



**SOUTHERN ILLINOIS
UNIVERSITY FOUNDATION
CARBONDALE, ILLINOIS**

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

For the Years Ended June 30, 2021 and 2020

The background of the lower half of the page is an abstract, grayscale geometric pattern consisting of overlapping, semi-transparent planes and lines, creating a sense of depth and complexity.

SIKICH.COM

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT	1-2
BASIC FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities	4-5
Statements of Functional Expenses.....	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-32

3201 W. White Oaks Dr., Suite 102
Springfield, IL 62704
217.793.3363

SIKICH.COM

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southern Illinois University Foundation
Carbondale, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Southern Illinois University Foundation (Foundation), which comprise the Statements of Financial Position as of June 30, 2021 and 2020, 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 the Foundation, as of June 30, 2021 and 2020, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Sikich LLP

Springfield, Illinois
October 20, 2021

FINANCIAL STATEMENTS

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	2021	2020
Assets		
Cash	\$ 306,816	\$ 483,315
Receivables		
Pledges receivable, net	5,886,210	5,710,874
Estate receivable	892,304	64,380
Charitable trust receivable	54,435	54,435
Other receivables	1,278,325	124,677
Total receivables	8,111,274	5,954,366
Investments		
Operating funds	56,152,066	45,585,950
Agency funds	3,216,199	2,600,597
Endowment funds	186,348,045	144,326,373
Assets held under split-interest agreements	2,429,969	2,079,764
Beneficial interest in perpetual trusts	1,455,739	1,139,436
Investment in real estate	396,000	451,000
Cash surrender value of life insurance	721,089	731,698
Total investments	250,719,107	196,914,818
Land, property and equipment, net	717,900	836,210
Other assets	353,190	396,758
Total assets	\$ 260,208,287	\$ 204,585,467
Liabilities and Net Assets		
Liabilities		
Accounts payable and other liabilities	\$ 175,724	\$ 60,054
Obligations under split-interest agreements	1,117,140	1,050,031
Agency funds payable	3,216,199	2,600,597
Deposits held for others	6,389	6,418
Total liabilities	4,515,452	3,717,100
Net Assets		
Without donor restrictions	22,638,614	15,162,107
With donor restrictions	233,054,221	185,706,260
Total net assets	255,692,835	200,868,367
Total liabilities and net assets	\$ 260,208,287	\$ 204,585,467

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
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
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
	<u>9,357,993</u>	<u>59,588,864</u>	<u>68,946,857</u>
Net assets released from restrictions	12,214,790	(12,214,790)	-
Changes in donor restrictions	26,113	(26,113)	-
Total support and revenue	<u>21,598,896</u>	<u>47,347,961</u>	<u>68,946,857</u>
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	<u>9,190,090</u>	<u>-</u>	<u>9,190,090</u>
Support services			
Management and general	5,479,631	-	5,479,631
Fundraising	5,774,316	-	5,774,316
Total support services	<u>11,253,947</u>	<u>-</u>	<u>11,253,947</u>
Total expense	<u>20,444,037</u>	<u>-</u>	<u>20,444,037</u>
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	<u>15,162,107</u>	<u>185,706,260</u>	<u>200,868,367</u>
Net Assets - End of Year	<u><u>\$ 22,638,614</u></u>	<u><u>\$ 233,054,221</u></u>	<u><u>\$ 255,692,835</u></u>

See accompanying Notes to Financial Statements.

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions and grants, net of discount	\$ 275,540	\$ 13,669,174	\$ 13,944,714
Allowance for uncollectible receivables	(518)	(113,395)	(113,913)
Change in value of split-interest agreements	-	(12,575)	(12,575)
Change in value of beneficial interest in perpetual trusts	-	(78,457)	(78,457)
Net investment gain (loss)	1,354,063	(272,526)	1,081,537
Fundraising service income	69,500	-	69,500
Other	(8,775)	221,866	213,091
	1,689,810	13,414,087	15,103,897
Net assets released from restrictions	12,567,310	(12,567,310)	-
Changes in donor restrictions	18,066	(18,066)	-
Total support and revenue	14,275,186	828,711	15,103,897
Expenses			
Program services			
Student assistance	3,904,290	-	3,904,290
University and community programs	2,796,653	-	2,796,653
Academic and research support	3,289,866	-	3,289,866
Total program services	9,990,809	-	9,990,809
Support services			
Management and general	3,913,350	-	3,913,350
Fundraising	5,048,932	-	5,048,932
Total support services	8,962,282	-	8,962,282
Total expense	18,953,091	-	18,953,091
Transfer from affiliates - support service revenue	4,153,571	-	4,153,571
Change in Net Assets	(524,334)	828,711	304,377
Net Assets - Beginning of Year	15,686,441	184,877,549	200,563,990
Net Assets - End of Year	\$ 15,162,107	\$ 185,706,260	\$ 200,868,367

See accompanying Notes to Financial Statements.

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	Student Assistance	University and Community Programs	Academic and Research Support	Program Services	Management and General	Fundraising	Total
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

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	Student Assistance	University and Community Programs	Academic and Research Support	Program Services	Management and General	Fundraising	Total
Grants	\$ 3,865,236	\$ 2,282,857	\$ 1,963,029	\$ 8,111,122	\$ 1,422,562	\$ -	\$ 9,533,684
Salaries and benefits	-	8,070	3,566	11,636	1,261,427	3,033,542	4,306,605
Professional services	-	245,380	638,995	884,375	258,256	783,264	1,925,895
Advertising and promotion	-	3,647	34,928	38,575	17,274	76,241	132,090
Office expenses	12,553	154,882	210,102	377,537	189,046	191,577	758,160
Information technology	-	950	19,446	20,396	386,180	327,778	734,354
Occupancy	3,112	1,977	-	5,089	162,994	22,445	190,528
Travel	11,798	64,815	419,800	496,413	16,609	498,433	1,011,455
Depreciation	-	-	-	-	161,554	-	161,554
Insurance	11,591	1,084	-	12,675	26,970	-	39,645
Bad debts	-	-	-	-	10,328	-	10,328
Fundraising events	-	-	-	-	-	115,652	115,652
Other	-	32,991	-	32,991	150	-	33,141
	<u>\$ 3,904,290</u>	<u>\$ 2,796,653</u>	<u>\$ 3,289,866</u>	<u>\$ 9,990,809</u>	<u>\$ 3,913,350</u>	<u>\$ 5,048,932</u>	<u>\$ 18,953,091</u>

See accompanying Notes to Financial Statements.

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 54,824,468	\$ 304,377
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	189,510	161,554
Bad debts	240,651	10,328
Net realized and unrealized investment (gains) losses	(48,701,727)	2,851,384
Permanently restricted contributions	(8,387,533)	(2,826,026)
Cash surrender value of life insurance	(5,886)	(50,547)
Change in value of split-interest agreements	(397,235)	12,575
Change in value of beneficial interest in perpetual trusts	(316,303)	78,457
Change in value of donated land	-	16,900
Net change in		
Pledges receivable	(415,987)	(144,028)
Estate receivable	(827,924)	1,215,733
Other receivables	(1,153,648)	36,721
Other assets	43,568	(30,325)
Accounts payable and other liabilities	111,824	(158,842)
	(4,796,222)	1,478,261
Net cash (used in) provided by operating activities	(4,796,222)	1,478,261
Cash Flows from Investing Activities		
Proceeds from the sale/maturity of investments	5,865,537	3,920,915
Purchase of investments, including reinvested income	(9,342,134)	(6,806,100)
Purchase of software	(71,200)	(188,876)
	(3,547,797)	(3,074,061)
Net cash used in investing activities	(3,547,797)	(3,074,061)
Cash Flows from Financing Activities		
Permanently restricted contributions	8,387,533	2,826,026
Payments to annuitants and recipients	(113,458)	(123,988)
Payments for agency funds to other educational institutions	-	(650,658)
Payments for agency funds to SIU	(106,555)	(179,151)
	8,167,520	1,872,229
Net cash provided by financing activities	8,167,520	1,872,229
(Decrease) Increase in Cash	(176,499)	276,429
Cash - Beginning of Year	483,315	206,886
Cash - End of Period	\$ 306,816	\$ 483,315

See accompanying Notes to Financial Statements.

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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, 2021 and 2020, the carrying amount of the Foundation's deposits with financial institutions was \$306,391 and \$482,290, respectively, and the bank balances were \$825,636 and \$868,266, 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, 2021 and 2020, 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 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year end		
Cash	\$ 306,816	\$ 483,315
Pledges receivable, net	5,886,210	5,710,874
Estate receivables	892,304	64,380
Charitable trust receivable	54,435	54,435
Other receivables	1,278,325	124,677
Investments	<u>248,146,279</u>	<u>194,592,684</u>
Total financial assets	<u>256,564,369</u>	<u>201,030,365</u>
Less amount not available to be used within one year		
Contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	42,482,265	39,422,078
Subject to appropriation and satisfaction of donor restrictions	186,311,907	142,556,841
Investments held in annuity trusts	2,429,969	2,079,764
Investments held in agency funds	3,216,199	2,600,597
Board designations:		
Amounts set aside for liquidity reserve	7,435,965	7,563,812
Quasi-endowment fund, primarily for long-term investing	<u>4,782,049</u>	<u>4,080,875</u>
	<u>246,658,354</u>	<u>198,303,967</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 9,906,015</u>	<u>\$ 2,726,398</u>
Liquidity resources		
Board designated quasi-endowment available by Board appropriation	<u>4,782,049</u>	<u>4,080,875</u>
Total financial assets and liquidity resources available to meet general expenditures over the next twelve months	<u>\$ 14,688,064</u>	<u>\$ 6,807,273</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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Pledges receivable due in		
Less than one year	\$ 4,828,611	\$ 2,908,962
One to five years	3,078,499	4,744,977
More than five years	<u>9,000</u>	<u>1,000</u>
 Total pledges receivable	 7,916,110	 7,654,939
 Allowance for doubtful accounts	 (1,770,720)	 (1,635,874)
Discount	<u>(259,180)</u>	<u>(308,191)</u>
 Total	 <u><u>\$ 5,886,210</u></u>	 <u><u>\$ 5,710,874</u></u>

Total prior pledges written off during the years ended June 30, 2021 and 2020, were \$240,651 and \$10,328, respectively. The discount rate used was 5 percent for both 2021 and 2020.

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.

Assets

Assets held under split-interest agreements consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Charitable remainder trusts		
Equities	\$ 1,306,233	\$ 1,058,212
Real estate funds	59,369	27,951
Natural resources	57,666	-
Fixed income	427,274	414,024
Other	<u>9,087</u>	<u>8,609</u>
	<u>1,859,629</u>	<u>1,508,796</u>

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Assets (Continued)

	<u>2021</u>	<u>2020</u>
Charitable gift annuities		
Equities	\$ 335,663	\$ 290,863
Real estate funds	17,431	21,206
Commodities	40,311	28,148
Fixed income	91,967	91,402
Alternative investments	70,083	94,459
Other	14,885	44,890
	<u>570,340</u>	<u>570,968</u>
 Total assets under split-interest agreements	 <u>\$2,429,969</u>	 <u>\$2,079,764</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, 2021 and 2020, was calculated using a discount rate of 1.2 percent and 0.6 percent, respectively, and applicable mortality tables.

Obligations under split-interest agreements consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Charitable remainder trusts	\$ 800,600	\$ 673,436
Charitable gift annuities	316,540	376,595
	<u>\$1,117,140</u>	<u>\$1,050,031</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 \$1,455,739 and \$1,139,436, which represents the fair value of trust assets at June 30, 2021 and 2020, respectively. The income from these trusts for the years ended June 30, 2021 and 2020 were \$46,843 and \$33,921, respectively

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Two parcels of land located in Goreville, Illinois, held for the benefit of two scholarship endowment funds	\$ -	\$ 55,000
100% interest in farmland not held for operational use	<u>396,000</u>	<u>396,000</u>
	<u>\$ 396,000</u>	<u>\$ 451,000</u>

7. LAND, PROPERTY AND EQUIPMENT

Land and equipment consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 307,216	\$ 307,216
Furniture, fixtures and equipment	1,308,513	1,628,344
Less: accumulated depreciation	(897,829)	(1,288,226)
Other	-	188,876
	<u>\$ 717,900</u>	<u>\$ 836,210</u>

8. 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Beginning balance	\$2,600,597	\$2,822,503
Net investment income (loss)	722,157	(42,755)
Payments to SIU	<u>(106,555)</u>	<u>(179,151)</u>
Ending balance	<u>\$3,216,199</u>	<u>\$2,600,597</u>

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

9. NET ASSETS

With Donor Restrictions

At June 30, 2021 and 2020, net assets with donor restrictions were as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose		
Student assistance	\$ 9,844,259	\$ 8,245,621
University and community programs	5,365,257	5,002,894
Academic and research support	23,154,131	21,855,612
Promises to give, the proceeds from which have been restricted by donors for:		
Student assistance	558,997	734,673
University and community programs	520,661	815,073
Academic and research support	2,137,218	1,978,679
	<u>41,580,523</u>	<u>38,632,552</u>
Subject to passage of time		
Beneficial interests in charitable trusts held by others	54,435	54,435
Assets held under split-interest agreements	2,429,969	2,079,764
	<u>2,484,404</u>	<u>2,134,199</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for student assistance	3,654,468	2,960,159
Life insurance policies that will provide proceeds upon death of insured for an endowment to support:		
Student assistance	472,782	496,262
University and community programs	41,498	39,340
	<u>4,168,748</u>	<u>3,495,761</u>

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

9. NET ASSETS (Continued)

With Donor Restrictions (Continued)

	<u>2021</u>	<u>2020</u>
Subject to NFP endowment spending policy and appropriation		
Student assistance	93,634,679	72,895,628
University and community programs	13,408,065	10,107,349
Academic and research support	76,014,847	57,728,546
Underwater endowments	-	(734,427)
	<u>183,057,591</u>	<u>139,997,096</u>
Total Endowments	<u>187,226,339</u>	<u>143,492,857</u>
Not subject to spending policy or appropriation		
Beneficial interests in perpetual trusts	1,455,739	1,139,436
Land required to be used for research	307,216	307,216
	<u>1,762,955</u>	<u>1,446,652</u>
Total	<u>\$ 233,054,221</u>	<u>\$ 185,706,260</u>

Without Donor Restrictions

At June 30, 2021 and 2020, net assets without donor restrictions were as follows:

	<u>2021</u>	<u>2020</u>
Board-designated liquidity reserve	\$ 7,373,085	\$ 7,750,018
Board-designated quasi-endowment fund	4,782,049	4,080,875
Other undesignated	<u>10,483,480</u>	<u>3,331,214</u>
Total	<u>\$22,638,614</u>	<u>\$15,162,107</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, 2021 and 2020, net assets were released from donor restrictions as follows:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions		
Student assistance	\$ 3,093,736	\$ 3,735,919
University and community programs	2,302,773	2,906,173
Academic and research support	4,060,967	3,377,719
Distributions		
Supplement fee	809,748	785,124
Endowment fee	1,947,566	1,762,375
Total	<u>\$ 12,214,790</u>	<u>\$ 12,567,310</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 institution
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, 2021 and 2020 were as follows:

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>

June 30, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated quasi-endowment fund	\$ 4,080,875	\$ -	\$ 4,080,875
Donor-restricted endowment funds:			
Original donor-restricted gift amounts amounts required to be maintained in perpetuity by donor	-	118,440,341	118,440,341
Accumulated investment gains	-	22,092,357	22,092,357
Term endowment	-	2,960,159	2,960,159
Total endowment funds	<u>\$ 4,080,875</u>	<u>\$ 143,492,857</u>	<u>\$ 147,573,732</u>

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

10. ENDOWMENTS (Continued)

Changes in endowment net assets for the years ended June 30, 2021 and 2020 were as follows:

	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
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>

	Without Donor Restrictions	With Donor Restrictions	Total
Endowments, July 1, 2019	\$ 4,264,662	\$ 146,881,469	\$ 151,146,131
Investment return, net	(15,256)	(301,908)	(317,164)
Contributions	-	3,331,737	3,331,737
Allowance for uncollectible receivables	-	27,611	27,611
Other sources	-	4,388	4,388
Appropriations of endowment assets for expenditure	(168,531)	(7,116,106)	(7,284,637)
Other expenses	-	(150)	(150)
Change in donor restriction	-	665,816	665,816
Endowments, June 30, 2020	<u>\$ 4,080,875</u>	<u>\$ 143,492,857</u>	<u>\$ 147,573,732</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 131 donor restricted endowment funds, which together had an original gift value of \$21,756,750, and a deficiency of \$734,427 as of June 30, 2020. 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. The governing board appropriated for expenditure \$313,917 and \$1,076,171 from underwater endowment funds at December 31, 2020 and 2019 for the years ending June 30, 2021 and 2020, respectively.

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, 2021 and 2020, the fee was \$2,045,224 and \$1,847,442, 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 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. For the years ended June 30, 2021 and 2020, the Foundation's portion of the supplement fee was \$677,441 and \$655,985, 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, 2021 and 2020, 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, 2021 and 2020, the Foundation paid \$111,664 and \$134,892, 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, 2021 and 2020, the Association also granted \$58,928 and \$123,102, 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, 2021 and 2020, 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 \$55,501 and \$11,836 for the years ended June 30, 2021 and 2020, respectively.

Transactions with the University as of and for the years ending June 30, 2021 and 2020 were as follows:

SIU Foundation	As of and for the Year Ending June 30, 2021			
	Due from SIUF	Due to SIUF	Operating Expenses	Non-operating Revenues
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

SIU Foundation	As of and for the Year Ending June 30, 2020			
	Due from SIUF	Due to SIUF	Operating Expenses	Non-operating Revenues
Accounts payable and other liabilities	\$ 20,592	\$ -	\$ -	\$ -
Agency funds payable	2,600,597	-	-	-
Other receivables	-	8,764	-	-
Operating revenue - transfer from affiliate	-	-	4,103,571	-
Operating expense	-	-	-	13,541,323

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, 2021 or 2020.

13. LEASES

A noncancelable software lease for subscription services for fundraising purposes expired in 2021. Expense related to this lease for the years ended June 30, 2021 and 2020 was \$50,293 and \$115,863, respectively.

A noncancelable software and equipment lease for fundraising purposes expired in 2021. Expense related to this lease for the years ended June 30, 2021 and 2020 was \$250,688 and \$242,075, respectively. A new noncancelable software and equipment lease for fundraising purposes was entered into and started on July 1, 2021 and expires on June 30, 2022. Lease expense for the one year term is \$210,410.

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 year ended June 30, 2021 was \$17,673.

13. LEASES (Continued)

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

Future minimum lease payments under these operating leases are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 234,823
2023	24,591
2024	<u>18,208</u>
Total	<u>\$ 277,622</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, 2021 and 2020:

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
Alternative and hedge funds (NAV)*				53,755,869
Money Market Funds**				4,175,260
Total investments	<u>\$ 180,093,895</u>	<u>\$ 7,691,286</u>	<u>\$ -</u>	<u>\$ 245,716,310</u>
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
	<u>\$ 2,279,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,429,969</u>
Beneficial interest in perpetual trusts	\$ -	\$ -	\$ 1,455,739	\$ 1,455,739
LIABILITIES				
Gift annuities obligations	\$ -	\$ (1,117,140)	\$ -	\$ (1,117,140)

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Recurring Measurements (Continued)

2020	Level 1	Level 2	Level 3	Total
ASSETS				
Investments:				
Domestic equities	\$ 48,355,069	\$ -	\$ -	\$ 48,355,069
International equities	19,516,396	-	-	19,516,396
Emerging market funds	6,358,406	-	-	6,358,406
Leveraged loans	1,777,892	-	-	1,777,892
Real estate funds	4,123,427	-	-	4,123,427
Commodities/natural resources	1,320,000	-	-	1,320,000
Fixed income mutual funds	43,443,156	-	-	43,443,156
Corporate and municipal bonds	-	7,202,988	-	7,202,988
Alternative and hedge funds (NAV)*				48,042,245
Money Market Funds**				12,373,341
Total investments	\$ 124,894,346	\$ 7,202,988	\$ -	\$ 192,512,920
Other Investments:				
Assets held under split-interest agreements				
Equities	\$ 1,302,397	\$ -	\$ -	\$ 1,302,397
Real estate funds	40,329	-	-	40,329
Fixed income mutual funds	505,426	-	-	505,426
Alternative	6,908	-	-	6,908
Other	53,499	-	-	53,499
Alternative and hedge funds (NAV)*				171,205
	\$ 1,908,559	\$ -	\$ -	\$ 2,079,764
Beneficial interest in perpetual trusts	\$ -	\$ -	\$ 1,139,436	\$ 1,139,436
LIABILITIES				
Gift annuities obligations	\$ -	\$ (1,050,031)	\$ -	\$ (1,050,031)

*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, 2021 and 2020.

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.

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.

The following table presents a reconciliation of Level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2021 and 2020.

	2021	2020
Balance, beginning of the year	\$ 1,139,436	\$ 1,217,892
Total gains (losses) included in change in net assets	316,303	(78,456)
Balance, beginning of the year	<u>\$ 1,455,739</u>	<u>\$ 1,139,436</u>

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

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

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. Alternative investments held at June 30, 2021 and 2020 consisted of the following:

	Fair Value		Unfunded Commitments at June 30, 2021	Unfunded Commitments at June 30, 2020	Redemption Frequency (If Currently Eligible)	Redemption Period
	2021	2020				
Hedge Funds (A)	\$ 3,541,279	\$ 2,429,418	\$ -	-	- 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)	5,885,530	6,294,903	-	-	- Semi-monthly	15 days following of written notice
Private Equities (C)	8,351,575	6,084,845	3,361,327	4,554,261	Ranges between monthly and not available	Ranges between 15 days and not available
Distressed Debts (D)	4,717,673	1,377,223	1,539,688	1,089,688	Only with prior consent of the general partner	At the discretion of the general partner
Alternative Strategies (E)	1,590,020	10,402,411	50,108	50,108	Ranges between monthly and not available	Ranges between 2 years and not available
Real Estate Funds (F)	1,553,285	2,280,934	49,000	49,000	Not available	Not available
Commodities (G)	10,495,313	7,283,043	2,090,861	962,742	Ranges between monthly and annually	30 days following of written notice

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Alternative Investments (Continued)

	Fair Value		Unfunded	Unfunded	Redemption	Redemption
	2021	2020	Commitments	Commitments	Frequency (If	Period
			at June 30, 2021	at June 30, 2020	Currently Eligible)	
Domestic Equities (H)	8,190,557	5,913,747	-	-	Ranges between monthly and annually	30 days following of written notice
International Equities (I)	3,054,595	2,052,326	-	-	Quarterly	60 days following of written notice
Emerging Market Funds (J)	6,526,999	4,094,600	-	-	Monthly	60 days following of written notice
	<u>\$ 53,906,826</u>	<u>\$ 48,213,450</u>				
Investments: Alternative and hedge funds (NAV)	\$ 53,755,869	\$ 48,042,245				
Other investments:						
Alternative and hedge funds (NAV)	150,957	171,205				
Total	<u>\$ 53,906,826</u>	<u>\$ 48,213,450</u>				

- (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.

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

Alternative Investments (Continued)

- (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.
- (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 15 percent of the June 30, 2021 gross outstanding pledges receivable and two donors made up approximately 32 percent of the June 30, 2020 gross outstanding pledges receivable, respectively.

16. RISKS AND UNCERTAINTIES

In early March 2020, the COVID-19 virus was declared a global pandemic, and it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

17. 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 statement 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. 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.

In September 2020, the FASB issued Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The ASU will require not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The ASU also requires a not-for-profit entity to disclose contributed nonfinancial assets recognized within the statement of activities, disaggregated by category that depicts the type of nonfinancial assets and requires disclosure of additional qualitative information and policies regarding monetization or utilization of contributed nonfinancial assets; information about any donor-imposed restrictions; valuation techniques and inputs, and the principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. ASU 2020-07 is effective for annual periods beginning after June 15, 2021. The Foundation is currently assessing the impact of this new standard.

18. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 20, 2021, 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.