

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

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018



CLAconnect.com

WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING

EASTERN ILLINOIS UNIVERSITY FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

TABLE OF CONTENTS

	<u>Page</u>
Auditors Reports	
Independent Auditors' Report	1-2
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Accounting Standards</i>	3-4
Financial Statements:	
Statements of Financial Position	5
Statements of Activities	6
Statements of Functional Expenses	7
Statements of Cash Flows	8
Notes to Financial Statements	9-28



INDEPENDENT AUDITORS' 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, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audit 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 auditors' 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

Accounting Standards Update

As noted in Note 18 to the financial statements, Eastern Illinois University Foundation adopted the Financial Accounting Standards Board Accounting Standards Update 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters

Prior Period Financial Statements

The 2018 financial statements of Eastern Illinois University Foundation were audited by other auditors whose report dated March 6, 2019, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019, on our consideration of Eastern Illinois University 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 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 Eastern Illinois University 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 Eastern Illinois University Foundation's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Peoria, Illinois
December 5, 2019



INDEPENDENT AUDITORS' 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 which comprise the statement of financial position as of June 30, 2019, 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 December 5, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Peoria, Illinois
December 5, 2019

EASTERN ILLINOIS UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 9,183,229	\$ 9,787,983
Other receivables	20,097	19,793
Grain inventory	32,111	14,701
Prepaid expenses	13,314	10,932
Pledges receivable	201,059	193,018
Investments	75,102,313	75,956,880
Investment in real estate	3,354,546	3,354,546
Assets held under split-interest agreements	273,687	617,975
Beneficial interest in split-interest agreements	3,928,859	4,180,463
Beneficial interest in trusts	1,298,046	1,306,495
Property and equipment, net	1,642,643	1,671,286
Cash surrender value of life insurance	179,434	135,971
	<u>\$ 95,229,338</u>	<u>\$ 97,250,043</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable and other liabilities	\$ 95,799	\$ 53,609
Deferred revenue	75	2,000
Obligations under split-interest agreements	124,074	190,876
	<u>219,948</u>	<u>246,485</u>
 Net assets		
Without donor restrictions	4,311,024	4,000,775
With donor restrictions	90,698,366	93,002,783
	<u>95,009,390</u>	<u>97,003,558</u>
Total net assets	<u>95,009,390</u>	<u>97,003,558</u>
Total liabilities and net assets	<u>\$ 95,229,338</u>	<u>\$ 97,250,043</u>

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

EASTERN ILLINOIS UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	Year ended June 30, 2019			Year ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and reclassifications:						
Contributions	\$ 37,031	\$ 2,596,942	\$ 2,633,973	\$ 4,529	\$ 2,779,866	\$ 2,784,395
Special events	-	51,137	51,137	-	24,444	24,444
Investment income, net of fees	81,959	2,458,886	2,540,845	77,165	2,218,390	2,295,555
Realized gains	-	4,671,603	4,671,603	-	1,551,447	1,551,447
Unrealized gains (losses)	(13,221)	(6,822,365)	(6,835,586)	19,839	1,644,820	1,664,659
Change in value of split interest agreements	-	(254,344)	(254,344)	-	98,074	98,074
Service contract with University	222,297	-	222,297	394,539	-	394,539
Other operating revenue	56,820	50,551	107,371	51,031	56,103	107,134
	384,886	2,752,410	3,137,296	547,103	8,373,144	8,920,247
Net assets released from restrictions	5,056,827	(5,056,827)	-	4,959,372	(4,959,372)	-
Total revenues, gains and reclassifications	5,441,713	(2,304,417)	3,137,296	5,506,475	3,413,772	8,920,247
Expenses:						
Program services	4,494,951	-	4,494,951	3,727,721	-	3,727,721
Management and general	600,879	-	600,879	716,221	-	716,221
Fundraising	35,634	-	35,634	45,944	-	45,944
Total expenses	5,131,464	-	5,131,464	4,489,886	-	4,489,886
Change in net assets	310,249	(2,304,417)	(1,994,168)	1,016,589	3,413,772	4,430,361
Net assets, beginning of year	4,000,775	93,002,783	97,003,558	2,984,186	89,589,011	92,573,197
Net assets, end of year	\$ 4,311,024	\$ 90,698,366	\$ 95,009,390	\$ 4,000,775	\$ 93,002,783	\$ 97,003,558

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, 2019 AND 2018

	Year ended June 30, 2019				Year ended June 30, 2018			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Scholarship awards	\$ 1,189,969	\$ -	\$ -	\$ 1,189,969	\$ 1,069,632	\$ -	\$ -	\$ 1,069,632
Personnel services	24,046	378,349	25,431	427,826	34,604	535,024	30,174	599,802
Occupancy	6,103	39,327	1,489	46,919	7,367	47,069	1,797	56,233
Professional fees	-	66,982	-	66,982	250	43,191	-	43,441
Software licensing and maintenance	35,320	-	-	35,320	-	-	-	-
Telephone expense	-	10,642	7,386	18,028	-	12,827	6,377	19,204
Supplies	-	13,965	-	13,965	13	5,940	-	5,953
Postage	-	5,448	762	6,210	-	7,769	6,911	14,680
Printing	-	10,580	-	10,580	1,304	8,633	-	9,937
Dues, subscriptions and promotions	-	9,911	-	9,911	-	4,953	-	4,953
Meetings and receptions	2,068	21,510	-	23,578	1,898	20,808	-	22,706
Insurance	600	17,664	146	18,410	777	17,680	190	18,647
Grants to University	2,657,123	-	-	2,657,123	2,596,055	-	-	2,596,055
Distribution per court order	578,000	-	-	578,000	-	-	-	-
Depreciation	1,722	26,501	420	28,643	15,821	12,327	495	28,643
Total functional expenses	\$ 4,494,951	\$ 600,879	\$ 35,634	\$ 5,131,464	\$ 3,727,721	\$ 716,221	\$ 45,944	\$ 4,489,886
Functional expense percentage	87.6%	11.7%	0.7%	100.0%	83.0%	16.0%	1.0%	100.0%

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

EASTERN ILLINOIS UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Contributions, gifts, and pledges	\$ 1,718,768	\$ 2,388,835
Special events	51,137	24,444
Payments of scholarships and grants/awards to others	(1,181,447)	(1,112,359)
Payments to suppliers, vendors, and others	(1,002,146)	(403,281)
Grants to the University	(2,657,123)	(2,596,055)
Other receipts	107,371	107,134
Net cash used by operating activities	<u>(2,963,440)</u>	<u>(1,591,282)</u>
Cash flows from financing activities		
Private gifts for endowment purposes	959,568	565,620
Payments to annuitants	(340,713)	(34,969)
Net cash provided by financing activities	<u>618,855</u>	<u>530,651</u>
Cash flows from investing activities		
Proceeds from the sale of investments	2,757,021	2,811,444
Earnings on investments, net of investment expense	1,980,008	2,547,793
Purchase of investments, including reinvested income	(2,997,198)	(3,088,854)
Net cash provided by investing activities	<u>1,739,831</u>	<u>2,270,383</u>
Net increase (decrease) in cash and cash equivalents	(604,754)	1,209,752
Cash and cash equivalents, beginning of year	<u>9,787,983</u>	<u>8,578,231</u>
Cash and cash equivalents, end of year	<u>\$ 9,183,229</u>	<u>\$ 9,787,983</u>
Reconciliation of change in net assets to net cash used by operating activities		
Change in net assets	\$ (1,994,168)	\$ 4,430,361
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	28,643	28,643
Change in split interest receivable	54,633	(54,654)
Investment income (net of fees)	(2,540,845)	(2,295,555)
Realized (gain) on sale of investments	(4,671,603)	(1,551,447)
Unrealized (gain) loss	6,835,586	(1,664,659)
Change in split interest agreements	254,344	(98,074)
Private gifts for endowment purposes	(959,568)	(565,620)
Change in assets and liabilities:		
(Increase) decrease in other receivables	(304)	(19,737)
(Increase) decrease in pledges receivable	(8,041)	242,451
(Increase) decrease in prepaid expense	(2,382)	(8,293)
Increase (decrease) in accounts payable	42,190	(36,698)
Increase (decrease) in deferred revenue	(1,925)	2,000
Net cash used by operating activities	<u>\$ (2,963,440)</u>	<u>\$ (1,591,282)</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, 2019 AND 2018

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 accounting principles generally accepted in the United States of America.

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 two classes of net assets: without donor restrictions and with donor restrictions. Net assets with donor restrictions can be temporary in nature, which includes contributed net assets for which donor imposed time and/or purpose restrictions have not been met. Other donor-imposed restrictions are permanent in nature, which includes contributed net assets which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

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, 2019 AND 2018

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, 2019 and 2018.

EASTERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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 beneficiaries 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. 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.

Impairment of Long-Lived Assets

The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair market value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

EASTERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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 net assets with donor restrictions and without donor restrictions. Net assets with donor restrictions result from donor restrictions that the contributions are to be used for restricted purposes. When the restriction has been met, the net assets with donor restrictions are released to net assets without donor restrictions.

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 Eastern Illinois 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 and accounts payable and other liabilities 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, 2019 AND 2018

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, which provides guidance for the financial statement recognition, measurement, and disclosure of uncertain tax positions when it is more likely than not that 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, 2019, the Foundation has no unrecognized tax benefits.

Functional Expense Allocation

The financial statements report certain categories of expenses that are attributable to program or supporting functions of the Foundation. The Foundation uses a percentage of time spent on the direct conduct or supervision of programs that fulfill the Foundation's mission compared to the time spent on administrative duties to allocate salaries. Depreciation and insurance expenses are allocated based on the percentage of the employee's time spent on the direct conduct or supervision of program services. All other program and supporting service allocations are determined by management on an equitable basis.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

2 CONCENTRATION OF 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 on the statements of financial position total \$9,183,229 and \$9,797,983 at June 30, 2019 and 2018, respectively. The cash deposits are held with Eastern Illinois University, with the majority of the cash balances being held with The Illinois Funds. Investments in The Illinois Funds, a money market pool created by the Illinois State Legislature under the control of the Illinois State Treasurer, is reported at \$1 per share value, which equals the Foundation's fair value of the pool.

Carrying amount of cash and cash equivalents at June 30:

	2019	2018
Unrestricted cash and cash equivalents	\$ 809,884	\$ 795,676
Restricted cash and cash equivalents	8,373,345	8,992,307
	\$ 9,183,229	\$ 9,787,983

EASTERN ILLINOIS UNIVERSITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

3 INVESTMENTS

Investments at June 30, consisted of the following:

	2019	2018
Cash and cash equivalents (money market mutual funds)	\$ 1,169,252	\$ 1,222,378
Investments administered by Charles Schwab & Co., Inc.		
Open Ended Mutual Bond funds	10,411,451	9,011,423
Open Ended Mutual Equity funds	22,814,584	42,034,091
Corporate Equity - Student Investment	316,234	339,353
Fixed Income - Student Investment	990	980
Alternative Investments		
Investments administered by Corbin Pinehurst	4,040,752	7,669,140
Investments administered by Mercer	1,102,194	9,372,077
Investments administered by Neuberger Berman	1,555,150	1,158,786
Investments administered by Park Street Capital	431,417	555,508
Investments administered by Goldman Sachs	192,420	281,146
Investments administered by Portfolio Advisors	2,492,450	2,315,827
Investments administered by Montauk	186,517	233,486
Investments administered by Copper Rock	-	2,380,660
Investments administered by Harvest	1,456,483	-
Investments administered by RWC Emerging Markets	4,447,250	-
Investments administered by ABS	3,473,354	-
Investments administered by BlackRock	4,169,852	-
Investments administered by Evanston	4,262,467	-
Investments administered by FEG Select	12,853,183	-
Cash surrender value of life insurance	179,434	135,971
Investment in real estate	3,354,546	3,354,546
Beneficial interest in split-interest agreements	3,928,859	4,180,463
Beneficial interest in trusts	1,298,046	1,306,495
	<u>\$ 84,136,885</u>	<u>\$ 85,552,330</u>

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

	2019	2018
Interest and dividends	\$ 2,694,142	\$ 2,426,230
Investment fees	(153,297)	(130,675)
Realized investment gains	4,671,603	1,551,447
Unrealized investment gains (losses)	(6,835,586)	1,664,659
Net investment gain	<u>\$ 376,862</u>	<u>\$ 5,511,661</u>

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.

EASTERN ILLINOIS UNIVERSITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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

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:

	2019	2018
Charitable remainder trust		
Cash and cash equivalents (money market mutual funds)	\$ 221	\$ 11,404
Mutual bond funds	40,296	343,618
Mutual equity funds	75,471	95,263
	115,988	450,285
Charitable gift annuities		
Cash and cash equivalents (money market mutual funds)	5	-
Mutual bond funds	82,574	88,168
Mutual equity funds	75,120	79,522
	157,699	167,690
Total assets held under split-interest agreements	\$ 273,687	\$ 617,975

5 BENEFICIAL INTEREST IN TRUSTS

As of June 30, 2019 and 2018, 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 the Foundation has a one-sixth interest in the earnings of the other trust.

The beneficial interest in the trusts is valued at the lower of the fair value of the underlying assets or the estimated value of the expected future cash flows. The value of these interests are \$1,298,046 and \$1,306,495 at June 30, 2019 and 2018, respectively. The trustee does not have variance power to redirect the interest in the trust to other entities. The net decrease in the value of the beneficial interest in trust totaled (\$8,449) and (\$39,973) for the years ended June 30, 2019 and 2018, respectively.

EASTERN ILLINOIS UNIVERSITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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 5% interest of two of the charitable remainder trusts' assets. The value of these interest are \$3,928,859 and \$4,180,463 at June 30, 2019 and 2018, respectively. 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. The net increase (decrease) in the value of the split-interest agreements totaled (\$251,604) and \$8,150 for the years ended June 30, 2019 and 2018, respectively.

7 FAIR VALUE MEASUREMENTS

The Foundation follows FASB ASC 820-10 "Fair Value Measurements," which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America. 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 years 2019 and 2018, there were no changes in valuation techniques that would have a significant impact on the results.

EASTERN ILLINOIS UNIVERSITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

7 FAIR VALUE MEASUREMENTS - Continued

	June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Money market mutual funds	\$ 1,169,026	\$ 1,169,026	\$ -	\$ -
Mutual bond funds	10,288,581	10,288,581	-	-
Mutual equity funds	22,663,993	22,663,993	-	-
Common stocks	316,234	316,234	-	-
Corporate bonds	990	990	-	-
Total investments by fair value level	<u>34,438,824</u>	<u>\$ 34,438,824</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Pinehurst Institutional, Ltd.	4,040,752			
Park Street Capital Private Equity Funds VII, LP	245,607			
Park Street Natural Resources Fund IV	185,810			
Portfolio Advisors Private Equity Fund VI	647,058			
Portfolio Advisors Private Equity Fund VII	584,803			
Portfolio Advisors Private Equity Fund VIII	1,260,589			
Mercer Private Investment Partners III	1,102,194			
Goldman Sachs & Company GS Distressed Opportunities Fund IV, L.P.	192,420			
Montauk TriGuard V	186,517			
Neuberger Berman Secondary Opportunities Fund III	275,116			
Neuberger Berman Crossroads Fund XXI	1,280,034			
PIMCO RAE International Equity (FEG Select)	5,249,595			
PIMCO RAE US Equity (FEG Select)	7,603,588			
Harvest MLP Income Fund II	1,456,483			
RWC Emerging Markets	4,447,250			
ABS Offshore SPC Global	3,473,354			
BlackRock Appreciation Fund IV	4,169,852			
Evanston Weatherlow Offshore Fund, Ltd Class IA	4,262,467			
Total investments measured at the NAV	<u>40,663,489</u>			
Total investments	<u>\$ 75,102,313</u>			
Assets held under split-interest agreements measured at fair value				
Money market mutual funds	\$ 226			
Mutual bond funds	122,870			
Mutual equity funds	150,591			
	<u>\$ 273,687</u>			
Beneficial interests in trusts	\$ -	\$ -	\$ -	\$ 1,298,046
Beneficial interests in split-interest agreements	\$ -	\$ -	\$ -	\$ 3,928,859
Obligations under split-interest agreements	\$ -	\$ -	\$ -	\$ (124,074)

EASTERN ILLINOIS UNIVERSITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

7 FAIR VALUE MEASUREMENTS - Continued

Investments by fair value level	June 30, 2018	Quoted Prices in		
		Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
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 stocks	339,353	339,353	-	-
Corporate bonds	980	980	-	-
Total investments by fair value level	<u>51,990,250</u>	<u>\$ 51,990,250</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
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	<u>\$ 75,956,880</u>			
Assets held under split-interest agreements measured at fair value				
Money market mutual funds	\$ 11,404			
Mutual equity funds	606,571			
	<u>\$ 617,975</u>			
Beneficial interests in trusts	\$ -	\$ -	\$ -	\$ 1,306,495
Beneficial interests in split-interest agreements	\$ -	\$ -	\$ -	\$ 4,180,463
Obligations under split-interest agreements	\$ -	\$ -	\$ -	\$ (190,876)

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.

EASTERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

7 FAIR VALUE MEASUREMENTS - Continued

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, 2019 and 2018:

	Beneficial Interest in Trusts	Beneficial Interests in Split-Interest Agreements	Obligations Under Split-Interest Agreements
Balance as of June 30, 2017	\$ 1,346,468	\$ 4,188,613	\$ (204,533)
Investment income	-	10,392	-
Net appreciation	24,141	822,734	(21,312)
Contributions	-	67,048	-
Payments to beneficiaries	(64,114)	(908,324)	34,969
Balance as of June 30, 2018	1,306,495	4,180,463	(190,876)
Investment income	52,451	12,466	-
Net appreciation	(27,507)	(14,818)	7,130
Contributions	30,752	10,993	-
Payments to beneficiaries	(64,145)	(260,245)	59,672
Balance as of June 30, 2019	<u>\$ 1,298,046</u>	<u>\$ 3,928,859</u>	<u>\$ (124,074)</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.

EASTERN ILLINOIS UNIVERSITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

7 FAIR VALUE MEASUREMENTS - Continued

Category	Fair Value		Unfunded Commitments	Termination Date of Fund
	2019	2018		
Park Street Capital Private Equity Funds VII, LP	\$ 245,607	\$ 316,238	\$ 20,000	4/14/2018 to 4/14/2019
Park Street Natural Resources Fund IV	185,810	239,270	13,750	9/30/2024
Portfolio Advisors Private Equity Fund VI	647,058	758,997	251,114	7/30/2022 to 7/30/2024
Portfolio Advisors Private Equity Fund VII	584,803	581,336	262,018	4/18/2024 to 4/15/2026
Portfolio Advisors Private Equity Fund VIII	1,260,589	975,494	489,689	10/15/2026 to 10/15/2028
Mercer Private Investment Partners III	1,102,194	1,114,120	317,500	7/10/2027
Goldman Sachs & Company GS Distressed Opportunities Fund IV, L.P.	192,420	281,146	469,299	5/15/2018 to 7/1/2023
Montauk TriGuard V	186,517	233,486	172,500	7/1/2025
Neuberger Berman Secondary Opportunities Fund III	275,116	305,629	158,118	1/5/2022 to 10/23/2025
Neuberger Berman Crossroads Fund XXI	1,280,034	853,157	495,000	10/23/2027
Accolade Partners VII, L.P.	-	-	1,000,000	5/21/2029 to 3/31/2029
Falcon Private Credit Partners VI, L.P.	-	-	1,000,000	3/31/2032
	<u>\$ 5,960,148</u>	<u>\$ 5,658,873</u>	<u>\$ 4,648,988</u>	

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

	Fair Value		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	2019	2018			
PIMCO RAE International Equity (FEG Select)	\$ 5,249,595	\$ -	\$ -	Daily	5 days
PIMCO RAE US Equity (FEG Select)	7,603,588	-	-	Daily	5 days
Harvest MLP Income Fund II	1,456,483	-	-	Monthly	5 days
RWC Emerging Markets	4,447,250	-	-	Quarterly	45 days
ABS Offshore SPC Global (G)	3,473,354	-	-	Quarterly	45 days
BlackRock Appreciation Fund IV	4,169,852	-	-	Monthly	0 days
Evanston Weatherlow Offshore Funds, Ltd Class IA	4,262,467	-	-	Quarterly	65 days
Pinehurst Institutional, Ltd.	4,040,752	7,669,140	-	25 % Quarterly	100 days
Mercer Hedge Fund	-	8,257,957	-	Full 12/31	100 days
Copper Rock International Small Cap	-	2,380,660	-	Quarterly	100 days
	<u>\$ 34,703,341</u>	<u>\$ 18,307,757</u>	<u>\$ -</u>	Daily	1 day

EASTERN ILLINOIS UNIVERSITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

7 FAIR VALUE MEASUREMENTS - Continued

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.

Goldman Sachs & Company GS Distressed Opportunities Fund IV, L.P. - 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 the 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 the 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. A redemption request was submitted in January 2019 to redeem 100% of the Foundation's Interest in this investment.

Accolade Partners VII, L.P. - a fund that primarily invests in information technology and healthcare industries.

Falcon Private Credit Opportunities VI, L.P. (Fund VI) - a fund of funds invests opportunistically across a wide variety of industry sectors and transaction types with both private equity sponsored and non-sponsored companies with an emphasis on non-sponsored.

FEG Select (PIMCO RAE International Equity) - this is a smart beta fund that focuses exclusively on long only international developed based equities.

FEG Select (PIMCO RAE US Equity) - this is a smart beta fund that focuses exclusively on long only U.S. based equities.

EASTERN ILLINOIS UNIVERSITY FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
 FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

7 FAIR VALUE MEASUREMENTS - Continued

Harvest MLP Income Fund II - the fund is focused on managing portfolios of publicly-traded midstream energy securities.

RWC Emerging Markets - an opportunistic global emerging markets fund that pursues capital appreciation with a focus on emerging and frontier markets.

ABS Offshore SPC Global - the fund specializes in investing in equity long/short strategies with hedge fund managers located in the United States, as well as managers domiciled outside of the United States.

BlackRock Appreciation Fund IV - the fund is a diversifying strategies HFOF that targets a long-term commensurate with that of equities, but with roughly half the volatility and a low equity market beta.

Evanston Weatherlow Offshore Funds, Ltd Class AI - the fund focuses on investing in long term and short term equity investments as well as event driven, relative value, and global macro strategies.

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:

	2019	2018
Land held for restricted purposes	\$ 45,546	\$ 45,546
Land held in endowments	3,309,000	3,309,000
	\$ 3,354,546	\$ 3,354,546

9 LIQUIDITY

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions which are used for program funding needs. The Foundation has \$11,047,063 of financial assets available within one year of the statement of financial position date. Of this balance, \$9,772,097 of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The Foundation invests cash in excess of daily requirements in various investments.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing and major to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses, and grants to Eastern Illinois University commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

EASTERN ILLINOIS UNIVERSITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

9 LIQUIDITY - Continued

The Foundation's financial assets available within one year of the statement of financial position date are as follows at June 30, 2019:

Cash and cash equivalents	\$ 9,183,229
Accounts receivable, current portion	119,564
Short-term investments	1,744,270
	<u>\$ 11,047,063</u>

10 PLEDGES RECEIVABLE

Unconditional pledges receivable consists of the following at June 30:

	2019	2018
Gross unconditional pledges receivable	\$ 214,100	\$ 201,353
Less: unamortized discount	(13,041)	(8,335)
Net unconditional pledges receivable	<u>\$ 201,059</u>	<u>\$ 193,018</u>
Amounts due in:		
Less than one year	\$ 99,467	\$ 167,074
One to five years	101,592	25,944
	<u>\$ 201,059</u>	<u>\$ 193,018</u>

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 \$53,451 and \$22,553 were determined to be uncollectible and written off during the fiscal years ended June 30, 2019 and 2018, respectively.

11 PROPERTY AND EQUIPMENT

Property and equipment activity for the year ended June 30, 2019 was as follows:

	June 30, 2018	Additions	Deletions	June 30, 2019
Land	\$ 695,930	\$ -	\$ -	\$ 695,930
Buildings and improvements	1,432,145	-	-	1,432,145
Less accumulated depreciation	(456,789)	(28,643)	-	(485,432)
Property and equipment, net	<u>\$ 1,671,286</u>	<u>\$ (28,643)</u>	<u>\$ -</u>	<u>\$ 1,642,643</u>

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

	June 30, 2017	Additions	Deletions	June 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)
Property and equipment, net	<u>\$ 1,699,929</u>	<u>\$ (28,643)</u>	<u>\$ -</u>	<u>\$ 1,671,286</u>

Depreciation expense was \$28,643 for the years ended June 30, 2019 and 2018, respectively.

EASTERN ILLINOIS UNIVERSITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

12 SIGNIFICANT TRANSACTIONS WITH THE PRIMARY GOVERNMENT

The Foundation has a contract with Eastern Illinois University (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, 2019 and 2018, the Foundation provided the University \$2,657,123 and \$2,596,055, 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 \$1,189,969 and \$1,069,632 during the years ended June 30, 2019 and 2018, 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 \$50,260 and \$43,218 for the years ended June 30, 2019 and 2018, 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 \$222,297 and \$394,539 for the years ended June 30, 2019 and 2018, 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 statements of activities. Also, the Foundation received \$1,293 and \$18,994 for the years ended June 30, 2019 and 2018, respectively, in gifts from the University's restricted gift accounts with donor's consent.

13 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 \$262,828 and \$241,164 at June 30, 2019 and 2018, respectively. The Foundation's interest is held in donor restricted net assets on the statements of financial position. The Foundation's share of income was \$10,513 and \$9,647 for the years ended June 30, 2019 and 2018, respectively.

14 RISK MANAGEMENT

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

EASTERN ILLINOIS UNIVERSITY FOUNDATION
 NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
 FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

15 NET ASSETS

Net assets with donor restrictions which are restricted for time or purpose consist of the following at June 30, 2019 and 2018:

	2019	2018
Scholarship	\$ 14,238,898	\$ 14,828,280
Academic and research support	13,177,207	14,392,437
Capital projects	425,312	2,486,238
Other, EIU, and Community Programs	4,517,196	4,412,987
Total	\$ 32,358,613	\$ 36,119,942

The Foundation also has net assets with donor restrictions which are restricted in perpetuity. The income from these restricted net assets is expendable to support the following at June 30, 2019 and 2018:

	2019	2018
Scholarship	\$ 30,480,321	\$ 29,481,207
Academic and research support	8,590,919	7,844,384
Capital projects	103,091	98,954
Other, EIU, and Community Programs	19,165,422	19,458,296
Total	\$ 58,339,753	\$ 56,882,841

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

16 ENDOWMENT FUNDS

The Foundation's endowment consists of approximately 692 individual funds established for a variety of purposes. The endowment includes funds with donor restrictions and without donor restrictions (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 restricted in perpetuity (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.

The remaining portion of the endowment fund is considered restricted for time or purpose and is included in the net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

EASTERN ILLINOIS UNIVERSITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

16 ENDOWMENT FUNDS - Continued

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 investments
6. Other resources of the institution
7. Investment policies of the Foundation

Endowment net assets as of June 30 were as follows:

	Without Donor Restrictions	With Donor Restrictions for Time or Purpose	With Donor Restrictions in Perpetuity	Total
<u>June 30, 2019</u>				
Donor-restricted endowment funds	\$ -	\$ 19,527,391	\$ 52,871,880	\$ 72,399,271
Donor-restricted quasi-endowment funds	-	827,348	-	827,348
Board designated quasi-endowment funds	428,130	-	-	428,130
	<u>\$ 428,130</u>	<u>\$ 20,354,739</u>	<u>\$ 52,871,880</u>	<u>\$ 73,654,749</u>
	Without Donor Restrictions	With Donor Restrictions for Time or Purpose	With Donor Restrictions in Perpetuity	Total
<u>June 30, 2018</u>				
Donor-restricted endowment funds	\$ -	\$ 22,104,879	\$ 51,202,973	\$ 73,307,852
Donor-restricted quasi-endowment funds	-	1,574,826	-	1,574,826
Board designated quasi-endowment funds	457,476	-	-	457,476
	<u>\$ 457,476</u>	<u>\$ 23,679,705</u>	<u>\$ 51,202,973</u>	<u>\$ 75,340,154</u>

EASTERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

16 ENDOWMENT FUNDS - Continued

Changes in endowment, not total, net assets for the fiscal years ended June 30, 2019 and 2018, are as follows:

	Without Donor Restrictions	With Donor Restrictions for Time or Purpose	With Donor Restrictions in Perpetuity	Total
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
Endowment investments at June 30, 2018	457,476	23,679,705	51,202,973	75,340,154
Investment income	13,642	2,237,331	-	2,250,973
Net appreciation (depreciation)	(43,287)	(4,324,713)	-	(4,368,000)
Contributions	299	-	937,307	937,606
Appropriations of endowment assets for expenditure	-	(595,427)	-	(595,427)
Other additions (reductions)	-	(642,157)	731,600	89,443
Endowment investments at June 30, 2019	<u>\$ 428,130</u>	<u>\$ 20,354,739</u>	<u>\$ 52,871,880</u>	<u>\$ 73,654,749</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. Deficiencies of this nature aggregated to \$16,424 and \$431 as of June 30, 2019 and 2018, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new 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.

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.

EASTERN ILLINOIS UNIVERSITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

16 ENDOWMENT FUNDS - Continued

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.

17 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 \$496,656 and \$484,254 for the years ended June 30, 2019 and 2018, respectively.

18 CHANGE IN ACCOUNTING STANDARD

The Foundation has implemented Accounting Standards Update No. 2016-14, Presentation of Financial Statements for Not-For-Profit Entities (amends ASC Topic 958). This revised standard requires a Not-for-Profit Entity to present on the face of the statements of financial position and statements of activities, amounts for two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. This update also adds a disclosure about the Foundation'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 DISTRIBUTION PER COURT ORDER

The Foundation disclaimed a gift of real property from Dr. Wesley Whiteside that included a botanical garden. Dr. Whiteside had previously established an endowed fund with the Foundation to maintain the botanical gardens, but the endowment was determined to be inadequate for the Foundation to do so. As a result, the Foundation disclaimed the gift of real property and sought court approval to discharge the endowment and release the restriction that it be maintained as an endowed fund. The Court approved the petition. The gift of real property and the balance of the former endowment now reside with the Douglas-Hart Foundation. Total distribution per court order was \$578,000 for the year ended June 30, 2019.

20 SUBSEQUENT EVENTS

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