BUSINESS AFFAIRS AND HUMAN RESOURCES
DECEMBER 21, 2022

TAB	DESCRIPTION	ACTION
1	**AMENDMENT TO BOARD POLICY V.H. – ESTABLISHMENT OF FEES - SECOND READING**	Motion to Approve
2	**FY 2022 FINANCIAL RATIOS**	Information Item
3	**FY 2022 NET POSITION REPORTS**	Information Item

SUBJECT

Board Policy V.H., Audit, Risk and Compliance Committee and V.Y. Compliance Programs – Second Reading

REFERENCE

June 2005	Board approved first reading updating policy to bring it into alignment with creation of Audit Committee.
August 2005	Board approved second reading of policy.
December 2008	Removal of ISDB, Historical Society and Commission from all applicable policies.
December 2015	Board approved first reading of amended policy dealing with audits of agencies under Board jurisdiction.
April 2016	Board approved second reading of policy amendments.
October 2022	Board approved first reading of amended policy V.H. and repeal of Policy V.Y.

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Policies V.H. and V.Y.

BACKGROUND/DISCUSSION

At its June 7, 2022 meeting, the Audit Committee provided final comments on amendments to Board Policy V.H. and the repeal of Board Policy V.Y. The changes move the provisions of Policy V.Y. to Policy V.H. and change the title of the Audit Committee to the Audit, Risk and Compliance Committee to better reflect the scope of the committee's work.

The amendments include:

- Incorporating key portions of the audit committee charter into board policy and board bylaws. The separate audit committee charter will be eliminated, and Board Policy V.H. and the bylaws will serve as the audit committee charter going forward.
- Providing changes to internal audit sections needed to meet professional internal audit standards and to reflect the new consolidated structure.
- Aligning audit-related sections of Board Policy V.H. and the bylaws.
- Adding general language addressing the consolidated risk management function.
- Moving Committee responsibilities into one policy section.
- Adding language to provide for co-sourcing audit arrangements.
- Updating language related to confidential reporting lines.
- Providing general updates to Board Policy V.H.

The Audit Committee section of the Board's bylaws was amended and presented to the Board as a first reading at the August 24, 2022 meeting and as a second reading at the October 18, 2022 meeting through the Policy, Planning, and Governmental Affairs portion of the agenda.

IMPACT

Approval of the proposed amendments would provide foundational guidelines for the newly created Internal Audit and Systemwide Risk Management roles at the Office of the State Board of Education (OSBE) and clarify processes and procedures related to the Board's audit, risk and compliance functions.

ATTACHMENTS

Attachment 1 – Redline of Board Policy V.H., Audits – Second Reading
Attachment 2 – Redline of Board Policy V.Y., Compliance Programs – Second Reading - Repeal

BOARD STAFF COMMENTS AND RECOMMENDATIONS

These changes have been vetted through the Audit Committee. A Chief Audit Executive is currently on staff at OSBE, and he works with audit employees at the four-year institutions. The institution audit staff continue to work on their campuses under the management of the Chief Audit Executive, and they will become OSBE employees pending approval of the FY 2024 budget request.

Staff will continue to work with the Audit Committee and institution staff to clarify and refine OSBE's risk management plan and how it relates to the work of the committee. A Systemwide Risk Manager is projected to be on staff at OSBE by the beginning of next year.

There were no changes from the first reading. Staff recommends approval.

BOARD ACTION

I move to approve the second reading of Board Policy V.H. and to repeal Board Policy V.Y. as presented in Attachments 1 and 2.

Moved by __________ Seconded by __________ Carried Yes _____ No _____

Idaho State Board of Education
GOVERNING POLICIES AND PROCEDURES
SECTION: V. Financial Affairs
SUBSECTION: H. Audit, Risk and Compliance Committee~~s~~ December ~~2008~~2022

1. General Purpose and Governance

The Audit, Risk and Compliance Committee (Committee) is established as a standing committee of the Board under Idaho State Board of Education, Policies and Procedures, Section I. Bylaws ~~appointed by the Board in fulfilling its~~ to provide fiscal, compliance and risk management oversight responsibilities. The Committee provides oversight ~~to the organizations under its governance (defined in Idaho State Board of Education, Policies and Procedures, Section I. A.1.)~~ for: financial statement integrity, financial practices, internal control systems, financial management, risk management, compliance and standards of conduct. This policy and relevant sections of the Board's bylaws serve as the audit charter for the Audit, Risk and Compliance Committee.

The Committee serves as the Board's liaison with its external auditors, regulatory auditors, the internal audit and risk management functions of the Office of the Board of Education, and with compliance officers of ~~and with the external and internal audit operations of~~ the agencies and institutions. The Committee reviews agency and institution fiscal operations. The Committee also reviews institutional procedures for controlling operating risks and oversees compliance activities. ~~–~~The Committee chairperson reports periodically to the Board on the activities of the Committee, including any recommended changes or additions to the Board's policies and procedures through the Business Affairs and Human Resources Committee. The Committee is authorized to act on applicable items that do not require Board approval.

The Committee shall meet at least four times per year and may be ~~combined~~aligned with regularly scheduled Board meetings or more frequently as circumstances may require. The Committee may require institution or agency management or others to attend the meetings and provide pertinent information as necessary.

~~2.~~
~~3.~~2. Calendar

The Committee shall establish a calendar of all regularly scheduled meetings including ~~meetings~~ Committee chairperson (or designee) reports to~~with~~ the Board, the independent auditors, institutions, and others as appropriate. The Committee should take into consideration the requirements and due dates of other State agencies in establishing timelines.

~~1. Audit Committee~~

~~a. Membership~~

~~Each member of the Committee shall be in good standing, and shall be independent in order to serve on the Committee. The Committee minutes will indicate whenever a new member is appointed by the Board as well as an acknowledgement that independence has been verified for the new member. Affirmation of independence will be documented in the minutes annually or whenever a change in status by any Committee member occurs.~~

~~b. Financial Expert~~

~~At least one member of the Committee shall be designated as a financial expert and indicated in the Committee minutes. This designation shall be affirmed annually, unless there is a change in status.~~

~~c. Board Bylaws on Audit Committee~~

~~The Committee will review, reassess the adequacy of, and recommend any proposed changes to the Board annually, unless changes are needed during the course of the year, in light of new best practices and new legal requirements.~~

~~Meetings~~

~~The Committee shall meet at least four times per year and may be combined with regularly scheduled Board meetings or more frequently as circumstances may require. The Committee may require institution management or others to attend the meetings and provide pertinent information as necessary. All members are expected to attend each meeting in person, via telephone conference or videoconference. The agendas for meetings should be prepared and provided to members in advance, along with appropriate briefing materials. Minutes shall be prepared that document decisions made and action steps established and shall be maintained at the Board office.~~

~~4.~~3. Selection of External ~~Independent~~ Auditors

Items 3, 4 and 5 apply to the institutions only (Boise State University, Idaho State University, University of Idaho, and Lewis-Clark State College~~, and Eastern Idaho Technical College~~).

~~d.~~a. The Committee shall allow enough time to prepare and publish a ~~Request for Proposal~~request for proposal, review and evaluate proposals, obtain Board approval of the selected audit firm, and negotiate ~~and authorize~~ a contract.

~~e.~~b. The Committee may establish a process for selecting an ~~independent~~ external audit firm. The process used should include representatives from the Board, Committee, and institutions.

~~f.~~c. The Committee shall make the selection of the recommended external audit firm.

d. The selection of the new external audit firm shall be presented to the Board ~~and ratified~~ for approval at the next Board meeting following the Committee's ~~selection~~recommendation.

~~g.~~e. An annual review of external auditor performance and fees shall be conducted.

4. ~~Independent Auditors~~Financial Statement Auditors

a. Lead Partner Rotation

~~h. Lead Audit Partner Rotation~~

It is the intent of the Board to adhere to the recommendation of the National Association of College and University Business Officers (NACUBO) to require rotation of the lead audit partner of the ~~independent~~ external audit firm every five years, with a two-year timeout provision. The Committee shall establish when the five-year limit will be reached for the current lead audit partner. At least one year prior to that time, the Committee shall discuss transition plans for the new lead audit partner. The five-year limit will be reviewed annually with the ~~independent~~ external auditors. These discussions shall be documented in the Committee meeting minutes.

~~b.~~ Scope and Reporting ~~Risk Assessment~~

~~c. Prior to the publication of the independent auditor's report, the Committee will review all material written communications between the independent auditors and institution management, including management letters and any schedule of unadjusted differences. The Committee shall conclude on the appropriateness of the proposed resolution of issues, and the action plan for any items requiring follow-up and monitoring. The Committee shall review these risks with institution management at each meeting or sooner, if necessary, to make sure it is up-to-date.~~

~~d.~~b.

~~i. Audit Scope~~

i. Prior to External Audit: Prior to the start of any audit work for the current fiscal year, the Committee will meet with the lead external audit partner to review the audit scope. Questions related to audit scope may include significant changes from prior year, reliance on internal controls and any internal audit function, assistance from institutional staff, and changes in accounting principles or auditing standards. The Committee should also discuss how the audit scope will uncover any material defalcations or fraudulent financial reporting, questionable payments, or violations of laws or regulations. Areas of the audit deserving special attention by the Committee and issues of audit staffing should be reviewed.

ii. Prior to the publication of the external auditor's report, the Committee will review all material written communications between the external auditors and institution management, including management letters and any schedule of unadjusted differences. The Committee shall conclude on the appropriateness of the proposed resolution of issues, and the action plan for any items requiring follow-up and monitoring. The Committee shall review these risks with institution management at each meeting or sooner, if necessary, to make sure it is up-to-date.

~~ii~~iii.~~.~~ Subsequent to Audit: Subsequent to the external audit report, the Committee shall meet with the lead external audit partner and the Chief Financial Officer of each institution, to review the scope of the previous year's audit, and the inter-relationship between any internal audit function and the external auditors with respect to the scope of the ~~independent~~ external auditor's work. Prior to the start of interim work for the current year audit, the Committee shall review the plans for the audit of the current year.

~~e.~~c. Accounting Policies

Annually and/or in conjunction with the year-end external audit, the Committee shall review with the lead external audit partner all critical accounting policies and practices and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management of the institutions, the ramifications of each alternative, and the treatment preferred by each institution.

~~f.~~d. Financial Statement Review

At the completion of the ~~independent~~ external audit, the Committee shall review with institution management and the ~~independent~~ external auditors each institution's financial statements, Management's Discussion and Analysis (MDA), related footnotes, and the ~~independent~~ external auditor's report. The Committee shall also review any significant changes required in the ~~independent~~ external auditor's audit plan and any serious difficulties or disputes with institution management encountered during the audit. The Committee shall document any discussions, resolution of disagreements, or action plans for any item requiring follow-up.

~~g.~~e. Single Audit Review

At the completion of the Single Audit Report (as required under the Single Audit Act of 1984, and the Single Audit Act Amendments of 1996), the Committee shall review with institution management and the ~~independent~~ external auditors each institution's Single Audit Report. The Committee shall discuss whether the institution is in compliance with laws and regulations as outlined in the current

Single Audit Act described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement. The Committee shall report to the Board that the review has taken place and any matters that need to be brought to the Board's attention. The Committee shall document any discussions, resolution of disagreements, or action plans for any item requiring follow-up.

5. Internal Audit (Internal Audit and Advisory Services – IAAS)~~s~~

a. ~~The Committee shall~~ IAAS reports functionally to the Committee and administratively to the Board's Executive Director. The Committee shall have sole oversight of internal audit related activities. The internal audit function will be administered by a Chief Audit Executive (CAE) within the Office of the State Board of Education. Institutions are prohibited from establishing their own internal audit functions. The Committee shall:

   i. Ensure that IAAS works under an internal audit charter, reviewed annually by the Committee
   ii. Ensure the functional independence of IAAS
   iii. Consult with the executive director on the appointment of a CAE to oversee administration of IAAS
   iv. Consult with the executive director on termination or discipline of the CAE
   v. Provide input into the performance review of the CAE
   vi. Approve and provide feedback on an annual audit plan submitted by the CAE
   vii. Advise the Board about increases and decreases to internal audit resources needed to carry out internal audit activities
   viii. Receive and review an annual performance report on internal audit activities from the CAE.
   ix. Review internal audit's conformance to the *International Standards for the Professional Practice of Internal Auditing ("Standards")* published by the Institute of Internal Auditors ("IIA").
   ~~i.~~x. Review internal audit findings and recommendations, and review the adequacy of corrective action taken by institution management.

b. IAAS shall have free and unrestricted access to institutional personnel, buildings, systems and records needed to perform internal audit work. The Committee shall review and resolve any difficulties encountered by internal audit staff during the course of internal audit work, including restrictions on scope or access to personnel, buildings, systems or records.

c. IAAS will maintain a quality assurance and improvement program that covers all aspects of IAAS operations. The program will include an evaluation of IAAS's conformance with the *Standards* and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of IAAS and identify opportunities for improvement.

The CAE will communicate to the Committee IAAS's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment from outside Idaho higher education.

~~6. review with institution management any significant findings on internal audits from the preceding 12 months and planned for the upcoming six months along with the status of each planned audit and management's responses thereto. The Committee shall review any difficulties the institution's internal audit staff encountered in the course of their audits, including any restrictions on the scope of their work or access to required information. The Committee shall discuss any internal audit function's budget and staffing.~~

~~7.~~

~~8.~~6. Other Audits

a. Legislative Audits

i. All state agencies under the Board's jurisdiction, excluding the State Department of Education, will receive financial statement audits and federal single audits in accordance with federal and state laws and regulations. The Committee must be informed immediately by an agency of any audit activity being conducted by the legislative auditor.

ii. At the completion of the legislative audit, the Committee shall discuss with the legislative auditor the progress of the legislative audit, including a full report on preliminary and final audit findings and recommendations.

b. Employee Severance Audits

When key administrative personnel leave an agency or institution, the Committee may bring to the full Board a recommendation as to whether an audit should be conducted and the scope of the audit.

c. Other External Audits and Reviews

The Committee is authorized to engage the services of outside auditors or evaluators to perform work used to supplement the work of the Committee, to assess compliance with laws and regulations, or to assess business processes.

~~9.~~7. Confidential ~~Complaints~~Reporting Lines

a. The Committee shall ensure the institutions have reporting mechanisms in place to provide for anonymous and confidential reporting of compliance issues. Such mechanisms include, but are not limited to, the use of external reporting hotlines.

The Committee shall review the effectiveness of institutional processes used to resolve reports received through reporting mechanisms.

b. Reports of accounting, internal control or auditing matters

i. The Committee shall set up a process to investigate complaints or reports received by the Board or institutions regarding accounting, internal accounting controls, ~~or~~ auditing, or other ~~matters that may be submitted by any party internal or external to any entity under its governance~~ areas of concern.

ii. The Committee shall review the procedures for the receipt, retention, timely investigation and proper treatment of complaints, referenced in the preceding paragraph ~~7.a, received by the Board~~. ~~The Committee shall review an original of each complaint received, no matter the media used to submit and discuss the status or resolution of each complaint. The Committee shall ensure that proper steps are taken to investigate complaints and resolve timely.~~ The Committee shall review a cumulative list of complaints submitted annually ~~to date to~~ to review for patterns or other observations.

8. Risk Management

The Committee shall provide oversight of a system-wide risk assessment/risk management program. To accomplish this, the Committee shall:

a. Consult with the executive director on the appointment of a system-wide Risk Manager;
b. Monitor and periodically review processes established by the system-wide Risk Manager and institutions to implement effective risk management activities;
c. Periodically receive reports/presentations from the system-wide Risk Manager;~~.~~
d. If necessary, receive reports from institution employees who oversee departments that manage key risk areas.

9. Compliance

a. General

The Board is committed to ethical conduct and to fostering a culture of compliance with the laws and regulations which apply to the institutions and agencies under its governance.

b. Compliance Program

Each institution shall designate a chief compliance officer, approved by the Committee, and shall ensure that the institution establishes a compliance program to be approved by the Committee which must address, at a minimum, the following:

i. A code of ethics which applies to all employees.

~~i.~~ A published and widely disseminated list or index of all major compliance areas and responsibilities, categorized and prioritized based on ~~the~~ risk~~s~~, probability, and negative impact of potential events.

~~ii.~~ A mechanism for coordinating compliance oversight, monitoring and reporting. This includes a management level group or individual with authority to examine compliance issues and assist the chief compliance officer in investigating, monitoring, and assessing compliance and/or recommending policies or practices designed to enhance compliance.

~~iii.~~ A means of assuring institutional policies are regularly reviewed for compliance with current federal and state laws and regulations and Board policies.

ii. Provision of training to educate employees on the laws, regulations and institution policies that apply to their day-to-day job responsibilities.

c. Reporting

i. The chief compliance officer of each institution will prepare and submit a semi-annual compliance report in January and July, on a confidential basis, to Board counsel and the Committee noting all material compliance matters occurring since the date of the last report, and identifying any revisions to the institution's compliance program.

For purposes of this policy, a compliance matter shall be considered material if any of the following apply:

1) The perception of risk creates controversy between management and the internal auditor.
2) It could have a material impact on the institution's financial statements.
3) It is or could be a matter of significant public interest or that carries risk of significant reputational damage.
4) It may be reported in an external release of financial information.
5) It relates to key controls over financial information that are being designed or redesigned, have failed, or otherwise are being addressed by the organization.
6) It involves fraud related to management.
7) It leads to correction or enforcement action by a regulatory agency.
8) It involves potential financial liability in excess of $25,000

~~i.~~ Notwithstanding the foregoing, a compliance matter with financial liability in excess of two hundred thousand dollars ($200,000) must be reported to the Committee as soon as reasonably practicable. A de minimis compliance matter need not be reported to the Committee at any time. A violation will be considered de minimis if it involves potential financial liability of less than twenty-five thousand dollars ($25,000) and is a matter that has not been recurring or is not otherwise indicative of a pattern of noncompliance. For purposes of this subparagraph, "potential financial liability" means the estimated obligation by the institution to another party resulting from noncompliance.

Compliance concerns at agencies under the governance of the Board shall be reported to the Committee by the Board's Executive Director when, in his/her discretion, the matter presents material ethical, legal, or fiduciary responsibilities or obligations.

~~1. General~~

~~The Board is committed to ethical conduct and to fostering a culture of compliance with the laws and regulations which apply to the institutions and agencies under its governance.~~

~~2. Compliance Program~~

~~Each institution shall designate a chief compliance officer, approved by the Audit Committee (Committee), and shall ensure that the institution establishes a compliance audit program to be approved by the Committee which must address, at a minimum, the following:~~

~~a. A code of ethics which applies to all employees.~~

~~b. A published and widely disseminated list or index of all major compliance areas and responsibilities, and to categorize and prioritize these compliance areas and responsibilities by considering the risks, probability, and negative impact of potential events.~~

~~c. A mechanism for coordinating compliance oversight, monitoring and reporting. This includes a management level group or individual with authority to examine compliance issues and assist the chief compliance officer in investigating, monitoring, and assessing compliance and/or recommending policies or practices designed to enhance compliance.~~

~~d. A means of assuring institutional policies are regularly reviewed for compliance with current federal and state laws and regulations and Board policies.~~

~~e. Provision of adequate training to educate employees on the laws, regulations and institution policies that apply to their day-to-day job responsibilities.~~

~~3. Reporting~~

~~a. The chief compliance officer of each institution will prepare and submit a semi-annual compliance report in January and July, on a confidential basis, to Board counsel and the Committee noting all material compliance matters occurring since the date of the last report, and identifying any revisions to the institution's compliance program.~~

~~For purposes of this policy, a compliance matter shall be considered material if any of the following apply:~~

- ~~The perception of risk creates controversy between management and the internal auditor.~~
- ~~It could have a material impact on the financial statements.~~
- ~~It is or could be a matter of significant public interest or exposure.~~
- ~~It may be reported in an external release of financial information.~~
- ~~It relates to key controls over financial information that are being designed or redesigned, have failed, or otherwise are being addressed by the organization.~~
- ~~It involves fraud related to management.~~
- ~~It leads to correction or enforcement action by a regulatory agency.~~
- ~~It involves potential financial liability in excess of $25,000~~

~~b. Notwithstanding the foregoing, a compliance matter with financial liability in excess of two hundred thousand dollars ($200,000) must be reported to the Committee as soon as reasonably practicable. A de minimus compliance matter need not be reported to the Committee at any time. A violation will be considered de minimus if it involves potential financial liability of less than twenty-five thousand dollars ($25,000) and is a matter that has not been recurring or is not otherwise indicative of a pattern of noncompliance. "Potential financial liability" means the estimated obligation by the institution to another party resulting from noncompliance.~~

~~c. Compliance concerns at agencies under the governance of the Board shall be reported to the Committee by the Board's Executive Director when, in his/her discretion, the matter presents extraordinary ethical, legal, or fiduciary responsibilities or obligations.~~

SUBJECT

FY 2022 College and Universities' Financial Ratios

REFERENCE

December 2011-2022	Annual Audit reports submitted to the Board

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.F.

BACKGROUND/DISCUSSION

The ratios presented measure the financial health of each institution and include a "Composite Financial Index" based on four key ratios. The ratios are designed as management tools to measure financial activity and key trends within an institution over time. They typically do not lend themselves to comparative analysis between institutions because of the varying missions and structures of the institutions and current strategic initiatives underway at a given institution at a given time.

Institution foundations are reported as component units in the college and universities' financial statements. The nationally developed ratio benchmarks model is built around this combined picture.[1] An institution's foundation holds assets for the purpose of supporting the institution. Foundation assets are nearly all restricted for institution purposes and are an important part of an institution's financial strategy and financial health.

Ratio	Measure	Benchmark
Primary reserve	Sufficiency of resources and their flexibility; good measure for net assets	.40
Viability	Capacity to repay total debt through reserves	1.25
Return on net position	Whether the institution is better off financially this year than last	6.00%
Net operating revenues	Whether the institution is living within available resources	2.00%
Composite Financial Index	Combines four ratios using weighting	3.0
Debt Burden	Institution's dependence on borrowed funds	<= 8%
Debt Coverage	Ability of excess income over adjusted expenses to cover annual debt service payments.	2.0
Life of Capital Assets	Recent vs deferred investments	10 - 14

[1] See *Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks* (7th ed.). New York, NY: Prager, Sealy & Co., LLC; KPMG, LLP; Attain, LLC. The model's analysis developed by industry experts is generally accepted in the field of higher education and has been around and evolving since 1980.

Three other ratios provided are the Debt Burden, Debt Coverage, and Life of Capital Assets. The Debt Burden ratio is calculated as debt service divided by adjusted expenditure. The benchmark for this ratio is set by the institution for no more than 8% per Board policy V.F. The Debt Coverage ratio is calculated as adjusted revenues divided by debt service. The benchmark for this ratio is set at 2. The Life of Capital Assets ratio is calculated as accumulated depreciation divided by depreciation expense. The benchmark for this ratio is 10 for research institutions and 14 for undergraduate liberal arts institutions.

IMPACT

These financial ratios and analyses are provided for the Board to review the financial health and year-to-year trends at the institutions. The ratios reflect a financial snapshot as of fiscal year end. The Audit Committee reviews key financial performance factors on a quarterly basis.

ATTACHMENTS

Attachment 1 - Boise State University – CFI Ratios
Attachment 2 - Boise State University - Debt Ratios
Attachment 3 - Idaho State University – CFI Ratios
Attachment 4 - Idaho State University – Debt Ratios
Attachment 5 - University of Idaho – CFI Ratios
Attachment 6 - University of Idaho – Debt Ratios
Attachment 7 - Lewis-Clark State College – CFI Ratios
Attachment 8 - Lewis-Clark State College – Debt Ratios

STAFF COMMENTS AND RECOMMENDATIONS

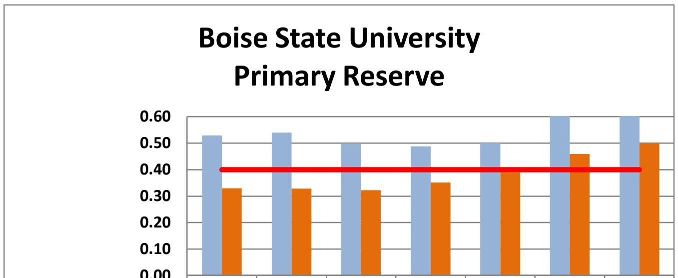
The ratios report for the University of Idaho have been adjusted this year to isolate University activity by removing the effect of the University of Idaho Strategic Initiatives Fund (SIF).

The SIF is treated under governmental accounting standards as a blended component unit of the University. This is different from the University of Idaho Foundation, which is considered a discretely presented component unit. Therefore, the SIF is blended into the financial statements of the University while the Foundation is presented in a separate column on the financial statements. The purpose of the SIF is to hold, invest, and disburse the proceeds received in advance from the University's utility concession agreement. These funds are invested over a long-time horizon (50 year agreement) and, thus, are subject to volatility in market value. This volatility has the potential to materially impact the operating results that are reported in the audited financial statements. For that reason, the University has modified the financial ratios to include results with and without the impact of the SIF.

Institution representatives are prepared to provide additional information about their financial ratios as needed.

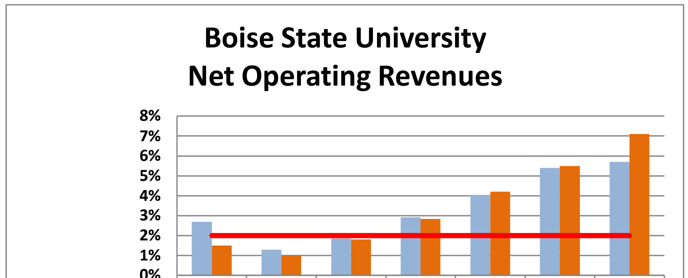
BOARD ACTION

This item is for informational purposes only.



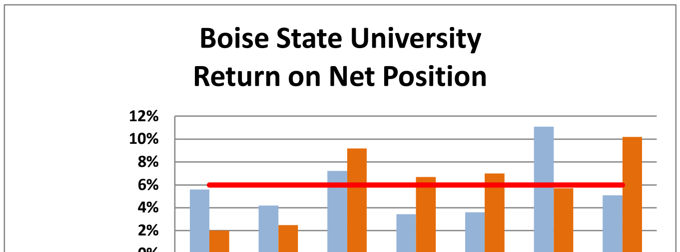
	2016	2017	2018	2019	2020	2021	2022
Consolidated	0.53	0.54	0.50	0.49	0.50	0.67	0.63
BSU Only	0.33	0.33	0.32	0.35	0.39	0.46	0.50
Benchmark	0.4	0.4	0.4	0.4	0.4	0.4	0.4

.40 indicates 5 months of operations can be covered by expendable reserves. Trend indicates whether institution has increased net worth in proportion to rate of growth in its operating size.



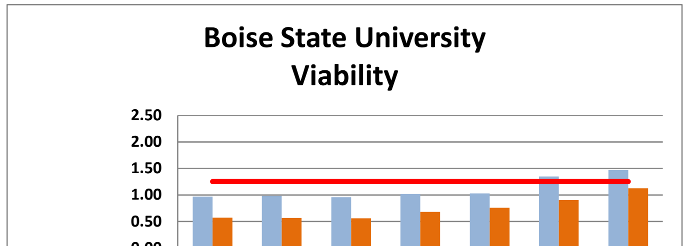
	2016	2017	2018	2019	2020	2021	2022
Consolidated	2.70%	1.30%	1.86%	2.92%	4.05%	5.40%	5.70%
BSU Only	1.50%	1.00%	1.80%	2.84%	4.21%	5.50%	7.10%
Benchmark	2%	2%	2%	2%	2%	2%	2%

Indicates whether institution is adding or subtracting from net assets. A pattern of deficits is a warning signal that management should focus on restructuring income and expense streams to return to an acceptable level.



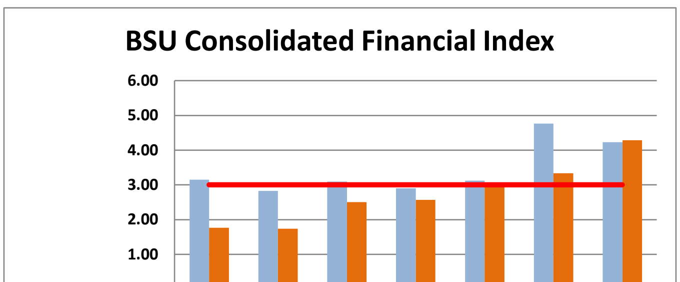
	2016	2017	2018	2019	2020	2021	2022
Consolidated	5.60%	4.20%	7.23%	3.43%	3.61%	11.10%	5.10%
BSU Only	2.00%	2.50%	9.20%	6.70%	7.00%	5.70%	10.20%
Benchmark	6%	6%	6%	6%	6%	6%	6%

Measures total economic return: higher is better. Lower is okay if it reflects the strategy and mission in setting up for future returns.



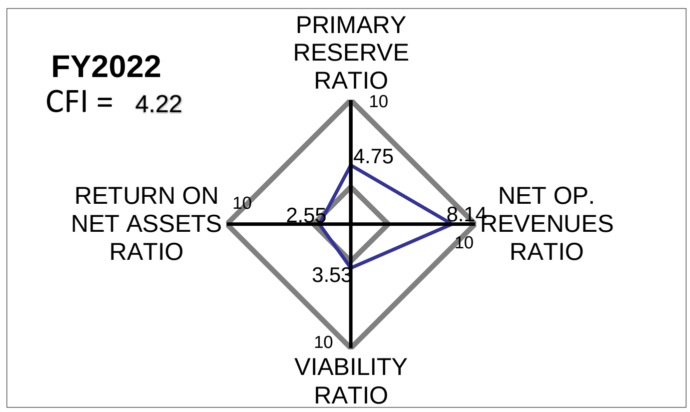
	2016	2017	2018	2019	2020	2021	2022
Consolidated	0.97	0.98	0.96	1.02	1.03	1.35	1.47
BSU Only	0.58	0.57	0.56	0.68	0.76	0.91	1.12
Benchmark	1.25	1.25	1.25	1.25	1.25	1.25	1.25

Measures ability to meet entire debt obligation with expendable net assets as of a balance sheet date.

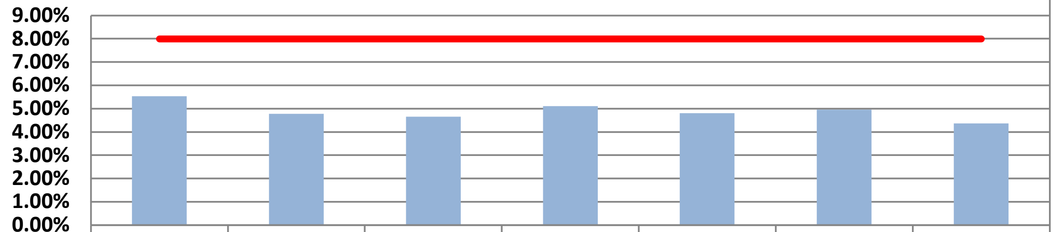


	2016	2017	2018	2019	2020	2021	2022
Consolidated	3.15	2.83	3.10	2.90	3.12	4.77	4.23
BSU Only	1.77	1.74	2.50	2.57	2.98	3.34	4.29
Benchmark	3.0	3.0	3.0	3.0	3.0	3.0	3.0

Indicates overall financial health.
Ratio range of 3-5 is ideal time to direct resources toward transformation.



Boise State University
Debt Burden Ratio



	2016	2017	2018	2019	2020	2021	2022
Debt Burden	5.53%	4.78%	4.65%	5.10%	4.80%	4.96%	4.36%
Benchmark	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

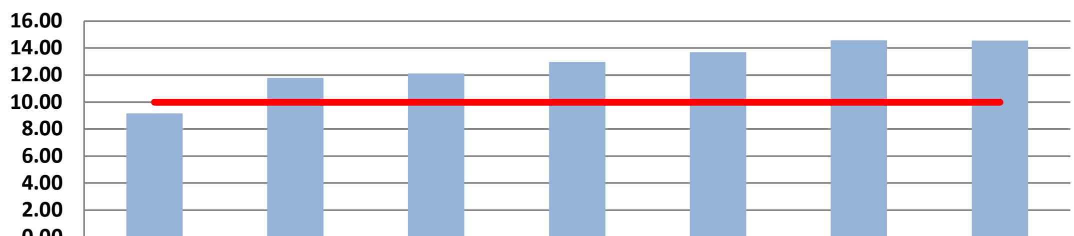
Reflects reliance on borrowed funds as a source of funds.

Boise State University
Debt Coverage Ratio

	2016	2017	2018	2019	2020	2021	2022
Debt Coverage	2.24	2.05	2.42	1.87	2.12	4.16	2.85
Benchmark	2.0	2.0	2.0	2.0	2.0	2.0	2.0

Reflects ability of excess income over adjusted expenses to cover annual debt service payments.

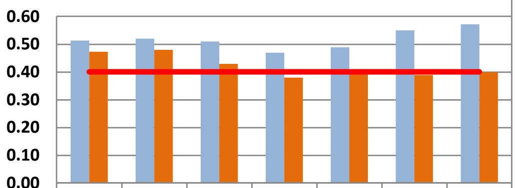
Boise State University
Life of Capital Assets



	2016	2017	2018	2019	2020	2021	2022
Life of Capital Assets	9.15	11.78	12.12	12.98	13.70	14.57	14.56
Benchmark	10.0	10.0	10.0	10.0	10.0	10.0	10.0

Higher ratio indicates more deferred reinvestment in plant facilities in the future.

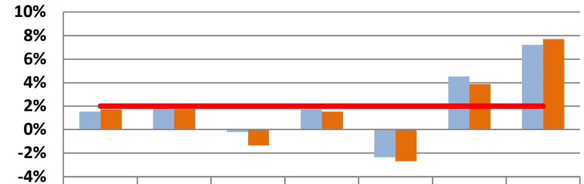
Idaho State University
Primary Reserve



	2016	2017	2018	2019	2020	2021	2022
Consolidated	0.51	0.52	0.51	0.47	0.49	0.55	0.57
ISU Only	0.47	0.48	0.43	0.38	0.40	0.39	0.40
Benchmark	0.4	0.4	0.4	0.4	0.4	0.4	0.4

.40 indicates 5 months of operations can be covered by expendable reserves. Trend indicates whether institution has increased net worth in proportion to rate of growth in its operating size.

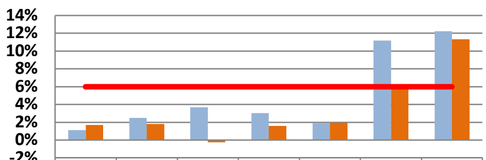
Idaho State University
Net Operating Revenues



	2016	2017	2018	2019	2020	2021	2022
Consolidated	1.55%	1.84%	-0.21%	1.73%	-2.35%	4.52%	7.22%
ISU Only	1.70%	1.76%	-1.33%	1.54%	-2.67%	3.87%	7.71%
Benchmark	2%	2%	2%	2%	2%	2%	2%

Indicates whether institution is adding or subtracting from net assets. A pattern of deficits is a warning signal that management should focus on restructuring income and expense streams to return to an acceptable level.

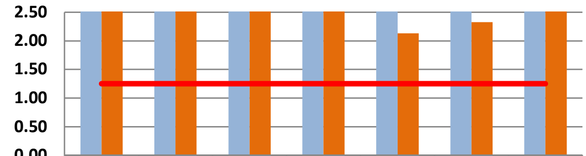
Idaho State University
Return on Net Position



	2016	2017	2018	2019	2020	2021	2022
Consolidated	1.11%	2.50%	3.67%	3.02%	1.92%	11.17%	12.24%
ISU Only	1.71%	1.82%	-0.24%	1.58%	1.94%	6.01%	11.33%
Benchmark	6%	6%	6%	6%	6%	6%	6%

Measures total economic return: higher is better. Lower is okay if it reflects the strategy and mission in setting up for future returns.

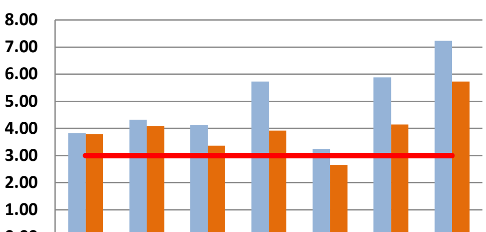
Idaho State University
Viability



	2016	2017	2018	2019	2020	2021	2022
Consolidated	2.56	2.91	3.26	3.56	2.52	3.18	4.20
ISU Only	2.54	2.87	2.93	3.04	2.13	2.33	3.03
Benchmark	1.25	1.25	1.25	1.25	1.25	1.25	1.25

Measures ability to meet entire debt obligation with expendable net assets as of a balance sheet date.

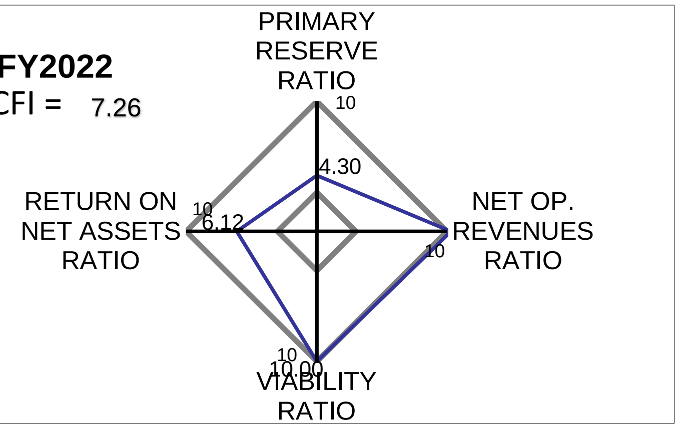
ISU Consolidated Financial Index

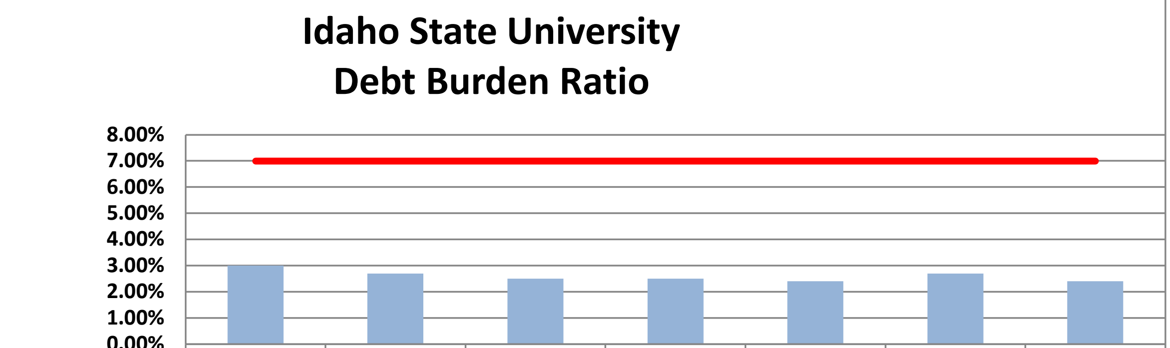


	2016	2017	2018	2019	2020	2021	2022
Consolidated	3.83	4.32	4.13	5.73	3.25	5.88	7.23
ISU Only	3.79	4.09	3.37	3.92	2.65	4.14	5.73
Benchmark	3.0	3.0	3.0	3.0	3.0	3.0	3.0

Indicates overall financial health.
Ratio range of 3-5 is ideal time to direct resources toward transformation.

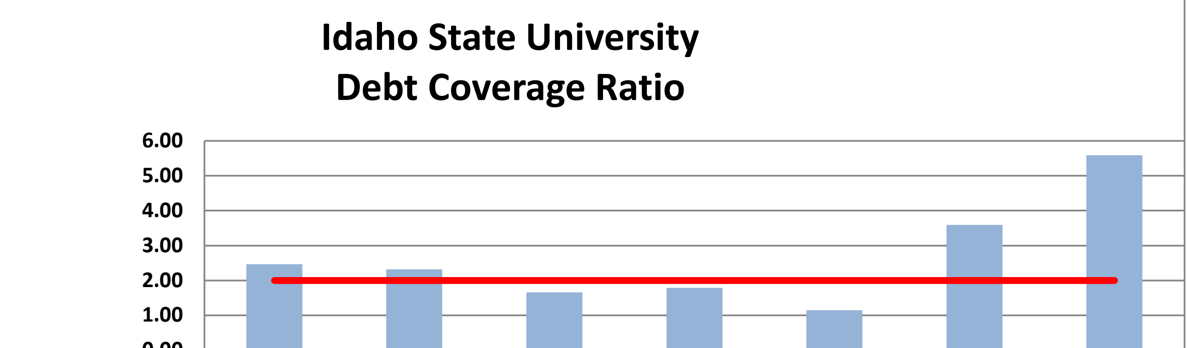
FY2022
CFI = 7.26





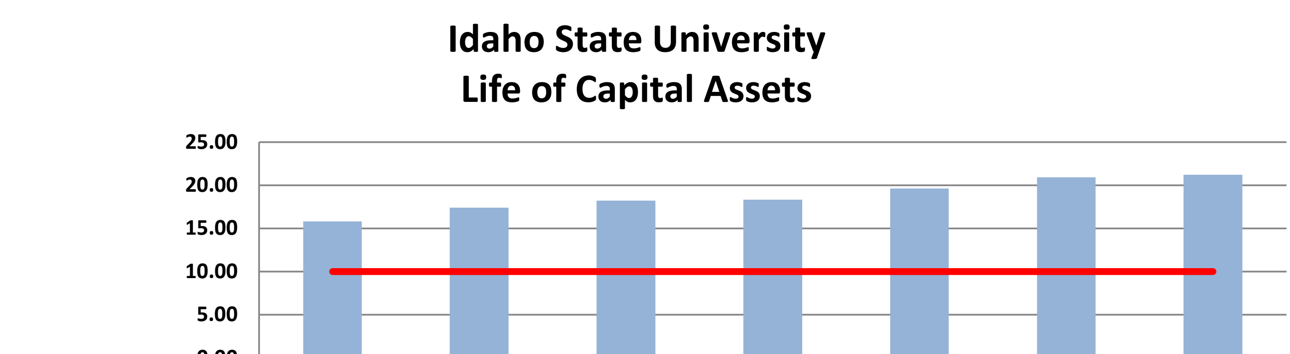
	2016	2017	2018	2019	2020	2021	2022
Debt Burden	3.00%	2.70%	2.50%	2.50%	2.40%	2.70%	2.40%
Benchmark	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%

Reflects reliance on borrowed funds as a source of funds.



	2016	2017	2018	2019	2020	2021	2022
Debt Coverage	2.47	2.32	1.66	1.79	1.15	3.59	5.59
Benchmark	2	2	2	2	2	2	2

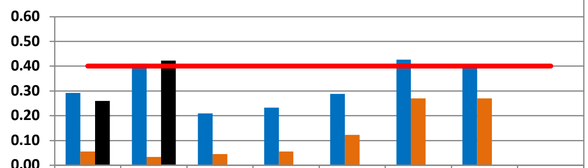
Reflects ability of excess income over adjusted expenses to cover annual debt service payments.



	2016	2017	2018	2019	2020	2021	2022
Life of Capital Assets	15.80	17.40	18.20	18.30	19.60	20.90	21.20
Benchmark	10.0	10.0	10.0	10.0	10.0	10.0	10.0

Higher ratio indicates more deferred reinvestment in plant facilities in the future.

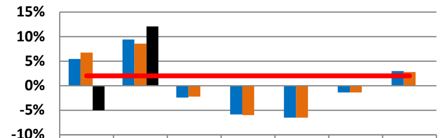
University of Idaho Primary Reserve



	2022	2021	2020	2019	2018	2017	2016	
Consolidated	0.29	0.41	0.21	0.23	0.29	0.43	0.40	
UI Only	0.06	0.03	0.05	0.06	0.12	0.27	0.27	
Consolidated Incl. SIF	0.26	0.42						
Benchmark	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4

.40 indicates 5 months of operations can be covered by expendable reserves. Trend indicates whether institution has increased net worth in proportion to rate of growth in its operating size.

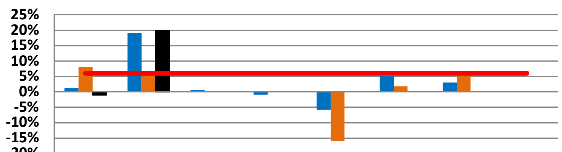
University of Idaho Net Operating Revenues



	2022	2021	2020	2019	2018	2017	2016
Consolidated	5.47%	9.40%	-2.40%	-5.90%	-6.50%	-1.40%	3.00%
UI Only	6.75%	8.60%	-2.20%	-6.00%	-6.50%	-1.40%	2.80%
Consolidated Incl. SIF	-5.03%	12.10%					
Benchmark	2%	2%	2%	2%	2%	2%	2%

Indicates whether institution is adding or subtracting from net assets. A pattern of deficits is a warning signal that management should focus on restructuring income and expense streams to return to an acceptable level.

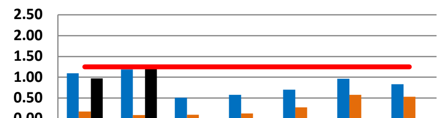
University of Idaho Return on Net Position



	2022	2021	2020	2019	2018	2017	2016	
Consolidated	1.20%	19.05%	0.50%	-0.90%	-5.80%	5.10%	3.00%	
UI Only	8.00%	6.32%	0.03%	-0.07%	-15.90%	1.80%	6.10%	
Consolidated Incl. SIF	-1.03%	19.93%						
Benchmark	6%	6%	6%	6%	6%	6%	6%	6%

Measures total economic return: higher is better. Lower is okay if it reflects the strategy and mission in setting up for future returns.

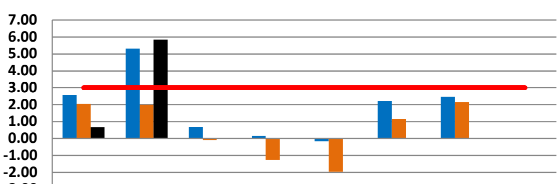
University of Idaho Viability



	2022	2021	2020	2019	2018	2017	2016
Consolidated	1.10	1.19	0.51	0.58	0.70	0.96	0.83
UI Only	0.18	0.09	0.10	0.13	0.28	0.58	0.53
Consolidated Incl. SIF	0.98	1.22					
Benchmark	1.25	1.25	1.25	1.25	1.25	1.25	1.25

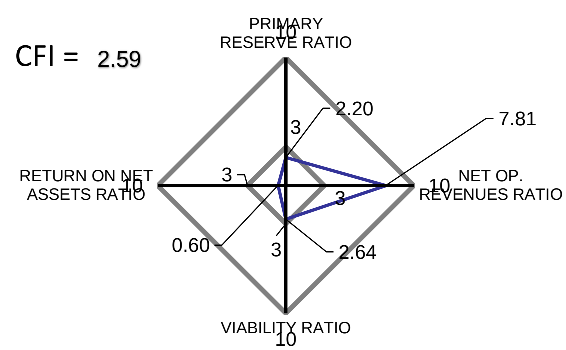
Measures ability to meet entire debt obligation with expendable net assets as of a balance sheet date.

UI Consolidated Financial Index

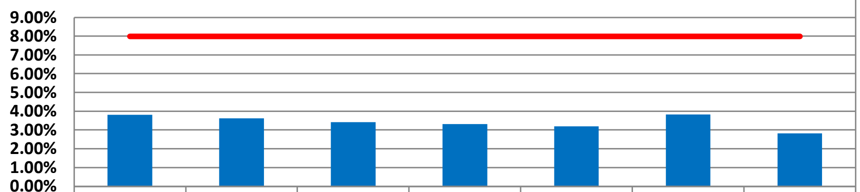


	2022	2021	2020	2019	2018	2017	2016	
Consolidated	2.59	5.33	0.69	0.17	(0.16)	2.24	2.48	
UI Only	2.06	2.01	(0.08)	(1.26)	(1.96)	1.17	2.16	
Consolidated Incl. SIF	0.68	5.85						
Benchmark	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0

Indicates overall financial health.
Ratio range of 3-5 is ideal time to direct resources toward transformation.



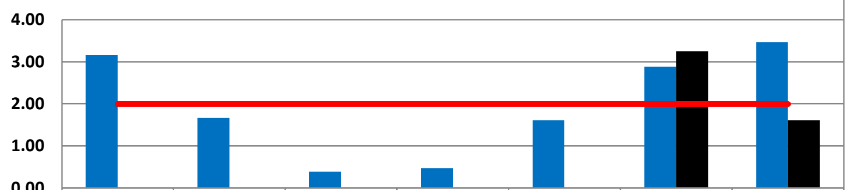
University of Idaho
Debt Burden Ratio



	2016	2017	2018	2019	2020	2021	2022
Debt Burden	3.80%	3.62%	3.41%	3.31%	3.20%	3.82%	2.82%
Benchmark	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

Reflects reliance on borrowed funds as a source of funds.

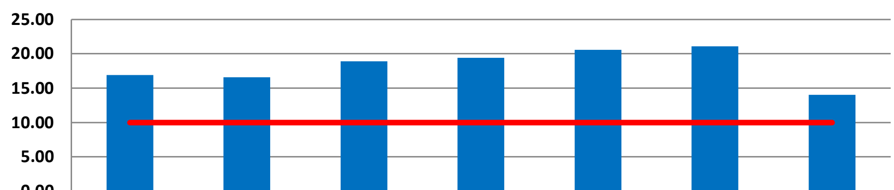
University of Idaho
Debt Coverage Ratio



	2016	2017	2018	2019	2020	2021	2022
Debt Coverage	3.16	1.67	0.39	0.47	1.61	2.88	3.47
Debt Coverage (incl. SIF)						3.25	1.61
Benchmark	2	2	2	2	2	2	2

Reflects ability of excess income over adjusted expenses to cover annual debt service payments.

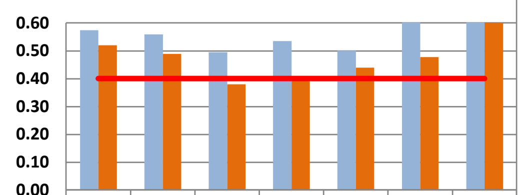
University of Idaho
Life of Capital Assets



	2016	2017	2018	2019	2020	2021	2022
Life of Capital Assets	16.90	16.60	18.90	19.40	20.60	21.10	14.05
Benchmark	10.0	10.0	10.0	10.0	10.0	10.0	10.0

Higher ratio indicates more deferred reinvestment in plant facilities in the future.

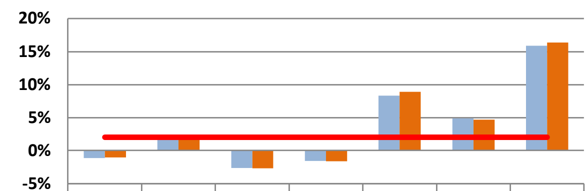
Lewis-Clark State College
Primary Reserve



	2016	2017	2018	2019	2020	2021	2022
Consolidated	0.57	0.56	0.50	0.54	0.50	0.64	0.77
LCSC Only	0.52	0.49	0.38	0.41	0.44	0.48	0.66
Benchmark	0.4	0.4	0.4	0.4	0.4	0.4	0.4

.40 indicates 5 months of operations can be covered by expendable reserves. Trend indicates whether institution has increased net worth in proportion to rate of growth in its operating size.

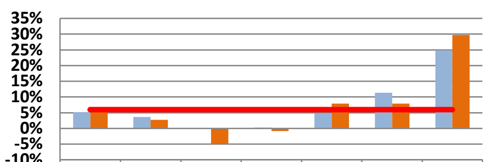
Lewis-Clark State College
Net Operating Revenues



	2016	2017	2018	2019	2020	2021	2022
Consolidated	-1.10%	2.00%	-2.62%	-1.54%	8.33%	4.91%	15.90%
LCSC Only	-1.00%	2.00%	-2.69%	-1.63%	8.93%	4.72%	16.40%
Benchmark	2%	2%	2%	2%	2%	2%	2%

Indicates whether institution is adding or subtracting from net assets. A pattern of deficits is a warning signal that management should focus on restructuring income and expense streams to return to an acceptable level.

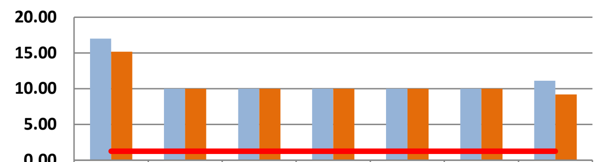
Lewis-Clark State College
Return on Net Position



	2016	2017	2018	2019	2020	2021	2022
Consolidated	5.19%	3.60%	-0.12%	0.26%	4.78%	11.32%	24.90%
LCSC Only	5.70%	2.70%	-4.93%	-0.85%	7.91%	7.91%	29.70%
Benchmark	6%	6%	6%	6%	6%	6%	6%

Measures total economic return: higher is better. Lower is okay if it reflects the strategy and mission in setting up for future returns.

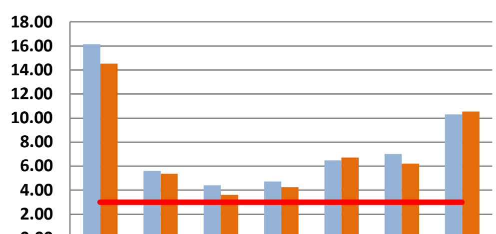
Lewis-Clark State College
Viability



	2016	2017	2018	2019	2020	2021	2022
Consolidated	17.00	10.00	10.00	10.00	10.00	10.00	11.14
LCSC Only	15.17	10.00	10.00	10.00	10.00	10.00	9.22
Benchmark	1.25	1.25	1.25	1.25	1.25	1.25	1.25

Measures ability to meet entire debt obligation with expendable net assets as of a balance sheet date.

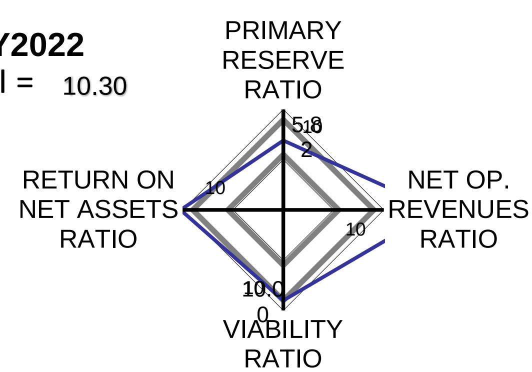
LCSC Consolidated Financial Index



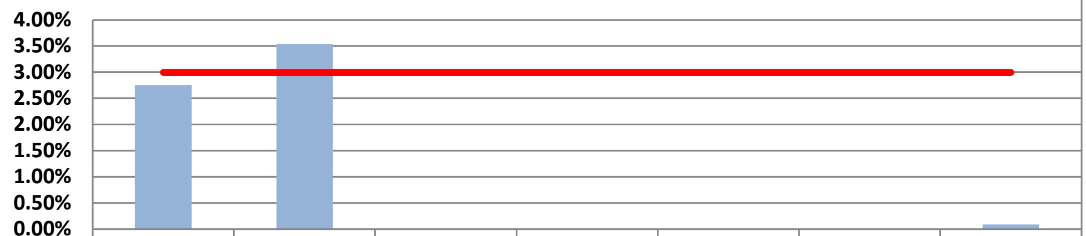
	2016	2017	2018	2019	2020	2021	2022
Consolidated	16.14	5.61	4.42	4.72	6.49	7.02	10.30
LCSC Only	14.53	5.36	3.61	4.25	6.72	6.22	10.55
Benchmark	3.0	3.0	3.0	3.0	3.0	3.0	3.0

Indicates overall financial health.
Ratio range of 3-5 is ideal time to direct resources toward transformation.

FY2022
CFI = 10.30



Lewis-Clark State College
Debt Burden Ratio



	2016	2017	2018	2019	2020	20201	2022
Debt Burden	2.75%	3.54%	0.00%	0.00%	0.00%	0.00%	0.09%
Benchmark	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

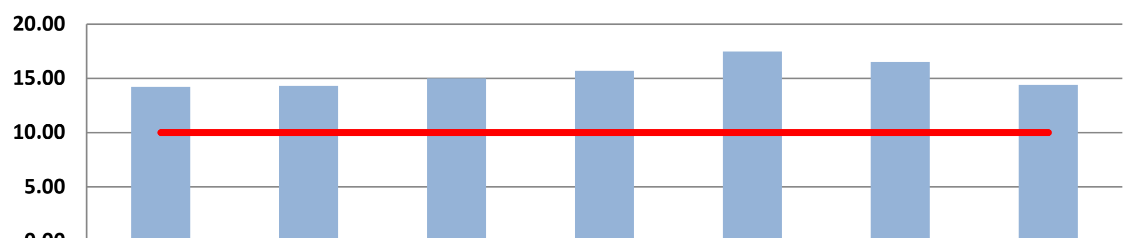
Reflects reliance on borrowed funds as a source of funds.

Lewis-Clark State College
Debt Coverage Ratio

	2016	2017	2018	2019	2020	20201	2022
Debt Coverage	1.56	2.10	-	-	-	-	304.26
Benchmark	2.0	2.0	2.0	2.0	2.0	2.0	2.0

Reflects ability of excess income over adjusted expenses to cover annual debt service payments.

Lewis-Clark State College
Life of Capital Assets



	2016	2017	2018	2019	2020	20201	2022
Life of Capital Assets	14.22	14.31	15.00	15.72	17.49	16.50	14.41
Benchmark	10.0	10.0	10.0	10.0	10.0	10.0	10.0

Higher ratio indicates more deferred reinvestment in plant facilities in the future.

SUBJECT

FY 2022 College and Universities' Unrestricted Net Position Balances

REFERENCE

December 2012 - 2022 Annual Audit reports submitted to the Board

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.B.

BACKGROUND/DISCUSSION

Net position balances provide a tool to gauge the amount and types of assets held by an institution. An analysis of unrestricted expendable assets provides insights into some of the "reserves" which might be available in order for an institution to meet emergency needs. The net position balances as of June 30, 2022 for Boise State University, Idaho State University, the University of Idaho, and Lewis-Clark State College are attached. The net position reports for the four institutions are broken out by the following categories:

Invested in capital assets, net of related debt: This represents an institution's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included.

Restricted, expendable: This represents resources which an institution is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted, nonexpendable: This represents endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted: This represents resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises. Auxiliary enterprises are defined as substantially self-supporting activities that provide services for students, faculty, and staff. Not all sources of revenue noted above are necessarily present in the unrestricted position.

Within the category of **Unrestricted Position**, the institutions reserve funds for the following:

Obligated: Contractual obligations represent a variety of agreements which support initiatives or operations that have moved beyond management planning into execution. Obligations include contracts for goods and services, including construction projects. Obligations contain debt service commitments for outstanding debt and staffing commitments for personnel. These amounts also consist of inventories and other balances for which contractual commitments exist.

Designated: Designated net position represents balances not yet legally contracted, but which have been dedicated to initiatives that have been deemed to be strategic or mission critical. Balances include capital or maintenance projects that are in active planning phases. Facility and administrative cost recovery returns from sponsored projects (grants and contracts) are reinvested in infrastructure or on efforts to obtain additional grant funding. Documented central commitments to initiatives that have been approved at an executive level are designated.

Note: Designated reserves are not yet legally contracted, so technically they are still subject to management decision or reprioritization. However, it's critical to understand that these net position balances are a snapshot in time as of June 30, 2022, so reserves shown as "designated" on this report could become "obligated" at any point in the current fiscal year.

Unrestricted Funds Available: Balance represents reserves available to bridge uneven cash flows as well as future potential funding shortfalls such as:

- Budget reductions or holdbacks
- Enrollment fluctuations
- Unfunded enrollment workload adjustment (EWA)
- Unfunded occupancy costs
- Critical infrastructure failures

IMPACT

The volatility of state funding as well as fluctuations in enrollment and tuition revenue necessitates that institutions maintain fund balances sufficient to stabilize their operating budgets. As such, Board Policy V.B. sets a minimum target reserve of 5%, as measured by "Unrestricted Available" funds divided by annual operating expenses. The institutions' unrestricted funds available as a percent of operating expenses over the past five fiscal years are as follows:

	FY 2018	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
BSU:	3.8%	5.1%	.6%	1.9%	4.82%
ISU:	5.7%	5.2%	8.8%	7.3%	9.87%
UI:	(1.6%)	(7.9%)	(7.2%)	(3.9%)	(6.97%)
LCSC:	5.1%	1.6%	6.9%	7.4%	10.42%

ATTACHMENTS

Attachment 1 - BSU Net Position Balances
Attachment 2 - ISU Net Position Balances
Attachment 3 - UI Net Position Balances
Attachment 4 - LCSC Net Position Balances

STAFF COMMENTS AND RECOMMENDATIONS

Idaho State University and Lewis-Clark State College met the Board's 5% reserve target in FY22, while Boise State University was only 0.18% short of the reserve target.

University of Idaho has reported a negative $30.1 million for its "Unrestricted – Available" net position, which results in a negative ratio of 7.0% unrestricted available net position to FY22 operating expenses, a decline of $9.7 million over FY21, after removing the Strategic Initiatives Fund (SIF) from these figures. The decline was due in part to $7 million of unrealized losses from fair value adjustments to university investments. After adjusting for these unrealized losses and removing the impact of the SIF from the consolidated financial statements, the University reported positive results from operations of $35.7 million and available net position would have declined less than $3 million over FY21. FY22 unrestricted net position was also impacted by the reclassification of $11.8 million of net OPEB asset and net pension asset at June 30, 2022. This reclassification resulted in a reduction in unrestricted net position despite the positive operating results.

Representatives from the institutions are ready to provide a brief analysis of their financial net position balances and year-to-year trends.

BOARD ACTION

This item is for informational purposes only.

Idaho College and Universities - BOISE STATE UNIVERSITY
Net Position Balances
As of June 30, 2022

				6/30/2022
1	**Net Assets:**			
2	Invested in capital assets, net of related debt			*334,918,635*
3	Restricted, expendable			*27,029,514*
4	Restricted, nonexpendable			-
5	Unrestricted			*215,708,831*
6	**Total Net Position**			**577,656,980**
7				
8	**Unrestricted Net Position:**			**215,708,831**
9	Obligated (Note A)			
10		Debt Reserves		20,411,222
11		Capital Projects		
12			Facilities	23,262,599
13			Equipment	3,635,870
14		Program Commitments		
15			Academic	4,175,484
16			Research	419,432
17		Administrative Initiatives		12,022,792
18		Total Obligated		63,927,399
19	Designated (Note B)			
20		Capital Projects		
21			Facilities	60,006,630
22			FFE	10,142,035
23		Program Commitments		
24			Academic	17,486,518
25			Research	25,871,351
26			Other	1,616,879
27		Administrative Initiatives		7,380,410
28		Other		6,208,815
29				
30		Total Designated		128,712,638
31				
32	**Unrestricted Funds Available (Note C)**			**23,068,794**

33	FY22 Operating Expenses	478,125,254
34	Ratio of Unrestricted Funds Available to operating expenses (prelim)	4.82%
35	5% of operating expenses (minimum reserve target)	23,906,263
36	Two months of operating expenses	79,687,542.33
37	Ratio of Unrestriced Funds Available to two months of operating expenses	29%
38	Number of days expenses covered by Unrestricted Funds Available	17

Note A: **Obligated** - Contractual obligations represent a variety of agreements which support initiatives or operations that have moved beyond management planning into execution. Obligations include contracts for goods and services, including construction projects. Obligations contain debt service and staffing commitments for outstanding debt and personnel. These amounts also consist of inventories and other balances for which a contractual commitments exist.

Note B: **Designated** - Designated net assets represent balances that are not yet legally contracted, but have been dedicated to initiatives that have been deemed to be strategic or mission critical. Balances include capital or maintenance projects that are in active planning phases. Facility and administrative returns from sponsored projects (grants and contracts) are reinvested in infrastructure or on efforts to obtain additional grant funding. Documented central commitments to initiatives that have been approved at an executive level are designated.

Note C: **Unrestricted Funds Available** - Balance represents reserves available to bridge uneven cash flows as well as future potential reduced funding. Current examples of potential future reductions are:

Unfunded Enrollment Workload Adjustment (EWA)
Budget reductions or holdbacks
Enrollment fluctuations
Inflation

IDAHO STATE UNIVERSITY
Net Position Balances
As of June 30, 2022

	Net Position:	**FY22**
1	Invested in capital assets, net of related debt	$190,404,723
2	Restricted, expendable	$15,817,210
3	Restricted, nonexpendable	
4	Unrestricted	$97,368,177
5	Total Net Position	$303,590,110
	Unrestricted Net Position:	**97,368,177**
	Obligated (Note A)	
6	Debt Reserves	7,431,694
	Capital Projects	
7	Facilities	12,258,832
8	Equipment	3,918,964
	Program Commitments	
9	Academic	21,153,161
10	Total Obligated	44,762,651
	Designated (Note B)	
	Program Commitments	
11	Academic	17,039,748
12	Research	1,121,230
13	Other	2,767,084
14	Other	3,920,900
15	Total Designated	24,848,962
16	**Unrestricted Available (Note C)**	**27,756,564**
17	Operating expenses	281,248,029
18	Ratio of Unrestricted Funds Available to operating expenses	9.9%
19	5% of operating expenses (minimum available reserve target)	14,062,401
20	Two months operating expenses	46,874,672
21	Ratio of Unrestricted Funds Available to two months of operating expenses	59%
22	Number of days expenses covered by Unrestricted Funds Available	36

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University of Idaho
Net Position Balances
As of June 30, 2022

Net position balances from audited financial statements have been adjusted below to remove the impact of the UI Strategic Initiatives Fund, a blended component unit, for comparability to prior years.

1	Net Position:		
2	Invested in capital assets, net of related debt		$ 299,433,674
3	Restricted, expendable		40,050,480
4	Unrestricted		(15,845,461)
5	Total Net Position		$ 323,638,693
6	Unrestricted Net Position:		$ (15,845,461)
7	Obligated (Note A)		
	- Debt Service Obligations	$ 11,129,835	
	- Capital Project and Equipment Fund Obligations	3,107,345	
	Total Obligated Funds		$ 14,237,180
9	Unrestricted Available (Note C)		$ (30,082,641)
10	Operating expenses		$431,788,125
11	Ratio of Unrestricted Funds Available to operating expenses		-7.0%
12	5% of operating expenses (minimum available reserve target)		$21,589,406
13	Two months operating expenses		$71,964,688
14	Ratio of Unrestricted Funds Available to two months of operating expenses		-42%
15	Number of days expenses covered by Unrestricted Funds Available		0

NOTES

Note A: Obligated - Contractual obligations represent a variety of agreements which support initiatives or operations that have moved beyond management planning into execution. Obligations include contracts for goods and services, including construction projects. Obligations contain debt service commitments for outstanding debt and staffing commitments for personnel. These amounts also consist of inventories and other balances for which contractual commitments exist.

Note B: Designated - Designated net assets represent balances that are not yet legally contracted, but have been dedicated to initiatives that have been deemed to be strategic or mission critical. Balances include capital or maintenance projects that are in active planning phases. Facility and adminstrative returns from sponsored projects (grants and contracts) are reinvested in infrastructure or on efforts to obtain additional grant funding. Documented central commitments to initiatives that have been approved at an executive level are designated.

Note C: Unrestricted Funds Available - Balance represents reserves available to bridge uneven cash flows as well as future potential reduced funding. Current examples of potential future reductions are:

Budget reductions or holdbacks
Enrollment fluctuations
Unfunded Enrollment Workload Adjustment (EWA)

Lewis-Clark State College
Net Position Balances
As of June 30, 2022

1	**Net Position:**	**LCSC**
2	Invested in capital assets, net of related debt	$72,435,653
3	Restricted, expendable	4,776,187
4	Restricted, nonexpendable	0
5	Unrestricted	32,095,204
6	**Total Net Position**	$109,307,044
7		
8	**Unrestricted Net Position:**	**$32,095,204**
9	Obligated (Note A)	
10	Debt Service	$244,924
11	Program Commitments	851,835
12	Capital Projects	118,693
13	Total Obligated	$1,215,453
14		
15	Designated (Note B)	
16	Capital Projects	
17	Facilities	$4,643,000
18	Equipment	1,232,946
19	Program Commitments	
20	Academic	2,653,201
21	Other	13,246,889
22	Other	3,307,348
23	Total Designated	$25,083,386
24		
25	**Unrestricted Available (Note C)**	**$5,796,367**
26		
27	Operating expenses	$55,640,323
28	Ratio of Unrestricted Funds Available to operating expenses	10.42%
29	Ratio of Designated and Unrestricted Funds Available to operating expenses	55.5%
30	Ratio of Obligated, Designated and Unrestricted Funds Available to operating expenses	57.7%
31	5% of operating expenses (minimum available reserve target)	$2,782,016
32		
33	Two months operating expenses	$9,273,387
34	Ratio of Unrestricted Funds Available to two months of operating expenses	63%
35	Number of days expenses covered by Unrestricted Funds Available	38

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Note C: **Unrestricted Funds Available** - Balance represents reserves available to bridge uneven cash flows as well as future potential reduced funding. Current examples of potential future reductions are: enrollment fluctuations, budget reductions, or holdbacks.