



**SOUTHERN ILLINOIS
UNIVERSITY FOUNDATION
CARBONDALE, ILLINOIS**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

For the Years Ended June 30, 2022 and 2021

The background of the lower half of the page is an abstract, monochromatic geometric pattern. It consists of various overlapping triangles and polygons in shades of gray, creating a complex, crystalline structure. The pattern is dense and layered, giving it a three-dimensional appearance.

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SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southern Illinois University Foundation
Carbondale, Illinois

Opinion

We have audited the accompanying financial statements of Southern Illinois University Foundation (Foundation), which comprise the Statements of Financial Position as of June 30, 2022 and 2021, and the related Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, 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.

As discussed in Note 16 to the financial statements, the Foundation adopted new accounting guidance, Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* as of July 1, 2021. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2022, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Sikich LLP

Springfield, Illinois
October 20, 2022

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Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Southern Illinois University Foundation
Carbondale, 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 Southern Illinois University Foundation (Foundation), which comprise the Statements of Financial Position as of June 30, 2022 and 2021 and the related Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation’s internal control over financial reporting (internal control) as a basis for designing 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 the Foundation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of 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 financial statements. 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 Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sikich LLP

Springfield, Illinois
October 20, 2022

FINANCIAL STATEMENTS

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022	2021
Assets		
Cash	\$ 158,814	\$ 306,816
Receivables		
Pledges receivable, net	6,996,805	5,886,210
Estate receivable	278,031	892,304
Charitable trust receivable	54,435	54,435
Other receivables	396,736	1,278,325
Total receivables	7,726,007	8,111,274
Investments		
Operating funds	52,551,961	56,152,066
Agency funds	2,755,053	3,216,199
Endowment funds	168,423,199	186,348,045
Assets held under split-interest agreements	2,162,550	2,429,969
Beneficial interest in perpetual trusts	1,167,609	1,455,739
Investment in real estate	396,000	396,000
Cash surrender value of life insurance	634,217	721,089
Total investments	228,090,589	250,719,107
Land, property and equipment, net	633,863	717,900
Other assets	381,125	353,190
Total assets	\$ 236,990,398	\$ 260,208,287
Liabilities and Net Assets		
Liabilities		
Accounts payable and other liabilities	\$ 508,346	\$ 175,724
Obligations under split-interest agreements	963,528	1,117,140
Agency funds payable	2,755,053	3,216,199
Deposits held for others	6,178	6,389
Total liabilities	4,233,105	4,515,452
Net Assets		
Without donor restrictions	14,636,544	22,638,614
With donor restrictions	218,120,749	233,054,221
Total net assets	232,757,293	255,692,835
Total liabilities and net assets	\$ 236,990,398	\$ 260,208,287

See accompanying Notes to Financial Statements.

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions and grants, net of discount	\$ 248,907	\$ 17,631,685	\$ 17,880,592
Change in allowance for uncollectible receivables	718	74,614	75,332
Change in value of split-interest agreements	-	(204,920)	(204,920)
Change in value of beneficial interest in perpetual trusts	-	(288,130)	(288,130)
Investment loss	(5,585,414)	(18,440,200)	(24,025,614)
Fundraising service income	115,599	-	115,599
Other	(326,983)	537,435	210,452
	<u>(5,547,173)</u>	<u>(689,516)</u>	<u>(6,236,689)</u>
Net assets released from restrictions	14,216,404	(14,216,404)	-
Changes in donor restrictions	27,552	(27,552)	-
Total support and revenue	<u>8,696,783</u>	<u>(14,933,472)</u>	<u>(6,236,689)</u>
Expenses			
Program services			
Student assistance	4,824,056	-	4,824,056
University and community programs	2,123,190	-	2,123,190
Academic and research support	4,040,300	-	4,040,300
Total program services	<u>10,987,546</u>	<u>-</u>	<u>10,987,546</u>
Support services			
Management and general	5,697,503	-	5,697,503
Fundraising	6,324,862	-	6,324,862
Total support services	<u>12,022,365</u>	<u>-</u>	<u>12,022,365</u>
Total expense	<u>23,009,911</u>	<u>-</u>	<u>23,009,911</u>
Transfer from affiliates - support service revenue	<u>6,311,058</u>	<u>-</u>	<u>6,311,058</u>
Change in Net Assets	<u>(8,002,070)</u>	<u>(14,933,472)</u>	<u>(22,935,542)</u>
Net Assets - Beginning of Year	<u>22,638,614</u>	<u>233,054,221</u>	<u>255,692,835</u>
Net Assets - End of Year	<u>\$ 14,636,544</u>	<u>\$ 218,120,749</u>	<u>\$ 232,757,293</u>

See accompanying Notes to Financial Statements.

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions and grants, net of discount	\$ 286,611	\$ 16,661,521	\$ 16,948,132
Change in allowance for uncollectible receivables	-	(134,846)	(134,846)
Change in value of split-interest agreements	-	397,235	397,235
Change in value of beneficial interest in perpetual trusts	-	316,303	316,303
Net investment gain	9,018,021	42,079,649	51,097,670
Fundraising service income	67,202	-	67,202
Other	(13,841)	269,002	255,161
	9,357,993	59,588,864	68,946,857
Net assets released from restrictions	12,214,790	(12,214,790)	-
Changes in donor restrictions	26,113	(26,113)	-
Total support and revenue	21,598,896	47,347,961	68,946,857
Expenses			
Program services			
Student assistance	3,135,307	-	3,135,307
University and community programs	1,952,535	-	1,952,535
Academic and research support	4,102,248	-	4,102,248
Total program services	9,190,090	-	9,190,090
Support services			
Management and general	5,479,631	-	5,479,631
Fundraising	5,774,316	-	5,774,316
Total support services	11,253,947	-	11,253,947
Total expense	20,444,037	-	20,444,037
Transfer from affiliates - support service revenue	6,321,648	-	6,321,648
Change in Net Assets	7,476,507	47,347,961	54,824,468
Net Assets - Beginning of Year	15,162,107	185,706,260	200,868,367
Net Assets - End of Year	\$ 22,638,614	\$ 233,054,221	\$ 255,692,835

See accompanying Notes to Financial Statements.

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	Program Services			Total	Management and General	Fundraising	Total
	Student Assistance	University and Community Programs	Academic and Research Support				
Grants	\$ 4,813,669	\$ 1,689,936	\$ 3,182,560	\$ 9,686,165	\$ 2,505,139	\$ -	\$ 12,191,304
Salaries and benefits	-	1,393	785	2,178	1,707,538	4,708,166	6,417,882
Professional services	500	130,492	102,913	233,905	449,170	602,000	1,285,075
Advertising and promotion	1,500	996	38,600	41,096	14,983	71,371	127,450
Office expenses	162	192,460	442,710	635,332	203,820	176,832	1,015,984
Information technology	-	-	10,161	10,161	428,866	236,507	675,534
Occupancy	-	2,195	-	2,195	134,632	22,320	159,147
Travel	3,615	85,651	262,489	351,755	24,249	376,778	752,782
Depreciation	-	-	-	-	187,382	-	187,382
Insurance	4,610	1,037	55	5,702	17,136	70	22,908
Bad debts	-	-	-	-	24,259	-	24,259
Fundraising events	-	-	-	-	-	130,728	130,728
Other	-	19,030	27	19,057	329	90	19,476
	<u>\$ 4,824,056</u>	<u>\$ 2,123,190</u>	<u>\$ 4,040,300</u>	<u>\$ 10,987,546</u>	<u>\$ 5,697,503</u>	<u>\$ 6,324,862</u>	<u>\$ 23,009,911</u>

See accompanying Notes to Financial Statements.

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	Program Services			Total	Management and General	Fundraising	Total
	Student Assistance	University and Community Programs	Academic and Research Support				
Grants	\$ 3,117,164	\$ 1,641,136	\$ 3,630,443	\$ 8,388,743	\$ 1,808,498	\$ -	\$ 10,197,241
Salaries and benefits	624	-	30	654	1,819,980	4,618,048	6,438,682
Professional services	3,601	135,297	131,005	269,903	464,385	453,741	1,188,029
Advertising and promotion	-	1,389	21,917	23,306	1,135	64,370	88,811
Office expenses	252	96,937	216,690	313,879	194,163	150,926	658,968
Information technology	-	-	12,428	12,428	528,359	282,855	823,642
Occupancy	4,875	2,119	2,500	9,494	185,578	21,600	216,672
Travel	4,181	39,739	87,235	131,155	12,761	124,122	268,038
Depreciation	-	-	-	-	189,510	-	189,510
Insurance	4,610	1,346	-	5,956	34,611	-	40,567
Bad debts	-	-	-	-	240,651	-	240,651
Fundraising events	-	-	-	-	-	58,654	58,654
Other	-	34,572	-	34,572	-	-	34,572
	<u>\$ 3,135,307</u>	<u>\$ 1,952,535</u>	<u>\$ 4,102,248</u>	<u>\$ 9,190,090</u>	<u>\$ 5,479,631</u>	<u>\$ 5,774,316</u>	<u>\$ 20,444,037</u>

See accompanying Notes to Financial Statements.

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (22,935,542)	\$ 54,824,468
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	187,382	189,510
Bad debts	24,259	240,651
Loss on disposal of property and equipment	155	-
Net realized and unrealized investment losses (gains)	28,915,812	(48,701,727)
Permanently restricted contributions	(5,944,514)	(8,387,533)
Cash surrender value of life insurance	70,292	(5,886)
Change in value of split-interest agreements	204,920	(397,235)
Change in value of beneficial interest in perpetual trusts	288,130	(316,303)
Contribution of donated land	(103,500)	-
Net change in		
Pledges receivable	(1,134,854)	(415,987)
Estate receivable	614,273	(827,924)
Other receivables	881,589	(1,153,648)
Other assets	(27,935)	43,568
Accounts payable and other liabilities	332,411	111,824
	1,372,878	(4,796,222)
Net cash provided by (used in) operating activities		
Cash Flows from Investing Activities		
Proceeds from the sale/maturity of investments	5,191,261	5,865,537
Purchase of investments, including reinvested income	(12,187,719)	(9,342,134)
Purchase of software	-	(71,200)
	(6,996,458)	(3,547,797)
Net cash used in investing activities		
Cash Flows from Financing Activities		
Permanently restricted contributions	5,944,514	8,387,533
Payments to annuitants and recipients	(135,543)	(113,458)
Payments for agency funds to other educational institutions	(226,000)	-
Payments for agency funds to SIU	(107,393)	(106,555)
	5,475,578	8,167,520
Net cash provided by financing activities		
Decrease in Cash	(148,002)	(176,499)
Cash - Beginning of Year	306,816	483,315
Cash - End of Period	\$ 158,814	\$ 306,816

See accompanying Notes to Financial Statements.

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Southern Illinois University Foundation (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 (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. The IRS has further determined that the Foundation is not a private foundation.

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

Basis of Presentation

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds to be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Cash

At June 30, 2022 and 2021, the carrying amount of the Foundation's deposits with financial institutions was \$158,514 and \$306,391, respectively, and the bank balances were \$755,272 and \$825,636, 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, 2022 and 2021, the Foundation's deposits with institutions were either federally insured or collateralized by pledged bank assets in the Foundation's name.

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. Matching gift expectancies are not accrued as a receivable but are recognized upon receipt.

Promises to give that are collectible 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.

Estate receivables in liquidation and expected to be collected within one year are recorded at their estimated net realizable value.

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 of expected future cash flows.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Net 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 equities) for which quoted market prices are not available, are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments. Realized gains and losses on sales of investments are determined on the specific identification basis. Investment return includes dividend and interest income; realized and unrealized gains and losses on investments; and investment fees.

Net investment return is reflected in the statements of activities as without donor restrictions or with donor restrictions 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 statements 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 statements of activities.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land, Property and Equipment

Land, property and 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.

Contributions and Net Assets

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Gifts that depend on the Foundation overcoming a donor-imposed barrier to be entitled to the funds are not recognized until the gift becomes unconditional.

The governing board has designated, from net assets without donor restrictions, net assets for various future potential needs of the Foundation.

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. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions. 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 accompanying statements of activities since the services do not meet the necessary criteria for recognition under US GAAP.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, office expenses and travel, which are allocated on the basis of estimates of time and effort.

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

2. AVAILABILITY AND LIQUIDITY

The following represents the Foundation's financial assets at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year end		
Cash	\$ 158,814	\$ 306,816
Pledges receivable, net	6,996,805	5,886,210
Estate receivables	278,031	892,304
Charitable trust receivable	54,435	54,435
Other receivables	396,736	1,278,325
Investments	<u>225,892,763</u>	<u>248,146,279</u>
Total financial assets	<u>233,777,584</u>	<u>256,564,369</u>
Less amount not available to be used within one year		
Contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	47,632,968	42,482,265
Subject to appropriation and satisfaction of donor restrictions	166,599,464	186,311,907
Investments held in annuity trusts	2,162,550	2,429,969
Investments held in agency funds	2,755,053	3,216,199
Board designations:		
Amounts set aside for liquidity reserve	10,651,138	7,435,965
Quasi-endowment fund, primarily for long-term investing	<u>4,565,269</u>	<u>4,782,049</u>
	<u>234,366,442</u>	<u>246,658,354</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ (588,858)</u>	<u>\$ 9,906,015</u>
Liquidity resources		
Board designated quasi-endowment available by Board appropriation	<u>4,565,269</u>	<u>4,782,049</u>
Total financial assets and liquidity resources available to meet general expenditures over the next twelve months	<u>\$ 3,976,411</u>	<u>\$ 14,688,064</u>

The quasi-endowment is designated as a liquidity reserve and the board has the ability to appropriate disbursements from this reserve to cover operating shortfalls.

The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments. Occasionally, the board designates a portion of any operating surplus to its quasi-endowment fund.

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

3. PLEDGES RECEIVABLE, NET

Pledges receivable, net consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Pledges receivable due in		
Less than one year	\$5,192,439	\$4,828,611
One to five years	2,651,930	3,078,499
More than five years	<u>65,865</u>	<u>9,000</u>
 Total pledges receivable	 7,910,234	 7,916,110
 Allowance for doubtful accounts	 (695,388)	 (1,770,720)
Discount	<u>(218,041)</u>	<u>(259,180)</u>
 Total	 <u>\$6,996,805</u>	 <u>\$5,886,210</u>

Total prior pledges written off during the years ended June 30, 2022 and 2021, were \$24,259 and \$240,651, respectively. The discount rate used was 5 percent for both 2022 and 2021.

4. 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 where in the donor or a third-party beneficiary receives distributions and upon the trust's termination, the Foundation receives the remaining assets. Charitable gift annuities are agreements where in 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.

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

**4. ASSETS HELD AND OBLIGATIONS UNDER SPLIT-INTEREST AGREEMENTS
(Continued)**

Assets

Assets held under split-interest agreements consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Charitable remainder trusts		
Equities	\$1,038,843	\$1,306,233
Real estate funds	31,867	59,369
Natural resources	65,956	57,666
Fixed income	354,376	427,274
Other	15,651	9,087
	<u>1,506,693</u>	<u>1,859,629</u>
Charitable gift annuities		
Equities	329,624	335,663
Real estate funds	17,796	17,431
Commodities	57,742	40,311
Fixed income	112,565	91,967
Alternative investments	86,973	70,083
Other	51,157	14,885
	<u>655,857</u>	<u>570,340</u>
 Total assets under split-interest agreements	 <u>\$2,162,550</u>	 <u>\$2,429,969</u>

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 statements of activities. The present value of the estimated future payments as of June 30, 2022 and 2021, was calculated using a discount rate of 3.6 percent and 1.2 percent, respectively, and applicable mortality tables.

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

4. ASSETS HELD AND OBLIGATIONS UNDER SPLIT-INTEREST AGREEMENTS (Continued)

Obligations (Continued)

Obligations under split-interest agreements consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Charitable remainder trusts	\$ 619,787	\$ 800,600
Charitable gift annuities	<u>343,741</u>	<u>316,540</u>
Total obligations under split-interest agreements	<u>\$ 963,528</u>	<u>\$ 1,117,140</u>

5. BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Foundation is the beneficiary under four perpetual trusts administered by outside parties. Under the terms of the trusts, the Foundation has the irrevocable right to receive a portion of income earned on trust assets in perpetuity, but never receives the assets held in the trusts. The estimated values of the expected future cash flows were \$1,167,609 and \$1,455,739, which represents the fair value of trust assets at June 30, 2022 and 2021, respectively. The income from these trusts for the years ended June 30, 2022 and 2021 were \$73,379 and \$46,843, respectively.

6. 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 consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
100% interest in farmland not held for operational use	<u>\$ 396,000</u>	<u>\$ 396,000</u>

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

7. LAND, PROPERTY AND EQUIPMENT

Land and equipment consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 410,716	\$ 307,216
Furniture, fixtures and equipment	1,305,722	1,308,513
Less: accumulated depreciation	<u>(1,082,575)</u>	<u>(897,829)</u>
	<u>\$ 633,863</u>	<u>\$ 717,900</u>

8. AGENCY FUNDS

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 3,216,199	\$ 2,600,597
Net investment (loss) income	(353,753)	722,157
Payments to SIU	<u>(107,393)</u>	<u>(106,555)</u>
Ending balance	<u>\$ 2,755,053</u>	<u>\$ 3,216,199</u>

During the year ending June 30, 2022, the Illinois Board of Higher Education (IBHE) and the Commission on Equitable Public University Funding came together in partnership with the Southern Illinois University Foundation to adopt a new strategic plan, *A Thriving Illinois: Higher Education Paths to Equity, Sustainability, and Growth*. The Foundation received the grant funds and disbursed funds according to the IBHE's instructions. Funds were provided to staff and facilitate the Commission, provide technical analysis and modeling, as well as support, if needed, for national postsecondary finance experts to present to the Commission. The following summarizes agency funds payable transactions related to this initiative for the year ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ -	\$ -
Contributions	226,000	-
Payments to third-parties for support and facilitation	<u>(226,000)</u>	<u>-</u>
Ending balance	<u>\$ -</u>	<u>\$ -</u>

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

9. NET ASSETS

With Donor Restrictions

At June 30, 2022 and 2021, net assets with donor restrictions were as follows:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose		
Student assistance	\$ 10,520,678	\$ 9,844,259
University and community programs	6,061,875	5,365,257
Academic and research support	25,638,690	23,154,131
Promises to give, the proceeds from which have been restricted by donors for:		
Student assistance	516,482	558,997
University and community programs	500,518	520,661
Academic and research support	3,669,904	2,137,218
	<u>46,908,147</u>	<u>41,580,523</u>
Subject to passage of time		
Beneficial interests in charitable trusts held by others	54,435	54,435
Assets held under split-interest agreements	2,162,550	2,429,969
	<u>2,216,985</u>	<u>2,484,404</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for student assistance	3,144,615	3,654,468
Life insurance policies that will provide proceeds upon death of insured for an endowment to support:		
Student assistance	373,953	472,782
University and community programs	43,608	41,498
	<u>3,562,176</u>	<u>4,168,748</u>

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

9. NET ASSETS (Continued)

With Donor Restrictions (Continued)

	<u>2022</u>	<u>2021</u>
Subject to NFP endowment spending policy and appropriation		
Student assistance	83,886,896	93,634,679
University and community programs	11,650,175	13,408,065
Academic and research support	69,021,372	76,014,847
Underwater endowments	(703,327)	-
	<u>163,855,116</u>	<u>183,057,591</u>
Total Endowments	<u>167,417,292</u>	<u>187,226,339</u>
Not subject to spending policy or appropriation		
Beneficial interests in perpetual trusts	1,167,609	1,455,739
Land required to be used for research	410,716	307,216
	<u>1,578,325</u>	<u>1,762,955</u>
Total	<u>\$ 218,120,749</u>	<u>\$ 233,054,221</u>

Without Donor Restrictions

At June 30, 2022 and 2021, net assets without donor restrictions were as follows:

	<u>2022</u>	<u>2021</u>
Board-designated liquidity reserve	\$ 10,635,275	\$ 7,373,085
Board-designated quasi-endowment fund	4,565,269	4,782,049
Other undesignated	(564,000)	10,483,480
	<u>\$ 14,636,544</u>	<u>\$ 22,638,614</u>
Total	<u>\$ 14,636,544</u>	<u>\$ 22,638,614</u>

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

9. NET ASSETS (Continued)

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. During the years ended June 30, 2022 and 2021, net assets were released from donor restrictions as follows:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions		
Student assistance	\$ 4,603,542	\$ 3,093,736
University and community programs	3,497,459	2,302,773
Academic and research support	3,000,897	4,060,967
Distributions		
Supplement fee	918,675	809,748
Endowment fee	2,195,831	1,947,566
Total	<u>\$ 14,216,404</u>	<u>\$ 12,214,790</u>

10. ENDOWMENTS

The Foundation's endowments consisted of approximately 1,100 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 (quasi-endowment funds). As required by US GAAP, net assets associated with endowment funds, including board-designated quasi-endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body is subject to the State of Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditure. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. Additionally, 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 Foundation
7. Investment policies of the Foundation

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

10. ENDOWMENTS (Continued)

The composition of net assets by type of endowment fund at June 30, 2022 and 2021 were as follows:

June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment fund	\$ 4,565,269	\$ -	\$ 4,565,269
Donor-restricted endowment funds:			
Original donor-restricted gift amounts amounts required to be maintained in perpetuity by donor	-	134,404,614	134,404,614
Accumulated investment gains	-	29,868,063	29,868,063
Term endowment	-	3,144,615	3,144,615
Total endowment funds	<u>\$ 4,565,269</u>	<u>\$ 167,417,292</u>	<u>\$ 171,982,561</u>

June 30, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment fund	\$ 4,782,049	\$ -	\$ 4,782,049
Donor-restricted endowment funds:			
Original donor-restricted gift amounts amounts required to be maintained in perpetuity by donor	-	127,455,266	127,455,266
Accumulated investment gains	-	56,116,605	56,116,605
Term endowment	-	3,654,468	3,654,468
Total endowment funds	<u>\$ 4,782,049</u>	<u>\$ 187,226,339</u>	<u>\$ 192,008,388</u>

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

10. ENDOWMENTS (Continued)

Changes in endowment net assets for the years ended June 30, 2022 and 2021 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowments, July 1, 2021	\$ 4,782,049	\$ 187,226,339	\$ 192,008,388
Investment return, net	(519,302)	(18,506,304)	(19,025,606)
Contributions	-	6,583,971	6,583,971
Decrease in allowance for uncollectible receivables	-	117,665	117,665
Other sources	-	19,782	19,782
Additions to board endowment	522,673	-	522,673
Appropriations of endowment assets for expenditure	(219,605)	(8,447,971)	(8,667,576)
Other expenses	(546)	-	(546)
Change in donor restriction	-	423,810	423,810
Endowments, June 30, 2022	<u>\$ 4,565,269</u>	<u>\$ 167,417,292</u>	<u>\$ 171,982,561</u>

	Without Donor Restrictions	With Donor Restrictions	Total
Endowments, July 1, 2020	\$ 4,080,875	\$ 143,492,857	\$ 147,573,732
Investment return, net	1,141,463	41,978,423	43,119,886
Contributions	-	9,313,392	9,313,392
Increase in allowance for uncollectible receivables	-	(58,361)	(58,361)
Other sources	-	108,090	108,090
Appropriations of endowment assets for expenditure	(168,954)	(7,980,081)	(8,149,035)
Other expenses	(57,901)	-	(57,901)
Change in donor restriction	(213,434)	372,019	158,585
Endowments, June 30, 2021	<u>\$ 4,782,049</u>	<u>\$ 187,226,339</u>	<u>\$ 192,008,388</u>

10. ENDOWMENTS (Continued)

Underwater Endowments

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. Deficiencies of this nature existed in 104 donor restricted endowment funds, which together had an original gift value of \$11,951,923, and a deficiency of \$703,327 as of June 30, 2022. These deficiencies resulted from unfavorable market fluctuations that occurred after investment of new contributions to be held in perpetuity and continued appropriation for certain purposes that was deemed prudent by the Foundation's board of directors. There were no endowment funds with deficiencies as of June 30, 2021.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for 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 quasi-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 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 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 a five-year average of the endowment pool's ending balance as of December 31 multiplied by a spending rate which considers the long-term investment performance estimate of the pool less the consumer price index. The Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

11. FEES

Endowment Fee

The Foundation receives a 1.4 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. For the years ended June 30, 2022 and 2021, the fee was \$2,296,977 and \$2,045,224, respectively. The endowment fee is taken from the Foundation's endowment funds investment income and therefore is included within the investment gain on the accompanying statements of activities.

Supplement Fee

Beginning July 1, 2004, SIU and the Foundation assesses 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. For the years ended June 30, 2022 and 2021, the Foundation's portion of the supplement fee was \$772,899 and \$677,441, respectively. The supplement fee is included within contribution revenue on the accompanying statements of activities.

12. 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. For the years ended June 30, 2022 and 2021, 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 Transfer from affiliates - support service revenue and the expenses have been allocated among the support services expenses in the accompanying statements 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.

For the years ended June 30, 2022 and 2021, the Foundation paid \$112,717 and \$111,664, respectively, to the Association of Alumni, Former Students and Friends of Southern Illinois University (Association) to assist the Association in its support for SIU, relating primarily to the cost of printed materials distributed by the Association. For the years ended June 30, 2022 and 2021, the Association also granted \$8,712 and \$8,928, respectively, to various Foundation restricted accounts.

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

12. RELATED PARTY TRANSACTIONS (Continued)

In addition, for the years ended June 30, 2022 and 2021, the Foundation received \$50,000 for each year as support service revenue. These amounts are reflected in Transfer from affiliates – support service revenue in the accompanying statements of activities.

The Foundation also received several grants from SIU totaling \$6,000 and \$55,501 for the years ended June 30, 2022 and 2021, respectively. Transactions with the University as of and for the years ending June 30, 2022 and 2021 were as follows:

As of and for the Year Ending June 30, 2022				
SIU Foundation	Southern Illinois University		Operating Expenses	Non-operating Revenues
	Due from SIUF	Due to SIUF		
Accounts payable and other liabilities	\$ 354,442	\$ -	\$ -	\$ -
Agency funds payable	2,755,053	-	-	-
Other receivables	-	34,415	-	-
Operating revenue - transfer from affiliate	-	-	6,261,058	-
Operating expense	-	-	-	18,318,634

As of and for the Year Ending June 30, 2021				
SIU Foundation	Southern Illinois University		Operating Expenses	Non-operating Revenues
	Due from SIUF	Due to SIUF		
Accounts payable and other liabilities	\$ 67,443	\$ -	\$ -	\$ -
Agency funds payable	3,216,199	-	-	-
Other receivables	-	1,207,924	-	-
Operating revenue - transfer from affiliate	-	-	6,271,648	-
Operating expense	-	-	-	15,269,960

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 market rates, properly recorded in the statements of activities and are not material for the years ended June 30, 2022 or 2021.

13. LEASES

A noncancelable software and equipment lease for fundraising purposes expired in 2022. Expense related to this lease for the years ended June 30, 2022 and 2021, was \$210,410 and \$250,688, respectively. A new noncancelable software and equipment lease for fundraising purposes was entered into and started on July 1, 2022 and expires on June 30, 2023. Lease expense for the one year term will be \$203,100.

A noncancelable operating lease with SIU for the use of a suite in the Football Stadium expires in 2024. Rent expense related to this lease for the years ended June 30, 2022 and 2021, was \$17,850 and \$17,673, respectively.

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

13. LEASES (Continued)

A noncancelable vehicle lease for CEO use expires in 2023. Expenses related to this lease for the years ended June 30, 2022 and 2021, was \$6,563 and \$6,563, respectively.

Future minimum lease payments under these operating leases are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 227,691
2024	18,208
2025	<u>18,390</u>
Total	<u>\$ 264,289</u>

14. 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.

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

14. DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

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 as of June 30, 2022 and 2021:

2022	Level 1	Level 2	Level 3	Total
ASSETS				
Investments:				
Domestic equities	\$ 67,966,924	\$ -	\$ -	\$ 67,966,924
International equities	16,080,263	-	-	16,080,263
Emerging market funds	7,720,401	-	-	7,720,401
Leveraged loans	1,711,691	-	-	1,711,691
Real estate funds	6,527,159	-	-	6,527,159
Commodities/natural resources	3,896,531	-	-	3,896,531
Fixed income mutual funds	47,553,457	-	-	47,553,457
Corporate and municipal bonds	-	11,172,273	-	11,172,273
Real estate - farm land	-	-	396,000	396,000
Alternative and hedge funds (NAV)*				50,095,267
Money Market Funds**				11,006,247
Total investments	\$ 151,456,426	\$ 11,172,273	\$ 396,000	\$ 224,126,213
Other Investments:				
Assets held under split-interest agreements				
Equities	\$ 1,321,971	\$ -	\$ -	\$ 1,321,971
Real estate funds	45,259	-	-	45,259
Natural Resources	76,521	-	-	76,521
Fixed income mutual funds	466,941	-	-	466,941
Alternative	6,558	-	-	6,558
Other	66,809	-	-	66,809
Alternative and hedge funds (NAV)*	-	-	-	178,491
	\$ 1,984,059	\$ -	\$ -	\$ 2,162,550
Beneficial interest in perpetual trusts	\$ -	\$ -	\$ 1,167,609	\$ 1,167,609
LIABILITIES				
Gift annuities obligations	\$ -	\$ (963,528)	\$ -	\$ (963,528)

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

14. DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

Recurring Measurements (Continued)

2021	Level 1	Level 2	Level 3	Total
ASSETS				
Investments:				
Domestic equities	\$ 76,761,587	\$ -	\$ -	\$ 76,761,587
International equities	30,641,150	-	-	30,641,150
Emerging market funds	9,525,093	-	-	9,525,093
Leveraged loans	2,896,097	-	-	2,896,097
Real estate funds	6,573,931	-	-	6,573,931
Commodities/natural resources	4,796,328	-	-	4,796,328
Fixed income mutual funds	48,899,709	-	-	48,899,709
Corporate and municipal bonds	-	7,691,286	-	7,691,286
Real estate - farm land	-	-	396,000	396,000
Alternative and hedge funds (NAV)*				53,755,869
Money Market Funds**				4,175,260
Total investments	\$ 180,093,895	\$ 7,691,286	\$ 396,000	\$ 246,112,310
Other Investments:				
Assets held under split-interest agreements				
Equities	\$ 1,588,496	\$ -	\$ -	\$ 1,588,496
Real estate funds	72,133	-	-	72,133
Natural Resources	66,442	-	-	66,442
Fixed income mutual funds	519,240	-	-	519,240
Alternative	8,728	-	-	8,728
Other	23,973	-	-	23,973
Alternative and hedge funds (NAV)*	-	-	-	150,957
	\$ 2,279,012	\$ -	\$ -	\$ 2,429,969
Beneficial interest in perpetual trusts	\$ -	\$ -	\$ 1,455,739	\$ 1,455,739
LIABILITIES				
Gift annuities obligations	\$ -	\$ (1,117,140)	\$ -	\$ (1,117,140)

*Certain investments that are measured at fair value using the Net Asset Value (NAV) per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy (Levels 1, 2 or 3). The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

**Money market funds are recorded at cost and are not based on Level 1, 2, or 3 inputs.

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 years ended June 30, 2022 and 2021.

14. DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

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.

Real Estate – Farm Land

Valued by periodic appraisal and farm land publications indexing farm land values.

Assets Held Under Split-Interest Agreements

The values of assets held under split-interest agreements are valued using quoted market prices that are available in an active market and are included as a Level 1 in the valuation hierarchy. Other assets held under split-interest agreements are measured at fair value using the NAV per share (or its equivalent) practical expedient.

Beneficial Interest in Perpetual Trusts

The values of beneficial interest in perpetual trusts are derived from the underlying investments of the trusts. The value of those investments are determined in the same manner as investments described above. The Foundation considers the measurement of its beneficial interest in perpetual trusts to be a Level 3 measurement within the hierarchy because even though the measurement is based on the unadjusted fair value of the trusts assets reported by the trustee, the Foundation will never receive those assets or have the ability to direct the trustee to redeem them.

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

14. DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

The following table presents a reconciliation of Level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2022 and 2021:

	Beneficial Interest in Perpetual Trusts	Real Estate - Farm Land
	<u>2022</u>	
Balance, beginning of the year	\$ 1,455,739	\$ 396,000
Total losses included in change in net assets	<u>(288,130)</u>	<u>-</u>
Balance, end of the year	<u>\$ 1,167,609</u>	<u>\$ 396,000</u>
	<u>2021</u>	
Balance, beginning of the year	\$ 1,139,436	\$ 396,000
Total gains included in change in net assets	<u>316,303</u>	<u>-</u>
Balance, end of the year	<u>\$ 1,455,739</u>	<u>\$ 396,000</u>

Liabilities Under 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 better align with the current distribution when calculating the present value of annuities. Such obligations are classified in Level 2 of the valuation hierarchy.

Alternative Investments

The fair value of the alternative 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 NAV per share of the investments.

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

14. DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

Alternative investments held at June 30, 2022 and 2021 consisted of the following:

	Fair Value		Unfunded Commitments at June 30, 2022	Unfunded Commitments at June 30, 2021	Redemption Frequency (If Currently Eligible)	Redemption Period
	2022	2021				
Hedge Funds (A)	\$ 3,537,679	\$ 3,541,279	\$ -	\$ -	- 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)	5,747,740	5,885,530	-	-	- Semi-monthly	15 days following of written notice
Private Equities (C)	9,139,097	8,351,575	1,900,477	3,361,327	Ranges between monthly and not available	Ranges between 15 days and not available
Distressed Debts (D)	5,090,810	4,717,673	939,688	1,539,688	Only with prior consent of the general partner	At the discretion of the general partner
Alternative Strategies (E)	936,238	1,590,020	50,108	50,108	Ranges between monthly and not available	Ranges between 2 years and not available
Real Estate Funds (F)	1,153,742	1,553,285	29,000	49,000	Not available	Not available
Commodities (G)	12,486,932	10,495,313	1,618,252	2,090,861	Ranges between monthly and annually	30 days following of written notice
Domestic Equities (H)	6,067,004	8,190,557	-	-	- Ranges between monthly and annually	30 days following of written notice
International Equities (I)	1,546,973	3,054,595	-	-	- Quarterly	60 days following of written notice
Emerging Market Funds (J)	4,567,543	6,526,999	-	-	- Monthly	60 days following of written notice
	<u>\$ 50,273,758</u>	<u>\$ 53,906,826</u>				
Investments: Alternative and hedge funds (NAV)	\$ 50,095,267	\$ 53,755,869				
Other investments: Alternative and hedge funds (NAV)	178,491	150,957				
Total	<u>\$ 50,273,758</u>	<u>\$ 53,906,826</u>				

14. DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

Alternative Investments (Continued)

- (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) Leveraged 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 equities and distressed debt.
- (F) Real estate funds include 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 (REIT) 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.
- (G) Commodities include funds that invest in natural resources such as commodities and MLPs. MLPs are Master Limited Partnerships that are partnerships that derive most of their cash flows from real estate, natural resources and commodities.
- (H) Domestic equities include investments held in mutual funds, exchange-traded funds, partnerships and limited liability companies located in the U.S.

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

14. DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

Alternative Investments (Continued)

- (I) International equities include investments held in limited liability companies located outside of the U.S.
- (J) Emerging market funds invest the majority of their assets in securities from countries with developing economies.

15. SIGNIFICANT ESTIMATES AND CONCENTRATIONS

US GAAP requires disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Pledges Receivable

A single donor made up approximately 30 percent and 15 percent of the June 30, 2022 and June 30, 2021 gross outstanding pledges receivable, respectively.

16. IN-KIND DISCLOSURE

The Foundation received the following contributions of nonfinancial assets for the years ended June 30, 2022 and 2021:

	2022	2021
Art - Works of art	\$ -	\$ 5,015
Books and publications	100,323	-
Clothing and household goods	111,383	8,253
Cars and other vehicles	63,870	-
Real estate - Commercial	103,500	-
Collectibles	416	565
Food inventory	13,589	8,270
Drugs and medical supplies	1,500	-
Other	113,702	15,300
Life insurance	16,580	16,495
Auction items	37,943	17,428
	562,806	71,326
Transfer from affiliate – budget allocations (in-kind contributions)		
from SIU - personnel salaries and benefits	6,311,058	6,321,648
TOTAL CONTRIBUTED NONFINANCIAL ASSETS	\$ 6,873,864	\$ 6,392,974

16. IN-KIND DISCLOSURE (Continued)

Any contributions of auction items and vehicles are monetized, and contributions of other real estate and other non-financial assets are used in the Foundation's program services.

The Foundation receives contributed services from SIU in the form of personnel salaries and benefits. The personnel salaries and benefits are reported using the personnel's current rates for the salaries and benefits. The contributed services were utilized in the Foundation's program services, as well as the Foundation's Management and General and Fundraising functions. The donated services are shown as a transfer from affiliates in the statements of activities.

Contributed nonfinancial assets received by the Foundation are recorded as contributions and grants revenue in the statements of activities and as grants in the statements of functional expenses. The Foundation values the donated nonfinancial assets using the current price located on a publicly available website for identical items if the item donated is new, or on a percentage of the price located on a publicly available website if the item donated has been used but the item is located online is new. The nonfinancial assets were utilized in the Foundation's program for the advancement of SIU. The donated real estate is restricted for research purposes of SIU. The Foundation also receives contributions of donated goods. The donated goods are valued at the wholesale prices that would be received for selling similar products. The donated goods were used in the Foundation's program services.

The Foundation receives items to be sold at its auction which are then monetized. Contributed auction items are valued at the amounts received. Some donors have restricted the proceeds from the sale of the auction items to be added to an endowment fund held by the Foundation or for another specified purpose to benefit SIU.

17. NEW ACCOUNTING PRONOUNCEMENTS

The Foundation has adopted new accounting guidance, Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* as of July 1, 2021, with no effect on net assets.

18. FUTURE CHANGES IN ACCOUNTING PRINCIPLES

Accounting for Leases

The Financial Accounting Standards Board (FASB) amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statement of activity recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards.

18. FUTURE CHANGES IN ACCOUNTING PRINCIPLES (Continued)

Accounting for Leases (Continued)

The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and non-lease components in an arrangement. The standard is effective for the Foundation for the fiscal year beginning July 1, 2022. The Foundation is evaluating the impact the standard will have on the financial statements.

19. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 20, 2022, which is the date the financial statements were available for issuance and determined that there were no additional significant non-recognized subsequent events through that date.