TAB	DESCRIPTION	ACTION
1	**FY 2021 FINANCIAL STATEMENT AUDITS**	Motion to approve
2	**FY 2021 FINANCIAL RATIOS**	Information item
3	**FY 2021 NET POSITION REPORTS**	Information item

SUBJECT

College/University FY2021 audit findings reported by the Idaho State Board of Education's external auditor

APPLICABLE STATUTE, RULE OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.H.4.f.

BACKGROUND/DISCUSSION

The Idaho State Board of Education (Board) has contracted with CliftonLarsonAllen LLP, an independent certified public accounting firm, to conduct the annual financial audits of Boise State University, Idaho State University, the University of Idaho and Lewis-Clark State College.

The financial audits for FY2021 were conducted in accordance with Generally Accepted Government Auditing Standards and include an auditor's opinion on the basic financial statements prepared by each of the four institutions.

IMPACT

There were some findings for the institutions, but all received an unmodified opinion on the financial statements. The results of the single audit are postponed due to a delay by the federal government in issuing the guidelines for auditing funds related to COVID-19. Pending that audit, there could be further items related to internal controls for federal expenditures addressed.

ATTACHMENTS

Attachment 1 - CliftonLarsonAllen Audit Results Report

STAFF COMMENTS AND RECOMMENDATIONS

On November 9, 2021, CliftonLarsonAllen (CLA) reviewed their audit findings with members of the Audit Committee and Board staff. This was followed by presentations by senior managers from the college and universities on their financial statements.

CliftonLarsonAllen noted a few items which are delineated in detail in Attachment A. Some unique items and transition matters were noted (1) For both the University of Idaho Foundation and the Lewis-Clark State College Foundation there was discussion about whether the financial presentation should conform to the Governmental Accountability Standards Board (GASB) or the Financial Accountability Standards Board (FASB). The University of Idaho elected to stay with GASB for this year since the change was immaterial this fiscal year. CLA will continue to monitor this item for materiality. The Lewis-Clark State College changed its presentation to FASB. Lewis-Clark State College also needed to restate its financial statements regarding their Activity Center. Idaho State University collaborated with CLA to restate its Asset Retirement Obligation and adjust for the transfer of the Bengal Pharmacy from its Foundation to the University.

CLA indicated that each College and University was cooperative and helpful and the transition from the previous auditors was smooth.

Staff recommends acceptance of the financial audit reports submitted by CliftonLarsonAllen.

BOARD ACTION

I move to accept from the Audit Committee the FY2021 financial audit reports for Boise State University, Idaho State University, University of Idaho, and Lewis-Clark State College, as submitted by CliftonLarsonAllen LLP in Attachment 1.

Moved by__________ Seconded by__________ Carried Yes_____ No_____

Idaho Office of State Board of Education

Fiscal Year 2021

Financial Statement and Compliance Audit

Agenda

ATTACHMENT 1

- Introductions
- Responsibilities under GAAS
- Scope and Related Deliverables
- Unique Items and Transition Matters
- Required communications
- Questions

CLA Team

ATTACHMENT 1

- Jean Bushong – Overall Lead
  - Jean Bushong, BSU Principal
    - Managers Dominic Fabrizio, Tim Richter
  - Chris Suda, ISU Principal
    - Manager Tim Richter
  - Chris Knopik, UI Principal
    - Manager Jeremy Siebert
  - Caroline Wright, LCSC Signing Director
    - Manager Jeremy Siebert

Scott Klitsch, Local Engagement Relationship Principal and National Technical Resource

Responsibilities under US Generally Accepted Auditing Standards (GAAS)

Responsible for:

- Expressing an opinion on whether financial statements are in conformity with U.S. GAAP in all material respects.
- Expressing an opinion only over information identified in our report. Other information included will be reviewed, but not subject to testing.
- Performing audit in accordance with required auditing standards, including Government Auditing Standards

Responsibilities under GAAS (continued)

An audit in accordance with GAAS:

- Communication of significant matters related to audit, information required by regulations, or other information agreed upon with University.
- Does not relieve management of responsibilities.
- Includes consideration of internal control as basis for audit procedures; but not to opine on effectiveness of internal controls.

Scope of Engagements

Financial Statement Audit

All 4 institutions

LCSC Foundation

Single Audit

All 4 institutions

NCAA Agreed Upon Procedures

Boise State

Idaho State

University of Idaho

Boise State Public Radio

Financial Statement Audit

CPB Filing

Unique Items and Transition Matters

ATTACHMENT 1

GASB Statement 84, Fiduciary Activities

GASB vs FASB Presentation

- LCSC: Changed to FASB
- University of Idaho: Elected to stay GASB. Passed on making change. Further evaluation this year.

Asset Retirement Obligation – ISU

LCSC – Activity Center

ISU – Transfer of Bengal Pharmacy

Financial Statement Audit

ATTACHMENT 1

Independent Auditors' Reports

- Auditors' Responsibility
- Management's Responsibility
- Opinions – Unqualified
- References to Government Auditing Standards Report

Internal Control Communications

ATTACHMENT 1

Boise State University

Management Letter / Verbal Communications

- Payroll Mass Approval
- IT Observations
  - Policy Review
  - No change management policy
  - Penetration testing
  - Administrator access
  - Current user access review
  - Password setting
  - Access logs review
  - Back up testing
  - Vendor management

Internal Control Communications

ATTACHMENT 1

Idaho State University

Significant Deficiency

Management letter comments

ARO liability and Fund 0149 Cash

Communication of hotline to employees

HEERF – application of indirect costs to lost revenues (not allowed)

Tracking status of audits

Internal Control Communications

ATTACHMENT 1

University of Idaho

Foundation: GASB vs FASB

Internal Control Communications

Lewis-Clark State College

- Restatements
  - GASB to FASB for Foundation
  - Write-off of Activity Center asset
- Various IT suggestions
- Management letter to Foundation

Required Communications

ATTACHMENT 1

Qualitative Aspects of Accounting Practices

- Accounting Policies, Accounting Estimates, and Financial Statement Disclosures

Difficulties Encountered in Performing the Audit

- None

Uncorrected Misstatements

- See slide

Corrected Misstatements

- See slide

Required Communications (continued)

ATTACHMENT 1

Disagreements with Management

- None

Management Representations

Management Consultations with other Independent Accountants

- None

Significant Issues Discussed with Management Prior to Engagement

- None

Other Matters

Uncorrected Misstatements

University of Idaho

- Foundation's GASB Presentation ($5.6 million)
- Restriction of net position for Net OPEB Asset ($3.9 million)
- Amortization of Utility Concession Agreement (imputed interest) ($1.5 million)

LCSC

- Impact of GASB 84 (Increase to Net Position for $122,818)
- Prior year impact of prepaid asset/NICE Building (decrease beginning net position by $453,609)

Corrected Misstatements

Boise State

- Defer $5.8 million in HEERF

Idaho State

- Record ARO liability and related deferred outflows for $8.2 million
- Remove cash and respective liability for $6.5 million

LCSC

- Removal of Activity Center Asset ($2.6 million)
- LCSC: Foundation’s GASB to FASB presentation
- Defer HEERF revenue ($868,742)
- Write off NICE prepaid ($403,208)
- Two other entries < $250,000

Questions?

Other Communications

Management and staff were very cooperative and helpful

Jean Bushong
Principal
303-265-7884
Jean.Bushong@CLAconnect.com

CLAconnect.com

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

SUBJECT

FY 2021 College and Universities' Financial Ratios

REFERENCE

December 2011-2021 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

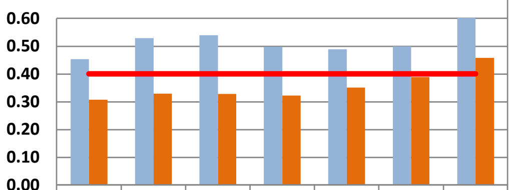
STAFF COMMENTS AND RECOMMENDATIONS

Institution representatives will be ready to provide a brief analysis of their financial ratios and answer Board members' questions.

BOARD ACTION

This item is for informational purposes only.

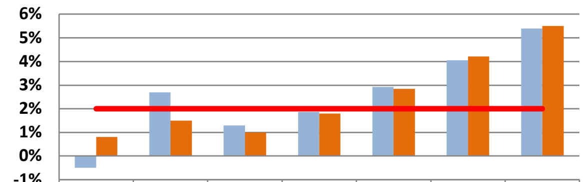
Boise State University Primary Reserve



	2015	2016	2017	2018	2019	2020	2021
Consolidated	0.45	0.53	0.54	0.50	0.49	0.50	0.67
BSU Only	0.31	0.33	0.33	0.32	0.35	0.39	0.46
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.

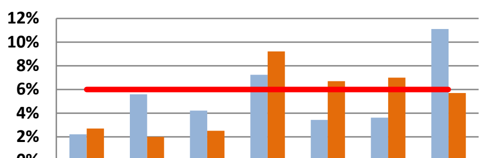
Boise State University Net Operating Revenues



	2015	2016	2017	2018	2019	2020	2021
Consolidated	-0.50%	2.70%	1.30%	1.86%	2.92%	4.05%	5.40%
BSU Only	0.80%	1.50%	1.00%	1.80%	2.84%	4.21%	5.50%
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.

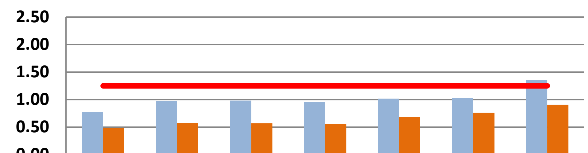
Boise State University Return on Net Position



	2015	2016	2017	2018	2019	2020	2021
Consolidated	2.20%	5.60%	4.20%	7.23%	3.43%	3.61%	11.10%
BSU Only	2.70%	2.00%	2.50%	9.20%	6.70%	7.00%	5.70%
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.

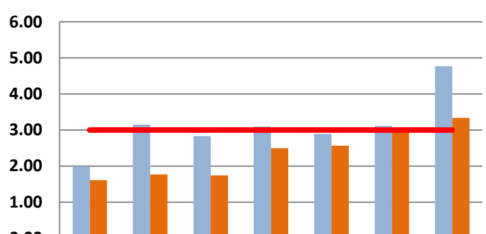
Boise State University Viability



	2015	2016	2017	2018	2019	2020	2021
Consolidated	0.77	0.97	0.98	0.96	1.02	1.03	1.35
BSU Only	0.49	0.58	0.57	0.56	0.68	0.76	0.91
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.

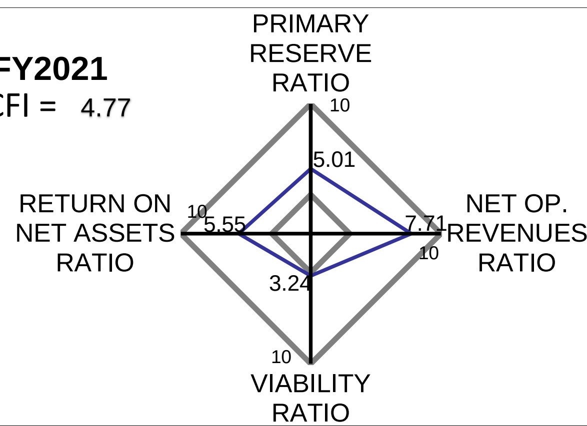
BSU Consolidated Financial Index



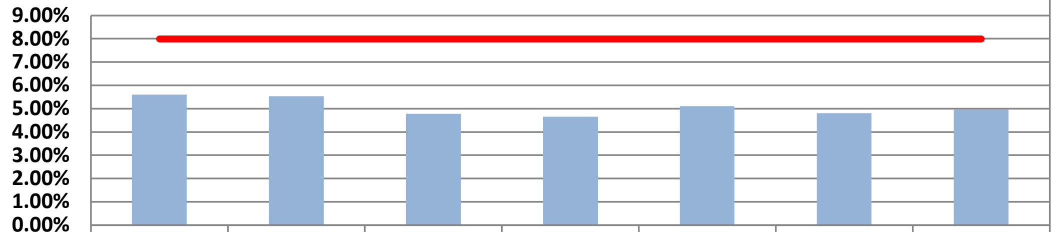
	2015	2016	2017	2018	2019	2020	2021
Consolidated	1.99	3.15	2.83	3.10	2.90	3.12	4.77
BSU Only	1.61	1.77	1.74	2.50	2.57	2.98	3.34
Benchmark	3.0	3.0	3.0	3.0	3.0	3.0	3.0

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

FY2021
CFI = 4.77



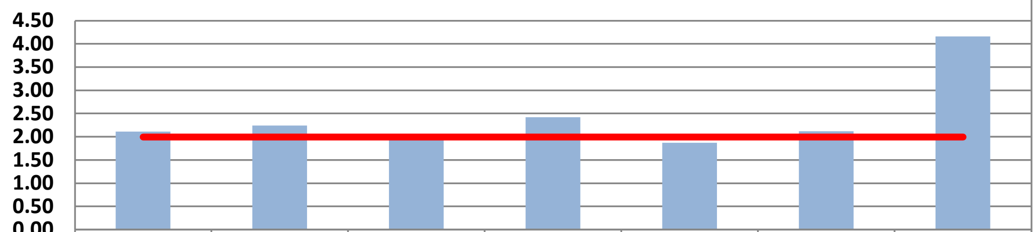
Boise State University
Debt Burden Ratio



	2015	2016	2017	2018	2019	2020	2021
Debt Burden	5.60%	5.53%	4.78%	4.65%	5.10%	4.80%	4.96%
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.

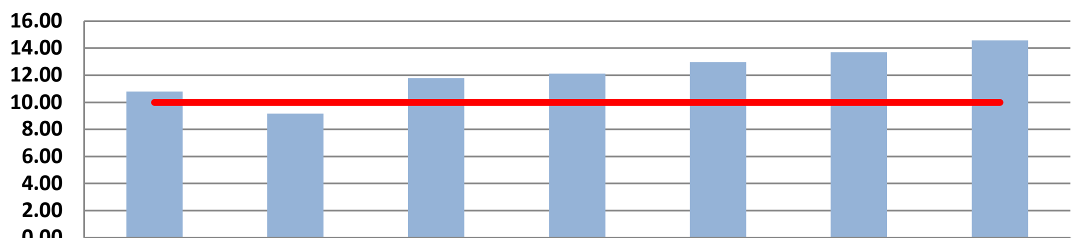
Boise State University
Debt Coverage Ratio



	2015	2016	2017	2018	2019	2020	2021
Debt Coverage	2.11	2.24	2.05	2.42	1.87	2.12	4.16
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.

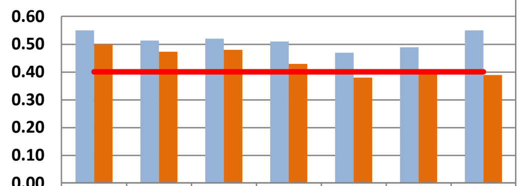
Boise State University
Life of Capital Assets



	2015	2016	2017	2018	2019	2020	2021
Life of Capital Assets	10.79	9.15	11.78	12.12	12.98	13.70	14.57
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.

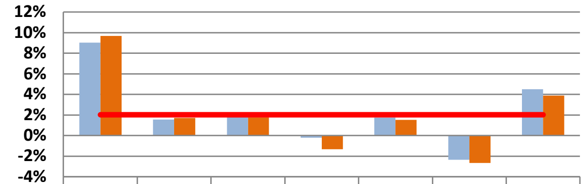
Idaho State University
Primary Reserve



	2015	2016	2017	2018	2019	2020	2021
Consolidated	0.55	0.51	0.52	0.51	0.47	0.49	0.55
ISU Only	0.50	0.47	0.48	0.43	0.38	0.40	0.39
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.

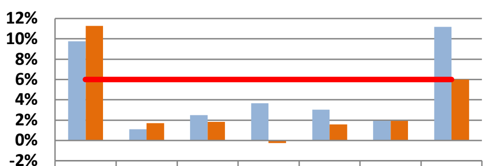
Idaho State University
Net Operating Revenues



	2015	2016	2017	2018	2019	2020	2021
Consolidated	9.03%	1.55%	1.84%	-0.21%	1.73%	-2.35%	4.52%
ISU Only	9.68%	1.70%	1.76%	-1.33%	1.54%	-2.67%	3.87%
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.

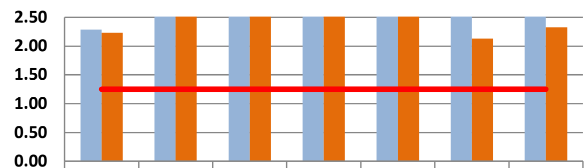
Idaho State University
Return on Net Position



	2015	2016	2017	2018	2019	2020	2021
Consolidated	9.77%	1.11%	2.50%	3.67%	3.02%	1.92%	11.17%
ISU Only	11.26%	1.71%	1.82%	-0.24%	1.58%	1.94%	6.01%
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.

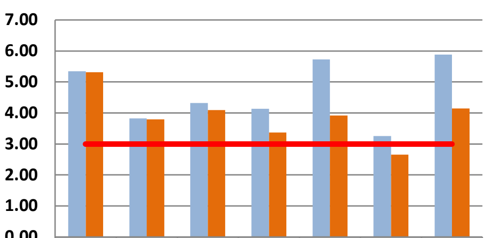
Idaho State University
Viability



	2015	2016	2017	2018	2019	2020	2021
Consolidated	2.29	2.56	2.91	3.26	3.56	2.52	3.18
ISU Only	2.23	2.54	2.87	2.93	3.04	2.13	2.33
Benchmark	1.25	1.25	1.25	1.25	1.25	1.25	1.25

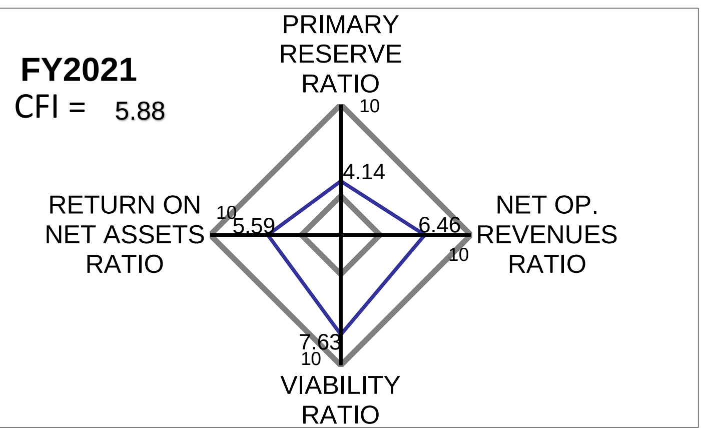
Measures ability to meet entire debt obligation with expendable net assets as of a balance sheet date.

ISU Consolidated Financial Index

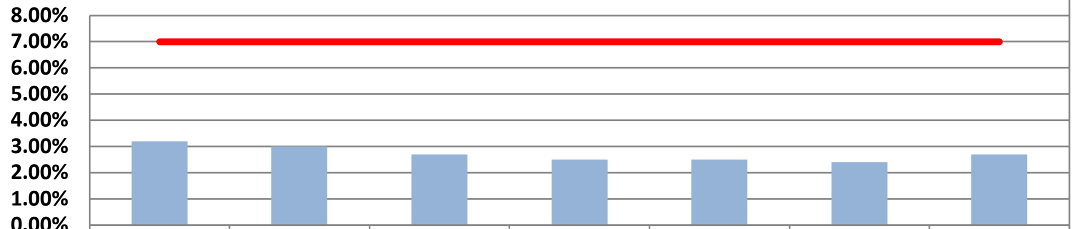


	2015	2016	2017	2018	2019	2020	2021
Consolidated	5.35	3.83	4.32	4.13	5.73	3.25	5.88
ISU Only	5.31	3.79	4.09	3.37	3.92	2.65	4.14
Benchmark	3.0	3.0	3.0	3.0	3.0	3.0	3.0

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



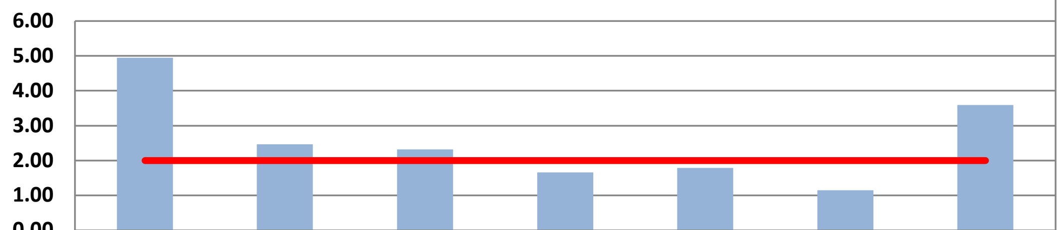
Idaho State University
Debt Burden Ratio



	2015	2016	2017	2018	2019	2020	2021
Debt Burden	3.20%	3.00%	2.70%	2.50%	2.50%	2.40%	2.70%
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.

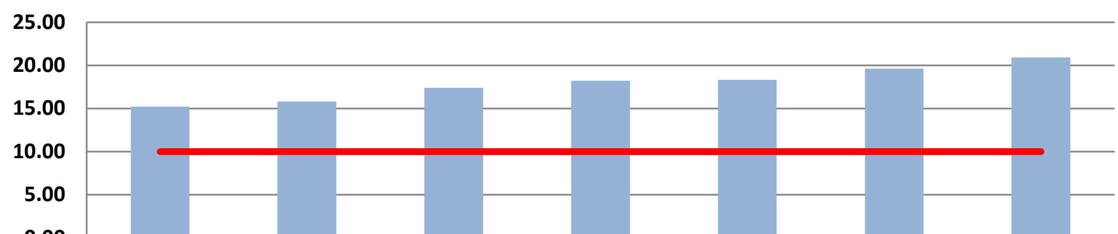
Idaho State University
Debt Coverage Ratio



	2015	2016	2017	2018	2019	2020	2021
Debt Coverage	4.95	2.47	2.32	1.66	1.79	1.15	3.59
Benchmark	2	2	2	2	2	2	2

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

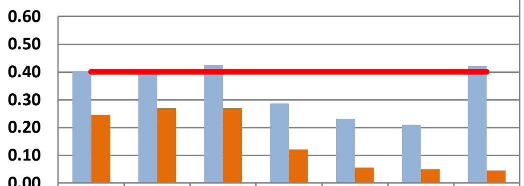
Idaho State University
Life of Capital Assets



	2015	2016	2017	2018	2019	2020	2021
Life of Capital Assets	15.20	15.80	17.40	18.20	18.30	19.60	20.90
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



	2015	2016	2017	2018	2019	2020	2021
Consolidated	0.40	0.40	0.43	0.29	0.23	0.21	0.42
UI Only	0.25	0.27	0.27	0.12	0.06	0.05	0.05
Benchmark	0.4	0.4	0.4	0.4	0.4	0.4	0.4

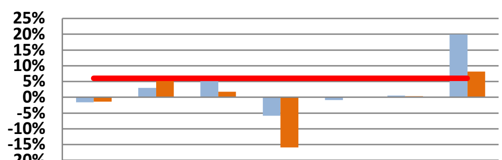
.40 indicates 5 months of operations can be covered by expendable reserves. Trend indicates whether institution has increased net worth in proportion to rate of growth in its operating size.

University of Idaho
Net Operating Revenues

	2015	2016	2017	2018	2019	2020	2021
Consolidated	5.20%	3.00%	-1.40%	-6.50%	-5.90%	-2.40%	4.34%
UI Only	5.20%	2.80%	-1.40%	-6.50%	-6.00%	-2.20%	3.90%
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.

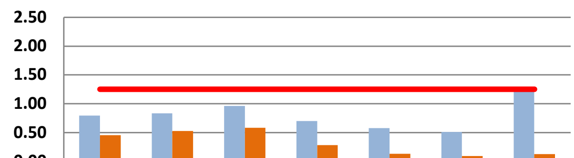
University of Idaho
Return on Net Position



	2015	2016	2017	2018	2019	2020	2021
Consolidated	-1.60%	3.00%	5.10%	-5.80%	-0.90%	0.50%	19.93%
UI Only	-1.40%	6.10%	1.80%	-15.90%	-0.07%	0.30%	8.20%
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.

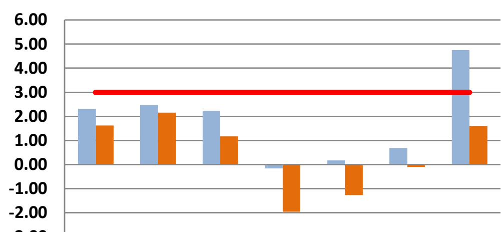
University of Idaho
Viability



	2015	2016	2017	2018	2019	2020	2021
Consolidated	0.79	0.83	0.96	0.70	0.58	0.51	1.22
UI Only	0.46	0.53	0.58	0.28	0.13	0.09	0.13
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.

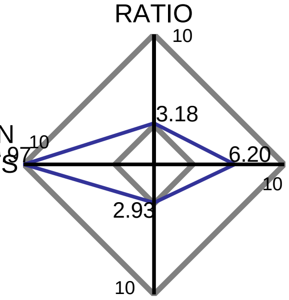
UI Consolidated Financial Index



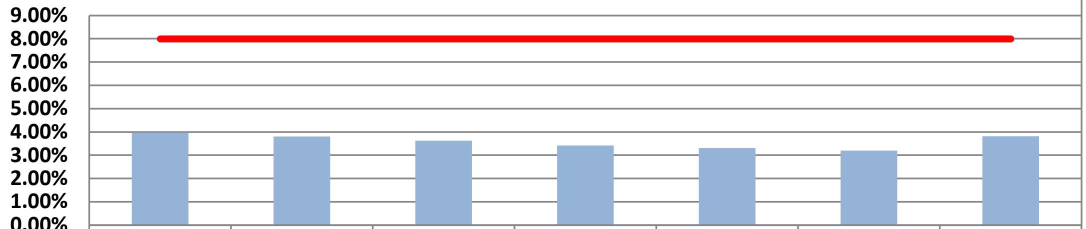
	2015	2016	2017	2018	2019	2020	2021
Consolidated	2.31	2.48	2.24	(0.16)	0.17	0.69	4.75
UI Only	1.63	2.16	1.17	(1.96)	(1.26)	(0.09)	1.61
Benchmark	3.0	3.0	3.0	3.0	3.0	3.0	3.0

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

FY2021
CFI = 4.75



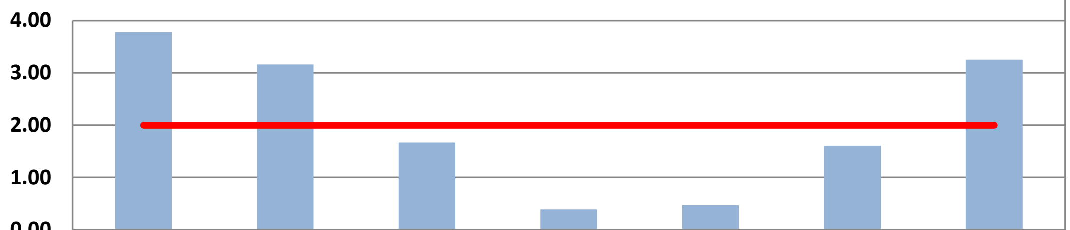
University of Idaho
Debt Burden Ratio



	2015	2016	2017	2018	2019	2020	2021
Debt Burden	3.96%	3.80%	3.62%	3.41%	3.31%	3.20%	3.82%
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.

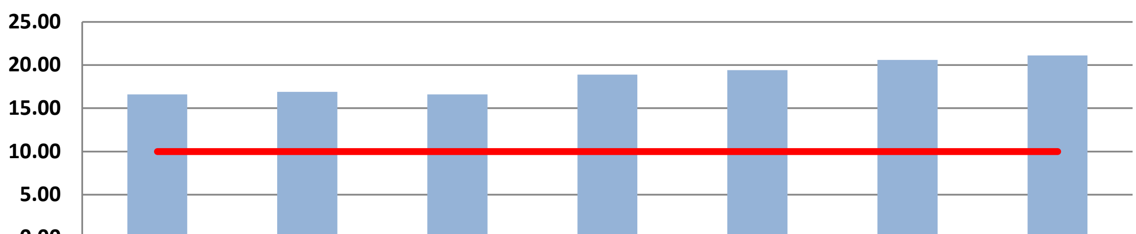
University of Idaho
Debt Coverage Ratio



	2015	2016	2017	2018	2019	2020	2021
Debt Coverage	3.78	3.16	1.67	0.39	0.47	1.61	3.25
Benchmark	2	2	2	2	2	2	2

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

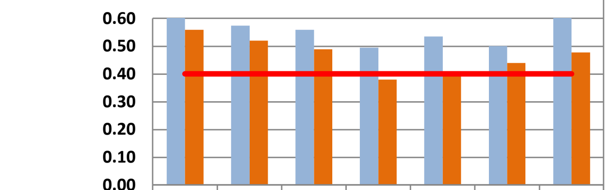
University of Idaho
Life of Capital Assets



	2015	2016	2017	2018	2019	2020	2021
Life of Capital Assets	16.60	16.90	16.60	18.90	19.40	20.60	21.10
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.

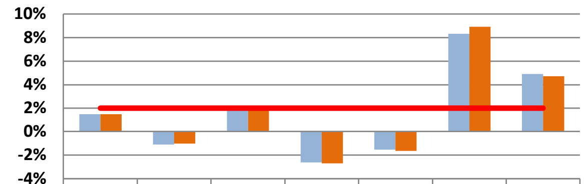
Lewis-Clark State College
Primary Reserve



	2015	2016	2017	2018	2019	2020	2021
Consolidated	0.63	0.57	0.56	0.50	0.54	0.50	0.64
LCSC Only	0.56	0.52	0.49	0.38	0.41	0.44	0.48
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.

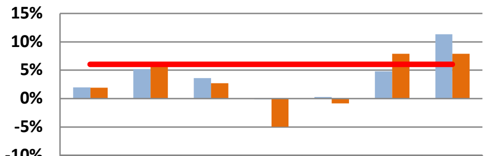
Lewis-Clark State College
Net Operating Revenues



	2015	2016	2017	2018	2019	2020	2021
Consolidated	1.50%	-1.10%	2.00%	-2.62%	-1.54%	8.33%	4.91%
LCSC Only	1.50%	-1.00%	2.00%	-2.69%	-1.63%	8.93%	4.72%
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.

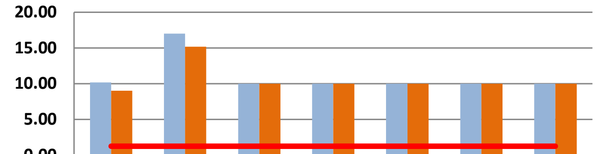
Lewis-Clark State College
Return on Net Position



	2015	2016	2017	2018	2019	2020	2021
Consolidated	2.00%	5.19%	3.60%	-0.12%	0.26%	4.78%	11.32%
LCSC Only	1.90%	5.70%	2.70%	-4.93%	-0.85%	7.91%	7.91%
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.

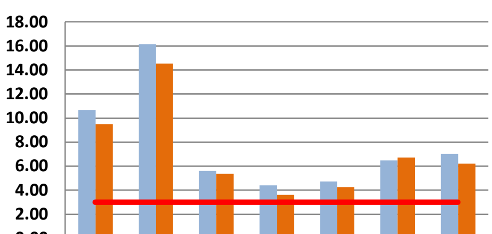
Lewis-Clark State College
Viability



	2015	2016	2017	2018	2019	2020	2021
Consolidated	10.21	17.00	10.00	10.00	10.00	10.00	10.00
LCSC Only	9.04	15.17	10.00	10.00	10.00	10.00	10.00
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.

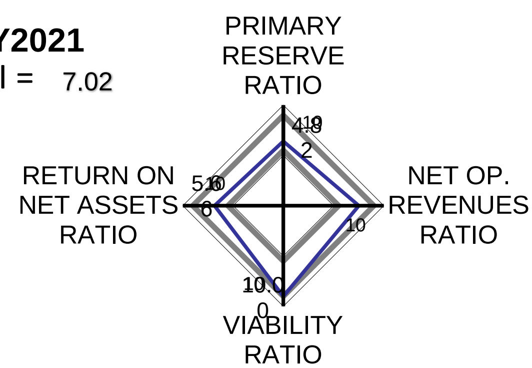
LCSC Consolidated Financial Index



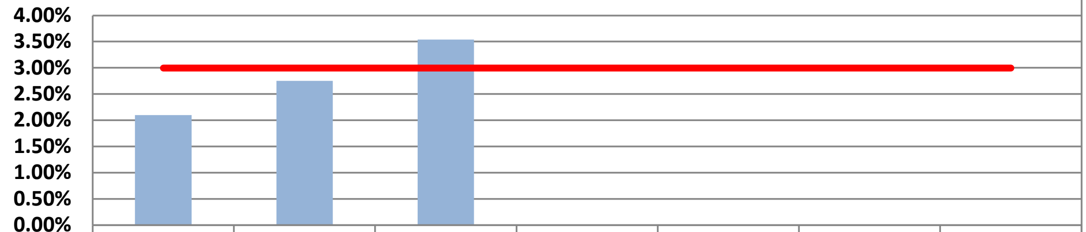
	2015	2016	2017	2018	2019	2020	2021
Consolidated	10.64	16.14	5.61	4.42	4.72	6.49	7.02
LCSC Only	9.48	14.53	5.36	3.61	4.25	6.72	6.22
Benchmark	3.0	3.0	3.0	3.0	3.0	3.0	3.0

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

FY2021
CFI = 7.02



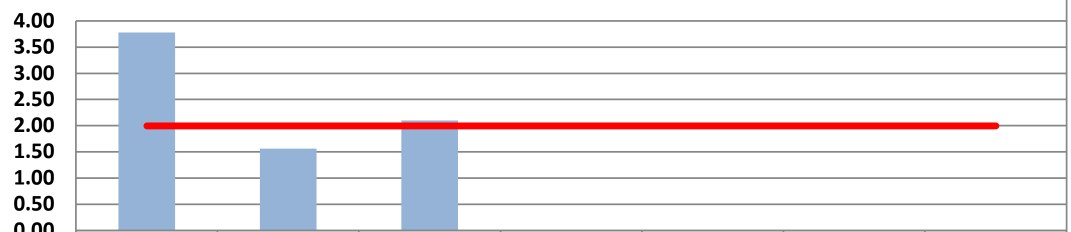
Lewis-Clark State College
Debt Burden Ratio



	2015	2016	2017	2018	2019	2020	20201
Debt Burden	2.10%	2.75%	3.54%	0.00%	0.00%	0.00%	0.00%
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.

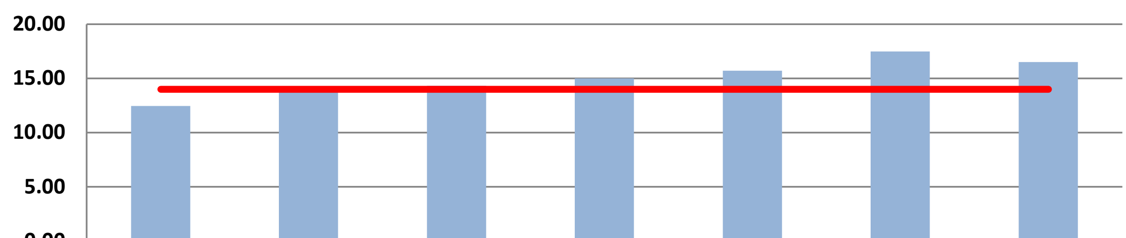
Lewis-Clark State College
Debt Coverage Ratio



	2015	2016	2017	2018	2019	2020	20201
Debt Coverage	3.78	1.56	2.10	-	-	-	-
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



	2015	2016	2017	2018	2019	2020	20201
Life of Capital Assets	12.46	14.22	14.31	15.00	15.72	17.49	16.50
Benchmark	14.0	14.0	14.0	14.0	14.0	14.0	14.0

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

SUBJECT

FY 2021 College and Universities' Unrestricted Net Position Balances

REFERENCE

December 2012 - 2021 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, 2021 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, 2021, 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 2017	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**
BSU:	5.5%	3.8%	5.1%	.6%	1.9%
ISU:	7.8%	5.7%	5.2%	8.8%	7.3%
UI:	5.0%	(1.6%)	(7.9%)	(7.2%)	(3.9%)
LCSC:	5.2%	5.1%	1.6%	6.9%	7.4%

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 FY20.

Boise State University's unrestricted net position increased by $23.4 million during the fiscal year despite Covid-19 continuing to disrupt operations. Commitments against these reserves increased by $18 million. As a result, the unrestricted funds available increased from $2.5 million as of June 30, 2020 to $7.9 million as of June 30, 2021. The ratio of unrestricted funds available to operating expenses is 1.86% which, although improved from the prior year, is short of the 5% target.

University of Idaho has reported a negative $15.0 million for its "Unrestricted – Available" net position, which results in a negative ratio of 3.9% unrestricted available net position to FY21 operating expenses, an improvement of $15.0 million over FY20. The University ended FY21 with a positive change in aggregate net position of $22.8 million due to disciplined permanent base budget reductions. Growth in unrestricted net position of $7.8 million was limited due to significant debt defeasance which added $23.6 million to net position invested in capital assets, net of related debt.

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.

BOISE STATE UNIVERSITY
Net Position Balances
As of June 30, 2021

	Net Position:		**6/30/2021**
1	Invested in capital assets, net of related debt	*$*	*324,981,080*
2	Restricted, expendable		*28,841,565*
3	Restricted, nonexpendable		-
4	Unrestricted		*170,603,764*
5	**Total Net Position**	***$***	***524,426,409***
	Unrestricted Net Position:	**$**	**170,603,764**
	Obligated (Note A)		
6	Debt Reserves	$	21,022,853
	Capital Projects		
7	Facilities		21,406,325
8	Equipment		3,004,851
	Program Commitments		
9	Academic		4,281,240
10	Research		872,725
11	Other (Auxiliary, PHO and Student Affairs)		12,722,929
12	Administrative Initiatives		2,368,534
13	Total Obligated		65,679,457
	Designated (Note B)		
	Capital Projects		
14	Facilities		33,742,188
15	FFE		5,654,191
	Program Commitments		
16	Academic		14,270,823
17	Research		23,847,975
18	Other (includes Auxiliary)		17,734,787
19	Administrative Initiatives		1,741,454
20	Total Designated		96,991,418
21	**Unrestricted Funds Available (Note C)**	**$**	**7,932,889**
22	FY21 Operating Expenses	$	426,317,532
23	Ratio of Unrestricted Funds Available to operating expenses		1.86%
24	5% of operating expenses (minimum reserve target)	$	21,315,877
25	Two months of operating expenses	$	71,386,255
26	Ratio of Unrestricted Funds Available to two months of operating expenses		11.1%
27	Number of days expenses covered by Unrestricted Funds Available		7

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

IDAHO STATE UNIVERSITY
Net Position Balances
As of June 30, 2021

	Net Position:	**FY21**
1	Invested in capital assets, net of related debt	$173,090,633
2	Restricted, expendable	$13,723,335
4	Unrestricted	$85,628,818
5	Total Net Position	$272,442,786
	Unrestricted Net Position:	**85,628,818**
	Obligated (Note A)	
6	Debt Reserves	6,716,315
	Capital Projects	
7	Facilities	20,558,135
8	Equipment	4,726,568
	Program Commitments	
9	Academic	17,148,047
10	Total Obligated	49,149,065
	Designated (Note B)	
	Program Commitments	
11	Academic	12,747,776
12	Research	1,877,714
13	Other	3,344,412
14	Total Designated	17,969,902
15	**Unrestricted Available (Note C)**	**18,509,851**
16	Operating expenses	252,592,283
17	Ratio of Unrestricted Funds Available to operating expenses	7.3%
18	5% of operating expenses (minimum available reserve target)	12,629,614
19	Two months operating expenses	42,098,714
20	Ratio of Unrestricted Funds Available to two months of operating expenses	44%
21	Number of days expenses covered by Unrestricted Funds Available	27

Note A: Obligated - Contractual obligations represent a variety of agreements which support initiatives or operations that have moved beyond management plannning 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: enrollment fluctuations, budget reductions or holdbacks.

University of Idaho
Net Position Balances
As of June 30, 2021
Information Taken from Audited Financial Statements, Footnotes and Associated Workpapers

1	Net Position:		
2	Invested in capital assets, net of related debt		$ 281,875,922
3	Restricted, expendable		20,191,474
4	Unrestricted		(1,939,022)
5	Total Net Position		$ 300,128,374
6	Unrestricted Net Position:		$ (1,939,022)
7	Obligated (Note A)		
	- Debt Service Obligations	$ 11,948,415	
	- Capital Project and Equipment Fund Obligations	1,127,514	
	Total Obligated Funds		$ 13,075,929
9	Unrestricted Available (Note C)		$ (15,014,951)
10	Operating expenses		$388,200,328
11	Ratio of Unrestricted Funds Available to operating expenses		-3.9%
12	5% of operating expenses (minimum available reserve target)		$19,410,016
13	Two months operating expenses		$64,700,055
14	Ratio of Unrestricted Funds Available to two months of operating expenses		-23%
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, 2021

1	**Net Position:**	**LCSC**
2	Invested in capital assets, net of related debt	$59,856,043
3	Restricted, expendable	3,505,032
4	Restricted, nonexpendable	0
5	Unrestricted	20,924,025
6	**Total Net Position**	$84,285,100
7		
8	**Unrestricted Net Position:**	**$20,924,025**
9	Obligated (Note A)	
10	Debt Service	$0
11	Program Commitments	694,785
12	Capital Projects	377,648
13	Total Obligated	$1,072,433
14		
15	Designated (Note B)	
16	Capital Projects	
17	Facilities	$0
18	Equipment	3,327,445
19	Program Commitments	
20	Academic	2,319,805
21	Other	7,993,015
22	Other	2,448,447
23	Total Designated	$16,088,712
24		
25	**Unrestricted Available (Note C)**	**$3,762,880**
26		
27	Operating expenses	$51,055,939
28	Ratio of Unrestricted Funds Available to operating expenses	7.37%
29	Ratio of Designated and Unrestricted Funds Available to operating expenses	38.9%
30	Ratio of Obligated, Designated and Unrestricted Funds Available to operating expenses	41.0%
31	5% of operating expenses (minimum available reserve target)	$2,552,797
32		
33	Two months operating expenses	$8,509,323
34	Ratio of Unrestricted Funds Available to two months of operating expenses	44%
35	Number of days expenses covered by Unrestricted Funds Available	27

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 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: enrollment fluctuations, budget reductions, or holdbacks.