

WESTERN ILLINOIS UNIVERSITY FOUNDATION

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

June 30, 2011 and 2010

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**Western Illinois University Foundation
Management's Discussion and Analysis
Years Ended June 30, 2011 and 2010**

Introduction

This section of the Western Illinois University Foundation (the Foundation) annual financial report presents an overview of the financial performance and activities of the Foundation during the fiscal years ended June 30, 2011 and 2010. This discussion should be read in conjunction with the accompanying financial statements and footnotes; and it is designed to focus on current activities, resulting changes, current known facts, and future outlook. The financial statements, footnotes, and this discussion are the responsibility of the Foundation's management.

Using the Annual Financial Report

This annual report consists of financial statements, prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

Financial Highlights

Statement of Net Assets

The Statement of Net Assets includes all assets, liabilities, and net assets of the Foundation at the end of the fiscal year. Current assets consist primarily of cash, investments, and receivables. Current liabilities consist of liabilities that are due within the following fiscal year.

The net assets are divided into four major categories: invested in capital assets, net of related debt; restricted non-expendable net assets; restricted expendable net assets; and unrestricted net assets. Invested in capital assets, net of related debt, provides the Foundation's equity in capital assets. Restricted nonexpendable net assets include endowments that are to be held and invested in perpetuity with earnings thereof to be used for purposes as determined by donors. Restricted expendable net assets include donor advised funds and assets held in charitable remainder trusts, as well as donor restricted earnings on endowments and annuities; the Foundation's only donor advised fund was dissolved in fiscal year 2011 with the approval of the donor. The expenditure of these assets is at the discretion of the Foundation after giving consideration to any restrictions. Unrestricted net assets include assets in which the donated principal was unrestricted. Unrestricted net assets include funds designated by the Foundation as a quasi endowment. Currently, it is the intent of the Foundation Board to only distribute the earnings on quasi endowments and to hold the principal on such assets in perpetuity.

During the fiscal year ended June 30, 2011, the net assets of the Foundation increased \$7,817,458 (21.29%). This change is due primarily to an increase of pledges receivable as a result of a \$3 million estate gift of farm land, as well as recovery of the endowment fund. The endowment fund increased \$4,828,088 for the fiscal year of which only \$888,655 was due to new donations to the endowment.

**Western Illinois University Foundation
Management's Discussion and Analysis
Years Ended June 30, 2011 and 2010**

Condensed Statement of Net Assets

Assets	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and investments	\$ 7,458,726	\$ 6,502,096
Pledges and receivable, net	3,874,349	1,512,112
Other receivables	76,404	18,875
Other current assets	34,580	35,744
Noncurrent assets:		
Endowment investments	6,309,249	5,103,415
Endowment investments, restricted	21,566,560	17,944,306
Donor advised funds, restricted	-	145,220
Charitable remainder trusts, restricted	2,529,563	2,313,652
Other investments	457,494	1,304,571
Cash surrender value, life insurance	626,536	579,253
Pledges receivable, net	1,009,034	771,147
Long-term loans receivable	25,006	-
Capital assets, net of accumulated depreciation	1,140,104	1,138,104
Total assets	<u>45,107,605</u>	<u>37,368,495</u>
Liabilities		
Current liabilities	371,127	473,158
Noncurrent liabilities	195,772	172,089
Total liabilities	<u>566,899</u>	<u>645,247</u>
Net Assets		
Invested in capital assets, net of related debt	1,140,104	1,138,104
Restricted for nonexpendable purposes	18,576,569	14,305,400
Restricted for expendable purposes	7,825,581	7,799,968
Unrestricted	16,998,452	13,479,776
Total net assets	<u>\$ 44,540,706</u>	<u>\$ 36,723,248</u>

Statement of Revenues, Expense, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues of the Foundation and the expenses incurred during the year. The largest component of operating revenue is gifts (in the form of cash, pledges, and other considerations) that reflect the purpose of the Foundation: provide support to Western Illinois University. The Foundation's operating expenses are primarily distributions of gift income and earnings on investments utilized to carry out the mission of the Foundation.

**Western Illinois University Foundation
Management's Discussion and Analysis
Years Ended June 30, 2011 and 2010**

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	2011	2010
Total operating revenues	\$ 7,719,203	\$ 6,572,337
Total operating expenses	<u>5,986,179</u>	<u>5,163,398</u>
Operating income (loss)	1,733,024	1,408,939
Net non-operating revenues	<u>5,195,769</u>	<u>2,719,445</u>
Gain (loss) before other revenues, expenses, gains, or losses	6,928,793	4,128,384
Additions to permanent endowment	<u>888,665</u>	<u>1,344,890</u>
Increase (decrease) in net assets	7,817,458	5,473,274
Net assets, beginning of year	<u>36,723,248</u>	<u>31,249,974</u>
Net assets, end of year	<u>\$ 44,540,706</u>	<u>\$ 36,723,248</u>

The largest component of operating revenues is contributions that support the purpose of the Foundation which is to enhance the programs, facilities and services of Western Illinois University [the University]. The table below presents contribution revenues for fiscal years 2011 and 2010, including additions to the permanent endowment.

	2011	2010
Gifts, operating revenues	\$ 7,001,680	\$ 5,997,156
Additions to permanent endowments	<u>888,665</u>	<u>1,344,890</u>
Contribution revenues	<u>\$ 7,890,345</u>	<u>\$ 7,342,046</u>

During fiscal year 2011, total contribution revenue exceeded contribution revenue received in fiscal year 2010. The increase in contribution revenue was due mostly to a \$3 million dollar bequest of farmland that is booked as a receivable at year end. Without that gift of farmland, total contribution revenue would be down from 2010.

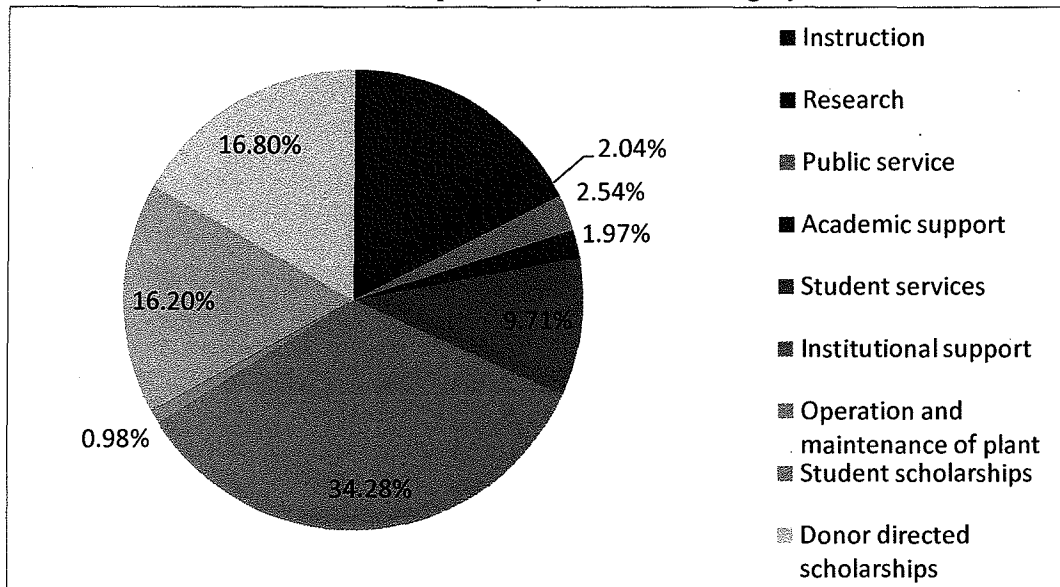
In addition to the non-operating revenues shown in the condensed statement, the University provided the Foundation personal services, facility use, and other services, valued at \$684,700 during fiscal year 2011; this compares to a figure of \$756,437 for fiscal year 2010. Although the Foundation did not specifically pay for these services, the Foundation provided \$3,327,112 to the University in unrestricted funds and funds restricted only as to department and generally available for ongoing University operations during fiscal year 2011, which compares to a figure of \$2,671,602 for fiscal year 2010.

**Western Illinois University Foundation
Management's Discussion and Analysis
Years Ended June 30, 2011 and 2010**

Operating expenses by functional category for the years ended June 30, 2011, and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Instruction	\$ 926,587	\$ 938,719
Research	121,885	22,806
Public service	152,021	120,023
Academic support	118,160	141,376
Student services	581,083	427,260
Institutional support	2,052,185	1,423,449
Operation and maintenance of plant	58,795	143,684
Student scholarships	969,969	954,796
Donor directed scholarships	1,005,494	991,285
Total operating expenses	<u>\$ 5,986,179</u>	<u>\$ 5,163,398</u>

FY2011 Expenses by Functional Category



**Western Illinois University Foundation
Management's Discussion and Analysis
Years Ended June 30, 2011 and 2010**

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing, and investing activities. It helps measure the ability to meet financial obligations as they mature.

Condensed Statement of Cash Flows

	<u>2011</u>	<u>2010</u>
Cash provided by (used in):		
Operating activities	\$ (942,949)	\$ 670,621
Noncapital financing activities	1,475,815	1,732,352
Capital and related financing activities	-	-
Investing activities	<u>359,568</u>	<u>(2,725,761)</u>
Net increase in cash and cash equivalents	892,434	(322,788)
Cash and cash equivalents - beginning of year	<u>2,647,665</u>	<u>2,970,453</u>
Cash and cash equivalents - end of year	<u>\$ 3,540,099</u>	<u>\$ 2,647,665</u>

Foundation's Economic Outlook

The mission of the WIU Foundation is to maximize private support for Western Illinois University and to assist in advancing its core values of academic excellence, educational opportunity, personal growth, and social responsibility. Private support enables Western Illinois University to enhance educational opportunities for its students and advance its mission of instruction, research, and public service. As state appropriated funds continue to provide a smaller portion of the University's operating revenue, funds solicited by the Foundation will continue to play an important role in helping the University and its students achieve their mission and goals. To help solicit and manage contributions to support the University, the Foundation annually embarks on an aggressive campaign to contact our donors and prospects and make them aware of needs.

The Foundation seeks guidance from an outside investment manager to assist the Foundation and its Board of Directors in establishing an appropriate investment portfolio that will yield maximum income to meet our needs and goals. During fiscal year 2011, the firm responsible for investment management for the WIU Foundation (Hammond and Associates in St. Louis) was bought out by Mercer Investment Consulting, Inc. As a result, Hammond is now operating under the following legal name: Hammond Associates, Institutional Fund Consultants, Inc. d/b/a Mercer Investment Consulting. During the period of transition, Hammond's management has been adamant in reiterating that the merger should be beneficial to firms such as ours due to Mercer's broadened investment knowledge and market base.

**Western Illinois University Foundation
Management's Discussion and Analysis
Years Ended June 30, 2011 and 2010**

Higher Values in Higher Education is the University's second major comprehensive campaign. The campaign began July 1, 2006, with a goal of \$60,000,000, and will conclude December 31, 2013. The public phase of the campaign was announced at a formal gala on October 29, 2010. As of June 30, 2011, the Foundation has raised over \$44,000,000 toward the goal.

The economy continues to play a factor in both the solicitation of contributions and the performance of the investment pool. During fiscal year 2011; the endowed funds surpassed its pre-recession values and has surpassed its all-time high value. However, earnings on liquid cash and cash equivalents funds continue to be low due to poor interest rates on both money markets and short-term certificates of deposit. To help offset the downturns in fixed income investments, the Foundation has been shifting fixed income investments to newer, alternative strategies, including both Certificate of Deposit Account Registry Service CDs (CDARs) and Insured Cash Sweep (ICS) money market funds. The Foundation remains pleased with the performance of the endowment investment manager, Hammond Associates, Institutional Fund Consultants, Inc. d/b/a Mercer Investment Consulting. In terms of giving, the Foundation continues to see a shift towards planned gift pledges rather than current cash gifts.

Looking toward fiscal year 2012, we expect contributions to the Foundation to remain strong during the Foundation's public stage of the Higher Values in Higher Education campaign. As the economy continues to improve, our expectations are that the Foundation's asset base will continue to grow.

ECK, SCHAFFER & PUNKE, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

The Board of Directors
Western Illinois University Foundation
Macomb, Illinois

We have audited the accompanying statements of net assets of Western Illinois University Foundation (the Foundation) as of June 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2011, on our consideration of the Foundation's internal control over financial reporting and 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* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Eck Schaefer & Puntke, LLP

Springfield, Illinois
October 28, 2011

ECK, SCHAFFER & PUNKE, LLP

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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 the financial statements of Western Illinois University Foundation (the Foundation) as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated October 28, 2011. We conducted our audits 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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*.

This report is intended solely for the information and use of the Foundation's Board of Directors, management of the Foundation, and awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Eck, Schaefer & Puntke, LLP

Springfield, Illinois
October 28, 2011

Western Illinois University Foundation

STATEMENTS OF NET ASSETS

	June 30	
	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,540,099	\$ 2,647,665
Investments	3,918,627	3,854,431
Pledges receivable, net	3,874,349	1,512,112
Other receivables	76,006	15,142
Due from Western Illinois University	398	3,733
Prepaid expenses	<u>34,580</u>	<u>35,744</u>
Total current assets	11,444,059	8,068,827
NONCURRENT ASSETS		
Endowment investments	6,309,249	5,103,415
Endowment investments, restricted	21,566,560	17,944,306
Donor advised investments, restricted	-	145,220
Other investments	457,494	1,304,571
Charitable remainder trusts, restricted	2,529,563	2,313,652
Pledges receivable, net	1,009,034	771,147
Long-term loans	25,006	-
Cash surrender value of life insurance policies	626,536	579,253
Capital assets, net of accumulated depreciation	<u>1,140,104</u>	<u>1,138,104</u>
Total noncurrent assets	<u>33,663,546</u>	<u>29,299,668</u>
 TOTAL ASSETS	 <u>45,107,605</u>	 <u>37,368,495</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	81,628	118,610
Due to Western Illinois University	98,429	124,503
Annuities payable	29,272	26,219
Charitable remainder trust distributions payable	43,713	42,218
Deferred revenue	<u>118,085</u>	<u>161,608</u>
Total current liabilities	371,127	473,158
NONCURRENT LIABILITIES		
Annuities payable	<u>195,772</u>	<u>172,089</u>
 TOTAL LIABILITIES	 <u>566,899</u>	 <u>645,247</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,140,104	1,138,104
Restricted – nonexpendable	18,576,569	14,305,400
Restricted – expendable	7,825,581	7,799,968
Unrestricted	<u>16,998,452</u>	<u>13,479,776</u>
 TOTAL NET ASSETS	 <u>\$ 44,540,706</u>	 <u>\$ 36,723,248</u>

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

Western Illinois University Foundation

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years Ended June 30

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Gifts	\$ 7,001,680	\$ 5,997,156
Other grants	83,162	84,791
Sales and services	<u>634,361</u>	<u>490,390</u>
Total operating revenues	7,719,203	6,572,337
OPERATING EXPENSES		
Instruction	926,587	938,719
Research	121,885	22,806
Public service	152,021	120,023
Academic support	118,160	141,376
Student services	581,083	427,260
Institutional support	2,052,185	1,423,449
Operation and maintenance of plant	58,795	143,684
Student scholarships	969,969	954,796
Donor directed scholarships	<u>1,005,494</u>	<u>991,285</u>
Total operating expenses	<u>5,986,179</u>	<u>5,163,398</u>
NET OPERATING GAIN	1,733,024	1,408,939
NONOPERATING REVENUES		
Investment gain, net of investments expense	4,336,649	2,356,946
Change in value of charitable remainder trusts	186,100	58,054
Other nonoperating revenues	<u>673,020</u>	<u>304,445</u>
Net nonoperating revenues	<u>5,195,769</u>	<u>2,719,445</u>
Gain before other revenues, expenses, gains and losses	6,928,793	4,128,384
Additions to permanent endowments	<u>888,665</u>	<u>1,344,890</u>
CHANGE IN NET ASSETS	7,817,458	5,473,274
NET ASSETS AT BEGINNING OF YEAR, as previously reported	36,723,248	31,146,862
Prior period adjustment	<u>-</u>	<u>103,112</u>
NET ASSETS AT BEGINNING OF YEAR, as restated	<u>36,723,248</u>	<u>31,249,974</u>
NET ASSETS AT END OF YEAR	<u>\$ 44,540,706</u>	<u>\$ 36,723,248</u>

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

Western Illinois University Foundation

STATEMENTS OF CASH FLOWS

Years Ended June 30

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Gifts for other than capital and endowment purposes	\$ 3,796,977	\$ 4,630,775
Sales and services	717,523	490,390
Payments for goods and services	(3,316,019)	(2,281,815)
Payment for scholarships and fellowships	(1,975,463)	(1,946,081)
Payments to annuitants	<u>(165,967)</u>	<u>(222,648)</u>
Net cash flows from operating activities	(942,949)	670,621
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Private contributions for endowment purposes	888,665	1,344,890
Nonoperating revenues, net	<u>587,150</u>	<u>387,462</u>
Net cash flows from noncapital financing activities	1,475,815	1,732,352
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	4,545,872	6,067,200
Earnings on investments	2,255,949	1,078,022
Purchase of investments	<u>(6,442,253)</u>	<u>(9,870,983)</u>
Net cash flows from investing activities	<u>359,568</u>	<u>(2,725,761)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	892,434	(322,788)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,647,665</u>	<u>2,970,453</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,540,099</u>	<u>\$ 2,647,665</u>

Western Illinois University Foundation

STATEMENTS OF CASH FLOWS - CONTINUED

Years Ended June 30

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF NET OPERATING GAIN TO		
NET CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating gain	\$ 1,733,024	\$ 1,408,939
Adjustments to reconcile net operating gain to net cash flows from operating activities		
Capital assets donated	(2,000)	-
Depreciation expense and capital asset adjustments	-	2,102
Actuarial adjustment to annuities payable	26,736	(12,300)
Change in assets and liabilities		
Pledges receivable, net	(2,600,124)	(894,086)
Due from Western Illinois University	3,335	2,147
Prepaid expenses	1,164	6,031
Accounts payable and accrued expenses	(36,982)	8,804
Due to Western Illinois University	(26,074)	105,641
Charitable remainder trust distribution payable	1,495	14,950
Deferred revenue	<u>(43,523)</u>	<u>28,393</u>
Net cash flows from operating activities	<u>\$ (942,949)</u>	<u>\$ 670,621</u>
NONCASH NONCAPITAL FINANCING ACTIVITIES:		
Gifts in kind	<u>\$ 561,056</u>	<u>\$ 585,479</u>

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

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Institution

The Western Illinois University Foundation (the Foundation) exists for the principal purpose of aiding and assisting Western Illinois University (the University) in achieving its educational, research, and service goals and responsibilities.

The Foundation is a "University Related Organization," as defined under the University Guidelines adopted by the Legislative Audit Commission in 1982, as amended in 1997, and a component unit of the State of Illinois for financial reporting purposes. Due to the significance of the financial relationship with the University, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment to GASB Statement No. 14, the Foundation is also included as a component unit of the University for financial reporting purposes. The financial balances and activities included in these financial statements are therefore also included as part of the University's financial statements and the State of Illinois Comprehensive Annual Financial Report. All funds of the Foundation are locally administered and are neither subject to the State of Illinois appropriation process nor held in the State Treasury.

2. Measurement Focus and Basis of Accounting

The financial statements of the Foundation have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Operating revenues and expenses include exchange transactions. Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as investment income and other revenue sources that are defined as non-operating revenues by GASB pronouncements. Interest on capital asset-related debt is included in non-operating expenses. The Foundation first utilizes restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. Measurement Focus and Basis of Accounting - Continued

The financial statement presentation required by GASB Statement numbers 35, 37 and 38 provides a comprehensive perspective of the Foundation's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

3. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses and other changes in net assets, during the reporting period. Actual results could differ from those estimates.

4. Cash and Cash Equivalents

Cash and cash equivalents include bank accounts and investments with original maturities of ninety days or less.

5. Investments and Investment Income

Investments in debt securities, mutual funds, investment pools, and equity securities with a readily determinable fair value are carried at fair value. Fair value is determined using quoted market prices. Endowment investments are held in a unitized pool which is carried as an investment, regardless of maturity dates. Investment income consists of dividend and interest income, realized gains and losses, and the net change for the year in the fair values of investments carried at fair value.

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

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Investments and Investment Income - Continued

The Board of Directors of the Foundation is responsible for the management of the Foundation's investments. The Investment Committee is responsible for recommending investment policy for Board approval. Investment performance is reviewed three times by the Investment Committee and reviewed nine times by the Executive Committee during each fiscal year.

The Foundation's permissible investment categories include:

- Domestic equity
- International equity
- Emerging markets equity
- Fixed income
- Real assets
- Private equity
- Absolute return strategies
- Hedge funds
- Cash and cash equivalents

6. Capital Assets

Land 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.

Depreciation is calculated using the straight-line method over the estimated useful lives (three to sixty years) of the class of assets.

7. 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.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. Endowments

On June 30, 2009, the Illinois Governor signed the Uniform Prudent Management of Institutional Funds Act (UPMIFA) into law. UPMIFA replaced the Uniform Management of Institutional Funds Act and eliminates the historic dollar value rule with respect to endowment fund spending. UPMIFA also updates the prudence standard for the management and investment of charitable funds. The Foundation Board utilizes UPMIFA's provisions in future years' spending decisions regarding the Foundation's endowment funds.

For donor restricted endowments, UPMIFA permits the Board of Directors of the Foundation to appropriate an amount of donor restricted endowments. The Board of Directors has established an investment policy with the objectives of protecting the principal of these funds and maximizing total investment return without assuming extraordinary risks. A similar strategy has been implemented for Foundation designated endowments.

For both donor restricted endowments and Foundation designated 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 1.40% for operational purposes. Distributions are based on a 36-month moving average of endowment market value, which ensures a proper balance between the preservation of corpus and enhancement of the purchasing power of investment earnings. The Foundation's policy is to retain the endowment's unrealized appreciation with the endowment (either donor restricted or Foundation designated) after spending rule distributions. As of June 30, 2011, the Foundation had a total of \$ 5,468,946 of net cumulative appreciation from investment of donor-restricted endowments and Foundation designated endowments available for expenditure. This amount is allocated between expendable restricted net assets and unrestricted net assets in the statement of net assets based on the classification (restricted non-expendable vs. unrestricted) of the underlying asset upon which the income was earned.

9. Federal Income Tax Status

The U. S. Treasury Department issued a determination letter dated January 1948 that the Foundation is exempt from Federal income taxes under what is now Section 501 (c)(3) of the Internal Revenue Code.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. 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. The fair value of the trust assets are reported in the statement of net assets, and changes in the fair value of the assets are recognized in the statement of revenues, expenses, and changes in net assets. It is management's intent to record the contribution income from these agreements in the fiscal year the Foundation becomes the irrevocable beneficiary. The Foundation received \$ 29,810 of new contribution income during fiscal years 2011 and \$ 80,000 during fiscal year 2010. Management did identify during fiscal year 2011 a previously unrecorded split-interest agreement contribution that irrevocably named the Foundation the beneficiary during a prior fiscal year. The fiscal year 2011 financial statements reflect this contribution's assets and related activities. Any outstanding liabilities relating to the annual distributions required by the trust agreements are recorded in the statement of net assets.

11. Net Assets

The Foundation's net assets are classified as follows:

Invested in capital assets, net of related debt: Represents the investment in capital assets after depreciation, net of outstanding debt related to capital assets.

Restricted - nonexpendable: Represents endowed funds where the donors have stipulated, as a condition of the gift instrument, that the principal be maintained in perpetuity and invested for the purpose of producing income, which may either be expended or added to principal.

Restricted - expendable: Represents funds where the donors have stipulated a specific or general purpose restriction regarding the expenditure of the gift.

Unrestricted: Represents funds where the donors have not stipulated any restriction on the utilization of the gift and all other accumulated unrestricted resources. These resources may be used to meet current expenditures for any purpose. Unrestricted net assets include Board designated endowments.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

12. Subsequent Events

The Foundation assessed events that have occurred subsequent to June 30, 2011 through October 28, 2011, 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.

NOTE B - CASH AND CASH EQUIVALENTS

1. Deposits

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

	<u>2011</u>		<u>2010</u>	
	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and cash equivalents	<u>\$ 3,540,099</u>	<u>\$ 3,606,888</u>	<u>\$ 2,647,665</u>	<u>\$ 2,772,150</u>

The difference between these amounts primarily represents checks that have been issued, but have not yet cleared the bank, and deposits in transit as of June 30, 2011 and 2010.

The Foundation's deposits include funds deposited in money market funds with carrying values as follows at June 30:

	<u>2011</u>	<u>2010</u>
Illinois Funds	\$ 839,386	\$ 2,372,906
Quad Cities Bank & Trust Co.	552,403	84,721
ICS Program	1,954,628	-
Other institutions	<u>19,673</u>	<u>13,601</u>
	<u>\$ 3,366,090</u>	<u>\$ 2,471,228</u>

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE B - CASH AND CASH EQUIVALENTS - Continued

2. Custodial Credit Risk

Custodial credit risk is the risk that when, in the event a financial institution or counterparty fails, the Foundation would not be able to recover the value of deposits, investments, or collateral securities that are in the possession of an outside party. The Federal Deposit Insurance Corporation, and Security Investor Protection Corporation insured account balances of \$ 2,722,764 and \$ 276,026 as of June 30, 2011 and 2010, respectively.

Illinois Funds are in the custody of the State Treasurer and are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act (15 ILCS 520/11). See <http://www.treasurer.il.gov/programs/illinois-funds/about-illinois-funds.aspx> for information on the Illinois Funds. The Foundation's deposits in other institutions' money market funds are subject to the funds' collateralization and investment policies.

NOTE C - INVESTMENTS

1. Summary of Investments

The Foundation has the following investments reported at fair value as of June 30:

	<u>2011</u>	<u>2010</u>
U. S. Treasury notes	\$ 739,751	\$ 710,490
U. S. Treasury bonds	508,638	477,461
U. S. agency obligations (FHLM, FNMA)	1,268,887	1,950,540
Municipal bonds	166,251	20,011
Corporate debt securities	1,128,235	978,625
Corporate equity securities	25,380	128,966
International equity securities	1,771,973	1,430,191
Cash equivalents held in investment pools	623,950	1,009,864
Real assets tax-exempt	528,073	186,809
Real assets exchange traded funds	1,581,040	1,102,250
Absolute return	5,117,633	4,203,743
Mutual funds, international equity	4,647,312	3,564,892
Mutual funds, domestic equity	6,430,222	4,816,964
Open ended mutual funds, U. S. debt	6,580,507	6,176,064
Private equity	1,033,301	844,486
Certificates of deposit	100,777	750,587
Total investments	<u>\$ 32,251,930</u>	<u>\$ 28,351,943</u>

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE C - INVESTMENTS - Continued

2. Maturities of Investments

At June 30, 2011, the Foundation had the following investments and maturities:

	2011	Maturities in Years			
		Less Than One Year or No Maturity	1-5 Years	6-10 Years	Over 10 Years
U. S. Treasury notes	\$ 739,751	\$ -	\$ 512,095	\$ 227,656	\$ -
U. S. Treasury bonds	508,638	-	-	-	508,638
U. S. agency obligations (FHLM, FNMA)	1,268,887	303,013	355,439	392,362	218,073
Municipal bonds	166,251	-	145,607	20,644	-
Corporate debt securities	1,128,235	257,202	400,256	234,973	235,804
Corporate equity securities	25,380	25,380	-	-	-
International equity securities	1,771,973	1,771,973	-	-	-
Cash equivalents held in investment pools	623,950	623,950	-	-	-
Real assets tax-exempt	528,073	528,073	-	-	-
Real assets exchange traded funds	1,581,040	1,581,040	-	-	-
Absolute return	5,117,633	5,117,633	-	-	-
Mutual funds, international equity	4,647,312	4,647,312	-	-	-
Mutual funds, domestic equity	6,430,222	6,430,222	-	-	-
Open ended mutual funds, U. S. debt	6,580,507	6,580,507	-	-	-
Private equity	1,033,301	1,033,301	-	-	-
Certificates of deposit	100,777	100,777	-	-	-
Total investments	<u>\$ 32,251,930</u>	<u>\$ 29,000,383</u>	<u>\$ 1,413,397</u>	<u>\$ 875,635</u>	<u>\$ 962,515</u>

The Foundation adheres to the total return concept of investment management. Total return is defined as the aggregate sum of current income and changes in the market value of the assets under management.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE C - INVESTMENTS - Continued

3. Summary of Carrying Values

Investments are reported in the statement of net assets as follows at June 30:

	<u>2011</u>	<u>2010</u>
Current		
Investments	\$ 3,918,627	\$ 3,854,431
Noncurrent		
Endowment investments	6,309,249	5,103,415
Endowment investments, restricted	21,566,560	17,944,306
Donor advised investments, restricted	-	145,220
Other investments	<u>457,494</u>	<u>1,304,571</u>
Total	<u>\$ 32,251,930</u>	<u>\$ 28,351,943</u>

4. Concentration Risk

The Foundation does not have any investments representing 5% or more of the total assets in any single issuer. Managers may not purchase securities on margin or leverage. The Foundation does not have a policy that specifically addresses concentration risk.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE C - INVESTMENTS - Continued

5. Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's value. The Foundation does not have a policy that specifically addresses interest rate risk. The Foundation had the following assets, at fair values, exposed to interest rate risk at June 30:

	<u>2011</u>	<u>2010</u>
U. S. Treasury notes	\$ 739,751	\$ 710,490
U. S. Treasury bonds	508,638	477,461
U. S. agency obligations (FHLM, FNMA)	1,268,887	1,950,540
Municipal bonds	166,251	20,011
Corporate debt securities	1,128,235	978,625
Cash equivalents held in investment pools	623,950	1,009,864
Open ended mutual funds, U. S. debt	6,580,507	6,176,064
Certificates of deposit	<u>100,777</u>	<u>750,587</u>
Sub-total investments	11,116,996	12,073,642
Bank money market funds	2,526,704	98,323
Illinois Funds money market	<u>839,386</u>	<u>2,372,906</u>
Sub-total cash and cash equivalents	<u>3,366,090</u>	<u>2,471,229</u>
Total assets subject to interest rate risk	<u>\$ 14,483,086</u>	<u>\$ 14,544,871</u>

6. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Foundation's short-term investments generally are not exposed to foreign currency risk.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE C - INVESTMENTS - Continued

6. Foreign Currency Risk - Continued

The Foundation's investments in international stock and mutual funds represent 19.8% and 17.7% of the total Foundation investments at June 30, 2011, and 2010, respectively. The Foundation does not have a policy on foreign currency risk. The U. S. dollar balances of the Foundation's investment exposed to foreign currency risk as of June 30, 2011 and 2010 are listed below.

	<u>2011</u>	<u>2010</u>
Euro	\$ 1,272,140	\$ 945,144
United Kingdom British Pound	1,237,265	951,959
Japanese Yen	1,039,124	860,417
Swiss Franc	446,826	323,652
Yuan Renminbi (China)	404,402	302,785
Brazilian Real	317,870	-
Australian Dollar	306,939	215,675
Other currencies, individually less than 1% of fund portfolio	<u>1,388,694</u>	<u>1,417,348</u>
Total	<u>\$ 6,413,260</u>	<u>\$ 5,016,980</u>

7. Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. Credit quality ratings are not required for U. S. government securities that are explicitly guaranteed by the U. S. government. The Foundation's mutual funds are invested in funds held by Citizens, a division of Morton Bank, and Charles Schwab.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE C - INVESTMENTS - Continued

At June 30, 2011, the Foundation had the following investments and their ratings.

Credit Rating Per Standard and Poor's
June 30, 2011

	U.S. Treasury Notes	U.S. Treasury Bonds	U.S. Agency Obligations (FHLM, FNMA)	Corporate Debt Securities	Other	Total
Not rated	\$ 227,656	\$ 260,191	\$ 508,799	\$ 720,006	\$ 166,251	\$ 1,882,903
AAA	512,095	248,447	760,088	102,910	-	1,623,540
AA-	-	-	-	31,126	-	31,126
A+	-	-	-	204,922	-	204,922
BBB+	-	-	-	69,271	-	69,271
Total Fair Value	<u>\$ 739,751</u>	<u>\$ 508,638</u>	<u>\$ 1,268,887</u>	<u>\$ 1,128,235</u>	<u>\$ 166,251</u>	<u>\$ 3,811,762</u>

Credit Rating Per Moody's
June 30, 2011

	U.S. Treasury Notes	U.S. Treasury Bonds	U.S. Agency Obligations (FHLM, FNMA)	Corporate Debt Securities	Other	Total
Not rated	\$ 227,656	\$ 260,191	\$ -	\$ 212,129	\$ -	\$ 699,976
Aaa	512,095	248,447	1,268,887	-	-	2,029,429
Aa2	-	-	-	200,504	-	200,504
Aa3	-	-	-	38,758	-	38,758
A1	-	-	-	110,051	166,251	276,302
A2	-	-	-	315,529	-	315,529
A3	-	-	-	133,563	-	133,563
Baa1	-	-	-	69,271	-	69,271
B3	-	-	-	48,430	-	48,430
Total Fair Value	<u>\$ 739,751</u>	<u>\$ 508,638</u>	<u>\$ 1,268,887</u>	<u>\$ 1,128,235</u>	<u>\$ 166,251</u>	<u>\$ 3,811,762</u>

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE C - INVESTMENTS - Continued

7. Credit Risk - Continued

Investment income for the years ended June 30, 2011 and 2010 was as follows:

	<u>2011</u>	<u>2010</u>
Interest, dividends, realized gains and and losses, and market value changes	<u>\$ 4,336,649</u>	<u>\$ 2,356,946</u>

NOTE D - PLEDGES RECEIVABLE

Pledges receivable balances at June 30, 2011, and 2010, consist of the following:

	<u>2011</u>	
	<u>Current</u>	<u>Noncurrent</u>
Pledges receivable		
Due within 1 year	\$ 3,994,174	\$ -
Due in more than 1 year	<u>-</u>	<u>1,095,339</u>
Total pledges receivable	3,994,174	1,095,339
Less		
Discount for time - value of money	-	55,098
Allowance for doubtful accounts	<u>119,825</u>	<u>31,207</u>
	<u>\$ 3,874,349</u>	<u>\$ 1,009,034</u>

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE D - PLEDGES RECEIVABLE - Continued

	<u>2010</u>	
	<u>Current</u>	<u>Noncurrent</u>
Pledges receivable		
Due within 1 year	\$ 1,558,878	\$ -
Due in more than 1 year	<u>-</u>	<u>859,527</u>
Total pledges receivable	1,558,878	859,527
Less		
Discount for time - value of money	-	64,530
Allowance for doubtful accounts	<u>46,766</u>	<u>23,850</u>
	<u>\$ 1,512,112</u>	<u>\$ 771,147</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 E - CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2011 and 2010 was as follows:

	Balance June 30, <u>2010</u>	<u>Additions</u>	<u>Adjustments</u>	Balance June 30, <u>2011</u>
Land and land improvements	\$ 1,138,104	\$ 2,000	\$ -	\$ 1,140,104
Equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets	1,138,104	2,000	-	1,140,104
Less accumulated depreciation:				
Equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets, net	<u>\$ 1,138,104</u>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ 1,140,104</u>

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE E - CAPITAL ASSETS - Continued

	Balance June 30, <u>2009</u>	<u>Additions</u>	<u>Adjustments</u>	Balance June 30, <u>2010</u>
Land and land improvements	\$ 1,138,104	\$ -	\$ -	\$ 1,138,104
Equipment	<u>23,573</u>	<u>-</u>	<u>(23,573)</u>	<u>-</u>
Total capital assets	1,161,677	-	(23,573)	1,138,104
Less accumulated depreciation:				
Equipment	<u>21,471</u>	<u>-</u>	<u>(21,471)</u>	<u>-</u>
Capital assets, net	<u>\$ 1,140,206</u>	<u>\$ -</u>	<u>\$ (2,102)</u>	<u>\$ 1,138,104</u>

As of June 30, 2010, land was the only asset held by the Foundation – the fully depreciated equipment listed above was a vehicle that has been transferred to the University.

NOTE F - ASSETS HELD IN TRUST

The Foundation is named as the residual beneficiary of the following charitable remainder unitrusts: Arlington L. & Arlene Seymour Charitable Remainder Trust, Marian Harvey Charitable Remainder Trust, Charles R. O'Brien Charitable Remainder Trust, and William G. Hoover Charitable Remainder Trust.

The terms of the unitrust agreements provide for annual distributions to primary beneficiaries based on a predetermined percentage of the net fair market value of the trust as of the first day of the taxable year. At the death of the primary beneficiaries, the Foundation receives the remainder of the trusts' principal and income, net of any amounts established in the trust agreements for other residual beneficiaries.

The Foundation is also a named beneficiary of the Knappenberger Charitable Trust from which the Foundation received a set percentage distribution of earnings for 50 years, as well as a distribution of a percentage of the corpus of the trust after 50 years. In addition, the Foundation is the remainder beneficiary of the Dorothy Allen Trust in which the entire corpus goes to the Foundation 20 years after the trust's creation.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE F - ASSETS HELD IN TRUST - Continued

The Foundation's share of the fair value of the underlying assets totaled \$ 2,529,563 and \$ 2,313,652 at June 30, 2011 and 2010, respectively, and are reported as noncurrent assets in the statement of net assets. The outstanding liability arising from annual unitrust distribution requirements totaled \$ 43,713 and \$ 42,218 at June 30, 2011 and 2010, respectively, and is reported in the statement of net assets. The change in the Foundation's share of the fair market value of the underlying assets is recorded as non-operating revenues in the statement of revenues, expense, and changes in net assets as net gains of \$ 186,100 and \$ 97,753 for the years ended June 30, 2011 and 2010, respectively.

NOTE G - LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the Foundation for the years ended June 30:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<u>2011</u>					
Annuities payable	<u>\$ 198,308</u>	<u>\$ 40,260</u>	<u>\$ 13,524</u>	<u>\$ 225,044</u>	<u>\$ 29,272</u>
<u>2010</u>					
Annuities payable	<u>\$ 210,608</u>	<u>\$ -</u>	<u>\$ 12,300</u>	<u>\$ 198,308</u>	<u>\$ 26,219</u>

NOTE H - RISK MANAGEMENT

The Foundation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to workers' compensation, errors and omissions, employee health and natural disasters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE I - ENDOWMENTS

The Foundation's endowments consist of approximately 500 individual funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Foundation to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Foundation to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The fair market value of donor-restricted endowment funds are reported as restricted-nonexpendable net assets. The fair market value of endowment funds designated as such by the Foundation are reported as either restricted-expendable or unrestricted based on the original intent of the donor. The following summarizes the endowments at June 30:

	<u>2011</u>	<u>2010</u>
Restricted by the donor, included as		
Restricted-nonexpendable net assets	\$ 18,576,569	\$ 14,305,400
Designated by the Foundation, included as:		
Restricted-expendable net assets	3,143,568	3,004,559
Unrestricted net assets	<u>9,426,154</u>	<u>6,517,967</u>
Total board-designated endowments	<u>12,569,722</u>	<u>9,522,526</u>
Total endowment net assets	<u>\$ 31,146,291</u>	<u>\$ 23,827,926</u>

Although not required by law, it is the intent of the Foundation to maintain the corpus of both donor-restricted endowment funds and endowment funds designated by the Foundation in perpetuity, only allowing the income on the principal to be spent.

NOTE J - TRANSACTIONS WITH WESTERN ILLINOIS UNIVERSITY

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, 2011 and 2010

NOTE J - TRANSACTIONS WITH WESTERN ILLINOIS UNIVERSITY - Continued

For fiscal year 2011 and 2010, the University provided for the Foundation personal service costs, facility use, and other costs totaling \$ 684,700 and \$ 756,437, respectively. The Foundation did not specifically pay for these services; however, for fiscal year 2011 and 2010, the Foundation gave the University \$ 3,327,112 and \$ 2,671,602, respectively, in unrestricted funds or funds restricted only as to department and generally available for ongoing University operations.

NOTE K - PRIOR PERIOD ADJUSTMENT

During 2011, management of the Foundation identified the following matters which required prior period adjustments:

- Certain irrevocable charitable trusts should have been reported as revenue in the year it became known by the Foundation (Charitable Trust),
- Certain prior period 990-T income taxes that remain prepaid (Prepaid Expenses),
- Certain land assets, previously reported as owned by the University, now reported by the Foundation, consistent with the deed (Land Asset).

	Previously Reported	Charitable Trust	Adjustments		Restated
			Land Asset	Prepaid Expense	
<u>As of July 1, 2009</u>					
Invested in capital assets, net of related debt	\$ 1,105,206	\$ -	\$ 35,000	\$ -	\$ 1,140,206
Restricted - nonexpendable	12,464,875	-	-	-	12,464,875
Restricted - expendable	6,264,087	58,430	-	-	6,322,517
Unrestricted	<u>11,312,694</u>	<u>-</u>	<u>-</u>	<u>9,682</u>	<u>11,322,376</u>
Total net assets	<u>\$31,146,862</u>	<u>\$ 58,430</u>	<u>\$ 35,000</u>	<u>\$ 9,682</u>	<u>\$31,249,974</u>

These prior period adjustments also had the following effect on the change in net assets for the year ended June 30, 2010:

Change in net asset - as previously reported	\$ 5,472,906
Changes related to the prior period adjustment items	<u>368</u>
Change in net asset - as revised	<u>\$ 5,473,274</u>