

WESTERN ILLINOIS UNIVERSITY FOUNDATION

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

June 30, 2010 and 2009

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**Western Illinois University Foundation
Management's Discussion and Analysis
Years Ended June 30, 2010 and 2009**

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, 2010 and 2009. This discussion should be read in conjunction with the accompanying financial statements and footnotes and 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).

The financial statements prescribed by GASB, present financial information in a form similar to that used by corporations. They are prepared under the accrual basis of accounting, whereby revenues and assets generally are recognized when the revenue is earned and expenses and liabilities generally are recognized when others provide the goods or services, regardless of when cash is exchanged. Revenues and expenses are categorized as either operating or non-operating. Significant recurring sources of the Foundation's revenues, specifically investment income and additions to permanent endowments, are considered non-operating.

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 incurred in one fiscal year to be paid in the next fiscal year.

The net assets are divided into four major categories. 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 and/or external entities making the contribution(s). 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 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's to only distribute the earnings on quasi endowments, and to hold the principal on such assets in perpetuity.

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During the fiscal year ended June 30, 2010, the net assets of the Foundation increased \$5,472,906 (17.6%). This change reflects the market recovery of the endowment, as well as a \$1,710,910 (39.9%) increase in gift income.

Condensed Statement of Net Assets

| | | | |
|---|----|-------------------|----------------------|
| Current assets: | | | |
| Cash and investments | \$ | 6,502,096 | \$ 4,061,858 |
| Pledges and receivable, net | | 1,512,112 | 401,975 |
| Other receivables | | 18,875 | 104,039 |
| Other current assets | | 26,062 | 32,093 |
| Noncurrent assets: | | | |
| Endowment investments | | 5,103,415 | 857,151 |
| Endowment investments, restricted | | 17,944,306 | 19,592,091 |
| Donor advised funds, restricted | | 145,220 | 85,203 |
| Charitable remainder trusts, restricted | | 2,254,854 | 2,077,469 |
| Other investments | | 1,304,571 | 1,812,934 |
| Cash Surrender Value, Life Insurance | | 579,253 | 529,404 |
| Pledges receivable, net | | 771,147 | 987,198 |
| Capital assets, net of accumulated depreciation | | 1,103,104 | 1,105,206 |
| Total assets | | <u>37,265,015</u> | <u>31,646,621</u> |
| Liabilities | | | |
| Current liabilities | | 161,608 | 133,215 |
| Noncurrent liabilities | | - | - |
| Total liabilities | | <u>161,608</u> | <u>133,215</u> |
| Net Assets | | | |
| Invested in capital assets, net of related debt | | 1,103,104 | 1,105,206 |
| Restricted for nonexpendable purposes | | 14,305,400 | 12,464,875 |
| Restricted for expendable purposes | | 7,741,170 | 6,264,087 |
| Unrestricted | | 13,470,094 | 11,312,694 |
| Total net assets | \$ | <u>36,619,768</u> | <u>\$ 31,146,862</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 major component of operating revenues is gifts (in the form of cash, pledges, and other considerations) that reflect the purpose of the Foundation: support for the 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, 2010 and 2009**

Condensed Statement of Revenues, Expenses and Changes in Net Assets

| | <u>2010</u> | <u>2009</u> |
|---|----------------------|----------------------|
| Total operating revenues | \$ 6,487,546 | \$ 4,659,473 |
| Total operating expenses | <u>5,163,398</u> | <u>4,711,994</u> |
| Operating income (loss) | 1,324,148 | (52,521) |
| Net nonoperating revenues | <u>2,803,868</u> | <u>(3,047,181)</u> |
| Gain (loss) before other revenues, expenses, gains or losses | 4,128,016 | (3,099,702) |
| Additions to permanent endowment | <u>1,344,890</u> | <u>509,999</u> |
| Increase (decrease) in net assets | 5,472,906 | (2,589,703) |
| Net assets, beginning of year | 31,146,862 | 33,736,565 |
| Net assets, end of year | <u>\$ 36,619,768</u> | <u>\$ 31,146,862</u> |

The major 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 2010 and 2009, including additions to permanent endowment.

| | <u>2010</u> | <u>2009</u> |
|-----------------------------------|---------------------|---------------------|
| Gifts, operating revenues | \$ 5,997,156 | \$ 4,286,246 |
| Additions to permanent endowments | <u>1,344,890</u> | <u>509,999</u> |
| Contribution revenues | <u>\$ 7,342,046</u> | <u>\$ 4,796,245</u> |

During fiscal year 2010, total contribution revenues exceeded contribution revenues received in fiscal year 2009. The increase in contribution revenue was due mostly to an increase in general support as a result of the current campaign, as well as revenue from the WQPT television station in the Quad Cities, which became part of the Western Illinois University Foundation in May of 2010; it provided slightly over \$1.1 million dollars in additional contribution revenue during fiscal year 2010.

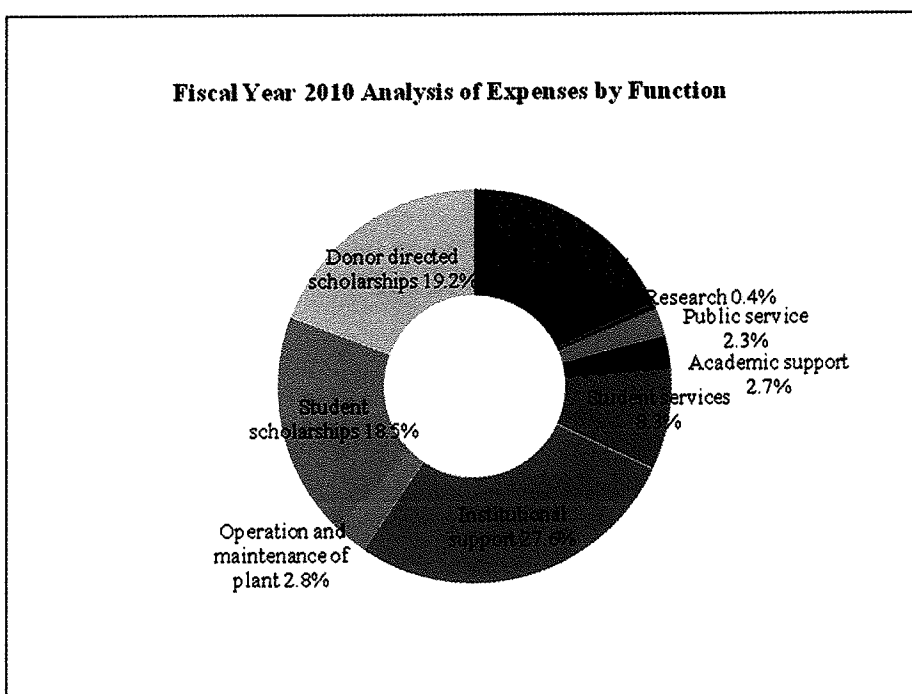
In addition to the non-operating revenues shown in the condensed statement, the University provided the Foundation personal services, facility use, and other services, valued at \$756,437

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Years Ended June 30, 2010 and 2009**

during fiscal year 2010; this compares to a figure of \$687,034 for fiscal year 2009. The Foundation did not specifically pay for these services; however, the Foundation provided \$2,671,602 to the University in unrestricted funds and funds restricted only as to department and generally available for ongoing University operations during fiscal year 2010, which compares to a figure of \$2,072,896 for fiscal year 2009.

Operating expenses by functional category for the years ended June 30, 2010 and 2009 were as follows:

| | <u>2010</u> | <u>2009</u> |
|------------------------------------|---------------------|---------------------|
| Instruction | \$ 938,719 | \$ 804,458 |
| Research | 22,806 | 48,450 |
| Public service | 120,023 | 126,010 |
| Academic support | 141,376 | 172,857 |
| Student services | 427,260 | 548,894 |
| Institutional support | 1,423,449 | 1,088,010 |
| Operation and maintenance of plant | 143,684 | 82,973 |
| Student scholarships | 954,796 | 864,417 |
| Donor directed scholarships | 991,285 | 968,089 |
| Depreciation | - | 7,836 |
| Total operating expenses | \$ 5,163,398 | \$ 4,711,994 |



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Management's Discussion and Analysis
Years Ended June 30, 2010 and 2009**

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, and helps measure the ability to meet financial obligations as they mature.

Condensed Statement of Cash Flows

| | 2010 | 2009 |
|---|--------------|----------------|
| Cash provided by (used in): | | |
| Operating activities | \$ 585,830 | \$ (1,185,838) |
| Noncapital financing activities | 1,817,143 | 1,216,401 |
| Capital and related financing activities | - | (44,681) |
| Investing activities | (2,725,762) | 1,412,011 |
| Net increase in cash and cash equivalents | (322,788) | 1,397,893 |
| Cash and cash equivalents - beginning of year | 2,970,453 | 1,572,560 |
| Cash and cash equivalents - end of year | \$ 2,647,664 | \$ 2,970,453 |

**Western Illinois University Foundation
Management's Discussion and Analysis
Years Ended June 30, 2010 and 2009**

Foundation's Economic Outlook

The mission of the WIU Foundation is to maximize private support for Western Illinois University 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 appropriate funds continue to provide a smaller portion of the University's operating revenue, funds solicited by the Foundation 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 the University's needs. The Foundation also has oversight of the investment and the proper disbursement of the funds. Hammond Associates of St. Louis assists the Foundation and its Board of Directors in establishing an appropriate investment portfolio for an organization of our size that will yield maximum income to meet our needs and goals.

Higher Values in Higher Education is the University's second major comprehensive campaign. The campaign began July 1, 2006 and with a goal of \$60,000,000 and will conclude December 31, 2013. We have currently raised over \$38,000,000 toward our goal, and we will announce the public phase of the campaign at a formal gala on October 29, 2010.

The economy continues to play a factor in both the solicitation of contributions and the performance of the investment pool. In terms of giving, the Foundation continues to see a shift towards planned gift pledges rather than current cash gifts, as contributors invested heavily in the stock market opt to hold onto liquid funds. With regard to investments, a large portion of the stock market loss sustained during fiscal year 2009 was recovered during fiscal year 2010, which had a positive impact on the ending market value in the Foundation's endowed funds. 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 certificate of deposit. Overall, the Foundation's asset base rebounded strongly during fiscal year 2010; the endowed funds continue to move closer to pre-recession values. The Foundation remains pleased with the performance of the endowment investment manager, Hammond and Associate, as the investment strategies they have chosen continue to allow the Foundation to be in the upper quartile of performance based on the fiscal year 2009 NACUBO Endowment study.

Looking toward fiscal year 2011, we expect the contributions to the Foundation to remain strong, as the Foundation plans to shift from the silent stage of the Higher Values campaign to the public stage. As the economy continues to improve our expectations are that the Foundation's asset base will continue to grow and hopefully surpass our pre-recession value.

ECK, SCHAFFER & PUNKE, LLP

CERTIFIED PUBLIC ACCOUNTANTS

600 East Adams Street
Springfield, Illinois 62701
217-525-1111
Fax 217-525-1120
www.esppa.com

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, 2010 and 2009, 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, 2010 and 2009, 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 22, 2010, 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, & Pank, LLP

Springfield, Illinois
October 22, 2010

ECK, SCHAFFER & PUNKE, LLP

CERTIFIED PUBLIC ACCOUNTANTS

600 East Adams Street
Springfield, Illinois 62701
217-525-1111
Fax 217-525-1120
www.esppca.com

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, 2010 and 2009, and have issued our report thereon dated October 22, 2010. 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, Schapf & Panko, LLP

Springfield, Illinois
October 22, 2010

Western Illinois University Foundation

STATEMENTS OF NET ASSETS

| | June 30 | |
|--|--------------------------|--------------------------|
| | <u>2010</u> | <u>2009</u> |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 2,647,665 | \$ 2,970,453 |
| Investments | 3,854,431 | 1,091,405 |
| Pledges receivable, net | 1,512,112 | 401,975 |
| Other receivables | 15,142 | 98,159 |
| Due from Western Illinois University | 3,733 | 5,880 |
| Prepaid expenses | <u>26,062</u> | <u>32,093</u> |
| Total current assets | 8,059,145 | 4,599,965 |
| NONCURRENT ASSETS | | |
| Endowment investments | 5,103,415 | 857,151 |
| Endowment investments, restricted | 17,944,306 | 19,592,091 |
| Donor advised investments, restricted | 145,220 | 85,203 |
| Other investments | 1,304,571 | 1,812,934 |
| Charitable remainder trusts, restricted | 2,254,854 | 2,077,469 |
| Pledges receivable, net | 771,147 | 987,198 |
| Cash surrender value of life insurance policies | 579,253 | 529,404 |
| Capital assets, net of accumulated depreciation | <u>1,103,104</u> | <u>1,105,206</u> |
| Total noncurrent assets | <u>29,205,870</u> | <u>27,046,656</u> |
| TOTAL ASSETS | <u>37,265,015</u> | <u>31,646,621</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | 118,610 | 109,806 |
| Due to Western Illinois University | 124,503 | 18,862 |
| Annuities payable | 26,219 | 28,459 |
| Charitable remainder trust distributions payable | 42,218 | 27,268 |
| Deferred revenue | <u>161,608</u> | <u>133,215</u> |
| Total current liabilities | 473,158 | 317,610 |
| NONCURRENT LIABILITIES | | |
| Annuities payable | <u>172,089</u> | <u>182,149</u> |
| TOTAL LIABILITIES | <u>645,247</u> | <u>499,759</u> |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 1,103,104 | 1,105,206 |
| Restricted – nonexpendable | 14,305,400 | 12,464,875 |
| Restricted – expendable | 7,741,170 | 6,264,087 |
| Unrestricted | <u>13,470,094</u> | <u>11,312,694</u> |
| TOTAL NET ASSETS | <u>\$ 36,619,768</u> | <u>\$ 31,146,862</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>2010</u> | <u>2009</u> |
|---|----------------------|----------------------|
| OPERATING REVENUES | | |
| Gifts | \$ 5,997,156 | \$ 4,286,246 |
| Sales and services | <u>490,390</u> | <u>373,227</u> |
| Total operating revenues | 6,487,546 | 4,659,473 |
| OPERATING EXPENSES | | |
| Instruction | 938,719 | 804,458 |
| Research | 22,806 | 48,450 |
| Public service | 120,023 | 126,010 |
| Academic support | 141,376 | 172,857 |
| Student services | 427,260 | 548,894 |
| Institutional support | 1,423,449 | 1,088,010 |
| Operation and maintenance of plant | 143,684 | 82,973 |
| Student scholarships | 954,796 | 864,417 |
| Donor directed scholarships | 991,285 | 968,089 |
| Depreciation | <u>-</u> | <u>7,836</u> |
| Total operating expenses | <u>5,163,398</u> | <u>4,711,994</u> |
| NET OPERATING GAIN (LOSS) | 1,324,148 | (52,521) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment gain (loss), net of investments expense | 2,356,946 | (3,333,992) |
| Change in value of charitable remainder trusts | 57,686 | (420,456) |
| Loss on transfer of equipment | - | (61,259) |
| Other nonoperating revenues | <u>389,236</u> | <u>768,526</u> |
| Net nonoperating revenues (expenses) | <u>2,803,868</u> | <u>(3,047,181)</u> |
| Gain (loss) before other revenues, expenses, gains and losses | 4,128,016 | (3,099,702) |
| Additions to permanent endowments | <u>1,344,890</u> | <u>509,999</u> |
| CHANGE IN NET ASSETS | 5,472,906 | (2,589,703) |
| NET ASSETS, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED | 31,146,862 | 32,412,381 |
| PRIOR PERIOD ADJUSTMENT | <u>-</u> | <u>1,324,184</u> |
| NET ASSETS, BEGINNING OF YEAR, AS RESTATED | <u>31,146,862</u> | <u>33,736,565</u> |
| NET ASSETS, END OF YEAR | <u>\$ 36,619,768</u> | <u>\$ 31,146,862</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>2010</u> | <u>2009</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Gifts for other than capital and endowment purposes | \$ 4,545,984 | \$ 3,099,169 |
| Sales and services | 490,390 | 373,227 |
| Payments for goods and services | (2,281,815) | (2,789,681) |
| Payment for scholarships and fellowships | (1,946,081) | (1,832,506) |
| Payments to annuitants | <u>(222,648)</u> | <u>(36,047)</u> |
| Net cash flows from operating activities | 585,830 | (1,185,838) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Private contributions for endowment purposes | 1,344,890 | 509,999 |
| Nonoperating revenues, net | <u>472,253</u> | <u>706,402</u> |
| Net cash flows from noncapital financing activities | 1,817,143 | 1,216,401 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchase of capital asset | - | (44,681) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sales and maturities of investments | 6,067,200 | 24,415,554 |
| Earnings on investments | 1,078,022 | 1,416,943 |
| Purchase of investments | <u>(9,870,983)</u> | <u>(24,420,486)</u> |
| Net cash flows from investing activities | <u>(2,725,761)</u> | <u>1,412,011</u> |
| CHANGE IN CASH AND CASH EQUIVALENTS | (322,788) | 1,397,893 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>2,970,453</u> | <u>1,572,560</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 2,647,665</u> | <u>\$ 2,970,453</u> |

Western Illinois University Foundation

STATEMENTS OF CASH FLOWS - CONTINUED

Years Ended June 30

| | <u>2010</u> | <u>2009</u> |
|---|-------------------|-----------------------|
| RECONCILIATION OF NET OPERATING GAIN (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net operating gain (loss) | \$ 1,324,148 | \$ (52,521) |
| Adjustments to reconcile net operating gain (loss) to net cash flows from operating activities | | |
| Depreciation expense and capital asset adjustments | 2,102 | 7,836 |
| Actuarial adjustment to annuities payable | (12,300) | (7,588) |
| Change in assets and liabilities | | |
| Pledges receivable, net | (894,086) | (1,142,405) |
| Due from Western Illinois University | 2,147 | (5,880) |
| Prepaid expense | 6,031 | 13,377 |
| Inventories | - | 18,076 |
| Accounts payable and accrued expenses | 8,804 | 47,319 |
| Due to Western Illinois University | 105,641 | (19,380) |
| Charitable remainder trust distribution payable | 14,950 | - |
| Deferred revenue | <u>28,393</u> | <u>(44,672)</u> |
| Net cash flows from operating activities | <u>\$ 585,830</u> | <u>\$ (1,185,838)</u> |
| NONCASH NONCAPITAL FINANCING ACTIVITIES: | | |
| Gifts in kind | <u>\$ 585,479</u> | <u>\$ 63,396</u> |

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

During the fiscal year ended June 30, 2009, the Foundation transferred equipment to Western Illinois University with an original cost of \$ 66,425 and accumulated depreciation of \$ 5,166 for a loss on transfer of equipment of \$ 61,259.

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

Western Illinois University Foundation
NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

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, 2010 and 2009

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.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Foundation follows all applicable GASB pronouncements. In addition, the Foundation applies all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Foundation has elected not to apply FASB pronouncements issued after November 30, 1989.

In 2010, Accounting Standards Update (ASU) No. 2009-01, Statement of Financial Accounting Standards No. 168, *"The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) and the Hierarchy of Generally Accepted Accounting Principles"* was issued. This ASU includes FASB Statement No. 168 in its entirety. The ASU establishes the FASB ASC as the source of authoritative accounting principles recognized by the FASB. All guidance contained in the ASC carries an equal level of authority. Following this ASU, the FASB will issue only ASUs to update the ASC. The adoption did not have a material effect on the Foundation's financial statements.

3. Use of Estimates

The preparation of the financial statements in conformity with accepted 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.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

8. Endowments

On June 30, 2009, the Illinois Governor signed the Uniform Prudent Management of Institutional Funds Act (UPMIFA) into laws. UPMIFFA 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 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.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. Endowments - Continued

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, of 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, 2010, the Foundation had a total of \$ 449,090 of net appreciation from investment of donor-restricted endowments and Foundation designated endowments. As of June 30, 2009, the Foundation had expended \$ 739,538 in excess of accumulated earnings and appreciation, principally the result of the decline in investment fair value. 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.

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 no such new contribution income during fiscal years 2010 and 2009. Management did identify during fiscal year 2010 a previously unrecorded split-interest agreement contribution that irrevocably named the Foundation the beneficiary during fiscal year 2004. The fiscal year 2010 financial statements reflect this contribution's assets and related activities. The fiscal year 2009 financial statements have been restated to include this contribution's assets and related activities (See Note L). Any outstanding liabilities relating to the annual distributions required by the trust agreements are recorded in the statement of net assets.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 based on the donor's stipulation.

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.

12. Cash Surrender Value of Life Insurance

The cash surrender value of life insurance indicates the current surrender value of various insurance policies in which the Foundation is both the owner of the insurance policy and the named beneficiary of the insurance policy.

13. Subsequent Events

The Foundation assessed events that have occurred subsequent to June 30, 2010 through October 22, 2010, 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.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE B - CASH AND CASH EQUIVALENTS

1. Deposits

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

| | 2010 | | 2009 | |
|---------------------------|----------------------------|-------------------------|----------------------------|-------------------------|
| | <u>Carrying Amount</u> | <u>Bank Balance</u> | <u>Carrying Amount</u> | <u>Bank Balance</u> |
| Cash and cash equivalents | \$ 2,647,665 | \$ 2,772,150 | \$ 2,970,453 | \$ 2,472,076 |

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, 2010 and 2009.

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

| | <u>2010</u> | <u>2009</u> |
|--------------------|---------------------|---------------------|
| Illinois Funds | \$ 2,372,906 | \$ 1,553,684 |
| Other institutions | <u>98,323</u> | <u>1,344,641</u> |
| | <u>\$ 2,471,229</u> | <u>\$ 2,898,325</u> |

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 \$ 191,305 and \$ 70,138 June 30, 2010 and 2009, 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.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE C - INVESTMENTS

1. Summary of Investments

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

| | <u>2010</u> | <u>2009</u> |
|---|----------------------|----------------------|
| U. S. Treasury notes | \$ 710,490 | \$ 486,260 |
| U. S. Treasury bonds | 477,461 | 221,551 |
| U. S. agency obligations (FHLM, FNMA) | 1,950,540 | 2,556,764 |
| Municipal bonds | 20,011 | - |
| Global bonds | - | 4,262 |
| Corporate debt securities | 978,625 | 948,820 |
| Corporate equity securities | 128,966 | 4,091,054 |
| International equity securities | 1,430,191 | 6,133,827 |
| Cash equivalents held in investment pools | 1,009,864 | 998,718 |
| Real asset tax-exempt | 186,809 | - |
| Real assets exchange traded funds | 1,102,250 | 1,220,974 |
| Real assets in limited partnerships | - | 129,732 |
| Absolute return | 4,203,743 | 3,849,343 |
| Mutual funds, international equity | 3,564,892 | - |
| Mutual funds, domestic equity | 4,816,964 | 1,038,193 |
| Open ended mutual funds, U. S. debt | 6,176,064 | 1,097,958 |
| Private equity | 844,486 | 661,328 |
| Certificates of deposit | <u>750,587</u> | <u>-</u> |
| Total investments | <u>\$ 28,351,943</u> | <u>\$ 23,438,784</u> |

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE C - INVESTMENTS - Continued

2. Maturities of Investments

At June 30, 2010, the Foundation had the following investments and maturities:

| | 2010 | Maturities in Years | | | |
|--|----------------------|---|---------------------|-------------------|-------------------|
| | | Less Than One Year or No Maturity | 1-5 Years | 6-10 Years | Over 10 Years |
| U. S. Treasury notes | \$ 710,490 | \$ - | \$ 501,453 | \$ 209,037 | \$ - |
| U. S. Treasury bonds | 477,461 | - | - | - | 477,461 |
| U. S. agency obligations (FHLM, FNMA) | 1,950,540 | 509,845 | 661,468 | 499,213 | 280,014 |
| Municipal bonds | 20,011 | - | - | 20,011 | - |
| Corporate debt securities | 978,625 | 200,779 | 445,662 | 202,505 | 129,679 |
| Corporate equity securities | 128,966 | 128,966 | - | - | - |
| International equity securities | 1,430,191 | 1,430,191 | - | - | - |
| Cash equivalents held in investment pools | 1,009,864 | 1,009,864 | - | - | - |
| Real asset tax-exempt | 186,809 | 186,809 | - | - | - |
| Real assets exchange traded funds | 1,102,250 | 1,102,250 | - | - | - |
| Absolute return | 4,203,743 | 4,203,743 | - | - | - |
| Mutual funds, international equity | 3,564,892 | 3,564,892 | - | - | - |
| Mutual funds, domestic equity | 4,816,964 | 4,816,964 | - | - | - |
| Open ended mutual funds, U. S. debt | 6,176,064 | 6,176,064 | - | - | - |
| Private equity | 844,486 | 844,486 | - | - | - |
| Certificates of deposit | 750,587 | 750,587 | - | - | - |
| Total investments | <u>\$ 28,351,943</u> | <u>\$ 24,925,440</u> | <u>\$ 1,608,583</u> | <u>\$ 930,766</u> | <u>\$ 887,154</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, 2010 and 2009

NOTE C - INVESTMENTS - Continued

3. Summary of Carrying Values

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

| | <u>2010</u> | <u>2009</u> |
|---------------------------------------|----------------------|----------------------|
| Current | | |
| Investments | \$ 3,854,431 | \$ 1,091,405 |
| Noncurrent | | |
| Endowment investments | 5,103,415 | 857,151 |
| Endowment investments, restricted | 17,944,306 | 19,592,091 |
| Donor advised investments, restricted | 145,220 | 85,203 |
| Other investments | <u>1,304,571</u> | <u>1,812,934</u> |
| Total | <u>\$ 28,351,943</u> | <u>\$ 23,438,784</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, 2010 and 2009

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>2010</u> | <u>2009</u> |
|---|----------------------|---------------------|
| U. S. Treasury notes | \$ 710,490 | \$ 486,260 |
| U. S. Treasury bonds | 477,461 | 221,551 |
| U. S. agency obligations (FHLM, FNMA) | 1,950,540 | 2,556,764 |
| Global bonds | - | 4,262 |
| Municipal bonds | 20,011 | - |
| Corporate debt securities | 978,625 | 948,820 |
| Cash equivalents held in investment pools | 1,009,864 | 998,718 |
| Open ended mutual equity funds, U. S. debt | 6,176,064 | 1,097,958 |
| Certificates of deposit | <u>750,587</u> | <u>-</u> |
| Sub-total investments | 12,073,642 | 6,314,333 |
| Bank money market funds | 98,323 | 1,344,641 |
| Illinois Funds money market | <u>2,372,906</u> | <u>1,553,684</u> |
| Sub-total cash and cash equivalents | <u>2,471,229</u> | <u>2,898,325</u> |
| Total assets subject to interest rate risk | <u>\$ 14,544,871</u> | <u>\$ 9,212,658</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, 2010 and 2009

NOTE C - INVESTMENTS - Continued

6. Foreign Currency Risk - Continued

The Foundation's investments in international stock and mutual funds represent 18% and 26% of the total Foundation investments at June 30, 2010, and 2009, 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, 2010 and 2009 are listed below.

| | <u>2010</u> | <u>2009</u> |
|--|---------------------|---------------------|
| Euro | \$ 945,144 | \$ 1,364,647 |
| United Kingdom British Pound | 951,959 | 923,889 |
| Japanese Yen | 860,417 | 1,058,453 |
| Swiss Franc | 323,652 | 332,159 |
| Yuan Renminbi (China) | 302,785 | 295,334 |
| Australian Dollar | 215,675 | 318,260 |
| Other currencies, individually less than 5% of fund portfolio | <u>1,417,348</u> | <u>1,841,085</u> |
| Total | <u>\$ 5,016,980</u> | <u>\$ 6,133,827</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 National Bank of Macomb, and Charles Schwab.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE C - INVESTMENTS - Continued

At June 30, 2010, the Foundation had the following investments and their ratings.

Credit Rating Per Standard and Poor's
June 30, 2010

| | U.S. Treasury Notes | U.S. Treasury Bonds | U.S. Agency Obligations (FHLM, FNMA) | Corporate Debt Securities | Other | Total |
|------------------|------------------------|------------------------|--|---------------------------------|----------------------|----------------------|
| Not rated | \$ 209,037 | \$ 242,620 | \$ 1,802,117 | \$ 373,281 | \$ 24,234,827 | \$ 26,861,882 |
| AAA | 501,453 | 234,841 | 148,423 | 104,580 | - | 989,297 |
| AA- | - | - | - | 31,523 | - | 31,523 |
| A+ | - | - | - | 400,547 | - | 400,547 |
| BBB+ | - | - | - | 68,694 | - | 68,694 |
| Total Fair Value | <u>\$ 710,490</u> | <u>\$ 477,461</u> | <u>\$ 1,950,540</u> | <u>\$ 978,625</u> | <u>\$ 24,234,827</u> | <u>\$ 28,351,943</u> |

Credit Rating Per Moody's
June 30, 2010

| | U.S. Treasury Notes | U.S. Treasury Bonds | U.S. Agency Obligations (FHLM, FNMA) | Corporate Debt Securities | Other | Total |
|------------------|------------------------|------------------------|--|---------------------------------|----------------------|----------------------|
| Not rated | \$ 209,037 | \$ 242,620 | \$ 1,560,000 | \$ 110,910 | \$ 24,234,827 | \$ 26,357,394 |
| Aaa | 501,453 | 234,841 | 390,540 | - | - | 1,126,834 |
| Aa1 | - | - | - | 52,460 | - | 52,460 |
| Aa2 | - | - | - | 152,712 | - | 152,712 |
| A1 | - | - | - | 206,063 | - | 206,063 |
| A2 | - | - | - | 112,310 | - | 112,310 |
| A3 | - | - | - | 136,843 | - | 136,843 |
| Baa1 | - | - | - | 68,694 | - | 68,694 |
| Baa3 | - | - | - | 138,633 | - | 138,633 |
| Total Fair Value | <u>\$ 710,490</u> | <u>\$ 477,461</u> | <u>\$ 1,950,540</u> | <u>\$ 978,625</u> | <u>\$ 24,234,827</u> | <u>\$ 28,351,943</u> |

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE C - INVESTMENTS - Continued

7. Credit Risk - Continued

Investment income (loss) for the year ended June 30, 2010 and 2009 was as follows:

| | <u>2010</u> | <u>2009</u> |
|--|---------------------|-----------------------|
| Interest, dividends, realized gains and and losses, and market value changes | <u>\$ 2,356,946</u> | <u>\$ (3,333,992)</u> |

NOTE D - PLEDGES RECEIVABLE

Pledges receivable balances at June 30, 2010, and 2009, consist of the following information:

| | <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> |

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE D - PLEDGES RECEIVABLE - Continued

| | <u>2009</u> | |
|------------------------------------|-------------------|-------------------|
| | <u>Current</u> | <u>Noncurrent</u> |
| Pledges receivable | | |
| Due within 1 year | \$ 414,407 | \$ - |
| Due in more than 1 year | <u>-</u> | <u>1,133,043</u> |
| Total pledges receivable | 414,407 | 1,133,043 |
| Less | | |
| Discount for time - value of money | - | 115,313 |
| Allowance for doubtful accounts | <u>12,432</u> | <u>30,532</u> |
| | <u>\$ 401,975</u> | <u>\$ 987,198</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, 2010 and 2009 were as follows:

| | Balance June 30, <u>2009</u> | <u>Additions</u> | <u>Adjustments</u> | Balance June 30, <u>2010</u> |
|--------------------------------|------------------------------------|------------------|--------------------|------------------------------------|
| Land and land improvements | \$ 1,103,104 | \$ - | \$ - | \$ 1,103,104 |
| Equipment | <u>23,573</u> | <u>-</u> | <u>(23,573)</u> | <u>-</u> |
| Total capital assets | 1,126,677 | - | (23,573) | 1,103,104 |
| Less accumulated depreciation: | | | | |
| Equipment | <u>21,471</u> | <u>-</u> | <u>(21,471)</u> | <u>-</u> |
| Capital assets, net | <u>\$ 1,105,206</u> | <u>\$ -</u> | <u>\$ (2,102)</u> | <u>\$ 1,103,104</u> |

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE E - CAPITAL ASSETS - Continued

| | Balance June 30, <u>2008</u> | <u>Additions</u> | <u>Adjustments</u> | Balance June 30, <u>2009</u> |
|--------------------------------|------------------------------------|------------------|--------------------|------------------------------------|
| Land and land improvements | \$ 1,103,104 | \$ - | \$ - | \$ 1,103,104 |
| Equipment | <u>45,317</u> | <u>44,681</u> | <u>(66,425)</u> | <u>23,573</u> |
| Total capital assets | 1,148,421 | 44,681 | (66,425) | 1,126,677 |
| Less accumulated depreciation: | | | | |
| Equipment | <u>18,801</u> | <u>7,836</u> | <u>(5,166)</u> | <u>21,471</u> |
| Capital assets, net | <u>\$ 1,129,620</u> | <u>\$ 36,845</u> | <u>\$ (61,259)</u> | <u>\$ 1,105,206</u> |

As of June 30, 2010, land was the only asset held by the Foundation – the fully depreciation 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.

Western Illinois University Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010 and 2009

NOTE F - ASSETS HELD IN TRUST - Continued

The Foundation's share of the fair value of the underlying assets totaled \$ 2,254,854 and \$ 2,077,469 at June 30, 2010 and 2009, respectively, and is reported as a noncurrent asset in the statement of net assets. The outstanding liability arising from annual unitrust distribution requirements totaled \$ 42,218 and \$ 27,268 at June 30, 2010 and 2009, 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 (expenses) in the statement of revenues, expense, and changes in net assets as a net gain of \$ 97,385 and a net loss of \$ 440,964 for the years ended June 30, 2010 and 2009, respectively.

NOTE G - LONG-TERM LIABILITIES

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> | <u>Current Portion</u> |
|-------------------|------------------------------|------------------|-------------------|---------------------------|----------------------------|
| <u>2010</u> | | | | | |
| Annuities payable | <u>\$ 210,608</u> | <u>\$ -</u> | <u>\$ 12,300</u> | <u>\$ 198,308</u> | <u>\$ 26,219</u> |
| <u>2009</u> | | | | | |
| Annuities payable | <u>\$ 218,196</u> | <u>\$ -</u> | <u>\$ 7,588</u> | <u>\$ 210,608</u> | <u>\$ 28,459</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, 2010 and 2009

NOTE I - ENDOWMENTS

The Foundation's endowments consist of approximately 525 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>2010</u> | <u>2009</u> |
|--|--------------------------|--------------------------|
| Restricted by the donor, included as | | |
| Restricted-nonexpendable net assets | \$ 14,305,400 | \$ 12,144,270 |
| Designated by the Foundation, included as: | | |
| Restricted-expendable net assets | 3,004,559 | 2,221,576 |
| Unrestricted net assets | <u>6,517,967</u> | <u>5,586,728</u> |
| Total board-designated endowments | <u>9,522,526</u> | <u>7,808,304</u> |
| Total endowment net assets | <u>\$ 23,827,926</u> | <u>\$ 19,952,574</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, 2010 and 2009

NOTE J - TRANSACTIONS WITH WESTERN ILLINOIS UNIVERSITY - Continued

For fiscal year 2010 and 2009, the University provided for the Foundation personal service costs, facility use, and other costs totaling \$ 756,437 and \$ 687,034, respectively. The Foundation did not specifically pay for these services; however, for fiscal year 2010 and 2009, the Foundation gave the University \$ 2,671,602 and \$ 2,072,896, respectively, in unrestricted funds or funds restricted only as to department and generally available for ongoing University operations.

NOTE K - PRIOR PERIOD ADJUSTMENT

During 2010, 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 Adjustments),
- Certain life insurance should have been reported as revenue in the year in which the Foundation became both the policy owner and the beneficiary (Life Insurance Adjustment).

| | <u>Previously Reported</u> | <u>Charitable Trust Adjustment</u> | <u>Life Insurance Adjustment</u> | <u>Restated</u> |
|--|--------------------------------|--|--|-------------------------|
| As of July 1, 2008 | | | | |
| Invested in capital assets, net of related debt | \$ 1,129,640 | \$ - | \$ - | \$ 1,129,640 |
| Restricted – nonexpendable | 14,656,063 | - | 92,605 | 14,748,668 |
| Restricted – expendable | 5,925,874 | 1,033,440 | 28,644 | 6,987,958 |
| Unrestricted | <u>10,700,804</u> | <u>-</u> | <u>169,495</u> | <u>10,870,299</u> |
| Total net assets | <u>\$32,412,381</u> | <u>\$ 1,033,440</u> | <u>\$ 290,744</u> | <u>\$33,736,565</u> |

These prior period adjustments also had the following effect on the change in net assets for the year ended June 30, 2009:

| | |
|--|---------------------------|
| Change in net asset - as previously reported | \$ (2,520,464) |
| Changes related to the prior period adjustment items | <u>(69,239)</u> |
| Change in net asset - as revised | <u>\$ (2,589,703)</u> |