NORTHEASTERN ILLINOIS UNIVERSITY FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2018

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Warady & Davis LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Northeastern Illinois University Foundation
Chicago, Illinois

We have audited the accompanying financial statements of NORTHEASTERN ILLINOIS UNIVERSITY FOUNDATION (a not-for-profit corporation) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NORTHEASTERN ILLINOIS UNIVERSITY FOUNDATION as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Wandy & Davis LLP

September 27, 2018

STATEMENT OF FINANCIAL POSITION

As of June 30, 2018

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	
Held for Foundation	$ 1,175,938
Held in Custody	294,262
Short-Term Investments, at Market	
Held for Foundation	931,179
Held in Custody	3,076
Contributions and Other Receivables	521,521
Certificate of Deposit, Held in Custody	99,980
Total Current Assets	3,025,956
NONCURRENT ASSETS	
Endowment Investments	11,479,608
Assets Held Under Split-Interest Agreements	878,179
Other Assets	8,000
Total Noncurrent Assets	12,365,787
	$ 15,391,743
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable and Accrued Expenses	$ 17,353
Obligations Under Split-Interest Agreements - Current Portion	46,804
Custodial Funds	397,318
Total Current Liabilities	461,475
LONG-TERM LIABILITIES	
Obligations Under Split-Interest Agreements	558,289
Total Liabilities	1,019,764
NET ASSETS	
Unrestricted	781,644
Temporarily Restricted	1,837,641
Permanently Restricted	11,752,694
Total Net Assets	14,371,979
	$ 15,391,743

See accompanying notes.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Support and Program Revenue				
Contributions	$ 25,284	$ 1,721,166	$ 938,216	$ 2,684,666
Event Admissions	6,775	96,145	—	102,920
Personal Service Costs, Facility Use and Other Costs Provided by NEIU to the Foundation	356,921			356,921
Total Operating Revenues	388,980	1,817,311	938,216	3,144,507
Other Revenues and Gains (Losses)				
Investment Income	22,938	174,812	417,680	615,430
Other Revenue		4,566		4,566
Change in Value of Split Interest Agreements			(35,558)	(35,558)
Total Other Revenue and Gains (Losses)	22,938	179,378	382,122	584,438
Total Support, Revenue and Gains	411,918	1,996,689	1,320,338	3,728,945
NET ASSETS RELEASED FROM RESTRICTION				
Satisfaction of Restrictions	1,604,732	(1,604,732)	—	—
EXPENSES				
Program Services				
Grants, Awards, Scholarships and Fellowships	1,028,222			1,028,222
University Support	520,806			520,806
Management and General	268,745			268,745
Fundraising	146,031			146,031
	1,963,804			1,963,804
Bad Debt Loss	13,000		10,696	23,696
Total Expenses	1,976,804		10,696	1,987,500
CHANGE IN NET ASSETS	39,846	391,957	1,309,642	1,741,445
Net Assets, Beginning, as Previously Reported	741,798	1,340,332	10,197,228	12,279,358
Prior Period Adjustment		105,352	245,824	351,176
Net Assets, Beginning of Year, as Restated	741,798	1,445,684	10,443,052	12,630,534
NET ASSETS, ENDING	$ 781,644	$ 1,837,641	$ 11,752,694	$ 14,371,979

See accompanying notes.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2018

	Program Services		Supporting Services		
	Grants, Awards Scholarships and Fellowships	University Support	Management and General	Fundraising	Total
Grants and Awards - NEIU	$ 379,472	$ —	$ —	$ —	$ 379,472
Grants and Awards - Other	333,083	—	—	—	333,083
Scholarships and Fellowships	315,667	—	—	—	315,667
Donated Personal Service Costs	—	59,498	222,395	75,028	356,921
Bank and Credit Card Fees	—	68	7,153	—	7,221
Bad Debt Expense	—	—	3,150	—	3,150
Conferences and Meetings	—	10,167	685	2,738	13,590
Consulting	—	975	9,075	—	10,050
Donor Cultivation and Stewardship	—	11,327	—	1,427	12,754
Dues and Subscriptions	—	100	1,054	—	1,154
Event Expenses	—	37,890	—	59,141	97,031
Honorarium	—	33,205	—	—	33,205
Marketing	—	18,605	—	—	18,605
Miscellaneous	—	14,164	1,973	971	17,108
Postage	—	1,240	468	1,403	3,111
Printing	—	5,856	1,649	4,947	12,452
Professional Fees	—	245,974	20,425	—	266,399
Repairs and Maintenance	—	14,861	457	—	15,318
Supplies	—	41,819	191	94	42,104
Travel	—	25,057	70	282	25,409
	$ 1,028,222	$ 520,806	$ 268,745	$ 146,031	$ 1,963,804

See accompanying notes.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Contributions	$ 1,628,450
Event Admissions	99,700
Other Receipts	4,566
Interest and Dividends	86,336
Payments to Support NEIU Departments and Programs	(461,308)
Payments for Operating Expenses	(114,176)
Payments of Investment Fees	(50,696)
Payments for Grant, Awards, Scholarships and Fellowships	(1,075,287)
Net Cash Provided by Operating Activities	117,585
CASH FLOWS FROM INVESTING ACTIVITIES	
Change in Cash and Investments Held in Custody	85,459
Change in Custodial Fund Liability	14,521
Purchases of Certificates of Deposit - Held in Custody	(99,980)
Maturities of Certificates of Deposit	76,062
Proceeds from Sales and Maturities of Investments	1,387,007
Purchases of Investments	(1,559,000)
Reinvested Dividends and Interest	(314,258)
Net Cash Used by Investing Activities	(410,189)
CASH FLOWS FROM FINANCING ACTIVITIES	
Assets Acquired Under Split-Interest Agreements	(112,801)
Endowment Contributions and Event Admissions	789,219
Net Cash Provided by Financing Activities	676,418
NET INCREASE IN CASH AND CASH EQUIVALENTS	383,814
Cash and Cash Equivalents, Beginning	792,124
CASH AND CASH EQUIVALENTS, ENDING	$ 1,175,938
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Change in Net Assets	$ 1,741,445
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Bad Debt Loss	23,696
Realized/Unrealized Net Gains on Investments	(351,868)
Change in Value of Split-Interest Agreements	35,558
Donated Stock	(259,586)
Endowment Contributions and Event Admissions	(789,219)
Endowment Investment Income	(227,922)
Increase in Contributions and Other Receivables	(10,631)
Increase in Accounts Payable and Accrued Expenses	3,177
Decrease in Due to NEIU	(47,065)
Total Adjustments	(1,623,860)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 117,585

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION ACTIVITIES

Northeastern Illinois University Foundation (the "Foundation") is an Illinois nonprofit corporation established in May 1969 to secure and manage private support to benefit Northeastern Illinois University (the "University"), a State agency. Although the Foundation is a separate legal entity from the University, the Foundation's sole existence is to serve the University.

The Foundation is considered as a discretely presented component unit of the University for financial reporting purposes. The financial balances and activities included in these financial statements are therefore also included as part of the University's financial statements and the State of Illinois' Comprehensive Annual Financial Report. All funds of the Foundation are locally administered and are neither subject to the State of Illinois appropriation process, nor held in the State treasury.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of management who is responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

BASIS OF PRESENTATION

These financial statements include all financial activities over which the Foundation exercises direct responsibility.

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when a liability has been incurred.

The Foundation classifies its net assets into three net asset categories according to the existence or absence of donor-imposed restrictions.

Unrestricted Net Assets: Unrestricted net assets are not subject to donor-imposed stipulations and primarily represent resources used for transactions relating to the general operations of the Foundation. These net assets may be used at the discretion of the Foundation's Board to meet current expenses for any purpose. The Foundation may designate portions of its unrestricted net assets as board-designated for various purposes including quasi-endowment. At June 30, 2018, $496,225 is designated for the quasi-endowment fund and $36,297 is designated as an operating reserve.

Temporarily Restricted Net Assets – Temporarily or expendable restricted net assets include resources in which the Foundation is legally or contractually obligated to spend in accordance with restrictions imposed by external parties. Donor imposed stipulations may be met by either actions of the Foundation or the passage of time.

Permanently Restricted Net Assets – Permanently or nonexpendable restricted net assets consist of endowment funds. Endowment funds include those funds where donors have stipulated, as a condition of the gift, that the principal is to be maintained in perpetuity. These assets are invested for the purpose of producing present and future income. Generally, the donors permit the Foundation to use all or part of the income earned, including capital appreciation for general or specific purposes. It is the Foundation's policy that if the earnings appropriated in a given year are not fully expended, they are transferred back to permanently restricted net assets.

When both restricted and unrestricted resources are available for use, it is the Foundation's policy to use restricted resources first, then unrestricted resources as needed.

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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, when the conditions on which they depend are substantially met. Long-term contributions to be received after one year are discounted to their net present value at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as contribution revenue in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided based upon management's judgement including such factors as prior collection history, type of contribution and the nature of the fundraising activity. Uncollectible contributions written off during the year ended June 30, 2018 totaled $23,696 and are included as bad debt loss on the statement of activities.

Contributions received in the same year in which the restriction is made are recorded as temporarily restricted contributions and released from restriction.

CONTRIBUTED ASSETS AND SERVICES

Gifts of securities are recorded at fair value on the date of the gift. Gifts of property, equipment and other non-monetary assets are recorded at their fair values at the date of the gift. Non-current other assets consist of a sculpture that was donated to the Foundation. Donated services are recorded as contribution revenue and a corresponding expense based on estimates of the fair market value of service received only if they meet the recognition requirements and represent specialized services that would otherwise have been purchased.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments including cash and cash equivalents, other receivables, accounts payable and accrued expenses approximates the carrying values, principally because of the short maturity of those items. The carrying value of contributions receivable and assets held under split-interest agreements approximate fair value because the present value discount is included in the carrying amount. Investments in marketable debt and equity securities held by the Foundation and held in custody for others are carried at fair value based on quoted market prices. The fair value of obligations under split-interest agreements is determined at the present value of expected future cash flows discounted at an appropriate interest rate.

CASH AND CASH EQUIVALENTS

The Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS

Investments in marketable securities are stated at their fair values. Realized gains and losses are the differences between the proceeds received and the cost of investments sold. Unrealized gains and losses are the differences between the fair value and the cost of investments and are included in earnings. Investment income and gains/losses are recorded as unrestricted net assets unless restricted by the donor or by law. Endowment investment income are reported as temporarily restricted net assets until appropriated by the Board.

SPLIT-INTEREST AGREEMENTS

Split-interest agreements are agreements where donors enter into a trust or other arrangement whereby the Foundation accepts a contribution and agrees to make periodic payments to donors or third party beneficiaries for a specified time. The assets are valued at fair value at the time of donation with a corresponding liability recorded for the present value of the expected future 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. In accordance with the Foundation's accounting for investments, assets held under split-interest agreements are stated at their fair market value. Unrealized gains adjustments to reflect the present value of the estimated annuity payments and actuarial assumptions are included in the accompanying statement of activities and changes in net assets. The present value of the estimated future payments is calculated using an actuarial discount rate and applicable mortality tables.

INCOME TAXES

The Foundation is a not-for-profit that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and is similarly exempt for state income tax purposes.

The Foundation follows the guidance in the FASB Codification topic related to uncertainty in income taxes which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Foundation has taken or expects to take in its tax returns. Under the guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is "more likely than not" that it is sustainable, based on its technical merits. Management has evaluated their material tax positions, which include such matters as the tax exempt status of the Foundation and various positions relative to potential sources of unrelated business income. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation believes that it has appropriate support for the positions taken on its returns.

The Foundation files U.S. federal and Illinois state informational tax returns.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities are presented on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited, based on direct charges or appropriate methods determined by management.

NOTE 2—CASH AND CASH EQUIVALENTS AND INVESTMENTS

Restricted cash and cash equivalents are also included in investments and assets held under split-interest agreements at June 30, 2018. A reconciliation of cash and investments as shown on the June 30, 2018 statement of financial position is as follows:

Cash, Held for Foundation	$ 1,175,938
Cash, Held in Custody	294,262
Total Cash and Cash Equivalents	$ 1,470,200
Certificates of Deposit, Held in Custody	$ 99,980
Short-Term Investments, Held for Foundation	$ 931,179
Short-Term Investments, Held in Custody	3,076
Endowment Investments	11,479,608
Assets Held Under Split-Interest Agreement	878,179
Total	$ 13,292,042

NOTE 3—CONCENTRATION OF RISK

CUSTODIAL CREDIT RISK

Custodial credit risk is the potential for a financial institution or counterparty to fail such that the Foundation would not be able to recover the value of deposits, investments or collateral securities that are in the possession of an outside party. The Foundation is aware of such risk and is comfortable with its deposits at Chicago area major banks.

The Foundation maintains its cash in several separate accounts at three different institutions. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 at each financial institution. As of June 30, 2018, the combined uninsured balance was $1,229,964. The Foundation has not experienced any loss in these accounts. The Foundation believes it is not exposed to any significant credit risk on its cash balance.

CREDIT RISK

Credit risk is the risk that an issuer or counterparty to a debt investment will not fulfill its obligations. The Foundation's investment policy limits investments in corporate securities rated "Baa" or higher. Credit quality ratings are not required for U.S. Government securities that are explicitly guaranteed by the U.S. government.

INTEREST RATE RISK

As a means of limiting its exposure to fair value losses arising from rising interest rates, as a long-term guideline, the Foundation's investments are allocated between equity investments and 20% fixed-income securities. Interest rate risk is managed according to the purpose of the investments and the projected timeframe for the use of these assets.

NOTE 3—CONCENTRATION OF RISK (Continued)

COUNTRY/REGIONAL RISK AND FOREIGN CURRENCY RISK

Country/Regional risk is the risk that domestic events – such as political upheaval, financial troubles, or natural disasters – will weaken a country's or region's securities markets. Foreign currency risk is the risk that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates.

NOTE 4—INVESTMENTS AND FAIR VALUE MEASUREMENTS

The FASB Codification provides a framework for measuring fair value using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018.

Level 1 Fair Value Measurements

Level 1 investments are measured at fair value using the market approach. The market approach values assets at quoted prices in active markets for identical assets. Mutual funds are valued at their market values, which are determined daily and are quoted on a national exchange.

Level 2 Fair Value Measurements

Level 2 investments are measured at the redemption or state price on the measurement day.

Level 3 Fair Value Measurements

The Organization has no level 3 fair value measurements.

NOTE 4—INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Investments at fair value measured on a recurring basis at June 30, 2018 consist of the following:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total June 30, 2018
Equity Mutual Funds				
Large Cap Equity	$	$ 2,698,749	$	$ 2,698,749
Small Cap Equity		996,182		996,182
International Equity		2,718,320		2,718,320
Emerging Markets Equity		925,806		925,806
Broad Domestic Fixed		3,099,050		3,099,050
Master Limited Partnership (MLP)		662,492		662,492
Real Estate Global		576,524		576,524
Total Equity		11,677,123		11,677,123
Bond Mutual Fund				
International Fixed Hedged		205,947		205,947
Commodities		407,125		407,125
Treasury Inflation Protected Securities		411,178		411,178
International Fixed Unhedged		187,834		187,834
High Yield Fixed		402,835		402,835
Total Bonds		1,614,919		1,614,919
Total Investments	$	$ 13,292,042	$	$ 13,292,042

The Foundation's investments were distributed among the following currencies:

Currency	Amount
U.S. Dollar	$ 9,025,866
Japanese Yen	722,650
Chinese Yuan	694,118
Euro	2,010,028
Other Currencies, Individually Less Than 5% of Fund Portfolio	839,380
Total	$ 13,292,042

Total investment return was comprised of $314,258 of dividend and interest income, realized gains of $198,561 and unrealized gains of $153,307, net of $50,696 of fees for the year ended June 30, 2018.

NOTE 5—CONDITIONAL PLEDGE

The Foundation received a conditional pledge by a donor who promised to match qualifying contributions, up to an annual maximum of $500,000, on a one-for-one basis during calendar years 2016, 2017 and 2018.

The Foundation raised $458,821 of qualifying contributions towards the 2018 award, recognizing the matching contribution and pledge receivable in the same amount as of June 30, 2018. The remaining $41,179 of the 2018 calendar year maximum is conditional on the Foundation raising additional qualifying contributions by the end of 2018 and therefore has not been recognized in revenue as of June 30, 2018.

NOTE 6—NORTHEASTERN ILLINOIS UNIVERSITY AGREEMENT

On July 1, 2005, the Foundation entered into an agreement with Northeastern Illinois University. Under the terms of the contract, the Foundation aids and assists the University in developing facilities for broader educational opportunities for the service to its students, alumni and citizens of the State of Illinois and of the United States by encouraging gifts of money, property, works of art, historical and other material having educational, artistic and historical value.

In turn, the University will furnish certain services necessary to the operation of the Foundation. The contract may be cancelled upon ninety days written notice by either party. In 2010, the NEIU Alumni Association become part of the Foundation.

During the year ended June 30, 2018, certain personnel services and facilities of the University with an estimated value of $356,921 were provided to the Foundation without charge. In turn, the Foundation provided the University with support in the amount of $520,806 and grants, awards, scholarships and fellowships of $695,139.

During the year ended June 30, 2007, the Foundation became the fiscal agent for the Gaining Early Awareness and Readiness for Undergraduate Program ("GEAR UP") scholarship fund which had been set up by the University. The funds were invested and restricted for use by the GEAR UP program. During the year ended June 30, 2018, no scholarships were awarded to colleges and universities as no new students were enrolled in the program and previous had all graduated. Cash, certificates of deposit and investments held in custody relate to funds held for the Gear-Up Grant and Gear-Up College Success Scholarship Fund.

GEAR UP's assets and liabilities are included in the Statement of Financial Positions and are as follows at June 30, 2018:

Cash – Held in Custody	$ 294,262
Certificates of Deposit – Held in Custody	99,980
Investments – Held in Custody	3,076
Total Assets Held for GEAR UP	$ 397,318
Custodial Liability – GEAR Up	$ 397,318

NOTE 7—SPLIT-INTEREST AGREEMENTS

The Foundation is the administrator of eight charitable remainder trusts. The following activity related to the charitable remainder trusts is included in the Statement of Financial Position and Statement of Activities as of and for the year ended June 30, 2018:

Assets Held Under Split Interest Agreements	$	878,179
Current Portion – Obligations Held Under Split Interest Agreements	$	46,804
Long-Term – Obligations Held Under Split Interest Agreement		558,289
Total Obligations Held Under Split Interest Agreements	$	605,093
Change in Value of Split Interest Agreements	$	(35,558)

NOTE 8—TEMPORARILY RESTRICTED NET ASSETS

Temporarily Restricted Net Assets at June 30, 2018 are as follows:

Scholarships and Fellowships	$	909,469
Academics		209,221
Alumni Association		74,272
Other		644,679
	$	1,837,641

Amounts released from restrictions during the year ended June 30, 2018 were $1,604,732, representing $339,408 of scholarships and fellowships, $51,468 of academic support, $27,224 of Alumni Association expenses, and $1,090,487 of other expenses. Additionally, $20,860 of special fundraising event revenues and $75,285 of program event admissions are included in event admissions on the statement of activities and this amount was entirely released from restriction when the events were held.

NOTE 9—PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENTS

Permanently restricted net assets are comprised of 150 endowment funds established to support various purposes such as scholarships and lectureships. The endowment also includes one board-designated endowment fund. 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 funds are managed jointly and are credited with a proportionate share of dividend and interest income and any realized and unrealized gains and losses.

Gifts of cash, cash equivalents, securities or other assets that are received by the Foundation for its use in perpetuity, without specific restrictions, are carried and accounted for in this fund. Assets in this classification are considered to be an important part of the Foundation's long-term capital and are invested in accordance with prudent and appropriate investment objectives. Non-cash assets are to be held as long as practicable; cash assets are to be invested in a diversified portfolio of fixed income and equity securities that meet the expected long-term needs of the Foundation.

NOTE 9—PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENTS (Continued)

The Board of Directors of the Foundation have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Illinois as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Foundation and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Foundation.
7. The investment policies of the Foundation.

Endowment net asset composition by type of fund as of June 30, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor-Restricted Endowment Funds	$ —	$	$ 11,752,694	$ 11,752,694
Quasi Endowment Fund	496,225			496,225
Total Endowment Net Assets	$ 496,225	$ —	$ 11,752,694	$ 12,248,919

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment Net Assets, Beginning of Year	$ 495,545	$ —	$ 10,197,228	$ 10,692,773
Prior Period Adjustment			245,824	245,824
Contributions			938,216	938,216
Investment Income, net of fees	11,472	74,864	177,226	263,562
Net Realized and Unrealized Gains	11,466	99,948	240,454	351,868
Change in Value of Split Interest Agreement			(35,558)	(35,558)
Bad Debt Loss			(10,696)	(10,696)
Appropriation of Endowment Assets for Expenditure	(22,258)	(174,812)		(197,070)
Endowment Net Assets, End of Year	$ 496,225	$ —	$ 11,752,694	$ 12,248,919

NOTE 9—PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENTS (Continued)

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may drop below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Due to realized and unrealized investment losses with the expectation that all efforts are made to restore historical value when market conditions improve and that, in accordance with policy, no distributions may be made from the funds in order to allow for this restoration. There were no such deficiencies as of June 30, 2018.

INVESTMENT GUIDELINES:

The primary investment objectives of the funds are to provide a stable source of perpetual financial support to Foundation beneficiaries, and balance the desire to generate sufficient return on investments in order to achieve the stated return objectives with the desire to preserve the real purchasing power of the principal in the long-term. The Finance Committee, subject to annual review and rebalancing as necessary, will determine the allocation of assets, recognizing that returns on investments in this category can vary on a year-to-year basis because of the higher risk associated with higher expected long-term returns.

The Foundation employs a total return investment approach whereby a mix of equity, fixed income, and alternative investments are used to maximize long-term performance for a prudent level of risk.

INVESTMENT OBJECTIVES

- Maintaining the purchasing power of current assets and any/all future contributions with respect to inflation by producing positive real rates of return.
- Maximizing return within reasonable and prudent levels of risk.
- Limiting short-term investment losses.
- Portfolio outperformance relative to a customized policy benchmark or asset allocation benchmark over a full market cycle.
- Meeting all anticipated and unanticipated liquidity requirements.
- Controlling costs in administering and managing the portfolio.
- Funding distributions from the portfolio in accordance with the Spending Policy.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

The portfolio will be diversified in an effort to achieve stated investment objectives and to provide reasonable assurance that no single asset class or security will have a disproportionate impact on absolute performance. Adequate diversification will ensure that the risk level of the overall portfolio will be maintained within a predetermined tolerance. The predetermined tolerance will be based on the expected risk and return profile of the overall portfolio. Should the overall risk/return profile of the portfolio deviate beyond the predetermined tolerance, the portfolio will be rebalanced back to the target risk/return characteristics.

NOTE 9—PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENTS (Continued)

SPENDING POLICY

It is the Foundation's policy to distribute annually up to 5% of a trailing 3 or 5-year average of the endowment's total asset value, with the understanding that this spending rate plus inflation will not normally exceed total return from investment. However, it is understood that this total return basis for calculating spending is sanctioned by the Uniform Management of Institutional Funds Act (UMIFA), under which guidelines the University is permitted to spend an amount in excess of the current yield (interest and dividends earned), including realized or unrealized appreciation

NOTE 10—PRIOR PERIOD ADJUSTMENT

As described in Note 5, the Foundation received a conditional pledge by a donor who promised to match qualifying contributions, up to an annual maximum of $500,000, on a one-for-one basis during calendar years 2016, 2017 and 2018.

As of June 30, 2017, qualifying contributions towards the calendar 2017 challenge totaled $351,176, however the contribution revenue and the corresponding receivable were omitted from the financial statements. A prior period adjustment was necessary to correct the error. The conditional contribution benefited three funds, two of which are permanently restricted and one is temporarily restricted. The effect of this correction was to increase beginning permanently restricted net assets by $245,824, beginning temporarily restricted net assets by $105,352, and contributions and other receivables by $351,176 at July 1, 2017.

NOTE 11—RELATED PARTY TRANSACTIONS

Contributions from board members totaled $89,331 for the year ended June 30, 2018.

NOTE 12—SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 27, 2018, the date which the financial statements were available for issue. There were no subsequent events which require disclosure.