Southern Illinois University Foundation

Independent Auditor’s Report and Financial Statements

June 30, 2015 and 2014

Southern Illinois University Foundation
June 30, 2015 and 2014

Contents

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Independent Auditor's Report

Board of Directors
Southern Illinois University Foundation
Carbondale, Illinois

We have audited the accompanying financial statements of Southern Illinois University Foundation (the "Foundation"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities 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. 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 Foundation'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 Foundation'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 Southern Illinois University Foundation as of June 30, 2015 and 2014, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the 2014 financial statements have been restated to correct a misstatement. The restatement was to remove two patents from assets that expired in 2007. Our opinion is not modified with respect to this matter.

BKD, LLP

St. Louis, Missouri
October 19, 2015

Southern Illinois University Foundation

Statements of Financial Position

June 30, 2015 and 2014

	2015	2014 (Restated - Note 2)
Assets		
Cash	$ 516,446	$ 297,171
Receivables		
Pledges receivable, net of allowance for doubtful accounts; 2015 - $1,133,000, 2014 - $1,191,000	6,155,605	7,005,561
Charitable trust receivable	54,435	54,435
Other receivables	417,328	284,421
Total receivables	6,627,368	7,344,417
Investments		
Investments	159,399,164	162,095,314
Assets held under split-interest agreements	5,946,863	6,346,600
Investment in real estate	451,750	460,750
Cash surrender value of life insurance	550,189	513,274
Total investments	166,347,966	169,415,938
Land, property and equipment, net	679,050	474,527
Other assets	336,432	346,033
Total assets	$ 174,507,262	$ 177,878,086
Liabilities and Net Assets		
Liabilities		
Accounts payable and other liabilities	$ 204,009	$ 215,551
Obligations under split-interest agreements	2,687,924	3,016,474
Agency funds payable	2,678,679	2,784,267
Deposits held for others	6,966	-
Total liabilities	5,577,578	6,016,292
Net Assets		
Unrestricted		
Unrestricted	11,320,837	11,996,752
Endowment fund deficits/board designated	2,855,997	2,613,162
Temporarily restricted	70,122,441	74,453,442
Permanently restricted	84,630,409	82,798,438
Total net assets	168,929,684	171,861,794
Total liabilities and net assets	$ 174,507,262	$ 177,878,086

Southern Illinois University Foundation
Statements of Activities
Years Ended June 30, 2015 and 2014

	Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Contributions and grants, net of discount	$ 246,723	$ 5,600,652	$ 1,555,448	$ 7,402,823
Allowance for uncollectible receivables	-	81,185	(22,631)	58,554
Change in value of split-interest agreements	-	(92,492)	(52,628)	(145,120)
Investment gain	339,556	853,166	14,669	1,207,391
Fundraising service income	82,472	-	-	82,472
Support service revenue	5,321,029	-	-	5,321,029
Other	2,044	284,571	63,110	349,725
	5,991,824	6,727,082	1,557,968	14,276,874
Net assets released from restrictions	10,479,782	(10,434,184)	(45,598)	-
Changes in donor restrictions	(5,075)	(339,526)	344,601	-
Total support and revenue	16,466,531	(4,046,628)	1,856,971	14,276,874
Expenses				
Program services				
Student assistance	3,260,752	-	-	3,260,752
University and community programs	1,578,091	-	-	1,578,091
Academic and research support	3,620,136	-	-	3,620,136
Total program services	8,458,979	-	-	8,458,979
Support services				
Management and general	5,176,602	284,373	25,000	5,485,975
Fundraising	3,264,030	-	-	3,264,030
Total support services	8,440,632	284,373	25,000	8,750,005
Total expenses	16,899,611	284,373	25,000	17,208,984
Change in Net Assets	(433,080)	(4,331,001)	1,831,971	(2,932,110)
Net Assets - Beginning of Year	14,609,914	74,453,442	82,798,438	171,861,794
Net Assets - End of Year	$ 14,176,834	$ 70,122,441	$ 84,630,409	$ 168,929,684

Southern Illinois University Foundation

Statements of Activities (Continued)

Years Ended June 30, 2015 and 2014

	Year Ended June 30, 2014 (Restated - Note 2)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Contributions and grants, net of discount	$ 297,510	$ 5,034,239	$ 4,146,680	$ 9,478,429
Allowance for uncollectible receivables	-	(474,101)	(73,226)	(547,327)
Change in value of split-interest agreements	6,857	111,688	751,281	869,826
Investment gain	4,550,824	18,254,830	74,560	22,880,214
Fundraising service income	84,834	-	-	84,834
Support service revenue	5,289,121	-	-	5,289,121
Other	66	311,282	9,247	320,595
	10,229,212	23,237,938	4,908,542	38,375,692
Net assets released from restrictions	10,338,773	(9,732,034)	(606,739)	-
Changes in donor restrictions	1,161	(377,509)	376,348	-
Total support and revenue	20,569,146	13,128,395	4,678,151	38,375,692
Expenses				
Program services				
Student assistance	3,262,437	-	-	3,262,437
University and community programs	1,296,618	-	-	1,296,618
Academic and research support	3,473,742	-	-	3,473,742
Total program services	8,032,797	-	-	8,032,797
Support services				
Management and general	5,087,184	731,489	418,658	6,237,331
Fundraising	3,221,355	-	-	3,221,355
Total support services	8,308,539	731,489	418,658	9,458,686
Total expenses	16,341,336	731,489	418,658	17,491,483
Change in Net Assets	4,227,810	12,396,906	4,259,493	20,884,209
Net Assets - Beginning of Year, as Previously Reported	10,382,104	63,618,962	78,538,945	152,540,011
Adjustments applicable to prior year	-	(1,562,426)	-	(1,562,426)
Net Assets - Beginning of Year, as Restated	10,382,104	62,056,536	78,538,945	150,977,585
Net Assets - End of Year	$ 14,609,914	$ 74,453,442	$ 82,798,438	$ 171,861,794

Southern Illinois University Foundation

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	2015	2014 (Restated - Note 2)
Cash Flows from Operating Activities		
Change in net assets	$ (2,932,110)	$ 20,884,209
Items not requiring (providing) operating activities cash flows		
Cash provided by operating activities		
Depreciation	88,053	104,417
Net realized and unrealized investment (gains) losses	2,367,022	(19,835,673)
Permanently restricted contributions	(1,555,448)	(4,146,680)
Change in value of split-interest agreements	145,120	(869,826)
Donated land	-	(101,250)
Net change in		
Pledges receivable	849,956	2,275,377
Other receivables	(132,907)	(98,660)
Cash surrender value of life insurance	(36,915)	(47,648)
Other assets	9,601	(58,988)
Accounts payable and other liabilities	(11,542)	(524,313)
Net cash used in operating activities	(1,209,170)	(2,419,035)
Cash Flows from Investing Activities		
Proceeds from the sale/maturity of investments	5,512,128	4,826,177
Purchase of investments, including reinvested income	(4,914,946)	(6,421,424)
Purchase of equipment	(292,576)	(43,410)
Net cash provided by (used in) investing activities	304,606	(1,638,657)
Cash Flows from Financing Activities		
Permanently restricted contributions	1,555,448	4,146,680
Payments to annuitants and recipients	(340,527)	(130,166)
Payments for agency funds to SIU	(91,082)	(77,165)
Net cash provided by financing activities	1,123,839	3,939,349
Net Increase (Decrease) in Cash	219,275	(118,343)
Cash - Beginning of Year	297,171	415,514
Cash - End of Year	$ 516,446	$ 297,171

Southern Illinois University Foundation
Notes to Financial Statements
June 30, 2015 and 2014

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Southern Illinois University Foundation (the "Foundation") was established in 1942 to solicit, receive, hold and administer gifts from private sources for educational purposes. The Foundation is a not-for-profit corporation, which exists solely to provide alumni and other friends a means to invest in and further the mission of Southern Illinois University Carbondale (SIU). These financial statements include all financial activities over which the Foundation exercises direct responsibilities.

The Foundation is a designated Section 501(c)(3) organization with appropriate approval from the Internal Revenue Service to issue tax-deductible receipts for private gifts received to support SIU.

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Presentation

Net assets and revenues, and gains and losses are classified based on donor imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

<u>Unrestricted</u> – Resources over which the Foundation's Board of Directors has discretionary control.

<u>Temporarily Restricted</u> – Resources subject to donor imposed restrictions which will be satisfied by the passage of time or actions of the Foundation.

<u>Permanently Restricted</u> – 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.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Southern Illinois University Foundation

Notes to Financial Statements

June 30, 2015 and 2014

Cash

At June 30, 2015 and 2014, the carrying amount of the Foundation's deposits with financial institutions was $513,996 and $295,221, respectively, and the bank balances were $721,484 and $367,740, respectively.

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to the Foundation. The Foundation does have a policy to require banks to collateralize balances over the FDIC insured amount. At June 30, 2015, the Foundation's cash accounts exceeded federally insured limits and collateralized balances by approximately $76,000.

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 the conditions have been met or it is deemed that it is remote that the condition will not be met. Matching gift expectances 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. All pledges are presented net of an allowance for doubtful collections. Management calculates the allowance based upon collection history of prior contributions receivable.

Beneficial Interests in Trusts which are held by a third party are recognized in the period in which the Foundation was notified of its ownership. The Foundation's beneficial interest is recorded at fair value. Subsequent adjustments to fair value are based on information provided by the third-party trustee. Other receivables are stated at the amount which is expected cash flows.

Investments and Investment Return

Investments are stated at fair value. Investment activity is recorded on the trade date. The fair value of all debt and equity securities with a readily determinable fair value are based on quotations obtained from national securities exchanges. The alternative investments (hedge funds, limited partnerships and other private equity) for which quoted market prices are not available, are carried at estimated fair market values as provided by the external general partners or investment managers and/or audited financial statements of the fund or partnership. Such values may be based on a variety of estimates and assumptions requiring varying degrees of judgment and may be subject to volatility in market conditions and the possibility that their value could substantially change in the near term and/or be materially different than the values reported in the statements of financial position. Management of the Foundation believes that the carrying amounts of these financial instruments are a reasonable estimate of fair value. Realized gains and losses on sales of investments are determined on the specific identification basis. Investment return is included in the statement of activities as unrestricted or temporarily restricted based upon the existence and nature of any donor or legally imposed restrictions.

Investment securities are exposed to various risks including, but not limited to, interest rate and market and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term. Because the hedge funds and limited partnerships are not readily marketable, their estimated fair value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market existed.

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

Life insurance policies are carried at net cash surrender value. Changes in value (realized and unrealized) are recorded in the statement of activities.

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 statement of activities.

Equipment

Equipment is stated at cost at the date of acquisition or fair value at the date of the donation less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset, generally six to 10 years for equipment.

Intangible Assets

Amortization expense is computed using the straight-line method.

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 SIU 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.

Income Taxes

The Internal Revenue Service has recognized the Foundation as exempt from income taxes under provisions of Section 501(c)(3) of the *Internal Revenue Code*. The Foundation follows the accounting guidance for accounting for uncertainty in income taxes. The Foundation is subject to federal and state income taxes to the extent it has unrelated business income. In accordance with the guidance for uncertainty in income taxes, management has evaluated their material tax positions and determined that there are no income tax effects with respect to its financial statements. The Foundation is no longer subject to examination by federal or state authorities for years ended before June 30, 2012, nor has the Foundation been notified of any impending examination and no examinations are currently in process.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts payable and other liabilities, agency funds payable and deposits held 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 and obligations under split interest agreement are carried at fair value.

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

Note 2: Restatement of Prior Year's Financial Statements

The 2014 financial statements have been restated in order to write-off two patents that were determined to have expired in 2007 when maintenance fees on the patents were not paid. As a result of the expiration of the patents, the intangible asset that had previously been included in assets and any applicable amortization were removed. The 2014 Statement of Financial Position, Statement of Activities and Statement of Cash Flows have been restated accordingly for this matter. Total impact on the 2014 net assets was a decrease of $1,205,300.

The following financial statement line items for fiscal year 2014 were affected by the correction:

	As Restated	As Previously Reported	Effect of Change
Statement of Financial Position			
Intangible assets	$ -	$ 1,205,300	$ (1,205,300)
Total assets	$ 177,878,086	$ 179,083,386	$ (1,205,300)
Temporarily restricted net assets	$ 74,453,442	$ 75,658,742	$ (1,205,300)
Total net assets	$ 171,861,794	$ 173,067,094	$ (1,205,300)
Total liabilities and net assets	$ 177,878,086	$ 179,083,386	$ (1,205,300)
Statement of Activities			
Net assets released from restrictions - unrestricted	$ 10,338,773	$ 10,695,899	$ (357,126)
Net assets released from restrictions - temporarily restricted	$ (9,732,034)	$ (10,089,160)	$ 357,126
Total support and revenue - unrestricted	$ 20,569,146	$ 20,926,272	$ (357,126)
Total support and revenue - temporarily restricted	$ 13,128,395	$ 12,771,269	$ 357,126
University and community programs	$ 1,296,618	$ 1,653,744	$ (357,126)
Total program services	$ 8,032,797	$ 8,389,923	$ (357,126)
Total expenses - unrestricted	$ 16,341,336	$ 16,698,462	$ (357,126)
Total expenses - total	$ 17,491,483	$ 17,848,609	$ (357,126)
Change in net assets - temporarily restricted	$ 12,396,906	$ 12,039,780	$ 357,126
Change in net assets - total	$ 20,884,209	$ 20,527,083	$ 357,126
Net assets - end of year - temporarily restricted	$ 74,453,442	$ 75,658,742	$ (1,205,300)
Net assets - end of year - total	$ 171,861,794	$ 173,067,094	$ (1,205,300)
Statement of Cash Flows			
Change in net assets	$ 20,884,209	$ 20,527,083	$ 357,126
Depreciation (and amortization)	$ 104,417	$ 461,543	$ (357,126)

Note 3: Pledges Receivable

Pledges receivable consisted of the following:

	2015	2014
Pledges receivable due in		
Less than one year	$ 2,686,363	$ 3,134,038
One to five years	2,848,007	3,289,289
More than five years	3,863,847	4,119,139
Total pledges receivable	9,398,217	10,542,466
Allowance (12%, 11%)	(1,132,688)	(1,191,242)
Discount (5%, 5%)	(2,109,924)	(2,345,663)
Total	$ 6,155,605	$ 7,005,561

Total prior pledges written off during the years ended June 30, 2015 and 2014, were $309,373 and $1,150,146, respectively, which has been included with management and general expense in the statements of activities.

Note 4: Irrevocable Intentions

During 2014, the Foundation became aware it is a beneficiary under charitable remainder trusts administered by other trustees. Under the terms of the trusts, the Foundation has the irrevocable right to receive a specified percentage of the remaining trust assets upon the death of the current beneficiaries. The interest in charitable remainder trusts of $54,435 at both June 30, 2015 and 2014, represents the present value of the expected net cash proceeds ultimately payable to the Foundation. The Foundation used the Applicable Federal Rate to discount its interest at the time it became aware of the interest.

Note 5: Investments and Investment Return

Investments at June 30 consisted of the following:

	2015	2014
Money market funds	$ 2,368,668	$ 3,516,275
Domestic equities	33,322,648	41,289,824
International equities	21,610,413	23,165,925
Emerging market funds	14,122,888	15,320,186
Hedge funds	4,662,006	3,320,823
Leveraged loans	5,829,948	6,689,503
Private equity	5,031,092	5,222,742
Distressed debt	758,345	895,421
Real estate funds	4,828,342	4,156,676
Commodities	4,949,215	4,562,020
Alternative strategies	25,224,853	19,238,322
Fixed income securities	36,690,746	34,717,597
	$159,399,164	$162,095,314

Total investment return is comprised of the following:

	2015	2014
Interest and dividends	$ 4,224,445	$ 3,337,390
Investment fees	(650,032)	(292,849)
Realized investment gains	5,550,288	12,171,266
Unrealized investment gains	(7,917,310)	7,664,407
Net investment gain	$ 1,207,391	$ 22,880,214

Note 6: Assets Held and Obligations Under Split-interest Agreements

Split-interest Agreements are agreements donors enter into whether a trust or other arrangement under which the Foundation is a beneficiary. Charitable remainder trusts are trusts in which the donor or a third party beneficiary receives distributions and upon the trusts' termination, the Foundation receives the remaining assets. Charitable Gift Annuities are agreements which the Foundation accepts a contribution and agrees to an obligation to make periodic stipulated payments to donors or third-party beneficiaries for a specified time.

Assets

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

	2015	2014
Charitable remainder trusts		
Equities	$ 2,908,606	$ 3,147,593
Real estate funds	140,835	161,764
Natural resources	283,892	345,677
Fixed income	1,007,105	1,325,060
Exchange traded funds	410,806	201,412
Other	198,310	216,451
	4,949,554	5,397,957
Charitable gift annuities		
Equities	503,159	526,971
Real estate funds	30,471	22,627
Commodities	33,644	26,415
Alternative strategies	102,664	129,692
Fixed income	115,242	101,633
Alternative investments	188,108	87,577
Other	24,021	53,728
	997,309	948,643
Total assets under split-interest agreements	$ 5,946,863	$ 6,346,600

Obligations

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 statement of activities. The present value of the estimated future payments is calculated using a discount rate of 1.2 percent and applicable mortality tables.

Obligations under split-interest agreements at June 30 consist of:

	2015	2014
Charitable remainder trusts	$ 2,094,320	$ 2,420,154
Charitable gift annuities	593,604	596,320
Total obligation under split-interest agreements	$ 2,687,924	$ 3,016,474

The following summarizes annuities payable transactions for the years ended June 30:

	2015	2014
Beginning balance	$ 3,016,474	$ 3,265,833
Annuity funds		
Net investment income	8,834	155,315
Payments to annuitants	(55,471)	(54,793)
Adjustment of actuarial liability	31,549	(199,538)
Liability portion of funds established during the current year	12,371	4,942
Charitable remainder trusts		
Net investment income	(154,348)	819,453
Payments to recipients	(285,056)	(75,373)
Adjustment of actuarial liability	113,571	(973,762)
Contributions	-	74,397
Ending balance	$ 2,687,924	$ 3,016,474

Note 7: Investment 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:

	2015	2014
Two parcels of land located in Goreville, Illinois, held for the benefit of two scholarship endowment funds	$ 89,000	$ 98,000
75% interest in farmland not held for operational use	302,750	302,750
50% remainder interest in a home to benefit the School of Law	60,000	60,000
	$ 451,750	$ 460,750

Note 8: Land and Equipment

Land and equipment at June 30 consists of:

	2015	2014
Land	$ 307,216	$ 315,672
Furniture, fixtures and equipment	1,138,401	1,032,713
Less: accumulated depreciation	(961,912)	(873,858)
Equipment, net	176,489	158,855
Construction in process	195,345	-
Land and equipment, net	$ 679,050	$ 474,527

Note 9: Agency Funds Payable

The Foundation entered into an agreement with SIU to administer as agency funds any endowment funds received by SIU. The following summarizes agency funds payable transactions for the years ended June 30:

	2015	2014
Beginning balance	$ 2,784,267	$ 2,091,316
Net investment income	(14,506)	370,116
Contributions	-	400,000
Payments to SIU	(91,082)	(77,165)
Ending balance	$ 2,678,679	$ 2,784,267

Note 10: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30 are available for the following purposes or periods:

	2015	2014
Student assistance	$ 23,597,820	$ 25,716,888
SIU and community programs	6,271,133	7,008,893
Academic and research support	40,253,488	41,727,661
Total	$ 70,122,441	$ 74,453,442

Permanently Restricted Net Assets

Permanently restricted net assets at June 30 are restricted to:

	2015	2014
Student assistance	$ 41,282,437	$ 40,226,261
SIU and community programs	6,205,867	6,149,273
Academic and research support	37,142,105	36,422,904
Total	$ 84,630,409	$ 82,798,438

Net Assets Released from Restrictions

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

	2015	2014
Time restriction elapsed or program satisfaction and termination of charitable remainder trust	$ 8,575,554	$ 8,247,495
Reclass of net assets for endowment deficiencies	-	158,709
Internal transfers	1,904,228	1,932,569
Total	$ 10,479,782	$ 10,338,773

Note 11: Endowment

The Foundation's endowment consists of approximately 950 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body 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. The remaining portion of 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 investments
6. Other resources of the institution
7. Investment policies of the Foundation

The composition of net assets by type of endowment fund at June 30, was:

June 30, 2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted				
Endowment funds	$ -	$ 35,001,714	$ 83,503,727	$ 118,505,441
Board-designated				
Endowment funds	2,855,997	-	-	2,855,997
	$ 2,855,997	$ 35,001,714	$ 83,503,727	$ 121,361,438

June 30, 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted				
Endowment funds	$ -	$ 39,355,700	$ 81,619,795	$ 120,975,495
Board-designated				
Endowment funds	2,613,162	-	-	2,613,162
	$ 2,613,162	$ 39,355,700	$ 81,619,795	$ 123,588,657

Changes in endowment net assets for the years ended June 30, were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment investments, July 1, 2014	$ 2,613,162	$ 39,355,700	$ 81,619,795	$ 123,588,657
Investment return				
Investment income	49,856	2,154,600	25,900	2,230,356
Net depreciation (realized and unrealized)	(26,985)	(1,296,998)	(11,231)	(1,335,214)
Total investment return	22,871	857,602	14,669	895,142
Contributions	246,725	-	1,555,448	1,802,173
Allowance for uncollectible receivables	-	-	(23,299)	(23,299)
Other sources	-	-	63,111	63,111
Appropriations of endowment assets for expenditure	(26,761)	(5,196,255)	(45,598)	(5,268,614)
Other expenses	-	-	(25,000)	(25,000)
Change in donor restriction	-	(15,333)	344,601	329,268
Endowment investments, June 30, 2015	$ 2,855,997	$ 35,001,714	$ 83,503,727	$ 121,361,438

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment investments, July 1, 2013	$ 363,717	$ 25,716,109	$ 76,374,264	$ 102,454,090
Investment return				
Investment income	10,086	1,955,567	8,791	1,974,444
Net appreciation (realized and unrealized)	83,210	16,287,282	65,769	16,436,261
Reclassification of net assets for funds with deficiencies	158,709	(158,709)	-	-
Total investment return	252,005	18,084,140	74,560	18,410,705
Contributions	2,023,793	-	4,146,680	6,170,473
Allowance for uncollectible receivables	-	-	(73,226)	(73,226)
Other sources	-	63	9,247	9,310
Appropriations of endowment assets for expenditure	(26,353)	(4,455,739)	(102,060)	(4,584,152)
Other expense	-	-	(418,658)	(418,658)
Change in donor restriction	-	11,127	1,608,988	1,620,115
Endowment investments, June 30, 2014	$ 2,613,162	$ 39,355,700	$ 81,619,795	$ 123,588,657

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at June 30 consisted of:

	2015	2014
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or UPMIFA	$ 83,503,727	$ 81,619,795
Temporarily restricted net assets:		
Term endowment funds	$ 3,034,728	$ 3,082,231
Portion of perpetual endowment funds subject to a time restriction under UPMIFA		
With purpose restrictions	31,966,986	36,273,469
	$ 35,001,714	$ 39,355,700

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 donor stipulation or UPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies of this nature as of June 30, 2015 and 2014.

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 to seek an average total annual return of spending net of inflation and administrative cost. The Foundation expects its endowment funds to provide an average rate of return of approximately 7.5 percent 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.

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 the investment policy.

The spending distribution calculation is the sum of a) the previous year's spending increased by the higher education inflation rate (HEPI) and weighted at 80 percent added to b) a three-year average of the endowment pool's ending balance as of December 31 multiplied by a fixed spending rate which considers the long-term investment performance estimate of the pool less HEPI and weighted at 20 percent.

Note 12: Fees

Endowment Fee

The Foundation receives up to a 1.5 percent fee on endowment funds which is distributed annually on July 1, by using the fair value of the pool as of the prior December 31. The fee was $1,472,298 (1.35 percent) and $1,342,016 (1.45 percent) for the years ended June 30, 2015 and 2014, respectively.

Supplement Fee

Beginning July 1, 2004, SIU and Foundation assessed a 6 percent Supplement Fee on gifts of cash and securities. Five percent is retained by SIU or the Foundation for support of the strategic initiative to increase private support. The remaining 1 percent is provided to the college/department for which the contribution was restricted to support their advancement efforts. The Foundation's portion of the supplement fee was $431,910 and $557,183 for the years ended June 30, 2015 and 2014, respectively.

Note 13: Related Party Transactions

The Foundation has entered into a master contract with the Board of Trustees of SIU which specifies the relationship between the two organizations in accordance with the *Legislative Audit Commission's University Guidelines*, 1982 and last amended in 2014. Among the provisions of the contract is a requirement that the Foundation and SIU will provide services to each other to be reimbursed on an actual cost basis up to approved budgetary limits. During the years ended June 30, 2015 and 2014, the Foundation provided fundraising services for the benefit of SIU with a portion of the Foundation's fundraising costs being reimbursed by SIU through in-kind payment. These amounts are reflected as Support Services Revenue and the expenses have been allocated among the support services benefit in the accompanying Statement of Activities.

In accordance with its corporate purposes, the Foundation solicits and accepts contributions for the benefit of SIU. Contributions are recorded as revenue and held in a restricted net asset class until the funds are used in the form of scholarships, cash grants or expenditures for the benefit of SIU. The Foundation also receives contributions of certain non-cash assets which are recorded as revenue and then, at the Foundation's discretion, transferred to SIU.

During the years ended June 30, 2015 and 2014, the Foundation paid $106,428 and $140,187, respectively, to the Association of Alumni, Former Students and Friends of Southern Illinois University (Carbondale) (the "Association") to assist the Association in its support for SIU, relating primarily to the cost of printed materials distributed by the Association. The Association also granted $68,538 and $54,900 to various Foundation restricted accounts in 2015 and 2014, respectively.

The Foundation also received several grants from SIU totaling $11,371 and $5,742 for the years ended June 30, 2015 and 2014, respectively.

Current and former members of the Foundation's board of directors (or their family members or related entities) occasionally may sell goods or provide services to the Foundation. Any such goods or services are furnished at standard rates, properly recorded in the Statement of Activities and are not material for 2015 or 2014.

Note 14: Operating Lease

A noncancellable operating lease with SIU for the use of a suite in the Football Stadium expires in 2019. Rent expense related to this lease for 2015 and 2014 was $16,816 and $16,649, respectively.

Future minimum lease payments under this operating lease are:

Year Ending June 30,	Amount
2016	$ 16,984
2017	17,154
2018	17,325
2019	17,498
Total	$ 68,961

Note 15: Disclosures About Fair Value of Assets and Liabilities

The Foundation measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value.

Level 1 Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access as of the measurement date.

Level 2 Valuations based on quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 Valuations based on inputs that are unobservable. Unobservable inputs reflect the Foundation's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30:

Southern Illinois University Foundation
Notes to Financial Statements
June 30, 2015 and 2014

June 30, 2015	Level 1	Level 2	Level 3	Total
Investments				
Money Market Funds	$ 2,368,668	$ -	$ -	$ 2,368,668
Domestic Equities	33,322,648	-	-	33,322,648
International Equities	21,610,413	-	-	21,610,413
Emerging Market Funds	14,122,888	-	-	14,122,888
Hedge Funds	-	-	4,662,006	4,662,006
Leveraged Loans	-	5,829,948	-	5,829,948
Private Equity	-	-	5,031,092	5,031,092
Distressed Debt	-	-	758,345	758,345
Real Estate Funds	3,186,945	-	1,641,397	4,828,342
Commodities	4,949,215	-	-	4,949,215
Alternative Strategies	9,894,593	-	15,330,260	25,224,853
Fixed Income Securities	36,690,746	-	-	36,690,746
Total investments	$ 126,146,116	$ 5,829,948	$ 27,423,100	$ 159,399,164
Assets Held Under Split-interest Agreements				
Equities	$ 3,411,765	$ -	$ -	$ 3,411,765
Real Estate Funds	157,927	-	13,379	171,306
Natural Resources	283,892	-	-	283,892
Commodities	33,644	-	-	33,644
Alternative Strategies	-	-	102,664	102,664
Fixed Income	1,122,347	-	-	1,122,347
Exchange Traded Funds	410,806	-	-	410,806
Alternative Investments	63,560	16,896	107,652	188,108
Other	222,331	-	-	222,331
Total assets held under split-interest agreements	$ 5,706,272	$ 16,896	$ 223,695	$ 5,946,863
Liability Under Split-interest Agreements	$ -	$ -	$ (2,687,924)	$ (2,687,924)

June 30, 2014	Level 1	Level 2	Level 3	Total
Investments				
Money Market Funds	$ 3,516,275	$ -	$ -	$ 3,516,275
Domestic Equities	41,289,824	-	-	41,289,824
International Equities	23,165,925	-	-	23,165,925
Emerging Market Funds	15,320,186	-	-	15,320,186
Hedge Funds	-	-	3,320,823	3,320,823
Leveraged Loans	-	6,689,503	-	6,689,503
Private Equity	-	-	5,222,742	5,222,742
Distressed Debt	-	-	895,421	895,421
Real Estate Funds	4,156,676	-	-	4,156,676
Commodities	4,562,020	-	-	4,562,020
Alternative Strategies	9,940,836	-	9,297,486	19,238,322
Fixed Income Securities	34,717,597	-	-	34,717,597
Total investments	$ 136,669,339	$ 6,689,503	$ 18,736,472	$ 162,095,314
Assets Held Under Split-interest Agreements				
Equities	$ 3,674,564	$ -	$ -	$ 3,674,564
Real Estate Funds	184,391	-	-	184,391
Natural Resources	345,677	-	-	345,677
Commodities	26,415	-	-	26,415
Alternative Strategies	59,574	-	70,118	129,692
Fixed Income	1,426,693	-	-	1,426,693
Exchange Traded Funds	201,412	-	-	201,412
Alternative Investments	-	15,382	72,195	87,577
Other	270,179	-	-	270,179
Total assets held under split-interest agreements	$ 6,188,905	$ 15,382	$ 142,313	$ 6,346,600
Liability Under Split-interest Agreements	$ -	$ -	$ (3,016,474)	$ (3,016,474)

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2015. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 investments.

The value of certain investments, classified as alternative investments, is determined using net asset value (or its equivalent) as a practical expedient. Investments for which the Foundation expects to have the ability to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 2. Investments for which the Foundation does not expect to be able to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 3.

Fair value determinations for Level 3 measurements of securities are the responsibility of the Foundation. The Foundation contracts with a pricing specialist to generate fair value estimates on a monthly or quarterly basis. The Foundation challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

Split-interest Agreements

The Foundation has elected to measure any existing obligation under split-interest agreements at fair value. To better match the estimated cash flows of the obligation under split-interest agreements, the Foundation changes the present value of annuity rate to match the current amount distribution when calculating the present value of annuity.

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statement of financial position using significant unobservable (Level 3) inputs:

Southern Illinois University Foundation

Notes to Financial Statements

June 30, 2015 and 2014

	Investments					Assets Held	Liability
	Hedge Funds	Private Equity	Distressed Debt	Alternative Strategies	Real Estate Funds	Under Split-interest	Under Split-interest
Balance as of June 30, 2013	$ 5,804,720	$ 4,690,666	$ 1,675,911	$ -	$ -	$ 99,361	$ (3,265,833)
Realized gains (losses)	(9,335)	525,295	54,962	(2,148)	-	3,793	(392,110)
Dividends and interest income	-	27,738	197,564	-	-	1,474	(273,192)
Purchase of investments	(2,715,987)	(625,231)	(912,905)	9,300,683	-	(27,501)	(79,340)
Change in unrealized appreciation (depreciation)	241,425	604,274	(120,111)	(1,049)	-	65,186	(309,466)
Payments to beneficiaries	-	-	-	-	-	-	130,166
Change in valuation (see Note 5)	-	-	-	-	-	-	1,173,301
Balance as of June 30, 2014	3,320,823	5,222,742	895,421	9,297,486	-	142,313	(3,016,474)
Realized gains (losses)	(44,108)	541,252	6,742	(407,428)	(4,169)	4,839	(106,807)
Dividends and interest income	(11,903)	7,017	67,914	422,653	1,791	586	(195,020)
Purchase of investments	1,256,264	(489,562)	(140,227)	5,509,859	1,358,525	5,829	(12,372)
Change in unrealized appreciation (depreciation)	140,930	(250,357)	(71,505)	507,690	285,250	70,128	447,342
Payments to beneficiaries	-	-	-	-	-	-	340,527
Change in valuation (see Note 5)	-	-	-	-	-	-	(145,120)
Balance as of June 30, 2015	$ 4,662,006	$ 5,031,092	$ 758,345	$ 15,330,260	$ 1,641,397	$ 223,695	$ (2,687,924)

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements.

	Fair Value at June 30, 2015	Valuation Technique	Unobservable Inputs
Hedge Funds	$ 4,662,006	Net asset value	Net asset value
Private Equity	$ 5,031,092	Net asset value	Net asset value
Distressed Debt	$ 758,345	Net asset value	Net asset value
Alternative Strategies	$ 15,330,260	Net asset value	Net asset value
Real Estate Funds	$ 1,641,397	Net asset value	Net asset value
Assets Held Under Split-interest	$ 223,695	Discounted cash flow	Long-term growth rate
Liability Under Split-interest	$ (2,687,924)	Discounted cash flow	Expected average life

Alternative Investments

The fair value of the investment funds is based on available information and does not necessarily represent amounts that might ultimately be realized, which depends on circumstances and cannot be reasonably determined until the investment is actually liquidated. The fair value may differ significantly from the values which would have been used had a ready market for the funds existed. The fair value of alternative investments has been estimated using the net asset value per share of the investments. Alternative investments held at June 30 consist of the following:

	Fair Value 2015	Fair Value 2014	Unfunded Commitments at June 30, 2015	Redemption Frequency (If Currently Eligible)	Redemption Period
Hedge Funds (A)	$ 4,662,006	$ 3,320,823	$ -	Ranges between not available to a redemption date at the discretion of the general partner	Ranges between not available to a redemption date at the discretion of the general partner
Leveraged Loans (B)	$ 5,829,948	$ 6,689,503	$ -	Semi-monthly	15 days following of written notice
Private Equity (C)	$ 5,031,092	$ 5,222,742	$ 3,193,050	Ranges between monthly and not available	Ranges between 15 days and not available
Distressed Debt (D)	$ 758,345	$ 895,421	$ 7,076	Only with prior consent of the general partner	At the discretion of the general partner
Alternative Strategies (E)	$ 15,330,260	$ 9,297,486	$ 1,961,017	Ranges between monthly and not available	Ranges between 2 years and not available
Real Estate Funds (F)	$ 1,641,397	$ -	$ 3,072,861	Not available	Not available

(A) Hedge funds invest in diversified portfolios designed to provide a less correlated source of return than fixed income and equity strategies. The strategy is implemented with a wide array of financial instruments, both domestic and global, including equities, fixed income and derivatives. Managers may leverage portfolios, sell financial instruments short and/or invest selectively in illiquid investments.

(B) Leverage loans invest in senior loans. Senior loans are loans made to corporations, partnerships and other entities that typically hold the most senior positions in the borrower’s capital structure.

(C) Private equities invest in equity securities of operating companies that are not publicly traded on a stock exchange. The strategy is to assemble a portfolio of funds managed by tenured distressed managers, representing a full spectrum of distressed investment approaches, including short-term and medium-term trading securities, taking an influencing role in the reorganization process, investing for control in the class of securities to affect the reorganization process or to acquire the issuer.

(D) Distressed debts invest in Mezzanine capital. Mezzanine capital refers to a subordinated debt or preferred equity instrument that represents a claim on a company's assets. The strategy is to make investments in middle market companies that have demonstrated an ability to generate stable and measurable cash flows.

(E) Alternative strategies invest in a combination of hedge funds, leveraged loans, private equity and distressed debt.

(F) Real estate funds includes funds that invest primarily in U.S. commercial real estate, but also includes real estate funds focused on global listed real estate securities. The real estate exposure can include both publicly traded Real Estate Investment Trust funds and private partnerships. Publicly traded REIT funds have daily liquidity. The typical life of a partnership is 10 years but is subject to extensions.

Note 16: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Pledge Receivable

A single donor makes up approximately 56 percent and 53 percent of the 2015 and 2014 gross outstanding pledges receivable.

Contributions

Two donors make up approximately 24 percent of the 2014 gross contributions and grants included in Support and Revenue on the Statement of Activities