Southern Illinois University Foundation

Independent Auditor's Report and Financial Statements

June 30, 2019 and 2018

Southern Illinois University Foundation

June 30, 2019 and 2018

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, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, 2019 and 2018, 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, in 2019, the Foundation adopted new accounting guidance, ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to this matter.

BKD, LLP

St. Louis, Missouri
October 16, 2019

Southern Illinois University Foundation
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Cash	$ 206,886	$ 530,931
Receivables		
Pledges receivable, net of allowance for doubtful accounts; 2019 - $1,522,000, 2018 - $1,484,000	5,577,173	5,073,568
Estate receivable	1,280,113	-
Charitable trust receivable	54,435	54,435
Other receivables	161,398	499,590
Total receivables	7,073,119	5,627,593
Investments		
Investments	191,557,764	185,350,404
Assets held under split-interest agreements	2,364,030	2,448,400
Beneficial interest in perpetual trusts	1,217,892	1,112,549
Investments in real estate	467,900	428,900
Cash surrender value of life insurance	697,773	696,802
Total investments	196,305,359	190,037,055
Land and equipment, net	808,888	971,333
Other assets	366,435	383,970
Total assets	$ 204,760,687	$ 197,550,882
Liabilities and Net Assets		
Liabilities		
Accounts payable and other liabilities	$ 219,754	$ 220,265
Obligations under split-interest agreements	1,140,299	1,183,681
Agency funds payable	2,822,503	2,686,462
Deposits held for others	14,141	59,107
Total liabilities	4,196,697	4,149,515
Net Assets		
Without donor restrictions	15,686,441	15,175,938
With donor restrictions	184,877,549	178,225,429
Total net assets	200,563,990	193,401,367
Total liabilities and net assets	$ 204,760,687	$ 197,550,882

Southern Illinois University Foundation
Statements of Activities
Years Ended June 30, 2019 and 2018

	Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions and grants, net of discount	$ 420,013	$ 15,120,378	$ 15,540,391
Allowance for uncollectible receivables	282	(38,466)	(38,184)
Change in value of split-interest agreements	-	(33,309)	(33,309)
Change in value of beneficial interest in perpetual trusts	-	105,343	105,343
Net investment gain	1,987,725	3,007,801	4,995,526
Fundraising service income	66,659	-	66,659
Support service revenue	3,550,989	-	3,550,989
Other	(83,882)	391,295	307,413
	5,941,786	18,553,042	24,494,828
Net assets released from restrictions	11,670,391	(11,670,391)	-
Changes in donor restrictions	(7,116)	7,116	-
Total support and revenue	17,605,061	6,889,767	24,494,828
Expenses			
Program services			
Student assistance	3,273,594	-	3,273,594
University and community programs	3,050,979	-	3,050,979
Academic and research support	3,087,642	-	3,087,642
Total program services	9,412,215	-	9,412,215
Support services			
Management and general	3,634,557	202,521	3,837,078
Fundraising	4,047,786	35,126	4,082,912
Total support services	7,682,343	237,647	7,919,990
Total expenses	17,094,558	237,647	17,332,205
Change in Net Assets	510,503	6,652,120	7,162,623
Net Assets - Beginning of Year	15,175,938	178,225,429	193,401,367
Net Assets - End of Year	$ 15,686,441	$ 184,877,549	$ 200,563,990

Southern Illinois University Foundation
Statements of Activities (Continued)
Years Ended June 30, 2019 and 2018

	Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions and grants, net of discount	$ 208,026	$ 17,039,665	$ 17,247,691
Allowance for uncollectible receivables	236	(679,457)	(679,221)
Change in value of split-interest agreements	-	1,046,553	1,046,553
Change in value of beneficial interest in perpetual trust	-	8,729	8,729
Net investment gain	1,188,187	8,438,708	9,626,895
Fundraising service income	70,925	-	70,925
Support service revenue	5,311,457	-	5,311,457
Other	14,530	324,711	339,241
	6,793,361	26,178,909	32,972,270
Net assets released from restrictions	11,320,028	(11,320,028)	-
Changes in donor restrictions	26,599	(26,599)	-
Total support and revenue	18,139,988	14,832,282	32,972,270
Expenses			
Program services			
Student assistance	3,699,487	-	3,699,487
University and community programs	2,245,355	-	2,245,355
Academic and research support	2,914,063	-	2,914,063
Total program services	8,858,905	-	8,858,905
Support services			
Management and general	4,528,184	310,176	4,838,360
Fundraising	4,440,014	45,644	4,485,658
Total support services	8,968,198	355,820	9,324,018
Total expenses	17,827,103	355,820	18,182,923
Change in Net Assets	312,885	14,476,462	14,789,347
Net Assets - Beginning of Year	14,863,053	163,748,967	178,612,020
Net Assets - End of Year	$ 15,175,938	$ 178,225,429	$ 193,401,367

Southern Illinois University Foundation

Statements of Functional Expenses

June 30, 2019 and 2018

	Year Ended June 30, 2019			
	Program Services	Management and General	Fundraising	Total
Grants	$ 7,549,746	$ 990,012	$ -	$ 8,539,758
Salaries and benefits	2,191	1,350,583	2,308,209	3,660,983
Professional services	483,042	218,721	527,386	1,229,149
Advertising and promotion	27,150	11,386	81,285	119,821
Office expenses	501,477	229,294	225,881	956,652
Information technology	5,796	431,108	323,576	760,480
Occupancy	2,384	167,285	19,450	189,119
Travel	807,351	38,732	404,207	1,250,290
Depreciation	-	162,445	-	162,445
Insurance	12,566	33,243	-	45,809
Bad debt	-	203,629	-	203,629
Fundraising event expenses	-	-	192,371	192,371
Other	20,512	640	547	21,699
	$ 9,412,215	$ 3,837,078	$ 4,082,912	$ 17,332,205

	Year Ended June 30, 2018			
	Program Services	Management and General	Fundraising	Total
Grants	$ 6,816,031	$ 1,080,697	$ -	$ 7,896,728
Salaries and benefits	18,619	2,149,682	3,272,838	5,441,139
Professional services	838,699	246,976	193,195	1,278,870
Advertising and promotion	21,575	5,288	83,442	110,305
Office expenses	439,021	168,505	152,704	760,230
Information technology	12,143	482,708	259,203	754,054
Occupancy	2,372	186,467	168	189,007
Travel	676,190	21,516	313,614	1,011,320
Depreciation	-	164,682	-	164,682
Insurance	12,962	20,430	-	33,392
Bad debt	-	310,177	-	310,177
Fundraising event expenses	-	-	210,272	210,272
Other	21,293	1,232	222	22,747
	$ 8,858,905	$ 4,838,360	$ 4,485,658	$ 18,182,923

Southern Illinois University Foundation
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ 7,162,623	$ 14,789,347
Items not requiring (providing) operating activities cash flows		
Cash provided by operating activities		
Depreciation	162,445	164,682
Bad debts	203,629	310,177
Net realized and unrealized investment gains	(1,481,914)	(6,270,120)
Permanently restricted contributions	(6,965,860)	(10,566,452)
Cash surrender value of life insurance	(17,956)	(53,994)
Change in value of split-interest agreements	33,309	(1,046,553)
Gain on beneficial interest in perpetual trusts	(105,343)	(8,729)
Donated land	(99,000)	-
Net change in		
Pledges receivable	(707,234)	166,686
Estate receivable	(1,280,113)	-
Other receivables	338,192	(387,789)
Other assets	17,535	(62,925)
Accounts payable and other liabilities	(1,146)	(20,733)
Net cash provided by (used in) operating activities	(2,740,833)	(2,986,403)
Cash Flows from Investing Activities		
Proceeds on sale of fixed assets	-	2,007
Proceeds from the sale/maturity of investments	4,320,018	2,241,907
Purchase of investments, including reinvested income	(8,555,480)	(9,818,780)
Net cash provided by (used in) investing activities	(4,235,462)	(7,574,866)
Cash Flows from Financing Activities		
Permanently restricted contributions	6,965,860	10,566,452
Payments to annuitants and recipients	(222,452)	(157,577)
Payments for agency funds to SIU	(91,158)	(91,117)
Net cash provided by (used in) financing activities	6,652,250	10,317,758
Decrease in Cash	(324,045)	(243,511)
Cash - Beginning of Year	530,931	774,442
Cash - End of Year	$ 206,886	$ 530,931

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

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, where by 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 statement of activities.

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, 2019 and 2018, the carrying amount of the Foundation's deposits with financial institutions was $203,361 and $527,481, respectively, and the bank balances were $426,372 and $807,214, 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, 2019, 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 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.

Estate receivables in liquidation 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 which is expected cash flows.

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 equity) 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 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.

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. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. 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.

Income Taxes

The Internal Revenue Service has recognized the Foundation as exempt from federal 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, 2016, nor has the Foundation been notified of any impending examination and no examinations are currently in process.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic *958): Presentation of Financial Statements of Not-for-Profit Entities.* The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. See Note 2.

The Foundation also early adopted a portion of ASU 2018-13, *Fair Value Measurement* (Topic 820) which allowed for the removal or modification of certain disclosures.

Fair Value of Financial Instruments

The carrying amounts of cash, 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 October 16, 2019, which is the date the financial statements were available to be issued.

Note 2: Change in Accounting Principle

In 2019, the Foundation, adopted ASU 2016-14, *Not-For-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the changes is as follows:

Statements of Financial Position and Statements of Activities

- The statements of financial position and statements of activities distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.
- Underwater donor-restricted endowment funds are shown within the donor-restricted net asset class. This is a change from the previously required classification as unrestricted net assets and changes in net assets.

Statements of Functional Expenses

- Expenses are reported by both nature and function as a statement within the financial statements.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the Statement of Financial Position.

- Includes additional disclosure on endowment funds, including disclosure of the original gift amounts and related fair value for endowment funds for which the fair value at the end of the reporting period is less than the original gift amount.

This change had no impact on previously reported total change in net assets.

Note 3: Availability and Liquidity

The following represents the Foundation's financial assets at June 30, 2019 and 2018:

	2019	2018
Financial assets at year end:		
Cash	$ 206,886	$ 530,931
Pledges receivable, net of allowance for doubtful accounts	5,577,173	5,073,568
Estate receivable	1,280,113	-
Other receivables	161,398	499,590
Investments	193,921,794	187,798,804
Total financial assets	201,147,364	193,902,893
Less amount not available to be used within one year:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose	34,933,379	32,738,014
Subject to appropriation and satisfaction of donor restrictions	145,969,896	141,681,530
Investments held in annuity trust and agency funds	5,186,533	5,134,862
Board designations:		
Amounts set aside for liquidity reserve	8,390,291	8,166,336
Quasi endowment fund, primarily for long-term investing	4,264,662	3,872,022
	198,744,761	191,592,764
Financial assets available to meet expenditures over the next 12 months	$ 2,402,603	$ 2,310,129

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.

Note 4: Pledges Receivable

Pledges receivable consisted of the following:

	2019	2018
Pledges receivable due in		
Less than one year	$ 2,868,010	$ 1,797,116
One to five years	4,539,336	5,102,563
More than five years	1,070	25,834
Total pledges receivable	7,408,416	6,925,513
Allowance	(1,521,961)	(1,483,777)
Discount	(309,282)	(368,168)
Total	$ 5,577,173	$ 5,073,568

Total prior pledges written off during the years ended June 30, 2019 and 2018, were $203,629 and $310,177, respectively, which has been included with management and general expense in the statements of activities. The discount rate used was 5 percent for both 2019 and 2018.

Note 5: Investments

Investments at June 30 consisted of the following:

	2019	2018
Money market funds	$ 2,086,126	$ 1,331,958
Domestic equities	50,778,007	41,212,973
International equities	22,151,509	20,909,300
Emerging market funds	11,861,697	12,098,328
Hedge funds	5,525,964	8,193,757
Leveraged loans	8,398,067	6,234,090
Private equity	6,305,049	5,987,596
Distressed debt	689,503	644,922
Real estate funds	4,944,001	15,081,268
Commodities	10,964,067	1,302,026
Alternative strategies	14,887,825	29,264,564
Fixed income securities	52,965,949	43,089,622
	$ 191,557,764	$ 185,350,404

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:

	2019	2018
Charitable remainder trusts		
Equities	$ 1,050,050	$ 1,041,283
Real estate funds	37,285	51,933
Natural resources	37,708	84,069
Fixed income	397,028	382,331
Other	11,986	10,456
	1,534,057	1,570,072
Charitable gift annuities		
Equities	421,986	407,376
Real estate funds	24,658	73,407
Commodities	49,827	7,900
Fixed income	137,040	108,481
Alternative investments	176,836	259,473
Other	19,626	21,691
	829,973	878,328
Total assets under split-interest agreements	$ 2,364,030	$ 2,448,400

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 as of June 30, 2019 and 2018, is calculated using a discount rate of 2.2 percent and 2.4 percent, respectively, and applicable mortality tables.

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

	2019	2018
Charitable remainder trusts	$ 699,500	$ 732,608
Charitable gift annuities	440,799	451,073
Total obligation under split-interest agreements	$ 1,140,299	$ 1,183,681

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

	2019	2018
Beginning balance	$ 1,183,681	$ 2,115,632
Annuity funds		
Net investment income	16,482	63,695
Payments to annuitants	(51,341)	(52,554)
Adjustment of actuarial liability	30,445	(82,076)
Liability portion of funds established during the current year	(5,860)	4,774
Charitable remainder trusts		
Net investment gain	48,625	186,554
Payments to recipients	(84,597)	(87,867)
Adjustment of actuarial liability	2,864	(964,477)
Ending balance	$ 1,140,299	$ 1,183,681

Note 7: 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 $1,217,892 and $1,112,549, which represents the fair value of trust assets at June 30, 2019 and 2018, respectively. The income from these trusts for 2019 and 2018 were $46,588 and $34,144, respectively.

Note 8: Investments in Real Estate

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

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

	2019	2018
Two parcels of land located in Goreville, Illinois, held for the benefit of two scholarship endowment funds	$ 71,900	$ 71,900
Interest in farmland not held for operational use (100% - 2019, 75% - 2018)	396,000	297,000
50% remainder interest in a home to benefit the School of Law	-	60,000
	$ 467,900	$ 428,900

Note 9: Land and Equipment

Land and equipment at June 30 consists of:

	2019	2018
Land	$ 307,216	$ 307,216
Furniture, fixtures and equipment	1,628,344	1,630,078
Less: accumulated depreciation	(1,126,672)	(965,961)
Land and equipment, net	$ 808,888	$ 971,333

Note 10: 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:

	2019	2018
Beginning balance	$ 2,686,462	$ 2,636,867
Net investment income	46,583	140,712
Payments to SIU	(91,158)	(91,117)
Contributions	180,616	-
Ending balance	$ 2,822,503	$ 2,686,462

Note 11: Net Assets

With Donor Restrictions

Net assets with donor restrictions were as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Subject to expenditure for a specified purpose		
Student assistance	$ 6,969,403	$ 6,411,081
University and community programs	4,858,696	4,698,599
Academic and research support	19,723,620	18,910,673
Promises to give, the proceeds from which have been restricted by donors for		
Student assistance	401,857	299,556
University and community programs	1,574,608	693,971
Academic and research support	524,323	780,008
	34,052,507	31,793,888
Subject to the passage of time		
Beneficial interests in charitable trusts held by others	54,435	54,435
Assets held under split-interest agreements	2,364,030	2,448,400
	2,418,465	2,502,835
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for student assistance	3,131,836	3,202,955
Life insurance policy that will provide proceeds upon death of insured for an endowment to support		
Student assistance	473,927	415,820
University and community programs	37,214	35,212
Academic and research support	-	15,000
	3,642,977	3,668,987
Subject to NFP endowment spending policy and appropriation		
Student assistance	73,041,842	69,134,038
University and community programs	10,356,682	10,129,748
Academic and research support	59,921,830	59,569,961
Underwater endowments	(81,862)	6,207
	143,238,492	138,839,954
Total endowments	146,881,469	142,508,941
Not subject to spending policy or appropriation		
Beneficial interest in perpetual trust	1,217,892	1,112,549
Land required to be used for research	307,216	307,216
	1,525,108	1,419,765
Total	$ 184,877,549	$ 178,225,429

Without Donor Restrictions

Net assets without donor restrictions for the years ended June 30, 2019 and 2018, are as follows:

	2019	2018
Academic and research support	$ (82,364)	$ (110,553)
Board designated liquidity reserve	8,390,291	8,166,336
SIU and community programs	6,478,040	6,491,664
Student assistance	900,474	628,491
Total	$ 15,686,441	$ 15,175,938

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.

	2019	2018
Satisfaction of purpose restriction		
Student assistance	$ 3,147,739	$ 3,594,559
University and community programs	3,276,077	2,318,724
Academic and research support	3,185,540	2,974,830
Distributions (proceeds are not restricted by donor)		
Supplement fee	700,539	907,893
Endowment fee	1,360,496	1,524,022
Total	$ 11,670,391	$ 11,320,028

Note 12: Endowment

The Foundation’s endowment consists 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 (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 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 expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net asset to net asset 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 institution
7. Investment policies of the Foundation

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

June 30, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 4,264,662	$ -	$ 4,264,662
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	114,599,086	114,599,086
Accumulated investment gains	-	29,150,547	29,150,547
Term endowment	-	3,131,836	3,131,836
Total endowment funds	$ 4,264,662	$ 146,881,469	$ 151,146,131

June 30, 2018	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 3,865,814	$ -	$ 3,865,814
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	106,979,846	106,979,846
Accumulated investment gains	-	31,824,759	31,824,759
Term endowment	-	3,758,771	3,758,771
Total endowment funds	$ 3,865,814	$ 142,563,376	$ 146,429,190

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2018	$ 3,865,814	$ 142,563,376	$ 146,429,190
Investment return, net	78,071	2,960,440	3,038,511
Contributions	-	6,965,860	6,965,860
Allowance for uncollectible receivables	-	(18,252)	(18,252)
Other sources	-	20,454	20,454
Appropriations of endowment assets for expenditure	(180,594)	(6,251,934)	(6,432,528)
Other expenses	-	(74,217)	(74,217)
Change in donor restriction	501,371	715,742	1,217,113
Endowment net assets, June 30, 2019	$ 4,264,662	$ 146,881,469	$ 151,146,131

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2017	$ 2,798,067	$ 127,993,442	$ 130,791,509
Investment return, net	195,599	8,304,264	8,499,863
Contributions	-	9,462,632	9,462,632
Allowance for uncollectible receivables	-	279,747	279,747
Other sources	-	60,945	60,945
Appropriations of endowment assets for expenditure	(113,415)	(6,185,859)	(6,299,274)
Other expense	-	(169,112)	(169,112)
Change in donor restriction	985,563	2,817,317	3,802,880
Endowment net assets, June 30, 2018	$ 3,865,814	$ 142,563,376	$ 146,429,190

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 exist in 20 and 16 donor-restricted endowment funds, which together have an original gift value of $5,365,107 and $3,580,476, and a deficiency of $81,862 and $6,207 as of June 30 2019 and 2018, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new permanently restricted contributions and continued appropriation for certain purposes that was deemed prudent by the Foundation's Board of Directors.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Foundation's policies, endowment assets are invested in a manner that is intended to produce results that 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 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. The Foundation has a policy that permits spending from underwater endowments funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. The governing board appropriated for expenditure $0 and $336,470 from underwater endowment funds during the year for fiscal year 2019 and 2018, respectively.

Note 13: 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 $1,424,067 (1.02 percent) and $1,526,307 (1.35 percent) for the years ended June 30, 2019 and 2018, 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 $700,539 and $907,893 for the years ended June 30, 2019 and 2018, respectively.

Note 14: 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, 2019 and 2018, 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 expenses 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, 2019 and 2018, the Foundation paid $112,950 and $120,943, 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 $115,021 and $66,225 to various Foundation restricted accounts in 2019 and 2018, respectively.

The Foundation also received several grants from SIU totaling $12,891 and $4,916 for the years ended June 30, 2019 and 2018, 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 Statements of Activities and are not material for 2019 or 2018.

Note 15: Leases

A noncancellable software lease with Reeher for the subscription services for fundraising purposes expires in 2020. Rent expense related to this lease for 2019 and 2018 was $105,591 and $67,130, respectively.

During 2019, the Foundation entered into a noncancellable software and equipment lease with Ruffalo Noel Levitz for fundraising purposes which expires in 2021. Rent expense related to this lease for 2019 was $330,963.

Future minimum lease payments under these operating leases are:

Year Ending June 30,	Amount
2020	$ 184,290
2021	217,725
Total	$ 402,015

Note 16: 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:

June 30, 2019	Level 1	Level 2	Level 3	NAV (A)	Total
Investments Measured at Fair Value					
Money Market Funds	$ 2,086,126	$ -	$ -	$ -	$ 2,086,126
Domestic Equities	45,605,734	-	-	-	45,605,734
International Equities	20,230,495	-	-	-	20,230,495
Emerging Market Funds	11,861,697	-	-	-	11,861,697
Leveraged Loans	1,941,866	-	-	-	1,941,866
Real Estate Funds	2,382,488	-	-	-	2,382,488
Commodities/Natural Resources	2,154,900	-	-	-	2,154,900
Fixed Income Securities	52,965,949	-	-	-	52,965,949
Investments Measured at NAV					
Domestic Equities	-	-	-	5,172,273	5,172,273
International Equities	-	-	-	1,921,014	1,921,014
Hedge Funds	-	-	-	5,525,964	5,525,964
Leveraged Loans	-	-	-	6,456,201	6,456,201
Private Equity	-	-	-	6,305,049	6,305,049
Distressed Debt	-	-	-	689,503	689,503
Real Estate Funds	-	-	-	2,561,513	2,561,513
Commodities	-	-	-	8,809,167	8,809,167
Alternative Strategies	-	-	-	14,887,825	14,887,825
Total investments	$ 139,229,255	$ -	$ -	$ 52,328,509	$ 191,557,764

Southern Illinois University Foundation

Notes to Financial Statements

June 30, 2019 and 2018

June 30, 2019	Level 1	Level 2	Level 3	NAV (A)	Total
Assets Held Under Split-interest Agreements					
Measured at Fair Value					
Equities	$ 1,432,460	$ -	$ -	$ -	$ 1,432,460
Real Estate Funds	47,652	-	-	-	47,652
Natural Resources	37,708	-	-	-	37,708
Fixed Income	534,068	-	-	-	534,068
Alternative Investments	10,834	-	-	-	10,834
Other	31,612	-	-	-	31,612
Measured at NAV					
Domestic Equities	-	-	-	39,576	39,576
Real Estate Funds	-	-	-	14,291	14,291
Commodities	-	-	-	49,827	49,827
Alternative Investments	-	-	-	166,002	166,002
	$ 2,094,334	$ -	$ -	$ 269,696	$ 2,364,030
Beneficial Interest in Perpetual Trusts	$ -	$ 1,217,892	$ -	$ -	$ 1,217,892
Liability Under Split-interest Agreements	$ -	$ -	$ (1,140,299)	$ -	$ (1,140,299)

June 30, 2018	Level 1	Level 2	Level 3	NAV (A)	Total
Investments Measured at Fair Value					
Money Market Funds	$ 1,331,958	$ -	$ -	$ -	$ 1,331,958
Domestic Equities	38,796,866	-	-	-	38,796,866
International Equities	20,909,300	-	-	-	20,909,300
Emerging Market Funds	12,098,328	-	-	-	12,098,328
Real Estate Funds	6,164,733	-	-	-	6,164,733
Alternative Strategies	11,459,590	-	-	-	11,459,590
Fixed Income Securities	43,089,622	-	-	-	43,089,622
Investments Measured at NAV					
Domestic Equities	-	-	-	2,416,107	2,416,107
Hedge Funds	-	-	-	8,193,757	8,193,757
Leveraged Loans	-	-	-	6,234,090	6,234,090
Private Equity	-	-	-	5,987,596	5,987,596
Distressed Debt	-	-	-	644,922	644,922
Real Estate Funds	-	-	-	8,916,535	8,916,535
Commodities	-	-	-	1,302,026	1,302,026
Alternative Strategies	-	-	-	17,804,974	17,804,974
Total investments	$ 133,850,397	$ -	$ -	$ 51,500,007	$ 185,350,404

June 30, 2018	Level 1	Level 2	Level 3	NAV (A)	Total
Assets Held Under Split-interest Agreements					
Measured at Fair Value					
Equities	$ 1,434,000	$ -	$ -	$ -	$ 1,434,000
Real Estate Funds	72,247	-	-	-	72,247
Natural Resources	84,069	-	-	-	84,069
Fixed Income	490,812	-	-	-	490,812
Alternative Investments	47,311	-	-	-	47,311
Other	32,147	-	-	-	32,147
Investments Measured at NAV					
Domestic Equities	-	-	-	14,659	14,659
Real Estate Funds	-	-	-	53,093	53,093
Commodities	-	-	-	7,900	7,900
Alternative Investments	-	-	-	212,162	212,162
	$ 2,160,586	$ -	$ -	$ 287,814	$ 2,448,400
Beneficial Interest in Perpetual Trusts	$ -	$ 1,112,549	$ -	$ -	$ 1,112,549
Liability Under Split-interest Agreements	$ -	$ -	$ (1,183,681)	$ -	$ (1,183,681)

(A) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not be 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.

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, 2019. For the liability 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. There were no investments classified as Level 2 or Level 3.

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 is determined in the same manner as investments described above.

Liability 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 annuity. Such obligations are classified in Level 3 of the valuation hierarchy.

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		Unfunded Commitments	Redemption Frequency (If	Redemption
	2019	2018	at June 30, 2019	Currently Eligible)	Period
Hedge Funds (A)	$ 5,525,964	$ 8,193,757	$ -	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)	$ 6,456,201	$ 6,234,090	$ -	Semi-monthly	15 days following of written notice
Private Equity (C)	$ 6,305,049	$ 5,987,596	$ 3,429,829	Ranges between monthly and not available	Ranges between 15 days and not available
Distressed Debt (D)	$ 689,503	$ 644,922	$ 1,789,688	Only with prior consent of the general partner	At the discretion of the general partner
Alternative Strategies (E)	$ 14,887,825	$ 17,804,974	$ 161,412	Ranges between monthly and not available	Ranges between 2 years and not available
Real Estate Funds (F)	$ 2,561,513	$ 8,916,535	$ 129,000	Not available	Not available
Commodities (G)	$ 8,809,167	$ 1,302,026	$ 1,770,902	Ranges between monthly and annually	30 days following of written notice
Domestic Equities (H)	$ 5,172,273	$ 2,416,107	$ -	Ranges between monthly and annually	30 days following of written notice
International Equities (I)	$ 1,921,014	$ -	$ -	Quarterly	60 days following of written notice

(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.

(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 its 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.

(I) International equities include investments held in limited liability companies located outside of the U.S.

Note 17: 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

Two donors make up approximately 37 percent and one donor makes up approximately 37 percent of the 2019 and 2018 gross outstanding pledges receivable, respectively.

Contribution Revenue

One donor contributed approximately 15 percent and one donor contributed approximately 12 percent of total contribution revenue in 2019 and 2018, respectively.

Note 18: Future Changes in Accounting Principles

Revenue Recognition

The Financial Accounting Standards Board (FASB) amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption. The standard is effective for the Foundation for the fiscal year beginning July 1, 2019. The Foundation is in the process of evaluating the impact the amendment will have on the financial statements.

Accounting for Leases

The 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 statement of financial position as both a right-of-use asset and a liability. The standard has two types of leases for income statement 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. 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 nonlease components in an arrangement. The standard is effective for the Foundation for the fiscal year beginning July 1, 2020. The Foundation is evaluating the impact the standard will have on the financial statements.