



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

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

For the Year Ended June 30, 2019



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SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION
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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, 2019, 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. 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 Association'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 Association'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, 2019, 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.

Emphasis of Matter Regarding a Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Foundation adopted new accounting guidance as issued by the Financial Accounting Standards Board under Financial Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion was not modified with respect to this matter.

Sikich LLP

Springfield, Illinois
October 28, 2019

FINANCIAL STATEMENTS

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

Current assets

Cash and cash equivalents	\$ 6,880,210
Deposits with SIUE	616,542
Pledges receivable, net of allowance	718,066
Pledges receivable endowment, net of allowance	72,737
Accounts receivable from SIUE	7,964
Other receivable	27,275
Interest receivable	24,412
Prepaid expenses	101,411
Total current assets	8,448,617

Noncurrent assets

Noncurrent Investments	38,986,771
Pledges receivable, net of allowance	980,350
Pledges receivable endowment, net of allowance	83,510
Loan receivables	12,348
Assets held for resale	633,308
Capital assets, net of depreciation	1,442,280
Construction in progress	45,335
Annuity fund investments	65,669
Cash surrender value of life insurance	136,638
Total noncurrent assets	42,386,209
Total assets	\$ 50,834,826

LIABILITIES

Current liabilities

Accounts payable:	
SIUE	\$ 381,422
Other	72,095
Annuities payable	9,578
Total current liabilities	463,095

Noncurrent liabilities

Annuities payable	42,542
Total liabilities	505,637

NET ASSETS

Without donor restrictions

Undesignated	4,041,964
Designated by the Board for endowment	546,059
	4,588,023

With donor restrictions

Perpetual in nature	23,077,425
Purpose restrictions	22,663,741
	45,741,166
Total net assets	50,329,189

TOTAL LIABILITIES AND NET ASSETS	\$ 50,834,826
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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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Contributions	\$ 7,604	\$ 10,259,078	\$ 10,266,682
Payments from SIUE	150,000	40,000	190,000
Budget allocations (in-kind contributions) from SIUE	469,496	-	469,496
Events, sales and other, net of direct benefit to donors of \$170,467	6,118	229,079	235,197
Net investment income	731,739	1,233,995	1,965,734
Gain/(loss) on sale of assets	(228)	1,491	1,263
Change in cash surrender value of life insurance	-	8,946	8,946
Net assets released from restrictions	3,830,561	(3,830,561)	-
Total revenues	5,195,290	7,942,028	13,137,318
EXPENSES			
Program services	3,538,554	-	3,538,554
Management and general	1,275,076	-	1,275,076
Fundraising expenses	354,082	-	354,082
Total expenses	5,167,712	-	5,167,712
CHANGE IN NET ASSETS	27,578	7,942,028	7,969,606
NET ASSETS - BEGINNING OF YEAR	4,560,445	37,799,138	42,359,583
NET ASSETS - END OF YEAR	\$ 4,588,023	\$ 45,741,166	\$ 50,329,189

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, 2019

	Program Services	Management and General	Fundraising	Cost of Sales	Total
Scholarships and awards	\$ 748,650	\$ -	\$ -	\$ -	\$ 748,650
Payments for educational services	280,550	-	-	-	280,550
Salary and benefits paid by SIUE (payroll)	-	470,982	-	-	470,982
Assets transferred to SIUE	872,831	-	-	-	872,831
SIUE event sponsorship	12,285	1,685	13,766	-	27,736
Gifts in kind transfers to SIUE	15,566	-	-	-	15,566
External event sponsorship	15,696	28,564	2,513	-	46,773
Assets transferred to Charter High School	146,285	-	-	-	146,285
Grants and transfers to other organizations	101,360	-	5,685	-	107,045
Student wages	19,898	18,754	88,746	-	127,398
Student/sports camp salaries, wages, and supplies	44,078	-	-	-	44,078
Meal and beverage expense	220,875	16,575	7,453	-	244,903
Travel	187,738	13,193	8,887	-	209,818
Supplies and materials	65,121	3,881	1,683	-	70,685
Giveaways and promotional items	42,808	3,729	14,080	-	60,617
Uniforms and apparel	68,728	181	15,042	-	83,951
Postage	16,616	12,239	7,722	-	36,577
Insurance	119,505	15,751	630	-	135,886
Advertising	659	1,741	8,328	-	10,728
Utilities	-	32,556	-	-	32,556
Telephone services	-	1,650	85	-	1,735
Event tickets	900	-	-	-	900
Software support fees	3,090	61,510	13,685	-	78,285
Leases and rentals	33,373	6,719	13,761	-	53,853
Professional services	299,124	332,360	37,498	-	668,982
Conference registrations	25,982	14,349	25	-	40,356
Course registrations	24,601	13	-	-	24,614
Membership dues	13,158	32,698	2,628	-	48,484
Subscription charges	18,400	8,705	7,365	-	34,470
Building and grounds services	5,219	26,601	3,012	-	34,832
Equipment and other assets	40,833	58,842	589	-	100,264
Other commodities	59,103	4,596	10,770	-	74,469
Depreciation expense	-	74,623	-	-	74,623
Various fundraising expenses	-	326	30,124	-	30,450
Loan fund expenses	397	-	-	-	397
Printing charges	23,838	13,848	39,511	-	77,197
Graphics charges	1,440	5,670	14,852	-	21,962
Photographic charges	468	3,043	5,591	-	9,102
Payments to annuitants	-	9,578	-	-	9,578
Gifts in kind consumed/given away	9,172	-	-	-	9,172
Copying charges	207	-	51	-	258
Credit card service fees	-	114	-	-	114
Expenses before cost of sales	<u>3,538,554</u>	<u>1,275,076</u>	<u>354,082</u>	<u>-</u>	<u>5,167,712</u>
Cost of Sales					
Cost of direct benefit to donors:					
Food and refreshments	-	-	-	102,217	102,217
Rent and facility costs	-	-	-	68,250	68,250
	<u>-</u>	<u>-</u>	<u>-</u>	<u>170,467</u>	<u>170,467</u>
Total Functional Expenses	<u>\$ 3,538,554</u>	<u>\$ 1,275,076</u>	<u>\$ 354,082</u>	<u>\$ 170,467</u>	<u>\$ 5,338,179</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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 7,969,606
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	74,623
Bad debt expense	21,730
Distribution of annuity funds	326,090
Net realized and unrealized investment gains	(740,439)
Cash surrender value of life insurance	(8,946)
Contributions to the permanent endowment	(2,602,192)
Net change in	
Deposits with SIUE	(31,734)
Pledges receivable	(778,872)
Accounts receivable from SIUE	(1,973)
Other receivables	22,440
Other assets	(33,076)
Accounts payable	(61,352)
Gift annuities obligations	(336,543)
Net cash from operating activities	<u>3,819,362</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from endowment contributions	<u>2,589,123</u>
Net cash from financing activities	<u>2,589,123</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Payments received on SIUE for loan funds	1,145
Net proceeds received from assets held for resale	32,552
Proceeds from sales of investments	3,608,259
Purchases of investments	(5,074,684)
Purchase of capital assets and construction in progress	(45,883)
Net cash from investing activities	<u>(1,478,611)</u>

CHANGE IN CASH

AND CASH EQUIVALENTS	4,929,874
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**CASH AND CASH EQUIVALENTS -
BEGINNING OF YEAR**

1,950,336

**CASH AND CASH EQUIVALENTS -
END OF YEAR**

\$ 6,880,210

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, 2019

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.

Cash and cash equivalents:

Cash and cash equivalents include cash and temporary investments which have a maturity date of three months or less at the date of purchase. Cash equivalents include cash held by investment custodians and money market accounts stated at cost, which approximates fair value. No cash was paid for interest or income taxes for the year ended June 30, 2019.

Investments

The Foundation accounts for its investments at fair value. Certain money market investments and nonnegotiable certificates of deposit with redemption terms that do not consider market rates are carried at cost, which approximates fair value. 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 net assets without donor restrictions, unless the income or loss is restricted by a donor. Investment return is reported net of external and direct internal investment expenses.

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 11.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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, 2019, the allowance for uncollectible accounts was \$226,784.

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 the fair market 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 assets without donor restrictions, and annuity payments and investment losses are charged to liability accounts with annual adjustments made between the liability and net assets without donor restrictions 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)

Basis of presentation

The Foundation classifies net assets based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

Without Donor Restrictions

Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, a board-designated endowment.

With Donor Restrictions

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition

The Foundation reports gifts of cash and other assets as support with donor restrictions if they are received with donor restrictions that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restriction.

Payments from SIUE are considered contributions and are recorded as income in the period received.

Events, sales and other revenue is recognized when the event or sale occurs. Any amounts received prior to the event date are recorded as deferred revenue.

Income taxes

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 program 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 have been allocated. Student wages, supplies and materials, postage, insurance, software support fees, professional services and subscription charges are allocated on the basis of estimates of time and effort.

New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now titled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (d) presenting investment return net of external and direct internal investment expenses, (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Foundation has adopted ASU No. 2016-14 for the year ended June 30, 2019.

Future Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, as amended by ASU No. 2015-14, which supersedes or replaces nearly all GAAP 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 No. 2014-09, as amended, is effective for non-public companies for annual reporting periods beginning after 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Accounting Pronouncements (Continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase the transparency and comparability about leases among 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 No. 2016-02 is effective for nonpublic entities for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standards at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. The Foundation is currently assessing the impacts of this new standard, including the two optional transition methods.

In August 2018, The Financial Accounting Standards Board issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 provides guidance to help distinguish if grants and contracts with resource providers are exchange transactions or contributions. ASU No. 2018-08 is effective for fiscal years beginning after June 15, 2018. The Foundation is currently assessing the impact of this new standard.

3. CONCENTRATIONS OF CREDIT RISK

The Foundation maintains cash balances in financial institutions, which at times may exceed federally insured limits. The financial institution has pledged collateral to insure cash balances in excess of the amounts exceeding federal insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk in cash and cash equivalents.

4. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of June 30, 2019:

Cash and cash equivalents	\$ 2,262,616
Accounts receivable from SIUE	7,964
Other receivable	27,275
Interest receivable	23,892
Total financial assets and liquidity resources available within one year	<u>\$ 2,321,747</u>

4. LIQUIDITY AND AVAILABILITY (Continued)

The Foundation regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

5. INVESTMENTS

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.

Endowment investments

These amounts take into account all changes in fair value (including purchases and sales) that occurred during the year. 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. Under the policy established by the Board, distributions are calculated on an annual basis and can be between 3% and 5% of the previous 12-month average market value as of June 30th. The distribution rate is reviewed periodically by the investment committee in light of evolving trends with respect to investment returns and the rate of inflation. Adjustments will be made when appropriate.

Investment policy

The long-term objective of the Foundation is to earn a return sufficient to preserve the purchasing power of the Foundation for generations to come, as well as to provide for current needs. As a result, the long-term return objective is the sum of distributions, inflation, administrative costs, and net of management fees. The Foundation portfolio has adopted a "total return" investment approach; current income is considered a secondary consideration. The investment objectives are based upon a long-term investment horizon allowing interim fluctuations to be viewed in an appropriate perspective. Over time, the Foundation will aim to achieve the total fund return goal while maintaining acceptable risk levels. To accomplish this goal, the fund will diversify its assets among several asset classes. Active managers are expected to provide returns greater than or equal to their appropriate benchmark while utilizing acceptable risk levels. Funds are invested in accordance with the approved Board policy for investments. The Foundation's investment policy authorizes the Foundation to invest in US and international equities, fixed income, absolute return and real assets.

6. FAIR VALUE MEASUREMENTS

US GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. US GAAP requires the Foundation to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAV's are not included in Level 1, 2, or 3, but are separately reported.

Valuation Techniques

Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the year ended June 30, 2019.

Common stocks: Valued at the closing quoted price in an active market.

Mutual funds: Valued at NAV of shares on the last trading day of the fiscal year.

Corporate and municipal bonds: The investment grade corporate bonds held by the Foundation generally do not trade in active markets on the measurement date. Therefore, corporate debt securities are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer. U.S. Treasury bonds and notes in which the Foundation invests are usually "off the run" on the measurement date. Thus, they are valued by a pricing service using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. U.S. Treasury bonds and notes that are "on the run" are measured at quoted prices in active markets for the same security.

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

6. FAIR VALUE MEASUREMENTS (Continued)

Valuation Techniques (Continued)

Gift annuities: Valued using the fair value of the assets held in the trust and reported by the trustee as of June 30, 2019. The Foundation considers the measurement of its gift annuities to be a Level 2 measurement within the hierarchy because the measurement is based on the unadjusted fair value of the assets reported by the trustee and the Foundation will receive those assets in a future period.

Gift annuities obligations: Valued based on the present value of discounted expected cash flows and life expectancies. The present value was calculated using a discount rate of 3%. These are categorized as Level 2.

The preceding method described may produce a fair value calculation that may not be indicative of the net realizable or reflective future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
ASSETS				
Investments				
Common stock	\$ 2,416,445	\$ -	\$ -	\$ 2,416,445
Mutual funds	22,668,219	-	-	22,668,219
Municipal bonds	-	183,132	-	183,132
Corporate bonds	-	129,349	-	129,349
Gift annuities	-	65,669	-	65,669
Total assets at fair value	<u>\$25,084,664</u>	<u>\$ 378,150</u>	<u>\$ -</u>	<u>\$25,462,814</u>
Investments measured at net asset value (NAV)				<u>13,589,626</u>
Total investments				<u><u>\$39,052,440</u></u>
LIABILITIES				
Gift annuities obligations	\$ -	\$ 52,120	\$ -	<u>\$ 52,120</u>

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

6. FAIR VALUE MEASUREMENTS (Continued)

Investments measured at NAV

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, 2019:

Investments measured at NAV as of June 30, 2019	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mercer GMA (formerly CIO) Pinehurst Private Investment fund	\$ 12,107,146	-	monthly	15 days
	<u>1,482,480</u>	-	quarterly	100 days
Total Investments measured at NAV as of June 30, 2019	<u>\$ 13,589,626</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.

The investment objective of the Pinehurst private investment fund is to pursue a multi-strategy, multi-manager approach to hedge fund investing across four broad categories: long/short equity, event-driven/distressed, relative value (multi-strategy), and global macro. The fund invests in 25-30 underlying managers and emphasizes a bottom-up approach and seeks to drive returns through asset selection.

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

7. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019, was as follows:

	Fiscal Year 2019			Balance End of Year
	Balance Beginning of Year	Additions	Retirements	
Buildings	\$ 2,639,877	\$ -	\$ -	\$ 2,639,877
Furniture, fixtures and equipment	163,318	548	-	163,866
Total	2,803,195	548	-	2,803,743
Accumulated depreciation, buildings	(1,138,232)	(67,975)	-	(1,206,207)
Accumulated depreciation, furniture, fixtures and equipment	(148,608)	(6,648)	-	(155,257)
Capital assets, net	\$ 1,516,355	\$ (74,075)	\$ -	\$ 1,442,280

8. CONSTRUCTION IN PROGRESS

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 \$536,000. Once the facility is complete, the Foundation will be donating the asset to SIUE. As of June 30, 2019, the Foundation capitalized \$45,335 of construction in progress for the future golf training and practice facility.

9. 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, 2019, \$83,958 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.

10. 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.

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, 2019, \$151,967 was contributed to SURS and 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.

11. 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, 2019 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 \$469,496 (including retirement payments described in Note 10), for the year ended June 30, 2019 and is reflected 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.

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, 2019, the Foundation received \$71,783 in noncash contributions from donors, of which \$15,566 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, 2019, which is included in payments from related organizations in the accompanying Statement of Activities.

During the year ended June 30, 2019, the Foundation expended \$79,175 for Alumni Association services and activities.

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, 2019, the Foundation included on the Statement of Financial Position \$381,422 for accounts payable – SIUE for such reimbursements and \$7,964 for accounts receivable – SIUE for overpayments of such reimbursements.

11. TRANSACTIONS WITH RELATED PARTIES (Continued)

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.

12. ASSETS HELD FOR RESALE

Other assets classified as assets held for resale at June 30, 2019 include a staircase valued at \$569,348, lithographs valued at \$61,650, and miscellaneous other assets valued at approximately \$2,310. 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.

13. NET ASSETS WITH DONOR RESTRICTION

Net Assets with donor restrictions at June 30, 2019 are available for the following purposes or periods:

Student support – scholarships & awards	\$ 5,772,545
Instructional research/public service	1,172,518
Academic and athletic support	14,560,312
Time restricted for future periods	<u>1,158,366</u>
Total	<u>\$ 22,663,741</u>

14. 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 net assets with donor restrictions (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.

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

14. ENDOWMENT FUNDS (Continued)

The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity remain in net assets with donor restrictions 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.

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, 2019 there were no underwater endowment funds.

Endowment net assets as of June 30, 2019 were as follows:

	Without Donor Restriction	With Donor Restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
Board-designated endowment funds	\$ 546,059	\$ -	\$ 546,059
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	23,077,425	23,077,425
Accumulated investment gains	-	2,157,433	2,157,433
Total funds	<u>\$ 546,059</u>	<u>\$ 25,234,858</u>	<u>\$ 25,780,917</u>

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

14. ENDOWMENT FUNDS (Continued)

The changes in endowment net assets for the year ended June 30, 2019 was as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 566,605	\$ 22,488,405	\$ 23,055,010
Investment income	24,713	1,139,478	1,164,191
Contributions	-	2,602,192	2,602,192
Apportioned for expenditure	(45,259)	(995,217)	(1,040,476)
Endowment net assets, end of year	<u>\$ 546,059</u>	<u>\$ 25,234,858</u>	<u>\$ 25,780,917</u>

15. 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.

16. COMMITMENTS

During fiscal year 2018 the Foundation executed a contract for accounting and fundraising cloud computing software. The remaining future payment for the contract are:

Year ended

June 30,

2020	\$ 167,157
2021	167,157
2022	167,157
2023	<u>167,157</u>
Total	<u>\$ 668,628</u>

17. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through October 28, 2019, which is the date that these financial statements were available for issuance and determined that there were no additional significant non-recognized subsequent events through that date.