7,186,343	6,122,629
<b>Total Liabilities</b>	<b>26,477,870</b>	<b>27,464,204</b>	<b>(986,334)</b>	<b>29,502,949</b>	<b>(2,038,745)</b>
<b>Deferred Inflows</b>					
Split interest trusts	5,629,838	3,857,664	1,772,174	5,283,184	(1,425,520)
<b>Total Deferred Inflows</b>	<b>5,629,838</b>	<b>3,857,664</b>	<b>1,772,174</b>	<b>5,283,184</b>	<b>(1,425,520)</b>
<b>Net Position</b>					
Restricted - nonexpendable	269,873,045	256,117,549	13,755,496	246,202,912	9,914,637
Restricted - expendable	150,517,165	67,708,084	82,809,081	74,672,796	(6,964,712)
Unrestricted	8,898,683	7,115,780	1,782,903	7,751,543	(635,763)
<b>Total Net Position</b>	<b>\$429,288,893</b>	<b>\$330,941,413</b>	<b>\$ 98,347,480</b>	<b>\$ 328,627,251</b>	<b>\$ 2,314,162</b>

During fiscal year 2021, the total net position of the Foundation increased by \$98.3 million. Restricted nonexpendable net position increased by \$13.8 million, restricted expendable net position increased by \$82.8 million, and unrestricted net position increased by \$1.8 million.

The \$13.8 million fiscal year 2021 increase in restricted nonexpendable net position is the result of strong giving to endowment funds. In fiscal year 2020, restricted nonexpendable net position increased \$9.9 million.

The \$82.8 million increase in restricted expendable net position during fiscal year 2021 is primarily driven by the increase in fair market value of investments and an exceptional year of giving. Whereas in fiscal year 2020, restricted expendable funds decreased by \$7 million driven by the overall investment market performance.

Unrestricted net position increased \$1.8 million in fiscal year 2021 and decreased \$0.6 million in 2020, both due to changes in unrestricted investment earnings.

Total assets of the Foundation for the fiscal year ended June 30, 2021, were \$461 million, an increase of \$99.1 million since the fiscal year ended June 30, 2020. The net increase in assets primarily results from the increase in the fair market value of the pooled endowment fund, known as the CIT. The net asset value of the CIT after distributions and gifts increased \$87.3 million in fiscal year 2021 and decreased by \$3.4 million in fiscal year 2020. The asset value changes are largely due to the market fluctuations in the general worldwide investment markets, the asset allocation of the CIT, and the spending distributions to the University that exceeded current year performance because of the spending rate applied to the 36-month rolling average market value to compute distributions. The CIT had a preliminary return of 29%. The final return will not be available until private equity funds report in October 2021. In fiscal year 2020, the CIT had a preliminary return of -0.4% which increased to a final return of 0.4%. The Foundation is committed to the long-term focus of the endowment portfolio and the diversity of the asset allocation.

During fiscal year 2021, cash increased by \$39 million from giving, investment distributions, and investment allocation decisions in the pooled endowment fund and cash management fund. The investment committee is reviewing the cash allocation. Because a portion of cash is restricted, it is reflected in the noncurrent assets. The categorization of current or non-current assets depends largely on the underlying investment allocation decisions in the CIT and cash management fund.

Total liabilities of the Foundation for the fiscal year ended June 30, 2021, were \$26.5 million, as compared to \$27.5 in the prior year. The decrease is due to recognizing \$1 million of unearned gift revenue. Endowment earnings payable to the University increased by \$0.7 million which offset the \$0.4 million decrease in the split-interest trust liability and the \$0.3 decrease in other payables.

**Statements of Revenues, Expenses, and Changes in Net Position**

Changes in total net position, as presented on the statements of net position, are based on the activity presented in the statements of revenues, expenses, and changes in net position. The purpose of the statements is to present the revenues received by the Foundation, both operating and nonoperating, and the expenses paid by the Foundation.

The main purpose of the Foundation is the stewardship of the endowment and to support the University by accepting, managing, and distributing gifts. Gift and investment income comprise the majority of the revenue received in a given year and are both included in the summary chart as operating revenues. Likewise, the primary use of such funds is to distribute them to the University. The Foundation also receives operating revenues for providing services to constituents of the institution and incurs expenses to provide such services. Operating expenses include expenses paid to acquire or produce the goods and services provided in return for the operating revenues.

Condensed Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended June 30, 2021, 2020, and 2019

	2021	2020	Change 2020 to 2021	2019	Change 2019 to 2020
Operating revenues	\$ 123,898,430	\$ 28,431,744	\$ 95,466,686	\$ 39,493,060	\$ (11,061,316)
Operating expenses	25,550,950	26,117,582	(566,632)	25,267,804	849,778
Operating income (loss)	98,347,480	2,314,162	96,033,318	14,225,256	(11,911,094)
Change in Financial Position	98,347,480	2,314,162	96,033,318	14,225,256	(11,911,094)
Net Position, Beginning of Year	330,941,413	328,627,251	2,314,162	314,401,995	14,225,256
Net Position, End of Year	<u>\$ 429,288,893</u>	<u>\$ 330,941,413</u>	<u>\$ 98,347,480</u>	<u>\$ 328,627,251</u>	<u>\$ 2,314,162</u>

The net position increased \$98 million during fiscal year 2021. The change in fair value of investments was \$83.4 million in fiscal year 2021, which was \$87.3 million more than the change in fair value in fiscal year 2020. This increase in the fair market value combined with the increased giving of \$9 million and decreased (interest and dividends) investment revenue of \$0.8 million resulted in a net increase of \$95 million in revenues as compared to the prior year. Fair market value increases are the result of overall market performance including the exceptionally strong equity markets during the fiscal year.

For fiscal year 2021, overall expenses decreased by \$0.6 million driven by the amounts paid to the University. Current gift amounts paid to the University decreased by \$1.7 million because of timing related to the use of funds by the University for a large capital project while the endowment distribution increased by \$0.7 million. Administrative expenses increased by \$0.4 million attributable to investment manager fees rising with the investment value. These fees were almost offset with the decrease of other costs because of cancelled activities during COVID. The Foundation strives to keep administration expenses as low as possible while providing excellent service to its donors and the University.

For fiscal year 2021, the Foundation distributed a total of \$22.4 million to the University comprised of \$12.5 million from the CIT and \$9.9 million from outright gifts. For fiscal year 2020, the Foundation distributed a total of \$23.4 million comprised of \$11.8 million from the CIT and \$11.6 million from outright gifts. These distributions support scholarships, faculty, program operations, and projects at the University. The CIT used a spending rate of 4.3% for both years using a 36-month rolling average fair market value.

The Foundation is very proud of the opportunity and resources the CIT endowment earnings provide the University and considers the stewardship of the CIT endowment pool a primary objective. The Foundation distributed \$224 million from endowment earnings to fund scholarships and programs for the University since the establishment of the CIT in 1959, including \$180 million since 2000.

### **Economic Outlook**

Through its professional staff and the volunteer leadership of its Board of Directors, the Foundation strives to ensure that the University continues to provide excellence in education and research on a state, national, and global level.

The Foundation directors and staff take seriously their mission to inspire, manage, and distribute private support to enhance the excellence of the University. With total assets of over \$461 million, the University of Idaho Foundation is the largest public foundation in the State. As the University embarks on a major fundraising campaign, the Foundation will continue to support the University to ensure the margin of excellence for the outstanding students, faculty, and programs at the University.

For further information, please refer to the financial statements and corresponding footnotes.

University of Idaho Foundation, Inc.

Statements of Net Position

June 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 20,476,374	\$ 4,859,170
Accrued interest and other receivables	441,867	310,131
Promises to give, net	2,878,677	1,732,393
Investments	25,951,995	28,714,516
Total current assets	<u>49,748,913</u>	<u>35,616,210</u>
Noncurrent Assets		
Restricted cash and cash equivalents	36,976,504	13,625,510
Promises to give, net	5,641,903	5,812,426
Investments	363,529,092	301,684,058
Real estate holdings	4,959,630	5,166,957
Other assets	540,559	358,120
Total noncurrent assets	<u>411,647,688</u>	<u>326,647,071</u>
	<u>\$ 461,396,601</u>	<u>\$ 362,263,281</u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 211,747	\$ 537,973
Other funds due to University of Idaho	5,695,667	-
Liability for split interest trusts	860,055	866,083
Unearned revenue	-	1,000,000
Endowment earnings payable to trust beneficiaries	12,494,821	11,751,176
Total current liabilities	<u>19,262,290</u>	<u>14,155,232</u>
Noncurrent Liabilities		
Other funds due to University of Idaho	-	5,695,667
Liability for split interest trusts	7,215,580	7,613,305
Total noncurrent liabilities	<u>7,215,580</u>	<u>13,308,972</u>
Total liabilities	<u>26,477,870</u>	<u>27,464,204</u>
Deferred Inflows		
Split interest trusts	5,629,838	3,857,664
Total deferred inflows	<u>5,629,838</u>	<u>3,857,664</u>
Net Position		
Restricted - nonexpendable	269,873,045	256,117,549
Restricted - expendable	150,517,165	67,708,084
Unrestricted	8,898,683	7,115,780
Total net position	<u>429,288,893</u>	<u>330,941,413</u>
	<u>\$ 461,396,601</u>	<u>\$ 362,263,281</u>

University of Idaho Foundation, Inc.  
 Statements of Revenues, Expenses, and Changes in Net Position  
 Years Ended June 30, 2021 and 2020

	2021	2020
Operating Revenues		
Gifts	\$ 34,046,108	\$ 25,046,410
Dividends	5,178,396	5,282,475
Interest	695,954	1,191,579
Change in fair value of investments	83,449,242	(3,882,972)
Gain (loss) on sale of real estate holdings	(17,000)	397,500
Lease and rental income	127,175	101,266
Other	418,555	295,486
Total operating revenues	123,898,430	28,431,744
Operating Expenses		
Distribution of endowment income to trust beneficiaries	12,494,821	11,751,176
Distribution to University and affiliates	9,881,447	11,577,585
Administrative expense	2,948,283	2,552,649
Property management	57,744	19,156
Other	168,655	217,016
Total operating expenses	25,550,950	26,117,582
Operating Income	98,347,480	2,314,162
Change in Net Position	98,347,480	2,314,162
Net Position, Beginning of Year	330,941,413	328,627,251
Net Position, End of Year	\$ 429,288,893	\$ 330,941,413

University of Idaho Foundation, Inc.

Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Activities		
Donations received	\$ 27,529,309	\$ 19,947,703
Investment income	6,212,568	6,910,189
Cash received from lease and rental income	127,175	101,266
Split interest trust obligations	(29,376)	9,387
Real estate contracts	-	24,915
Net distributions for the benefit of trust beneficiaries	(11,751,176)	(11,312,048)
Funds held for the University of Idaho	-	(4,304,333)
Distributions for the benefit of University of Idaho	(10,398,367)	(12,238,474)
Administrative and management fees	(3,296,435)	(2,257,350)
Proceeds from sales of real estate holdings	1,710,912	101,165
Proceeds from sales and maturities of investments	167,159,514	83,191,475
Purchase of investments and related fees	(137,288,643)	(91,306,534)
Other receipts	(7,283)	32,697
Unearned revenue	(1,000,000)	1,000,000
	<u>38,968,198</u>	<u>(10,099,942)</u>
Net Cash from (used for) Operating Activities		
	38,968,198	(10,099,942)
Net Change in Cash and Cash Equivalents		
	<u>18,484,680</u>	<u>28,584,622</u>
Cash and Cash Equivalents, Beginning of Year		
	<u>\$ 57,452,878</u>	<u>\$ 18,484,680</u>
Cash and Cash Equivalents, End of Year		

University of Idaho Foundation, Inc.

Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of Operating Income to Net		
Cash and Cash Equivalents from (used for) Operating Activities		
Operating income	\$ 98,347,480	\$ 2,314,162
Adjustments to reconcile operating income to net cash from (used for) operating activities		
Capital contributions	(5,338,221)	(2,251,441)
Uncollectible expense	170,522	217,016
Unrealized (gain) on real estate holdings	(1,554,673)	(397,500)
Proceeds from sales of real estate holdings	1,710,912	101,165
Proceeds from sales and maturities of investments	167,159,514	83,191,475
Purchase of investments and related fees	(137,288,643)	(91,306,534)
Change in fair value of investments	(83,564,073)	4,539,380
Changes in assets and liabilities		
Accrued interest and other receivables	(131,736)	(33,369)
Promises to give	(1,146,284)	(2,989,173)
Other assets	(182,439)	(20,858)
Liability for split interest trusts	(403,754)	492,037
Accounts payable	(326,226)	334,423
Endowment earnings payable to trust beneficiaries	743,644	439,128
Funds held in trust for University of Idaho	-	(4,304,333)
Deferred inflow split interest trust	1,772,175	(1,425,520)
Unearned revenue	(1,000,000)	1,000,000
Net Cash from (used for) Operating Activities	<u>\$ 38,968,198</u>	<u>\$ (10,099,942)</u>
Non-Cash Activities		
Noncash gifts	<u>\$ 5,338,221</u>	<u>\$ 2,251,441</u>

**Note 1 - Organization and Summary of Significant Accounting Policies**

The University of Idaho Foundation, Inc., (the Foundation) is a nonprofit corporation whose objective is to facilitate the acceptance and management of gifts for the benefit of the University of Idaho (the University). In this capacity, the Foundation is considered to be a discrete component unit of the University. Accordingly, the Foundation is included in the University's financial statements as a discretely presented component unit. Transactions with the University relate primarily to the disbursement of gift funds.

Included within the Foundation is the Consolidated Investment Trust (CIT), which is a pooled investment fund for endowment assets having a market value of \$372.9 million and \$285.6 million at June 30, 2021 and 2020, respectively. The significant accounting policies followed by the Foundation are described below to enhance the usefulness of the financial statements to the reader.

**Basis of Accounting**

The Foundation uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. The statements of net position and the statements of revenues, expenses, and changes in net position display information about the Foundation. These statements include the financial activity of the overall reporting entity.

The statements of revenues, expenses, and changes in net position are statements of financial activities related to the current reporting period.

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds have been combined to report by classification and only the net position is shown.

Restricted resources may only be utilized in accordance with the purposes established by the source of such resources and are in contrast with unrestricted resources over which the Directors of the Foundation retain full control to use in fulfilling the Foundation's objectives.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net position and disclosures regarding contingent assets and liabilities. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

Cash and cash equivalents include cash in banks and temporary investments with an original maturity of three months or less at the date of acquisition. For cash flow purposes, the cash balance includes both restricted and unrestricted cash and cash equivalents.

### **Promises to Give**

The Foundation reports promises to give made by donors that are measurable, verifiable, unconditional, and are probable of collection. Promises to give are recorded net of estimated uncollectible amounts.

### **Investments**

The Foundation accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and GASB Statement No. 72, *Fair Value Measurement and Application*. Changes in unrealized gains or losses on the carrying value of investments are reported as a component of the change in fair value of investments in the statements of revenues, expenses, and changes in net position.

Current investments are comprised of the investment balances that are not restricted for endowments. This category excludes debt securities.

### **Restricted Cash and Cash Equivalents and Investments**

Cash and cash equivalents and investments that are restricted in accordance with donor stipulations for endowments are classified as noncurrent assets in the statements of net position.

### **Real Estate Holdings**

Investments in real estate are stated at cost, which approximates fair value, when purchased or constructed, or if acquired by gift, at the estimated fair value at the date of the gift. Cost includes expenditures for major improvements and the net amount of interest cost associated with significant capital additions. Gains and losses from sales are included in income as they occur. Routine repairs and maintenance are charged to operating expense in the period in which the expense was incurred.

### **Split-Interest Agreements**

The Foundation applies GASB Statement No. 81, *Irrevocable Split-Interest Agreements* to account for irrevocable charitable remainder trusts and charitable gift annuity agreements. Assets, liabilities, and deferred inflows related to split-interest agreements for which the Foundation is the trustee and is the designated remainderman for the trusts' assets are included in the accompanying statements of net position. Trust assets are recorded at fair value and a liability is recorded for the present value of estimated distributions to the beneficiaries. The liability is calculated using life expectancy tables and discount rates published by the Internal Revenue Service. The deferred inflows represents resources pursuant to an irrevocable split-interest agreement. These resources will be recognized as gift revenue upon the termination of the agreements.

### Deferred Inflows

Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until termination. The Foundation's unavailable revenues from split-interest agreements are reported as deferred inflows of resources on the Statements of Net Position.

### Net Position

The Foundation applies GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, as amended, which establishes standards for external reporting for government entities and requires that resources are classified for accounting and reporting purposes into the following three net position categories:

Restricted Nonexpendable—Net position that is subject to donor stipulations that must be maintained permanently by the Foundation.

Restricted Expendable—Net position that is subject to donor stipulations that will be transferred to the University for direct use by a designated program.

Unrestricted—Net position that is not subject to donor stipulations, which may be expended for any lawful purpose of the Foundation.

### Revenue Recognition

All income, gains and losses arising from the sale, collection or disposition of investments and other noncash assets are accounted for in the fund owning such assets.

Noncash tangible assets, other than marketable securities, contributed to the Foundation are recorded on the date legal title passes at the appraised value; which is considered the acquisition value, when it is provided by an independent third party acceptable to Foundation management. If no such independent third party appraisal is available, the asset is recorded at an objective, verifiable basis which is, in the judgment of Foundation management, a fair value to the Foundation for its purposes. Marketable securities contributed to the Foundation are recorded at fair value as of the date of the gift. In-kind contributions of labor and services are not recorded.

### Income Taxes

The Foundation is a tax-exempt organization under Section 501(c)(3) and, as such, is subject to federal income tax only on net unrelated business income.

**Note 2 - Cash and Cash Equivalents**

The Foundation accounts for its cash on a pooled basis whereby each fund has a positive or negative equity in cash depending upon the net effect of its cash receipts and disbursements activity.

Cash and cash equivalents are deposited with various financial institutions. Custodial credit risk on deposits is the risk that in the event of a bank failure of a depository financial institution, the Foundation may not be able to recover its deposits or may not be able to recover collateral securities that are in possession of an outside party. Deposits for the years ended June 30, 2021 and 2020, that are uninsured and uncollateralized are as follows:

	2021	2020
Uninsured and uncollateralized	\$ 780,431	\$ 195,079

**Note 3 - Promises to Give**

For the fiscal years ended June 30, 2021 and 2020, the Foundation recorded \$3,373,099 and \$4,340,330, respectively, of new pledged gift revenue in the form of unconditional promises to give. An uncollectible promises to give expense in the amount of \$168,655 and \$217,016 was recorded for fiscal years ended June 30, 2021 and 2020, respectively.

The estimated collection of these gifts as of June 30, 2021 is as follows:

One year or less	\$ 3,045,163
2023	2,032,902
2024	1,666,485
2025	950,217
2026	432,596
2027-2030	886,000
	<u>9,013,363</u>
Less allowance for promises to give	<u>(492,783)</u>
Unconditional promises to give, end of year	<u>\$ 8,520,580</u>

At the end of fiscal year 2021, the Foundation had unconditional promises to give from five specific donors that accounted for 38% of the total promises to give balance. At the end of fiscal year 2020, the Foundation had unconditional promises to give from three specific donors that accounted for 41% of the total promises to give balance. Outstanding promises to give from board members, which may include members on the audit committee, at June 30, 2021 and 2020, totaled \$86,000 and \$180,000, respectively.

**Note 4 - Investments**

Investments represent the largest asset of the Foundation making up 85% and 91% of the total assets at June 30, 2021 and 2020, respectively. Of those investments, 84% and 83% are endowed and therefore held by the Consolidated Investment Trust (CIT) which was established by the Regents of the University of Idaho in 1959 to pool the endowment funds.

Certain assets and liabilities are reported at fair value in the Foundation financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of the Foundation's investment assets are classified within Level 1 because they are comprised of open-ended mutual funds and stocks with readily determinable fair values based on daily redemption values. The Foundation invests in debt securities, which are traded in the financial markets. The U.S. Government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions. Debt securities and U.S. Government obligations are classified within Level 2. There are no investments within Level 3.

The Foundation's commingled debt funds are held in an investment trust with the objective to outperform the Barclays U.S. Government/Credit Index. The trust may invest in out-of-benchmark securities in order to provide value and diversification. The CIT's commingled international equity funds are held in an investment trust which invests in global markets excluding the U.S. The trust is not index oriented and is designed to protect in down markets. The fair values of these funds have been determined using the net asset value (NAV) per share.

The Foundation's private equity limited partnerships are invested in real estate, venture funds and international funds. The fair values have been determined using the NAV per share. The fair values of the private equity limited partnerships have no readily ascertainable market prices. Similar to real estate, costs closely approximate fair value of recent acquisitions. Therefore, the fair values of private equity limited partnership investments are based on the valuations as presented in the fund's December 31st audited financial statements and adjusted for any cash calls and distributions through June 30th. Generally, the companies within a fund are valued by the general partner, taking into account many factors such as the purchase price, estimated liquidation value, significant events like initial public offerings, bankruptcies, and additional rounds of financing, and other relevant factors. The fair value may differ significantly from the values that would have been used had a ready market for the investments existed. Although these differences could be material to the individual Foundation values, private equity only represents 10.05% of total investments as of June 30, 2021 and 2020, respectively.

Investments in certain entities that calculate NAV per share are as follows:

	<u>Number of Investments</u>	<u>Principal Valuation Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<u>As of June 30, 2021</u>					
Commingled funds					
Debt funds	1	\$ 25,380,496	\$ -	Daily	None
International equity	1	18,175,863	-	Monthly	15 days
Private equity funds	20	48,617,712	28,312,988	Illiquid	N/A
Total		<u>\$ 92,174,071</u>	<u>\$ 28,312,988</u>		
<u>As of June 30, 2020</u>					
Commingled funds					
Debt funds	1	\$ 23,490,153	\$ -	Daily	None
International equity	1	13,486,721	-	Monthly	15 days
Private equity funds	19	33,192,672	32,051,211	Illiquid	N/A
Total		<u>\$ 70,169,546</u>	<u>\$ 32,051,211</u>		

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

University of Idaho Foundation, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

At June 30, 2021, the fair value of restricted and unrestricted investments was \$379,554,443 and \$9,926,644, respectively. At June 30, 2020, the fair value of restricted and unrestricted investments was \$320,350,485 and \$10,048,089, respectively.

The following table represents the fair value of investments by type at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
U.S. government agency obligations	\$ 7,712,005	\$ 4,166,115
Corporate debt	22,521,923	32,261,896
Foreign governments	253,993	
U.S. treasuries	5,064,845	7,651,528
Common stock	78,552,968	57,002,739
Mutual funds		
U.S. equity	54,795,990	55,846,092
Debt	35,655,228	25,778,476
International/Emerging markets	61,710,530	46,352,820
Inflation protected	15,981,770	15,593,162
U.S. treasury	15,042,848	15,558,220
Commingled funds	43,556,359	36,976,874
Private equity	48,617,712	33,192,672
Preferred stock	14,916	17,980
	<u>\$ 389,481,087</u>	<u>\$ 330,398,574</u>

The related fair values of assets not valued at NAV are determined as follows:

	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
As of June 30, 2021			
Equity investments			
Common stock	\$ 78,552,968	\$ -	\$ -
Preferred stock	14,917	-	-
Mutual funds	116,506,520	-	-
Fixed income investments			
Corporate bonds	-	22,521,923	-
Foreign governments	-	253,992	-
U.S. government agency obligations and treasuries	-	12,776,850	-
Mutual funds	66,679,846	-	-
	<u>\$ 261,754,251</u>	<u>\$ 35,552,765</u>	<u>\$ -</u>

University of Idaho Foundation, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
As of June 30, 2020			
Equity investments			
Common stock	\$ 57,002,739	\$ -	\$ -
Preferred stock	17,980	-	-
Mutual funds	102,198,912	-	-
Fixed income investments			
Corporate bonds	-	32,261,896	-
U.S. government agency obligations and treasuries	-	11,817,643	-
Mutual funds	56,929,858	-	-
	\$ 216,149,489	\$ 44,079,539	\$ -

**Interest Rate Risk**

Interest rate risk is defined by GASB Statement No. 40 as the risk a government may face should interest rate variances affect the fair value of investments. Investments in debt securities that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. The Foundation does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of June 30, 2021, the Foundation had the following investments subject to interest rate risk:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Corporate debt	\$ 22,521,923	\$ 7,661,064	\$ 14,733,820	\$ -	\$ 127,039
U.S. government agency obligations	7,712,005	757,530	6,954,475	-	-
U.S. treasuries	5,064,845	1,505,925	3,558,920	-	-
Foreign Governments	253,993	253,993	-	-	-
	\$ 35,552,766	\$ 10,178,512	\$ 25,247,215	\$ -	\$ 127,039

As of June 30, 2020, the Foundation had the following investments subject to interest rate risk:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Corporate debt	\$ 32,261,896	\$ 13,967,582	\$ 17,190,134	\$ 258,234	\$ 845,946
U.S. government agency obligations	4,166,115	803,898	3,335,762	488	25,967
U.S. treasuries	7,651,528	4,001,980	3,649,548	-	-
	\$ 44,079,539	\$ 18,773,460	\$ 24,175,444	\$ 258,722	\$ 871,913

**Credit Risk**

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. GASB Statement No. 40 requires disclosure of credit quality ratings for investments in debt securities. The Foundation does not have a formal policy that limits its investment choices. The credit risk ratings listed below are issued upon standards set by Standard and Poor's.

At June 30, 2021, the Foundation had the following investment credit risk:

Investment Ratings	Investment Type			Total
	Foreign Governments	U.S. Government Agency Obligations	Corporate Debt	
AAA	\$ 253,993	\$ -	\$ 655,599	\$ 909,592
AA	-	7,712,005	3,394,522	11,106,527
A	-	-	12,540,668	12,540,668
BBB	-	-	5,902,467	5,902,467
B	-	-	20,211	20,211
CCC	-	-	5,493	5,493
Not Rated	-	-	2,963	2,963
	<u>\$ 253,993</u>	<u>\$ 7,712,005</u>	<u>\$ 22,521,923</u>	<u>\$ 30,487,921</u>

At June 30, 2020, the Foundation had the following investment credit risk:

Investment Ratings	Investment Type		Total
	U.S. Government Agency Obligations	Corporate Debt	
AAA	\$ -	\$ 2,018,560	\$ 2,018,560
AA	4,166,115	2,882,790	7,048,905
A	-	18,882,131	18,882,131
BBB	-	7,744,774	7,744,774
BB	-	503,617	503,617
Not Rated	-	230,024	230,024
	<u>\$ 4,166,115</u>	<u>\$ 32,261,896</u>	<u>\$ 36,428,011</u>

**Concentration of Credit Risk**

Per GASB Statement No. 40, *Concentration of Credit Risk* is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Foundation has a formal policy addressing concentration of credit risk. Investments shall be diversified with the intent to minimize the risk of large realized and unrealized losses to the invested assets. The total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holding in individual issues, corporations, or industries.

- Not more than 5% of the total equity portfolio valued at market may be invested in the common stock of any one corporation.
- Debt securities of any one issuer shall not exceed 5% of the market value of the total bond portfolio at the time of the purchase (except U.S. Treasury or other federal agencies).
- With the exception of passively managed portfolios, not more than 20% of the total portfolio may be invested in any one investment manager, fund, or pool.
- With the exception of passively managed portfolios, not more than 30% of the total portfolio may be invested with any one investment manager regardless of the number of funds with that manager.

At the end of 2021 and 2020, the Foundation was in compliance with the policy addressing concentration of credit risk.

**Custodial Credit Risk**

The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Foundation will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Foundation minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be clearly marked as to Foundation ownership and further to the extent possible, be held in the Foundation's name. At June 30, 2021 and 2020 all Foundation funds were held in the name of the counterparty for benefit of the Foundation.

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Foundation investment policy limits the exposure to foreign investment holdings in the portfolio.

The Foundation is exposed to foreign currency risk in foreign stocks that it holds as follows:

Currency Type		2021 Fair Value	2020 Fair Value
AUD	Australia	\$ 1,012,419	\$ 1,288,270
CAD	Canada	793,638	286,841
CHF	Switzerland	2,799,515	1,995,853
DKK	Denmark	1,654,061	962,994
EUR	Euro	5,913,909	5,694,987
GBP	Great Britain	2,948,398	3,143,298
HKD	Hong Kong	1,042,349	1,889,290
JPY	Japan	3,282,007	333,247
SGD	Singapore	361,938	719,061
		\$ 19,808,234	\$ 16,313,841

**Note 5 - Real Estate Holdings**

Real estate holdings consist of the following at June 30, 2021 and 2020:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Real estate holdings				
Land	\$ 5,166,957	\$ 1,571,673	\$ (1,779,000)	\$ 4,959,630
	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Real estate holdings				
Land	\$ 4,865,957	\$ 417,000	\$ (116,000)	\$ 5,166,957

**Note 6 - Distributions to University of Idaho and Affiliates**

During fiscal years 2021 and 2020, earnings from endowments invested in the CIT, direct gifts and other revenues to the Foundation were distributed as follows:

	2021		2020	
	CIT Endowment Income Distributed	Gifts and Other Revenues Distributed	CIT Endowment Income Distributed	Gifts and Other Revenues Distributed
Scholarships	\$ 7,546,526	\$ 2,110,999	\$ 7,096,291	\$ 2,074,517
Student loans	191,757	-	189,947	-
Building funds	-	1,032,377	-	4,040,610
University of Idaho College and Department Operating Accounts				
Academic Excellence	676,802	-	547,852	-
Agricultural and Life Sciences	755,170	1,408,160	671,823	1,587,656
Art and Architecture	19,624	123,392	19,359	197,381
Athletics	79,583	216,384	75,446	185,771
Business and Economics	450,475	358,484	445,251	149,103
Education	54,473	104,090	53,905	135,365
Engineering	384,991	576,619	334,486	509,623
Law	246,202	186,750	241,138	162,144
Letters, Art and Social Science	813,722	177,796	771,515	406,640
Library	221,972	3,027	213,372	2,042
Natural Resources	419,075	359,169	413,482	371,050
Science	215,529	370,854	211,440	356,945
Other departments	407,264	2,832,691	452,591	1,374,722
Life beneficiaries	11,656	-	12,863	-
University of Idaho affiliates	-	20,655	415	24,016
<b>Total Distributions</b>	<b>\$ 12,494,821</b>	<b>\$ 9,881,447</b>	<b>\$ 11,751,176</b>	<b>\$ 11,577,585</b>

**Note 7 - Split-Interest Agreements**

At June 30, 2021 and 2020, the Foundation managed 54 and 60 charitable gift arrangements of which the underlying assets had a market value of \$13,705,474 and \$12,337,052, respectively. The obligation to pay the trust beneficiaries at June 30, 2021 and 2020, was \$8,075,635 and \$8,479,388, respectively. The assets of the individual trusts are invested and are expected to generate sufficient income to pay this obligation until the termination of the individual trusts. Contributions of \$120,921 and \$92,500 were received in connection with split-interest agreements during the years ended June 30, 2021 and 2020, respectively. During the year ended June 30, 2021, six agreements with a market value of \$353,112 were terminated. During the year ended June 30, 2020, two agreements with a market value of \$158,222 were terminated.

Activity for the year ended June 30, 2021 and 2020 was as follows:

	<u>Balance June 30, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
Liability for split interest trusts	<u>\$ 8,479,388</u>	<u>\$ 64,311</u>	<u>\$ (468,064)</u>	<u>\$ 8,075,635</u>	<u>\$ 860,055</u>
	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Liability for split interest trusts	<u>\$ 7,987,351</u>	<u>\$ 544,324</u>	<u>\$ (52,287)</u>	<u>\$ 8,479,388</u>	<u>\$ 866,083</u>

**Note 8 - Endowments**

The Foundation receives certain gift assets that are restricted for endowment purposes, and by definition the original gift amount is held in perpetuity for the benefit of the University. Restriction requirements for principal preservation are addressed by Idaho statute and are applicable lacking any further guidance from the individual gift agreement. During the fiscal years ended June 30, 2021 and 2020, \$13,244,362 and \$9,188,789 were contributed to endowments, respectively.

The Foundation Board of Directors establishes a spending rate annually for endowments. The approved fiscal year 2021 and 2020 spending rate was set at 4.3% of the 3 year rolling average of the CIT's fair market value.

During the fiscal years ended June 30, 2021 and 2020, the endowments held by the Foundation had net appreciation (depreciation) on endowments of \$81,651,872 and (\$4,477,214), respectively. Unrealized appreciation is included with the "Restricted – expendable" Net Position.



**Independent Auditor's 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***

To the Board of Directors  
University of Idaho Foundation, Inc.  
Moscow, Idaho

We have audited, 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, the financial statements of the University of Idaho Foundation, Inc. (the Foundation) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated October 4, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 Foundation's 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 results of that testing, and not to provide an opinion on the effectiveness of the Foundation'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Boise, Idaho  
October 4, 2021