

WESTERN ILLINOIS UNIVERSITY FOUNDATION

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

June 30, 2021

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Independent Auditors' Report

The Board of Directors
Western Illinois University Foundation
Macomb, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Western Illinois University Foundation (the Foundation), which are comprised of the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 auditors consider internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Illinois University Foundation as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2021, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Eck, Schafer + Punke, LLP

Springfield, Illinois
October 20, 2021

Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

The Board of Directors
Western Illinois University Foundation
Macomb, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Western Illinois University Foundation (the Foundation) as of and for the year ended June 30, 2021, and have issued our report thereon dated October 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ech, Schafer + Pumble, LLP

Springfield, Illinois
October 20, 2021

Western Illinois University Foundation
STATEMENT OF FINANCIAL POSITION

June 30, 2021

ASSETS

Cash and cash equivalents	\$ 1,643,883
Operating investments	6,374,593
Pledges receivable, net	386,757
Other receivables	88,289
Prepaid expenses	132,674
Assets held under split-interest agreements	5,084,526
Cash surrender value of life insurance policies	509,078
Property and equipment, net	1,228,445
Other assets	49,588
Endowment	
Pledges receivable, net	429,777
Investments	<u>84,316,281</u>
 TOTAL ASSETS	 <u>\$ 100,243,891</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 117,481
Due to Western Illinois University	186,324
Deferred revenue	347,974
Note payable	625,615
Annuities payable	<u>303,330</u>
 Total liabilities	 1,580,724

NET ASSETS

Without donor restrictions	
Undesignated	870,976
Board-designated for operating	1,075,806
Board-designated for endowment	6,910,317
With donor restrictions	<u>89,806,068</u>
 Total net assets	 <u>98,663,167</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 100,243,891</u>
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The accompanying notes are an integral part of this financial statement.

Western Illinois University Foundation

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenues, gains and other support			
Contributions, gifts and pledges	\$ 74,151	\$ 4,742,405	\$ 4,816,556
In-kind contributions	91,150	231,911	323,061
Federal and State grants	-	24,926	24,926
Sales, services and other grants	254,361	462,462	716,823
Net investment return	1,979,210	18,249,525	20,228,735
Change in value of split-interest agreements	-	702,301	702,301
Western Illinois University - provided support	1,057,573	-	1,057,573
Net assets released from restrictions	<u>5,887,699</u>	<u>(5,887,699)</u>	<u>-</u>
Total revenue, gains, other support and net assets released from restrictions	9,344,144	18,525,831	27,869,975
Expenses			
Program services			
Student support	2,635,557	-	2,635,557
Academic programs	49,291	-	49,291
Faculty support	63,065	-	63,065
Program support	1,196,625	-	1,196,625
Public service	1,208,251	-	1,208,251
Facilities support	258,218	-	258,218
Research	<u>50,282</u>	<u>-</u>	<u>50,282</u>
Total program services	5,461,289	-	5,461,289
Supporting activities			
General and administrative	1,182,222	-	1,182,222
Fundraising and development	<u>430,427</u>	<u>-</u>	<u>430,427</u>
Total supporting activities	<u>1,612,649</u>	<u>-</u>	<u>1,612,649</u>
Total expenses	<u>7,073,938</u>	<u>-</u>	<u>7,073,938</u>
Change in net assets	2,270,206	18,525,831	20,796,037
Net assets at beginning of year	<u>6,586,893</u>	<u>71,280,237</u>	<u>77,867,130</u>
Net assets at end of year	<u>\$ 8,857,099</u>	<u>\$ 89,806,068</u>	<u>\$ 98,663,167</u>

The accompanying notes are an integral part of this financial statement.

Western Illinois University Foundation

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	Program Services					General and Administrative		Fundraising and Development	Total
	Student Support	Academic Programs	Faculty Support	Program Support	Public Service	Facilities Support	Research	Total	
Grants, scholarships and other University support	\$2,477,049	\$ 12,002	\$ 45,867	\$ 390,186	\$ 784,891	\$ 4,845	\$ 17,302	\$3,732,142	\$ 193,254
Personnel costs	-	-	-	-	-	-	-	-	544,798
Legal	-	-	-	-	5,500	-	-	5,500	1,778
Accounting	-	-	-	-	-	-	-	-	40,575
Other professional fees	-	-	14,500	9,480	1,500	-	-	25,480	-
Advertising and promotion	4,922	773	-	28,157	31,314	300	-	65,466	16,210
Office expenses	3,754	8,218	-	106,228	40,120	66,162	22,149	246,631	15,096
Occupancy	-	50	-	15,712	5,784	23,478	143	45,167	-
Travel	2,861	157	-	9,054	66	144	3,220	15,502	11,354
Conferences, conventions and meetings	-	-	-	1,696	-	-	-	1,696	410
Interest	-	-	-	-	-	23,028	-	23,028	-
Insurance	16,964	-	-	2,296	-	5,059	-	24,319	23,991
Taxes	-	-	-	184	-	31,646	-	31,830	(4,467)
Other contractual services	913	12,186	2,300	271,660	223,216	25,173	6,288	541,736	170,479
Equipment purchase, remodeling and renovations	1,984	22,258	-	173,525	90,560	71,492	748	360,567	8,776
Depreciation	-	-	-	-	-	1,253	-	1,253	-
Catering and food supplies	10,891	-	-	30,253	649	3,576	-	45,369	3,655
All other expenses	116,219	(6,353)	398	158,194	24,651	2,062	432	295,603	156,313
	\$2,635,557	\$ 49,291	\$ 63,065	\$1,196,625	\$1,208,251	\$ 258,218	\$ 50,282	\$5,461,289	\$1,182,222
									\$ 430,427
									\$7,073,938

The accompanying notes are an integral part of this financial statement.

Western Illinois University Foundation

STATEMENT OF CASH FLOWS

Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Contributions for other than endowment purposes	\$ 4,046,792
Sales, services and other grants	1,054,424
Payments for goods and services	(2,929,303)
Payments for scholarships and fellowships	<u>(2,610,552)</u>
Net cash flows from operating activities	(438,639)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	14,839,728
Earnings on investments, net of investment expense	3,505,074
Purchases of investments	(18,930,269)
Purchases of property and equipment	<u>(496,625)</u>
Net cash flows from investing activities	(1,082,092)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issuance of note payable	505,750
Principal payments made on note payable	(21,024)
Interest paid on note payable	(23,028)
Private gifts for endowment purposes	984,335
Payments to annuitants	<u>(53,436)</u>
Net cash flows from financing activities	<u>1,392,597</u>

CHANGE IN CASH AND CASH EQUIVALENTS (128,134)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 1,772,017

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 1,643,883

SUPPLEMENTAL CASH FLOW INFORMATION

In-kind contributions	<u>\$ 323,061</u>
Western Illinois University - provided support	<u>\$ 1,057,573</u>

The accompanying notes are an integral part of this financial statement.

Western Illinois University Foundation
NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

The Western Illinois University Foundation (the Foundation) is a nonprofit corporation responsible for encouraging and administering private gifts made to further the mission of Western Illinois University (the University). Although the Foundation is a separate legal entity from the University, the Foundation's sole reason for existence is to serve the University. The Foundation is considered a discretely-presented component unit of the University and is therefore included in the University's government-wide financial statements.

2. Accounting 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

3. Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and for board-designated endowment funds.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES -
Continued

4. Revenue Recognition

Contributions, Grants and Bequests

Unconditional promises to give are recognized as revenue in the period the promise was made. Contributions, grants, and bequests are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Foundation's federal, state and private grants and contracts are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses.

Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Contributions due in one year are expected to be paid at the end of the year and are discounted accordingly. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity. Uncollectible contributions receivable written off totaled \$ 175,372 for the year ended June 30, 2021.

5. Contributed Assets and Services

Real estate and other objectively measurable assets that are available for financial support are recorded at their fair value at the date of contribution. Nonmonetary assets, art objects, equipment and various services contributed to the University through the Foundation for direct benefit of a University department are not included in the financial statements, although donors receive recognition for such contributions. These items are transferred to the University upon receipt. All other contributed assets and services are recorded as in-kind contribution revenue and a corresponding expense in the statement of activities.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES -
Continued

6. Presentation of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include liquid accounts that are not designated for investment purposes. Cash and cash equivalents include deposit accounts and investments with original maturities of 90 days or less at the time of purchase.

7. Investments

Investments in equity securities, mutual funds and debt securities having a readily determinable fair value are carried at fair value. Real estate held for investment are carried at fair value. Alternative investments in funds that do not have readily determinable fair values including private equity investments, hedge funds, real estate funds, commingled funds and similar funds are valued using net asset value per share or its equivalent as a practical expedient. Fair value of investments in limited partnerships are generally valued based upon the most recent net asset value or capital account information available from the general partner of the limited partnership. For alternative investments not allowed to apply the practical expedient, the Foundation determines the fair value using a market-based approach, income-based approach or cost-based approach. The Foundation has the ability to liquidate its alternative investments on a periodic basis in accordance with the provisions of the respective investment fund agreements.

8. Assets Held Under Split-Interest Agreements

The Foundation's split-interest agreements with donors consist of irrevocable charitable remainder trusts and irrevocable charitable trusts for which the Foundation is a beneficiary. These agreements are recorded at the present value of estimated cash receipts which is estimated to be the fair value of the assets contributed, based on quoted market prices at year-end, less the present value of any payments expected to be made to other beneficiaries. The present value of payments to be made to other beneficiaries was determined using the discount rate appropriate for each agreement and life expectancies from Internal Revenue Service (IRS) annuity tables.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES -
Continued

9. Property and Equipment

Property and equipment purchased by the Foundation are recorded at cost. Donated assets are capitalized at fair value at the date of the contribution. The Foundation capitalizes all equipment items that cost \$ 5,000 or more, and have an estimated useful life of greater than one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Land is stated at cost on the date of acquisition or fair value if acquired by gift. The costs of normal maintenance and repairs that do not add to the value of the land are not capitalized.

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

10. Annuities Payable

The Foundation administers various charitable gift annuities. A charitable gift annuity provides for distributions to the grantor or other designated beneficiaries based on the terms of the agreements. The annuities payable to beneficiaries resulting from these agreements are reported as a liability at the present value of the estimated future payments to be distributed over the beneficiaries' lives. The Foundation recalculates the present value of these payments through the use of IRS discount rates and IRS expectancy tables.

11. Deferred Revenue

Revenues from dues for various memberships and donor directed scholarships for subsequent academic years are deferred and recognized in the periods to which they relate.

12. Functional Allocation of Expenses

The costs of program services and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES -
Continued

13. Income Taxes

The Foundation is recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation may be subject to federal and state income taxes on any net income from unrelated business activities. The Foundation files a Form 990 (Return of Organization Exempt from Income Tax) annually and unrelated business income (UBI) is reported on Form 990-T, as appropriate. 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 UBI. As of June 30, 2021, there were no uncertain tax positions identified and recorded as a liability.

14. Subsequent Events

The Foundation has assessed events that have occurred subsequent to June 30, 2021 through October 20, 2021, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements.

15. Change in Accounting Principle

Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, superseded or replaced nearly all revenue recognition guidance. These standards established a new contract and control-based revenue recognition model, changed the basis for deciding when revenue is recognized over time or at a point in time, and expanded disclosures about revenue. Effective July 1, 2020, management implemented Topic 606 and adjusted the presentation in these financial statements accordingly. No cumulative-effect adjustment in net assets was recorded because the adoption of the standards did not significantly impact the Foundation's reported historical revenue.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE B - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 1,643,883
Operating investments	6,374,593
Non-endowment pledges receivable, net	386,757
Other receivables	88,289
Endowment spending-rate distributions and appropriations	<u>1,715,835</u>
Total financial assets available for general expenditure within one year	<u>\$ 10,209,357</u>

The endowment funds consist of donor-restricted endowments and funds designated by the board as endowment. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment of \$ 6,910,317 is subject to an annual spending rate of 4.25 percent as described in Note H. Although the Foundation does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of the liquidity management plan, the Foundation invests cash in excess of daily requirements in short-term investments and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which was \$ 1,075,806 as of June 30, 2021.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE C - PLEDGES RECEIVABLE

At June 30, 2021, pledges receivable balances consisted of the following:

Pledges receivable	
Due within 1 year	\$ 632,517
Due in more than 1 year	<u>252,837</u>
Total pledges receivable	885,354
Less	
Discount to net present value at rates ranging from 0.60% to 3.60%	(25,844)
Allowance for doubtful accounts	<u>(42,976)</u>
	<u>\$ 816,534</u>

Pledges receivable appear as follows in the statement of financial position:

Pledges receivable, net	\$ 386,757
Endowment pledges receivable, net	<u>429,777</u>
	<u>\$ 816,534</u>

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 pledges receivable.

NOTE D - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Foundation measures and records its investments using fair value measurement guidelines established by accounting principles generally accepted in the United States of America. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1 - Quoted prices for identical investments in active markets
- Level 2 - Observable inputs other than quoted market prices
- Level 3 - Unobservable inputs

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE D - INVESTMENTS AND FAIR VALUE MEASUREMENTS - Continued

At June 30, 2021, the Foundation had the following recurring fair value measurements.

	<u>Total</u>	<u>Fair Value Measurements</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities				
U.S. agency obligations	\$ 2,755,825	\$ -	\$ 2,755,825	\$ -
Corporate debt securities	<u>5,864,404</u>	<u>-</u>	<u>5,864,404</u>	<u>-</u>
Total debt securities	8,620,229	-	8,620,229	-
Equity securities				
Mutual funds, domestic equity	27,665,627	27,665,627	-	-
International equity securities	<u>19,746,302</u>	<u>19,746,302</u>	<u>-</u>	<u>-</u>
Total equity securities	47,411,929	47,411,929	-	-
Real estate (farmland)	4,805,806	-	4,805,806	-
Charitable remainder trusts, net	<u>5,084,526</u>	<u>-</u>	<u>-</u>	<u>5,084,526</u>
Total investments by fair value level	65,922,490	<u>\$ 47,411,929</u>	<u>\$ 13,426,035</u>	<u>\$ 5,084,526</u>
Investments measured at net asset value (NAV)				
Real assets funds	2,295,384			
Private equity funds	15,748,905			
Absolute return (hedge funds)	<u>8,349,537</u>			
Total investments by NAV	<u>26,393,826</u>			
Total	92,316,316			
Plus cash equivalents held in investment accounts	3,459,084			
Less charitable remainder trusts	<u>(5,084,526)</u>			
Total investments	<u>\$ 90,690,874</u>			

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE D - INVESTMENTS AND FAIR VALUE MEASUREMENTS - Continued

A reconciliation of the beginning and ending balances of the fair value measurements using Level 3 inputs for the year ended June 30, 2021 is as follows:

	Charitable Remainder Trusts, Net
Balance at beginning of year	\$ 4,382,225
Total gains and losses for the year	702,067
Change in liabilities	<u>234</u>
Balance at end of year	<u>\$ 5,084,526</u>

Investments appear as follows in the statement of financial position:

Operating investments	\$ 6,374,593
Endowment investments	<u>84,316,281</u>
	<u>\$ 90,690,874</u>

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 are valued using quoted prices for identical securities in markets that are not active, quoted prices for similar securities in active markets, and matrix pricing based on the securities' relationship to benchmark quoted prices. Real estate classified in Level 2 is valued using recent appraisals and similar processes of comparable real estate properties. Charitable remainder trusts classified in Level 3 are valued at the present value of the estimated future cash receipts from the trust assets. Such present values are generally assumed to be the fair market value of the percentage interest of the underlying assets of the trust.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE D - INVESTMENTS AND FAIR VALUE MEASUREMENTS - Continued

Investments valued using the net asset value (NAV) per share (or its equivalent) are considered “alternative investments” and, unlike more traditional investments, generally do not have readily obtainable market values. The following provides additional information related to investments measured at NAV as of June 30, 2021:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Real assets funds	\$ 2,295,384	\$ 1,626,379	None	N/A
Private equity funds	15,748,905	7,344,338	None	N/A
Absolute return (hedge funds)	<u>8,349,537</u>	<u>-</u>	Quarterly	100 Days
Total	<u>\$ 26,393,826</u>	<u>\$ 8,970,717</u>		

Real asset funds - This type includes eight real asset funds that invest in global real estate, natural resources, and infrastructure. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Foundation’s ownership interest in partners’ capital. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments. These investments can never be redeemed with the funds. Distribution from each fund will be received as underlying assets of the funds are liquidated. Each fund is expected to have an approximate ten-year life.

Private equity funds - This type includes twelve private equity funds that invest in global buyouts, venture capital, special situations, and secondaries and co-investments. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Foundation’s ownership interest in partners’ capital. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments. These investments can never be redeemed with the funds. Distributions from each fund will be received as underlying assets of the funds are liquidated. Each fund is expected to have an approximate ten-year life.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE D - INVESTMENTS AND FAIR VALUE MEASUREMENTS - Continued

Absolute return (hedge funds) - This type includes one hedge fund that pursues multiple strategies to diversify risks and reduce volatility. The strategy mix includes investments in long/short equity, long/short credit, relative value arbitrage, merger arbitrage, convertible arbitrage, capital structure arbitrage, fixed income arbitrage, short credit, distressed debt, global macro, special situations, and private investments. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. This type allows for quarterly redemptions with 100 days notice.

Net investment return consisted of the following for the year ended June 30, 2021:

Investment and dividend income	\$ 2,950,913
Gain on sale of investments	1,060,829
Net increase in fair market value of investments	17,119,291
Investment expense	<u>(902,298)</u>
Net investment return	<u>\$ 20,228,735</u>

NOTE E - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment for the year ended June 30, 2021:

	Balance June 30, <u>2020</u>	<u>Additions</u>	<u>Disposals</u>	Balance June 30, <u>2021</u>
Land	\$ 658,304	\$ 496,625	\$ -	\$ 1,154,929
Building	75,187	-	-	75,187
Less accumulated depreciation	<u>(418)</u>	<u>(1,253)</u>	<u>-</u>	<u>(1,671)</u>
Property and equipment, net	<u>\$ 733,073</u>	<u>\$ 495,372</u>	<u>\$ -</u>	<u>\$ 1,228,445</u>

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE F - LONG-TERM DEBT

During the year ended June 30, 2016, the Foundation obtained a note payable for the purchase of three lots of land near the University. This note payable requires annual installments of \$ 27,238 through June 2026 including annual interest at 4.35%.

During the year ended June 30, 2021, the Foundation obtained a note payable for the purchase of thirteen lots of land near the University. This note payable requires annual installments of \$ 63,324 through December 2030 including annual interest at 4.25%.

Future principal and interest requirements for these notes payable are as follows:

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 63,482	\$ 27,080	\$ 90,562
2023	66,240	24,322	90,562
2024	69,109	21,453	90,562
2025	72,075	18,487	90,562
2026	75,251	15,311	90,562
2027 and thereafter	<u>279,458</u>	<u>37,161</u>	<u>316,619</u>
	<u>\$ 625,615</u>	<u>\$ 143,814</u>	<u>\$ 769,429</u>

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2021 were restricted for the following purposes or periods:

Subject to expenditure for specified purpose:	
Student support	\$ 756,094
Academic programs	114,034
Program support	4,024,047
Public service	1,077,361
Facilities support	202,087
Research	325,421
Promises to give, the proceeds from which have been restricted by donors for	
Student support	105,791
Academic programs	<u>278,356</u>
	6,883,191

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS - Continued

Subject to the passage of time:

Assets held under split-interest agreements	\$ 5,084,526
Promises to give that are not restricted by donors, but which are unavailable for expenditures until due	<u>2,610</u>
	5,087,136

Endowments:

Subject to appropriation and expenditures when
a specified event occurs:

Restricted by donors for

Student support	24,302,923
Academic programs	855,256
Faculty support	756,162
Program support	7,770,365
Public service	3,850,284
Facilities support	3,492,225
Research	<u>208,922</u>

41,236,137

Held in perpetuity to support:

Student support	22,645,444
Academic programs	753,504
Faculty support	1,434,206
Program support	8,443,818
Public service	277,643
Facilities support	2,265,928
Research	349,284

Promises to give - permanently restricted
to the endowment by donors

429,777

36,599,604

Total endowments

77,835,741

Total net assets with donor restrictions

\$ 89,806,068

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE H - ENDOWMENTS

The Foundation's endowment fund consists of approximately 720 individual funds established for a variety of purposes. The endowment fund includes donor-restricted endowment funds and funds designated as endowment (quasi-endowment) by the Board of Directors. Net assets associated with the 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 Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the original gift amount of the donor-restricted funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give, net of discount and allowance), and (b) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation 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 various funds, (2) the purposes of the donor-restricted endowment funds, (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, and (7) the Foundation's investment policies.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE H - ENDOWMENTS - Continued

Endowment net assets as of June 30, 2021 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 36,169,827	\$ 36,169,827
Accumulated investment gains from endowment funds	2,514,947	30,797,404	33,312,351
Promises to give, permanently restricted to the endowment	-	429,777	429,777
Donor-restricted quasi-endowment funds	-	10,438,733	10,438,733
Board designated quasi-endowment funds	<u>4,395,370</u>	<u>-</u>	<u>4,395,370</u>
	<u>\$ 6,910,317</u>	<u>\$ 77,835,741</u>	<u>\$ 84,746,058</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2021.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE H - ENDOWMENTS - Continued

Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Foundation's Investment Committee, the endowment assets are invested in a manner to attain current income and capital appreciation by investment in a broad mix of different types of investments.

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 capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments and alternative investments to achieve its long-term return objectives within prudent risk constraints.

For both donor-restricted endowments and Board designated quasi-endowments, it is the goal of the Foundation to provide spendable income levels that are reasonably stable and sufficient to meet budgetary requirements and to maintain a spending rate, currently established at 4.25% for endowment purposes and 1.50% for operational purposes. Distributions are based on a 36-month moving average of endowment market value (excluding farmland values), which ensures a proper balance between the preservation of corpus and enhancement of the purchasing power of investment earnings.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE H - ENDOWMENTS - Continued

Changes in endowed net assets for the year ended June 30, 2021 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowed net assets, beginning of year \$	5,124,656	\$ 59,091,207	\$ 64,215,863
Contributions	875	767,460	768,335
Net investment return	2,862,485	20,151,779	23,014,264
Other additions	-	54,077	54,077
Appropriations of endowment assets for expenditure	-	(2,228,782)	(2,228,782)
Expenditures from quasi-endowment funds	<u>(1,077,699)</u>	<u>-</u>	<u>(1,077,699)</u>
Endowed net assets, end of year	<u>\$ 6,910,317</u>	<u>\$ 77,835,741</u>	<u>\$ 84,746,058</u>

NOTE I - RELATED PARTY TRANSACTIONS

The Foundation has a contract with the University Board of Trustees (acting for and on behalf of the University) in which the Foundation has agreed to aid and assist the University in achieving its educational, research, and service goals by developing and administering gifts made to the Foundation to be used for the benefit of the University for scholarships, loans, grants and other supporting programs. The University agreed, as part of this contract, to furnish certain services necessary to the operation of the Foundation.

For the year ended June 30, 2021, the University provided for the Foundation's personal service costs, facility use, and other costs totaling \$ 1,057,573. These allocated costs are reflected in the statement of activities as a revenue and corresponding expense.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE J - CONCENTRATION OF CREDIT RISK

The Foundation maintains cash balances at various financial institutions. As of June 30, 2021, the total balance at each financial institution was insured up to \$ 250,000 by the Federal Deposit Insurance Corporation. At various times during the year, the balances may have exceeded the amount insured. The Foundation has not experienced any losses and management evaluates the financial stability of the financial institutions and does not believe this presents any unusual business risk.