

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 and 2012
AND
INDEPENDENT AUDITOR'S REPORT

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 and 2012

TABLE OF CONTENTS

	<u>Page</u>
Table of Contents	1
Foundation Officials	2
Auditor's Reports	
Independent Auditor's Report	3
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	5
Management's Discussion and Analysis	7
Financial Statements	
Statements of Net Position	16
Statements of Revenues, Expenses and Changes in Net Position	17
Statements of Cash Flows	18
Notes to the Financial Statements	20

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

FOUNDATION OFFICIALS

June 30, 2013

The Foundation Board of Directors includes:

Mr. Timothy Burke, President
Ms. Christine Reid Robertson, Vice President
Mr. William Robinson, Treasurer
Ms. Judy Ethell, Secretary

Mr. Jason Anselment
Mr. Michael Cunningham
Mr. H. Michael Finkle
Mr. Tim McCollum
Hon. Sue Payton
Ms. Janet Treichel
Mr. Chuck Witters

Ex-Officio Members:

Mr. Joseph Dively	EIU Board of Trustees
Dr. William Perry	EIU President
Dr. William Weber	EIU Vice President for Business Affairs
Mr. Robert Martin	EIU Vice President for University Advancement
Ms. Julie Sterling	EIU Alumni Association

Eastern Illinois University personnel who provide significant administrative support to the Foundation include:

Ms. Leslie McDaniel	Foundation Executive Officer
Ms. April Marchuk	Foundation Assistant Secretary
Ms. Nancy Zytka	Outreach Coordinator
Mr. Paul McCann, CPA	Director of Business Services/Treasurer
	Foundation Assistant Treasurer
Ms. Tami Babbs	EIU Assistant Comptroller
Ms. Sara Harwood	Foundation Accountant

The Foundation office is located at:

Neal Welcome Center
860 West Lincoln Avenue
Charleston, IL 61920

DOEHRING, WINDERS & CO. LLP
Certified Public Accountants
& Business Advisers
1601 LAFAYETTE AVENUE
MATTYON, ILLINOIS 61938

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Eastern Illinois University Foundation
Charleston, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Eastern Illinois University Foundation (the Foundation), component unit of the State of Illinois and Eastern Illinois University, as of and for the years ended June 30, 2013 and 2012, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 business-type activities of Eastern Illinois University Foundation as of June 30, 2013 and 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

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 7-15 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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 November 13, 2013, 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.

Doehring, Winders & Co. LLP

Mattoon, Illinois
November 13, 2013

DOEHRING, WINDERS & CO. LLP
Certified Public Accountants
& Business Advisers
1601 LAFAYETTE AVENUE
MATTOON, ILLINOIS 61938

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
Eastern Illinois University Foundation
Charleston, 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 Eastern Illinois University Foundation (the Foundation), component unit of the State of Illinois and Eastern Illinois University, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated November 13, 2013.

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 opinions 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 Foundation'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. 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 entity'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.

Doehring, Winders & Co. LLP

Mattoon, Illinois
November 13, 2013

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Eastern Illinois University Foundation (the Foundation) annual financial report presents management's discussion and analysis of the financial performance of the Foundation during the fiscal years ended June 30, 2013 and 2012. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes and this discussion are the responsibility of Foundation management.

Reporting Entity

The Eastern Illinois University Foundation is a non-profit corporation and is considered to be a component unit of the State of Illinois and Eastern Illinois University (the University), as defined by the Governmental Accounting Standards Board Statement No. 39. This statement defines component units as organizations where the "substance and significance of the relationship between the organization and the primary government (or its component units) would be such that the exclusion of that organization from the reporting entity's financial statements would render those statements misleading or incomplete." Accordingly, the Foundation is included in the University's financial statements as a discrete component unit.

The Eastern Illinois University Foundation was incorporated in 1953, under the laws of the State of Illinois, as a not-for-profit organization. The Foundation is to assist and support the University's educational and cultural mission through encouraging philanthropic gifts of money, property, works of art, and other materials having educational, artistic, or historical value. These gifts are to be administered with the primary objective of serving purposes other than those for which the State of Illinois ordinarily makes sufficient appropriations. Transactions with the University of cash, services and resources, unrestricted or restricted only as to department, were generally for on-going operations of the University.

Using the Annual Report

These financial statements are prepared in accordance with the guidance found in the statements issued by the Governmental Accounting Standards Board (GASB), including GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; 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*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*; GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*; and GASB Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflow of Resources, and Net Position*. These statements focus on the financial condition of the Foundation, the results of operations and cash flows of the Foundation as a whole.

As prescribed by GASB Statement No. 35, this annual report includes three financial statements: the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows. The accompanying notes to the financial statements provide more detailed information regarding the items presented on the face of the financial statements. An explanation of the financial statement presentation follows.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Using the Annual Report, continued

The Statements of Net Position reflects the assets and liabilities of the Foundation using the accrual basis of accounting and presents the financial position of the Foundation at a specified point in time. The difference between total assets and total liabilities, known as net position, is one indicator of the current financial condition of the Foundation. The increase or decrease in net position that occurs over time indicates the improvement or erosion of the Foundation's financial condition.

The Statements of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the fiscal year. Revenues and expenses are reported as either operating or nonoperating. Under this reporting model, gifts to the Foundation are considered operating revenues, while investment income is considered nonoperating revenue. Additionally, payments for scholarships, distributions to beneficiaries and grants to the University are treated as nonoperating expenses.

The Statements of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing and investing activities.

Financial Highlights

The Foundation's financial position increased during the fiscal year ended June 30, 2013. Total net position increased by approximately \$6.3 million (10.2%) from June 30, 2012. This is attributable to various factors. The Foundation received approximately \$1.8 million in additional permanent endowments and gifts and other operating revenues exceeded operating expenses by nearly \$1.6 million, and net nonoperating revenues (expenses) were \$2.9 million during fiscal year 2013.

The increase in the change in net position between fiscal years 2013 and 2012 was approximately \$1.7 million. The main reason for this increase was the \$5.4 million increase in net investment income between 2013 and 2012. Also, additions to permanent endowments decreased \$2.4 million and gifts decreased \$1.4 million between 2013 and 2012.

The Foundation's financial position increased during the fiscal year ended June 30, 2012. Total net position increased by approximately \$4.6 million (8.0%) from June 30, 2011. This is attributable to various factors. The Foundation received approximately \$4.2 million in additional permanent endowments and gifts and other operating revenues exceeded operating expenses by nearly \$3.0 million, and net nonoperating revenues (expenses) were \$(2.6) million during fiscal year 2012.

The decrease in the change in net position between fiscal years 2012 and 2011 was approximately \$4.3 million. The main reason for this decrease was the \$7.5 million decrease in net investment income between 2012 and 2011. Also, additions to permanent endowments increased \$2.9 million between 2012 and 2011.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Condensed Financial Information

Condensed Statement of Net Position, June 30:

	2013	2012	2011
ASSETS			
Current assets	\$ 8,804,875	\$ 8,194,279	\$ 6,641,640
Noncurrent assets:			
Capital assets, net of accumulated depreciation	1,814,501	1,843,144	1,871,787
Other	63,353,639	60,252,387	57,598,213
Total noncurrent assets	65,168,140	62,095,531	59,470,000
Total assets	73,973,015	70,289,810	66,111,640
LIABILITIES			
Current liabilities	53,415	1,465,170	1,616,841
Noncurrent liabilities	5,551,158	6,799,468	7,073,485
Total liabilities	5,604,573	8,264,638	8,690,326
NET POSITION			
Invested in capital assets, net of related debt	1,814,501	455,906	484,549
Restricted for:			
Nonexpendable endowment	42,294,834	40,270,237	35,739,020
Expendable	23,723,832	20,749,578	20,736,974
Unrestricted	535,275	549,451	460,771
Total net position	\$ 68,368,442	\$ 62,025,172	\$ 57,421,314

At June 30, 2013, total current assets of approximately \$8.8 million included approximately \$3.7 million of cash and cash equivalents and \$4.6 million of investments. This is an approximate \$0.6 million increase between 2013 and 2012.

The Foundation's largest noncurrent assets for June 30, 2013, are its endowment investments of approximately \$40.5 million and restricted long-term investments of approximately \$20.6 million. At June 30, 2013, the fair market value of certain endowment funds were below their original cost by \$105,700. The approximate \$3.1 increase in noncurrent investments between 2013 and 2012 can be mainly attributed to the increase in restricted and endowment investments of approximately \$4.9 million and the decrease in restricted cash of \$1.9 million.

At June 30, 2012, total current assets of approximately \$8.2 million included approximately \$3.8 million of cash and cash equivalents and \$3.8 million of investments. This is an approximate \$1.6 million increase between 2012 and 2011.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Condensed Financial Information, continued

The Foundation's largest noncurrent assets for June 30, 2012, are its endowment investments of approximately \$36.6 million and restricted long-term investments of approximately \$19.6 million. At June 30, 2012, the fair market value of certain endowment funds were below their original cost by \$760,192. The approximate \$2.6 increase in noncurrent investments between 2012 and 2011 can be mainly attributed to the increase in restricted cash and cash equivalents of approximately \$2.9 million.

The Foundation's liabilities at June 30, 2013, total approximately \$5.6 million. Of this balance, approximately \$5.6 million is the actuarial value of estimated future payments to beneficiaries of annuities and unitrusts plus the assets held by the Foundation as trustee. Liabilities no longer include the demand mortgage as it was paid off in 2013.

The Foundation's liabilities at June 30, 2012, total approximately \$8.3 million. Of this balance, approximately \$6.8 million is the actuarial value of estimated future payments to beneficiaries of annuities and unitrusts plus the assets held by the Foundation as trustee. Liabilities also consist of an approximate \$1.4 million demand mortgage note payable on the Neal Welcome Center.

The Foundation's current assets of approximately \$8.8 million for June 30, 2013, were sufficient to cover current liabilities of approximately \$53 thousand. The ratio of current assets to current liabilities is \$164.84 in current assets for every \$1 in current liabilities for fiscal year 2013.

The Foundation's current assets of approximately \$8.2 million for June 30, 2012, were sufficient to cover current liabilities of approximately \$1.5 million. The ratio of current assets to current liabilities is \$5.59 in current assets for every \$1 in current liabilities for fiscal year 2012.

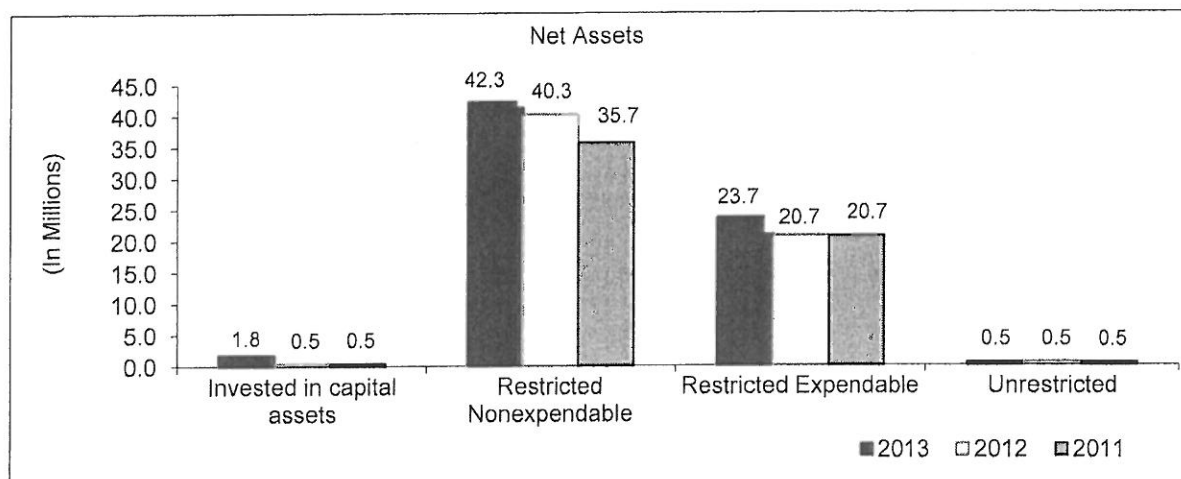
The Foundation's total net position at June 30, 2013, totaled approximately \$68.4 million, a \$6.3 million increase over total net position of \$62.0 million at June 30, 2012. Net position classified as "invested in capital assets, net of related debt" increased by approximately \$1.4 million from 2012 to 2013 due to the demand mortgage being paid off during 2013. Net position classified as "restricted, nonexpendable endowment" increased by approximately \$2.0 million from 2012 to 2013 due mainly to the endowment gifts received during fiscal year 2013. Net position classified as "restricted, expendable" increased by approximately \$3.0 million from 2012 to 2013, the result of the increase in fair value of investments.

The Foundation's total net position at June 30, 2012, totaled approximately \$62.0 million, a \$4.6 million increase over total net position of \$57.4 million at June 30, 2011. Net position classified as "invested in capital assets, net of related debt" remained approximately the same for 2012. Net position classified as "restricted, nonexpendable endowment" increased by approximately \$4.5 million from 2011 to 2012 due mainly to the endowment gifts received during fiscal year 2012. Net position classified as "restricted, expendable" remained relatively the same from fiscal year 2011 to 2012.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Condensed Financial Information, continued



Condensed Statement of Revenues, Expenses and Changes in Net Position

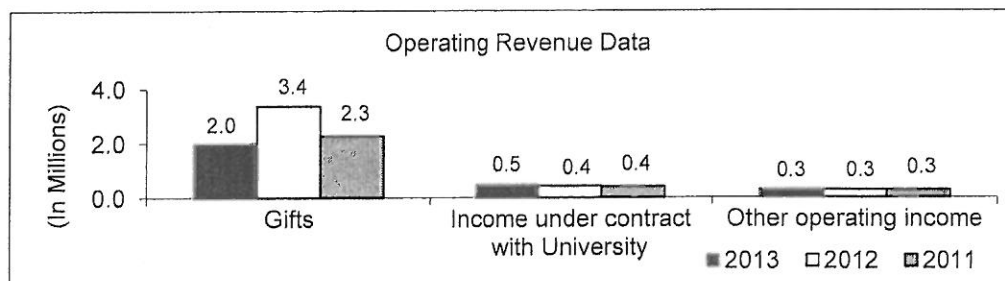
	For the years ended June 30,		
	2013	2012	2011
Operating revenues			
Gifts	\$ 1,993,302	\$ 3,378,642	\$ 2,268,994
Other operating revenues	769,926	703,421	673,973
Total operating revenues	2,763,228	4,082,063	2,942,967
Operating expenses	1,139,312	1,078,473	1,122,220
Operating income	1,623,916	3,003,590	1,820,747
Nonoperating revenues (expenses)			
Investment income and net increase in fair value of investments	6,162,920	779,966	8,249,334
Scholarships	(976,610)	(960,612)	(809,851)
Grants to University	(2,185,168)	(2,575,694)	(1,389,601)
Other nonoperating (expenses)	(65,234)	199,298	(202,278)
Net nonoperating revenues (expenses)	2,935,908	(2,557,042)	5,847,604
Income before permanent endowment contributions	4,559,824	446,548	7,668,351
Additions to permanent endowments	1,783,446	4,157,310	1,280,097
Total increase in net position	6,343,270	4,603,858	8,948,448
Net position - beginning of year	62,025,172	57,421,314	48,472,866
Net position - end of year	\$ 68,368,442	\$ 62,025,172	\$ 57,421,314

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Operating Revenues

Total operating revenues were \$2.8 million and \$4.1 million for the years ended June 30, 2013 and 2012, respectively. The most significant source of revenue were gifts of \$2.0 million in 2013 and \$3.4 million in 2012, as shown below:



Gifts

The Foundation receives gifts from many sources and for different purposes. There are gifts from telefund drives which are usually used by the University for current operations and scholarships; gifts for various projects such as the Neal Welcome Center, Old Main renovation and the Commemorative Courtyard; and planned (deferred) giving gifts by donors used in estate planning. EIU has recently completed a capital campaign and EIUF has received several gifts as a result of those solicitations. Gifts of permanent endowments for scholarships or to support programs and departments are shown after the nonoperating section of the statement.

During fiscal year 2013, there was a total of approximately \$2.0 million of unrestricted and restricted gifts and approximately \$1.8 million of additions to permanent endowments. There were no unearned gifts donated to the Foundation this year.

During fiscal year 2012, there was a total of approximately \$3.4 million of unrestricted and restricted gifts and approximately \$4.2 million of additions to permanent endowments. There were no unearned gifts donated to the Foundation this year.

Operating Expenses

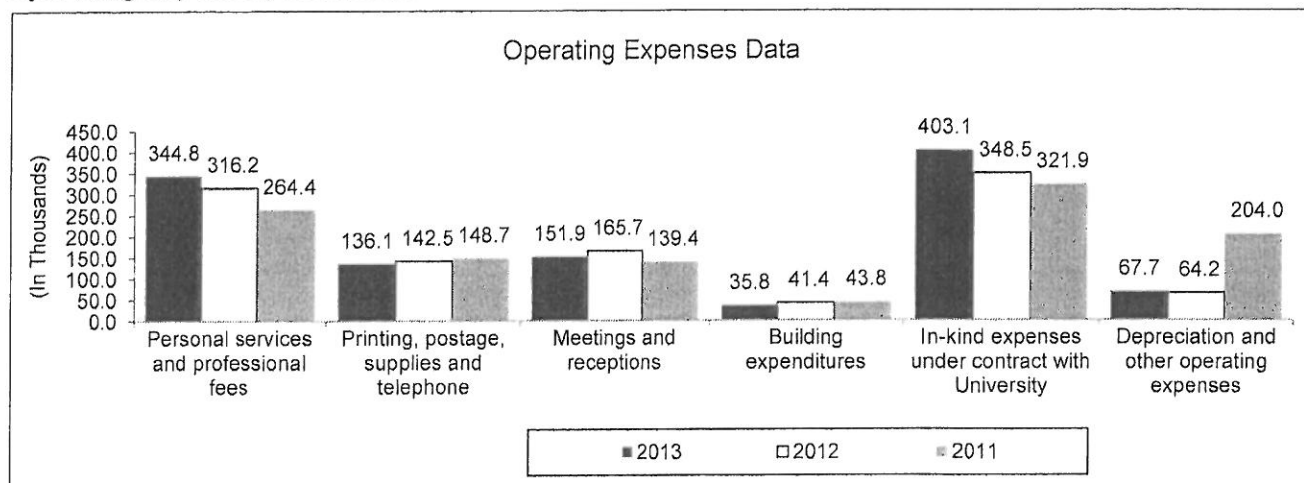
Operating expenses for fiscal year 2013, including depreciation of \$28,643, totaled \$1,139,312. Of this total, \$344,794 or 30.3% was for personal services and professional fees, and \$403,068 or 35.4% was in-kind expenses under contract with the University and budget expended at the University.

Operating expenses for fiscal year 2012, including depreciation of \$28,643, totaled \$1,078,473. Of this total, \$316,210 or 29.3% was for personal services and professional fees, and \$348,542 or 32.3% was in-kind expenses under contract with the University and budget expended at the University.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Operating Expenses, continued



Other

Nonoperating revenues (expenses) for fiscal year 2013 consisted of investment income, actuarial adjustments, scholarships to students and grants to the University. The \$5.1 million increase in nonoperating income (expenses) between 2013 and 2012 is mainly due to the increase in investment income (which includes dividend and interest income and the change in the fair value of investments) of approximately \$5.4 million. During fiscal year 2013, the Foundation awarded 909 scholarships totaling \$976,610 and made grants to the University of approximately \$2.2 million. As noted previously, there was approximately \$1.8 million of additions to permanent endowments.

Nonoperating revenues (expenses) for fiscal year 2012 consisted of investment income, actuarial adjustments, scholarships to students and grants to the University. The \$8.4 million decrease in nonoperating income (expenses) between 2012 and 2011 is mainly due to the decrease in investment income (which includes dividend and interest income and the change in the fair value of investments) of approximately \$7.5 million. During fiscal year 2012, the Foundation awarded 906 scholarships totaling \$960,612 and made grants to the University of approximately \$2.6 million. As noted previously, there was approximately \$4.2 million of additions to permanent endowments.

The Statement of Cash Flows

Condensed Statement of Cash Flows

	For the years ended June 30		
	2013	2012	2011
Cash provided (used) by:			
Operating activities	\$ 1,602,309	\$ 2,297,515	\$ 1,184,723
Noncapital financing activities	(2,857,628)	470,599	(1,195,977)
Capital and related financing activities	(1,446,384)	(71,974)	(124,670)
Investing activities	742,433	646,884	(96,736)
Net increase (decrease) in cash and cash equivalents	(1,959,270)	3,343,024	(232,660)
Cash and cash equivalents, July 1	7,022,281	3,679,257	3,911,917
Cash and cash equivalents, June 30	<u>\$ 5,063,011</u>	<u>\$ 7,022,281</u>	<u>\$ 3,679,257</u>

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

The Statement of Cash Flows, continued

For fiscal year 2013, the major source of funds included in operating activities is cash gifts of \$1.9 million. The major use of funds included in noncapital financing activities are grants to the University of \$2.2 million, a decrease from 2012 of approximately \$391 thousand, due mainly to the timing of transfer requests by University departments. Other major uses of funds include distributions to deferred giving beneficiaries of \$1.4 million, an increase of \$1.2 million over 2012, due mainly to the payouts of the Neal Trusts, and scholarships of \$997,564. The net uses of capital and related financing activities include \$1.4 million, which is the payoff of the Neal Welcome Center mortgage from proceeds received from the Neal Trusts, with the additional funds coming from the operations, and \$59,146, which is entirely payments of interest on the Neal Welcome Center mortgage. The major sources of funds from investing activities are the investment income receipts of approximately \$1.6 million, an increase from fiscal year 2012 because of an increase on returns on investments, and the proceeds from the sale of investments of approximately \$5.8 million. The major use of funds included in investing activities in 2013 is the purchase of investments of approximately \$6.7 million, an increase of approximately \$4.7 million from 2012 mainly due to an increase in investment trading activities.

For fiscal year 2012, the major source of funds included in operating activities is cash gifts of \$2.6 million. The major use of funds included in noncapital financing activities are grants to the University of \$2.6 million, an increase from 2011 of approximately \$1.2 million, due mainly to the timing of transfer requests by University departments. Other major uses of funds are scholarships of \$936,588 and distributions to deferred giving beneficiaries of \$173,698. The net uses of capital and related financing activities include \$71,974, which is entirely payments of interest on the Neal Welcome Center mortgage note. The major sources of funds from investing activities are the investment income receipts of approximately \$1.4 million, a decrease from fiscal year 2011 because of a decrease on returns on investments, and the proceeds from the sale of investments of approximately \$1.3 million. The major use of funds included in investing activities in 2012 is the purchase of investments of approximately \$2.0 million, a decrease of approximately \$1.3 million from 2011 mainly due to a decrease in investment trading activities.

The Foundation's Economic Outlook

The Foundation's operations are supported by a variety of revenue sources, including the contract with the University, a trust distribution, administrative fees generated from investments, and earnings from endowment funds restricted for Foundation operations. The Board has approved an increase in the administrative fee assessed on the trusts, moving from .75% to 1.0% for FY11, FY12 and FY13, and then to 1.25% in FY14 and thereafter. The University has recently completed a major campaign with results exceeding the goal of \$50 million, which should add significantly to the revenues for Foundation operations in the upcoming years.

The Neal Welcome Center, built in 2002, is beginning to incur minor repair and maintenance expenses as use of the facility increases and the building ages. The Board has established a reserve for deferred maintenance to cover expenses for the future upkeep of the building. In April 2013, the mortgage was paid off with the Foundation's beneficiary share of two trusts and \$28,921 from unrestricted funds. The mortgage payoff will save approximately \$75,000 in interest expense per year. Part of the savings will be used to increase the reserve for deferred maintenance for the future upkeep of the building.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

The Foundation's Economic Outlook, continued

Due to the asset allocation recommended by the investment consultants and approved by the Investment Committee, the endowment's fiscal year increase in investment value of 12% was better than a Broad Policy Index (BPI) return of 9.9%. A less Diversified Index (LDI) of 70% stocks/30% bonds would have returned 13.9%. In light of the continued volatility in the equity markets, the Committee remains committed to portfolio changes to reduce risk while boosting the tilt towards quality stocks and inflation-protected assets. The Committee remains focused on its objective of achieving a minimum return of 7.5%.

Note--The Eastern Illinois University Foundation is not required to present budgetary comparison information that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements because the Eastern Illinois University Foundation is not legally required to adopt a budget.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

STATEMENTS OF NET POSITION

June 30, 2013 and 2012

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 458,483	\$ 483,018
Restricted cash and cash equivalents	3,258,529	3,284,521
Restricted investments	4,608,817	3,811,604
Other current investments	32,000	32,000
Restricted pledges receivable	263,038	369,421
Endowment pledges receivable	172,647	151,122
Accounts receivable	-	261
Grain Inventory	-	60,000
Prepaid expenses	11,361	2,332
Total current assets	8,804,875	8,194,279
Noncurrent assets:		
Restricted cash and cash equivalents	1,345,999	3,254,742
Endowment investments	40,489,815	36,566,385
Restricted investments	20,578,894	19,587,079
Pledges receivable, less current portion	652,558	546,193
Endowment pledges receivable, less current portion	286,373	297,988
Capital assets, net of accumulated depreciation	1,814,501	1,843,144
Total noncurrent assets	65,168,140	62,095,531
Total assets	73,973,015	70,289,810
LIABILITIES		
Current liabilities:		
Accounts payable	12,734	31,209
Accrued interest	-	4,848
Annuities payable, current portion	40,681	41,875
Demand mortgage payable	-	1,387,238
Total current liabilities	53,415	1,465,170
Noncurrent liabilities:		
Annuities payable, less current portion	231,049	260,012
Funds held in trust for others	5,320,109	6,539,456
Total noncurrent liabilities	5,551,158	6,799,468
Total liabilities	5,604,573	8,264,638
NET POSITION		
Invested in capital assets, net of related debt	1,814,501	455,906
Restricted for:		
Nonexpendable endowment	42,294,834	40,270,237
Expendable	23,723,832	20,749,578
Unrestricted	535,275	549,451
Total net position	\$68,368,442	\$62,025,172

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

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years ended June 30, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Gifts	\$ 1,993,302	\$ 3,378,642
Service contract with University	206,442	221,236
Budget allocation from University	275,251	205,931
Other operating income	288,233	276,254
Total operating revenues	2,763,228	4,082,063
OPERATING EXPENSES		
Personal services	194,900	163,537
Printing	25,934	32,570
Postage and supplies	79,340	72,688
Telephone	30,806	37,233
Dues, subscriptions and promotion	7,588	10,585
Meetings and receptions	151,907	165,715
Professional fees	149,894	152,673
Bad debt expense	111	97
Computer maintenance	2,780	2,715
Insurance	22,222	17,925
Building expenditures	35,760	41,356
Tools and small equipment	3,372	1,969
Auto expenses	2,987	2,225
Depreciation	28,643	28,643
In-kind expenses under contract with the University		
Personnel expenses	125,347	140,181
Utilities and maintenance	2,470	2,430
Budget expended at the University	275,251	205,931
Total operating expenses	1,139,312	1,078,473
Operating income	1,623,916	3,003,590
NONOPERATING REVENUES (EXPENSES)		
Investment income:		
Interest and dividends	1,574,705	1,324,377
Net increase (decrease) in fair value of investments	4,588,215	(544,411)
Scholarships	(976,610)	(960,612)
Distributions to annuity/unitrust beneficiaries	(41,094)	(108,193)
Actuarial adjustments	30,158	380,321
Interest on capital asset-related debt	(54,298)	(72,830)
Grants to University	(2,185,168)	(2,575,694)
Net nonoperating revenue (expenses)	2,935,908	(2,557,042)
Income before permanent endowment contributions	4,559,824	446,548
Additions to permanent endowments	1,783,446	4,157,310
Increase in net position	6,343,270	4,603,858
NET POSITION		
Net position -beginning of year	62,025,172	57,421,314
Net position - end of year	\$ 68,368,442	\$ 62,025,172

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

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

STATEMENTS OF CASH FLOWS

Years ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Cash received from gifts	\$ 1,949,229	\$ 2,645,201
Cash received from service contract with University	78,625	78,625
Cash received from other sources	288,233	276,254
Cash paid to suppliers and other vendors	<u>(713,778)</u>	<u>(702,565)</u>
Net cash provided by operating activities	<u>1,602,309</u>	<u>2,297,515</u>
Cash flows from noncapital financing activities		
Grants to the University	(2,185,168)	(2,575,694)
Scholarships	(997,564)	(936,588)
Distributions to annuity/unitrust beneficiaries	(1,399,412)	(173,698)
Agency receipts	237,033	258,274
Agency payments	(230,983)	(233,784)
Gifts received for endowment purposes	1,718,466	4,132,089
Net cash provided (used) by noncapital financing activities	<u>(2,857,628)</u>	<u>470,599</u>
Cash flows from capital and related financing activities		
Interest paid	(59,146)	(71,974)
Mortgage loan payment	<u>(1,387,238)</u>	<u>-</u>
Net cash (used) by capital and related financing activities	<u>(1,446,384)</u>	<u>(71,974)</u>
Cash flows from investing activities		
Proceeds from the sale of investments	5,752,854	1,267,935
Investment income (net of fees)	1,603,582	1,371,123
Sale of gift stock and real estate	99,146	39,998
Purchase of investments	<u>(6,713,149)</u>	<u>(2,032,172)</u>
Net cash provided by investing activities	<u>742,433</u>	<u>646,884</u>
Net increase (decrease) in cash and cash equivalents	(1,959,270)	3,343,024
Cash and cash equivalents, July 1	<u>7,022,281</u>	<u>3,679,257</u>
Cash and cash equivalents, June 30	<u>\$ 5,063,011</u>	<u>\$ 7,022,281</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 1,623,916	\$ 3,003,590
Adjustments to reconcile operating income to net cash provided by operating activities:		
Non-cash stock, real estate gifts	(34,180)	(5,073)
Depreciation expense	28,643	28,643
Bad debt expense	111	97
Change in assets and liabilities:		
Accounts receivable	(9,893)	(728,368)
Prepaid expense	(9,028)	(566)
Accounts payable	<u>2,740</u>	<u>(808)</u>
Net cash provided by operating activities	<u>\$ 1,602,309</u>	<u>\$ 2,297,515</u>

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

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

STATEMENTS OF CASH FLOWS, CONTINUED

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Noncash investing, noncapital financing, and capital and related financing transactions		
Change in fair value of investments	<u>\$ 4,588,215</u>	<u>\$ (544,411)</u>
Change in accrued interest affecting interest paid	<u>\$ (4,848)</u>	<u>\$ 857</u>

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

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 and 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the accompanying financial statements are as follows:

Nature of Operations

Eastern Illinois University Foundation (the Foundation), located in Charleston, Illinois, was incorporated under the laws of the State of Illinois as a not-for-profit organization. The primary function of the Foundation is to assist in developing and increasing the facilities of Eastern Illinois University for broader educational opportunities for its students, alumni, and citizens of the State of Illinois by encouraging gifts of money, property, works of art, and other materials having educational, artistic, or historical value. These gifts are to be administered with the primary objective of serving purposes other than those for which the State of Illinois ordinarily makes sufficient appropriations.

Financial Reporting Entity

The financial reporting entity is defined by the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. The financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which the primary government is financially accountable. It also includes other component units whose exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

A primary government is financially accountable for a component unit if it appoints a voting majority of the organization's governing body and (1) is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government.

In addition, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* (an amendment of GASB Statement No. 14, *The Financial Reporting Entity*) increased the factors to consider when determining if a component unit should be included in the financial reporting entity of a primary government.

As stated in GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, a legally separate organization should be considered a component unit of the primary government if the following three factors are met. 1) The separate organization's economic resources are almost entirely held for the direct benefit of the primary government. 2) The primary government is entitled to or has access to the majority of the resources held or received by the separate organization. 3) The resources held or received by the separate organization are significant to the primary government.

Based upon these factors management considers the Foundation to be a component unit of Eastern Illinois University and the State of Illinois. The Foundation believes it has no component units as defined by GASB Statement No. 14, *The Financial Reporting Entity* as amended.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2013 and 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Statement Presentation

The Foundation has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 35, *Basic Financial Statements - 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 Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statements of the Foundation have been prepared in conformance with these statements.

Basis of Accounting

For 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 accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the Illinois Funds are considered cash equivalents.

Investments

The Foundation accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in the unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statements of Revenues, Expenses and Changes in Net Position. Additionally, as a result of the adoption of GASB No. 52, all land held by endowments is valued at fair value. All other investments in land are valued at historical cost.

Restricted Assets

Restricted assets consist of cash and investments that are externally restricted by outside sources. Restricted assets are classified as either current or noncurrent assets in the Statements of Net Position depending upon when the assets become available for use.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. The Foundation's capitalization threshold for capital assets is as follows: equipment \$5,000 or greater, land \$100,000 or greater, buildings \$100,000 or greater and building improvements \$25,000 or greater.

Renovations to buildings and equipment that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 15 to 20 years for building improvements and 4 to 7 years for equipment.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2013 and 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Noncurrent Liabilities

Noncurrent liabilities include the following: the portion of the annuities payable that will come due in more than one year and funds held in trust for others that the Foundation will pay out in more than one year.

Panther Club

The purpose of the Panther Club, a division of the Foundation, is to raise funds for the University's Athletic Department. The amounts raised are recorded as gifts. The costs of the Panther Club are paid through its fund-raising activities.

Net Position

The Foundation's net position is classified as follows:

Invested in capital assets, net of related debt: This represents the Foundation's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

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

Restricted - expendable: Restricted expendable resources include items in which the Foundation is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted: Unrestricted resources are derived from administrative fees charged, unrestricted gifts, agreement with the University and various other sources of revenue. These resources are used for transactions relating to the 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 fiscal agent of the Foundation account uses his discretion in deciding which resources to apply.

Income Taxes

The Foundation is a non-profit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been determined not to be a private Foundation.

Gifts of Future Interests

The Foundation records gifts of future interests net of the actual present value of payments required to be made to the donors.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2013 and 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Classification of Revenues

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

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions or that are part of the Foundation's mission to raise funds for the University such as (1) gifts, (2) service contract with the University and (3) development activities sponsored for Athletics.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as investment income and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

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 and contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

New Governmental Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statements, which are effective for periods beginning July 1, 2012, or later, which impact the Foundation:

GASB Statement No. 60 - *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement applies to public-private partnerships in which the public institution retains specific control criteria. The standard generally applies to arrangements to provide services through the use of infrastructure or another public asset, such as facilities. This Statement is effective for periods beginning after December 15, 2011. The Foundation has determined that it does not have any service concession arrangements as defined by the Statement.

GASB Statement No. 61 - *The Financial Reporting Entity: Omnibus*. This Statement amends the requirements of GASB Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Statement amends the criteria for including a component unit, as well as the criteria for how to disclose component units' financial information. The Statement is effective for periods beginning after June 15, 2012. The Statement does not impact the Foundation.

GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. This Statement incorporates guidance that previously could only be found in certain FASB and AICPA pronouncements. The Statement supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. This Statement is effective for periods beginning after December 15, 2011. Because the Statement incorporates existing guidance, the Statement does affect the Foundation, but does not significantly change the financial reporting of the Foundation.

GASB Statement No. 63 - *Financial Reporting of Deferred Outflow of Resources, Deferred Inflow of Resources, and Net Position*. This Statement addresses how to report elements of financial statements that are deferred inflows and deferred outflows and clarifies that they should be reported in a separate section in the Statement of Net Position. The Statement is effective for periods beginning after December 15, 2011. The Statement does not significantly change the financial reporting of the Foundation.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2013 and 2012

2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

A reconciliation of cash and investments as shown on the June 30, 2013 and 2012 Statements of Net Position is as follows:

	June 30, 2013		Total
	Current	Noncurrent	
Cash and cash equivalents	\$ 458,483	\$ -	\$ 458,483
Restricted cash and cash equivalents	3,258,529	1,345,999	4,604,528
Restricted investments	4,608,817	40,489,815	45,098,632
Other current investments	32,000	-	32,000
Endowment investments	-	20,578,894	20,578,894
	<u>\$ 8,357,829</u>	<u>\$ 62,414,708</u>	<u>\$ 70,772,537</u>

	June 30, 2012		Total
	Current	Noncurrent	
Cash and cash equivalents	\$ 483,018	\$ -	\$ 483,018
Restricted cash and cash equivalents	3,284,521	3,254,742	6,539,263
Restricted investments	3,811,604	19,587,079	23,398,683
Other current investments	32,000	-	32,000
Endowment investments	-	36,566,385	36,566,385
	<u>\$ 7,611,143</u>	<u>\$ 59,408,206</u>	<u>\$ 67,019,349</u>

Breakdown and carrying amount of the cash and investments are as follows:

	2013	2012
The Illinois Funds money market accounts	\$ 5,063,011	\$ 7,022,281
Money market accounts administered by First-Mid-Illinois Bank and Trust	156,976	125,119
Money market accounts administered by Charles Schwab & Co., Inc.	1,213,980	1,050,869
Investments administered by Charles Schwab & Co., Inc.		
Open Ended Mutual Bond funds	10,024,688	10,443,460
Open Ended Mutual Equity funds	32,451,472	30,829,271
Corporate Equity - Student Investment	87,036	46,673
Investments administered by Brandywine Global		
Open Ended Mutual Bond fund	1,864,404	1,293,005
Investments administered by First Mid-Illinois Bank		
Corporate Equity - Cooperatives Stock	1,780	1,780
Alternative Investments		
Investments administered by Corbin Pinehurst	5,115,666	4,653,175
Investments administered by Mercer	5,391,241	3,417,007
Investments administered by Neuberger Berman	26,815	-
Investments administered by Park Street Capital	1,142,447	1,036,277
Investments administered by Goldman Sachs	713,395	625,551
Investments administered by Portfolio Advisors	846,826	651,882
Investments administered by Montauk	267,514	79,498
Life insurance cash values	95,152	83,367
Real estate	6,310,134	5,660,134
Total cash and investments	<u>\$ 70,772,537</u>	<u>\$ 67,019,349</u>

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2013 and 2012

2 CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued

Cash and Cash Equivalents

The Foundation's cash deposits mainly represent funds held by the University in the Illinois Funds. The Illinois Funds are pooled short term fully collateralized money market accounts administered by the Treasurer of the State of Illinois. The Foundation also maintains deposits at those depository institutions authorized by the Foundation Board of Directors. These deposits are fully covered by Federal Depository Insurance.

Investments

The Foundation is authorized by the Board of Directors to invest funds in compliance with stated investment policies. All other investments are carried at their fair value, as determined by quoted market prices for investments that have readily available fair value. For investments for which a readily determinable fair value does not exist (e.g. private equities and alternative investments), the investments are valued at estimated fair values based on information provided by the fund managers. Because of the inherent uncertainty of valuation relating to the Foundation's investments in investee funds and their underlying investments, the estimate of fair value may differ from the values that would have been used had a ready market existed, and any difference could be material.

If a donor has not provided specific instructions, Illinois Compiled Statutes (760 ILCS 51/4) permits the Board of Directors to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the Board of Directors is required to consider the Foundation's long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

The long-term objective of the endowment funds, as determined by the Board of Directors, is to achieve a total return in excess of its current spending rate policy over a twenty-year time horizon. The current rate of the spending rate policy is 5% per year, comprised of a 4.25% spending rate and 0.75% for administrative expenses. In addition to achieving the 5% spending rate policy, the policy asset allocation is designed to cover the costs of inflation, investment management/consulting fees, and other related costs. The spending allowance calculation is determined by taking the spending rate (currently 5%) times the investment portfolio's trailing twelve-quarter average market value, as of June 30th of each year. Any remaining return over the 5% spending rate will be retained for use in future years. As of June 30, 2013 net appreciation of \$12,812,609 is available to be spent, but is restricted to specific purposes.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's fixed income investments as of June 30, 2013 and 2012, are disclosed as follows:

Effective Maturity	June 30, 2013					Total
	0-1 Year	1-5 Year	5-10 Year	10-15 Year	15-20 Year	
The Illinois Funds	\$ 5,063,011	\$ -	\$ -	\$ -	\$ -	\$ 5,063,011
Money Market Funds	1,370,956	-	-	-	-	1,370,956
Mutual Bond Funds	-	1,491,061	10,398,031	-	-	11,889,092

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2013 and 2012

2 CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued

Interest Rate Risk - continued

Effective Maturity	June 30, 2012					Total
	0-1 Year	1-5 Year	5-10 Year	10-15 Year	15-20 Year	
The Illinois Funds	\$ 7,022,281	\$ -	\$ -	\$ -	\$ -	\$ 7,022,281
Money Market Funds	1,175,988	-	-	-	-	1,175,988
Mutual Bond Funds	-	1,314,901	9,128,559	1,293,005	-	11,736,465

The Foundation does not have a policy that specifically addresses interest rate risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. The Foundation has no specific guidelines addressing the credit rating of fixed income securities. The quality ratings for investments disclosed as of June 30, 2013 and 2012, are as follows:

June 30, 2013

Quality Rating	AAA	Not Rated
The Illinois funds	\$ 5,063,011	\$ -
Money Market Funds	156,976	1,213,980
Mutual Bond Funds	-	11,889,092
Total	<u>\$ 5,219,987</u>	<u>\$ 13,103,072</u>

June 30, 2012

Quality Rating	AAA	Not Rated
The Illinois funds	\$ 7,022,281	\$ -
Money Market Funds	125,119	1,050,869
Mutual Bond Funds	-	11,736,465
Total	<u>\$ 7,147,400</u>	<u>\$ 12,787,334</u>

The money market funds administered by Charles Schwab & Co., Inc. do not have a quality rating, but the fund's policy generally limits investments to the top two tiers. Mutual bond funds are not rated.

Custodial Credit Risk

Custodial credit risk is the risk that when, in the event a financial institution or counterparty fails, the Foundation would not be able to recover value of deposits, investments or collateral securities that are in the possession of an outside party. The Foundation's policy does not address custodial credit risk. One hundred percent of the Foundation's investments are held by a custodian in the Foundation's name and are not subject to creditors of a custodial bank.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2013 and 2012

2 CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued

Custodial Credit Risk - continued

The Foundation's investments in The Illinois Funds, money market mutual funds, mutual funds, bond funds, equity funds and Federated Treasury Obligations Trust are not subject to detail disclosure because the Foundation owns shares of each investment fund and not the physical securities. Cash surrender value of life insurance and real estate are also not subject to disclosure.

Concentration Risk

The Foundation does not have any investments representing 5% or more of total assets in any single issuer. The Foundation does not have a policy that specifically addresses concentration risk.

The Foundation has not held foreign currency positions. Managers are authorized to participate in securities lending, but did not participate in securities lending other than participation in a mutual fund.

The Illinois Funds are in the custody of the State Treasurer and are pooled and invested with other state funds in accordance with the Deposits of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Details on the nature of these investments are available within the State of Illinois' Comprehensive Annual Financial Report. The Illinois Funds do not have any direct or indirect investments in derivative instruments.

The money market mutual funds, bond funds, equity funds and mutual funds have not disclosed to the Foundation whether derivatives were used or held during the period covered by the financial statements.

3 PLEDGES RECEIVABLE

Unconditional pledges receivable consists of the following:

	2013	2012
Gross unconditional pledges receivable -		
restricted to athletic facilities improvements	\$ 28,055	\$ 42,000
restricted to campaign	973,564	943,039
endowment to campaign	496,180	491,320
Less: Unamortized discount	(123,183)	(111,635)
Net unconditional pledges receivable	\$ 1,374,616	\$ 1,364,724
Current:		
restricted pledges receivable	\$ 263,038	\$ 369,421
endowment pledges receivable	172,647	151,122
Total current pledges receivable	435,685	520,543
Non-current:		
restricted pledges receivable	652,558	546,193
endowment pledges receivable	286,373	297,988
Total non-current pledges receivable	938,931	844,181
Total current and non-current pledges receivable	\$ 1,374,616	\$ 1,364,724
Amounts due in:		
Less than one year	\$ 435,685	\$ 520,543
One to five years	900,367	790,846
More than five years	38,564	53,335
	\$ 1,374,616	\$ 1,364,724

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2013 and 2012

3 PLEDGES RECEIVABLE - continued

Unconditional pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using discount rates from of 3.25% to 8.25%.

Uncollectible amounts for unconditional pledges receivable are expected to be insignificant. Accordingly, no provision is made for uncollectible amounts. Pledges receivable valued at \$111 and \$97 were determined to be uncollectible and written off during the fiscal years ended June 30, 2013 and 2012, respectively.

4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	6/30/2012	Additions	Deletions	6/30/2013
Capital assets not being depreciated:				
Land	\$ 695,930	\$ -	\$ -	\$ 695,930
Other depreciable capital assets				
Buildings and improvements	1,432,145	-	-	1,432,145
Total capital assets being depreciated	1,432,145	-	-	1,432,145
Less accumulated depreciation for:				
Buildings and improvements	284,931	28,643	-	313,574
Total accumulated depreciation	284,931	28,643	-	313,574
Total capital assets being depreciated, net	1,147,214	(28,643)	-	1,118,571
Total capital assets, net	<u>\$ 1,843,144</u>	<u>\$ (28,643)</u>	<u>\$ -</u>	<u>\$ 1,814,501</u>

Capital asset activity for the year ended June 30, 2012 was as follows:

	6/30/2011	Additions	Deletions	6/30/2012
Capital assets not being depreciated:				
Land	\$ 695,930	\$ -	\$ -	\$ 695,930
Other depreciable capital assets				
Buildings and improvements	1,432,145	-	-	1,432,145
Total capital assets being depreciated	1,432,145	-	-	1,432,145
Less accumulated depreciation for:				
Buildings and improvements	256,288	28,643	-	284,931
Total accumulated depreciation	256,288	28,643	-	284,931
Total capital assets being depreciated, net	1,175,857	(28,643)	-	1,147,214
Total capital assets, net	<u>\$ 1,871,787</u>	<u>\$ (28,643)</u>	<u>\$ -</u>	<u>\$ 1,843,144</u>

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2013 and 2012

5 LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts due within one year
Demand mortgage note	\$ 1,387,238	\$ -	\$ 1,387,238	\$ -	\$ -
Annuities payable	301,887	-	30,157	271,730	40,681
Funds held in trust for others	6,539,456	935,044	2,154,391	5,320,109	-
Total long-term liabilities	<u>\$ 8,228,581</u>	<u>\$ 935,044</u>	<u>\$ 3,571,786</u>	<u>\$ 5,591,839</u>	<u>\$ 40,681</u>

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amounts due within one year
Demand mortgage note	\$ 1,387,238	\$ -	\$ -	\$ 1,387,238	\$ 1,387,238
Annuities payable	1,009,731	-	707,844	301,887	41,875
Funds held in trust for others	6,281,523	1,372,845	1,114,912	6,539,456	-
Total long-term liabilities	<u>\$ 8,678,492</u>	<u>\$ 1,372,845</u>	<u>\$ 1,822,756</u>	<u>\$ 8,228,581</u>	<u>\$ 1,429,113</u>

The demand mortgage note payable was incurred to a bank for the purchase of land and construction of the Foundation center, known as the Neal Welcome Center. The building, as well as two unitrust gifts were pledged as collateral on this note. The two unitrust gifts matured on April 12, 2012. The Foundation's share of those unitrusts were \$1,358,318. The loan was paid in full using an additional \$28,920 from the Foundation's unrestricted funds.

6 SIGNIFICANT TRANSACTIONS WITH THE PRIMARY GOVERNMENT

The Foundation has a contract with Eastern Illinois University in which the Foundation has agreed to aid and assist the University in achieving its education, research and service goals by developing and administering gifts made to the Foundation to be used for the benefit of the University for scholarships, grants and other supporting programs. The University agreed, as a part of this contract, to furnish certain services necessary to the operation of the Foundation which are to be repaid by the Foundation either in the form of money or its equivalent in services or resources.

During the years ended June 30, 2013 and 2012, the University provided cash, services and other resources to the Foundation totaling \$206,442 and \$221,236, respectively, to help defray the Foundation's costs incurred under the contract. During the years ended June 30, 2013 and 2012, the Foundation incurred expenses of \$127,817 and \$142,611 under the contract, respectively.

During the years ended June 30, 2013 and 2012, the Foundation gave the University \$2,256,031 and \$2,655,709, respectively, of cash, services and resources, unrestricted or restricted only as to department, which were generally for on-going operations of the University. In addition, the Foundation gave the University restricted scholarships, grants and awards of \$976,610 and \$960,612 during the years ended June 30, 2013 and 2012, respectively. Services and resources totaling \$70,863 and \$80,016 for the years ended June 30, 2013 and 2012, respectively, are included above, but not reflected in the financial statements. Also, the Foundation received \$108,595 and \$35,359 for the years ended June 30, 2013 and 2012, respectively, in gifts from the University's restricted gift accounts with the donor's consent.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2013 and 2012

6 SIGNIFICANT TRANSACTIONS WITH THE PRIMARY GOVERNMENT - continued

Pursuant to GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the Foundation is required to recognize as revenue, and expense those on-behalf payments for fringe benefits made by the State of Illinois to the State Universities Retirement System for University employees who work at or support the Foundation. These payments (estimated at \$275,251 in 2013 and \$205,931 in 2012) are the amounts shown as Budget allocations from the University and Budget expended at the University in the Statements of Revenues, Expenses and Changes in Net Position.

7 FUNDS HELD IN TRUST FOR OTHERS

The Foundation has been named Trustee and Executor of the Residuary Trust (the Trust) as stipulated in the Last Will and Testament of H. Ogden Brainard. It is the responsibility of the Trustee to hold and administer the Trust for the uses and purposes stipulated in the will. The Foundation's responsibilities as trustee include paying certain bequests (which were disbursed in March 1993) and paying the net income of the Trust to certain charities as stipulated in the Trust, not less frequently than semi-annually.

The Foundation agreed to act as a successor corporate trustee for the William Forest Buckler Trust, a trust under the will of William Forest Buckler. It is the responsibility of the trustee to hold and administer the trust for the uses and purposes stipulated in the will. The will names Eastern Illinois University, not the Foundation, as the beneficiary of the remainder of the trust estate after the expiration of the trust.

The Foundation was the trustee of two unitrusts which matured during 2013.

The assets of these trusts totaled \$5,320,109 for 2013 and \$6,539,456 for 2012. They are included in the cash and investment classifications within the financial statements. Also, the related liability of \$5,320,109 for 2013 and \$6,539,456 for 2012 are included in the funds held in trust for others classification within the financial statements.

8 RISK MANAGEMENT

The Foundation is exposed to various risks of loss including, but not limited to, general liability, property casualty and director and officer liability. The Foundation is liable for up to \$500/year deductible for property damage. No significant reduction in insurance coverage from the prior year occurred. Insurance settlements did not exceed coverage in each of the past three fiscal years.

9 FUNCTIONAL CLASSIFICATION OF EXPENSES

Operating expenses by functional classification for the years ended June 30, 2013 and 2012, are summarized as follows:

	2013	2012
Institutional Support	\$ 1,110,669	\$ 1,049,830
Depreciation	28,643	28,643
	<u>\$ 1,139,312</u>	<u>\$ 1,078,473</u>

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2013 and 2012

10 COMMITMENTS

The Foundation has entered into investment agreements with Park Street Capital Private Equity Fund VII, L.P., Park Street NRF IV, Portfolio Advisors VI, Portfolio Advisors VII, Montauk, Neuberger Berman, and Goldman Sachs Distressed Opportunities Fund IV to purchase an interest in their limited partnerships for \$1,000,000, \$500,000, \$1,250,000, \$750,000, \$750,000, \$500,000, and \$1,500,000 respectively. The Foundation was not required to invest the total commitment all at once. Instead, they are required to meet capital calls when the partnerships ask for additional capital to complete their original commitment. Below is a breakdown of the agreements as of June 30, 2013:

	Commitment	Capital Called Through June 30, 2013	Distributed Capital Deemed Recallable	Remaining Commitment June 30, 2013
Park Street VII	\$ 1,000,000	\$ (930,000)	\$ -	\$ 70,000
Park Street NRF IV	500,000	(401,250)	-	98,750
Portfolio Advisors VI	1,250,000	(712,426)	-	537,574
Portfolio Advisors VII	750,000	(150,337)	-	599,663
Montauk	750,000	(232,500)	-	517,500
Neuberger Berman	500,000	(27,500)	-	472,500
Goldman Sachs	1,500,000	(942,401)	127,728	685,327
Total	<u>\$ 6,250,000</u>	<u>\$ (3,396,414)</u>	<u>\$ 127,728</u>	<u>\$ 2,981,314</u>