

WESTERN ILLINOIS UNIVERSITY FOUNDATION

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

June 30, 2022

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## Independent Auditors' Report

The Board of Directors  
Western Illinois University Foundation  
Macomb, Illinois

### **Opinion**

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, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

We have also reviewed the adjustment described in Note M that was applied to restate the net assets for the year ended June 30, 2021. In our opinion, the adjustment was appropriate and has been properly applied.

### **Basis for Opinion**

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards and *Government Auditing Standards* 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, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 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 November 10, 2022, 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, Schaffer + Pumke, LLP*

Springfield, Illinois  
November 10, 2022

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, 2022, and have issued our report thereon dated November 10, 2022.

**Report on 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 or significant deficiencies may exist that were not identified.

## **Report on 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 + Pumke, LLP*

Springfield, Illinois  
November 10, 2022

Western Illinois University Foundation  
STATEMENT OF FINANCIAL POSITION

June 30, 2022

ASSETS

Cash and cash equivalents	\$ 2,364,434
Operating investments	6,095,003
Pledges receivable, net	368,912
Other receivables	15,937
Prepaid expenses	82,868
Assets held under split-interest agreements	5,959,816
Cash surrender value of life insurance policies	759,071
Property and equipment, net	1,227,191
Other assets	26,678
Endowment	
Pledges receivable, net	187,997
Investments	<u>79,273,445</u>
 TOTAL ASSETS	 <u>\$ 96,361,352</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 90,282
Due to Western Illinois University	117,449
Deferred revenue	338,279
Note payable	562,133
Annuities payable	<u>285,788</u>
 Total liabilities	 1,393,931

NET ASSETS

Without donor restrictions	
Undesignated	1,939,649
Board-designated for endowment	8,234,035
Board-designated for operating	1,078,981
With donor restrictions	<u>83,714,756</u>
 Total net assets	 <u>94,967,421</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 96,361,352</u>

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



Western Illinois University Foundation

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenues, gains and other support			
Contributions, gifts and pledges	\$ 166,376	\$ 7,339,070	\$ 7,505,446
In-kind contributions	137,017	221,560	358,577
Federal and State grants	-	86,256	86,256
Sales, services and other grants	212,205	500,534	712,739
Net investment return (loss)	420,861	(4,930,301)	(4,509,440)
Change in value of split-interest agreements	-	(518,371)	(518,371)
Western Illinois University - provided support	1,147,962	-	1,147,962
Net assets released from restrictions	<u>6,658,592</u>	<u>(6,658,592)</u>	<u>-</u>
Total revenue, gains, other support and net assets released from restrictions	8,743,013	(3,959,844)	4,783,169
Expenses			
Program services			
Student support	2,701,111	-	2,701,111
Academic programs	134,612	-	134,612
Faculty support	71,864	-	71,864
Program support	1,712,806	-	1,712,806
Public service	1,193,211	-	1,193,211
Facilities support	587,775	-	587,775
Research	<u>179,241</u>	<u>-</u>	<u>179,241</u>
Total program services	6,580,620	-	6,580,620
Supporting activities			
General and administrative	1,409,949	-	1,409,949
Fundraising and development	<u>488,346</u>	<u>-</u>	<u>488,346</u>
Total supporting activities	<u>1,898,295</u>	<u>-</u>	<u>1,898,295</u>
Total expenses	<u>8,478,915</u>	<u>-</u>	<u>8,478,915</u>
Change in net assets	264,098	(3,959,844)	(3,695,746)
Net assets at beginning of year	<u>10,988,567</u>	<u>87,674,600</u>	<u>98,663,167</u>
Net assets at end of year	<u>\$ 11,252,665</u>	<u>\$ 83,714,756</u>	<u>\$ 94,967,421</u>

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

Western Illinois University Foundation

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	Program Services						General and Administrative	Fundraising and Development	Total
	Student Support	Academic Programs	Faculty Support	Program Support	Public Service	Facilities Support			
Grants, scholarships and other University support	\$ 2,625,465	\$ 9,118	\$ 49,002	\$ 331,142	\$ 491,885	\$ -	\$ 240,339	\$ 218	\$ 3,757,608
Personnel costs	-	-	-	-	-	-	648,270	310,272	958,542
Legal	-	-	-	-	4,608	-	1,409	-	6,017
Accounting	-	-	-	-	36,967	-	1,433	-	38,400
Other professional fees	-	665	10,500	29,923	-	-	-	-	41,088
Advertising and promotion	1,890	1,173	-	26,050	20,819	300	5,638	7,784	63,654
Office expenses	10,211	18,920	1,283	146,052	56,368	50,882	16,958	15,464	327,193
Occupancy	-	496	-	28,933	5,420	15,056	300	-	50,403
Travel	15,889	6,193	1,580	130,561	3,543	1,052	45,485	812	212,929
Conferences, conventions and meetings	5,936	799	245	22,163	3,989	-	3,535	-	38,737
Royalties	-	-	-	250	-	-	-	-	250
Interest	-	-	-	-	-	26,104	-	-	26,104
Insurance	10	40	-	1,878	-	1,561	47,255	298	51,042
Taxes	-	-	-	2,062	-	70,908	1,538	-	74,508
Other contractual services	3,456	4,927	9,000	279,703	417,898	13,819	214,668	123,111	1,068,116
Equipment purchase, remodeling and renovations	-	93,730	-	374,527	107,432	405,030	3,321	-	1,129,365
Depreciation	-	-	-	-	-	1,254	-	-	1,254
Catering and food supplies	8,099	227	254	124,357	3,388	857	23,656	13,677	174,640
All other expenses	30,155	(1,676)	-	215,205	40,894	952	156,144	16,710	459,065
	<u>\$ 2,701,111</u>	<u>\$ 134,612</u>	<u>\$ 71,864</u>	<u>\$ 1,712,806</u>	<u>\$ 1,193,211</u>	<u>\$ 587,775</u>	<u>\$ 1,409,949</u>	<u>\$ 488,346</u>	<u>\$ 8,478,915</u>

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

Western Illinois University Foundation

STATEMENT OF CASH FLOWS

Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Contributions for other than endowment purposes	\$ 4,369,522
Sales, services and other grants	644,264
Payments for goods and services	(4,293,084)
Payments for scholarships and fellowships	<u>(2,657,831)</u>
Net cash flows from operating activities	(1,937,129)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	30,533,799
Earnings on investments, net of investment expense	3,815,374
Purchases of investments	<u>(33,536,187)</u>
Net cash flows from investing activities	812,986

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments made on note payable	(63,482)
Interest paid on note payable	(26,104)
Private gifts for endowment purposes	1,992,193
Payments to annuitants	<u>(57,913)</u>
Net cash flows from financing activities	<u>1,844,694</u>

CHANGE IN CASH AND CASH EQUIVALENTS 720,551

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 1,643,883

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 2,364,434

SUPPLEMENTAL CASH FLOW INFORMATION

In-kind contributions	<u>\$ 358,577</u>
Western Illinois University - provided support	<u>\$ 1,147,962</u>

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

Western Illinois University Foundation  
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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. Western Illinois University's financial statements include the activities of any University Related Organizations (URO) which are discretely presented component units. Since these components, including Western Illinois University Foundation, are discretely presented, the activities between the component and the University are not eliminated on the University's financial statements, but rather are consolidated on the State's comprehensive annual report.

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, 2022

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.

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, 2022

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, 2022

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, 2022

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, 2022, there were no uncertain tax positions identified.

14. Subsequent Events

The Foundation has assessed events that have occurred subsequent to June 30, 2022 through November 10, 2022, 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

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This accounting standard improves transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, through enhancements to presentation and disclosure. Effective July 1, 2021, management implemented ASU 2020-07 and adjusted the presentation in these financial statements accordingly.



Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

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	\$ 2,364,434
Operating investments	6,095,003
Non-endowment pledges receivable, net	368,912
Other receivables	<u>15,937</u>
	8,844,286
Less: Donor-restricted funds	<u>6,483,990</u>
Total financial assets available for general expenditure within one year	<u>\$ 2,360,296</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 \$ 8,234,035 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 \$ 1,078,981 as of June 30, 2022.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

NOTE C - PLEDGES RECEIVABLE

At June 30, 2022, pledges receivable balances consisted of the following:

Pledges receivable	
Due within 1 year	\$ 440,917
Due in more than 1 year	<u>162,828</u>
Total pledges receivable	603,745
Less	
Discount to net present value at rates ranging from 0.60% to 3.60%	(17,525)
Allowance for doubtful accounts	<u>(29,311)</u>
	<u>\$ 556,909</u>

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

Pledges receivable, net	\$ 368,912
Endowment pledges receivable, net	<u>187,997</u>
	<u>\$ 556,909</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, 2022

NOTE D - INVESTMENTS AND FAIR VALUE MEASUREMENTS - Continued

At June 30, 2022, 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. Treasury notes	\$ 2,614,987	\$ -	\$ 2,614,987	\$ -
U.S. agency obligations	3,257,258	-	3,257,258	-
Corporate debt securities	6,042,104	-	6,042,104	-
Mutual funds, domestic debt	<u>2,328,433</u>	<u>2,328,433</u>	-	-
Total debt securities	14,242,782	2,328,433	11,914,349	-
Equity securities				
Mutual funds, domestic equity	18,824,405	18,824,405	-	-
International equity securities	<u>16,355,205</u>	<u>16,355,205</u>	-	-
Total equity securities	35,179,610	35,179,610	-	-
Real estate (farmland)	5,310,531	-	5,310,531	-
Charitable remainder trusts, net	<u>5,959,816</u>	-	-	<u>5,959,816</u>
Total investments by fair value level	60,692,739	<u>\$ 37,508,043</u>	<u>\$ 17,224,880</u>	<u>\$ 5,959,816</u>
Investments measured at net asset value (NAV)				
Real assets funds	2,606,953			
Private equity funds	17,577,382			
Absolute return (hedge funds)	<u>8,133,138</u>			
Total investments by NAV	<u>28,317,473</u>			
Total	89,010,212			
Plus cash equivalents held in investment accounts	2,318,052			
Less charitable remainder trusts	<u>(5,959,816)</u>			
Total investments	<u>\$ 85,368,448</u>			

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

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, 2022 is as follows:

	Charitable Remainder <u>Trusts, Net</u>
Balance at beginning of year	\$ 5,084,526
Additions	1,393,661
Total gains and losses for the year	(515,978)
Change in liabilities	<u>(2,393)</u>
Balance at end of year	<u>\$ 5,959,816</u>

Investments appear as follows in the statement of financial position:

Operating investments	\$ 6,095,003
Endowment investments	<u>79,273,445</u>
	<u>\$ 85,368,448</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 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, 2022

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, 2022:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Real assets funds	\$ 2,606,953	\$ 1,370,611	None	N/A
Private equity funds	17,577,382	9,843,628	None	N/A
Absolute return (hedge funds)	<u>8,133,138</u>	<u>-</u>	Quarterly	100 Days
Total	<u>\$ 28,317,473</u>	<u>\$ 11,214,239</u>		

Real asset funds - This type includes seven 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 thirteen 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, 2022

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, 2022:

Investment and dividend income	\$ 4,280,103
Gain on sale of investments	1,720,407
Net decrease in fair market value of investments	(9,540,496)
Investment expense	<u>(969,454)</u>
Net investment loss	<u>\$ (4,509,440)</u>

NOTE E - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment for the year ended June 30, 2022:

	Balance July 1, <u>2021</u>	<u>Additions</u>	<u>Disposals</u>	Balance June 30, <u>2022</u>
Land	\$ 1,154,929	\$ -	\$ -	\$ 1,154,929
Building	75,187	-	-	75,187
Less accumulated depreciation	<u>(1,671)</u>	<u>(1,254)</u>	<u>-</u>	<u>(2,925)</u>
Property and equipment, net	<u>\$ 1,228,445</u>	<u>\$ (1,254)</u>	<u>\$ -</u>	<u>\$ 1,227,191</u>

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

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>
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	51,282	12,042	63,324
2028 and thereafter	<u>228,176</u>	<u>25,120</u>	<u>253,296</u>
	<u>\$ 562,133</u>	<u>\$ 116,735</u>	<u>\$ 678,868</u>

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2022 were restricted for the following purposes or periods:

Subject to expenditure for specified purpose:	
Student support	\$ 1,216,589
Academic programs	140,927
Program support	3,497,779
Public service	828,864
Facilities support	242,423
Research	232,039
Promises to give, the proceeds from which have been restricted by donors for	
Student support	106,327
Academic programs	<u>219,042</u>
	6,483,990

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS - Continued

Subject to the passage of time:	
Assets held under split-interest agreements	\$ 5,959,816
Promises to give that are not restricted by donors, but which are unavailable for expenditures until due	<u>43,543</u>
	6,003,359
Endowments:	
Subject to appropriation and expenditures when a specified event occurs:	
Restricted by donors for	
Student support	19,353,725
Academic programs	775,560
Faculty support	530,611
Program support	7,444,846
Public service	3,581,376
Facilities support	2,679,425
Research	<u>258,218</u>
	34,623,761
Held in perpetuity to support:	
Student support	23,195,159
Academic programs	813,579
Faculty support	1,634,705
Program support	7,841,250
Public service	277,739
Facilities support	2,291,026
Research	362,191
Promises to give - permanently restricted to the endowment by donors	<u>187,997</u>
	<u>36,603,646</u>
Total endowments	<u>71,227,407</u>
Total net assets with donor restrictions	<u>\$ 83,714,756</u>



Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

NOTE H - IN-KIND CONTRIBUTIONS

In-kind contributions included the following for the year ended June 30, 2022:

Auction items	\$ 161,568
Advertising	34,074
Clothing and household items	17,060
Courtesy car	8,760
Equipment	9,648
Livestock	8,350
Rent	23,880
Services	73,241
Miscellaneous	<u>21,996</u>
	<u>\$ 358,577</u>

The Foundation recognized in-kind contributions for the following programs for the year ended June 30, 2022:

	<u>Program Support</u>	<u>Public Service</u>	<u>General and Administrative</u>	<u>Fundraising and Development</u>	<u>Total</u>
Auction items	\$ 119,354	\$ 29,253	\$ -	\$ 12,960	\$ 161,567
Advertising	-	34,074	-	-	34,074
Clothing and household items	94	16,966	-	-	17,060
Courtesy car	8,760	-	-	-	8,760
Equipment	9,294	354	-	-	9,648
Livestock	8,350	-	-	-	8,350
Rent	22,530	1,350	-	-	23,880
Services	37,193	31,528	2,000	2,520	73,241
Miscellaneous	<u>16,735</u>	<u>5,262</u>	<u>-</u>	<u>-</u>	<u>21,997</u>
	<u>\$ 222,310</u>	<u>\$ 118,787</u>	<u>\$ 2,000</u>	<u>\$ 15,480</u>	<u>\$ 358,577</u>

Contributed auction items are valued at the selling price received. The fair value of contributed services was estimated based on current hourly rates of the professional providing the service and hours contributed. All other contributed goods and services are recorded at estimated fair market value provided by the donor.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

NOTE I - ENDOWMENTS

The Foundation's endowment fund consists of approximately 700 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, 2022

NOTE I - ENDOWMENTS - Continued

Endowment net assets as of June 30, 2022 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	\$ -	\$ 36,415,649	\$ 36,415,649
Accumulated investment gains from endowment funds	2,431,626	23,898,696	26,330,322
Promises to give, permanently restricted to the endowment	-	187,997	187,997
Donor-restricted quasi-endowment funds	-	10,725,065	10,725,065
Board designated quasi-endowment funds	<u>5,802,409</u>	<u>-</u>	<u>5,802,409</u>
	<u>\$ 8,234,035</u>	<u>\$ 71,227,407</u>	<u>\$ 79,461,442</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 material deficiencies as of June 30, 2022.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

NOTE I - 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, 2022

NOTE I - ENDOWMENTS - Continued

Changes in endowed net assets for the year ended June 30, 2022 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowed net assets, beginning of year \$	6,910,317	\$ 77,835,741	\$ 84,746,058
Prior period adjustment	2,131,468	(2,131,468)	-
Contributions	3,891	1,680,522	1,684,413
Net investment loss	(488,776)	(3,707,323)	(4,196,099)
Other additions	-	61,352	61,352
Appropriations of endowment assets for expenditure	-	(2,511,417)	(2,511,417)
Expenditures from quasi-endowment funds	<u>(322,865)</u>	<u>-</u>	<u>(322,865)</u>
Endowed net assets, end of year	<u>\$ 8,234,035</u>	<u>\$ 71,227,407</u>	<u>\$ 79,461,442</u>

NOTE J - 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.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

NOTE J - RELATED PARTY TRANSACTIONS - Continued

For the year ended June 30, 2022, the Foundation did not specifically reimburse the University for \$ 1,147,962 of personal service costs, facility use and other costs provided by the University. These allocated costs are reflected in the statement of activities as a revenue and corresponding expense. However, the Foundation directly paid expenses for certain University activity from contributions held at the Foundation in the amount of \$ 3,556,075 for the year ended June 30, 2022. During the year ended June 30, 2022, the University and Foundation had the following inter-entity transactions:

Operating expenses:	
Instruction	\$ 79,901
Research	137,875
Public service	286,384
Academic support	108,358
Student services	204,660
Institutional support	45,500
Operating and maintenance of plant	<u>134,546</u>
	<u>\$ 997,224</u>

NOTE K - CONCENTRATION OF CREDIT RISK

The Foundation maintains cash balances at various financial institutions. As of June 30, 2022, 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.

NOTE L - RISKS AND UNCERTAINTIES

The Foundation invests in various investment types. Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the statement of financial position and the statement of activities.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

NOTE M - PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2022, management of the Foundation identified a matter which required a prior period adjustment to net assets. Certain unrestricted funds had been incorrectly reported as net assets with donor restrictions in prior years.

	<u>Previously Reported</u>	<u>Prior Period Adjustment</u>	<u>Restated</u>
<u>As of June 30, 2021</u>			
Net assets without donor restrictions	\$ 8,857,099	\$ 2,131,468	\$ 10,988,567
Net assets with donor restrictions	<u>89,806,068</u>	<u>(2,131,468)</u>	<u>87,674,600</u>
Total net assets	<u>\$ 98,663,167</u>	<u>\$ -</u>	<u>\$ 98,663,167</u>