ILLINOIS STATE UNIVERSITY Foundation

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

June 30, 2022 and 2021

CONTENTS

Kerber, Eck & Braeckel LLP
3200 Robbins Road
Suite 200A
Springfield, IL 62704

P 217.789.0960
F 217.789.2822

# Independent Auditors' Report

Board of Directors
Illinois State University Foundation and Subsidiaries

**Opinion**
We have audited the consolidated financial statements of Illinois State University Foundation and subsidiaries ("Foundation"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Illinois State University Foundation and subsidiaries as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Illinois State University Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards,* we have also issued our report dated October 12, 2022, on our consideration of Illinois State University Foundation and subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Illinois State University Foundation and subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Illinois State University Foundation and subsidiaries' internal control over financial reporting and compliance.

Kerber, Eck & Braeckel LLP

Springfield, Illinois
October 12, 2022

**ILLINOIS STATE UNIVERSITY FOUNDATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**June 30**

| | 2022 | 2021 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 6,028,893 | $ 4,164,559 |
| Pledges receivable, net | 17,868,166 | 13,982,794 |
| Accounts receivable and prepaid expenses | 74,500 | 33,046 |
| Investments - at fair value | 229,732,126 | 238,752,707 |
| Investment in real estate | 600,631 | 600,631 |
| Assets held under split-interest agreements | 1,391,729 | 1,602,224 |
| Beneficial interests in trusts | 2,405,890 | 2,906,644 |
| Beneficial interests in split-interest agreements | 335,884 | 436,696 |
| Property and equipment, net | 5,826,856 | 6,242,942 |
| Assets held as collections, net | 893 | 2,679 |
| Cash surrender value of life insurance | 1,236,442 | 1,268,094 |
| **TOTAL ASSETS** | $ 265,502,010 | $ 269,993,016 |
| **LIABILITIES AND NET ASSETS** | | |
| **Liabilities** | | |
| Accounts payable and other liabilities | $ 1,261,629 | $ 1,460,519 |
| Obligations under split-interest agreements | 819,923 | 898,793 |
| Contract-for-deed payable | 2,098,512 | 2,219,143 |
| **TOTAL LIABILITIES** | 4,180,064 | 4,578,455 |
| **Net Assets** | | |
| Assets Without Donor Restrictions | 20,960,376 | 24,981,170 |
| Assets With Donor Restrictions | 240,361,570 | 240,433,391 |
| **TOTAL NET ASSETS** | 261,321,946 | 265,414,561 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 265,502,010 | $ 269,993,016 |

See accompanying Notes to Consolidated Financial Statements

**ILLINOIS STATE UNIVERSITY FOUNDATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**

**For the year ended June 30, 2022**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Support and revenue** | | | |
| Contributions and grants, net of discount and allowance for uncollectible receivables | $ (2,154,158) | $ 21,681,643 | $ 19,527,485 |
| Contributions of nonfinancial assets | - | 978,774 | 978,774 |
| Investment loss | (41,750) | (10,663,652) | (10,705,402) |
| Change in value of beneficial interests in trusts and split-interest agreements | - | (601,566) | (601,566) |
| Service contract with the University | 2,599,504 | - | 2,599,504 |
| Other revenue | 246,077 | 815,524 | 1,061,601 |
| | 649,673 | 12,210,723 | 12,860,396 |
| Net assets released from restrictions | 12,282,544 | (12,282,544) | - |
| Total support and revenue | 12,932,217 | (71,821) | 12,860,396 |
| **Expenses** | | | |
| Program services | | | |
| Student aid, scholarships and awards | 4,220,998 | - | 4,220,998 |
| University programs | 7,794,901 | - | 7,794,901 |
| Total program services | 12,015,899 | - | 12,015,899 |
| Support services | | | |
| Management and general | 2,458,056 | - | 2,458,056 |
| Fundraising | 2,479,056 | - | 2,479,056 |
| Total support services | 4,937,112 | - | 4,937,112 |
| Total expenses | 16,953,011 | - | 16,953,011 |
| **Change in net assets** | (4,020,794) | (71,821) | (4,092,615) |
| **Net assets - beginning of year** | 24,981,170 | 240,433,391 | 265,414,561 |
| **Net assets - end of year** | $ 20,960,376 | $ 240,361,570 | $ 261,321,946 |

## ILLINOIS STATE UNIVERSITY FOUNDATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS - CONTINUED

**For the year ended June 30, 2021**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Support and revenue** | | | |
| Contributions and grants, net of discount and allowance for uncollectible receivables | $ 65,533 | $ 13,971,824 | $ 14,037,357 |
| Contributions of nonfinancial assets | - | 2,232,963 | 2,232,963 |
| Net investment gain | 5,946,806 | 46,521,281 | 52,468,087 |
| Change in value of beneficial interests in trusts and split-interest agreements | - | 562,808 | 562,808 |
| Service contract with the University | 2,577,624 | - | 2,577,624 |
| Other revenue | 239,428 | 399,519 | 638,947 |
| | 8,829,391 | 63,688,395 | 72,517,786 |
| Net assets released from restrictions | 15,156,037 | (15,156,037) | - |
| Total support and revenue | 23,985,428 | 48,532,358 | 72,517,786 |
| **Expenses** | | | |
| Program services | | | |
| Student aid, scholarships and awards | 7,183,079 | - | 7,183,079 |
| University programs | 7,454,059 | - | 7,454,059 |
| Total program services | 14,637,138 | - | 14,637,138 |
| Support services | | | |
| Management and general | 2,249,671 | - | 2,249,671 |
| Fundraising | 2,319,560 | - | 2,319,560 |
| Total support services | 4,569,231 | - | 4,569,231 |
| Total expenses | 19,206,369 | - | 19,206,369 |
| **Change in net assets** | 4,779,059 | 48,532,358 | 53,311,417 |
| **Net assets - beginning of year** | 20,202,111 | 191,901,033 | 212,103,144 |
| **Net assets - end of year** | $ 24,981,170 | $ 240,433,391 | $ 265,414,561 |

See accompanying Notes to Consolidated Financial Statements

## ILLINOIS STATE UNIVERSITY FOUNDATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

**For the year ended June 30, 2022**

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Salaries and benefits | $ 3,075,318 | $ 1,045,529 | $ 1,247,686 | $ 5,368,533 |
| Student aid, scholarships and awards | 4,220,998 | - | - | 4,220,998 |
| Contractual services | 492,627 | 38,770 | 495,088 | 1,026,485 |
| Bank and investment fees | 29,377 | 33,110 | 3,976 | 66,463 |
| Computer | 86,847 | - | - | 86,847 |
| Conferences | 99,656 | 8,066 | 14,680 | 122,402 |
| Depreciation | - | 443,222 | - | 443,222 |
| Equipment and facility expense | 1,497,593 | 296,182 | 210,954 | 2,004,729 |
| Insurance | 43,959 | 86,761 | - | 130,720 |
| Interest | - | 73,293 | - | 73,293 |
| Memberships | 136,818 | 4,185 | 6,984 | 147,987 |
| Miscellaneous | 381,441 | 315,762 | 1,418 | 698,621 |
| Professional fees | 14,250 | 10,600 | - | 24,850 |
| Occupancy | 65,630 | 28,349 | 7,149 | 101,128 |
| Postage and printing | 67,735 | 2,287 | 143,859 | 213,881 |
| Promotional expense | 949,198 | 6,945 | 163,555 | 1,119,698 |
| Supplies | 448,919 | 51,036 | 83,834 | 583,789 |
| Telecommunications | 9,732 | 7,650 | 8,569 | 25,951 |
| Travel | 395,801 | 6,309 | 91,304 | 493,414 |
| | $ 12,015,899 | $ 2,458,056 | $ 2,479,056 | $ 16,953,011 |

**ILLINOIS STATE UNIVERSITY FOUNDATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**

**For the year ended June 30, 2021**

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Salaries and benefits | $ 1,835,667 | $ 1,187,647 | $ 1,323,502 | $ 4,346,816 |
| Student aid, scholarships and awards | 7,183,079 | - | 2,000 | 7,185,079 |
| Contractual services | 542,968 | 48,400 | 415,235 | 1,006,603 |
| Bank and investment fees | 28,725 | 32,009 | - | 60,734 |
| Computer | 65,506 | - | - | 65,506 |
| Conferences | 91,766 | 3,254 | 7,594 | 102,614 |
| Depreciation | - | 446,595 | - | 446,595 |
| Equipment and facility expense | 3,465,227 | 256,845 | 120,022 | 3,842,094 |
| Insurance | 42,355 | 34,323 | 8,402 | 85,080 |
| Interest | - | 77,304 | - | 77,304 |
| Memberships | 70,988 | 5,165 | 13,362 | 89,515 |
| Miscellaneous | 269,943 | - | 189,552 | 459,495 |
| Professional fees | 11,388 | 5,920 | - | 17,308 |
| Occupancy | 32,584 | 40,982 | 32,632 | 106,198 |
| Postage and printing | 47,884 | 877 | 156,967 | 205,728 |
| Promotional expense | 430,617 | 4,693 | 38,438 | 473,748 |
| Supplies | 443,123 | 99,166 | - | 542,289 |
| Telecommunications | 9,487 | 6,491 | 8,621 | 24,599 |
| Travel | 65,831 | - | 3,233 | 69,064 |
| | $ 14,637,138 | $ 2,249,671 | $ 2,319,560 | $ 19,206,369 |

See accompanying Notes to Consolidated Financial Statements

**ILLINOIS STATE UNIVERSITY FOUNDATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**For the years ended June 30**

| | 2022 | 2021 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Contributions, gifts and pledges | $ 10,295,893 | $ 12,946,690 |
| Service fee revenues | 76,250 | 64,630 |
| Payments on behalf of ISU departments and programs | (7,569,843) | (7,054,601) |
| Payments for operating expenses | (1,359,122) | (1,114,693) |
| Payments for scholarships and fellowships | (4,686,083) | (6,413,881) |
| Other receipts | 885,351 | 574,317 |
| Other expenditures | (582,800) | (455,062) |
| Net cash used in operating activities | (2,940,354) | (1,452,600) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Proceeds from sales and maturities of investments | 86,062,955 | 186,241,058 |
| Purchase of investments | (87,324,641) | (195,999,806) |
| Purchase of property and equipment | (25,350) | (133,000) |
| Net cash used in investing activities | (1,287,036) | (9,891,748) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Principal paid on debt | (120,631) | (116,621) |
| Private gifts for endowment purposes | 6,324,995 | 6,231,353 |
| Payments to annuitants | (112,640) | (111,142) |
| Net cash provided by financing activities | 6,091,724 | 6,003,590 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | 1,864,334 | (5,340,758) |
| **CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR** | 4,164,559 | 9,505,317 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 6,028,893 | $ 4,164,559 |

**ILLINOIS STATE UNIVERSITY FOUNDATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED**

**For the years ended June 30**

| | 2022 | 2021 |
|---|---|---|
| **RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES** | | |
| Change in net assets | $ (4,092,615) | $ 53,311,417 |
| Depreciation | 443,222 | 446,595 |
| (Gain) loss on investments | 10,705,402 | (52,468,087) |
| Change in value of interests in beneficial trusts and split-interest agreements | 601,566 | (562,808) |
| Private gifts for endowment purposes | (6,324,995) | (6,231,353) |
| Contributions held as assets under split-interest agreements | (100,000) | - |
| Increase in accounts receivable and prepaid expenses | (41,454) | (10,537) |
| (Increase) decrease in pledges receivable | (3,885,372) | 2,907,723 |
| (Increase) decrease in cash surrender value life insurance | 31,652 | (56,198) |
| Increase (decrease) in accounts payable and accrued liabilities | (198,890) | 1,188,487 |
| Increase (decrease) in beneficiary payments payable | (78,870) | 22,161 |
| **NET CASH USED IN OPERATING ACTIVITIES** | $ (2,940,354) | $ (1,452,600) |
| **CASH PAID FOR INTEREST** | $ 73,293 | $ 77,304 |

See accompanying Notes to Consolidated Financial Statements

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Nature of Operations

The Illinois State University Foundation (Foundation) was incorporated in May 1948 under the *General Not-for-Profit Corporation Act* for the principal purpose of providing fund raising and other assistance to Illinois State University (University) in order to attract private gifts to support the University's instructional, research and public service activities. The Foundation is an organization as described in Section 501(c)(3) of Internal Revenue Code and, accordingly, exempt from federal income tax.

The Foundation is a component unit of the University, and the Foundation's financial statements are also included as part of the University's financial statements and the State of Illinois Comprehensive Annual Financial Report.

The Foundation has formed two limited liability companies (LLC) to assist in carrying out the Foundation's mission to assist the University. The Foundation is the sole member of each of these LLCs. The governing board for each LLC, known as "Launching Futures, LLC" and "Launching Futures II, LLC", consists of the executive officers of the Foundation. LLC activity is included as part of the Foundation's consolidated financial statements. All significant intercompany transactions have been eliminated.

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

### Basis of Presentation

The financial statements are presented on the accrual basis of accounting. Net assets and revenues, gains and losses are classified based on donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions - These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, proving services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and preforming administrative functions.

Net Assets With Donor Restrictions - These net assets result from gifts of cash and others assets that are received with donor stipulations that limit the use of the donated assets, either temporarily until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, or permanently, in which the donor has stipulated the funds be maintained in perpetuity.

## NOTE 1 - 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 and Cash Equivalents

The Foundation considers all liquid debt instruments purchased with original maturities of three months or less to be cash equivalents that are not designated for investment purposes.

### 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.

### Investments

Investments in common stock, mutual funds, hedged and alternative funds, bank common trusts, and limited partnerships are recorded at fair value as determined by quoted market prices and management’s estimates. Real estate investments are carried at cost, which approximates fair value. Most long-term and endowment investments are pooled for the purposes of allocating realized gains and losses, unrealized gains and losses and ordinary income, net of investment fees, to Foundation accounts on the basis of percentage of share in the pool.

Management’s valuation of the investment in limited partnerships is primarily based on valuations by the General Partner. Although the General Partner uses its best judgment in estimating the fair value of the limited partnership investments, there are inherent limitations. Therefore, the values presented are not necessarily indicative of the amount that the Partnerships could currently realize. Future events could affect the estimates of fair value and could also affect the amount realized upon liquidation of the limited partnership investments.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### Investments - Continued

Foundation policy states that assets are to be invested in a diversified portfolio of equity, fixed income and alternative strategies. No investment is to be made that will cause the total investment in equities or fixed income securities issued or guaranteed by any one person, firm, or corporation to exceed 5% of the then fair market value of the Foundation; provided, this restriction is not to apply to either well diversified mutual funds, pooled funds, unit trust, or the like, or direct obligations of the U.S. Government and its fully guaranteed agencies. Equity investments have an asset allocation range from 45% to 70% of the portfolio with a target weight of 55%; fixed income investments have an asset allocation range from 0% to 30% with a target weight of 20%; marketable alternative investments have an asset allocation range from 0% to 20% with a target weight of 10%; and real assets have an asset allocation range from 0% to 25% with a target weight of 15%.

### 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.

### Beneficial Interests in Trusts

The Foundation recognizes beneficial interests in trusts as contribution income upon receipt based on the Foundation's share of fair value of the underlying trust assets. Subsequent to initial contribution recognition, changes in fair value of the underlying trust assets are recognized separately in the Consolidated Statements of Activities and Change in Net Assets of the Foundation.

### Beneficial Interests in Split-Interest Agreements

The Foundation is the beneficiary of certain split-interest agreements held by independent trustees. Contribution revenue is recognized at the date a trust has been established with an initial valuation based on the expected present value of the Foundation's interest in a trust's assets. Present value computations consider, among other factors, appropriate interest rates and estimated donor mortality which are assessed annually for reasonableness. Subsequent to initial valuation, changes are recognized separately in the Consolidated Statements of Activities and Change in Net Assets of the Foundation.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### Property and Equipment

Property and equipment are recorded at cost at the date of acquisition or fair value if acquired by gift. For financial statement reporting, the Foundation uses the following estimated useful lives:

| Category | Capitalization Threshold | Estimated Useful Lives |
|---|---|---|
| Land | $ 100,000 | - |
| Buildings | $ 100,000 | 30-60 years |
| Building Improvements | $ 25,000 | 30 years |
| Site Improvements | $ 25,000 | 15 years |
| Leasehold Improvements | $ 25,000 | remaining term of lease |
| Furniture and Equipment | $ 5,000 | 7 years |

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

### Collections

Collections are recorded at cost at the date of donation and are valued based upon the appraisal submitted along with the donation. For financial statement reporting, the Foundation uses a $ 5,000 capitalization threshold and a 7-year estimated useful life.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

### Cash Surrender Value of Life Insurance

Cash surrender value of life insurance represents the surrender value of insurance policies where donors have transferred ownership of the policies to the Foundation, and the Foundation is named as beneficiary. Life insurance policies are carried at net cash surrender value. Changes in value (realized and unrealized) are recorded in the Consolidated Statements of Activities and Change in Net Assets of the Foundation.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### Contributions and Net Assets

Contributions are recognized at fair value in the period in which the pledges are made. Contributions received are distinguished between those that increase net assets with donor restrictions and those that increase net assets without donor restrictions. Restricted net assets result from donor restrictions that the contributions are to be used for restricted purposes or due to the passage of time. When the restriction has been met, the restricted net assets are released to unrestricted net assets.

Restricted contributions received in the same year in which the restriction is met are recorded as net assets with donor restrictions.

### Contributed Assets and Services

Contributed nonfinancial assets include art, real estate, software, equipment, subscriptions and other objectively measurable assets that are available for financial support and are recorded at their fair value at the date of contribution. Non-monetary assets, art objects, equipment and various services contributed directly to ISU through the Foundation for direct benefit of a University department are not included in the financial statements, although donors receive recognition for such contributions.

The value of contributed services of a number of volunteers is not reflected in the financial statements since the services are not specialized services that would otherwise be purchased.

The Foundation received the following contributions of nonfinancial assets for the years ended June 30:

| | 2022 | 2021 |
|---|---|---|
| Art | $ - | $ 154,821 |
| Software | 720,000 | 2,020,900 |
| Subscriptions | 199,750 | - |
| Other | 59,024 | 57,242 |
| | $ 978,774 | $ 2,232,963 |

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### Expense Allocation

The costs of providing programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Change in Net Assets. The Consolidated Statements of Functional Expenses present the natural classification of expenses by function. Directly identifiable expenses are charged to programs and support services. Expenses related to more than one function are charged to programs and support services on the basis of periodic time and expense studies and estimates made by management. Management and general expenses include those expenses not directly identifiable with any other specific function but provide for overall support and direction of the Foundation.

### Income Taxes

The Internal Revenue Service has recognized the Foundation as exempt from income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code. The Foundation follows the accounting guidance for accounting for uncertainty in income taxes. The Foundation is subject to federal and state income taxes to the extent it has unrelated business income. In accordance with the guidance for uncertainty in income taxes, management has evaluated their material tax positions and determined that there are no income tax effects with respect to its financial statements.

### Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts payable and other liabilities, agency funds payable and deposits held for others approximate fair value due to the short maturity of these financial instruments. Receivables are initially recorded at fair value using an appropriate discount rate and approximate fair value at year-end. Investments, beneficial interests in trusts and split-interest agreements, assets held under split-interest agreements and obligations under split-interest agreements are carried at fair value.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### Recent Accounting Pronouncements

In September 2020, the FASB issued Accounting Standards Update No. (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU intends to improve the transparency of disclosures in the notes to financial statements by requiring distinct presentation of contributed nonfinancial assets within the statements of activities and clarification of the contributed nonfinancial assets by category within the notes. The ASU is effective for annual reporting periods ending after June 15, 2022, with early adoption permitted. The Foundation adopted ASU 2020-07 during the year ended June 30, 2022, and revised the consolidated statement of activities and change in net assets for the year ended June 30, 2021, to reclassify these nonfinancial assets on a separate line item to be in conformity with the current year presentation.

### Subsequent Events

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

## NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at June 30:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Bank Balance | Carrying Amount | Bank Balance | Carrying Amount |
| Cash and cash equivalents | $ 13,514,574 | $ 13,336,674 | $ 11,681,069 | $ 11,519,210 |

Custodial credit risk is the risk that in the event of a bank failure, deposits may not be returned. The Federal Deposit Insurance Corporation or the Security Investor Protection Corporation insured account balances of $ 7,434,424 and $ 7,477,551 at June 30, 2022 and 2021, respectively. Bank balances of $ 6,080,150 and $ 4,203,518 at June 30, 2022 and 2021, respectively, were invested in investment sweep funds secured by U.S. government obligations. The Foundation does not have a formal policy for custodial credit risk.

## NOTE 2 - CASH AND CASH EQUIVALENTS - Continued

Carrying amount of cash and cash equivalents at June 30:

| | 2022 | 2021 |
|---|---|---|
| Cash & equivalents without donor restrictions | $ 6,028,893 | $ 4,164,559 |
| Cash & equivalents with donor restrictions | 7,307,781 | 7,354,651 |
| | $ 13,336,674 | $ 11,519,210 |

Cash and cash equivalents with donor restrictions are included in investments and assets held under split-interest agreements at June 30, 2022 and 2021.

## NOTE 3 - INVESTMENTS

Investments at June 30, 2022, consisted of the following:

| | Cost | Fair Value |
|---|---|---|
| Common stock | $ 618,926 | $ 826,135 |
| Mutual funds - investing in | | |
| Stocks | 51,090,987 | 68,033,914 |
| Bonds | 54,545,258 | 51,540,865 |
| Hedged and alternative funds | 38,552,836 | 70,838,142 |
| Real assets marketable funds | 21,102,682 | 31,196,508 |
| Cash and cash equivalents | 7,296,562 | 7,296,562 |
| | $ 173,207,251 | $ 229,732,126 |

## NOTE 3 - INVESTMENTS

Investments at June 30, 2021, consisted of the following:

| | Cost | Fair Value |
|---|---|---|
| Common stock | $ 504,282 | $ 967,160 |
| Mutual funds - investing in | | |
| Stocks | 53,620,028 | 90,687,865 |
| Bonds | 44,164,670 | 46,008,239 |
| Hedged and alternative funds | 35,607,972 | 67,324,716 |
| Real assets marketable funds | 24,226,389 | 26,184,186 |
| Cash and cash equivalents | 7,580,541 | 7,580,541 |
| | $ 165,703,882 | $ 238,752,707 |

Total investment return was comprised of $ 131,478 and $ 91,812 of dividend and interest income netted against $ 395,438 and $ 352,834 of fees for the years ended June 30, 2022 and 2021, respectively. Realized gains totaled $ 7,506,789 for the year ended June 30, 2022 and $ 17,872,810 for the year ended June 30, 2021. Unrealized losses totaled $ 17,948,231 for the year ended June 30, 2022. Unrealized gains totaled $ 34,856,299 for the year ended June 30, 2021.

## NOTE 4 - ASSETS HELD AND OBLIGATIONS UNDER SPLIT-INTEREST AGREEMENTS

Split-interest agreements are agreements where donors enter into a trust or other arrangement under which the Foundation is the beneficiary. Charitable gift annuities are agreements in which the Foundation accepts a contribution and agrees to an obligation to make periodic stipulated payments to donors or third-party beneficiaries for a specified time. Charitable lead trusts are agreements in which the Foundation accepts a contribution and receives all income generated by the investment during the life of the donor. Upon death of the donor, the annuity is then transferred to the beneficiary.

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 Consolidated Statements of Activities and Change in Net Assets. The present value of the estimated future payments is calculated using an actuarial discount rate and applicable mortality tables.

## NOTE 5 - BENEFICIAL INTERESTS IN TRUSTS

As of June 30, 2022 and 2021, the Foundation has recorded its beneficial interests in four perpetual trusts. Interests in the perpetual trusts have been recorded as permanent endowments based on the intent for the trusts to operate in perpetuity.

These trusts consist of investment portfolios which are in the custody of an independent trustee who has the authority to manage investment decisions. The Foundation retains the sole interest in two of the trusts and a one-third and a one-half interest in the other two trusts, respectively. The trustees do not have variance power to redirect the interests in the trusts to other entities. Net decrease in the value of beneficial interests in trusts totaled $ 500,754 for the year ended June 30, 2022, and net increase totaled $ 483,863 for the year ended June 30, 2021.

## NOTE 6 - BENEFICIAL INTERESTS IN SPLIT-INTEREST AGREEMENTS

The Foundation has been named the beneficiary of two charitable remainder trusts which are managed by third parties. Under the terms of one trust, the third party trustee pays specified distributions to individual beneficiaries and to two organizations, of which the Foundation is one, during the agreement's term. At the time of the last individual's death, the trust will convert to a perpetual trust, with the Foundation having a one-half interest. The income from the trust is restricted to scholarships.

According to the terms of the second trust, an individual beneficiary is entitled to annual payments during his lifetime. The Foundation is the beneficiary of two-thirds of the remaining trust assets upon the death of the individual beneficiary or 25 years after the death of the donor, whichever occurs first. The proceeds distributed from the trust will be restricted to scholarships.

Net decrease in the beneficial interest of split-interest agreements totaled $ 100,812 for the year ended June 30, 2022. Net increase in the beneficial interest of split-interest agreements totaled $ 78,945 for the year ended June 30, 2021. The recorded beneficial interests are based on the present value of future cash flows to the Foundation.

## NOTE 7 - FAIR VALUE MEASUREMENTS

The Foundation follows the fair value measurement guidance for financial assets and financial liabilities. This guidance defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements.

Fair value is defined to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date.

A three-level hierarchy has been established for fair value measurements based upon the inputs to the valuation of an asset or liability as follows:

Level 1 - Valuation is based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuation is derived from inputs, other than quoted prices included in Level 1, which are observable for the asset or liability either directly or indirectly. Investments classified as Level 2 are generally valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. The significant inputs used in this approach include interest rates, prepayment timing, yield spreads, maturities, credit losses and credit ratings of the securities.

Level 3 - Valuation is derived from unobservable inputs that are not corroborated by market data.

Fair values for the Foundation’s debt and mutual fund securities are based on prices provided by its investment managers and its custodian bank. Both the investment managers and the custodian bank use a variety of pricing sources to determine market valuations. The Foundation analyzes market valuations received to verify reasonableness and to understand the key assumptions used and their sources.

Fair values of equity securities have been determined by the Foundation from observable market quotations as provided by its investment managers and its custodian bank.

## NOTE 7 - FAIR VALUE MEASUREMENTS - Continued

Fair values of investments in alternative investments are provided by management of the funds. Such investments include private investment entities in which public market quotations to enter and exit the investments are not provided. Each entity provides the Foundation with a net asset value per unit invested. Each of the entities financial statements are prepared in a manner consistent with investment companies and report their investments at fair value.

Cash equivalents are comprised of short-term fixed income securities. Because of the nature of these assets, carrying amounts approximate fair values, which have been determined from public quotations, when available.

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

Beneficial interests in trusts are valued at the proportional share of interest at the closing price on which the trusts' underlying individual assets are based as reported to the Foundation by the trustees.

There have been no changes in valuation techniques used for any assets measured at fair value during the year ended June 30, 2022.

ILLINOIS STATE UNIVERSITY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2022 and 2021

## NOTE 7 - FAIR VALUE MEASUREMENTS - Continued

The following table presents the Foundation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2022:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investments | | | | |
| Common stock | $ 826,135 | $ - | $ - | $ 826,135 |
| Mutual funds | 1,210,198 | - | - | 1,210,198 |
| Cash and cash equivalents | 7,296,562 | - | - | 7,296,562 |
| Total investments in the fair Value hierarchy | $ 9,332,895 | $ - | $ - | 9,332,895 |
| Investments measured at Net asset value | | | | 220,399,231 |
| Investments at fair value | | | | $229,732,126 |
| Assets held under split-interest agreements | | | | |
| U.S. treasury notes | $ 26,502 | $ - | $ - | $ 26,502 |
| Mutual funds | 1,163,034 | - | - | 1,163,034 |
| Hedged and alternative funds | - | 174,483 | - | 174,483 |
| Real assets marketable funds | - | 16,491 | - | 16,491 |
| Cash and cash equivalents | 11,219 | - | - | 11,219 |
| Split interests at fair value | $ 1,200,755 | $ 190,974 | $ - | $ 1,391,729 |
| Beneficial interests in trusts | $ - | $ - | $ 2,405,890 | $ 2,405,890 |
| Beneficial interests in split-interest agreements | $ - | $ - | $ 335,884 | $ 335,884 |
| Obligation under split-interest agreements | $ - | $ - | $ (819,923) | $ (819,923) |

ILLINOIS STATE UNIVERSITY FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2022 and 2021

## NOTE 7 - FAIR VALUE MEASUREMENTS - Continued

The following table presents the Foundation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2021:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investments | | | | |
| Common stock | $ 967,160 | $ - | $ - | $ 967,160 |
| Mutual funds | 1,364,418 | - | - | 1,364,418 |
| Cash and cash equivalents | 7,580,541 | - | - | 7,580,541 |
| Total investments in the fair Value hierarchy | $ 9,912,119 | $ - | $ - | 9,912,119 |
| Investments measured at Net asset value | | | | 228,840,588 |
| Investments at fair value | | | | $238,752,707 |
| Assets held under split-interest agreements | | | | |
| U.S. treasury notes | $ 28,926 | $ - | $ - | $ 28,926 |
| Mutual funds | 1,393,436 | - | - | 1,393,436 |
| Hedged and alternative funds | - | 151,056 | - | 151,056 |
| Real assets marketable funds | - | 18,424 | - | 18,424 |
| Cash and cash equivalents | 10,382 | - | - | 10,382 |
| Split interests at fair value | $ 1,432,744 | $ 169,480 | $ - | $ 1,602,224 |
| Beneficial interests in trusts | $ - | $ - | $ 2,906,644 | $ 2,906,644 |
| Beneficial interests in split-interest agreements | $ - | $ - | $ 436,696 | $ 436,696 |
| Obligation under split-interest agreements | $ - | $ - | $ (898,793) | $ (898,793) |

## NOTE 7 - FAIR VALUE MEASUREMENTS - Continued

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

| | Beneficial Interests in Trusts | Beneficial Interests in Split-Interest Agreements | Obligation Under Split-Interest Agreements |
|---|---|---|---|
| Balance as of June 30, 2020 | $ 2,422,781 | $ 357,751 | $ (876,632) |
| Investment income | 22,634 | - | - |
| Net appreciation | 572,364 | 95,021 | - |
| Contributions | - | - | (133,303) |
| Payments to beneficiaries | (111,135) | (16,076) | 111,142 |
| Balance as of June 30, 2021 | 2,906,644 | 436,696 | (898,793) |
| Investment income | 46,904 | - | - |
| Net depreciation | (436,379) | (84,736) | - |
| Contributions | - | - | (33,770) |
| Payments to beneficiaries | (111,279) | (16,076) | 112,640 |
| Balance as of June 30, 2022 | $ 2,405,890 | $ 335,884 | $ (819,923) |

## NOTE 8 - INVESTMENTS IN ENTITIES THAT CALCULATE NET ASSET VALUE PER SHARE

As part of the Foundation's investment portfolio, there are investments in entities in which purchases and withdrawals within these entities are not made in an open market. Instead, the purchases and withdrawals occur with the entities, and in certain circumstances, those transactions are entirely controlled and/or restricted by the entity. The fair value of these investments is determined by the management of the entities and is reported to the Foundation as the Foundation's proportionate share of the net asset fair value of the entity.

## NOTE 8 - INVESTMENTS IN ENTITIES THAT CALCULATE NET ASSET VALUE PER SHARE - Continued

The table below provides information relative to these types of investments. The additional information that follows the table provides information associated with these investments. None of the investments are probable of being sold at an amount different from net asset value per share. For the investments shown below, the Foundation is not able to redeem the investments until the termination date of the fund. As such, there is no redemption frequency or redemption notice period shown below. The final termination date of each fund is presented in the table. This termination date is estimated as most funds have an option of extending the fund for an additional two years, if desired.

| Category | Fair Value 2022 | Fair Value 2021 | Unfunded Commitments | Termination Date of the Fund |
|---|---|---|---|---|
| Limited partnerships | | | | |
| Capital Partners 2000 | $ 83,760 | $ 97,787 | $ 58,909 | 12/31/2013 |
| Global Distressed Investors | 117,188 | 175,502 | 488,320 | Indefinite |
| Emerging Markets 2013 | 1,357,991 | 1,589,724 | 90,000 | 12/11/2024 |
| International Private Equity Partners | 863,107 | 1,309,512 | 176,846 | 3/31/2020 to 2/9/2022 |
| SSG Realty Opportunities | 910,877 | 1,538,655 | 725,508 | 4/1/2024 |
| SSG Global Private Equity Fund | 16,859,819 | 14,967,694 | 17,116,750 | 5/16/2026 to 6/4/2033 |
| Natural Resources Partners | 10,927,123 | 8,635,227 | 1,659,750 | 2/18/2020 to 3/23/2030 |
| Private Equity Partners | 1,249,672 | 1,718,960 | 243,677 | 3/31/2020 to 1/31/2023 |
| Venture Partners | 25,082,758 | 22,689,907 | 9,326,475 | 3/31/2020 to 10/1/2033 |
| Strategic Solutions Realty Opportunities | 732,372 | 907,298 | 962,500 | 9/30/2021 |
| Commonfund Real Estate Opportunities Fund | 5,179,678 | 3,429,185 | 9,609,356 | 6/22/2033 |
| CF Private Credit Fund 2018 | 4,830,379 | 4,605,391 | 6,711,959 | 5/23/2027 |

## NOTE 8 - INVESTMENTS IN ENTITIES THAT CALCULATE NET ASSET VALUE PER SHARE - Continued

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

| Category | Fair Value 2022 | Fair Value 2021 | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|---|---|
| SSgA S&P Global LargeMid Cap Natural Resources Fund | $ 1,846,386 | $ 4,128,680 | $ - | Daily | 2 days |
| High Quality Bond Fund | 31,656,926 | 25,374,868 | - | Weekly | 5 days |
| Strategic Solutions Global Equity Fund | 65,242,919 | 83,791,299 | - | Monthly | 5 days |
| Strategic Solutions Core Real Estate Fund | 7,284,924 | 5,505,065 | - | Quarterly | 120 days |
| Global Absolute Alpha Company | 20,393,468 | 20,170,239 | - | Quarterly | 65 days |
| CF Credit Series | 8,960,750 | 9,440,166 | - | Monthly | 90 days |
| SSgA S&P 500 Index Non-lending QP Strat | 2,790,995 | 2,767,887 | - | Daily | 1 day |
| SSgA US Aggregate Bond Index NL QP Strat | 1,154,232 | 1,138,018 | - | Daily | 1 day |
| CF REIT Portfolio | 4,315,147 | 6,168,757 | - | Monthly | 5 days |
| CF Contingent Asset Portfolio, LLC | 8,558,760 | 8,690,767 | - | Weekly | 5 days |

Capital Partners 2000 - a diversified capital program investing in private equity and venture capital both in developed and emerging markets.

Global Distressed Investors - a diverse set of liquid trading strategies and illiquid, longer-term lock-up strategies, which invest primarily in performing restructured debt, stressed debt, distressed debt, "special situation" and mezzanine debt investments, across the U.S. and globally.

## NOTE 8 - INVESTMENTS IN ENTITIES THAT CALCULATE NET ASSET VALUE PER SHARE - Continued

Emerging Markets 2013 - long-term capital appreciation and superior risk-adjusted net returns through diversified private capital investments including growth equity, buyouts and venture capital, focused in China, Latin America, India, Southeast Asia, South Korea, Africa and other select emerging market countries.

International Private Equity Partners - long-term capital appreciation and superior risk-adjusted net returns through diversified private equity investments. Strategic focus areas include European focus, private equity emphasis and a preference for indigenous managers.

SSG Realty Opportunities - invest in value-added, distressed, and opportunistic private real estate funds that target a 13% - 15% compounded annual return.

SSG Global Private Equity Fund - invests primarily in a diversified portfolio of common stocks and equity-linked securities of companies in the global public equity markets.

Natural Resources Partners - long-term capital appreciation and superior risk-adjusted net returns through equity investments and property acquisition strategies. Strategic focus areas include emphasis on natural gas and oil, power and other natural resources opportunities.

Private Equity Partners - long-term capital appreciation and superior risk-adjusted net returns through diversified private equity investments.

Venture Partners - long-term capital appreciation and superior risk-adjusted net returns through equity investments. Primary strategic focus area is information technology with an early stage bias. Secondary strategic focus areas include healthcare and late stage technology.

Strategic Solutions Realty Opportunities - invest in value-added, distressed, and opportunistic private real estate funds that target a 15% - 18% compounded annual return.

Commonfund Real Estate Opportunities Fund - identify, acquire, hold, manage, and dispose of investments in real estate private equity funds for income and capital appreciation.

CF Private Credit Fund 2018 - the fund’s primary objective is to outperform the ICE BAML US High Yield Index with less volatility by pursuing a core strategy of senior direct lending to US middle market companies.

## NOTE 8 - INVESTMENTS IN ENTITIES THAT CALCULATE NET ASSET VALUE PER SHARE - Continued

CF REIT Portfolio - this fund is a private investment vehicle that invests in a diversified portfolio of publicly traded REITs and seeks to provide a net rate of return in excess of the FTSE NAREIT All Equity REITs index by allocating capital to experienced external investment managers.

CF Contingent Asset Portfolio - Produce a total return in excess of its benchmark and seek to invest in securities and strategies that offer the potential for increased yield or total return compared to the benchmark.

SSgA S&P 500 Index Non-Lending QP Strategy - Seeks to approximate the return of the S&P 500 Index. This fund does not allow managers to entering into securities lending and repurchase agreements.

SSgA US Aggregate Bond Index NL QP Strategy - Seeks to approximate the Bloomberg Barclays US Aggregate Bond Index using an indexing strategy.

## NOTE 9 - PLEDGES RECEIVABLE

Pledges receivable balances at June 30 consist of the following:

| | 2022 | 2021 |
|---|---|---|
| Pledges receivable | | |
| Due within 1 year | $ 7,161,673 | $ 3,758,327 |
| Due within 1 to 5 years | 11,435,177 | 8,775,116 |
| Due in 5 or more years | 1,001,745 | 2,009,069 |
| Less | | |
| Discount for time-value of money | (1,090,937) | (214,229) |
| Allowance for doubtful accounts | (639,492) | (345,489) |
| | $ 17,868,166 | $ 13,982,794 |

Management believes the allowance for uncollectible pledges is adequate based on information currently known. However, events impacting donors could occur in the future which would materially increase the allowance for uncollectible pledges. The discount rate used was 3.64% and .63% for June 30, 2022 and 2021, respectively.

## NOTE 10 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at June 30:

| | 2022 | 2021 |
|---|---|---|
| Buildings | $ 7,775,670 | $ 7,775,670 |
| Building improvements | 1,126,709 | 1,101,359 |
| Site improvements | 2,445,585 | 2,445,585 |
| Furniture and equipment | 31,945 | 31,945 |
| | 11,379,909 | 11,354,559 |
| Less accumulated depreciation | (6,533,053) | (6,091,617) |
| | 4,846,856 | 5,262,942 |
| Land | 980,000 | 980,000 |
| Total | $ 5,826,856 | $ 6,242,942 |

Depreciation expense charged to operations for the years ended June 30, 2022 and 2021, was $ 443,222 and $ 446,595, respectively. This includes depreciation expense of $ 1,786 and $ 7,316 related to collections for the years ended June 30, 2022 and 2021, respectively.

## NOTE 11 - LONG-TERM DEBT

Long-term debt consists of the following at June 30:

| | 2022 | 2021 |
|---|---|---|
| Commerce Bank, mortgage note payable; due in monthly installments of $ 16,160, including interest at 3.34%; maturing in December 2025. The building on North Main Street in Normal, Illinois, with a cost of $ 3,300,000, is pledged as collateral. | $ 2,098,512 | $ 2,219,143 |

Aggregate maturities of the long-term debt at June 30, 2022, are as follows:

| | |
|---|---|
| 2023 | $ 124,781 |
| 2024 | 128,896 |
| 2025 | 133,506 |
| 2026 | 1,711,329 |
| | $ 2,098,512 |

## NOTE 12 - NET ASSETS

Net assets with donor restrictions as of June 30 were restricted for the following:

| | 2022 | 2021 |
|---|---|---|
| Subject to expenditure for specific purpose: | | |
| Scholarships and fellowships | $ 60,097,514 | $ 68,241,888 |
| Instructional department uses | 34,330,165 | 38,242,309 |
| University capital projects | 16,916,610 | 8,882,311 |
| Other | 8,204,946 | 9,635,456 |
| | $ 119,549,235 | $ 125,001,964 |

## NOTE 12 - NET ASSETS - Continued

Net assets with donor restrictions as of June 30, 2022 that are restricted for investment in perpetuity, the income from which is expendable for the following:

| | 2022 | 2021 |
|---|---|---|
| Scholarships and fellowships | $ 73,307,696 | $ 68,421,317 |
| College and academic development | 35,340,479 | 35,070,711 |
| University capital projects | 6,600,611 | 6,389,578 |
| Other | 5,563,549 | 5,549,821 |
| | $ 120,812,335 | $ 115,431,427 |

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

Net assets without donor restrictions for the years ended June 30 are as follows:

| | 2022 | 2021 |
|---|---|---|
| Designated by the Board | $ 4,388,078 | $ 4,461,899 |
| Undesignated | 16,572,298 | 20,519,271 |
| | $ 20,960,376 | $ 24,981,170 |

## NOTE 13 - ENDOWMENT FUNDS

The Foundation's endowment consists of approximately 993 individual funds established for a variety of purposes. The endowment includes donor-restricted and board designated endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of donor-restricted endowment funds is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

## NOTE 13 - ENDOWMENT FUNDS - Continued

Endowment net assets as of June 30 were as follows:

| 2022 | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Donor-restricted perpetual endowment funds | $ - | $ 166,517,772 | $ 166,517,772 |
| Donor-restricted quasi-endowment funds | - | 22,187,262 | 22,187,262 |
| Board designated quasi-endowment funds | 4,388,079 | - | 4,388,079 |
| | $ 4,388,079 | $ 188,705,034 | $ 193,093,113 |

| 2021 | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Donor-restricted perpetual endowment funds | $ - | $ 174,057,233 | $ 174,057,233 |
| Donor-restricted quasi-endowment funds | - | 22,581,486 | 22,581,486 |
| Board designated quasi-endowment funds | 4,461,899 | - | 4,461,899 |
| | $ 4,461,899 | $ 196,638,719 | $ 201,100,618 |

## NOTE 13 - ENDOWMENT FUNDS - Continued

Changes in endowment, not total, net assets for the fiscal years ended June 30, 2022 and 2021, are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment investments at June 30, 2020 | $ 3,614,372 | $ 147,758,204 | $ 151,372,576 |
| Investment income | 1,159 | 47,013 | 48,172 |
| Net appreciation | 993,321 | 46,140,953 | 47,134,274 |
| Contributions | 15,000 | 12,001,562 | 12,016,562 |
| Appropriations of endowment assets for expenditure | (16,647) | (5,649,448) | (5,666,095) |
| Expenditures from quasi-endowment funds | - | (3,824,096) | (3,824,096) |
| Other additions (reductions) | (145,306) | 164,531 | 19,225 |
| Endowment investments at June 30, 2021 | 4,461,899 | 196,638,719 | 201,100,618 |
| Investment income | 661 | 94,333 | 94,994 |
| Net depreciation | (42,058) | (8,647,985) | (8,690,043) |
| Contributions | 18,597 | 9,015,812 | 9,034,409 |
| Appropriations of endowment assets for expenditure | (51,020) | (6,145,291) | (6,196,311) |
| Expenditures from quasi-endowment funds | - | (2,254,435) | (2,254,435) |
| Other additions | - | 3,881 | 3,881 |
| Endowment investments at June 30, 2022 | $ 4,388,079 | $ 188,705,034 | $ 193,093,113 |

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and aggregated $ 169,168 as of June 30, 2022. At June 30, 2022, the fair value of underwater endowments totaled $ 2,894,431, and the total amount of original corpus was $ 3,063,599. 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 Board of Directors. There were no funds with such deficiencies at June 30, 2021.

## NOTE 13 - ENDOWMENT FUNDS - Continued

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 4.5% 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 prior year's spending distribution, plus 4.5% of the value of any new gifts; the sum of which is adjusted by the most recently calculated annual Higher Education Price Index, then weighted at 70% added to b) the year-end market value times 4.5% then weighted at 30%.

## NOTE 14 - FUNDRAISING FEES

A fundraising fee of 1.25%, of the December 31, 2021 and 2020 market value, was assessed from each endowed funds' annual distribution to help support Foundation's fundraising and general operations. On July 1, 2021 and 2020, a total of $ 6,196,311 and $ 5,666,095, respectively, was distributed to endowed funds' expendable balances and fundraising fees totaling $ 2,122,354 and $ 1,942,099, respectively, were distributed to the Foundation budget.

## NOTE 15 - RELATED PARTY TRANSACTIONS

Effective July 1, 2021, the Foundation renewed the Support Agreement, for an additional one year, with the University Board of Trustees (acting for and on behalf of the University) whereby the University agrees to provide to the Foundation fair and reasonable compensation in exchange for development and fundraising services up to a maximum value. The agreement expired on June 30, 2022. The maximum values under the agreement were $ 2,760,000 for each year ended June 30, 2022 and 2021. Under terms of the agreements, in fiscal year 2022 and 2021, the University provided in-kind support in the form of personnel, office space, office equipment, computer support, and communication services, estimated at $ 2,599,504 and $ 2,577,624, respectively. Cash payments and in-kind support pursuant to the Support Agreement are included as part of the Service contract with the University and revenue and expenses have been allocated among the support services in the accompanying Consolidated Statements of Activities and Change in Net Assets.

As of June 30, 2022 and 2021, the Foundation had payables to the University of $ 676,153 and $ 1,189,799, respectively. In addition, at June 30, 2022 and 2021, the Foundation had no receivables from the University.

The Foundation's Launching Futures, LLC, received from the University lease payments of $ 230,004 for the Alumni Center during the years ended June 30, 2022 and 2021. The lease was renewed in 2021 for an additional five years.

## NOTE 16 - COMMITMENT TO INVEST IN LIMITED PARTNERSHIPS

The Foundation has invested in various limited partnerships. According to the terms of the investment agreements, the Foundation committed to invest $ 111,396,457 and $ 93,076,457 as of June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, the Foundation had invested $ 64,226,407 and $ 56,259,991, respectively. The balance of the Foundation's investment commitments at June 30, 2022 and 2021, was $ 47,170,050 and $ 36,816,466, respectively.

## NOTE 17 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Foundation's financial assets as of June 30. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

| | 2022 | 2021 |
|---|---|---|
| Financial assets | | |
| Cash and cash equivalents | $ 6,028,893 | $ 4,164,559 |
| Accounts receivable and prepaid expenses | 74,500 | 33,046 |
| Pledges receivable, net | 17,868,166 | 13,982,794 |
| Investments | 229,732,126 | 238,752,707 |
| Assets held under split-interest agreements | 1,391,729 | 1,602,224 |
| Beneficial interests in trusts | 2,405,890 | 2,906,644 |
| Beneficial interest in split-interest agreements | 335,884 | 436,696 |
| Financial assets at year-end | 257,837,188 | 261,878,670 |
| Less amounts unavailable for general expenditure within one year, due to: | | |
| Pledges receivable, collectible beyond one year | (10,940,175) | (10,569,957) |
| Assets held under split-interest agreements, not convertible to cash within one year | (1,391,729) | (1,602,224) |
| Beneficial interest in trusts, not convertible to cash within one year | (2,375,805) | (2,876,559) |
| Beneficial interest in split-interest agreements, not convertible to cash within one year | (335,884) | (436,696) |
| Purpose restrictions | (36,207,133) | (28,309,236) |
| Endowment fund investments | (193,093,113) | (201,100,618) |
| Add back: estimated spending distribution | 2,610,518 | 2,122,354 |
| Financial assets available to meet cash needs for general expenditure within one year | $ 16,103,867 | $ 19,105,734 |

The Foundation has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.