Consolidated Financial Statements
June 30, 2014 and 2013

Idaho State University Foundation, Inc. and Subsidiary

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Independent Auditor's Report

The Board of Directors and Management
Idaho State University Foundation, Inc. and Subsidiary
Pocatello, Idaho

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Idaho State University Foundation, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Idaho State University Foundation, Inc. and Subsidiary as of June 30, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Boise, Idaho
September 12, 2014

	2014	2013
Assets		
Cash and cash equivalents	$ 1,378,935	$ 716,215
Cash held persuant to bond requirements	501,940	568,684
Promises to give, net	4,929,525	4,320,795
Life insurance cash surrender value	74,714	60,616
Inventory	176,634	-
Pharmacy receivables, net	75,252	-
Miscellaneous receivables, net	22,262	985
Capitalized bond issuance costs, net	106,744	125,833
Property and equipment, net	143,728	-
Goodwill	199,241	-
Donated land held for sale	2,149,902	1,434,502
Investments	51,180,307	44,586,428
	$ 60,939,184	$ 51,814,058
Liabilities and Net Assets (Deficit)		
Liabilities		
Accounts payable	$ 164,597	$ 35,681
Scholarships and other payables to Idaho State University	376,383	221,782
Obligations to beneficiaries under split-interest agreements	792,775	744,490
Funds held in custody for others	29,283	53,329
Long-term debt	5,973,322	5,800,000
Total liabilities	7,336,360	6,855,282
Net Assets (Deficit)		
Unrestricted	(3,081,801)	(4,352,789)
Temporarily restricted	21,333,988	16,712,393
Permanently restricted	35,350,637	32,599,172
Total net assets	53,602,824	44,958,776
	$ 60,939,184	$ 51,814,058

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, Revenue, and Gains				
Contributions and gifts	$ 1,493,455	$ 3,382,929	$ 2,692,384	$ 7,568,768
Contributed services	722,470	-	-	722,470
Interest and dividends	152,207	349,038	-	501,245
Net realized/unrealized gain on investments	601,474	5,693,227	-	6,294,701
Fees, charges, and miscellaneous	834,409	15,690	-	850,099
Pharmacy charges	371,883	-	-	371,883
Less cost of goods sold	(278,954)	-	-	(278,954)
Net pharmacy charges	92,929	-	-	92,929
Net change in value of split-interest agreements and life insurance	-	130,264	(42,151)	88,113
Donor designated transfers	(147,515)	46,283	101,232	-
Net assets released from program restrictions	4,995,836	(4,995,836)	-	-
Total support, revenue, and gains	8,745,265	4,621,595	2,751,465	16,118,325
Expenses				
Program support to Idaho State University				
Donations/transfers	1,137,079	-	-	1,137,079
Scholarships	1,388,217	-	-	1,388,217
Athletic	1,039,725	-	-	1,039,725
Department support	1,658,316	-	-	1,658,316
Support services				
Management and general	426,940	-	-	426,940
Fundraising	1,663,687	-	-	1,663,687
Pharmacy expenses	160,313	-	-	160,313
Total expenses	7,474,277	-	-	7,474,277
Change in Net Assets	1,270,988	4,621,595	2,751,465	8,644,048
Net Assets (Deficit), Beginning of Year	(4,352,789)	16,712,393	32,599,172	44,958,776
Net Assets (Deficit), End of Year	$ (3,081,801)	$ 21,333,988	$ 35,350,637	$ 53,602,824

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, Revenue, and Gains				
Contributions and gifts	$ 1,416,376	$ 1,846,446	$ 825,405	$ 4,088,227
Contributed services	747,202	-	-	747,202
Interest and dividends	286,928	270,648	-	557,576
Net realized/unrealized gain on investments	262,905	3,164,453	-	3,427,358
Fees, charges, and miscellaneous	683,706	18,342	-	702,048
Net change in value of split-interest agreements and life insurance	-	(13,661)	37,013	23,352
Donor designated transfers	-	(37,189)	37,189	-
Net assets released from program restrictions	4,577,300	(4,577,300)	-	-
Total support, revenue, and gains	7,974,417	671,739	899,607	9,545,763
Expenses				
Program support to Idaho State University				
Donations/transfers	1,752,259	-	-	1,752,259
Scholarships	1,037,184	-	-	1,037,184
Athletic	388,971	-	-	388,971
Department support	1,960,396	-	-	1,960,396
Support services				
Management and general	387,427	-	-	387,427
Fundraising	1,498,939	-	-	1,498,939
Total expenses	7,025,176	-	-	7,025,176
Change in Net Assets	949,241	671,739	899,607	2,520,587
Net Assets (Deficit), Beginning of Year	(5,302,030)	16,040,654	31,699,565	42,438,189
Net Assets (Deficit), End of Year	$ (4,352,789)	$ 16,712,393	$ 32,599,172	$ 44,958,776

	2014	2013
Operating Activities		
Change in net assets	$ 8,644,048	$ 2,520,587
Adjustments to reconcile change in net assets to net cash used for operating activities		
Unrealized gain on investments	(6,465,014)	(4,504,429)
Realized loss (gain) on investments	4,710	(6,299)
Realized loss (gain) on sale of property held for sale and investments	(286,354)	493
Donated assets held for sale	(800,000)	-
Contributions restricted to endowment	(1,892,384)	(825,405)
Change in value of split interest agreements	(85,976)	(10,773)
Amortization and depreciation expense	28,228	19,470
Changes in assets and liabilities		
Promises to give	(590,596)	381,121
Life insurance cash surrender value	(14,097)	8,681
Inventory	(53,910)	-
Pharmacy receivables	(47,218)	-
Miscellaneous receivables	(21,277)	19,202
Accounts payable	93,916	3,398
Scholarships and other payables to Idaho State University	154,600	(98,418)
Obligations to beneficiaries	(48,284)	179,826
Funds held for others	(24,046)	(5,727)
Net Cash used for Operating Activities	(1,403,654)	(2,318,273)
Investing Activities		
Proceeds from sale of investments	70,245	85,568
Restricted cash	66,744	160,768
Purchase of investments	689,712	422,388
Property and equipment purchases	(152,867)	-
Proceeds from sale of land	370,954	106,507
Net Cash from Investing Activities	1,044,788	775,231
Financing Activities		
Proceeds from contributions restricted to endowment	1,280,996	1,125,202
Payment for Arco purchase	(40,000)	-
Payment on Pharmacy note payable	(1,678)	-
Payments to beneficiaries	(117,732)	(101,301)
Payment on bonds payable	(100,000)	(100,000)
Net Cash from Financing Activities	1,021,586	923,901
Change in Cash and Cash Equivalents	662,720	(619,141)
Cash and Cash Equivalents, Beginning of Year	716,215	1,335,356
Cash and Cash Equivalents, End of Year	$ 1,378,935	$ 716,215

	2014	2013
Supplemental Disclosures		
Cash paid for interest	$ 3,649	$ 9,782
Supplemental Disclosures of Non-cash Investing and Financing Activities		
Goodwill acquired under Arco purchase agreement	$ 199,241	$ -
Inventory acquired under Arco purchase agreement	$ 122,725	$ -
Accounts receivable acquired under Arco purchase agreement	$ 28,034	$ -
Long-term debt under Arco purchase agreement	$ 350,000	$ -

Note 1 - Foundation Operations and Significant Accounting Policies

Foundation Operations

The Idaho State University Foundation, Inc. (the Foundation) and subsidiary was established in March, 1967 to provide support for the private fundraising efforts of Idaho State University (the University) and to manage privately donated funds. The Foundation is a not-for-profit corporation incorporated in accordance with the laws of the State of Idaho and managed by a volunteer Board of Directors. Under the Idaho State Board of Education's administrative rules the Foundation must be independent of, and cannot be controlled by, the University. A memorandum of understanding between the Foundation and the University defines the relationship between the two entities in accordance with the State Board of Education's rules.

The Foundation has a subsidiary corporation called Bengal Pharmacy, LLC (the Pharmacy). The Pharmacy was formed as a limited liability company (LLC) with the Foundation as the sole member. The Pharmacy was formed to serve student, administrative and faculty being seen by the student health center and residency program, in addition to 340b patients of Health West in South East Idaho. During 2014, the Pharmacy purchased an existing pharmacy and established a tele-pharmacy in Arco, Idaho to expand operations to neighboring communities.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and the Pharmacy because the Foundation has both control and an economic interest in the Pharmacy. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as the Foundation.

Basis of Accounting

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met either by actions of the Foundation and/or the passage of time and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Foundation.

The Foundation reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Foundation. The restrictions stipulate that resources be maintained permanently but permit the Foundation to expend the income generated in accordance with the provisions of the agreements.

Use of Estimates in the Preparation of Financial Statements

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those estimates could be material. The most significant estimates used in the consolidated financial statements relate to the present value of the promises to give, the obligations under the split interest agreements, and the fair market values of certain investments.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Foundation considers all cash on deposit in demand savings and time deposits with an original maturity date of three months or less to be cash equivalents. Cash and cash equivalents held by investment managers are considered investments as the funds have been designated by the Foundation for investment purposes.

Cash Held Pursuant to Bond Requirements

Restricted cash consists primarily of assets held by the bond trustee as required by the bond agreement.

Investments

Investments in equity and debt securities that have readily determinable fair values are recorded at quoted market prices as reported by the Investment Managers/Custodians. Investment securities without quoted market prices are valued at estimated fair value using appropriate valuation methods that consider the underlying assets and financial reports. The change in fair value of the investments is reflected in the accompanying consolidated statements of activities.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near-term could materially affect account balances and the amounts reported in the accompanying consolidated financial statements.

The Foundation, through the Board of Directors, appoints an investment committee that determines investment guidelines, sets the spending rules, and engages the investment manager(s) and custodian(s). The Board of Directors oversees and approves all investment and asset allocation policies proposed by the Investment Committee.

Financial Instruments and Credit Risk

The Foundation manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Foundation’s mission. Investments are made by diversified investment managers whose performance is monitored by management and the investment committee of the Board of Directors. The Foundation investment policy states that no single major industry shall represent more than 20% of the endowment’s total market value, and no single security shall represent more than 5% of the endowment’s total market value. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Assessments

All endowment funds are charged an annual administrative fee of 1.5%. New restricted gifts are charged a start-up administration fee of 3-5% depending on size.

Promises to Give

Unconditional promises to give are recognized as an asset and contribution revenue in the period the promise is received. Fair values of new promises to give are determined using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would make in pricing the receivable. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any.

The allowance for doubtful accounts for all promises to give represents the Foundation’s best estimate of the amount of probable losses in the Foundation’s existing promises to give. The Foundation determines the allowance by performing on-going evaluations of its donors and their ability to make payments. The Foundation determines the adequacy of the allowance based upon length of time past due, historical experience and judgment of economic conditions. Account balances are charged off against the allowance after all means of collection have been exhausted and potential recovery is considered unlikely.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due to the Pharmacy. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. Allowance for accounts receivable was not material as of year-end.

Inventories

Inventory is comprised of Pharmacy merchandise held for sale. Inventories are stated at the lower of cost or market. Cost is determined on an average cost basis.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Materials and Services

Donated materials and services are reflected as contributions at their estimated fair market values at date of receipt. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, provided by an individual possessing those skills, and would typically need to be purchased if not provided by donation. The Foundation's office resides in the Idaho State University's administration building. The space is donated by Idaho State University as are the employee's services that are used to administer the Foundation. These items represent in-kind donations that are recognized as revenues with a corresponding expense.

Property and Equipment

Property and equipment additions over $1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Capitalized Bond Issuance Costs

Capitalized bond issuance costs consist of legal costs, underwriting fees, printing and other costs incurred to obtain, secure and rate the multi-mode variable rate revenue Bonds issued for the construction of the L.E. and Thelma Stephens Performing Arts Center on May 30, 2001. The issuance costs for the multi-mode variable rate bonds have an original cost of $570,000 at May 30, 2001 and are amortized over the term of the bonds using the effective interest rate method. Accumulated amortization of these bond costs at the end of June 30, 2014 and 2013 was $463,256 and $444,167, respectively.

Obligations Under Split Interest Agreements

The Foundation administers life income agreements such as charitable remainder trusts where an income beneficiary is the lifetime recipient of income and the Foundation is the remainder beneficiary. Upon receipt of the gift, a liability is established for the estimated net present value of the lifetime recipient's interest using applicable mortality tables and a risk-adjusted discount rates designed to reflect the assumptions market participants would make in pricing the liability. A contribution is recognized for the estimated remainder interest.

Donated Land Held for Sale

Certain assets are received from donors and are held for resale. Such assets are recorded at their approximate fair market values at date of donation. Subsequently, such assets are carried at the lower of their recorded amounts or fair value.

Advertising Costs

Advertising costs are expensed as incurred, and were $6,787 and $0 for the years ended June 30, 2014 and 2013, respectively.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the assets of the Pharmacy acquired during the year ended June 30, 2014.

Goodwill is not amortized: rather, potential impairment is considered on an annual basis, or more frequently upon the occurrence of an event or when circumstances indicate that the amount of goodwill is greater than its fair value. As of June 30, 2014, the carrying value of the Company's goodwill was not considered impaired.

Income Taxes

Idaho State University Foundation, Inc. is organized as an Idaho nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Sections 509(a)(1). Bengal Pharmacy LLC is treated as a disregarded entity for income tax purposes, and accordingly, all income and expenses are reported through the Foundation. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Foundation has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Foundation will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. The Foundation is no longer subject to Federal and State tax examinations by tax authorities for years filed before 2011.

Reclassification

Certain reclassifications of amounts previously reported has been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

The Foundation has evaluated subsequent events through September 12, 2014, the date the consolidated financial statements were issued.

Note 2 - Fair Value of Assets and Liabilities

Fair Value Measurements

Certain assets and liabilities are reported at fair value in the consolidated 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 the Foundation can access 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.

The Foundation uses Net Asset Value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, to estimate the fair values of certain hedge funds and private equity funds which do not have readily determinable fair values. Investments valued at NAV are classified within Level 2 if Save Our CPAs has the ability to redeem the investment at NAV per share at the measurement date or within the near term; otherwise, the investment is classified within Level 3.

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2014 and 2013 are determined as follows:

June 30, 2014	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds				
Stock index fund	$ 3,291,298	$ -	$ -	$ 3,291,298
Co-mingled and pooled marketable investment funds				
Real estate funds	-	133,493	-	133,493
Bond funds	-	7,371,526	-	7,371,526
Equity funds	-	22,052,663	-	22,052,663
Money market funds (at cost)	-	-	-	1,927,892
Hedge funds	-	8,972,024	-	8,972,024
Real asset funds	-	3,020,509	-	3,020,509
Hedge funds	-	4,410,902	-	4,410,902
	$ 3,291,298	$ 45,961,117	$ -	$ 51,180,307

June 30, 2013	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds				
Stock index fund	$ 2,642,590	$ -	$ -	$ 2,642,590
Co-mingled and pooled marketable investment funds				
Real estate funds	-	127,454	-	127,454
Bond funds	-	9,646,913	-	9,646,913
Equity funds	-	17,680,709	-	17,680,709
Money market funds (at cost)	-	-	-	206,645
Hedge funds	-	7,418,284	-	7,418,284
Real asset funds	-	2,470,500	-	2,470,500
Hedge funds	-	4,393,333	-	4,393,333
	$ 2,642,590	$ 41,737,193	$ -	$ 44,586,428

The fair value for mutual fund investments is determined based on quoted market prices. For co-mingled and pooled marketable investment funds, fair value is obtained by using the net asset value of the underlying investments. At this level, the underlying assets have a direct market reference price that is traceable. For the hedge funds, fair value is determined with independent, third party valuations occurring monthly to every six months depending upon the investment type.

Investments in certain entities that calculate NAV per share are as follows at June 30, 2014 and 2013:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
2014				
Co-mingled and pooled marketable investment funds				
Real estate fund	$ 133,493	$ -	Annually	95 days
Bond funds	7,371,526	-	Monthly	5 days
Equity funds	22,052,663	-	Monthly	5 days
Hedge funds	8,972,024	-	Annually	95 days
Real asset funds	3,020,509	-	Monthly	5 days
Hedge funds	4,410,902	5,720,605	Annually	95 days
2013				
Co-mingled and pooled marketable investment funds				
Real estate fund	$ 127,454	$ -	Annually	95 days
Bond funds	9,646,913	-	Monthly	5 days
Equity funds	17,680,709	-	Monthly	5 days
Hedge funds	7,418,284	-	Annually	95 days
Real asset funds	2,470,500	-	Monthly	5 days
Hedge funds	4,393,333	3,613,105	Annually	95 days

Real Estate Fund – This fund is a real estate investment trust that contains real estate located in various sections of the United States. The fund also is involved with various aspects of real estate including, leasing and development. Income is received primarily through rental income and the sale of property thus distributions received are received primarily through liquidation of the underlying asset. Fair values in this category have been estimated using the practical expedient provided by the underlying fund manager.

Bond Fund – Funds focused on various other bond funds in an effort to fully diversify its fixed income portfolio. The fund invests directly or indirectly in dollar-denominated investment grade bonds and other fixed income securities in an attempt to outperform the broad U.S. bond market. Fair values in this category have been estimated using the practical expedient provided by the underlying fund managers.

Equity Funds – Funds that focus on stocks, bonds and other direct holdings in an effort to outperform the overall markets in total. Fair values in this category have been estimated using the practical expedient provided by the underlying fund managers.

Hedge Funds – Funds focus on a multi-manager, marketable alternative that is capable of outperforming the MSCI World Index over a full market cycle while providing some protection during down markets. These contain various forward foreign currency contracts, futures, written and purchased options and swaps investment vehicles. Fair values in this category have been estimated using the practical expedient provided by the underlying fund managers.

Real Assets Funds – These funds focus on investments in the commodities and natural resources industries. With the commodities focus, the fund engages in various derivative type transactions with some investment income earnings. For the natural resources, this focus is around various companies that deal in natural resources. Fair values in this category have been estimated using the practical expedient provided by the underlying fund managers.

Fair Value of Financial Instruments Not Required To Be Reported at Fair Value

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and other liabilities, approximate fair value due to the short-term nature of the items, and are considered to fall within Level 1 of the fair value hierarchy. The carrying amount of promises to give due in more than one year is based on the discounted net present value of the expected future cash receipts, and approximates fair value. The carrying amount of liabilities under split-interest agreements is based on the discounted net present value of the expected future cash payments, and approximates fair value. The fair values of the Multi-Mode Variable Rate Revenue Bond bonds payable are based on estimates provided by Idaho State University Foundation, Inc.'s bond remarketing agent, and trading activity occurring on or near June 30, 2014 and 2013 as listed on the Electronic Municipal Market Access (EMMA) database, and totaled $5,700,000 and $5,800,000 on those dates, respectively. The fair values of other notes payable are based on a combination of the stated interest rates and the unsecured borrowing rate available to Idaho State University Foundation, Inc. at the measurement dates, and approximate their carrying amounts. These estimates are considered to fall within Level 2 of the fair value hierarchy.

Note 3 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2014 and 2013:

	2014	2013
Receivable in less than one year	$ 750,419	$ 430,064
Receivable in one to five years	1,554,139	532,691
Receivable in more than five years	5,299,092	6,428,321
	7,603,650	7,391,076
Less discount to present value (at 4.0% - 6.2%)	(2,379,625)	(2,688,031)
Less allowance for uncollectable promises to give	(294,500)	(382,250)
	$ 4,929,525	$ 4,320,795

Promises to give restricted for repayment of the multi-mode variable rate revenue bonds at the end of June 30, 2014 and 2013 totaled $1,235,132 and $1,531,171, respectively.

Note 4 - Property and Equipment

Property and equipment, all of which relates to the Pharmacy, consisted of the following as of June 30, 2014:

Buildings and improvements	$	63,701
Furniture and equipment		89,166
Less accumulated depreciation and amortization		(9,139)
Total	$	143,728

Note 5 - Goodwill

Changes in the carrying amount of goodwill during the year ended June 30, 2014 were as follows:

Beginning Balance	$	-
Goodwill acquired		199,241
Ending Balance	$	199,241

Note 6 - Split Interest Agreement Obligations

Split interest agreements held by the Foundation are irrevocable charitable remainder annuity trusts. Assets and liabilities related to the split interest agreements are included in the accompanying consolidated statements of financial position. Trust assets are recorded as fair market value and a liability is recorded for the present value of estimated distributions to the beneficiaries. The liability is calculated using the life expectancy tables published by the Internal Revenue Service and discounted to present value using risk-adjusted discount rates designed to reflect the assumptions market participants would make in pricing the liability. Assets held in the charitable remainder trusts totaled $1,793,229 and $1,541,237 at market value at June 30, 2014 and 2013, respectively, and are included in investments in the accompanying consolidated statements of financial position. The benefit obligation payments for the charitable remainder annuity trusts at June 30, 2014 and 2013 are discounted to total $792,775 and $744,490, respectively. The discount rates used range between 4.00% and 5.09% for the years ending June 30, 2014 and 2013. 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. Changes in the value of the trust have been reported in the consolidated statements of activities in temporarily and permanently restricted net assets in accordance with donor-imposed restrictions.

Note 7 - Long Term Debt

Multi-Mode Variable Rate Revenue Bonds

A Multi-Mode Variable Rate Revenue Bond for constructing, furnishing, equipping and improving certain real and personal property comprising the L.E. and Thelma Stephens Performing Arts Center was issued on May 30, 2001 in the amount of $22,170,000. The Bonds fully mature on May 1, 2021 and are secured by donations, pledges and other funds held under the Bond Indenture. Debt balance at June 30, 2014 and 2013 was $5,700,000 and $5,800,000, respectively. Interest payments are made monthly with a mandatory bond redemption of $100,000 due annually at May 1st. Total interest expense and fees during 2014 and 2013 were $88,292 and $106,188, respectively.

The Bonds bear interest at rates determined for the Weekly Rate until converted to another permitted interest rate. The interest rate for the Bonds may be changed from time to time among the Weekly Rate, the Semi-Annual Rate, and the Long-Term Rate. Each rate will be determined by the Remarketing Agent. The interest rate at June 30, 2014 and 2013 was .05% and .06%, respectively. The bonds are also secured by a direct pay letter of credit issued by a commercial bank the amount at June 30, 2014 and 2013 was $5,770,274 and $5,871,507, respectively. On an annual basis, the letter of credit is renewed for a fee of 1.5% of the current debt balance at the time of the renewal.

Note Payable

Note payable for the Pharmacy consists of the following:

6% note payable, due in monthly installments of $3,053, including interest, maturing May 2024, unsecured	$ 273,322

Future maturities of bonds and note payable are as follows:

2015	$ 120,804
2016	497,086
2017	498,449
2018	499,895
2019	501,430
Thereafter	3,855,658
	$ 5,973,322

Note 8 - Capitalized Bond Issuance Costs

Capitalized bond issuance costs consist of legal costs, underwriting fees, printing and other costs incurred to obtain, secure and rate the multi-mode variable rate revenue Bonds issued for the construction of the L.E. and Thelma Stephens Performing Arts Center on May 30, 2001. The issuance costs for the multi-mode variable rate bonds have an original cost of $570,000 at May 30, 2001 and are amortized over the term of the bonds using the effective interest rate method. Accumulated amortization of these bond costs at the end of June 30, 2014 and 2013 was $463,256 and $444,167, respectively.

Note 9 - Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are primarily available to support Idaho State University (the University) by providing funds for student scholarships, capital improvements, research, other educational purposes and discretionary spending. Discretionary spending net assets are gifts that were designated by the donor to be spent by a specific area or school for general needs thus restricted by purpose. Temporarily restricted net assets that are available for specific program services totaled $21,333,988 and $16,712,393 at June 30, 2014 and 2013, respectively.

Permanently Restricted for Endowment

At June 30, 2014 and 2013, the Foundation held $35,350,637 and $32,599,172, respectively, in true endowment funds. The investment income earned on these permanently restricted net assets is generally restricted as to purpose and is recorded as temporarily restricted net assets.

Unrestricted Net Deficit

At June 30, 2014 and 2013, the Foundation had an unrestricted net deficit of $3,081,801 and $4,352,789, respectively. These unrestricted net deficits arose primarily due to the Foundation gifting the Performing Arts Center to Idaho State University while still holding bond debt to fund the construction.

Note 10 - Donated Materials and Services

Donated materials and services from Idaho State University for the years ended June 30 were:

	Management and General	Fundraising	Total
June 30, 2014			
Salaries and benefits	$ 117,504	$ 500,937	$ 618,441
Materials and supplies	12,054	54,542	66,596
Office space	37,433	-	37,433
	$ 166,991	$ 555,479	$ 722,470
June 30, 2013			
Salaries and benefits	$ 118,864	$ 506,738	$ 625,602
Materials and supplies	14,689	69,478	84,167
Office space	37,433	-	37,433
	$ 170,986	$ 576,216	$ 747,202

Note 11 - Endowment Funds

The Foundation's endowment consists of approximately 500 individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Idaho Prudent Management of Institutional Funds Act (IPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditures by the Foundation in a manner that is consistent with the standard of prudence prescribed by IPMIFA. In accordance with IPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund or endowment
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Donor imposed restrictions requiring earnings to be contributed back to the corpus are not formally complied with by the Foundation. The Foundation addresses this indirectly through the strategy established through its investment and spending policies.

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or IPMIFA requires the Foundation to maintain as a fund of perpetual duration. The endowment was $35,350,637 and $32,599,172 as of June 30, 2014 and 2013, respectively. Accordingly, deficiencies have been reported in unrestricted net assets totaling $1,182,041 and $2,171,690 as of June 30, 2014 and 2013, respectively.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and scholarships supported by its endowment while seeking to maintain the fair value of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide both a reasonably predictable income stream and principal appreciation that exceeds inflation. The Foundation expects its endowment funds, over time, to provide an average minimum rate of return equal to the annual change in the United States Consumer Price Index plus the Foundation's spending rate percentage and management fee.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy of appropriating for annual distribution 4% of its endowment fund's average fair value over the prior 12 quarters through the calendar year end proceeding the current fiscal year, assuming the endowment grows at an average rate at least equal to the change in the Consumer Price Index annually.

In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its consistent with objectives to maintain the principal of the endowment assets in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The annual percentage distribution is reviewed annually by the Board of Directors and may change based on those reviews.

The endowment fund net asset composition is as follows:

At June 30, 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ (1,182,041)	$ 14,927,202	$ 35,350,637	$ 49,095,798

At June 30, 2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ (2,171,690)	$ 11,128,672	$ 32,599,172	$ 41,556,154

Changes in endowment net assets are as follows:

	June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Assets, Beginning of Year July 1, 2013	$ (2,171,690)	$ 11,128,672	$ 32,599,172	$ 41,556,154
Investment return				
Investment income	-	348,983	-	348,983
Net realized and unrealized appreciation	-	5,406,872	-	5,406,872
Contributions	-	-	2,692,384	2,692,384
Recovery of deficiency in original fair value of permanently restricted funds below fair value	989,649	(989,649)	-	-
Appropriation of endowment assets for expenditures	-	(967,676)	-	(967,676)
Donor designated transfers	-	-	101,232	101,232
Other changes	-	-	(42,151)	(42,151)
Endowment Assets, End of Year June 30, 2014	$ (1,182,041)	$ 14,927,202	$ 35,350,637	$ 49,095,798

	June 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Assets, Beginning of Year July 1, 2012	$ (2,837,754)	$ 10,473,241	$ 31,699,565	$ 39,335,052
Investment return				
Investment income	-	270,579	-	270,579
Net realized and unrealized appreciation	-	3,164,947	-	3,164,947
Contributions	-	-	825,406	825,406
Recovery of deficiency in original fair value of permanently restricted funds below fair value	666,064	(666,064)	-	-
Appropriation of endowment assets for expenditures	-	(2,114,031)	-	(2,114,031)
Donor designated transfers	-	-	37,189	37,189
Other changes	-	-	37,012	37,012
Endowment Assets, End of Year June 30, 2013	$ (2,171,690)	$ 11,128,672	$ 32,599,172	$ 41,556,154

Note 12 - Related Party Transactions

The Foundation provides scholarships to the University based on the terms of the donations. The Foundation also provides various departmental support and athletic scholarships.

Several members of the Board of Directors have made promises to give to the Foundation. For the years ended June 30, 2014 and 2013, the balances outstanding on those promises to give were approximately $1,963,762 and $1,909,024, respectively.

Pullen-Grey Foundation and the Bengal Foundation transferred certain assets to the Foundation for investment and management, which are included in the amount in funds held in custody of others. Funds held for others totaled $29,283 and $53,329 as of June 30, 2014 and 2013, respectively. Interest and fees on investments are allocated accordingly to the respective investments.

Note 13 - Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 and 2013, consist of:

	2014	2013
Academic Support	$ 7,870,430	$ 6,138,172
Institutional Support	7,568,914	6,220,156
Scholarships	5,489,339	3408174
Pledges restricted for time	405,305	274,152
	$ 21,333,988	$ 16,040,654

Note 14 - Business Combination

On June 9, 2014, the Pharmacy completed the purchase from Golden Opportunity Inc. of substantially all of the assets of the Lost River Drugstore located in Arco, ID. The aggregate purchase price paid was $40,000 in cash, $35,000 in a payable and $275,000 as a note payable. The acquisition of Lost River Drugstore is expected to increase the Pharmacy's ability to service customers in the Arco area and the surrounding communities.
The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date:

Accounts receivable	$ 28,034
Inventories	122,725
Goodwill	199,241
Net assets acquired	$ 350,000

Note 15 - Retail Pharmacy Operation

The Foundation also operates a retail pharmacy. Retail pharmacy operations consisted of the following:

	2014
Pharmacy sales	$ 371,883
Cost of sales	(278,954)
Gross profit	92,929
Expenses	
Payroll	(85,698)
Operations	(74,615)
Total expenses	(160,313)
Loss from retail pharmacy operation	$ (67,384)