Consolidated Financial Statements
June 30, 2013 and 2012

Idaho State University Foundation, Inc.

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Idaho State University Foundation, Inc., Inc., which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, 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. as of June 30, 2013 and 2012, and the changes in its net assets and its 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, 2013

	2013	2012
Assets		
Cash and cash equivalents	$ 716,215	$ 1,335,356
Cash held persuant to bond requirements	568,684	729,453
Promises to give, net	4,320,795	5,008,945
Life insurance cash surrender value	60,616	69,298
Miscellaneous receivables	985	20,187
Capitalized bond issuance costs, net	125,833	145,303
Donated land held for sale	1,434,502	1,541,502
Investments	44,586,428	40,583,656
	$ 51,814,058	$ 49,433,700
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 35,681	$ 32,284
Scholarships and other payables to Idaho State University	221,782	320,200
Obligations to beneficiaries under split-interest agreements	744,490	683,972
Funds held in custody for others	53,329	59,055
Long-term debt	5,800,000	5,900,000
Total liabilities	6,855,282	6,995,511
Net Assets (Deficit)		
Unrestricted	(4,352,789)	(5,302,030)
Temporarily restricted	16,712,393	16,040,654
Permanently restricted	32,599,172	31,699,565
Total net assets	44,958,776	42,438,189
	$ 51,814,058	$ 49,433,700

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
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
Total revenues and gains	3,397,117	5,286,228	862,418	9,545,763
Donor designated transfers	-	(37,189)	37,189	-
Net assets released from program restrictions	4,577,300	(4,577,300)	-	-
Total revenues	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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Contributions and gifts	$ 2,686,382	$ 2,786,383	$ 1,686,944	$ 7,159,709
Property contributions	-	107,000	-	107,000
Contributed services	702,555	-	-	702,555
Interest and dividends	289,721	387,437	-	677,158
Net realized/unrealized gain (loss) on investments	742,112	(2,242,526)	-	(1,500,414)
Fees, charges, and miscellaneous	660,812	-	-	660,812
Net change in value of annuity and life insurance	-	(45,627)	5,975	(39,652)
Total revenues and gains	5,081,582	992,667	1,692,919	7,767,168
Donor designated transfers	20,685	22,716	(43,401)	-
Net assets released from program restrictions	1,597,125	(1,597,125)	-	-
Total revenues	6,699,392	(581,742)	1,649,518	7,767,168
Expenses				
Program support to Idaho State University				
Donations/transfers	2,471,149	-	-	2,471,149
Scholarships	1,033,312	-	-	1,033,312
Athletic	206,432	-	-	206,432
Department support	1,636,399	-	-	1,636,399
Support services				
Management and general	390,538	-	-	390,538
Fundraising	1,469,720	-	-	1,469,720
Total expenses	7,207,550	-	-	7,207,550
Change in Net Assets	(508,158)	(581,742)	1,649,518	559,618
Net Assets (Deficit), Beginning of Year	(4,793,872)	16,622,396	30,050,047	41,878,571
Net Assets (Deficit), End of Year	$ (5,302,030)	$ 16,040,654	$ 31,699,565	$ 42,438,189

	2013	2012
Operating Activities		
Change in net assets	$ 2,520,587	$ 559,618
Adjustments to reconcile change in net assets to net cash used for operating activities		
Unrealized (gain) loss on investments	(4,082,041)	1,279,839
Realized gain on investments	(6,299)	-
Realized (gain) loss on sale of property held for sale and investm	493	(484,216)
Donated assets held for sale	-	(107,000)
Contributions restricted to endowment	(825,405)	(1,686,944)
Change in value of split interest agreements	(10,773)	107,165
Other	-	4,508
Amortization expense	19,470	19,851
Changes in assets and liabilities		
Obligations to beneficiaries	179,826	26,042
Promises to give	381,121	(851,771)
Cash surrender value	8,681	(25,079)
Miscellaneous receivable	19,202	(186)
Accounts payable	3,398	(26,620)
Scholarships and other payables to Idaho State University	(98,418)	(465,524)
Funds held for others	(5,727)	9,746
Net Cash used for Operating Activities	(1,895,885)	(1,640,571)
Investing Activities		
Proceeds from sale of investments	85,568	124,362
Restricted cash	160,768	121,586
Purchase of investments	-	(1,000,000)
Proceeds from sale of land	106,507	747,042
Net Cash from (used for) Investing Activities	352,843	(7,010)
Financing Activities		
Proceeds from contributions restricted to endowment	1,125,202	763,751
Payments to beneficiaries	(101,301)	(100,616)
Payment on bonds payable	(100,000)	(100,000)
Net Cash from Financing Activities	923,901	563,135
Change in Cash and Cash Equivalents	(619,141)	(1,084,446)
Cash and Cash Equivalents, Beginning of Year	1,335,356	2,419,802
Cash and Cash Equivalents, End of Year	$ 716,215	$ 1,335,356
Supplemental Disclosures		
Cash paid for interest	$ 9,782	$ 7,812

Note 1 - Foundation Operations and Significant Accounting Policies

Foundation Operations

The Idaho State University Foundation, Inc. (the Foundation) 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.

During the fiscal year 2013, the Foundation formed a limited liability corporation called Bengal Pharmacy, LLC (the Pharmacy) 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 2013 the Pharmacy's activity was limited to startup costs and initial operations. It is anticipated during 2014 for the Pharmacy to reach full operations and will have an impact on the financial statements for 2014.

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

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with Generally Accepted Accounting Principles in the United States of America, whereby revenue is recorded when earned and expenses are recorded when materials or services are received. 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 that are subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restriction.

Permanently Restricted Net Assets – Net assets that are subject to donor-imposed restrictions that they be maintained permanently by the Foundation.

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. The most significant estimates used in the consolidated financial statements relate to the present value of the pledges receivable, the obligations under the split interest agreements, and the non-readily available fair market value of certain level 3 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 deposits at times during the years ended June 30, 2013 and 2012 exceeded FDIC insured limits.

Cash Held Pursuant to Bond Requirements

Restricted cash consists primarily of assets held by the bond trustee relating to the pledges received for future payments of the outstanding bond payments. Restricted cash consisted of $568,684 and $729,453 as of June 30, 2013 and 2012.

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. Furthermore, the Board and the Investment Committee acknowledge and understand their fiduciary roles and will always seek to act prudently in the best interests of the Foundation.

Concentration of Credit Risk

Concentration of credit risk for investments is the risk of loss attributable to the magnitude of an investment in a single issuer. The Foundation investment policy sets a target distribution for investment types to minimize this risk which is 25-30% for bonds, cash and cash equivalents and 70-80% for equity strategies, including private placements, hedge and commodity strategies.

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. New promises to give during the years ended June 30, 2013 and 2012 were discounted to fair value when the promise to give was made and are not re-valued during the life of the promise to give.

The allowance for doubtful accounts for all promises to give represents the Foundation's best estimate of the amount of probable credit 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.

Contributions

Contributions of property and securities are recorded at their fair market value on the date received. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted.

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 run the Foundation. These items represent in-kind donations that are recognized as revenues with a corresponding expense.

Property and Equipment

Currently the Foundation has no property and equipment; however, property and equipment, if it were to be purchased by the Foundation, would be stated at cost less accumulated depreciation. Donations of property and equipment would be recorded at fair market value on the date received. Expenses for maintenance, repairs and minor replacements would be charged to operations. The Foundation's policy is to capitalize property purchases and significant expenses for major replacements and improvements in excess of $1,000. Depreciation would be computed using the straight-line method over estimated useful lives of assets, which range from three to fifty years.

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.

Income Taxes

The Foundation is a not-for-profit entity exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a public charity under Section 509(a)(1).

As of June 30, 2013 and 2012, the Foundation had no unrecognized tax benefit accrual.

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 2010.

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.

Endowment

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 corpus balance of the endowment was $32,630,944 and $31,726,688 as of June 30, 2013 and 2012, respectively. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were $2,171,690 and $2,837,754 as of June 30, 2013 and 2012, 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. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. 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.

Advertising Costs

Advertising costs are expensed as incurred. There were no advertising expenses incurred during the year ended June 30, 2013 and expenses were $698 for the year ended June 30, 2012.

Reclassification

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

Subsequent Events

The Foundation has evaluated subsequent events through September 12, 2013, the date the consolidated financial statements were issued.

Note 2 - Fair Value of Assets and Liabilities

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2013 and 2012 are determined as follows:

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	-	9,646,912	-	9,646,912
Equity funds	-	17,887,355	-	17,887,355
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	$ 37,550,505	$ 4,393,333	$ 44,586,428

June 30, 2012	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds				
Stock index fund	$ 2,191,983	$ -	$ -	$ 2,191,983
Co-mingled and pooled marketable investment funds				
Real estate funds	-	-	145,898	145,898
Bond funds	-	10,041,327	-	10,041,327
Equity funds	-	15,382,016	-	15,382,016
Money market funds	-	193,706	-	193,706
Hedge funds	-	5,648,741	-	5,648,741
Real asset funds	-	3,175,284	-	3,175,284
Common Stock	-	-	76,076	76,076
Hedge funds	-	-	3,728,625	3,728,625
	$ 2,191,983	$ 34,441,074	$ 3,950,599	$ 40,583,656

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.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2013 and 2012:

	2013 Hedge Funds	2012 Hedge Funds
Beginning balance	$ 3,728,625	$ 2,115,646
Total unrealized gains and losses included in earnings (or changes in net assets)	88,018	258,719
Calls	576,690	1,354,260
Ending balance	$ 4,393,333	$ 3,728,625
The amount of total gains or losses included in changes in net assets that are attributable to the change in unrealized gains and losses relating to the assets held at the reporting date.	$ 88,018	$ 258,719

2013	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Co-mingled and pooled marketable investment funds				
Real estate fund	$ 127,454	$ -	Annually	95 days
Bond funds	9,646,912	-	Monthly	5 days
Equity funds	17,868,355	-	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

2012	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Co-mingled and pooled marketable investment funds				
Real estate fund	$ 145,898	$ -	Annually	95 days
Bond funds	10,041,327	-	Monthly	5 days
Equity funds	15,382,016	-	Monthly	5 days
Money market funds	193,706	-	Daily	1 day
Hedge funds	5,648,741	-	Annually	95 days
Real asset funds	3,175,284	-	Monthly	5 days
Hedge funds	3,728,625	2,708,812	Annually	120 days

Interests in the fund with respect to longer-term investments are not redeemable by the investor until the corresponding longer-term investments are realized.

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 the various aspects involved with 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 o 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.

Money Market Funds – Funds focus on maintaining the current value of liquid assets held while making a minimal return. 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.

Note 3 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2013 and 2012:

	2013	2012
Receivable in less than one year	$ 430,064	$ 657,247
Receivable in one to five years	532,691	859,478
Receivable in more than five years	6,428,321	6,602,162
	7,391,076	8,118,887
Less discount to present value (at 4.0% - 6.2%)	(2,688,031)	(2,707,492)
Less allowance for uncollectable promises to give	(382,250)	(402,450)
	$ 4,320,795	$ 5,008,945

At June 30, 2013, $1,531,171 of the promises to give is restricted for repayment of the multi-mode variable rate revenue bonds.

Note 4 - 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 $1,541,237 and $1,368,644 at market value at June 30, 2013 and 2012, 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, 2013 and 2012 are discounted to total $744,490 and $683,972, respectively. The discount rates used range between 4.00% and 5.09% for the years ending June 30, 2013 and 2012. 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 restricted net assets.

Note 5 - 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, 2013 and 2012 was $5,800,000 and $5,900,000, 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 2013 and 2012 were $106,188 and $91,425, 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, 2013 and 2012 was .06% and .18%, respectively. The bonds are also secured by a direct pay letter of credit issued by a commercial bank in the amount of $5,871,507. 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.

Principal maturities on bonds payable for the year ending June 30 are as follows:

2014	$ 100,000
2015	100,000
2016	475,000
2017	475,000
2018	475,000
Thereafter	4,175,000
	$ 5,800,000

Note 6 - 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, 2013 and 2012 was $444,167 and $424,697, respectively.

Note 7 - 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. Temporarily restricted net assets that are available for specific program services totaled $16,712,393 and $16,040,654 at June 30, 2013 and 2012, respectively.

Permanently Restricted for Endowment

At June 30, 2013 and 2012, the Foundation held $32,599,172 and $31,699,565, 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, 2013 and 2012, the Foundation had an unrestricted net deficit of $4,352,789 and $5,302,030, 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 8 - Donated Materials and Services

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

	2013	2012
Support Services - Fundraising		
Salaries and benefits	$ 625,602	$ 591,790
Materials and supplies	84,167	73,333
Office space	37,433	37,432
	$ 747,202	$ 702,555

Note 9 - Endowment Funds

The endowment fund net asset composition is as follows:

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

At June 30, 2012	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ (2,837,754)	$ 10,473,241	$ 31,699,565	$ 39,335,052

Changes in endowment net assets are as follows:

	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	666,064	2,498,883	-	3,164,947
Contributions	-	-	825,406	825,406
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

	June 30, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Assets, Beginning of Year July 1, 2011	$ (1,553,541)	$ 12,500,181	$ 30,050,047	$ 40,996,687
Investment return				
Investment income	-	387,347	-	387,347
Net realized and unrealized appreciation	(1,284,213)	(958,313)	-	(2,242,526)
Contributions	-	-	1,686,944	1,686,944
Appropriation of endowment assets for expenditures	-	(1,455,974)	-	(1,455,974)
Donor designated transfers	-	-	(43,401)	(1,455,974)
Other changes	-	-	5,975	(37,426)
Endowment Assets, End of Year June 30, 2012	$ (2,837,754)	$ 10,473,241	$ 31,699,565	$ 39,335,052

Note 10 - 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, 2013 and 2012, the balances outstanding on those promises to give were approximately $1,909,024 and $2,594,496, 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 $53,329 and $59,055 as of June 30, 2013 and 2012, respectively. Interest and fees on investments are allocated accordingly to the respective investments.