

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

A COMPONENT UNIT OF
SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE

FINANCIAL STATEMENTS

June 30, 2017 and 2016



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

AGENCY OFFICIALS

June 30, 2017

The Foundation's Board of Directors during Fiscal Year 2017:

Michael D. Butler	Larry R. Lexow
Sandra Chinn	David M. Oates
Randy J. Dunn	John E. Oeltjen
Camille Emig-Hill	Randall Pembrook
Byron Farrell	Lendell A. Phelps, Jr.
Bev George	Shirley Portwood
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Kevin Kaufhold	Duane O. Steiner
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Keith J. Kehrer	Dennis Terry
Dale Keller	Michael Wenzel
Walter R. Knepper	Brent D. Wohlford

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

Chief Executive Officer	Mrs. Rachel C. Stack
Executive Director of Financial Affairs & Info Systems	Mr. Rich Hampton
Director of Information Systems	Mrs. Gayla Bruning
Assistant Director of Financial Affairs	Ms. Emma Christensen
Accounting Associate	Mrs. Joan Cummings

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

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), a component unit of Southern Illinois University Edwardsville (SIUE), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

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 opinions on these financial statements based on our audits. We conducted our audits 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 respective financial position of the Foundation, as of June 30, 2017 and 2016, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September XX, 2017, 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 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
October 16, 2017

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Southern Illinois University Edwardsville Foundation
Edwardsville, Illinois

We have audited, in accordance with the 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, the financial statements of the business-type activities of Southern Illinois University Edwardsville Foundation (Foundation) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated October 16, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sikich LLP

Springfield, Illinois
October 16, 2017

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Introduction

Following this discussion and analysis are the financial statements for the Southern Illinois University Edwardsville Foundation (Foundation). Similar to last year, the current year financial statements provide comparative data for the prior two fiscal years. This management discussion and analysis will review the financial statements and their relationship to each other, and outline any additional facts, decisions, or conditions that have, or are expected to have, a significant effect on the financial position of the Foundation.

Foundation Mission and Impact

The Foundation exists to support the mission, vision and values of Southern Illinois University Edwardsville (SIUE). On behalf of SIUE, the Foundation provides fundraising coordination and implementation, serves as the steward for contributions, produces donor receipts, conducts the decentralized annual fund drive programs and upholds the highest standards of fiscal responsibility and investment management. These efforts are conducted in relation to the donors' expressed wishes, as well as, the instructional, scholarship, and public service pursuits of SIUE.

The Foundation has had a significant impact on the success of SIUE over the course of the Foundation's history. The most direct impact is in the funds and other assets raised in order to benefit SIUE. These contributions can benefit SIUE in one of two ways, by providing a source of funds for worthy expenditures such as scholarships, or by providing assets such as equipment and facilities. These two types of benefits to SIUE are expressed in the following financial statements as "Expenses for benefit of SIUE" and "Gifts and grants to SIUE" respectively.

During fiscal year 2017, the Foundation provided approximately \$2.3 million in funds to benefit SIUE and over \$1.4 million in gifts and grants to SIUE. Even more significant is that since the beginning of fiscal year 2004, the Foundation provided approximately \$30.9 million and \$17.8 million in these areas of support.

Financial Statement Highlights

The three financial statements presented are the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows. The Statements of Net Position show all assets (resources) listed in order of their liquidity and all liabilities (commitments) listed in order of their term length. The Statement of Net Position is presented in a manner that indicates the level of restriction, if any, placed on the net position. The Foundation reported a net position of approximately \$38,898,000, \$35,686,000 and \$35,910,000 as of June 30, 2017, 2016 and 2015, respectively. Total net position increased by approximately \$3,212,000 from fiscal year 2016 to 2017, and decreased by approximately \$224,000 from fiscal year 2015 to 2016 and by \$231,000 from fiscal year 2014 to 2015.

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The increase in net position for fiscal year 2017 of 9.0% is above average for the Foundation although it is normal for the Foundation to experience significant variances in growth from year to year that can be somewhat unpredictable. The variances are due primarily to normal ups and downs experienced in both donor contribution revenue and returns on investments. For example, the similar results for FY16 and FY15 can be primarily explained by the similar losses in the Foundation's investment portfolios.

Investment returns, as explained above, tend to vary significantly, and results from the last three years were a perfect example. While the Foundation experienced modest declines in overall investment returns in fiscal years 2016 and 2015, the rebound and advances were strong in fiscal year 2017. Much more detail on investment returns and other contributing factors is presented on the next few pages along with a review of the condensed versions of the financial statements and comparative percentage changes.

Condensed Statements of Net Position

	June 30, 2017	June 30, 2016	% Change '17 - '16	June 30, 2015	% Change '16 - '15
<i>(Dollars in Thousands)</i>					
Assets:					
Current assets	\$ 1,463	\$ 5,586	-73.8%	\$ 2,629	112.5%
Capital assets, net of depreciation	1,765	1,854	-4.8%	1,974	-6.1%
Noncurrent assets	36,426	28,968	25.7%	32,168	-9.9%
Total assets	<u>39,654</u>	<u>36,408</u>	8.9%	<u>36,771</u>	-1.0%
Liabilities:					
Current liabilities	397	344	15.4%	463	-25.7%
Noncurrent liabilities	358	378	-5.3%	398	-5.0%
Total liabilities	<u>755</u>	<u>722</u>	4.6%	<u>861</u>	-16.1%
Net Position:					
Invested in capital assets	1,765	1,854	-4.8%	1,974	-6.1%
Restricted	35,043	32,515	7.8%	32,556	-10.0%
Unrestricted	2,090	1,317	58.7%	1,380	-4.6%
	<u>\$ 38,898</u>	<u>\$ 35,686</u>	9.0%	<u>\$ 35,910</u>	-0.6%

A majority of current assets are made up of cash and short term investments, with the remainder in receivables, such as donor pledges, and also a small percentage of prepaid assets. The Foundation experienced a 73.8% decline in current assets but this was due to timing of a single transaction. A transfer was authorized by the Finance & Investment Committee to move approximately \$4.1 million from one investment account to another. Since the transfer occurred between June 30th and July 1st, this allocation was in a cash account for one day, inflating the current assets to an abnormally high level. The money was reinvested on July 1st restoring the asset allocation to normal. Last year there was a significant variance as well, an increase of 112%. This however, was the result of the same transaction just described above.

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Pledge receivables, at approximately \$124,000, decreased by \$95,000 primarily to the payment toward one significant pledge made by an SIUE donor.

Noncurrent assets, which includes capital assets net of depreciation itemized separately in the schedule above, increased by nearly \$7.5 million, or 25.7% compared to a decrease of \$3.2 million, or -9.9% in fiscal year 2016. One factor driving the difference between the two years was the asset allocation change made on June 30th, 2016 described above. Funds from non-current investments were converted to cash in order to execute the investment transfer, thereby causing the substantial decrease in non-current investments. Another significant factor was the increase in value of existing investments in all Foundation portfolios. See the section on non-operating revenue and expenses in the next section for details.

Noncurrent assets also include pledge receivables expected more than 12 months out, as well as the value of Birger Hall, home of the SIUE Foundation and Alumni Association. These asset values were fairly consistent with the two previous fiscal years. The final component of noncurrent assets is assets held for resale, which increased from \$683,000 to \$743,000. In fiscal year 2017, two vacant subdivision lots were donated to the Foundation with an approximate value of \$59,000. These are currently offered for sale and proceeds will benefit the School of Business.

The above variances netted to a sizeable increase in total assets of just over \$3.2 million, or 8.9%, a very different result from the modest 1% decline in fiscal year 2016. These results are not expected to be consistent as they are largely driven by contributions and investment returns, both of which can be unpredictable in a short-term measurement period of 12 months. Though management does expect significant gifts, and investment volatility, to create variances from year to year, over the long-term management expects some growth going forward, both from modest investment returns and continued increases in contributions as our development program continues to mature and the alumni base continues to grow in both numbers and in affinity to SIUE.

Liabilities increased by approximately \$33,000 from fiscal year 2016, stemming from an increase in current liabilities of just over \$53,000, and a decrease in noncurrent liabilities of \$20,000. The current liabilities increase can be attributed to normal operating fluctuations with the timing of payments to SIUE for services which are either charged through a procurement card, or for services provided by the university (see below). All of these expenses are charged to an SIUE account thereby creating a liability which normally is paid off on a monthly basis from one or more of a departments' Foundation funds. Last year, total liabilities went down, by \$139,000, from fiscal year 2015. Current liabilities accounted for approximately \$119,000 of the decrease, with noncurrent liabilities accounting for the other \$20,000. The change in current liabilities was notable as one particular department made a concerted effort to pay down liabilities accrued over the previous 12-18 months.

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Current liabilities for fiscal years 2017 and 2016 consist of both money owed to SIUE (approximately \$291,000 and \$232,000 respectively) for procurement card purchases and services they provide (such as postage, catering and utilities), as well as money owed to outside vendors (approximately \$55,000 and \$61,000 respectively) in the normal course of operations.

Noncurrent liabilities are made up entirely of the present value of annuity payments owed to Charitable Gift Annuitants. In the absence of any new annuity agreements, which is the case the last several years, the liability is only impacted by the age of the annuitants and spouses, which normally causes a decrease in the present value calculation as they age.

Net position components include: invested in capital assets, down -4.8%; restricted net position, up 7.8%; and unrestricted net position, up 58.7%. The decrease in capital assets was due primarily to depreciation on Birger Hall, the Foundation office facility. Capital assets primarily include the Foundation's facility, B. Barnard Birger Hall, and the Gardens office facility and new storage garage, as well as miscellaneous equipment, computer hardware, and software. Total capital assets net of depreciation as of June 30, 2017, 2016, and 2015 were approximately \$1,765,000, \$1,854,000, and \$1,974,000 respectively. See Note 5 to the financial statements for more detail.

Unrestricted net position is the portion of the Foundation assets used for operations of the Foundation, as opposed to directly controlled by SIUE colleges, schools and major units. Unrestricted funds increased by approximately \$773,000 in fiscal year 2017, and decreased by \$63,000 in fiscal year 2016. While typically there is some growth in Foundation unrestricted net position every year, the investment returns from the non-endowment portfolio had a significant impact in both fiscal years 2017 and 2016. With over \$13 million invested, the gains, and losses, can have a large percentage impact on unrestricted balances. In fiscal years 2017 and 2016, the portfolio was up 8.5% and 1.8%, respectively. Though 2016 was positive, it was below the target return for the portfolio. As the most significant unrestricted revenue source for the Foundation, this led to the decrease in net position in that year.

Restricted net position includes both nonexpendable net position such as endowments and gift annuity funds, as well as expendable net position such as funds that can be utilized by various SIUE areas to which the donors designated their contributions. These sub-categories are itemized on the Statements of Net Position, following this discussion. Restricted nonexpendable net position increased by approximately \$2.4 million, or 12%, due to the investment gains in the endowment portfolio mentioned earlier. This increase was offset to some extent by annual depreciation of approximately \$125,000 on Foundation assets, primarily B. Barnard Birger Hall. Restricted expendable also increased by \$134,000, or 1%. This small growth is notable given that the year-end endowment distribution, which effectively transfers the calculated endowment distribution amount from the restricted nonexpendable portion of net position to this category, was \$916,000. The total distribution for FY16 was approximately \$749,000. Management would expect over time that the Foundation would experience growth for restricted nonexpendable assets due to continued endowment contributions, and slight growth from investment returns. Expectations for restricted expendable assets are relative stability to moderate growth as the growth in contributions is offset by the need for expending those monies to benefit SIUE students and educational opportunities.

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Statement of Revenues, Expenses and Changes in Net Position

	<u>2017</u>	<u>2016</u>	% Change <u>'17 - '16</u>	<u>2015</u>	% Change <u>'16 - '15</u>
	<i>(Dollars in Thousands)</i>				
Operating revenue	\$ 4,066	\$ 3,736	8.8%	\$ 3,971	-5.9%
Operating expenses:					
General and operating	498	456	9.2%	453	0.7%
Expenses for the benefit of SIUE	2,253	3,083	-26.9%	2,464	25.1%
Transfer of gifts to SIUE	1,441	195	639.0%	746	-73.9%
Other operating expenses	817	776	5.3%	712	9.0%
Total operating expenses	<u>5,009</u>	<u>4,510</u>	11.1%	<u>4,375</u>	3.1%
Operating (loss) income	<u>-943</u>	<u>-774</u>	-21.8%	<u>-405</u>	-91.1%
Nonoperating Revenue (expense):					
Net investment gains (loss)	3,432	-203	1790.6%	-328	-38.1%
Other nonoperating expenses	<u>-1</u>	<u>-</u>		<u>1</u>	
Total nonoperating revenue (expense)	<u>3,431</u>	<u>-203</u>	1790.1%	<u>-327</u>	-37.9%
Income (loss) before permanent endowments	2,488	-977	354.7%	-732	33.5%
Contributions to permanent endowments	<u>724</u>	<u>753</u>	-3.9%	<u>501</u>	50.3%
Increase (decrease) in net position	<u>\$ 3,212</u>	<u>\$ -224</u>	1533.9%	<u>\$ -231</u>	-3.0%
Total revenue	\$ 8,222	\$ 3,736	120.1%	\$ 3,971	-5.9%
Total expenses	\$ 5,010	\$ 4,713	6.3%	\$ 4,703	0.2%

The statements of revenues, expenses and changes in net position details the activity for the fiscal year, including the change in net position from last year due to this activity. The activity is segregated between operating activity and non-operating activity. As stated earlier, the Foundation realized a net position increase of approximately \$3,212,000 in fiscal year 2017.

Operating revenues were approximately \$4,066,000 and 3,736,000 in fiscal years 2017 and 2016, respectively. The year over year changes were an increase of 8.8% and a decrease of -5.9%. The major factor influencing the current year change was an increase in non-endowed contributions from \$2.4 million to \$2.8 million. While management anticipates a general increase going forward, totals in a particular year can vary greatly.

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Major fluctuations from year to year in contributions are fairly regular as the Foundation experiences significant one-time gifts and pledges in some years and not in others. In fiscal year 2017, the Foundation received four gifts above \$100,000, two of which were over \$200,000. In fiscal year 2016, the Foundation only received three gifts above \$100,000, one of which was over \$200,000.

Operating revenue from events, sales and other activities was lower by \$155,000, or 26%, from last year's total of \$583,000. However, it was in line with the fiscal year 2015 total of \$454,000. While this revenue can vary substantially depending on the number and success of various fundraisers held by any departments across campus, this is a significant decrease. The primary driver of both the increases and decreases was fundraising events either held or not held by Intercollegiate Athletics for various sports. One in particular, was held in the prior year but not in the current year.

There are other major components of operating revenue in addition to contributions and revenue from events. These include payments from SIUE, which were \$190,000 in 2017 and 2016, and Salaries and Benefits provided by SIUE came in at approximately \$615,000, compared to \$567,000 in fiscal year 2016.

In the current year, operating expenses increased by approximately \$499,000, or 11.1%. This variance is higher than the normal range that results from the combination of expenditures from hundreds of Foundation funds controlled by various SIUE schools, units, departments and other areas. This increase compares to a \$135,000, or 3.1% increase in fiscal year 2016.

The primary driver of the increase was the amount of Gifts and grants to SIUE. This category may include hundreds of in-kind items received as gifts such as chemicals for use in SIUE laboratories, as well as assets which are purchased using Foundation dollars but maintained going forward by SIUE. Transfers of gifts were \$1,441,000, \$195,000, and \$746,000, for the last three years. The higher level in 2017 included capitalized construction expenditures of \$944,000 toward the Engineering Student Design Center addition to the Engineering Building. In fiscal year 2015, the higher level was due to a \$430,000 transfer of assets that were previously held by the Foundation. This transfer represented the remaining assets from a fiscal year 2002 gift of artwork and collectibles (see note 9).

The largest component of operating expenses is Expenses for the benefit of SIUE, which are those expenditures controlled by SIUE areas mentioned above. Normally fairly consistent, averaging approximately \$2.5 million per year, fiscal year 2016 saw a spike to \$3,083,000, a 25.1% increase. Increases in expenses in this category can often be a positive because the Foundation provides these funds to SIUE for a particular purpose to benefit SIUE or its students; this is the case with this increase. In fiscal year 2016, the Foundation paid \$549,000 to SIUE to fund a portion of the Meridian Scholarships provided to SIUE students. In fiscal years 2017 and 2015, no funding was requested by SIUE. Going forward, management expects payments to continue annually for this purpose, but at a level less than the 2016 amount, depending on endowment returns.

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Also included in operating expenses are several other items. General and operating expenses, which are costs to operate the Foundation and its facility as support the fundraising program at SIUE, totaled \$498,000, \$456,000, and \$453,000 in fiscal years 2017, 2016, and 2015, respectively. Finally, the sum of all other operating expenses including support for salaries and benefits, payments to gift annuitants, and depreciation, have ranged between \$712,000 and \$817,000 over the last three fiscal years, also very consistent.

In the non-operating revenue net of non-operating expenses section, the total is comprised of two categories. Net investment gains (losses) and gains (losses) on assets held for resale, both of which are generally unpredictable. While the gains and losses on assets held for resale have been insignificant in recent years, investment returns can be very significant due to the size of the portfolios as detailed below. In fiscal year 2017, the Foundation experienced strong returns in the endowment portfolio of 12%. In 2015 however, the returns were slightly negative at -1.3%, and continued through 2016 with a loss of -2.0%. Unfortunately, the two down years saw markets suffer their biggest drops in the last week of the respective fiscal years. Each of these negative moves, drove the endowment from a small gain for the fiscal year, to a loss. The drop in 2016 was a response to an unexpected outcome of Great Britain's vote to leave the European Union. Net investment revenue ended in negative territory at -\$203,000. In 2015, a sharp drop on June 29th, 2015, was due to concerns over the financial and economic stability of Greece. With the endowment portfolio accounting for about 2/3 of total investments, endowment returns contribute significantly to the overall net investment gains or losses. In the current year the other investments pools, the non-endowment and planned giving pools, posted strong results with gains of 8.5% and 8.7% respectively. In fiscal year 2015 both also had minor losses while in fiscal year 2016, these portfolios contributed positively to the investment revenue with modest gains. Each of the portfolios have unique investment allocations and goals, however all contain some long-term investment vehicles, with exposure to growth assets which have suffered declines in the last two years. Approximate balances at year-end for these pools were as follows:

- Endowment Pool - \$22.4 million
- Non-Endowment Pool - \$13.1 million
- Planned Giving Pool - \$428,000

While the Foundation is never pleased with losses, it is understood that a long-term approach carries the risk of volatility from year to year. See Note 4 in the financial statements for a detailed explanation of the Foundation's cash and investment holdings, policy, and associated risk.

Contributions to permanent endowments were down \$29,000 to \$724,000 in fiscal year 2017, versus a \$252,000 increase in the prior year. As is the case with non-endowed contributions discussed earlier, these vary significantly from year to year though management has begun to emphasize the need for gifts to endowments to build up the long-term support for SIUE scholarships and programs. Both of the last two fiscal years included a significant endowment gift which contributed a significant percentage of the total endowment contributions received.

The final statement presented in the accompanying financial statements is the Statement of Cash Flows. The primary purpose of this statement is to categorize all cash transactions into either operating, noncapital and capital financing, or investing transactions, and reconcile the change in cash from operating activities to the operating (loss) income as presented on the Statement of Revenues, Expenses and Changes in Net Position.

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

During fiscal years 2017 and 2016, the Foundation experienced a decrease in cash and cash equivalents of approximately \$4,038,000 and an increase of \$3,652,000, respectively. As touched on earlier in this discussion, an asset allocation transaction that was initiated on June 30th and not completed until July 1st, was the main source of the unusual changes in cash and cash equivalents the past two years.

The impact can be identified in the Cash Flows from Investing Activities section, in the Proceeds from sales of investments and in the Purchases of investments category. The increase in fiscal year 2015 was \$457,000, a more normal level for the Foundation change in cash and cash equivalents.

Beginning with the Cash Flows from Operating Activities, cash flows used were \$929,000 and \$837,000 in the last two years. While the most significant change from fiscal year 2016 was addressed in earlier discussions regarding a decrease in fundraising event revenue, there are several other operating cash flows included in this category in the following paragraphs.

Cash contributions increased by \$7,000 from fiscal year 2016 to 2017, which is remarkably consistent. It should be noted that the cash contributions increase does not tie to the increase in contributions shown on the Statement of Revenue, Expenses and Changes in Net Position (SRECNP) because the Statement of Cash Flows recognizes contributions on a cash basis, whereas the SRECNP uses generally accepted accounting principles. These principles allow the recognition of a contribution when a verifiable, collectible pledge is made to the Foundation. Consequently, there is always a difference, though the totals equal out over the long term.

Other cash flows from operating activities include payments from related organizations, down slightly to \$198,108 from \$207,750, payments received from other revenue sources mentioned above, down \$143,000 to \$435,000, payments to annuitants, unchanged at approximately \$50,000, and general and operating expenses, up modestly to \$531,000, from 503,000 last year.

The category titled cash flows provided by non-capital financing activities, consists solely of endowment contributions and was stable at \$683,000, a slight decrease of \$9,000. As mentioned earlier in this discussion, these contributions fluctuate greatly from year to year, though not reflected here in the last two years.

Cash flows from capital financing activities in recent fiscal years are comprised solely of outflows from the purchase of capital assets. Though there were only \$2,935 in purchases in fiscal year 2017, and \$4,900 in fiscal year 2016. There were none in fiscal year 2015 and management does not have any significant purchases anticipated in the near future.

Cash flows from investing activities, the final category, shows a cash provided (increase) amount of \$3,801,000 in fiscal year 2016, but cash was used (decrease) in fiscal year 2017, of a similar amount of \$3,789,000. Large variances between years can be typical, as evidenced here, and have much to do with purchases and sales of investments throughout the year. This was certainly the case in these two years. In the prior year, investments were sold to accommodate the asset allocation change made to move \$4,150,000 from the endowment portfolio at Charles Schwab to the Mercer Global Multi Asset Fund.

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

This amount was in cash for only one day during the transition so this is not representative of a normal level of total sales and purchases in a given fiscal year. For example, on July 1st of 2016, all \$4,150,000 was used to purchase investments, which would have significantly lowered the cash balance at the end of the fiscal year.

Interest income is a lesser but still significant component of changes in this category, totaling approximately \$881,000 and \$1,046,000, respectively, for fiscal years 2017, and 2016. Bank, credit card, and investment fees are included here and are fairly predictable, increasing steadily from \$126,000 to \$148,000 during the last three fiscal years as more donors are opting to use credit cards for their donations and the invested balances, and thus the asset-based fee totals, are growing through investment appreciation.

Facts, Decisions or Conditions Significantly Affecting Financial Position

The notes to the financial statements include additional details and further explanations of data presented in the financial statements. The notes are an integral part of the financial statements and should be included as part of any review or analysis.

Factors Influencing the Future

The Foundation's goal is to increase contribution revenue year over year and build the endowment for the benefit of students, faculty, research, and the improvement of the campus environment. A major factor in achieving this goal will be continued success in fundraising efforts and continued positive trending of the overall financial markets that will allow the endowment to grow over the long term. Management believes that the Foundation is well positioned to work with alumni and friends of SIUE both for current gifts as well as in building the endowment to enhance the level of contributions provided by private support.

The Finance and Investment Committee of the Foundation's board of directors monitors investment performance of the endowment and establishes asset allocation policies consistent with the Foundation's long-term investment strategy. Under its leadership, the endowment continues to be long-term focused, well-diversified, and maintains adequate liquidity in accordance with the Foundation's investment policy. The Committee continuously reviews the policy to ensure it is current and best reflects the needs and goals of the Foundation going forward.

For more information, contact the Southern Illinois University Edwardsville Foundation, located at B. Barnard Birger Hall, 30 North Circle Drive, Edwardsville, IL 62026.

FINANCIAL STATEMENTS

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION

STATEMENTS OF NET POSITION

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 644,871	\$ 4,682,774
Loan deposits with SIUE	515,947	536,804
Pledges receivable, net of allowance	123,643	218,510
Accounts receivable from SIUE	8,865	448
Other receivable	19,233	27,031
Interest receivable	85,073	93,214
Prepaid expenses	64,956	26,740
Total current assets	<u>1,462,588</u>	<u>5,585,521</u>
Noncurrent assets		
Noncurrent Investments	35,427,352	28,088,819
Pledges receivable, net of allowance	92,435	61,670
Loan deposits with SIUE	42,829	20,821
Assets held for resale	743,349	682,940
Capital assets, net of depreciation	1,764,713	1,853,922
Cash surrender value of life insurance	119,890	114,125
Total noncurrent assets	<u>38,190,568</u>	<u>30,822,297</u>
Total assets	<u>39,653,156</u>	<u>36,407,818</u>
LIABILITIES		
Current liabilities		
Accounts payable:		
SIUE	291,374	232,508
Other	55,581	61,071
Annuities payable	50,224	50,224
Total current liabilities	<u>397,179</u>	<u>343,803</u>
Noncurrent liabilities		
Annuities payable	357,906	377,803
Total liabilities	<u>755,085</u>	<u>721,606</u>
NET POSITION		
Invested in capital assets	1,764,713	1,853,922
Restricted nonexpendable:		
Scholarships, research, instruction and other	21,727,367	19,358,268
Loans	603,874	578,119
Restricted expendable:		
Scholarships, research, instruction and other	12,474,398	12,339,953
Capital projects and debt service	237,937	238,805
Unrestricted	2,089,782	1,317,145
Total net position	<u>\$ 38,898,071</u>	<u>\$ 35,686,212</u>

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

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

For The Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES:		
Contributions	\$ 2,825,595	\$ 2,369,272
Payments from related organizations	198,108	207,750
Budget allocation from SIUE	614,588	576,460
Events, sales and other	427,508	582,586
Total operating revenues	<u>4,065,799</u>	<u>3,736,068</u>
OPERATING EXPENSES:		
General and operating	497,566	456,391
Budget expended at SIUE for payroll and benefits	614,588	576,460
Expenses for benefit of SIUE	2,253,100	3,083,259
Expenses for the benefit of Alumni Association	31,904	24,113
Payments to annuitants	50,224	50,224
Gifts and grants to SIUE	1,440,994	194,899
Transfers to other organizations	27,924	-
Depreciation	92,144	124,668
Total operating expenses	<u>5,008,444</u>	<u>4,510,014</u>
Operating loss	<u>(942,645)</u>	<u>(773,946)</u>
NON OPERATING REVENUES (EXPENSES):		
Net investment income/(loss)	3,431,946	(203,168)
Gain/(loss) on sale of assets	(1,389)	13
Net nonoperating expense	<u>3,430,557</u>	<u>(203,155)</u>
Income before permanent endowments	2,487,912	(977,101)
Contributions to permanent endowments	<u>723,947</u>	<u>753,163</u>
Change in net position	3,211,859	(223,938)
NET POSITION		
Beginning	35,686,212	35,910,150
Ending	<u>\$38,898,071</u>	<u>\$35,686,212</u>

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

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments received from related organizations	\$ 198,108	\$ 207,750
Payments received from other revenue sources	435,389	578,302
Contributions received	2,310,955	2,303,868
Payments for the benefit of SIUE, net of reimbursements	(3,264,074)	(3,373,696)
Payments to annuitants	(50,224)	(50,224)
Payments for general and operating expenses	(530,760)	(503,046)
Payments to other organizations	(27,924)	-
Net cash from operating activities	<u>(928,530)</u>	<u>(837,046)</u>
CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES		
Contributions received for endowments	<u>683,254</u>	<u>692,150</u>
Net cash from noncapital financing activities	<u>683,254</u>	<u>692,150</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	<u>(2,935)</u>	<u>(4,900)</u>
Net cash from capital financing activities	<u>(2,935)</u>	<u>(4,900)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividend income received	880,561	1,045,872
Bank and investment fees paid	(148,201)	(136,133)
Payments to SIUE for loan funds	-	(24,798)
Net proceeds received from assets held for resale	63,467	66,724
Proceeds from sales of investments	7,712,188	14,504,105
Purchases of investments	(12,344,193)	(11,697,908)
Proceeds from sales of gift-in-kind investment contributions	46,486	43,523
Net cash from investing activities	<u>(3,789,692)</u>	<u>3,801,385</u>
CHANGE IN CASH AND CASH EQUIVALENTS		
	(4,037,903)	3,651,589
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		
	4,682,774	1,031,185
END OF YEAR	<u>\$ 644,871</u>	<u>\$ 4,682,774</u>

This statement continued on the following page.

SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE FOUNDATION

STATEMENTS OF CASH FLOWS (Continued)

For The Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of Operating Loss		
to net cash from operating activities:		
Operating loss	\$ (942,645)	\$ (773,946)
Adjustments to reconcile operating loss		
to net cash from operating activities:		
Depreciation	92,144	124,668
Noncash gifts to SIUE	447,778	22,626
Noncash contributions	(514,640)	(65,404)
(Increase) decrease in:		
Accounts receivable	(619)	1,187
Other assets	(44,027)	(6,848)
Decrease in:		
Accounts payable	33,479	(139,329)
NET CASH FROM OPERATING ACTIVITIES	<u>\$ (928,530)</u>	<u>\$ (837,046)</u>
 NONCASH ACTIVITIES		
Change in unrealized gains and losses on investments	<u>\$ 2,707,412</u>	<u>\$ (1,102,540)</u>
 On-behalf benefit payments by State	<u>\$ 288,095</u>	<u>\$ 251,412</u>
 On-behalf salary and benefit payments by SIUE	<u>\$ 326,493</u>	<u>\$ 325,048</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, 2017 and 2016

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.

Due to the significance of the financial relationship with SIUE, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB No. 39, *Determining Whether Certain Organizations are Component Units*, the Foundation is included as a component unit of SIUE for financial reporting purposes. The financial activities included in these basic financial statements are reported in a separate column in SIUE's financial statements to emphasize that the Foundation is an Illinois not-for-profit organization legally separate from SIUE.

These basic financial statements include all financial activities over which the Foundation exercises direct responsibility.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Foundation conform to accounting principles generally accepted in the United States of America as applicable to governments. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

Basis of accounting

For GASB financial reporting purposes, the Foundation is considered a special-purpose government engaged only in business-type activities. Accordingly, the Foundation's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Financial statement presentation

The Foundation follows GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*; GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statement presentation required by GASB Statement Nos. 35, 37 and 38 provide a comprehensive perspective of the Foundation's assets, liabilities, net position, revenues, expenses, changes in net position and cash flows.

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 in accordance with GASB Statement No, 72, *Fair Value Measurement and Application* and GASB Statement No, 79, *Certain External Investment Pools*. Changes in the fair value of investments are reported in the nonoperating section of the accompanying Statements of Revenues, Expenses and Changes in Net Position. Also, certain money market investments and nonnegotiable certificates of deposit with redemption terms that do not consider market rates are carried at cost.

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.

Pledges receivable allowance

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, 2017 and 2016, the allowance for uncollectible accounts was \$60,108 and \$61,710, respectively.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets held for resale

Assets held for resale primarily represent a marble staircase, land, and a collection of artwork and historical treasures. The staircase sections and land are carried at the appraised value at the date of donation and the artwork and historical treasures are carried at fair value at the date of donation based upon appraised amounts or auction values published by internationally recognized auction houses for similar type objects. The purpose of the assets held for sale are to generate income upon being sold. Appraised amounts approximate fair 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.

Net position

The Foundation's net position is classified as follows:

Invested in capital assets: This represents the Foundation's total investments in capital assets, net of accumulated depreciation and reduced by outstanding debt obligations, if any, related to those capital assets.

Restricted net position, expendable: Restricted expendable net position includes resources for which the Foundation is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted net position, nonexpendable: Restricted nonexpendable net position consists of endowment funds, annuity funds and loan funds.

The endowment funds include those funds where donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

The annuity funds consists of funds received by the Foundation subject to agreements whereby they are made available to the Foundation on the condition that the Foundation bind itself to periodically pay stipulated amounts to designated individuals. Payments of such amounts terminate at a time specified in the agreements. Upon termination, the principal or remainder of annuity funds is restricted in accordance with the donor's wishes or, in the absence of such a restriction, transferred to unrestricted net position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net position (Continued)

The loan funds consist of gifts received from donors stipulating that the funds are to be used for loans to students, faculty or staff and from interest on specific endowment funds, which stipulate that income is to be used for loans.

Unrestricted net position: Unrestricted net position represents resources used for transactions relating to the educational and general operations of the Foundation, and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Foundation's policy is to first apply the expense toward restricted resources, and then toward unrestricted resources.

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 revenue 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 and other revenue sources and expenditure uses that are defined as nonoperating revenues and expenses by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Non-exchange transactions are recorded in accordance with the recognition requirements of GASB Statement No. 33.

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.

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 Association is not a private foundation within the meaning of Section 509(a) of the Code because it is an organization described in Section 509(a)(1). No provision has been made as management does not believe it has significant unrelated business income.

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.

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 (loss) for the years ended June 30, 2017 and 2016 was \$3,431,946 and \$(203,168), respectively, and are presented net of investment management fees and bank service charges, which amounted to \$134,890 and \$13,356, respectively, in 2017 and \$122,314 and \$11,807, respectively, in 2016. The net increase (decrease) in the unrealized change in fair value of investments for the fiscal years 2017 and 2016 were \$2,707,412 and \$(1,102,540), respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during the year.

Endowment investments

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 years 2017 and 2016 was \$915,842 and \$749,526 respectively.

4. CASH AND INVESTMENTS (Continued)

Endowment investments (Continued)

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.

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).

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

4. CASH AND INVESTMENTS (Continued)

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, 2017 and 2016, the Foundation had the following investment balances subject to interest rate risk (using the segmented time distribution method):

	June 30, 2017				
	Fair Value	Investment Maturities (in Years)			No Maturity
		Less than 1	1-5	6-10	
Investments:					
Mutual Funds, equity	\$ 16,586,913	\$ -	\$ -	\$ -	\$ 16,586,913
Mutual Funds, fixed income	12,482,833	2,323,538	1,589,667	5,739,019	2,830,609
Mutual Funds, multi class	2,540,783	-	-	-	2,540,783
Mutual Funds, other	1,244,040	-	-	-	1,244,040
Municipal Bonds	249,648	-	249,648	-	-
Corporate Bonds	133,074	-	133,074	-	-
Common Stock	2,190,061	-	-	-	2,190,061
	<u>\$ 35,427,352</u>	<u>\$ 2,323,538</u>	<u>\$ 1,972,389</u>	<u>\$ 5,739,019</u>	<u>\$ 25,392,406</u>

	June 30, 2016				
	Fair Value	Investment Maturities (in Years)			No Maturity
		Less than 1	1-5	6-10	
Investments:					
Mutual Funds, equity	\$ 11,784,585	\$ -	\$ -	\$ -	\$ 11,784,585
Mutual Funds, fixed income	9,954,369	2,161,349	502,822	5,869,840	1,420,358
Mutual Funds, multi class	1,770,486	-	-	-	1,770,486
Mutual Funds, other	1,763,482	-	-	-	1,763,482
Municipal Bonds	745,676	-	382,815	362,861	-
Corporate Bonds	189,233	-	189,233	-	-
Common Stock	1,880,988	-	-	-	1,880,988
	<u>\$ 28,088,819</u>	<u>\$ 2,161,349</u>	<u>\$ 1,074,870</u>	<u>\$ 6,232,701</u>	<u>\$ 18,619,899</u>

The Foundation had money market accounts not subject to interest rate risk of \$493,911 and \$373,686 at June 30, 2017 and 2016, respectively. The total investments at June 30, 2017 and 2016 were \$35,427,352 and \$28,088,819, respectively. The money market accounts are included in cash and cash equivalents on the statement of net position.

4. CASH AND INVESTMENTS (Continued)

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, 2017 and 2016 was \$198,134 and \$652,103, respectively, and the carrying value was \$150,960 and \$597,805, respectively, 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. The Foundation's funds are fully insured through the financial institution's Insured Cash Sweep Account Service.

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. The investment custodians are the counterparty to these transactions and hold these investments in their name for the benefit of the Foundation. In fiscal years 2017 and 2016, the Foundation's investments were managed by two different investment firms, each offering SIPC protection up to \$500,000. The investment balance exposed to custodial credit risk as of June 30, 2017 and 2016 was \$1,572,783 and \$1,815,897, respectively.

Foreign currency risk

The risk that changes in exchange rates will adversely affect the investment. As of June 30, 2017 and 2016, 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. 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. Board policy requires investments in fixed income government or corporate securities to be purchased or retained only if the security is rated A2 or higher by Moody's Investor Service or is rated A or higher by Standard & Poor's Corporation, Fitch Investors Service or Duff & Phelps Credit Rating Co. Commercial paper, money markets and banker's acceptances must be rated at least Prime-1 by Moody's Investor Service or at least A1 by Standard & Poor's Corporation. U.S. Treasuries are federal government securities that do not require the disclosure of credit risk.

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

4. CASH AND INVESTMENTS (Continued)

Credit risk (Continued)

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.

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, 2017 and 2016:

	June 30, 2017		June 30, 2016	
	Amount	Rating	Amount	Rating
<i>Mutual Funds, equity:</i>				
Aberdeen Emerging Markets Inst Cl	\$ 767,000	4 Stars	\$ 542,295	4 Stars
Dodge & Cox Intl Stock	761,703	4 Stars	584,246	3 Stars
Jensen Quality Growth Fd	670,405	5 Stars	809,221	5 Stars
MFS Intl Value	960,900	5 Stars	626,850	5 Stars
Fidelity Emg Mkts Premium #2342	412,858	5 Stars	-	n/a
Vanguard Div Appr Index	-	n/a	579,937	4 Stars
Vanguard Developed Mkts	729,437	4 Stars	786,997	4 Stars
Fidelity Small Cap Idx Premium #2359	409,400	3 stars	-	n/a
Vanguard 500 Index Fd	2,412,845	4 Stars	1,760,367	4 Stars
Vanguard Intl High Yld Etf	1,527,152	not rated	-	n/a
DFA US Small Cap Port	424,551	4 Stars	-	n/a
Hodges Small Cap Institutional	-	n/a	479,693	3 Stars
Vanguard Intl High Div Yld Idx Adm #530	-	n/a	1,387,286	1 Stars
Virtus Emerging Markets	-	n/a	396,463	5 Stars
Frontier MFG GLBL PLUS	707,355	not rated	-	n/a
DFA Emerging Markets Core Equity I	13,625	4 Stars	-	n/a
DFA S Small Cap I	13,712	4 Stars	-	n/a
Vitus Emerging Markets	-	n/a	14,960	5 Stars
Ishares Core S & P Mid Cap	559,249	4 stars	582,920	4 Stars
DFA INTL Small Co Port	-	n/a	4,724	4 Stars
Federated International Leaders R6 #110	25,742	3 Stars	25,038	3 Stars
Fidelity Intl Index Premium #1522	25,751	3 Stars	26,536	3 Stars
Fidelity Mid Cap Idx Premium #2350	19,079	4 Stars	21,794	5 Stars
Hodges Small Cap Institutional	-	n/a	18,039	3 Stars
Vanguard Russell 1000 Index I 1848	74,214	4 Stars	71,658	4 Stars
Mercer GMA (formerly CIO) Fund	6,071,935	not rated	3,065,561	not rated
	<u>\$ 16,586,913</u>		<u>\$ 11,784,585</u>	

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

4. CASH AND INVESTMENTS (Continued)

Credit risk (Continued)

	June 30, 2017		June 30, 2016	
	Amount	Rating	Amount	Rating
<i>Mutual Funds, fixed income:</i>				
Charles Schwab – Harbor High Yield Bond	\$ 386,054	3 Stars	\$ 378,484	4 Stars
Charles Schwab – Vanguard Short Term	559,606	3 Stars	-	n/a
Charles Schwab – Vanguard Interm Term	-	n/a	567,525	4 Stars
Charles Schwab – Vanguard Total Fund	1,026,408	3 Stars	744,892	3 Stars
Baird Aggregate Bond Inst	4,712,611	4 Stars	4,557,422	5 Stars
Federated Institutional High Yield Bond	1,030,060	5 Stars	502,823	5 Stars
Lord Abbett Short Duration Income I	1,462,186	5 Stars	1,332,814	5 Stars
Lord Abbett Bond Debenture I	475,298	5 stars	450,051	4 Stars
Mercer GMA (formerly CIO) Fund	2,830,610	not rated	1,420,358	not rated
	<u>\$ 12,482,833</u>		<u>\$ 9,954,369</u>	
<i>Mutual Funds, multi class:</i>				
Fulcrum Diversified	\$ 603,131	n/a	\$ 561,936	not rated
JHancock2 GBLB Absolute	616,701	3 Stars	544,985	4 Stars
Mercer GMA (formerly CIO) Fund	1,320,951	not rated	663,565	not rated
	<u>\$ 2,540,783</u>		<u>\$ 1,770,486</u>	
<i>Mutual Funds, other:</i>				
Ishares Currency Hedge	\$ -	n/a	\$ 581,957	not rated
Vanguard Reit Index	400,407	4 Stars	408,280	4 Stars
Mercer GMA (formerly CIO) Fund	843,633	not rated	773,245	not rated
	<u>\$ 1,244,040</u>		<u>\$ 1,763,482</u>	
<i>Municipal bonds:</i>				
Ho-well Twp MI Ref Spl Assmt Ser C	\$ -	n/a	\$ 51,567	Aa3
Columbus Franklin Cnty OH Fin Auth	-	n/a	207,748	not rated
Palm Bay FL Spl Oblig Ref Bds	105,056	Aa3	110,488	Aa3
Skokie IL Go Ser 2009b	62,203	Aa1	64,579	Aaa
Hampton Road VA Regl Jail Auth Rev Ser B	-	n/a	223,645	Aa2
Southern IL Univ Rev Hsg Aux Fax A1	82,389	Ba2	87,649	A3
	<u>\$ 249,648</u>		<u>\$ 745,676</u>	
<i>Corporate bonds:</i>				
Goldman Sachs Group Inc Note	\$ -	n/a	\$ 51,308	A3
Berkshire Hathaway Inc Note	133,074	Aa2	137,925	Aa2
	<u>\$ 133,074</u>		<u>\$ 189,233</u>	
Total investments, excluding common stock	<u>\$ 33,237,291</u>		<u>\$ 26,207,831</u>	

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

4. CASH AND INVESTMENTS (Continued)

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 investments of more than 10% of total investments in any one issuer. As of June 30, 2017 and 2016, the Foundation had one non-endowment fixed income mutual fund, 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, 2017</u>	<u>June 30, 2016</u>
Mercer GMA (formerly CIO) Fund	\$ 11,100,429	\$ 5,922,729
Baird Aggregate Bond Inst	\$ 4,712,611	\$ 4,557,422
Vanguard 500 Index Fd	\$ 2,412,845	\$ 1,760,367

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). The Foundation has defined parameters of ratios per asset class as of June 30, 2017 and 2016 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

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

4. CASH AND INVESTMENTS (Continued)

Fair Value

The Foundation has the following recurring fair value measurement as of June 30, 2017:

	<u>6/30/2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level				
Mutual Funds, equity	\$ 10,514,978	\$ 10,514,978	\$ -	\$ -
Mutual Funds, fixed income	9,652,223	9,652,223	-	-
Mutual Funds, other	400,407	400,407	-	-
Mutual Funds, multiclass	1,219,832	1,219,832	-	-
Municipal bonds	249,648	-	249,648	-
Corporate bonds	133,074	-	133,074	-
Common stock	<u>2,190,061</u>	<u>2,190,061</u>	-	-
Total investment by fair value level	<u>24,360,223</u>	<u>\$ 23,977,501</u>	<u>\$ 382,722</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Mercer GMA (formerly CIO)				
Private Investment Fund:				
Mutual Funds, equity	6,071,935			
Mutual Funds, fixed income	2,830,610			
Mutual Funds, multi class	1,320,951			
Mutual Funds, other	<u>843,633</u>			
Investments measured at the net asset value (NAV)	<u>11,067,129</u>			
Total investments	<u>\$ 35,427,352</u>			

The Foundation has the following recurring fair value measurement as of June 30, 2016:

	<u>6/30/2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level				
Mutual Funds, equity	\$ 8,719,024	\$ 8,719,024	\$ -	\$ -
Mutual Funds, fixed income	8,534,011	8,534,011	-	-
Mutual Funds, other	990,237	990,237	-	-
Mutual Funds, multiclass	1,106,921	1,106,921	-	-
Municipal bonds	745,676	-	745,676	-
Corporate bonds	189,233	-	189,233	-
Common stock	<u>1,880,988</u>	<u>1,880,988</u>	-	-
Total investment by fair value level	<u>22,166,090</u>	<u>\$ 21,231,181</u>	<u>\$ 934,909</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Mercer GMA (formerly CIO)				
Private Investment Fund:				
Mutual Funds, equity	3,065,561			
Mutual Funds, fixed income	1,420,358			
Mutual Funds, multi class	663,565			
Mutual Funds, other	<u>773,245</u>			
Total Investments measured at the net asset value (NAV)	<u>5,922,729</u>			
Total investments	<u>\$ 28,088,819</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.

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, 2017 and 2016:

Investments measured at NAV as of June 30, 2017	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mercer GMA (formerly CIO) Private Investment Fund:				
Mutual Funds, equity	\$ 6,071,935	-	monthly	15 days
Mutual Funds, fixed income	2,830,610	-	monthly	15 days
Mutual Funds, multi class	1,320,951	-	monthly	15 days
Mutual Funds, other	<u>843,633</u>	-	monthly	15 days
Total Investments measured at NAV as of June 30, 2017	<u>\$ 11,067,129</u>			

Investments measured at NAV as of June 30, 2016	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mercer GMA (formerly CIO) Private Investment Fund:				
Mutual Funds, equity	\$ 3,065,561	-	monthly	15 days
Mutual Funds, fixed income	1,420,358	-	monthly	15 days
Mutual Funds, multi class	663,565	-	monthly	15 days
Mutual Funds, other	<u>773,245</u>	-	monthly	15 days
Total Investments measured at NAV as of June 30, 2016	<u>\$ 5,922,729</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 of the Fund that maximizes the use of observable inputs and minimizes the use of unobservable inputs. As of June 30, 2017, the Fund did not value any investments based on inputs that are unobservable and significant to the overall fair value.

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

5. CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2017 and 2016, respectively, was as follows:

	Fiscal Year 2017			
	Balance Beginning of Year	Additions	Retirements	Balance End of Year
Buildings	\$ 2,856,218	\$ -	\$ -	\$ 2,856,218
Furniture, fixtures and equipment	463,292	2,935	-	466,227
Total	3,319,510	2,935	-	3,322,445
Accumulated depreciation, buildings	(1,044,779)	(73,384)	-	(1,118,163)
Accumulated depreciation, furniture, fixtures and equipment	(420,809)	(18,760)	-	(439,569)
Capital assets, net	\$ 1,853,922	\$ (89,209)	\$ -	\$ 1,764,713

	Fiscal Year 2016			
	Balance Beginning of Year	Additions	Retirements	Balance End of Year
Buildings	\$ 2,856,218	\$ -	\$ -	\$ 2,856,218
Furniture, fixtures and equipment	458,392	4,900	-	463,292
Total	3,314,610	4,900	-	3,319,510
Accumulated depreciation, buildings	(971,395)	(73,384)	-	(1,044,779)
Accumulated depreciation, furniture, fixtures and equipment	(369,525)	(51,284)	-	(420,809)
Capital assets, net	\$ 1,973,690	\$ (119,768)	\$ -	\$ 1,853,922

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 the amount of management fees assessed by the investment managers and investment advisors. For the years ended June 30, 2017 and 2016, \$72,122 and \$66,153, respectively, was collected from the endowment management fee and used for the general operations of the Foundation.

7. RETIREMENT PLAN

All full-time Foundation personnel are SIUE employees. Retirement benefits and post-retirement benefits, other than pension, are available for eligible SIUE employees under a cost sharing multiple employer plan (the Plan) administered by the State Universities Retirement System (SURS). 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, or by calling 1-800-275-7877.

Participants of the Plan contribute 8% of their gross earnings, and SIUE annually contributes an amount determined by the state legislature from state appropriations and amounts from other current funds based on actuarially determined rates. Information pertaining to the Plan and Plan's 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)

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

For the years ended June 30, 2017 and 2016 SIUE contributed \$186,326 and \$155,809, respectively, to the Plan on behalf of Foundation personnel. These amounts are included in the amounts shown as budget allocations from SIUE and budget expended at SIUE in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

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 years ended June 30, 2017 and 2016 was \$150,000 each year, and is included in payments from related organizations in the accompanying Statements of Revenue, Expenses and Changes in Net Position.

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. These amounts totaled \$614,588 and \$576,460 (including retirement payments described in Note 7), for the years ended June 30, 2017 and 2016, respectively, and are reflected as budget allocation from SIUE and budget expended at SIUE in the accompanying Statements of Revenue, Expenses and Changes in Net Position.

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 years ended June 30, 2017 and 2016, the Foundation received \$619,435 and \$118,585, respectively, in noncash contributions from donors, of which \$429,061 and \$4,699, respectively, was forwarded to the University.

8. TRANSACTIONS WITH RELATED PARTIES (Continued)

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 each of the years ended June 30, 2017 and 2016, which is included in payments from related organizations in the accompanying Statements of Revenues, Expenses and Changes in Net Position. During the years ended June 30, 2017 and 2016, the Foundation expended \$31,904 and \$24,113, respectively, for Alumni Association services.

The Foundation maintains restricted fund accounts for various campus units. The disbursements from these accounts are included in the Statements of Revenue, Expenses and Changes in Net Position as expenses for the benefit of SIUE. Some of these disbursements are paid by SIUE and then invoiced to the Foundation for reimbursement. As of June 30, 2017 and 2016, the Foundation included on the Statements of Net Position \$291,374 and \$232,508, respectively, for accounts payable – SIUE for such reimbursements and \$8,865 and \$448, respectively, for accounts receivable – SIUE for overpayments of such reimbursements.

The Foundation also receives payments from the Alumni Association of Southern Illinois University Edwardsville (Association) that represent a percentage of alumni membership dues collected by the Association. These payments are 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. The amount collected by the Association and paid to the Foundation as of June 30, 2017 and 2016 was \$8,108 and \$17,750, respectively, and is included in payments from related organizations in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

The Foundation offices are located at B. Bernard Birger Hall, which is positioned on land for which the Foundation has a 99-year lease, dated June 14, 1999, with SIUE. The lease states that the Foundation shall surrender the premises and all improvements upon expiration or termination of the lease. The Foundation paid SIUE \$1 for the lease of this land. The fair value of these leases has not been determined.

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

9. ASSETS HELD FOR RESALE

Other assets classified as assets held for resale at June 30, 2017 include a staircase valued at \$569,340, land valued at \$109,300, lithographs valued at \$61,650, and miscellaneous other assets valued at approximately \$3,059. Other assets classified as assets held for resale at June 30, 2016 include a staircase valued at \$569,340, land valued at \$50,000, lithographs valued at \$61,650, and miscellaneous other assets valued at approximately \$1,950.

10. 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. The Foundation has purchased commercial insurance to cover these risks. Settlements have not exceeded insurance coverages for each of the past three fiscal years. The employee health coverage is purchased by SIUE and is included in the budget expended at SIUE for payroll and benefits on the Statements of Revenue, Expenses and Changes in Net Position.

11. NEW AND PENDING PRONOUNCEMENTS

As of June 30, 2017, the GASB has issued the following statements that have not been implemented by the Foundation. Management is currently assessing the potential effect of these standards on the Foundation's net position, results of operations and cash flows.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. Statement No. 75 is applicable for the fiscal year ending June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. Statement No. 81 is applicable for the fiscal year ending June 30, 2018 and should be applied retroactively.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement No. 80 is applicable for the fiscal year ending June 30, 2018.

11. NEW AND PENDING PRONOUNCEMENTS (Continued)

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. Statement No. 83 is applicable for the fiscal year ending June 30, 2019. Earlier application is permitted.

GASB Statement No. 84, *Fiduciary Activities*, improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 is applicable for the fiscal year ending June 30, 2020. Earlier application is permitted.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Statement No. 85 is applicable for the fiscal year ending June 30, 2018. Earlier application is permitted.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Statement No. 86 is applicable for the fiscal year ending June 30, 2018. Earlier application is permitted.

GASB Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Statement No. 87 is applicable for the fiscal year ending June 30, 2021. Earlier application is permitted.

12. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through October 16, 2017, the date on which the financial statements were available to be issued.