

EASTERN ILLINOIS UNIVERSITY  
FOUNDATION

FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 and 2015  
AND  
INDEPENDENT AUDITOR'S REPORT

EASTERN ILLINOIS UNIVERSITY  
FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 and 2015

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EASTERN ILLINOIS UNIVERSITY  
FOUNDATION

FOUNDATION OFFICIALS

June 30, 2016

The Foundation Board of Directors includes:

Ms. Judy Ethell, President  
Mr. H. Michael Finkle, Vice President  
Mr. Tim McCollum, Treasurer  
Ms. Sylvia Nichols, Secretary

Ms. Barbara Baurer  
Dr. William Hill  
Mr. Al Longtin  
Mr. William Robinson  
Ms. Cindra Stiff  
Ms. Janet Treichel  
Mr. Jeremy Yost

Ex-Officio Members:

Mr. Timothy Burke	EIU Board of Trustees
Dr. David M. Glassman	EIU President
Mr. Robert Martin	EIU Vice President for University Advancement (through 3/31/16)
Dr. David M. Glassman	Interim EIU Vice President for University Advancement (4/1/16-present)
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 (through 9/18/15)
Ms. Tami Babbs	Interim Foundation Accountant (9/19/15-present)

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, 2016 and 2015, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the 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, 2016 and 2015, 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 8-16 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 January 12, 2017, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

*Doehring, Winders & Co. LLP*

Mattoon, Illinois  
January 12, 2017

DOEHRING, WINDERS & CO. LLP  
Certified Public Accountants  
1601 LAFAYETTE AVENUE  
MATTOON, ILLINOIS 61988

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 year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated January 12, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider to be a material weakness. (2016-001)

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* (Continued)

**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*.

**The Foundation's Response to Finding**

The Foundation's response to the finding identified in our audit is described in the accompanying schedule of findings. The Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

**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  
January 12, 2017

EASTERN ILLINOIS UNIVERSITY  
FOUNDATION

SCHEDULE OF FINDINGS

Year Ended June 30, 2016

**FINDING NO. 2016-001 - TIMELY RECORDING OF AN INVESTMENT**

CONDITION

The Eastern Illinois University Foundation (the Foundation) failed to record an investment in a limited partnership in a timely manner on their financial records.

EFFECT

The total amount of investments was understated by the amount of this limited partnership investment from July of 2013 to early January of 2017 on the Foundation's financial records. The Foundation had purchased this investment in various increments during this time frame. Foundation personnel found the discrepancy while preparing the new disclosures for investments required under GASB Statement No. 72, *Fair Value Measurement and Application*, and recorded this difference on the June 30, 2016 financial statements. The value of this investment was \$673,786 (.8% of total assets) at June 30, 2016.

CAUSE

The accounting department was under the impression that this unrecorded limited partnership interest was actually part of another limited partnership interest that they own with a similar name.

CRITERIA

Generally accepted accounting principles requires all transactions to be recorded in an accurate and timely manner.

RECOMMENDATION

We recommend that all limited partnership capital accounts be reconciled on a quarterly basis and they compare their list of limited partnership investments to the list provided by their investment advisor.

RESPONSE

The Foundation accepts the finding. The Foundation will adjust its procedures to prevent this issue from occurring in the future.



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, 2016 and 2015. 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*; GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement No. 72, *Fair Value Measurement and Application*; and GASB 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. 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 declined during the fiscal year ended June 30, 2016. Total net position decreased by approximately \$1.2 million (1.4%) from June 30, 2015. This is attributable to various factors. The Foundation received approximately \$1.2 million in additional permanent endowments and operating revenues exceeded operating expenses by approximately \$1.4 million. Net nonoperating revenues (expenses) were (\$3.7) million during fiscal year 2016.

The decrease in the change in net position between fiscal years 2016 and 2015 was approximately \$4.7 million. The reasons for this decrease were the \$1.0 million decrease in net investment income, the \$1.9 million decrease in additions to permanent endowments, and the \$1.5 million decrease in gifts between 2016 and 2015.

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 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 assets 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.

EASTERN ILLINOIS UNIVERSITY  
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

**Condensed Financial Information**

Condensed Statement of Net Position, June 30:

	2016	2015	2014
<b>ASSETS</b>			
Current assets	\$ 14,113,635	\$ 13,443,145	\$ 10,982,034
Noncurrent assets:			
Capital assets, net of accumulated depreciation	1,728,572	1,757,215	1,785,858
Other	71,860,614	73,779,396	74,387,964
Total noncurrent assets	73,589,186	75,536,611	76,173,822
Total assets	87,702,821	88,979,756	87,155,856
<b>LIABILITIES</b>			
Current liabilities	80,616	84,055	100,448
Noncurrent liabilities	4,138,344	4,256,474	5,981,729
Total liabilities	4,218,960	4,340,529	6,082,177
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	1,728,572	1,757,215	1,785,858
Restricted for:			
Nonexpendable endowment	51,990,211	50,828,687	47,401,144
Expendable	28,893,563	31,305,889	31,223,740
Unrestricted	871,515	747,436	662,937
Total net position	\$ 83,483,861	\$ 84,639,227	\$ 81,073,679

At June 30, 2016, total current assets of approximately \$14.1 million included approximately \$7.3 million of cash and cash equivalents and \$6.4 million of investments. This is an approximate \$.7 million increase between 2016 and 2015.

The Foundation's largest noncurrent assets for June 30, 2016, are its endowment investments of approximately \$50.0 million and restricted long-term investments of approximately \$19.9 million. At June 30, 2016, the fair market value of certain endowment funds were below their original cost by \$.3 million. The approximate \$1.9 million decrease in noncurrent assets between 2016 and 2015 can be mainly attributed to the decrease in restricted investments of approximately \$3.2 million, the decrease in restricted cash of \$.2 million, the decrease in endowment pledges of approximately \$.3 million, and the increase of endowment investments of approximately \$1.9 million.

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.

EASTERN ILLINOIS UNIVERSITY  
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

**Condensed Financial Information, continued**

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.

The Foundation's liabilities at June 30, 2016, total approximately \$4.2 million. Of this balance, approximately \$4.1 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, 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 current assets of approximately \$14.1 million for June 30, 2016, were sufficient to cover current liabilities of approximately \$.1 million. The ratio of current assets to current liabilities is \$175.07 in current assets for every \$1 in current liabilities for fiscal year 2016.

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.

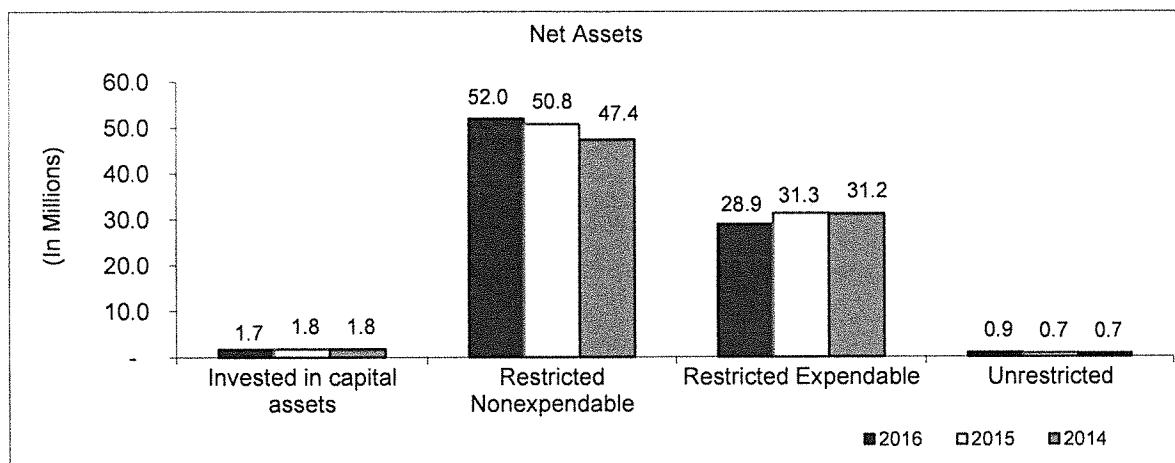
The Foundation's total net position at June 30, 2016, totaled approximately \$83.5 million, a \$1.2 million decrease from total net position of \$84.6 million at June 30, 2015. Net position classified as "restricted, nonexpendable endowment" increased by approximately \$1.2 million from 2015 to 2016 due mainly to the endowment gifts received during fiscal year 2016. Net position classified as "restricted, expendable" decreased by approximately \$2.4 million from 2015 to 2016, the result of the decrease in the market value of investments.

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.

EASTERN ILLINOIS UNIVERSITY  
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

**Condensed Financial Information, continued**



Condensed Statement of Revenues, Expenses and Changes in Net Position

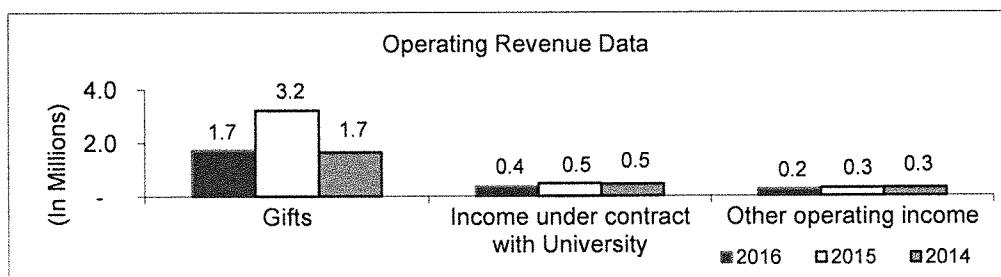
	For the years ended June 30,		
	2016	2015	2014
Operating revenues			
Gifts	\$ 1,726,262	\$ 3,212,520	\$ 1,650,230
Other operating revenues	597,846	767,865	767,522
Total operating revenues	2,324,108	3,980,385	2,417,752
Operating expenses	918,994	1,140,777	1,127,102
Operating income	1,405,114	2,839,608	1,290,650
Nonoperating revenues (expenses)			
Investment income and net increase (decrease) in fair value of investments	(597,544)	404,104	9,331,995
Scholarships	(1,275,493)	(1,068,411)	(1,006,250)
Grants to University	(1,845,951)	(1,678,306)	(1,837,112)
Other nonoperating (expenses)	(12,595)	(23,585)	(27,170)
Net nonoperating revenues (expenses)	(3,731,583)	(2,366,198)	6,461,463
Income before permanent endowment contributions	(2,326,469)	473,410	7,752,113
Additions to permanent endowments	1,171,103	3,092,138	4,953,124
Total increase (decrease) in net position	(1,155,366)	3,565,548	12,705,237
Net position - beginning of year	84,639,227	81,073,679	68,368,442
Net position - end of year	\$ 83,483,861	\$ 84,639,227	\$ 81,073,679

EASTERN ILLINOIS UNIVERSITY  
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

**Operating Revenues**

Total operating revenues were \$2.3 million and \$4.0 million for the years ended June 30, 2016 and 2015, respectively. The most significant source of revenue were gifts of \$1.7 million in 2016 and \$3.2 million in 2015, 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. Gifts of permanent endowments for scholarships or to support programs and departments are shown after the nonoperating section of the statement.

During fiscal year 2016, there was a total of approximately \$1.7 million of unrestricted and restricted gifts and approximately \$1.2 million of additions to permanent endowments. There were no unearned gifts donated to the Foundation this year.

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.

**Operating Expenses**

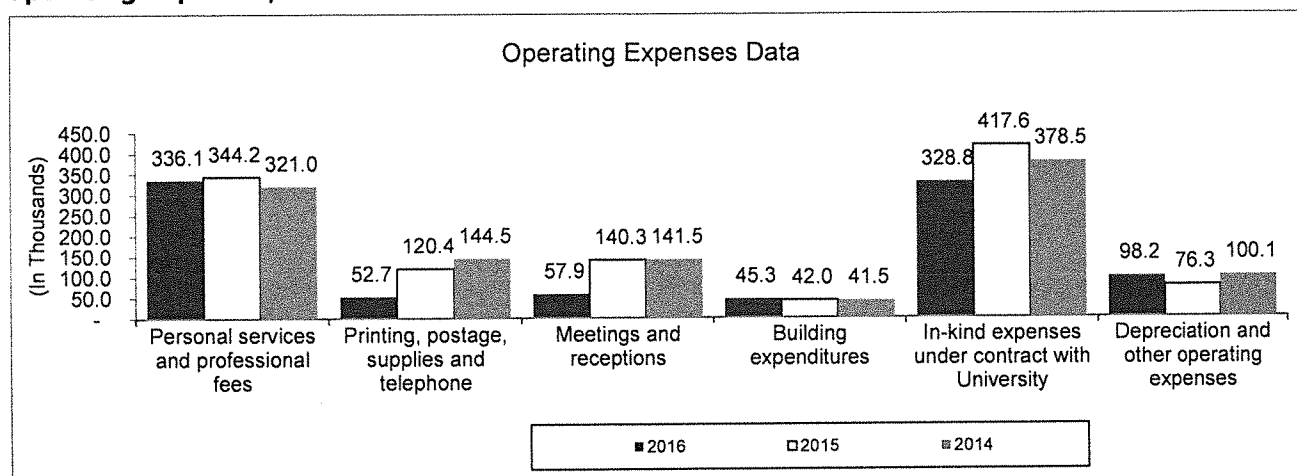
Operating expenses for fiscal year 2016, including depreciation of \$28,643, totaled \$918,994. Of this total, \$336,065 or 36.6% was for personal services and professional fees, and \$328,797 or 35.8% was in-kind expenses under contract with the University and budget expended at the University.

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.

EASTERN ILLINOIS UNIVERSITY  
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

**Operating Expenses, continued**



**Other**

Nonoperating revenues (expenses) for fiscal year 2016 consisted of investment income, actuarial adjustments, scholarships to students and grants to the University. The \$1.4 million decrease in nonoperating income (expenses) between 2016 and 2015 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 \$1.0 million. During fiscal year 2016, the Foundation awarded 1,018 scholarships totaling \$1,275,493 and made grants to the University of approximately \$1.8 million. As noted previously, there was approximately \$1.2 million of additions to permanent endowments.

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.

**The Statement of Cash Flows**

Condensed Statement of Cash Flows

	For the years ended June 30		
	2016	2015	2014
Cash provided (used) by:			
Operating activities	\$ 1,507,267	\$ 1,621,260	\$ 1,717,657
Noncapital financing activities	(1,549,548)	(1,754,714)	1,859,675
Investing activities	889,352	(1,095,868)	652,019
Net increase (decrease) in cash and cash equivalents	847,071	(1,229,322)	4,229,351
Cash and cash equivalents, July 1	8,063,040	9,292,362	5,063,011
Cash and cash equivalents, June 30	<u>\$ 8,910,111</u>	<u>\$ 8,063,040</u>	<u>\$ 9,292,362</u>

EASTERN ILLINOIS UNIVERSITY  
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

**The Statement of Cash Flows, continued**

For fiscal year 2016, the major source of funds included in operating activities is cash gifts of \$1.8 million. The major use of funds included in noncapital financing activities are grants to the University of \$1.8 million, a decrease from 2015 of approximately \$.2 million, due mainly to the timing of transfer requests by University departments. Other major uses of funds include scholarships of \$1.3 million. The major sources of funds from investing activities are the investment income receipts of approximately \$1.8 million, a decrease from fiscal year 2015 because of a decrease on returns on investments, and the proceeds from the sale of investments of approximately \$3.5 million. The major use of funds included in investing activities in 2016 is the purchase of investments of approximately \$4.4 million, a decrease of approximately \$4.3 million from 2015 mainly due to a decrease in investment trading activities.

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 \$2.4 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 2014 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. Beginning with the FY17 budget, the farm fee will be reduced to 4.75%.

The Master Contract with the University was gradually reduced each of the past three fiscal years, from \$78,625 in FY14 to \$52,417 in FY15, and \$26,208 in FY16. Beginning FY17 the Master Contract will no longer include a reimbursement to the Foundation.

The Foundation continues to implement cost containment through conservative, long-term budgeting. Through the use of a three-year budgetary projection, the Foundation anticipated the loss of revenues associated with the Master Contract and adjusted expense accordingly.

The Neal Welcome Center, constructed in 2002, continues to incur minor repair and maintenance costs as the facility ages. 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 and Board. Since the July 1998 inception date, the Endowment earned 5.9%, annualized and net of fees. The Foundation 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, 2016 and 2015

	2016	2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 874,056	\$ 757,297
Restricted cash and cash equivalents	6,396,814	5,453,996
Restricted investments	6,373,888	6,599,498
Other current investments	-	2,767
Restricted pledges receivable	240,521	238,746
Endowment pledges receivable	197,429	384,559
Accounts receivable	72	163
Grain Inventory	24,003	-
Prepaid expenses	6,852	6,119
Total current assets	14,113,635	13,443,145
Noncurrent assets:		
Restricted cash and cash equivalents	1,639,241	1,851,747
Endowment investments	49,953,375	48,079,324
Restricted investments	19,901,182	23,085,461
Pledges receivable, less current portion	166,650	249,807
Endowment pledges receivable, less current portion	200,166	513,057
Capital assets, net of accumulated depreciation	1,728,572	1,757,215
Total noncurrent assets	73,589,186	75,536,611
Total assets	87,702,821	88,979,756
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	45,618	46,248
Annuities payable, current portion	34,998	37,807
Total current liabilities	80,616	84,055
Noncurrent liabilities:		
Annuities payable, less current portion	183,989	205,279
Funds held in trust for others	3,954,355	4,051,195
Total noncurrent liabilities	4,138,344	4,256,474
Total liabilities	4,218,960	4,340,529
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	1,728,572	1,757,215
Restricted for:		
Nonexpendable endowment	51,990,211	50,828,687
Expendable	28,893,563	31,305,889
Unrestricted	871,515	747,436
Total net position	\$ 83,483,861	\$ 84,639,227

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, 2016 and 2015

	2016	2015
<b>OPERATING REVENUES</b>		
Gifts	\$ 1,726,262	\$ 3,212,520
Service contract with University	97,612	180,848
Budget allocation from University	257,393	289,194
Other operating income	242,841	297,823
Total operating revenues	2,324,108	3,980,385
<b>OPERATING EXPENSES</b>		
Personal services	181,859	192,784
Printing	7,716	20,585
Postage and supplies	23,572	72,495
Telephone	21,445	27,317
Dues, subscriptions and promotion	6,985	8,468
Meetings and receptions	57,929	140,290
Professional fees	154,206	151,416
Bad debt expense	39,463	17,270
Computer maintenance	-	2,715
Insurance	22,161	17,146
Building expenditures	45,309	41,971
Tools and small equipment	299	-
Auto expenses	610	2,052
Depreciation	28,643	28,643
In-kind expenses under contract with the University		
Personnel expenses	68,229	125,851
Utilities and maintenance	3,175	2,580
Budget expended at the University	257,393	289,194
Total operating expenses	918,994	1,140,777
Operating income	1,405,114	2,839,608
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income:		
Interest and dividends	1,858,147	2,052,755
Net (decrease) in fair value of investments	(2,455,691)	(1,648,651)
Scholarships	(1,275,493)	(1,068,411)
Distributions to annuity/unitrust beneficiaries	(36,694)	(39,557)
Actuarial adjustments	24,099	15,972
Grants to University	(1,845,951)	(1,678,306)
Net nonoperating revenue (expenses)	(3,731,583)	(2,366,198)
Income (loss) before permanent endowment contributions	(2,326,469)	473,410
Additions to permanent endowments	1,171,103	3,092,138
Increase (decrease) in net position	(1,155,366)	3,565,548
<b>NET POSITION</b>		
Net position -beginning of year	84,639,227	81,073,679
Net position - end of year	\$ 83,483,861	\$ 84,639,227

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

EASTERN ILLINOIS UNIVERSITY  
FOUNDATION

STATEMENTS OF CASH FLOWS

Years ended June 30, 2016 and 2015

	2016	2015
<b>Cash flows from operating activities</b>		
Cash received from gifts	\$ 1,762,619	\$ 1,957,277
Cash received from service contract with University	26,208	52,417
Cash received from other sources	242,841	297,823
Cash paid to suppliers and other vendors	(524,401)	(686,257)
Net cash provided by operating activities	1,507,267	1,621,260
<b>Cash flows from noncapital financing activities</b>		
Grants to the University	(1,845,951)	(1,678,306)
Scholarships	(1,274,546)	(1,066,482)
Distributions to annuity/unitrust beneficiaries	(36,694)	(39,557)
Agency receipts	109,788	1,948,684
Agency payments	(129,384)	(1,981,550)
Gifts received for endowment purposes	1,627,239	1,062,497
Net cash (used) by noncapital financing activities	(1,549,548)	(1,754,714)
<b>Cash flows from investing activities</b>		
Proceeds from the sale of investments	3,466,634	2,429,920
Investment income (net of fees)	1,824,663	2,067,278
Sale of gift stock and real estate	32,357	3,105,799
Purchase of investments	(4,434,302)	(8,698,865)
Net cash provided (used) by investing activities	889,352	(1,095,868)
Net increase (decrease) in cash and cash equivalents	847,071	(1,229,322)
Cash and cash equivalents, July 1	8,063,040	9,292,362
Cash and cash equivalents, June 30	\$ 8,910,111	\$ 8,063,040
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 1,405,114	\$ 2,839,608
Adjustments to reconcile operating income to net cash provided by operating activities:		
Non-cash stock, real estate gifts	(45,116)	(1,308,174)
Depreciation expense	28,643	28,643
Bad debt expense	39,463	17,270
Change in assets and liabilities:		
Accounts receivable	81,473	54,431
Unearned revenue	-	(1,500)
Prepaid expense	(733)	7,870
Accounts payable	(1,577)	(16,888)
Net cash provided by operating activities	\$ 1,507,267	\$ 1,621,260

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

EASTERN ILLINOIS UNIVERSITY  
FOUNDATION

STATEMENTS OF CASH FLOWS, CONTINUED

Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Noncash investing, noncapital financing, and capital and related financing transactions</b>		
Change in fair value of investments	<u>\$ (2,455,691)</u>	<u>\$ (1,648,651)</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, 2016 and 2015

**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 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, 2016 and 2015

**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 in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. 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. Cash deposits and money market accounts are reported at carrying amount, which reasonably approximates fair value. Alternative investments are valued using the net asset value (NAV) per share. All land held by endowments is valued at fair value. Cash surrender value of life insurance represents the surrender value of insurance policies where donors have transferred ownership of their policies to the Foundation, and the Foundation is named as beneficiary. Life insurance policies are carried at net cash surrender value.

***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.

EASTERN ILLINOIS UNIVERSITY  
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2016 and 2015

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

***Capital Assets - continued***

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.

***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 discretion in deciding which resources to apply.



EASTERN ILLINOIS UNIVERSITY  
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2016 and 2015

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

***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.

***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 are effective for periods beginning July 1, 2014, or later, which impacts the Foundation:

GASB Statement No. 65 - *Items Previously Reported as Asset 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. GASB Statement No. 65 had no significant impact on the financial statements. There were no items meeting these criteria at June 30, 2016 and 2015.

GASB Statement No. 72 - *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. GASB Statement No. 72 enhanced fair value related disclosures for the years ended June 30, 2016 and 2015.

EASTERN ILLINOIS UNIVERSITY  
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2016 and 2015

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

***New Governmental Accounting Standards - continued***

GASB Statement No. 76 - *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the uses of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Statement did not significantly impact the Foundation for the years ended June 30, 2016 and 2015.

**2 CASH AND CASH EQUIVALENTS AND INVESTMENTS**

A reconciliation of cash and investments as shown on the June 30, 2016 and 2015 Statements of Net Position is as follows:

	Current	June 30, 2016 Noncurrent	Total
Cash and cash equivalents	\$ 874,056	\$ -	\$ 874,056
Restricted cash and cash equivalents	6,396,814	1,639,241	8,036,055
Restricted investments	6,373,888	19,901,182	26,275,070
Other current investments	-	-	-
Endowment investments	-	49,953,375	49,953,375
	<u>\$ 13,644,758</u>	<u>\$ 71,493,798</u>	<u>\$ 85,138,556</u>
		June 30, 2015	
	Current	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, 2016 and 2015

**2 CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued**

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

	2016	2015
The Illinois Funds money market accounts	\$ 8,910,111	\$ 8,063,040
Money market accounts administered by First-Mid-Illinois Bank and Trust	92,989	80,224
Money market accounts administered by Charles Schwab & Co., Inc.	2,059,691	2,222,494
Investments administered by Charles Schwab & Co., Inc.		
Open Ended Mutual Bond funds	10,258,640	12,414,695
Open Ended Mutual Equity funds	36,709,195	37,763,004
Corporate Equity - Student Investment	209,109	187,029
Alternative Investments		
Investments administered by Corbin Pinehurst	6,513,389	6,830,874
Investments administered by Mercer	7,926,388	7,606,909
Investments administered by Neuberger Berman	358,107	179,268
Investments administered by Park Street Capital	843,102	1,016,475
Investments administered by Goldman Sachs	581,440	681,246
Investments administered by Portfolio Advisors	1,767,944	1,789,762
Investments administered by Montauk	316,697	357,602
Investments administered by Copper Rock	1,898,711	-
Common Stock	56,703	-
Life insurance cash values	120,794	117,707
Real estate	6,515,546	6,519,761
	\$ 85,138,556	\$ 85,830,090
Total cash and investments		

***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.

EASTERN ILLINOIS UNIVERSITY  
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2016 and 2015

**2 CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued**

***Investments - continued***

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, 2016 and 2015, respectively, net appreciation of \$13,540,721 and \$16,212,193 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, 2016 and 2015, are disclosed as follows:

<b><u>Effective Maturity</u></b>	June 30, 2016			
	<b><u>0-1 Year</u></b>	<b><u>1-5 Year</u></b>	<b><u>5-10 Year</u></b>	<b><u>Total</u></b>
The Illinois Funds	\$ 8,910,111	\$ -	\$ -	\$ 8,910,111
Money Market Funds	2,152,680	-	-	2,152,680
Mutual Bond Funds	-	2,403,865	7,854,775	10,258,640
<b><u>Effective Maturity</u></b>	June 30, 2015			
	<b><u>0-1 Year</u></b>	<b><u>1-5 Year</u></b>	<b><u>5-10 Year</u></b>	<b><u>Total</u></b>
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

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, 2016 and 2015

**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, 2016 and 2015, are as follows:

<b><u>Quality Rating</u></b>	June 30, 2016	
	<b><u>AAA</u></b>	<b><u>Not Rated</u></b>
The Illinois funds	\$ 8,910,111	\$ -
Money Market Funds	92,989	2,059,691
Mutual Bond Funds	-	10,258,640
Total	<u>\$ 9,003,100</u>	<u>\$ 12,318,331</u>

<b><u>Quality Rating</u></b>	June 30, 2015	
	<b><u>AAA</u></b>	<b><u>Not Rated</u></b>
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>

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.

EASTERN ILLINOIS UNIVERSITY  
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2016 and 2015

**2 CASH AND CASH EQUIVALENTS AND INVESTMENTS - Continued**

***Concentration Risk - continued***

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 FAIR VALUE MEASUREMENTS**

The Foundation categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation methods used to measure the fair value of the asset. Level 1 inputs are quoted prices for identical assets in active markets that the Foundation can access. Level 2 inputs are observable prices, either directly or indirectly, for an asset. Level 3 inputs are unobservable inputs for an asset.

During fiscal year 2016, there were no changes in valuation techniques that would have a significant impact on the results.

	6/30/2016	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
Mutual bond funds	\$ 10,258,640	\$ 10,258,640	\$ -	\$ -
Mutual equity funds	36,709,195	36,709,195	-	-
Common stock	265,812	265,812	-	-
Real estate	6,515,546	-	-	6,515,546
Total investment by fair value level	<u>53,749,193</u>	<u>\$ 47,233,647</u>	<u>\$ -</u>	<u>\$ 6,515,546</u>
<b>Investments measured at the net asset value (NAV)</b>				
Pinehurst Institutional, Ltd.	6,513,389			
Park Street Capital Private Equity Funds VII, LP	543,902			
Park Street Natural Resources Fund IV	299,200			
Portfolio Advisors Private Equity Fund VI	904,811			
Portfolio Advisors Private Equity Fund VII	494,156			
Portfolio Advisors Private Equity Fund VIII	368,977			
Mercer Hedge Fund	7,252,602			
Mercer Private Investment Partners III	673,786			
Goldman Sachs & Company GS Distressed Opportunities Fund IV, L.P.	581,440			
Montauk TriGuard V	316,697			
Neuberger Berman Secondary Opportunities Fund III	216,844			
Neuberger Berman Crossroads Fund XXI	141,263			
Copper Rock International Small Cap	1,898,711			
Total investments measured at the NAV	<u>20,205,778</u>			
Total investments measured at fair value	<u>\$ 73,954,971</u>			

EASTERN ILLINOIS UNIVERSITY  
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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2016 and 2015

**3 FAIR VALUE MEASUREMENTS - Continued**

	6/30/2015	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
Mutual bond funds	\$ 12,414,695	\$ 12,414,695	\$ -	\$ -
Mutual equity funds	37,763,004	37,763,004	-	-
Common stock	187,029	187,029	-	-
Real estate	6,519,761	-	-	6,519,761
Total investment by fair value level	<u>56,884,489</u>	<u>\$ 50,364,728</u>	<u>\$ -</u>	<u>\$ 6,519,761</u>
<b>Investments measured at the net asset value (NAV)</b>				
Pinehurst Institutional, Ltd.	6,830,874			
Park Street Capital Private Equity Funds VII, LP	697,791			
Park Street Natural Resources Fund IV	318,684			
Portfolio Advisors Private Equity Fund VI	937,845			
Portfolio Advisors Private Equity Fund VII	423,053			
Portfolio Advisors Private Equity Fund VIII	428,864			
Mercer Hedge Fund	7,606,909			
Goldman Sachs & Company GS Distressed Opportunities Fund IV, L.P.	681,246			
Montauk TriGuard V	357,602			
Neuberger Berman Secondary Opportunities Fund III	<u>179,268</u>			
Total investments measured at the NAV	<u>18,462,136</u>			
Total investments measured at fair value	<u>\$ 75,346,625</u>			

**Investments measured at the net asset value (NAV)**

As part of the Foundation's investment portfolio, there are investments in entities in which purchases and withdrawals within these entities are not made in an open market. Instead, the purchases and withdrawals occur with the entities, and in certain circumstances, those transactions are entirely controlled and/or restricted by the entity. The fair value of these investments is determined by the management of the entities and is reported to the Foundation as the Foundation's proportionate share of the net asset fair value of the entity.

The tables below provide information relative to these types of investments. The additional information that follows the tables provides information associated with these investments. None of the investments are probable of being sold at an amount different from net asset value per share.

For the investments shown below, the Foundation is not able to redeem the investments until the termination date of the fund. As such, there is no redemption frequency or redemption notice period shown below. The final termination date of each fund is presented in the table. This termination date is estimated as most funds have an option of extending the fund for an additional period of time, if needed or desired.

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FOR THE YEARS ENDED JUNE 30, 2016 and 2015

**3 FAIR VALUE MEASUREMENTS - Continued**

Category	Fair Value		Unfunded Commitments	Termination Date of Fund
	2016	2015		
Park Street Capital Private Equity Funds VII, LP	\$ 543,902	\$ 697,791	\$ 40,000	4/14/2018 to 4/14/2019
Park Street Natural Resources Fund IV	299,200	318,684	13,750	9/30/2024
Portfolio Advisors Private Equity Fund VI	904,811	937,845	432,363	7/30/2022 to 7/30/2024
Portfolio Advisors Private Equity Fund VII	494,156	423,053	342,079	4/18/2024 to 4/15/2026
Portfolio Advisors Private Equity Fund VIII	368,977	428,864	1,140,364	10/15/2028
Mercer Private Investment Partners III	673,786	-	642,500	7/10/2027
Goldman Sachs & Company GS Distressed Opportunities Fund IV, L.P.	581,440	681,246	437,389	5/15/2008 to 7/1/2023
Montauk TriGuard V	316,697	357,602	270,000	7/1/2025
Neuberger Berman Secondary Opportunities Fund III	216,844	179,268	319,895	1/5/2022 to 10/23/2025
Neuberger Berman Crossroads Fund XXI	141,263	-	1,350,000	10/23/2027
	<u>\$ 4,541,076</u>	<u>\$ 4,024,353</u>	<u>\$ 4,988,340</u>	

The following investments are also valued at the Foundation's proportionate share of the net asset value of the entity. However, these funds are liquid and can be redeemed with the required notification period.

	Fair Value		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	2016	2015			
Pinehurst Institutional, Ltd.	\$ 6,513,389	\$ 6,830,874	\$ -	Quarterly	100 days
Mercer Hedge Fund	7,252,602	7,606,909	-	Quarterly	100 days
Copper Rock International Small Cap	1,898,711	-	-	Daily	1 day
	<u>\$ 15,664,702</u>	<u>\$ 14,437,783</u>	<u>\$ -</u>		

**Park Street Capital Private Equity Fund VII, LP** - a fund of funds that uses private equity to invest in venture capital, buyout equity, and growth equity.

**Park Street Natural Resources Fund IV** - is invested in 10 to 15 natural resource funds with a goal of long term appreciation over the expected 15 year life of the funds.

**Portfolio Advisors Private Equity Fund VI (PAPEF VI)** - a fund of funds that invests in private equity partnerships for buyouts, venture capital and special situations with a term of 12-14 years.

**Portfolio Advisors Private Equity Fund VII (PAPEF VII)** - a fund of funds that invests in private equity partnerships for buyouts, venture capital and special situations with a term of 12-14 years.

**Portfolio Advisors Private Equity Fund VIII** - a diversified private equity fund of funds with a menu based offering which allows investors to allocate among 3 distinct portfolios. The Foundation has chosen 55% diversified buyouts, 30% diversified venture capital and 15% diversified special situations.



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FOR THE YEARS ENDED JUNE 30, 2016 and 2015

**3 FAIR VALUE MEASUREMENTS - Continued**

**Goldman Sachs & Company GS Distressed Opportunities Fund IV** - invests in funds engaging in distressed debt and equity opportunities by purchasing debt, or equity to take control and either reorganize or introduce new management to turn around long term performance.

**Montauk TriGuard V** - invests in secondary interests of other private equity funds and constructs its portfolio in niche areas of the secondary market.

**Neuberger Berman Secondary Opportunities Fund III** - a secondary fund which invest in diversified global buyout opportunities.

**Neuberger Berman Crossroads Fund XXI** - a diversified private equity fund of funds with a menu based offering which allows investors to allocate among 4 distinct portfolios. The Foundation has chosen 40% small cap/mid cap buyouts, 10% large cap buyouts, 25% special situations and 25% venture/growth capital.

**Pinehurst Institutional, Ltd.** - a fund of funds that primarily invests in financial services, consumer retail, software, energy and communications industries.

**Mercer Hedge Fund** - objective is to generate the highest return available within a capital preservation framework. The fund is designed to have a very low correlation to traditional debt and equity.

**Mercer Private Investment Partners III** - a fund of funds investing in diversified private equity partnerships.

**Copper Rock International Small Cap** - invests in 80-120 holdings with 15% maximum holdings in emerging markets and 20-25% in non-benchmark securities.

**4 PLEDGES RECEIVABLE**

Unconditional pledges receivable consists of the following:

	2016	2015
Gross unconditional pledges receivable -		
restricted to campaign	\$ 440,671	\$ 531,894
endowment to campaign	420,568	958,831
Less: Unamortized discount	(56,473)	(104,556)
Net unconditional pledges receivable	\$ 804,766	\$ 1,386,169
Current:		
restricted pledges receivable	\$ 240,521	\$ 238,746
endowment pledges receivable	197,429	384,559
Total current pledges receivable	437,950	623,305
Non-current:		
restricted pledges receivable	166,650	249,807
endowment pledges receivable	200,166	513,057
Total non-current pledges receivable	366,816	762,864
Total current and non-current pledges receivable	\$ 804,766	\$ 1,386,169
Amounts due in:		
Less than one year	\$ 437,950	\$ 623,305
One to five years	321,128	729,447
More than five years	45,688	33,417
	\$ 804,766	\$ 1,386,169

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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2016 and 2015

**4 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 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 \$179,168 and \$17,270 were determined to be uncollectible and written off during the fiscal years ended June 30, 2016 and 2015, respectively.

**5 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>6/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2016</u>
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	<u>1,432,145</u>	<u>-</u>	<u>-</u>	<u>1,432,145</u>
Less accumulated depreciation for:				
Buildings and improvements	370,860	28,643	-	399,503
Total accumulated depreciation	<u>370,860</u>	<u>28,643</u>	<u>-</u>	<u>399,503</u>
Total capital assets being depreciated, net	<u>1,061,285</u>	<u>(28,643)</u>	<u>-</u>	<u>1,032,642</u>
Total capital assets, net	<u>\$ 1,757,215</u>	<u>\$ (28,643)</u>	<u>\$ -</u>	<u>\$ 1,728,572</u>

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

	<u>6/30/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2015</u>
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	<u>1,432,145</u>	<u>-</u>	<u>-</u>	<u>1,432,145</u>
Less accumulated depreciation for:				
Buildings and improvements	342,217	28,643	-	370,860
Total accumulated depreciation	<u>342,217</u>	<u>28,643</u>	<u>-</u>	<u>370,860</u>
Total capital assets being depreciated, net	<u>1,089,928</u>	<u>(28,643)</u>	<u>-</u>	<u>1,061,285</u>
Total capital assets, net	<u>\$ 1,785,858</u>	<u>\$ (28,643)</u>	<u>\$ -</u>	<u>\$ 1,757,215</u>

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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2016 and 2015

**6 LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amounts due within one year
Annuities payable	\$ 243,086	\$ -	\$ 24,099	\$ 218,987	\$ 34,998
Funds held in trust for others	4,051,195	170,062	266,902	3,954,355	-
Total long-term liabilities	<u>\$ 4,294,281</u>	<u>\$ 170,062</u>	<u>\$ 291,001</u>	<u>\$ 4,173,342</u>	<u>\$ 34,998</u>

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>

**7 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, 2016 and 2015, the University provided cash, services and other resources to the Foundation totaling \$97,612 and \$180,848, respectively, to help defray the Foundation's costs incurred under the contract. During the years ended June 30, 2016 and 2015, the Foundation incurred expenses of \$71,404 and \$128,431 under the contract, respectively.

During the years ended June 30, 2016 and 2015, the Foundation gave the University \$1,932,369 and \$1,755,133, 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 \$1,275,493 and \$1,068,411 during the years ended June 30, 2016 and 2015, respectively. Services and resources totaling \$86,418 and \$76,827 for the years ended June 30, 2016 and 2015, respectively, are included above, but not reflected in the financial statements. Also, the Foundation received \$17,391 and \$33,847 for the years ended June 30, 2016 and 2015, respectively, in gifts from the University's restricted gift accounts with the donor's consent.

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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2016 and 2015

**7 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 \$257,393 in 2016 and \$289,194 in 2015) 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.

**8 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 assets of the Brainard trust totaled \$3,954,355 for 2016 and \$4,051,195 for 2015. They are included in the cash and investment classifications within the financial statements. Also, the related liability of \$3,954,355 for 2016 and \$4,051,195 for 2015 is included in the funds held in trust for others classification within the financial statements.

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 occurred during 2015 and the assets were transferred to the University at that time.

**9 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.

**10 FUNCTIONAL CLASSIFICATION OF EXPENSES**

Operating expenses by functional classification for the years ended June 30, 2016 and 2015, are summarized as follows:

	<u>2016</u>	<u>2015</u>
Institutional Support	\$ 890,351	\$ 1,112,134
Depreciation	28,643	28,643
	<u>\$ 918,994</u>	<u>\$ 1,140,777</u>

**11 RECLASSIFICATIONS**

Certain reclassifications have been made to the 2015 information to conform to the 2016 presentation.