



**SOUTHERN ILLINOIS UNIVERSITY
EDWARDSVILLE FOUNDATION
EDWARDSVILLE, ILLINOIS**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

For the Year Ended June 30, 2018



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SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION
EDWARDSVILLE, ILLINOIS
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SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION

AGENCY OFFICIALS

June 30, 2018

The Foundation's Board of Directors during Fiscal Year 2018:

Sherry Baker	Larry R. Lexow
Michael D. Butler	Steve McRae
J. Kevin Dorsey	Kevin Nicol
Byron Farrell	John E. Oeltjen
Elizabeth "Beth" Frattura	Chad Opel
Bev George	Randall Pembrook
Andrew Glenn	Lendell A. Phelps, Jr.
Ed Grady	Shirley Portwood
Brian Henry	Charles "Charlie" Reifsteck
Jennifer Hertel	Neal W. Roller
Willis Hill	Kevin Rust
Thomas Holloway	Mark Shashek
David Hopkins	Rachel C. Stack
Mary Kane	Albert "Al" Suguitan
Kevin Kaufhold	Dennis Terry
Keith J. Kehrer	Michael Wenzel
Walter R. Knepper	

Southern Illinois University personnel who provided significant administrative support to the Foundation include:

Chief Executive Officer	Mrs. Rachel C. Stack
Director of Financial Affairs & Information Systems	Mrs. Jenell Wright
Director of Information Systems	Mrs. Gayla Bruning
Gift Records Manager	Ms. Pat Mesnard
Accounting Associate	Mrs. Joan Cummings

Foundation offices are located at:

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B. Barnard Birger Hall
#30 N. Circle Drive
Edwardsville, Illinois 62026

3201 W. White Oaks Dr., Suite 102
Springfield, IL 62704
217.793.3363

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southern Illinois University Edwardsville Foundation
Edwardsville, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Southern Illinois University Edwardsville Foundation (Foundation), which comprise the Statement of Financial Position as of June 30, 2018, and the related Statement of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation, as of June 30, 2018, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 16 to the financial statements, the Foundation restated its financial statements to correct the basis of accounting from reporting in accordance with the governmental accounting standards board (GASB) to correctly report financial statements in accordance with the financial accounting standards board (FASB) presentation.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2018, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Sikich LLP

Springfield, Illinois
December 3, 2018

FINANCIAL STATEMENTS

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2018

ASSETS

Current assets

Cash and cash equivalents	\$ 1,950,336
Short-term investments	60,535
Deposits with SIUE	584,808
Pledges receivable, net of allowance	870,265
Pledges receivable endowment, net of allowance	85,163
Accounts receivable from SIUE	5,991
Other receivable	49,715
Interest receivable	72,163
Prepaid expenses	68,335
Total current assets	<u>3,747,311</u>

Noncurrent assets

Noncurrent Investments	36,671,621
Pledges receivable, net of allowance	44,871
Pledges receivable endowment, net of allowance	84,153
Loan receivables	13,493
Assets held for resale	665,860
Capital assets, net of depreciation	1,516,355
Annuity fund investments	391,759
Cash surrender value of life insurance	127,692
Total noncurrent assets	<u>39,515,804</u>
Total assets	<u>\$ 43,263,115</u>

LIABILITIES

Current liabilities

Accounts payable:	
SIUE	351,812
Other	163,057
Annuities payable	50,224
Total current liabilities	<u>565,093</u>

Noncurrent liabilities

Annuities payable	338,439
Total liabilities	<u>903,532</u>

NET ASSETS

Unrestricted	4,560,445
Temporarily restricted	17,323,905
Permanently restricted	20,475,233
Total net assets	<u>42,359,583</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 43,263,115</u></u>
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The accompanying notes to these financial statements are an integral part of this statement.

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE				
Contributions	\$ 8,787	\$ 3,718,030	\$ 1,076,574	\$ 4,803,391
Payments from related organizations	197,750	-	-	197,750
In-kind contributions	571,367	-	-	571,367
Events, sales and other, net of direct benefit to donors of \$156,613	300,564	-	-	300,564
Change in donor restrictions	(83,806)	-	83,806	-
Net assets released from restrictions	2,805,243	(2,805,243)	-	-
Total revenues	<u>3,799,905</u>	<u>912,787</u>	<u>1,160,380</u>	<u>5,873,072</u>
EXPENSES				
Program services	2,904,615	-	-	2,904,615
Management and general	654,345	-	-	654,345
Fundraising expenses	744,339	-	-	744,339
Total expenses	<u>4,303,299</u>	<u>-</u>	<u>-</u>	<u>4,303,299</u>
Changes in net assets from operating activities	<u>(503,394)</u>	<u>912,787</u>	<u>1,160,380</u>	<u>1,569,773</u>
NONOPERATING ACTIVITIES				
Net investment income	574,449	1,280,958	-	1,855,407
Gain/(loss) on sale of assets	(81,196)	-	-	(81,196)
Change in cash surrender value of life insurance	27,269	-	-	27,269
Total nonoperating activities	<u>520,522</u>	<u>1,280,958</u>	<u>-</u>	<u>1,801,480</u>
CHANGE IN NET ASSETS	17,128	2,193,745	1,160,380	3,371,253
NET ASSETS - BEGINNING OF YEAR AS RESTATED (NOTE 16)	<u>4,543,317</u>	<u>15,130,160</u>	<u>19,314,853</u>	<u>38,988,330</u>
NET ASSETS - END OF YEAR	<u>\$ 4,560,445</u>	<u>\$ 17,323,905</u>	<u>\$ 20,475,233</u>	<u>\$ 42,359,583</u>

The accompanying notes to these financial statements are an integral part of this statement.

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

	Program Services	Management and General	Fundraising	Cost of Sales	Total
Salaries and benefits	\$ 812,001	\$ 86,057	\$ 265,216	\$ -	\$ 1,163,274
Scholarships, grants, and awards	704,978	4,020	200	-	709,198
Assets and gifts in kind transferred to SIUE	519,526	7,951	-	-	527,477
SIUE Event Sponsorship	21,315	3,134	4,878	-	29,327
Subscription Charges and Lab Supplies	41,635	4,030	1,276	-	46,941
External sponsorship	4,055	575	28,573	-	33,203
Professional fees	220,891	66,317	19,557	-	306,765
Advertising and promotion	14,108	7,879	37,199	-	59,186
Office expenses	209,408	37,238	30,103	-	276,749
Meal expenses	133,480	48,642	82,928	-	265,050
Information technology	951	54,237	12,250	-	67,438
Occupancy	2,405	56,125	-	-	58,530
Travel	106,277	17,637	8,795	-	132,709
Graphics and photographic	7,178	3,169	24,171	-	34,518
Conferences and conventions	24,115	2,185	219	-	26,519
Equipment and construction	15,767	58,884	945	-	75,596
Printing	15,367	7,285	36,422	-	59,074
Membership Dues	9,473	18,277	2,009	-	29,759
Depreciation	-	74,939	-	-	74,939
Insurance	-	24,234	204	-	24,438
Payments to annuitants	-	50,224	-	-	50,224
Fundraising Event Expenses	16,153	1,166	-	-	17,319
Summer camp salaries, wages, and supplies	-	-	58,178	-	58,178
Event expenses and auction items	-	-	41,231	-	41,231
Giveaways	-	-	25,507	-	25,507
Professional services	-	-	24,284	-	24,284
Printing, design and signage	-	-	18,694	-	18,694
Postage	-	-	6,814	-	6,814
Event prizes	-	-	4,399	-	4,399
Loan Fund Expenses	-	7,041	-	-	7,041
Other	25,532	13,099	10,287	-	48,918
Expenses before cost of sales	<u>2,904,615</u>	<u>654,345</u>	<u>744,339</u>	<u>-</u>	<u>4,303,299</u>
Cost of Sales					
Cost of direct benefit to donors:					
Food and refreshments	-	-	-	80,116	80,116
Rent and facility costs	-	-	-	76,497	76,497
	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,613</u>	<u>156,613</u>
Total Functional Expenses	<u>\$ 2,904,615</u>	<u>\$ 654,345</u>	<u>\$ 744,339</u>	<u>\$ 156,613</u>	<u>\$ 4,459,912</u>

The accompanying notes to these financial statements are an integral part of this statement.

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2018

	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments received from related organizations	\$ 197,750
Payments received from other revenue sources	424,813
Contributions received	2,754,485
Payments for the benefit of SIUE, net of reimbursements	(2,678,893)
Payments to annuitants	(50,224)
Payments for general and operating expenses	(493,556)
Payments to other organizations	(3,774)
Net cash from operating activities	<u>150,601</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Permanently restricted contributions	<u>962,790</u>
Net cash from noncapital financing activities	<u>962,790</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividend income received	1,080,605
Bank and investment fees paid	(151,828)
Payments to SIUE for loan funds	(48,306)
Net proceeds received from assets held for resale	45,743
Proceeds from sales of investments	5,932,056
Purchases of investments	(6,687,458)
Proceeds from sales of gift-in-kind investment contributions	21,262
Net cash from investing activities	<u>192,074</u>
CHANGE IN CASH AND CASH EQUIVALENTS	1,305,465
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>644,871</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,950,336</u>

This statement continued on the following page.

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION

STATEMENT OF CASH FLOWS (Continued)

For the Year Ended June 30, 2018

	<u>2018</u>
Reconciliation of Operating Income (Loss)	
to net cash from operating activities:	
Operating income (loss)	\$ 1,569,773
to net cash from operating activities:	
Depreciation	74,939
Noncash gifts to SIUE	409,380
Noncash contributions	(970,884)
Change in cash surrender value of life insurance	27,269
Contributions to permanent endowment	(1,076,574)
Loan receivable write-off	7,040
(Increase) decrease in:	
Accounts receivable	2,874
Other receivables	(30,482)
Other assets	(11,181)
Decrease in:	
Accounts payable	148,447
NET CASH FROM OPERATING ACTIVITIES	<u><u>\$ 150,601</u></u>
NONCASH ACTIVITIES	
Change in unrealized gains and losses on investments	<u><u>\$ 940,204</u></u>
On-behalf benefit payments by State	<u><u>\$ 255,954</u></u>
On-behalf salary and benefit payments by SIUE	<u><u>\$ 315,413</u></u>

The accompanying notes to these financial statements are an integral part of this statement.

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

1. NATURE OF THE ORGANIZATION

The Southern Illinois University Edwardsville Foundation (Foundation) exists for the primary purpose of aiding and assisting Southern Illinois University Edwardsville (SIUE) in achieving its educational, research and service goals and responsibilities. The Foundation receives and holds gifts and manages investments for the advancement of SIUE.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies.

Basis of accounting

The financial statements of The Southern Illinois University Edwardsville Foundation have been prepared on the accrual basis of accounting and accordingly, revenues are recognized when earned, and expenses are recorded when incurred.

Basis of presentation

The Foundation is required to report information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets are those assets presently available for use by the Foundation at the discretion of the board.

Temporarily Restricted are those assets which are subject to donor-imposed stipulations that will be met, either by actions of the Foundation and/or the passage of time.

Permanently Restricted Net Assets are those assets with donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

The Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash held by investment custodians and money market accounts stated at cost, which approximate fair value.

Investments

The Foundation accounts for its investments at fair value. Changes in the fair value of investments are reported in the nonoperating section of the accompanying Statement of Activities. Also, certain money market investments and nonnegotiable certificates of deposit with redemption terms that do not consider market rates are carried at cost. Donated assets are recorded at fair value at the date of donation, or if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Investment income or loss and unrealized gains or losses are included in the Statement of Activities as increases or decreases in unrestricted net assets, unless the income or loss is restricted by a donor. Investment income or loss and unrealized gains or losses are considered nonoperating revenue.

Revenue recognition

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Events, sales and other revenue is recognized when the event takes place or when the sale occurs.

In-kind contributions – The Foundation records various types of in-kind support including contributed services and gifts such as books, publications and auction items. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The contributed services the Foundation received from SIUE are described in Note 8.

Loan deposits with SIUE

Loan deposits with SIUE represent donor funds to be used for student loans. Such funds are managed by SIUE.

Pledges receivable

Pledges receivable are unconditional promises to give that are recognized as contributions when the promise is received. The noncurrent pledges receivable are due within the next five years. The Foundation estimates the amount of pledges that will be uncollectible. Pledges are reviewed by management using information including previous payment history, relationship to SIUE, and economic factors.

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges receivable (Continued)

A percentage calculation is applied using the above factors and prior pledge write off history to determine the estimated amount uncollectible. As of June 30, 2018, the allowance for uncollectible accounts was \$205,054.

Other receivables

Other receivables primarily represent financial claims owed to the Foundation arising from revenues that are other than contributions, such as activities and events.

Capital assets

Property and equipment purchased by the Foundation is recorded at cost. Donated assets are recorded at acquisition value at the date of the donation. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. The Foundation's capitalization policy includes all items with a unit cost of \$500 or more and an estimated useful life greater than one year.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three to seven years for furniture, fixtures and equipment and forty years for buildings.

Assets held for resale

Assets held for resale primarily represent a marble staircase, a collection of artwork and historical treasures, and gifted marketable securities sold shortly after year end. The purpose of the assets held for sale are to generate income upon being sold. The staircase sections are carried at the appraised value, which approximate fair value, and the artwork and historical treasures are carried at fair value based upon appraised amounts or auction values published by internationally recognized auction houses for similar type objects. The gifted marketable securities are also carried at fair market value.

Annuities payable

The Foundation uses the actuarial method of recording annuities payable. Under this method, when a gift is received, the present value of the aggregate annuities payable is recorded as a liability, based upon life expectancy tables, and the remainder is recorded as net position. Investment income and gains are recorded as an increase to net position, and annuity payments and investment losses are charged to liability accounts with annual adjustments made between the liability and the net position to record adjustment of the actuarial liability. Annuity investments are carried at fair value based on quoted market prices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of revenues and expenses

The Foundation has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

Operating: Operating revenues and expenses include activities that have the characteristics of exchange transactions. Also included in operating revenues is contribution revenue, as the Foundation's primary purpose is to secure contributions on behalf of SIUE, and budget allocation from SIUE for payroll and benefits.

Nonoperating: Nonoperating revenues and expenses include activities that have the characteristics of non-exchange transactions, such as investment income.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Allocated costs

Expenses are allocated on a functional basis among the Foundation's various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly to their natural expense classification. Other expenses that are common to several functions are allocated by various statistical bases.

3. TAX STATUS

The Internal Revenue Service (IRS) has issued a determination letter, dated August 19, 1982, indicating that the Foundation qualifies for federal income tax exemption under Section 501(c)(3) of the Internal Revenue Code except for income taxes associated with unrelated business income. The IRS has further determined that the Foundation is not a private foundation.

4. CASH AND INVESTMENTS

Deposits with SIUE

The Foundation owns a participating share of pooled cash and investments maintained by SIUE. The underlying financial instruments which comprise SIUE's pooled cash and investments consist primarily of cash, certificates of deposit, U.S. government securities and U.S. government agency securities, and are stated at cost which approximates fair value.

4. CASH AND INVESTMENTS (Continued)

Investments

The Foundation has pooled its operating cash and investments to provide for efficiencies and economies in its management. Investments are reported at fair value. The fair value is determined to be the amount, usually quoted market prices, at which financial instruments could be exchanged in a current transaction between willing parties. The calculation of realized gains and losses is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

Investment gain for the year ended June 30, 2018 was \$1,855,407 and is presented net of investment management fees and bank service charges, which amounted to \$137,436 and \$14,273, respectively, in 2018. The net increase in the unrealized change in fair value of investments for the fiscal year 2018 was \$940,204.

Endowment investments

These amounts take into account all changes in fair value (including purchases and sales) that occurred during the year. Interest and dividend income was \$1,066,912 for the year ended June 30, 2018. The Board has established a policy regarding spending net income with the stated purpose of ensuring that administrators of these funds are able to make the best possible use of the earnings of these funds while preserving the interests and intent of the donor, the Foundation and SIUE. The Foundation's Investment Policy is administered to all endowment funds unless exceptions have been stipulated by the donor. The net appreciation on investments of donor-restricted endowments authorized for expenditure in fiscal year 2018 was \$787,723. Under the policy established by the Board, up to 4.25% of the average balance (end of previous year's fair value plus new contributions) at the end of the previous 12 months may be authorized for expenditure if investment income from the current or previous years is available. The remaining income, if any, is retained and may be used in the future if the investment return does not equal or exceed 4.25%.

Investment policy

It is Foundation policy to invest funds in a manner which will provide investment returns and security consistent with good business practices, while meeting the daily cash flow demands of the Foundation. Funds are invested in accordance with the approved Board policy for investments. The Foundation's investment policy authorizes the Foundation to invest in securities of the U.S. government or its agencies, banker's acceptances, certificates of deposit, interest bearing savings accounts, interest bearing time deposits and other direct obligations of any bank defined in the Illinois Banking Act. The Foundation's policy also authorizes additional types of investments in corporate debt securities, open and closed end mutual funds and common and preferred stocks subject to United States' securities regulation and enforcement.

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. CASH AND INVESTMENTS (Continued)

Investment policy (Continued)

The Foundation has specific investment objectives based on the type of investment. For student assistance endowments and quasi-endowments, the main objective of the investment policy is maintenance of the purchasing power of the assets in perpetuity. For general endowments and quasi-endowments, the main objective is maximizing total return on the assets. For charitable gift annuity funds, the main objective of the investment policy is to generate sufficient cash flow to meet the financial commitments to the annuitants while obtaining a total investment return that provides for a residual balance of at least 50% of the original gift amount at the termination of the agreement. The investment policy has an overall return objective to preserve the inflation adjusted value of the funds and to maximize total return net of investment expense (i.e., total interest, dividends and capital appreciation reduced by management fees and transaction costs).

Cash and investment risks

Interest rate risk: The risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation does not maintain a policy that limits investment maturities in regards to interest rate risk; however, its overall risk management requires sound investment decisions and diversification of overall risk.

As of June 30, 2018, the Foundation had the following investment balances subject to interest rate risk (using the segmented time distribution method):

	Fair Value	June 30, 2018 Investment Maturities (in Years)				No Maturity
		Less than 1	1-5	6-10		
Investments:						
Mutual Funds, equity	\$ 16,747,211	\$ -	\$ -	\$ -	\$ 16,747,211	
Mutual Funds, fixed income	13,225,831	-	1,574,020	8,743,589	2,908,222	
Mutual Funds, multi class	2,976,707	-	-	-	2,976,707	
Mutual Funds, other	1,603,294	-	-	-	1,603,294	
Municipal Bonds	242,473	60,535	181,938	-	-	
Corporate Bonds	128,445	-	128,445	-	-	
Common Stock	2,199,954	-	-	-	2,199,954	
	<u>\$ 37,123,915</u>	<u>\$ 60,535</u>	<u>\$ 1,884,403</u>	<u>\$ 8,774,119</u>	<u>\$ 26,435,388</u>	

The Foundation had money market accounts not subject to interest rate risk of \$441,281 at June 30, 2018. Total investments at June 30, 2018 were \$37,123,915. The money market accounts are included in cash and cash equivalents on the statement of financial position.

Custodial credit risk

Deposits: The risk that, in the event of the failure of a depository financial institution, the Foundation will not be able to recover deposits that are in the possession of an outside party. The bank balance on deposit with the Foundation's financial institution at June 30, 2018 was \$1,574,213, and the carrying value was \$1,509,055, all of which is insured or collateralized. The Foundation's policy for custodial credit risk is to ask the bank at which its accounts are maintained to collateralize amounts in excess of Federal Deposit Insurance Corporation (FDIC) insurance at all times.

4. CASH AND INVESTMENTS (Continued)

Custodial credit risk (Continued)

Deposits: (Continued)

Such collateral is held by a third party of the pledging institution in the name of the Foundation. As of June 30, 2018, all Foundation deposits were insured and fully collateralized.

Investments: The risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments that is in the possession of an outside party. In fiscal year 2018, the Foundation's investments were managed by two different investment firms, each offering SIPC protection up to \$500,000. Investments outside of the endowment pool are held by a custodian in the Foundation's name and are not subject to creditors of a custodial bank. Endowment pool investments are either insured with a combination of SPIC and other commercial insurance or are held in a private investment pool not subject to custodial credit risk.

Foreign currency risk

The risk that changes in exchange rates will adversely affect the investment. As of June 30, 2018, the Foundation had no investment in common stocks of foreign companies. The Foundation's policy related to foreign currency risk is that no purchase of a foreign equity may be made if such purchase would cause the total value of foreign equity assets to exceed the lesser of 10% of the total or 25% of the equity portion of the endowment portfolio.

Credit risk

The risk that an issuer or other counterparty to an investment will not fulfill its obligations. Board policy does not specifically address credit risk. However, credit risk is mitigated by limiting investments to those specified in the Board-approved policy; and diversifying the investment portfolio so that the failure of any one issuer or backer will not place an undue financial burden on the Foundation. U.S. Treasuries are federal government securities that do not require the disclosure of credit risk.

Since there is not a nationally recognized rating for the mutual funds, the ratings shown are the overall rating assigned by Morningstar. Morningstar ranks funds within their categories according to their risk-adjusted return. The 10% of funds in each category with the highest risk-adjusted return receive five stars, the next 22.5% receive four stars, the middle 35% receive three stars, the next 22.5% receive two stars, and the bottom 10% receive one star.

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. CASH AND INVESTMENTS (Continued)

Credit risk (Continued)

The Foundation has mutual funds, with Morningstar ratings, and municipal bonds and corporate bonds, with Moody's Investor Service ratings, as follows as of June 30, 2018:

	Amount	Rating
<i>Mutual Funds, equity:</i>		
Aberdeen Emerging Markets Inst Cl	\$ 722,834	4 Stars
DFA Emerging Markets Core Equity I	11,570	4 Stars
DFA Intl Small Company	320,722	4 Stars
DFA S Small Cap I	13,286	4 Stars
DFA US Small Cap Port	489,551	4 Stars
Dodge & Cox Intl Stock	725,125	4 Stars
Federated International Leaders R6 #110	17,676	1 Stars
Fidelity Emg Mkts Index Instl	416,009	4 Stars
Fidelity Intl Index Instl	18,398	4 Stars
Fidelity Mid Cap Index Instl	17,952	4 Stars
Fidelity Small Cap Idx Premium #2359	409,117	4 stars
Frontier MFG GLBL PLUS	677,972	2 Stars
Ishares Core S & P Mid Cap	565,252	4 Stars
Jensen Quality Growth Fd	686,223	4 Stars
MFS Intl Value	914,163	5 Stars
Vanguard 500 Index Fd	2,575,883	4 Stars
Vanguard Developed Mkts	721,032	4 Stars
Vanguard Intl High Yld Etf	1,241,053	not rated
Vanguard Russell 1000 Index I 1848	70,327	3 Stars
Mercer GMA (formerly CIO) Fund	6,133,066	not rated
	<u>\$ 16,747,211</u>	
<i>Mutual Funds, fixed income:</i>		
Baird Aggregate Bond Inst	\$ 4,600,348	4 Stars
Charles Schwab – Harbor High Yield Bond	-	n/a
Charles Schwab – Vanguard Short Term	-	n/a
Charles Schwab – Vanguard Total Bond Fund	2,417,388	3 Stars
Federated Institutional High Yield Bond	1,234,428	5 Stars
Lord Abbett Short Duration Income I	1,574,020	5 Stars
Lord Abbett Bond Debenture I	491,424	5 stars
Mercer GMA (formerly CIO) Fund	2,908,223	not rated
	<u>\$ 13,225,831</u>	
<i>Mutual Funds, multi class:</i>		
Fulcrum Diversified	\$ 737,561	n/a
Putnam Multi Asset	738,128	4 Stars
Mercer GMA (formerly CIO) Fund	1,501,018	not rated
	<u>\$ 2,976,707</u>	

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. CASH AND INVESTMENTS (Continued)

Credit risk (Continued)

<i>Mutual Funds, other:</i>		
Vanguard Reit Index	512,710	3 Stars
Mercer GMA (formerly CIO) Fund	1,090,584	not rated
	\$ 1,603,294	
 <i>Municipal bonds:</i>		
Palm Bay FL Spl Oblig Ref Bds	101,307	Aa3
Skokie IL Go Ser 2009b	60,535	Aa3
Southern IL Univ Rev Hsg Aux Fax A1	80,631	Ba2
	\$ 242,473	
 <i>Corporate bonds:</i>		
Berkshire Hathaway Inc Note	128,445	Aa2
	\$ 128,445	
 Total investments, excluding common stock	 \$ 34,923,961	

Concentration of credit risk: The risk of loss attributable to the magnitude of investment in a single issuer. The Foundation's investment policy covering investments outside of the endowment pool encourages diversification and prohibits mutual fund investments of more than 10% of total investments in any one issuer. As of June 30, 2018, the Foundation had one investment outside of the endowment pool in Baird Aggregate Bond Inst, that made up for more than 10% of the Foundation's total investments.

Investments that represent 5 percent or more of the Foundation's total investments are as follows:

	<u>June 30, 2018</u>
Mercer GMA (formerly CIO) Fund	\$ 11,632,891
Baird Aggregate Bond Inst	\$ 4,600,348
Charles Schwab – Vanguard 500 Index Fd	\$ 2,575,883
Charles Schwab – Vanguard Total Bond Fund	\$ 2,417,388

Overall risk: The Foundation maintains two investment policies; one for the non-endowment assets and another for the endowment assets. Since these two portfolios have unique characteristics, separate policies have been instituted to ensure the portfolios are invested according to their respective investment objectives. Each investment policy indicates that the portfolios should not be exposed to a high concentration of any one asset class, industry segment and type of security or single issue. Each policy requires funds to be managed as a balanced portfolio consisting of growth assets (U.S. and international equities), risk reduction assets (fixed income and absolute return) and inflation protection assets (real assets and inflation protected bonds).

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. CASH AND INVESTMENTS (Continued)

Credit risk (Continued)

Overall risk: (Continued)

The Foundation has defined parameters of ratios per asset class as of June 30, 2018 as follows:

	Non-Endowment		Endowment	
	Ratio		Ratio	
	Minimum	Maximum	Minimum	Maximum
Growth assets	30%	50%	40%	70%
Risk reduction	50	70	10	40
Inflation protection	-	20	5	35

Fair Value

The Foundation has the following recurring fair value measurement as of June 30, 2018:

	<u>6/30/2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level				
Mutual Funds, equity	\$ 10,614,145	\$ 10,614,145	\$ -	\$ -
Mutual Funds, fixed income	10,317,608	10,317,608	-	-
Mutual Funds, multiclass	1,475,689	1,475,689	-	-
Mutual Funds, other	512,710	512,710	-	-
Municipal bonds	242,473	-	242,473	-
Corporate bonds	128,445	-	128,445	-
Common stock	<u>2,199,954</u>	<u>2,199,954</u>	<u>-</u>	<u>-</u>
Total investment by fair value level	<u>\$ 25,491,024</u>	<u>\$ 5,120,106</u>	<u>\$ 370,918</u>	<u>\$ -</u>
LIABILITIES				
Gift annuities obligations	<u>\$ 388,663</u>	<u>\$ -</u>	<u>\$ 388,663</u>	<u>\$ -</u>

Investments measured at the net asset value (NAV)

Mercer GMA (formerly CIO)

Private Investment Fund:

Mutual Funds, equity	6,133,066
Mutual Funds, fixed income	2,908,223
Mutual Funds, multi class	1,501,018
Mutual Funds, other	<u>1,090,584</u>

Investments measured at the net asset value (NAV)	<u>11,632,891</u>
Total investments	<u>\$ 37,123,915</u>

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. CASH AND INVESTMENTS (Continued)

Fair Value (Continued)

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using quoted prices for similar securities in active markets. Gift annuity obligations are valued based on the present value of discounted expected cash flows and life expectancies. The present value was calculated using a discount factor of 6% as of June 30, 2018.

The Foundation's investments are listed on the Statement of Financial Position on the following lines:

Short-term investments	\$ 60,535
Noncurrent investments	36,671,621
Annuity fund investments	<u>391,759</u>
Total investments	<u>\$ 37,123,915</u>

Investments valued using the net asset value (NAV) per share (or its equivalent) are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values. The Foundation values these investments based on the fund managers' interim financial statements. The following table presents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for the Foundation's alternative investments measured at NAV as of June 30, 2018:

Investments measured at NAV as of June 30, 2018	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mercer GMA (formerly CIO)				
Private Investment Fund:				
Mutual Funds, equity	\$ 6,133,066	-	monthly	15 days
Mutual Funds, fixed income	2,908,223	-	monthly	15 days
Mutual Funds, multi class	1,501,018	-	monthly	15 days
Mutual Funds, other	<u>1,090,584</u>	-	monthly	15 days
Total Investments measured at NAV as of June 30, 2018	<u>\$ 11,632,891</u>			

The investment objective of the Mercer GMA (formerly CIO) Private Investment Fund (Fund) is to provide long-term total return at a reasonable risk tolerance level. To achieve its objective, the Fund invests in a diversified portfolio of investments based on an asset allocation methodology developed by the fund manager. The Fund values all of its investments on a fair value basis using various approaches. A fair value hierarchy for inputs is used in measuring the fair value of the Fund that maximizes the use of observable inputs and minimizes the use of unobservable inputs.

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018, was as follows:

	Fiscal Year 2018			
	Balance Beginning of Year	Additions	Retirements	Balance End of Year
Buildings	\$ 2,856,218	\$ -	\$ (216,341)	\$ 2,639,877
Furniture, fixtures and equipment	466,227	-	(302,909)	163,318
Total	3,322,445	-	(519,250)	2,803,195
Accumulated depreciation, buildings	(1,118,163)	(67,975)	47,906	(1,138,232)
Accumulated depreciation, furniture, fixtures and equipment	(439,569)	(6,964)	297,925	(148,608)
Capital assets, net	\$ 1,764,713	\$ (74,939)	\$ (173,419)	\$ 1,516,355

6. OVERHEAD RECOVERY FEE

Donors have agreed to an investment fee as a percentage of assets under management. The Foundation receives a management fee which, for endowed investments, is the difference between 1.25% of endowed assets in the custody of Charles Schwab and Mercer and the amount of management fees assessed by the investment managers and investment advisors. For the year ended June 30, 2018, \$80,629 was collected from the endowment management fee and used for the general operations of the Foundation. The overhead recovery fee revenue is recorded as part of Events, sales and other revenue on the Statement of Activities.

7. RETIREMENT PLAN

All Foundation personnel are SIUE employees. Retirement benefits and post-employment benefits, other than pension, are available for eligible SIUE employees. Substantially all employees of SIUE contribute to the State Universities Retirement System of Illinois (SURS), a cost sharing multiple-employer defined benefit plan with a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. Participants of SURS contribute 8% of their gross earnings. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.surs.org. Additional information pertaining to SURS and the benefits can be found in SIUE's financial statements. That report may be obtained by accessing the website at www.siu.edu.

7. RETIREMENT PLAN (Continued)

In addition to providing the above pension benefits, the State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Central Management Services (CMS). Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and various unions that represent the State's and University's employees. A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of CMS. A copy of the financial statements of CMS may be obtained by writing to the Department of Central Management Services, Stratton Office Building, 401 South Spring Street, Springfield, Illinois, 62706.

The Foundation does not own any of the plan assets and has no responsibility for the plan obligations.

For the year ended June 30, 2018, \$155,678 was contributed to SURS, while \$100,276 was contributed to CMS on behalf of Foundation personnel. These amounts are included in the amounts shown as budget allocations (in-kind contributions) from SIUE in the accompanying Statement of Activities and salaries and benefits paid by SIUE in the accompanying Statement of Functional Expenses.

8. TRANSACTIONS WITH RELATED PARTIES

The Foundation has entered into a master contract with the Board of Trustees of SIUE which specifies the relationship between the two organizations in accordance with the Legislative Audit Commission's University Guidelines, 1997. Among the provisions of the master contract is a requirement that the Foundation and SIUE provide services to each other to be reimbursed based on actual costs within the approved budgetary limits.

During the year, the Foundation provided fund-raising services on behalf of SIUE with a portion of the Foundation's fund-raising costs being reimbursed by SIUE through cash and in-kind payments. Total reimbursable costs satisfied through cash payments from SIUE for the year ended June 30, 2018 was \$150,000, and is included in payments from related organizations in the accompanying Statement of Activities.

Foundation staff are employed by SIUE. The Foundation recognizes as revenue and expense those on-behalf payments for salaries and fringe benefits made by SIUE for personnel of the Foundation. This amount totaled \$571,367 (including retirement payments described in Note 7), for the year ended June 30, 2018 and is reflected as in-kind contributions from SIUE in the accompanying Statement of Activities and salaries and benefits paid by SIUE in the accompanying Statement of Functional Expenses.

8. TRANSACTIONS WITH RELATED PARTIES (Continued)

In accordance with its corporate purposes, the Foundation solicits and accepts gifts for SIUE. The Foundation receives cash gifts, which are recorded on the Foundation's books. Certain gifts are forwarded to SIUE in the form of scholarships, cash grants or expenses for the benefit of SIUE. The Foundation also receives certain noncash gifts, which are recorded on the Foundation's books and then forwarded to SIUE. During the year ended June 30, 2018, the Foundation received \$308,002 in noncash contributions from donors, of which \$126,794 was forwarded to the University.

The Foundation has entered into a contract with the Board of Trustees of SIUE to provide all aspects of coordination of alumni services. Under the terms of the contract, SIUE provided the Foundation with \$40,000 for the year ended June 30, 2018, which is included in payments from related organizations in the accompanying Statement of Activities. During the year ended June 30, 2018, the Foundation expended \$65,500 for Alumni Association services.

The Foundation maintains restricted fund accounts for various campus units. Some of these disbursements are paid by SIUE and then invoiced to the Foundation for reimbursement. As of June 30, 2018, the Foundation included on the Statement of Financial Position \$351,812 for accounts payable – SIUE for such reimbursements and \$5,991 for accounts receivable – SIUE for overpayments of such reimbursements.

Prior to July 1, 2018, the Foundation received payments from the Alumni Association of Southern Illinois University Edwardsville (Association) that represented a percentage of alumni membership dues collected by the Association. These payments were made to each of the schools or colleges based on the number of graduates from the respective school or college and deposited into restricted fund accounts maintained by the Foundation. Due to the change in the Association's membership dues structure, no such dues were collected by the Association and paid to the Foundation as of June 30, 2018. However, the Foundation received \$7,750 for the year ending June 30, 2018 from the Association for the support of SIUE Foundation activities.

The Foundation offices are located at B. Bernard Birger Hall, which is positioned on land for which the Foundation has an agreement dated June 14, 1999, with SIUE. The agreement states that the Foundation shall surrender the premises and all improvements upon expiration or termination of the agreement. The sole right to use and occupy the land rests with the Foundation under the agreement dated June 14, 1999 as long as the Foundation uses the property for the purposes under which it was incorporated.

The Foundation maintains a substantial portion of its cash and investments at a financial institution which has a common Board member with the Foundation.

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. ASSETS HELD FOR RESALE

Other assets classified as assets held for resale at June 30, 2018 include a staircase valued at \$569,340, lithographs valued at \$61,650, gifted marketable securities in the process of being sold at year end value at \$24,741, and miscellaneous other assets valued at approximately \$10,129. The staircase is valued at appraised value and the artwork and historical treasures are carried at fair value based upon appraised amounts or auction values published by internationally recognized auction houses for similar type objects (Level 3 inputs). The marketable securities are valued using quoted prices (Level 1 inputs).

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily Restricted Net Assets at June 30, 2018 are available for the following purposes or periods:

Student support – scholarships & awards	\$ 5,409,908
Instructional research/public service	1,117,969
Academic and athletic support	9,746,430
Time restricted for future periods	<u>1,049,598</u>
Total	<u>\$ 17,323,905</u>

11. ENDOWMENT FUNDS

The Foundation's endowment pool consists of various donor restricted endowment funds and funds designated as endowment (quasi-endowment) by the Board of Directors. Net assets associated with endowment funds, including funds designated to function as endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation.

The Foundation will consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the endowment; (2) the purposes of the Foundation and the donor-restricted endowment; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Foundation; and (7) the investment policies of the Foundation.

The Foundation has adopted investment and spending policies for its Endowment pool. The objective of these policies is to provide the Foundation a predictable spending budget for its programs while protecting the principle of the endowments in the pool.

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. ENDOWMENT FUNDS (Continued)

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation. Such endowments are often referred to as “underwater” endowments. Though the Foundation is not required by donor-imposed restriction or law to use its unrestricted resources to restore the endowments to their historic dollar value, accounting guidance for not-for-profit organizations requires that such losses and subsequent gains be reflected as changes in unrestricted net assets until the fair values again reach their historical dollar values. In accordance with accounting principles, deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2018 there were no underwater endowment funds.

Endowment net assets as of June 30, 2018 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	2,013,172	\$ 20,475,233	\$ 22,488,405
Board-designated endowment funds	566,605	-	-	566,605
Total funds	<u>\$ 566,605</u>	<u>\$ 2,013,172</u>	<u>\$ 20,475,233</u>	<u>\$ 23,055,010</u>

The changes in endowment net assets for the year ended June 30, 2018 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 560,125	\$ 1,757,265	\$ 19,314,853	\$ 21,632,243
Dividends and Interest	11,983	493,235	-	505,218
Realized and Unrealized Gain	19,551	787,723	-	807,274
Contributions	-	-	1,076,574	1,076,574
Additions to board designated funds	-	-	-	-
Apportioned for expenditure	(25,054)	(1,025,051)	-	(1,050,105)
Change in donor restriction	-	-	83,806	83,806
Endowment net assets, end of year	<u>\$ 566,605</u>	<u>\$ 2,013,172</u>	<u>\$ 20,475,233</u>	<u>\$ 23,055,010</u>

12. RISK MANAGEMENT

The Foundation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health; and natural disasters. With the exception of employee health risks, the Foundation has purchased commercial insurance to cover these risks. The employee health coverage is purchased by SIUE and is included in the salaries and benefits paid by SIUE on the Statement of Functional Expenses. Settlements have not exceeded insurance coverages for each of the past three fiscal years.

13. COMMITMENTS

During fiscal year 2018 the Foundation executed an agreement to purchase new accounting and fundraising software. Over the next five years, the Foundation is expected to expend \$1,043,557 for system implementation and support, with \$374,929 to be expended in fiscal year 2019.

14. NEW AND PENDING PRONOUNCEMENTS

May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers," as amended by ASU 2015-14, which supersedes or replaces nearly all Generally Accepted Accounting Principles revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. ASU 2014-09, as amended, is effective for non-public companies for annual reporting periods beginning December 15, 2018 and interim periods within the annual period beginning after December 15, 2019. The Foundation is currently assessing the impact of this new standard.

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02 "Leases (Topic 842)" ("ASU 2016-02"), to increase the transparency and comparability about leases amount entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU 2016-02 is effective for annual periods beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020, and requires a modified retrospective approach to adoption. The Foundation is currently assessing the impact of this new standard.

In August 2016, The Financial Accounting Standards Board issued ASU No. 2016-14, "Not-for-Profit Entities (Subtopic 958): Presentation of Financial Statements of Not-for-Profit Entities". The new guidance is intended to simplify and improve current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, expense classifications and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Foundation is currently assessing the impact of this new standard.

15. SUBSEQUENT EVENTS

On July 16, 2018 the Foundation executed an agreement to construct and equip, at the Foundation's expense, a golf training and practice facility for SIUE's use. Costs to construct and equip the facility have been estimated at \$300,000.

The Foundation has evaluated subsequent events through December 3, 2018, the date on which the financial statements were available to be issued.

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. RESTATEMENT

The Foundation has restated their financial statements due to a change in the basis of accounting. The Foundation is organized as a not-for-profit 501(c)(3) entity and is included as a component unit of SIUE. The Foundation has presented financial statements in accordance with the governmental accounting standards board (GASB) basis of accounting, however, the Foundation does not meet the specific criteria to present GASB financial statements.

As a result, the Foundation has restated their financial statements to record endowment pledges receivables and to conform with the financial accounting standards board (FASB) presentation. This change resulted in the following restatement to beginning net assets for the year ended June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Net assets, July 1, 2017, as previously reported	\$ 38,898,071	-	-
Restatement of net asset classifications	(34,354,754)	15,130,160	19,224,594
Recognition of endowment pledges Receivable	<u>-</u>	<u>-</u>	<u>90,259</u>
Net assets, July 1, 2017, as restated	<u>\$ 4,543,317</u>	<u>\$ 15,130,160</u>	<u>\$ 19,314,853</u>