

EASTERN ILLINOIS UNIVERSITY FOUNDATION  
(A Component Unit of Eastern Illinois University)

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

EASTERN ILLINOIS UNIVERSITY FOUNDATION  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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# 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 Eastern Illinois University Foundation (the Foundation), a nonprofit corporation, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Illinois University Foundation as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

**Emphasis of Matter**

As discussed in Note 17, the Foundation changed its method of accounting from Governmental Accounting Standards to Financial Accounting Standards. Our opinion is not modified with respect to that matter.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2019, on our consideration of the Foundation's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Foundation's 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  
March 6, 2019

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 Eastern Illinois University Foundation (the Foundation), a nonprofit corporation, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 6, 2019.

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

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)

**Purpose of this Report**

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

*Doehring, Winders & Co. LLP*

Mattoon, Illinois  
March 6, 2019

EASTERN ILLINOIS UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 9,787,983	\$ 8,578,231
Other receivables	19,793	56
Grain inventory	14,701	25,600
Prepaid expenses	10,932	2,639
Pledges receivable	193,018	435,469
Investments	75,956,880	72,459,997
Investment in real estate	3,354,546	3,354,546
Assets held under split-interest agreements	617,975	645,472
Beneficial interest in split-interest agreements	4,180,463	4,188,613
Beneficial interest in trusts	1,306,495	1,346,468
Property and equipment, net	1,671,286	1,699,929
Cash surrender value of life insurance	135,971	131,017
	<hr/>	<hr/>
Total assets	\$ 97,250,043	\$ 92,868,037
	<hr/>	<hr/>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable and other liabilities	\$ 53,609	\$ 90,307
Deferred revenue	2,000	-
Obligations under split-interest agreements	190,876	204,533
	<hr/>	<hr/>
Total liabilities	246,485	294,840
	<hr/>	<hr/>
Net assets		
Unrestricted	4,000,775	2,984,186
Temporarily restricted	36,119,942	33,482,195
Permanently restricted	56,882,841	56,106,816
	<hr/>	<hr/>
Total net assets	97,003,558	92,573,197
	<hr/>	<hr/>
Total liabilities and net assets	\$ 97,250,043	\$ 92,868,037
	<hr/>	<hr/>

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

EASTERN ILLINOIS UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	Year ended June 30, 2018			Year ended June 30, 2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and reclassifications:								
Contributions	\$ 4,529	\$ 2,214,246	\$ 565,620	\$ 2,784,395	\$ -	\$ 4,862,493	\$ 929,163	\$ 5,791,656
Special events	-	24,444	-	24,444	-	26,311	-	26,311
Investment income, net of fees	77,165	2,218,390	-	2,295,555	57,054	1,856,460	-	1,913,514
Realized gains	-	1,551,447	-	1,551,447	-	1,100,475	-	1,100,475
Unrealized gains	19,839	1,644,820	-	1,664,659	1,072	4,762,711	-	4,763,783
Change in value of split interest agreements	-	135,439	(37,365)	98,074	-	-	271,203	271,203
Service contract with University	394,539	-	-	394,539	405,595	-	-	405,595
Other operating revenue	51,031	56,103	-	107,134	36,647	83,902	-	120,549
	547,103	7,844,889	528,255	8,920,247	500,368	12,692,352	1,200,366	14,393,086
Net assets released from restrictions	4,959,372	(5,207,142)	247,770	-	4,425,204	(4,856,471)	431,267	-
Total revenues, gains and reclassifications	5,506,475	2,637,747	776,025	8,920,247	4,925,572	7,835,881	1,631,633	14,393,086
Expenses:								
Program services	3,727,721	-	-	3,727,721	3,899,177	-	-	3,899,177
Management and general Fundraising	716,221	-	-	716,221	716,814	-	-	716,814
	45,944	-	-	45,944	43,665	-	-	43,665
Total expenses	4,489,886	-	-	4,489,886	4,659,656	-	-	4,659,656
Change in net assets	1,016,589	2,637,747	776,025	4,430,361	265,916	7,835,881	1,631,633	9,733,430
Net assets, beginning of year	2,984,186	33,482,195	56,106,816	92,573,197	2,718,270	25,646,314	54,475,183	82,839,767
Net assets, end of year	\$ 4,000,775	\$ 36,119,942	\$ 56,882,841	\$ 97,003,558	\$ 2,984,186	\$ 33,482,195	\$ 56,106,816	\$ 92,573,197

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



EASTERN ILLINOIS UNIVERSITY FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	Year ended June 30, 2018			Year ended June 30, 2017				
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Scholarship awards	\$ 1,069,632	\$ -	\$ -	\$ 1,069,632	\$ 1,224,954	\$ -	\$ -	\$ 1,224,954
Personnel services	34,604	535,024	30,174	599,802	34,175	547,621	32,652	614,448
Occupancy	7,367	47,069	1,797	56,233	5,354	34,927	1,306	41,587
Professional fees	250	43,191	-	43,441	-	45,384	-	45,384
Telephone expense	-	12,827	6,377	19,204	-	13,527	6,520	20,047
Supplies	13	5,940	-	5,953	379	3,472	-	3,851
Postage	-	7,769	6,911	14,680	-	6,623	15	6,638
Printing	1,304	8,633	-	9,937	1,120	7,068	2,465	10,653
Dues, subscriptions and promotions	-	4,953	-	4,953	14	5,325	-	5,339
Meetings and receptions	1,898	20,808	-	22,706	2,908	20,873	138	23,919
Insurance	777	17,680	190	18,647	576	21,322	140	22,038
Grants to University	2,596,055	-	-	2,596,055	2,612,155	-	-	2,612,155
Depreciation	15,821	12,327	495	28,643	17,542	10,672	429	28,643
Total functional expenses	\$ 3,727,721	\$ 716,221	\$ 45,944	\$ 4,489,886	\$ 3,899,177	\$ 716,814	\$ 43,665	\$ 4,659,656
Functional expense percentage	83.0%	16.0%	1.0%	100.0%	83.7%	15.4%	0.9%	100.0%

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

EASTERN ILLINOIS UNIVERSITY  
FOUNDATION

STATEMENTS OF CASH FLOWS

Years ended June 30, 2018 and 2017

	2018	2017
<b>Cash flows from operating activities</b>		
Contributions, gifts, and pledges	\$ 2,388,835	\$ 2,175,561
Special events	24,444	26,311
Payments of scholarships and grants/awards to others	(1,112,359)	(1,169,646)
Payments to suppliers and vendors	(403,281)	(394,715)
Grants to the University	(2,596,055)	(2,612,155)
Other receipts	107,134	120,549
Net cash (used) by operating activities	(1,591,282)	(1,854,095)
<b>Cash flows from financing activities</b>		
Private gifts for endowment purposes	565,620	929,163
Payments to annuitants	(34,969)	(35,351)
Net cash provided by financing activities	530,651	893,812
<b>Cash flows from investing activities</b>		
Proceeds from the sale of investments	2,811,444	1,539,404
Earnings on investments, net of investment expense	2,547,793	1,925,991
Purchase of investments, including reinvested income	(3,088,854)	(2,836,992)
Net cash provided by investing activities	2,270,383	628,403
Net increase (decrease) in cash and cash equivalents	1,209,752	(331,880)
Cash and cash equivalents, beginning of year	8,578,231	8,910,111
Cash and cash equivalents, end of year	\$ 9,787,983	\$ 8,578,231
<b>Reconciliation of change in net assets to net cash (used) by operating activities</b>		
Change in net assets	\$ 4,430,361	\$ 9,733,430
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	28,643	28,643
Noncash contributions	(54,654)	(3,056,245)
Investment income (net of fees)	(2,295,555)	(1,913,514)
Realized (gain) on sale of investments	(1,551,447)	(1,100,475)
Unrealized gain	(1,664,659)	(4,763,783)
Change in split interest agreements	(98,074)	(271,203)
Private gifts for endowment purposes	(565,620)	(929,163)
Change in assets and liabilities:		
(Increase) decrease in other receivables	(19,737)	16
Decrease in pledges receivable	242,451	369,297
(Increase) decrease in prepaid expense	(8,293)	4,213
Increase (decrease) in accounts payable - scholarships	(42,727)	55,308
Increase (decrease) in accounts payable - other	6,029	(10,619)
Increase in deferred revenue	2,000	-
Net cash (used) by operating activities	\$ (1,591,282)	\$ (1,854,095)

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, 2018 and 2017

**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 Foundation is a component unit of Eastern Illinois University, and the Foundation's financial statements are also included as part of Eastern Illinois University's financial statements and the State of Illinois Comprehensive Annual Financial Report.

***Method of Accounting***

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

***Basis of Presentation***

The financial statement presentation follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 "Not-for-Profit Entities." Under FASB ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted - Resources over which the Foundation's Board of Directors has discretionary control.

Temporarily Restricted - Resources subject to donor-imposed restrictions which will be satisfied by the passage of time or actions of the Foundation.

Permanently Restricted - Resources subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the actions of the Foundation. Donors of these resources permit the Foundation to use all or part of the income earned, including capital appreciation of related investments, for unrestricted or temporarily restricted purposes.

***Cash and 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.

EASTERN ILLINOIS UNIVERSITY  
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

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

***Investments***

The Foundation is authorized by the Board of Directors to invest funds in compliance with stated investment policies. 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.

The Foundation maintains pooled investment accounts for its endowments and charitable gift annuities. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments and charitable gift annuities based on the relationship of the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

***Receivables***

Unconditional promises to give (pledges) are recorded as an asset and contribution in the period in which they are received. Conditional promises to give are recorded in the period in which conditions have been met or it is deemed that it is remote that the condition will not be met. Matching gift expectancies are not accrued as receivable but are recognized upon receipt.

Promises to give that are collectable beyond one year are recorded at fair value of their estimated future cash flows. Pledges have been adjusted for all known uncollectible amounts and no allowance for bad debts is considered necessary for the years ended June 30, 2018 and 2017.

EASTERN ILLINOIS UNIVERSITY  
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

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

***Split-Interest Agreements***

Split-interest agreements are valued at fair value at the time of donation with a corresponding liability recorded for the present value of the expected payments due to the donors or third-party beneficiary with the difference recorded as contributions in the net asset type based on the donor's restriction. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. Adjustments to reflect the present value of the estimated annuity payments and changes in actuarial assumptions are included in the Statements of Activities.

***Beneficial Interest in Split-Interest Agreements***

The Foundation is the beneficiary of certain split-interest agreements held by independent trustees. Contribution revenue is recognized at the date a trust has been established with an initial valuation based on the expected present value of the Foundation's interest in a trust's assets. Present value computations consider, among other factors, appropriate interest rates and estimated donor mortality which are assessed annually for reasonableness. Subsequent to initial valuation, changes are recognized separately in the Statements of Activities.

***Beneficial Interest in Trusts***

The Foundation recognizes beneficial interest in trusts as contribution income upon receipt based on the Foundation's share of fair value of the underlying trust assets. Under the terms of the trusts, the Foundation has the irrevocable right to receive a portion of the income earned on the trust assets in perpetuity, but never receives the assets held in the trust. Subsequent to initial contribution recognition, changes in fair value of the underlying trust assets are recognized separately in the Statements of Activities.

***Property and Equipment***

Property and equipment 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 property and equipment 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 in accordance with the capitalization policy described above. 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.

***Cash Surrender Value of Life Insurance***

Cash surrender value of life insurance represents the surrender value of insurance policies where donors have transferred ownership of the policies to the Foundation, and the Foundation is named as beneficiary. Life insurance policies are carried at net cash surrender value. Changes in value (realized and unrealized) are recorded in the Statements of Activities.

EASTERN ILLINOIS UNIVERSITY  
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

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

***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.

***Contributions and Net Assets***

Contributions are recognized at fair value in the period in which the pledges are made. Contributions received are distinguished between those that increase permanently restricted, temporarily restricted and unrestricted net assets. Temporarily restricted net assets result from donor restrictions that the contributions are to be used for restricted purposes. When the restriction has been met, the temporarily restricted net assets are released to unrestricted net assets.

Temporarily restricted contributions received in the same year in which the restriction is met are recorded as temporarily restricted contributions.

Permanently restricted net assets result from donor-imposed restrictions that the corpus be invested in perpetuity (endowment assets) and that earnings in excess of the corpus are temporarily restricted.

***Contributed Assets and Services***

Real estate and other objectively measurable assets that are available for financial support are recorded at their fair value at the date of contribution. Non-monetary assets, art objects, equipment, and various services contributed directly to Eastern Illinois University through the Foundation for direct benefit of a University department are not included in the financial statements, although donors receive recognition for such contributions.

The value of contributed services of a number of volunteers is not reflected in the financial statements since the services are not specialized services that would otherwise be purchased.

***Fair Value of Financial Instruments***

The carrying amounts of cash and cash equivalents, accounts payable and other liabilities, and funds held in trusts for others approximate fair value due to the short maturity of these financial instruments. Receivables are initially recorded at fair value using an appropriate discount rate and approximate fair value at year-end. Investments, assets held under split-interest agreements, beneficial interest in split-interest agreements, beneficial interest in trusts, and obligations under split-interest agreements are carried at fair value.

***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.

EASTERN ILLINOIS UNIVERSITY  
FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

**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.

***Accounting for Uncertain Tax Positions***

The Foundation accounts for uncertainty in income taxes in accordance with FASB ASC 740-10. FASB ASC 740-10 provides guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions when it is more likely than not the positions will be sustained upon examination of tax authorities.

The Foundation files informational returns in the U.S. federal jurisdiction and the State of Illinois. The Foundation's federal and state informational returns are subject to possible examination by the regulatory authorities until the related statutes of limitations on those information returns have expired. The Foundation is not currently under an examination by those regulatory authorities. As of June 30, 2018, the Foundation has no unrecognized tax benefits.

**2 CASH AND CASH EQUIVALENTS AND INVESTMENTS**

	2018		2017	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Cash and cash equivalents	\$ 39,377	\$ 31,073	\$ 41,570	\$ 27,306

***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of a bank failure, deposits may not be returned. The Foundation's cash and cash equivalents caption on the Statements of Financial Position total \$9,787,983 and \$8,578,231 at June 30, 2018 and 2017, respectively. This amount consists of funds held with the Illinois Funds and depository institutions. The Illinois Funds portion of this balance is \$9,756,910 and \$8,530,925 at June 30, 2018 and 2017, respectively. The Illinois Funds are pooled short-term fully collateralized money market accounts administered by the Treasurer of the State of Illinois. The portion held in depository institutions authorized by the Foundation's Board of Directors totaled \$31,073 and \$27,306 at June 30, 2018 and 2017, respectively. These deposits are fully covered by Federal Depository Insurance. In addition, funds are held in money market mutual funds in various investment accounts maintained by the Foundation. These funds are insured by the Security Investor Protection Corporation and the balances were \$1,222,378 and \$2,323,040 at June 30, 2018 and 2017 respectively.

Carrying amount of cash and cash equivalents at June 30:

	2018	2017
Unrestricted cash and cash equivalents	\$ 795,676	\$ 726,518
Restricted cash and cash equivalents	8,992,307	7,851,713
Restricted cash and cash equivalents - held in investments	1,210,974	2,311,344
Restricted cash and cash equivalents - held in split-interest agreements	11,404	11,696
	\$ 11,010,361	\$ 10,901,271

EASTERN ILLINOIS UNIVERSITY  
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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

**3 INVESTMENTS**

Investments at June 30, consisted of the following:

	2018	2017
Cash and cash equivalents (money market mutual funds)	\$ 1,222,378	\$ 2,323,040
Investments administered by Charles Schwab & Co., Inc.		
Open Ended Mutual Bond funds	9,011,423	9,079,415
Open Ended Mutual Equity funds	42,034,091	39,028,299
Corporate Equity - Student Investment	339,353	294,980
Fixed Income - Student Investment	980	1,025
Alternative Investments		
Investments administered by Corbin Pinehurst	7,669,140	7,188,934
Investments administered by Mercer	9,372,077	8,797,136
Investments administered by Neuberger Berman	1,158,786	765,438
Investments administered by Park Street Capital	555,508	737,711
Investments administered by Goldman Sachs	281,146	452,051
Investments administered by Portfolio Advisors	2,315,827	1,991,278
Investments administered by Montauk	233,486	250,159
Investments administered by Copper Rock	2,380,660	2,170,806
Common Stock	-	25,197
Life insurance cash values	135,971	131,017
Real estate	3,354,546	3,354,546
	\$ 80,065,372	\$ 76,591,032

Total investment return is comprised of the following at June 30:

	2018	2017
Interest and dividends	\$ 2,426,230	\$ 2,040,224
Investment fees	(130,675)	(126,710)
Realized investment gains	1,551,447	1,100,475
Unrealized investment gains	1,664,659	4,763,783
Net investment gain	\$ 5,511,661	\$ 7,777,772



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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

**4 ASSETS HELD AND OBLIGATIONS UNDER SPLIT-INTEREST AGREEMENTS**

Split-interest agreements are agreements where donors enter into a trust or other arrangement under which the Foundation is the beneficiary. Charitable gift annuities are agreements in which the Foundation accepts a contribution and agrees to an obligation to make periodic stipulated payments to donors or third-party beneficiaries of a specified time. Charitable lead trust are agreements in which the Foundation accepts contribution and receives all income generated by the investment during the life of the donor. Upon death of the donor, the annuity is then transferred to the beneficiary.

On an annual basis, the Foundation revalues the liability to make distributions to the designed beneficiaries based on actuarial assumptions. Adjustments to reflect the present value of the estimated annuity payments and changes in actuarial assumptions are included in the Statements of Activities. The present value of estimated future payments is calculated using an actuarial discount rate and applicable mortality tables.

Assets held under split-interest agreements consist of the following at June 30:

	2018	2017
Charitable remainder trust		
Cash and cash equivalents (money market mutual funds)	\$ 11,404	\$ 11,410
Mutual bond funds	343,618	360,866
Mutual equity funds	95,263	91,953
	450,285	464,229
Charitable gift annuities		
Cash and cash equivalents (money market mutual funds)	-	286
Mutual bond funds	88,168	93,998
Mutual equity funds	79,522	86,959
	167,690	181,243
Total assets held under split-interest agreements	\$ 617,975	\$ 645,472

**5 BENEFICIAL INTEREST IN TRUSTS**

As of June 30, 2018 and 2017, the Foundation has recorded its beneficial interest in two charitable trusts. In one of the trusts, the Foundation has a one-quarter interest in the earnings of the trust and a one-sixth interest in the earnings of the other trust.

The beneficial interest in the trust is valued at the lower of the fair market value of the underlying assets or the estimated value of the expected future cash flows. The value of these interests are \$1,306,495 and \$1,346,468 at June 30, 2018 and 2017, respectively. The trustee does not have variance power to redirect the interests in the trust to other entities. Net (decrease) increase in the value of the Beneficial Interest in Trusts totaled (\$39,973) in FY18 and \$4,623 in FY17.

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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

**6 BENEFICIAL INTEREST IN SPLIT-INTEREST AGREEMENTS**

The Foundation has been named the beneficiary of one charitable lead unitrust and three charitable remainder trusts which are managed by third parties. Under the terms of the charitable lead unitrust, the third-party trustee pays 6% of the fair market value of the trust at December 31, annually, to eight organizations, of which the Foundation receives 20.125% of this annual distribution, during the agreement's terms.

The Foundation is the beneficiary of a five percent interest of two of the charitable remainder trusts' assets. Upon the death of the survivor beneficiary, both of the charitable remainder unitrusts will mature and these assets will be distributed to the Foundation. The third charitable remainder unitrust has the Foundation listed as the sole beneficiary upon the death of the surviving beneficiary. Net decrease in the value of the split-interest agreements totaled \$8,150 for FY18 and net increase in the value of the split-interest agreements totaled \$3,323,553 for FY17.

**7 FAIR VALUE MEASUREMENTS**

The Foundation follows FASB ASC 820-10 "Fair Value Measurements," which provides a framework for measuring fair value under U.S. generally accepted accounting principles. FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. FASB ASC 820-10 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. FASB ASC 820-10 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels as described below.

- Level 1 Inputs to the valuation methodology derived from unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Other observable inputs including quoted prices for similar assets or liabilities in active or inactive markets, and inputs that are principally derived from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology which are unobservable and significant to the fair value measurements. These inputs are only used when Level 1 or Level 2 inputs are not available.

During fiscal year 2018, there were no changes in valuation techniques that would have a significant impact on the results.

EASTERN ILLINOIS UNIVERSITY  
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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

**7 FAIR VALUE MEASUREMENTS - Continued**

	<b>6/30/2018</b>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
Cash and cash equivalents (money market mutual funds)	\$ 1,210,974	\$ 1,210,974	\$ -	\$ -
Mutual bond funds	8,579,637	8,579,637	-	-
Mutual equity funds	41,859,306	41,859,306	-	-
Common stock	339,353	339,353	-	-
Corporate Bonds	980	980	-	-
Total investment by fair value level	<u>51,990,250</u>	<u>\$ 51,990,250</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Investments measured at the net asset value (NAV)</b>				
Pinehurst Institutional, Ltd.	7,669,140			
Park Street Capital Private Equity Funds VII, LP	316,238			
Park Street Natural Resources Fund IV	239,270			
Portfolio Advisors Private Equity Fund VI	758,997			
Portfolio Advisors Private Equity Fund VII	581,336			
Portfolio Advisors Private Equity Fund VIII	975,494			
Mercer Hedge Fund	8,257,957			
Mercer Private Investment Partners III	1,114,120			
Goldman Sachs & Company GS Distressed Opportunities Fund IV, L.P.	281,146			
Montauk TriGuard V	233,486			
Neuberger Berman Secondary Opportunities Fund III	305,629			
Neuberger Berman Crossroads Fund XXI	853,157			
Copper Rock International Small Cap	2,380,660			
Total investments measured at the NAV	<u>23,966,630</u>			
Total investments measured at fair value	<u>\$ 75,956,880</u>			
<b>Assets held under split-interest agreements measured at fair value</b>				
Money market mutual funds	\$ 11,404			
Mutual bond funds	431,786			
Mutual equity funds	174,785			
	<u>\$ 617,975</u>			
Beneficial Interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,306,495</u>
Beneficial interests in split-interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,180,463</u>
Obligations under split-interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (190,876)</u>

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FOR THE YEARS ENDED JUNE 30, 2018 and 2017

**7 FAIR VALUE MEASUREMENTS - Continued**

	<b>6/30/2017</b>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
Cash and cash equivalents (money market mutual funds)	\$ 2,311,344	\$ 2,311,344	\$ -	\$ -
Mutual bond funds	8,624,551	8,624,551	-	-
Mutual equity funds	38,849,387	38,849,387	-	-
Common stock	320,177	320,177	-	-
Corporate Bonds	1,025	1,025	-	-
Total investment by fair value level	<u>50,106,484</u>	<u>\$ 50,106,484</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Investments measured at the net asset value (NAV)</b>				
Pinehurst Institutional, Ltd.	7,188,934			
Park Street Capital Private Equity Funds VII, LP	448,256			
Park Street Natural Resources Fund IV	289,455			
Portfolio Advisors Private Equity Fund VI	857,142			
Portfolio Advisors Private Equity Fund VII	551,645			
Portfolio Advisors Private Equity Fund VIII	582,491			
Mercer Hedge Fund	7,854,339			
Mercer Private Investment Partners III	942,797			
Goldman Sachs & Company GS Distressed Opportunities Fund IV, L.P.	452,051			
Montauk TriGuard V	250,159			
Neuberger Berman Secondary Opportunities Fund III	312,085			
Neuberger Berman Crossroads Fund XXI	453,353			
Copper Rock International Small Cap	2,170,806			
Total investments measured at the NAV	<u>22,353,513</u>			
Total investments measured at fair value	<u>\$ 72,459,997</u>			
<b>Assets held under split-interest agreements measured at fair value</b>				
Money market mutual funds	\$ 11,696			
Mutual bond funds	454,864			
Mutual equity funds	178,912			
	<u>\$ 645,472</u>			
Beneficial Interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,346,468</u>
Beneficial interests in split-interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,188,613</u>
Obligations under split-interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (204,533)</u>

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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

**7 FAIR VALUE MEASUREMENTS - Continued**

In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Statements of Financial Position.

The following table represents a reconciliation of all Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended June 30, 2018 and 2017:

	Beneficial Interest in Trusts	Beneficial Interests in Split-Interest Agreements	Obligation Under Split-Interest Agreements
Balance as of June 30, 2016	\$ 1,341,845	\$ 865,060	\$ (218,987)
Investment income	-	2,162	-
Net appreciation	70,250	(23,204)	(20,897)
Contributions	-	3,344,595	-
Payments to beneficiaries	<u>(65,627)</u>	<u>-</u>	<u>35,351</u>
Balance as of June 30, 2017	1,346,468	4,188,613	(204,533)
Investment income	-	10,392	-
Net appreciation	24,141	809,386	(21,312)
Contributions	-	67,048	-
Payments to beneficiaries	<u>(64,114)</u>	<u>(894,976)</u>	<u>34,969</u>
Balance as of June 30, 2018	<u>\$ 1,306,495</u>	<u>\$ 4,180,463</u>	<u>\$ (190,876)</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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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

**7 FAIR VALUE MEASUREMENTS - Continued**

Category	Fair Value		Unfunded Commitments	Termination Date of Fund
	2018	2017		
Park Street Capital Private Equity Funds VII, LP	\$ 316,238	\$ 448,256	\$ 20,000	4/14/2018 to 4/14/2019
Park Street Natural Resources Fund IV	239,270	289,455	13,750	9/30/2024
Portfolio Advisors Private Equity Fund VI	758,997	857,142	432,364	7/30/2022 to 7/30/2024
Portfolio Advisors Private Equity Fund VII	581,336	551,645	262,018	4/18/2024 to 4/15/2026
Portfolio Advisors Private Equity Fund VIII	975,494	582,491	635,580	10/15/2028
Mercer Private Investment Partners III	1,114,120	942,797	340,000	7/10/2027
Goldman Sachs & Company GS Distressed Opportunities Fund IV, L.P.	281,146	452,051	458,729	5/15/2008
Montauk TriGuard V	233,486	250,159	210,000	7/1/2023 to 7/1/2025
Neuberger Berman Secondary Opportunities Fund III	305,629	312,085	183,140	1/5/2022
Neuberger Berman Crossroads Fund XXI	853,157	453,353	750,000	10/23/2025 to 10/23/2027
	<u>\$ 5,658,873</u>	<u>\$ 5,139,434</u>	<u>\$ 3,305,581</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
	2018	2017			
Pinehurst Institutional, Ltd.	\$ 7,669,140	\$ 7,188,934	\$ -	25% Quarterly	100 days
Mercer Hedge Fund	8,257,957	7,854,339	-	Quarterly	100 days
Copper Rock International Small Cap	2,380,660	2,170,806	-	Daily	1 day
	<u>\$ 18,307,757</u>	<u>\$ 17,214,079</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.

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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

**7 FAIR VALUE MEASUREMENTS - Continued**

**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.

**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. A redemption request was submitted in November 2018 to redeem 100% of Eastern Illinois University Foundation's interest in this investment.

**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. A redemption request was submitted in November 2018 to redeem 100% of Eastern Illinois University Foundation's interest in this investment.

**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.

**8 INVESTMENTS IN REAL ESTATE**

Gifts of real property received by the Foundation are valued and recorded based on the current fair value on the date received. Values are determined from publications, appraisals and other sources that assist in establishing a fair value.

Investments in real estate consist of the following at June 30:

	2018	2017
Land held for restricted purposes	\$ 45,546	\$ 45,546
Land held in endowments	3,309,000	3,309,000
	<u>\$ 3,354,546</u>	<u>\$ 3,354,546</u>

EASTERN ILLINOIS UNIVERSITY  
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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

**9 PLEDGES RECEIVABLE**

Unconditional pledges receivable consists of the following at June 30:

	2018	2017
Gross unconditional pledges receivable	\$ 201,353	\$ 455,432
Less: unamortized discount	(8,335)	(19,963)
Net unconditional pledges receivable	\$ 193,018	\$ 435,469
Amounts due in:		
Less than one year	\$ 167,074	\$ 337,755
One to five years	25,944	93,301
More than five years	-	4,413
	\$ 193,018	\$ 435,469

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 \$22,553 and \$73,159 were determined to be uncollectible and written off during the fiscal years ended June 30, 2018 and 2017, respectively.

**10 PROPERTY AND EQUIPMENT**

Property and equipment activity for the year ended June 30, 2018 was as follows:

	6/30/2017	Additions	Deletions	6/30/2018
Land	\$ 695,930	\$ -	\$ -	\$ 695,930
Buildings and improvements	1,432,145	-	-	1,432,145
Less accumulated depreciation	(428,146)	(28,643)	-	(456,789)
Land and equipment, net	\$ 1,699,929	\$ (28,643)	\$ -	\$ 1,671,286

Property and equipment activity for the year ended June 30, 2017 was as follows:

	6/30/2016	Additions	Deletions	6/30/2017
Land	\$ 695,930	\$ -	\$ -	\$ 695,930
Buildings and improvements	1,432,145	-	-	1,432,145
Less accumulated depreciation	(399,503)	(28,643)	-	(428,146)
Land and equipment, net	\$ 1,728,572	\$ (28,643)	\$ -	\$ 1,699,929

Depreciation expense was \$28,643 for the years ended June 30, 2018 and 2017, respectively.



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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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**11 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 in either the form of money or its equivalent in services or resources.

During the years ended June 30, 2018 and 2017, the Foundation provided the University \$2,596,055 and \$2,612,155, respectively, of cash, services and resources, unrestricted or restricted only as to department, which were generally for on-going operations of the University. Also, the Foundation provided the University restricted scholarships, grants and awards of \$1,069,632 and \$1,224,954 during the years ended June 30, 2018 and 2017, respectively. In addition, the Foundation provided use of its facilities at no charge to the University for both years. The value of the facilities were \$43,218 and \$49,464 for the years ended June 30, 2018 and 2017, respectively. The value of the facilities are not reflected in the financial statements.

The University provided in-kind support in the form of personnel and office space valued at \$394,539 and \$405,595 for the years ended June 30, 2018 and 2017, respectively. This information is shown as revenue under the caption of "Service contract with the University, and expenses are allocated between "Program Services" and "Management and General" captions on the Statement of Activities. Also, the Foundation received \$18,994 and \$25,012 for the years ended June 30, 2018 and 2017, respectively, in gifts from the University's restricted gift accounts with donor's consent.

**12 H. OGDEN BRAINARD RESIDUARY TRUST**

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 holds no variance power to change the beneficiaries of the trust and holds a one-sixth interest in the Trust.

The Foundation has recorded its interest in this trust at the lower of the underlying fair value of the assets or the estimated value of the expected future cash flows of the trust. Their interest was recorded in the Beneficial Interest in Trusts classification on the Statements of Net Position and totaled \$241,164 and \$259,776 at June 30, 2018 and 2017, respectively. The Foundation's interest is held in permanently restricted net assets on the Statements of Financial Position. The Foundation's share of income was \$9,647 for 2018 and \$10,391 for 2017.

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FOR THE YEARS ENDED JUNE 30, 2018 and 2017

**13 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.

**14 NET ASSETS**

**Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at June 30, 2018 and 2017:

	2018	2017
Scholarship	\$ 14,828,280	\$ 13,278,190
Academic and research support	14,392,437	13,798,536
Capital Projects	2,486,238	3,462,453
Other, EIU, and Community Programs	4,412,987	2,943,016
Total	\$ 36,119,942	\$ 33,482,195

**Permanently Restricted Net Assets**

Permanently restricted net assets are restricted to the following investments in perpetuity. The income from these restricted net assets is expendable to support:

	2018	2017
Scholarship	\$ 29,481,207	\$ 28,765,342
Academic and research support	7,844,384	7,788,798
Capital Projects	98,954	73,626
Other, EIU, and Community Programs	19,458,296	19,479,050
Total	\$ 56,882,841	\$ 56,106,816

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the other events specified by donors.

**15 ENDOWMENT FUNDS**

The Foundation's endowment consists of approximately 675 individual funds established for a variety of purposes. The endowment includes donor-restricted and board designated endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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FOR THE YEARS ENDED JUNE 30, 2018 and 2017

**15 ENDOWMENT FUNDS - Continued**

The remaining portion of the donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of
6. Other resources of the institution
7. Investment policies of the Foundation

Endowment net assets as of June 30 were as follows:

<u>2018</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted permanent endowment funds	\$ -	\$ 22,104,879	\$ 51,202,973	\$ 73,307,852
Donor-restricted permanent quasi-endowment funds	-	1,574,395	-	1,574,395
Board designated quasi-endowment funds	457,907	-	-	457,907
	<u>\$ 457,907</u>	<u>\$ 23,679,274</u>	<u>\$ 51,202,973</u>	<u>\$ 75,340,154</u>
<u>2017</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted permanent endowment funds	\$ -	\$ 19,305,293	\$ 50,318,477	\$ 69,623,770
Donor-restricted permanent quasi-endowment funds	-	1,569,303	-	1,569,303
Board designated quasi-endowment funds	440,824	-	-	440,824
	<u>\$ 440,824</u>	<u>\$ 20,874,596</u>	<u>\$ 50,318,477</u>	<u>\$ 71,633,897</u>

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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

**15 ENDOWMENT FUNDS - Continued**

Changes in endowment, not total, net assets for the fiscal years ended June 30, 2018 and 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment investments at June 30, 2016	\$ 125,023	\$ 15,676,186	\$ 48,775,943	\$ 64,577,152
Investment income	4,646	1,782,769	-	1,787,415
Net appreciation	6,324	4,022,925	-	4,029,249
Contributions	307,579	19,850	1,017,011	1,344,440
Appropriations of endowment assets for expenditure	(2,748)	(452,668)	-	(455,416)
Other additions (reductions)	-	(174,466)	525,523	351,057
Endowment investments at June 30, 2017	440,824	20,874,596	50,318,477	71,633,897
Investment income	13,198	2,134,629	-	2,147,827
Net appreciation	6,641	1,105,742	-	1,112,383
Contributions	3,253	69,355	629,732	702,340
Appropriations of endowment assets for expenditure	(6,440)	(504,617)	-	(511,057)
Other additions (reductions)			254,764	254,764
Reclassification of net assets for funds with deficiencies	431	(431)	-	-
Endowment investments at June 30, 2018	<u>\$ 457,907</u>	<u>\$ 23,679,274</u>	<u>\$ 51,202,973</u>	<u>\$ 75,340,154</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to the donor stipulation or UPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and aggregated \$0 and \$431 as of June 30, 2018 and 2017, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new permanently restricted contributions and continued appropriation for certain purposes that was deemed prudent by the Foundation Board of Directors.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Foundation's policies, endowment assets are invested in a manner that is intended to produce results that seek an average total return of spending net of inflation and administrative cost. The Foundation expects its endowment funds to provide an average rate of return of approximately 7.2% annually over time. Actual returns in any given year may vary from this amount.

EASTERN ILLINOIS UNIVERSITY  
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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

**15 ENDOWMENT FUNDS - Continued**

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation's board of directors has adopted a hybrid approach spending policy to determine the spending distribution. This approach takes into consideration the duration and preservation of the endowments, purpose of the endowment funds, general economic conditions, the possible effect of inflation or deflation, expected total return from income and investment policy.

The spending distribution calculation is based upon 4.25% spending rate policy of a trailing twelve quarter average market value for the last audited figures.

**16 ADMINISTRATIVE FEES**

The Foundation receives a fee of .75% on endowment funds which is distributed annually on July 1, by using the fair value of the pool as of the prior June 30. The fee was \$484,254 and \$470,842 for the years ended June 30, 2018 and 2017, respectively.

**17 CHANGE IN ACCOUNTING STANDARDS**

The Foundation determined that it met the criteria to report its statements of financial position, of activities and of changes in net assets, and cash flows on the basis of financial accounting standards. As a result, on July 1, 2016, net assets were converted to Financial Accounting Standards from Governmental Accounting Standards; this conversion included the following adjustments to net assets:

Net assets previously reported as of June 30, 2016:	\$ 83,483,861
Beneficial interest in split-interest agreements and trusts	2,206,906
Reduction of land held in endowments to cost	<u>(2,851,000)</u>
Net assets as adjusted, June 30, 2016	<u>\$ 82,839,767</u>

**18 FUTURE FINANCIAL STATEMENT PRESENTATION CHANGES**

The Financial Accounting Standards Board has issued Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities* (amends ASC Topic 958), which will be implemented for the fiscal year ending June 30, 2019.

EASTERN ILLINOIS UNIVERSITY  
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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

**18 FUTURE FINANCIAL STATEMENT PRESENTATION CHANGES - Continued**

This revised standard requires a Not-For-Profit Entity to present on the face of the Statement of Financial Position and Statement of Activities, amounts for two classes of net assets, net assets with donor restrictions and net assets without donor restrictions, rather than the current three classes required. This update also adds a disclosure about the organization's liquidity in qualitative and quantitative factors. In addition, this standard requires disclosure on the methods used to allocate costs among program and support functions.

**19 SUBSEQUENT EVENTS**

Management has considered subsequent events occurring through the date of the Independent Auditor's Report which is the date these financial statements were available to be issued. Management believes no such events require any additional disclosures.