

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 and 2014
AND
INDEPENDENT AUDITOR'S REPORT

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 and 2014

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EASTERN ILLINOIS UNIVERSITY
FOUNDATION

FOUNDATION OFFICIALS

June 30, 2015

The Foundation Board of Directors includes:

Mr. William Robinson, President
Ms. Judy Ethell, Vice President
Mr. H. Michael Finkle, Treasurer
Mr. Tim McCollum, Secretary

Mr. Timothy Burke
Mr. Michael Cunningham
Mr. Al Longtin
Ms. Sylvia Nichols
Hon. Sue Payton
Ms. Christine Reid Robertson
Ms. Janet Treichel

Ex-Officio Members:

Mr. Joseph Dively	EIU Board of Trustees
Dr. David M. Glassman	EIU President
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:

Mr. Jonathan McKenzie	Foundation Executive Officer
Ms. April Marchuk	Foundation Assistant Secretary
Ms. Nancy Zytka	Outreach Coordinator
Mr. Paul McCann	Interim Vice President for Business Affairs/Treasurer
	Foundation Assistant Treasurer
Ms. Tami Babbs	EIU Assistant Comptroller
Ms. Sara Harwood	Foundation Accountant

Neal Welcome Center
860 West Lincoln Avenue
Charleston, IL 61920

DOEHRING, WINDERS & CO. LLP

Certified Public Accountants

1601 LAFAYETTE AVENUE
MATTOON, 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, 2015 and 2014, 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, 2015 and 2014, 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 12, 2015, 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 12, 2015

DOEHRING, WINDERS & Co. LLP
Certified Public Accountants
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, 2015 and 2014, 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 12, 2015.

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 12, 2015

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, 2015 and 2014. 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*; GASB Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflow of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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, 2015. Total net position increased by approximately \$3.6 million (4.4%) from June 30, 2014. This is attributable to various factors. The Foundation received approximately \$3.1 million in additional permanent endowments and gifts and other operating revenues exceeded operating expenses by nearly \$2.8 million. Net nonoperating revenues (expenses) were (\$2.4) million during fiscal year 2015.

The decrease in the change in net position between fiscal years 2015 and 2014 was approximately \$9.1 million. The main reason for this decrease was the \$8.9 million decrease in net investment income between 2015 and 2014.

The Foundation's financial position increased during the fiscal year ended June 30, 2014. Total net position increased by approximately \$12.7 million (18.6%) from June 30, 2013. This is attributable to various factors. The Foundation received approximately \$5.0 million in additional permanent endowments and gifts and other operating revenues exceeded operating expenses by nearly \$1.3 million, and net nonoperating revenues (expenses) were \$6.5 million during fiscal year 2014.

The increase in the change in net position between fiscal years 2014 and 2013 was approximately \$6.4 million. The main reason for this increase was the \$3.2 million increase in net investment income between 2014 and 2013. Also, additions to permanent endowments increased \$3.2 million and gifts decreased \$.3 million between 2014 and 2013.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Condensed Financial Information

Condensed Statement of Net Position, June 30:

	2015	2014	2013
ASSETS			
Current assets	\$ 13,443,145	\$ 10,982,034	\$ 8,804,875
Noncurrent assets:			
Capital assets, net of accumulated depreciation	1,757,215	1,785,858	1,814,501
Other	73,779,396	74,387,964	63,353,639
Total noncurrent assets	75,536,611	76,173,822	65,168,140
Total assets	88,979,756	87,155,856	73,973,015
LIABILITIES			
Current liabilities	84,055	100,448	53,415
Noncurrent liabilities	4,256,474	5,981,729	5,551,158
Total liabilities	4,340,529	6,082,177	5,604,573
NET POSITION			
Invested in capital assets, net of related debt	1,757,215	1,785,858	1,814,501
Restricted for:			
Nonexpendable endowment	50,828,687	47,401,144	42,294,834
Expendable	31,305,889	31,223,740	23,723,832
Unrestricted	747,436	662,937	535,275
Total net position	\$ 84,639,227	\$ 81,073,679	\$ 68,368,442

At June 30, 2015, total current assets of approximately \$13.4 million included approximately \$6.2 million of cash and cash equivalents and \$6.6 million of investments. This is an approximate \$2.5 million increase between 2015 and 2014.

The Foundation's largest noncurrent assets for June 30, 2015, are its endowment investments of approximately \$48.1 million and restricted long-term investments of approximately \$23.1 million. At June 30, 2015, the fair market value of certain endowment funds were below their original cost by \$33,075. The approximate \$1.0 million decrease in noncurrent assets between 2015 and 2014 can be mainly attributed to the decrease in restricted investments of approximately \$3.8 million, the decrease in restricted cash of \$2.6 million, and the increase of endowment investments of approximately \$5.7 million.

At June 30, 2014, total current assets of approximately \$11.0 million included approximately \$4.9 million of cash and cash equivalents and \$5.6 million of investments. This is an approximate \$2.2 million increase between 2014 and 2013.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Condensed Financial Information, continued

The Foundation's largest noncurrent assets for June 30, 2014, are its endowment investments of approximately \$42.3 million and restricted long-term investments of approximately \$26.9 million. At June 30, 2014, the fair market value of all endowment funds were above their original cost. The approximate \$11.0 million increase in noncurrent assets between 2014 and 2013 can be mainly attributed to the increase in restricted and endowment investments of approximately \$8.2 million and the increase in restricted cash of \$3.1 million.

The Foundation's liabilities at June 30, 2015, total approximately \$4.3 million. Of this balance, approximately \$4.3 million is the actuarial value of estimated future payments to beneficiaries of annuities and unitrusts plus the assets held by the Foundation as trustee.

The Foundation's liabilities at June 30, 2014, total approximately \$6.1 million. Of this balance, approximately \$6.0 million is the actuarial value of estimated future payments to beneficiaries of annuities and unitrusts plus the assets held by the Foundation as trustee.

The Foundation's current assets of approximately \$13.0 million for June 30, 2015, were sufficient to cover current liabilities of approximately \$.1 million. The ratio of current assets to current liabilities is \$159.93 in current assets for every \$1 in current liabilities for fiscal year 2015.

The Foundation's current assets of approximately \$11.0 million for June 30, 2014, were sufficient to cover current liabilities of approximately \$.1 million. The ratio of current assets to current liabilities is \$109.33 in current assets for every \$1 in current liabilities for fiscal year 2014.

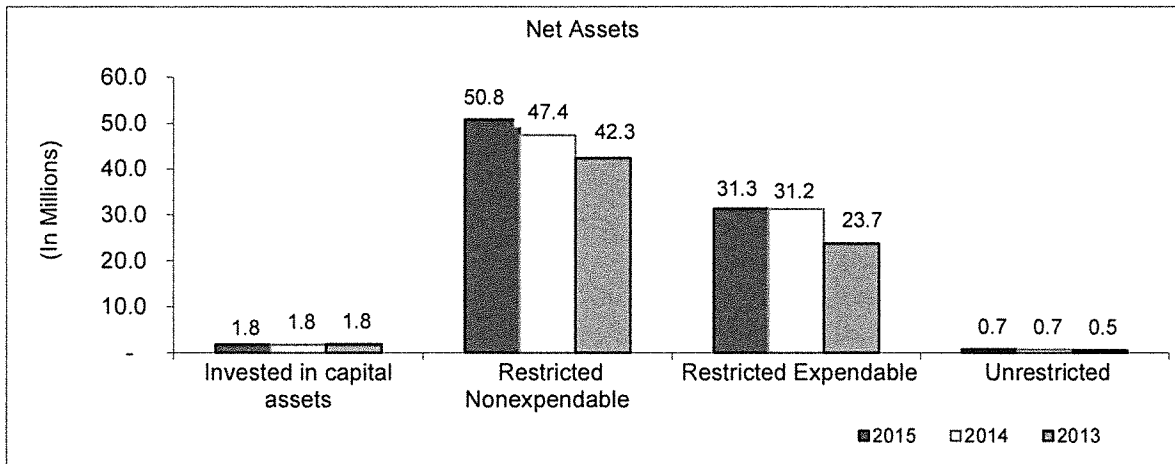
The Foundation's total net position at June 30, 2015, totaled approximately \$84.6 million, a \$3.6 million increase over total net position of \$81.1 million at June 30, 2014. Net position classified as "restricted, nonexpendable endowment" increased by approximately \$3.4 million from 2014 to 2015 due mainly to the endowment gifts received during fiscal year 2015. Net position classified as "restricted, expendable" increased by approximately \$.1 million from 2014 to 2015, the result of the increase in gifts.

The Foundation's total net position at June 30, 2014, totaled approximately \$81.1 million, a \$12.7 million increase over total net position of \$68.4 million at June 30, 2013. Net position classified as "restricted, nonexpendable endowment" increased by approximately \$5.1 million from 2013 to 2014 due mainly to the endowment gifts received during fiscal year 2014. Net position classified as "restricted, expendable" increased by approximately \$7.5 million from 2013 to 2014, the result of the increase in fair value of investments.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Condensed Financial Information, continued



Condensed Statement of Revenues, Expenses and Changes in Net Position

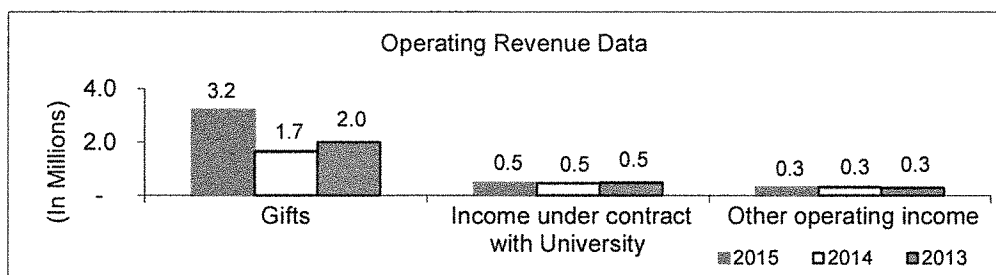
	For the years ended June 30,		
	2015	2014	2013
Operating revenues			
Gifts	\$ 3,212,520	\$ 1,650,230	\$ 1,993,302
Other operating revenues	767,865	767,522	769,926
Total operating revenues	3,980,385	2,417,752	2,763,228
Operating expenses	1,140,777	1,127,102	1,139,312
Operating income	2,839,608	1,290,650	1,623,916
Nonoperating revenues (expenses)			
Investment income and net increase in fair value of investments	404,104	9,331,995	6,162,920
Scholarships	(1,068,411)	(1,006,250)	(976,610)
Grants to University	(1,678,306)	(1,837,112)	(2,185,168)
Other nonoperating (expenses)	(23,585)	(27,170)	(65,234)
Net nonoperating revenues (expenses)	(2,366,198)	6,461,463	2,935,908
Income before permanent endowment contributions	473,410	7,752,113	4,559,824
Additions to permanent endowments	3,092,138	4,953,124	1,783,446
Total increase in net position	3,565,548	12,705,237	6,343,270
Net position - beginning of year	81,073,679	68,368,442	62,025,172
Net position - end of year	\$ 84,639,227	\$ 81,073,679	\$ 68,368,442

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Operating Revenues

Total operating revenues were \$4.0 million and \$2.4 million for the years ended June 30, 2015 and 2014, respectively. The most significant source of revenue were gifts of \$3.2 million in 2015 and \$1.7 million in 2014, 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 2015, there was a total of approximately \$3.2 million of unrestricted and restricted gifts and approximately \$3.1 million of additions to permanent endowments. There were no unearned gifts donated to the Foundation this year.

During fiscal year 2014, there was a total of approximately \$1.7 million of unrestricted and restricted gifts and approximately \$5.0 million of additions to permanent endowments. There were no unearned gifts donated to the Foundation this year.

Operating Expenses

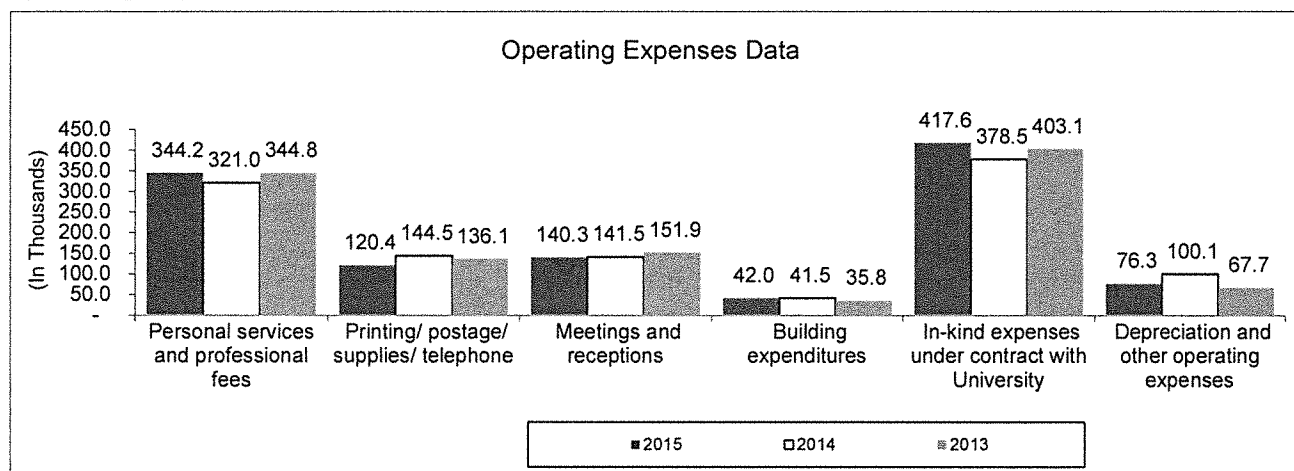
Operating expenses for fiscal year 2015, including depreciation of \$28,643, totaled \$1,140,777. Of this total, \$344,200 or 30.2% was for personal services and professional fees, and \$417,625 or 36.6% was in-kind expenses under contract with the University and budget expended at the University.

Operating expenses for fiscal year 2014, including depreciation of \$28,643, totaled \$1,127,102. Of this total, \$321,013 or 28.5% was for personal services and professional fees, and \$378,517 or 33.6% 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 2015 consisted of investment income, actuarial adjustments, scholarships to students and grants to the University. The \$8.8 million decrease in nonoperating income (expenses) between 2015 and 2014 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 \$8.9 million. During fiscal year 2015, the Foundation awarded 996 scholarships totaling \$1,068,411 and made grants to the University of approximately \$1.7 million. As noted previously, there was approximately \$3.1 million of additions to permanent endowments.

Nonoperating revenues (expenses) for fiscal year 2014 consisted of investment income, actuarial adjustments, scholarships to students and grants to the University. The \$3.5 million increase in nonoperating income (expenses) between 2014 and 2013 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 \$3.2 million. During fiscal year 2014, the Foundation awarded 952 scholarships totaling \$1,006,250 and made grants to the University of approximately \$1.8 million. As noted previously, there was approximately \$5.0 million of additions to permanent endowments.

The Statement of Cash Flows

Condensed Statement of Cash Flows

	For the years ended June 30		
	2015	2014	2013
Cash provided (used) by:			
Operating activities	\$ 1,622,760	\$ 1,717,657	\$ 1,602,309
Noncapital financing activities	(1,754,714)	1,859,675	(2,857,628)
Capital and related financing activities	-	-	(1,446,384)
Investing activities	(1,097,368)	652,019	742,433
Net increase (decrease) in cash and cash equivalents	(1,229,322)	4,229,351	(1,959,270)
Cash and cash equivalents, July 1	9,292,362	5,063,011	7,022,281
Cash and cash equivalents, June 30	<u>\$ 8,063,040</u>	<u>\$ 9,292,362</u>	<u>\$ 5,063,011</u>

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

The Statement of Cash Flows, continued

For fiscal year 2015, the major source of funds included in operating activities is cash gifts of \$2.0 million. The major use of funds included in noncapital financing activities are grants to the University of \$1.7 million, a decrease from 2014 of approximately \$.2 million, due mainly to the timing of transfer requests by University departments. Other major uses of funds include scholarships of \$1.1 million. The major sources of funds from investing activities are the investment income receipts of approximately \$2.1 million, an increase from fiscal year 2014 because of an increase on returns on investments, and the proceeds from the sale of investments of approximately \$2.3 million. The major use of funds included in investing activities in 2015 is the purchase of investments of approximately \$8.7 million, an increase of approximately \$2.9 million from 2015 mainly due to investing more endowment cash during the year.

For fiscal year 2014, the major source of funds included in operating activities is cash gifts of \$2.0 million. The major use of funds included in noncapital financing activities are grants to the University of \$1.8 million, a decrease from 2013 of approximately \$.3 million, due mainly to the timing of transfer requests by University departments. Other major uses of funds include scholarships of \$1.0 million. The major sources of funds from investing activities are the investment income receipts of approximately \$1.7 million, an increase from fiscal year 2013 because of an increase on returns on investments, and the proceeds from the sale of investments of approximately \$4.7 million. The major use of funds included in investing activities in 2014 is the purchase of investments of approximately \$5.8 million, a decrease of approximately \$.1 million from 2013 mainly due to an increase in investment trading activities.

The Foundation's Economic Outlook

The Foundation's operations are supported by a variety of revenue sources, including the Master Contract with the University, a trust distribution, administrative fees generated on investments, farm management fees and earnings from endowment funds restricted for Foundation operations. An administrative fee of 1.25% is assessed on trusts, with a fee of .75% on investments, and 10% of gross income on the farms. Combined, these fees represent a vital source of revenue for the Foundation.

The Master Contract with the University was reduced from \$78,625 in FY14 to \$52,417 in FY15 and will be further reduced for FY16 to \$26,208. Beginning FY17 the Master Contract will no longer include a reimbursement to the Foundation. The Foundation also completed its duties as successor trustee of the William Forest Buckler Trust, resulting in a loss of revenue from the accompanying administrative fee of 1.25% of trust investments and 10% of gross farm income.

All of these reductions have been accounted for in the Foundation's three-year budgetary projections which include budget surpluses for FY16 through FY18. Despite the loss of revenues associated with the Master Contract and the conclusion of the Buckler Trust, the FY15 budget posted a comfortable budget surplus. The Foundation continues to implement cost containment through conservative, long-term budgeting.

The Neal Welcome Center, constructed in 2002, continues to incur minor repair and maintenance as the facility ages. A building analysis was completed in 2015 to help outline the needs and associated costs of maintaining the facility. The Board established a reserve for deferred maintenance in an effort to be proactive and offer a means of supporting the long-term maintenance needs of the building. The goal for the fund is \$150,000 and the Board has already set aside \$75,000 toward that goal.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

The Foundation's Economic Outlook, continued

Asset allocation recommendations are presented by the Foundation's investment consultants and approved by the Investment Committee. Since the July 1998 inception date, the Endowment earned 6.4%, annualized and net of fees. In comparison, the Broad Market Policy Index with the same broad asset allocation as that of the Endowment returned 4.8%. The Committee remains focused on balancing risk and return in order to achieve its 7.5% objective.

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, 2015 and 2014

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 757,297	\$ 636,011
Restricted cash and cash equivalents	5,453,996	4,237,497
Restricted investments	6,599,498	5,527,468
Other current investments	2,767	32,000
Restricted pledges receivable	238,746	258,538
Endowment pledges receivable	384,559	239,501
Accounts receivable	163	633
Grain Inventory	-	36,397
Prepaid expenses	6,119	13,989
Total current assets	13,443,145	10,982,034
Noncurrent assets:		
Restricted cash and cash equivalents	1,851,747	4,418,854
Endowment investments	48,079,324	42,347,780
Restricted investments	23,085,461	26,925,075
Pledges receivable, less current portion	249,807	301,246
Endowment pledges receivable, less current portion	513,057	395,009
Capital assets, net of accumulated depreciation	1,757,215	1,785,858
Total noncurrent assets	75,536,611	76,173,822
Total assets	88,979,756	87,155,856
LIABILITIES		
Current liabilities:		
Accounts payable	46,248	61,207
Unearned revenue	-	1,500
Annuities payable, current portion	37,807	37,741
Total current liabilities	84,055	100,448
Noncurrent liabilities:		
Annuities payable, less current portion	205,279	221,317
Funds held in trust for others	4,051,195	5,760,412
Total noncurrent liabilities	4,256,474	5,981,729
Total liabilities	4,340,529	6,082,177
NET POSITION		
Invested in capital assets, net of related debt	1,757,215	1,785,858
Restricted for:		
Nonexpendable endowment	50,828,687	47,401,145
Expendable	31,305,889	31,223,739
Unrestricted	747,436	662,937
Total net position	\$ 84,639,227	\$ 81,073,679

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, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Gifts	\$ 3,212,520	\$ 1,650,230
Service contract with University	180,848	210,228
Budget allocation from University	289,194	246,914
Other operating income	297,823	310,380
Total operating revenues	3,980,385	2,417,752
OPERATING EXPENSES		
Personal services	192,784	177,789
Printing	20,585	22,907
Postage and supplies	72,495	89,659
Telephone	27,317	31,899
Dues, subscriptions and promotion	8,468	4,777
Meetings and receptions	140,290	141,535
Professional fees	151,416	143,224
Bad debt expense	17,270	32,901
Computer maintenance	2,715	3,194
Insurance	17,146	26,787
Building expenditures	41,971	41,520
Tools and small equipment	-	1,369
Auto expenses	2,052	2,381
Depreciation	28,643	28,643
In-kind expenses under contract with the University		
Personnel expenses	125,851	129,043
Utilities and maintenance	2,580	2,560
Budget expended at the University	289,194	246,914
Total operating expenses	1,140,777	1,127,102
Operating income	2,839,608	1,290,650
NONOPERATING REVENUES (EXPENSES)		
Investment income:		
Interest and dividends	2,052,755	1,688,643
Net increase (decrease) in fair value of investments	(1,648,651)	7,643,352
Scholarships	(1,068,411)	(1,006,250)
Distributions to annuity/unitrust beneficiaries	(39,557)	(39,842)
Actuarial adjustments	15,972	12,672
Grants to University	(1,678,306)	(1,837,112)
Net nonoperating revenue (expenses)	(2,366,198)	6,461,463
Income before permanent endowment contributions	473,410	7,752,113
Additions to permanent endowments	3,092,138	4,953,124
Increase in net position	3,565,548	12,705,237
NET POSITION		
Net position -beginning of year	81,073,679	68,368,442
Net position - end of year	\$ 84,639,227	\$ 81,073,679

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

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

STATEMENTS OF CASH FLOWS

Years ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Cash received from gifts	\$ 1,957,277	\$ 1,968,380
Cash received from service contract with University	52,417	78,625
Cash received from other sources	297,823	310,380
Cash paid to suppliers and other vendors	(686,257)	(639,728)
Net cash provided by operating activities	1,621,260	1,717,657
Cash flows from noncapital financing activities		
Grants to the University	(1,678,306)	(1,837,112)
Scholarships	(1,066,482)	(1,007,719)
Distributions to annuity/unitrust beneficiaries	(39,557)	(39,842)
Agency receipts	1,948,684	225,025
Agency payments	(1,981,550)	(200,536)
Gifts received for endowment purposes	1,062,497	4,719,859
Net cash provided (used) by noncapital financing activities	(1,754,714)	1,859,675
Cash flows from investing activities		
Proceeds from the sale of investments	2,429,920	4,694,020
Investment income (net of fees)	2,067,278	1,651,568
Sale of gift stock and real estate	3,105,799	63,112
Purchase of investments	(8,698,865)	(5,756,681)
Net cash provided (used) by investing activities	(1,095,868)	652,019
Net increase (decrease) in cash and cash equivalents	(1,229,322)	4,229,351
Cash and cash equivalents, July 1	9,292,362	5,063,011
Cash and cash equivalents, June 30	\$ 8,063,040	\$ 9,292,362
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 2,839,608	\$ 1,290,650
Adjustments to reconcile operating income to net cash provided by operating activities:		
Non-cash stock, real estate gifts	(1,308,174)	(5,629)
Depreciation expense	28,643	28,643
Bad debt expense	17,270	32,901
Change in assets and liabilities:		
Accounts receivable	54,431	322,278
Unearned revenue	(1,500)	1,500
Prepaid expense	7,870	(2,628)
Accounts payable	(16,888)	49,942
Net cash provided by operating activities	\$ 1,621,260	\$ 1,717,657

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

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

STATEMENTS OF CASH FLOWS, CONTINUED

Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Noncash investing, noncapital financing, and capital and related financing transactions		
Change in fair value of investments	<u>\$ (1,648,651)</u>	<u>\$ 7,643,352</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, 2015 and 2014

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. 61 - *The Financial Reporting Entity: Omnibus*. 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*) and GASB No. 61, *The Financial Reporting Entity: Omnibus* (an amendment of GASB Statement No. 14 and No. 34), which 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, which is a component unit of 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, 2015 and 2014

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, 2015 and 2014

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, 2015 and 2014

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 statement, which is effective for periods beginning July 1, 2013, or later, which impacts the Foundation:

GASB Statement No. 65 - *Items Previously Reported as Assets and Liabilities* This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognize, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 had no significant impact on the financial statements. There were no items meeting these criteria at June 30, 2015 and 2014.

2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

A reconciliation of cash and investments as shown on the June 30, 2015 and 2014 Statements of Net Position is as follows:

	Current	June 30, 2015 Noncurrent	Total
Cash and cash equivalents	\$ 757,297	\$ -	\$ 757,297
Restricted cash and cash equivalents	5,453,996	1,851,747	7,305,743
Restricted investments	6,599,498	23,085,461	29,684,959
Other current investments	2,767	-	2,767
Endowment investments	-	48,079,324	48,079,324
	<u>\$ 12,813,558</u>	<u>\$ 73,016,532</u>	<u>\$ 85,830,090</u>

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2015 and 2014

2 CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued

	June 30, 2014		Total
	Current	Noncurrent	
Cash and cash equivalents	\$ 636,011	\$ -	\$ 636,011
Restricted cash and cash equivalents	4,237,497	4,418,854	8,656,351
Restricted investments	5,527,468	26,925,075	32,452,543
Other current investments	32,000	-	32,000
Endowment investments	-	42,347,780	42,347,780
	<u>\$ 10,432,976</u>	<u>\$ 73,691,709</u>	<u>\$ 84,124,685</u>

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

	2015	2014
The Illinois Funds money market accounts	\$ 8,063,040	\$ 9,292,362
Money market accounts administered by First-Mid-Illinois Bank and Trust	80,224	140,297
Money market accounts administered by Charles Schwab & Co., Inc.	2,222,494	1,067,634
Investments administered by Charles Schwab & Co., Inc.		
Open Ended Mutual Bond funds	12,414,695	12,542,312
Open Ended Mutual Equity funds	37,763,004	36,955,181
Corporate Equity - Student Investment	187,029	144,674
Investments administered by First Mid-Illinois Bank		
Corporate Equity - Cooperatives Stock	-	1,786
Alternative Investments		
Investments administered by Corbin Pinehurst	6,830,874	6,551,489
Investments administered by Mercer	7,606,909	6,746,522
Investments administered by Neuberger Berman	179,268	49,744
Investments administered by Park Street Capital	1,016,475	1,177,459
Investments administered by Goldman Sachs	681,246	799,255
Investments administered by Portfolio Advisors	1,789,762	1,141,423
Investments administered by Montauk	357,602	328,070
Life insurance cash values	117,707	106,343
Real estate	6,519,761	7,080,134
Total cash and investments	<u>\$ 85,830,090</u>	<u>\$ 84,124,685</u>

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.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2015 and 2014

2 CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued

Investments

The Foundation is authorized by the Board of Directors to invest funds in compliance with stated investment policies. All 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, 2015 and 2014, respectively, net appreciation of \$16,212,193 and \$18,290,706 is available to be spent, but is restricted for certain 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, 2015 and 2014, are disclosed as follows:

<u>Effective Maturity</u>	June 30, 2015					
	<u>0-1 Year</u>	<u>1-5 Year</u>	<u>5-10 Year</u>	<u>10-15 Year</u>	<u>15-20 Year</u>	<u>Total</u>
The Illinois Funds	\$ 8,063,040	\$ -	\$ -	\$ -	\$ -	\$ 8,063,040
Money Market Funds	2,302,718	-	-	-	-	2,302,718
Mutual Bond Funds	-	2,370,729	10,043,966	-	-	12,414,695

<u>Effective Maturity</u>	June 30, 2014					
	<u>0-1 Year</u>	<u>1-5 Year</u>	<u>5-10 Year</u>	<u>10-15 Year</u>	<u>15-20 Year</u>	<u>Total</u>
The Illinois Funds	\$ 9,292,362	\$ -	\$ -	\$ -	\$ -	\$ 9,292,362
Money Market Funds	1,207,931	-	-	-	-	1,207,931
Mutual Bond Funds	-	2,770,711	9,771,601	-	-	12,542,312

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

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2015 and 2014

2 CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued

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, 2015 and 2014, are as follows:

<u>Quality Rating</u>	June 30, 2015	
	<u>AAA</u>	<u>Not Rated</u>
The Illinois funds	\$ 8,063,040	\$ -
Money Market Funds	80,224	2,222,494
Mutual Bond Funds	-	12,414,695
Total	<u>\$ 8,143,264</u>	<u>\$ 14,637,189</u>

<u>Quality Rating</u>	June 30, 2014	
	<u>AAA</u>	<u>Not Rated</u>
The Illinois funds	\$ 9,292,362	\$ -
Money Market Funds	140,297	1,067,634
Mutual Bond Funds	-	12,542,312
Total	<u>\$ 9,432,659</u>	<u>\$ 13,609,946</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.

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.

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2015 and 2014

3 PLEDGES RECEIVABLE

Unconditional pledges receivable consists of the following:

	2015	2014
Gross unconditional pledges receivable -		
restricted to athletic facilities improvements	\$ -	\$ 14,555
restricted to campaign	531,894	584,401
endowment to campaign	958,831	691,896
Less: Unamortized discount	(104,556)	(96,558)
Net unconditional pledges receivable	\$ 1,386,169	\$ 1,194,294
Current:		
restricted pledges receivable	\$ 238,746	\$ 258,538
endowment pledges receivable	384,559	239,501
Total current pledges receivable	623,305	498,039
Non-current:		
restricted pledges receivable	249,807	301,246
endowment pledges receivable	513,057	395,009
Total non-current pledges receivable	762,864	696,255
Total current and non-current pledges receivable	\$ 1,386,169	\$ 1,194,294
Amounts due in:		
Less than one year	\$ 623,305	\$ 498,039
One to five years	729,447	665,715
More than five years	33,417	30,540
	\$ 1,386,169	\$ 1,194,294

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

Uncollectible amounts for unconditional pledges receivable are expected to be insignificant. Accordingly, no provision is made for uncollectible amounts. Pledges receivable valued at \$17,270 and \$32,901 were determined to be uncollectible and written off during the fiscal years ended June 30, 2015 and 2014, respectively.

4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	6/30/2014	Additions	Deletions	6/30/2015
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	342,217	28,643	-	370,860
Total accumulated depreciation	342,217	28,643	-	370,860
Total capital assets being depreciated, net	1,089,928	(28,643)	-	1,061,285
Total capital assets, net	\$ 1,785,858	\$ (28,643)	\$ -	\$ 1,757,215

EASTERN ILLINOIS UNIVERSITY
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2015 and 2014

4 CAPITAL ASSETS - Continued

Capital asset activity for the year ended June 30, 2014 was as follows:

	6/30/2013	Additions	Deletions	6/30/2014
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	313,574	28,643	-	342,217
Total accumulated depreciation	313,574	28,643	-	342,217
Total capital assets being depreciated, net	1,118,571	(28,643)	-	1,089,928
Total capital assets, net	<u>\$ 1,814,501</u>	<u>\$ (28,643)</u>	<u>\$ -</u>	<u>\$ 1,785,858</u>

5 LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts due within one year
Annuities payable	\$ 259,058	\$ -	\$ 15,972	\$ 243,086	\$ 37,807
Funds held in trust for others	5,760,412	660,970	2,370,187	4,051,195	-
Total long-term liabilities	<u>\$ 6,019,470</u>	<u>\$ 660,970</u>	<u>\$ 2,386,159</u>	<u>\$ 4,294,281</u>	<u>\$ 37,807</u>

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts due within one year
Annuities payable	\$ 271,730	\$ -	\$ 12,672	\$ 259,058	\$ 37,741
Funds held in trust for others	5,320,109	768,957	328,654	5,760,412	-
Total long-term liabilities	<u>\$ 5,591,839</u>	<u>\$ 768,957</u>	<u>\$ 341,326</u>	<u>\$ 6,019,470</u>	<u>\$ 37,741</u>

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.

EASTERN ILLINOIS UNIVERSITY
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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2015 and 2014

6 SIGNIFICANT TRANSACTIONS WITH THE PRIMARY GOVERNMENT - Continued

During the years ended June 30, 2015 and 2014, the University provided cash, services and other resources to the Foundation totaling \$180,848 and \$210,228, respectively, to help defray the Foundation's costs incurred under the contract. During the years ended June 30, 2015 and 2014, the Foundation incurred expenses of \$128,431 and \$131,603 under the contract, respectively.

During the years ended June 30, 2015 and 2014, the Foundation gave the University \$1,755,133 and \$1,919,267, respectively, of cash, services and resources, unrestricted or restricted only as to department, which were generally for ongoing operations of the University. In addition, the Foundation gave the University restricted scholarships, grants and awards of \$1,068,411 and \$1,006,250 during the years ended June 30, 2015 and 2014, respectively. Services and resources totaling \$76,827 and \$82,156 for the years ended June 30, 2015 and 2014, respectively, are included above, but not reflected in the financial statements. Also, the Foundation received \$33,847 and \$38,704 for the years ended June 30, 2015 and 2014, respectively, in gifts from the University's restricted gift accounts with the donor's consent.

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 \$289,194 in 2015 and \$246,914 in 2014) 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 was 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. This trust terminated during the year ended June 30, 2015, and these assets were distributed to the University.

The assets of the Brainard trust totaled \$4,051,195 for 2015 and for both trusts totaled \$5,760,412 for 2014. They are included in the cash and investment classifications within the financial statements. Also, the related liability of \$4,051,195 for 2015 and \$5,760,412 for 2014 is 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.

EASTERN ILLINOIS UNIVERSITY
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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2015 and 2014

9 FUNCTIONAL CLASSIFICATION OF EXPENSES

Operating expenses by functional classification for the years ended June 30, 2015 and 2014, are summarized as follows:

	2015	2014
Institutional Support	\$ 1,112,134	\$ 1,098,459
Depreciation	28,643	28,643
	\$ 1,140,777	\$ 1,127,102

10 COMMITMENTS

The Foundation has entered into investment agreements to purchase interest in limited partnerships. 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, 2015:

	Commitment	Capital Called Through June 30, 2015	Distributed Capital Deemed Recallable	Remaining Commitment June 30, 2015
Park Street Private Equity VII	\$ 1,000,000	\$ (960,000)	\$ -	\$ 40,000
Park Street NRF IV	500,000	(476,250)	-	23,750
Portfolio Advisors Private Equity VI	1,250,000	(801,982)	-	448,018
Portfolio Advisors Private Equity VII	750,000	(364,019)	-	385,981
Portfolio Advisors Private Equity VIII	1,500,000	(418,525)	-	1,081,475
Montauk Triguard Fund V	750,000	(397,500)	-	352,500
Neuberger Berman Secondary Opportunities Offshore III	500,000	(160,000)	26,001	366,001
Goldman Sachs Distressed Managers IV	1,500,000	(1,272,287)	190,924	418,637
Mercer Private Investment Partners III	1,250,000	(425,000)	22,500	847,500
Neuberger Berman Crossroads Fund XXI	1,500,000	-	-	1,500,000
Total	\$ 10,500,000	\$ (5,275,563)	\$ 239,425	\$ 5,463,862