

Southern Illinois University Foundation
Carbondale, Illinois

FHA Project No. 072-55010-NP
Evergreen Terrace - Family Housing Phase III

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year ended June 30, 2005

Performed as Special Assistant Auditors
for the Auditor General, State of Illinois

Southern Illinois University Foundation
Carbondale, Illinois

FHA Project No. 072-55010-NP
Evergreen Terrace - Family Housing Phase III

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year ended June 30, 2005

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Southern Illinois University Foundation
Carbondale, Illinois

FHA Project No. 072-55010-NP
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FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year ended June 30, 2005

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Southern Illinois University Foundation
Carbondale, Illinois

FHA Project No. 072-55010-NP
Evergreen Terrace - Family Housing Phase III

AGENCY OFFICIALS

June 30, 2005

AGENCY OFFICIALS

Mr. Rickey McCurry	Vice Chancellor, CEO SIU Foundation
Mr. Jeff Lorber	Associate Vice Chancellor
Mr. Bryan Vagner	Managing Director
Ms. Elizabeth Banycky	Treasurer

Agency offices are located at:

Southern Illinois University Foundation
Carbondale, Illinois 62901



Independent Auditors' Report

Honorable William G. Holland
Auditor General
State of Illinois and
Board of Directors
Southern Illinois University Foundation

As Special Assistant Auditors for the Auditor General, State of Illinois, we have audited the accompanying statement of net assets of Southern Illinois University Foundation (the "Foundation") - FHA Project No. 072-55010-NP (the "Project") as of June 30, 2005, and the related statements of revenues, expenses, and changes in net assets, and of cash flows for the year then ended. These financial statements are the responsibility of the Project's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Project are intended to present the financial position, and the changes in financial position and in cash flows of only that portion of the activities of Southern Illinois University Foundation and Southern Illinois University that are attributable to the transactions of the Project. They do not purport to, and do not, present fairly the financial position of Southern Illinois University Foundation or Southern Illinois University as of June 30, 2005, and the changes in their financial position and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Project as of June 30, 2005, and the changes in its financial position, and its cash flows for the year 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 a report dated September 16, 2005, on our consideration of the Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 16 through 35 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Project. The accompanying schedule of expenditures of federal awards on page 36 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments' and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is stated fairly, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Board of Directors and Management of Southern Illinois University Foundation, the Board of Trustees and Management of Southern Illinois University, and the U.S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Kerber, Eck & Braschel LLP

Springfield, Illinois
September 16, 2005

Southern Illinois University Foundation
Carbondale, Illinois

FHA Project No. 072-55010-NP
Evergreen Terrace - Family Housing Phase III

STATEMENT OF NET ASSETS

June 30, 2005

ASSETS

Current Assets

Cash and cash equivalents (Note 3)	\$ 117,452
Accounts receivable (net)	157,782
Accrued interest receivable	<u>195</u>

Total Current Assets 275,429

Noncurrent Assets

Cash and cash equivalents (Note 3)	41,569
Long-term investments (Note 3)	272,776
Capital assets, net (Notes 4 and 6)	<u>409,778</u>

Total Noncurrent Assets 724,123

Total Assets 999,552

LIABILITIES

Current Liabilities

Accounts payable	119,790
Accrued liabilities	21,121
Deferred revenue	51,087
Mortgage note payable, current portion (Note 4)	<u>156,790</u>

Total Current Liabilities 348,788

Noncurrent Liabilities

Mortgage note payable (Note 4)	<u>416,124</u>
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Total Noncurrent Liabilities 416,124

Total Liabilities 764,912

NET ASSETS

Invested in capital assets, net of related debt (163,136)

Restricted for:

Expendable:

Hazard Insurance Escrow	30,306
Residual Receipts	8,498
Renewals and Replacements	268,278

Unrestricted 90,694

Total Net Assets \$ 234,640

The accompanying notes are an integral part of this statement.

Southern Illinois University Foundation
Carbondale, Illinois

FHA Project No. 072-55010-NP
Evergreen Terrace - Family Housing Phase III

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year ended June 30, 2005

REVENUES

Operating Revenues

Rentals (net)	\$ 1,480,918
Other	<u>28,148</u>

Total operating revenues 1,509,066

EXPENSES

Operating Expenses

Salaries and wages	202,726
Utilities	385,626
Maintenance and repairs	636,848
Administration and other	179,495
Depreciation (Note 6)	<u>99,593</u>

Total operating expenses 1,504,288

Operating profit 4,778

NONOPERATING REVENUES (EXPENSES)

Investment income	10,053
Interest expense	(19,669)
Grants from SIU (Note 7)	<u>114,000</u>

Net nonoperating revenues 104,384

Increase in net assets 109,162

NET ASSETS

Net assets - beginning of year 125,478

Net assets - end of year \$ 234,640

The accompanying notes are an integral part of this statement.

Southern Illinois University Foundation
Carbondale, Illinois

FHA Project No. 072-55010-NP
Evergreen Terrace - Family Housing Phase III

STATEMENT OF CASH FLOWS

Year ended June 30, 2005

Cash Flows from Operating Activities	
Rental receipts	\$ 1,321,144
Other receipts	20,352
Administrative	(51,408)
Management fees	(48,137)
Utilities	(377,858)
Salaries and wages	(203,521)
Operating	(30,594)
Maintenance	(591,926)
Insurance	(91)
Mortgage insurance	<u>(22,886)</u>
Net cash provided by operating activities	<u>15,075</u>
Cash Flows from Investing Activities	
Deposits to renewals and replacements fund	(33,183)
Transfers from renewals and replacements fund	42,651
Interest-operations	2,489
Interest-residual receipts	<u>309</u>
Net cash provided by investing activities	<u>12,266</u>
Cash Flows from Noncapital Financing Activities	
Grants from SIU	<u>114,000</u>
Net cash provided by noncapital financing activities	<u>114,000</u>
Cash Flows from Capital Financing Activities	
Mortgage principal payments	(152,161)
Payment of HUD statement adjustment	(29)
Interest on mortgage note	<u>(19,672)</u>
Net cash used in capital financing activities	<u>(171,862)</u>
Net decrease in cash	(30,521)
Cash - beginning of the year	<u>189,542</u>
Cash - end of year	<u>\$ 159,021</u>
Reconciliation of operating profit to	
net cash provided by operating activities	
Operating profit	\$ 4,778
Adjustments to reconcile operating profit to net cash	
provided by operating activities	
Bad debt expense	56,002
Depreciation expense	99,593
Changes in assets and liabilities	
Accounts receivable (net)	(110,982)
Accounts payable and accrued liabilities	(8,575)
Due to Southern Illinois University	19,694
Deferred revenue	<u>(45,435)</u>
Net cash provided by operating activities	<u>\$ 15,075</u>

The accompanying notes are an integral part of this statement.

Southern Illinois University Foundation
Carbondale, Illinois

FHA Project No. 072-55010-NP
Evergreen Terrace - Family Housing Phase III

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2005

1. FINANCIAL REPORTING ENTITY

On July 3, 1967, the Federal Housing Administration and the Southern Illinois University Foundation entered into a regulatory agreement for nonprofit and public mortgagors under Section 221 (d) (3) of the National Housing Act, as amended, for the purpose of constructing a 304 unit apartment complex known as the FHA Project No. 072-55010-NP (the "Project"), Evergreen Terrace. The apartments of the Project are rented to married students, faculty and staff families of Southern Illinois University - Carbondale (the "University") who meet low and moderate income requirements as determined by the Commissioner of the Federal Housing Administration.

Under the terms of a lease agreement dated August 1, 1978, the University, as lessee, is the managing agent for the Project. The operations of the Project are recorded on the books and records of the University. The plant funds, hazard insurance escrow account, and residual receipt account are maintained on the books and records of the lessor, Southern Illinois University Foundation (the "Foundation"). All of these activities, when taken together, constitute the reporting entity for purposes of this report.

These financial statements include only that portion of the activities of Southern Illinois University Foundation and Southern Illinois University that is attributable to the transactions of the Project. They do not purport to present the financial statements of either Southern Illinois University Foundation or Southern Illinois University. The Project is not a separate legal entity and, therefore, has not presented management's discussion and analysis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Effective July 1, 2001, the University and the Foundation adopted GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public College and Universities*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statement presentation required by GASB Statements Nos. 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, and replaces the fund-group perspective previously required.

For financial reporting purposes, the Project is considered a special-purpose government engaged only in business-type activities. Accordingly, the Project's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The Project has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Project has elected to not apply FASB pronouncements issued after the applicable date.

For purposes of the statements of cash flows, the Project considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents.

Southern Illinois University Foundation
Carbondale, Illinois

FHA Project No. 072-55010-NP
Evergreen Terrace - Family Housing Phase III

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Foundation accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets. The fair value is determined to be the amount at which financial instruments could be exchanged in a current transaction between willing parties, usually quoted market prices. Also, certain money market investments having a remaining maturity of one year or less at time of purchase and nonnegotiable certificates of deposit with redemption terms that do not consider market rates are carried at amortized cost. Effective July 1, 2004, the Foundation adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The objective of this statement is to update the custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing the common risk of deposits and investments. Changes have been made to Note 3, Cash and Investments, to meet the additional disclosure requirements.

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of the donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, 15 years for land improvements and 40 years for buildings. Effective July 1, 1997, the University changed its equipment capitalization policy from \$ 500 to \$ 5,000.

The Project's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the Project's total investment in capital assets, property, plant, and equipment, net of accumulated depreciation and reduced by outstanding debt obligations related to those capital assets.

Restricted - expendable: Restricted-expendable net assets include resources which the Project is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Hazard insurance escrow: This account has been established for the mandatory hazard insurance escrow payments to the mortgage trustee. Cash from this account can only be used for the payment of insurance premiums. The monthly transfers to the trustee are adjusted from time to time to reflect actual insurance premiums paid.

Residual receipts: The Project's regulatory agreement requires the mortgagor to deposit all surplus cash, if any, as of the end of the fiscal year into a residual receipts account. Cash from this fund may be returned to the Project's operations when approved by the FHA.

Renewals and replacements: This account has been established for the mandatory replacement reserve payments to the mortgage trustee. Cash from this account can only be used for repair or replacement or other construction at the Project when released by the FHA.

Unrestricted: Unrestricted net assets represent the accumulated revenues from the Project (including interest and gains and losses on the sale of investments and the residual receipt account) less the related accumulated expenses for operation of the Project.

Southern Illinois University Foundation
Carbondale, Illinois

FHA Project No. 072-55010-NP
Evergreen Terrace - Family Housing Phase III

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Project's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

The Project has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

- **Operating:** Operating revenues and expenses include activities that have the characteristics of exchange transactions such as rent received from tenants and payments for services rendered.
- **Nonoperating:** Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other sources and uses that are defined as nonoperating by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, such as investment income.

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

3. CASH AND INVESTMENTS

The current cash balance of \$ 117,452 is available for the general operations of the Project and is held by the University as the managing agent. All other cash and investments are restricted and may be expended only when the proper approvals have been obtained from HUD.

The carrying amount of the Project's deposits was \$ 159,021, while the bank balance was \$ 173,511. Amounts in excess of the federally insured limit are collateralized by certain assets of the University. The Project has obtained approval from HUD indicating its acceptance of the use of collateral.

Credit Risk: Credit risk is the risk of loss due to the failure of the security issuer or backer. The Foundation's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. In order to allow investment managers the ability to opportunistically invest in "non-Lehman Aggregate" securities such as high yield bonds, the Foundation has not set a limit on credit rating of bonds. As of June 30, 2005, the Project's investments consisted of money market funds which do not carry a credit risk profile rating.

Southern Illinois University Foundation
Carbondale, Illinois

FHA Project No. 072-55010-NP
Evergreen Terrace - Family Housing Phase III

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

3. CASH AND INVESTMENTS - Continued

Interest Rate Risk: Interest rate risk is the risk that the market value of portfolio securities will fall due to an increase in general interest rates. In order to capture the highest yield and the fact a majority of the Foundation's investments have a long time horizon, the Foundation has not set limits on investment maturities. As of June 30, 2005, balances relating to cash and investments amounted to \$ 159,021 and \$ 272,776, respectively; investments consisting of money market funds have a maturity of less than one year.

Concentration of Credit Risk: The Foundation has no limit on the amount the project may invest in any one issuer. As of June 30, 2005, the Foundation did not have more than 5 percent of the Foundation's investments with any one issuer.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2005, the Project's investments consisted of money market funds that were not at risk.

Foreign Currency Risk: As of June 30, 2005, the Project had no foreign investments.

4. MORTGAGE NOTE PAYABLE

The mortgage note payable insured by HUD bears interest at the rate of 3% and is payable in monthly installments of principal and interest of \$ 14,319 through February 1, 2009. Land, buildings and equipment are pledged as collateral for the note.

Changes in the mortgage note payable for the year ended June 30, 2005, were as follows:

<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Amounts due</u> <u>Within one</u> <u>Year</u>
<u>\$ 725,075</u>	<u>\$ -</u>	<u>\$ (152,161)</u>	<u>\$ 572,914</u>	<u>\$ 156,790</u>

The amortization of the note payable required during the next four years is as follows:

<u>Year ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 156,790	\$ 15,043	\$ 171,833
2007	161,558	10,275	171,833
2008	166,472	5,361	171,833
2009	88,094	797	88,891
	<u>\$ 572,914</u>	<u>\$ 31,476</u>	<u>\$ 604,390</u>

Southern Illinois University Foundation
Carbondale, Illinois

FHA Project No. 072-55010-NP
Evergreen Terrace - Family Housing Phase III

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

5. RELATED PARTY TRANSACTIONS

As managing agent, the University collects a fee from the Project which represents the Project's calculated share of overhead costs incurred by the University Housing Office. The charge may not exceed 5% of gross rent collections. The management fee, included in the statement of revenues, expenses and changes in net assets, amounted to \$ 45,430.

In 2005, the University instituted a university service expense charge to recover service related costs from auxiliary units. The University calculates the amount of service costs provided to University Housing as an auxiliary unit. Service costs include charges for accounting services, public safety, bursar, etc. University Housing is responsible for allocating those costs based on expenditures to each Housing unit. For fiscal year 2005, Evergreen Terrace was allocated 5.13% of University Housing service fees. The university service expense for the Project, included in the statement of revenues, expenses and changes in net assets, amounted to \$ 30,204. (Also, see note 7 for an additional related party transaction.)

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

	Balance June 30, 2004	Additions	Retirements	Balance June 30, 2005
Land	\$ 127,600	\$ -	\$ -	\$ 127,600
Land improvements	50,400	-	-	50,400
Buildings	<u>3,983,703</u>	<u>-</u>	<u>-</u>	<u>3,983,703</u>
	4,161,703	-	-	4,161,703
Less accumulated depreciation				
Land improvements	(50,400)	-	-	(50,400)
Buildings	<u>(3,601,932)</u>	<u>(99,593)</u>	<u>-</u>	<u>(3,701,525)</u>
	<u>(3,652,332)</u>	<u>(99,593)</u>	<u>-</u>	<u>(3,751,925)</u>
Total capital assets, net	<u>\$ 509,371</u>	<u>\$ (99,593)</u>	<u>\$ -</u>	<u>\$ 409,778</u>

7. REVENUE BOND FEE

The Board of Trustees of the University will periodically approve the allocation of a portion of its revenue bond fee to Evergreen Terrace Family Housing to fund certain maintenance projects. These allocations are conditioned upon the satisfaction of any prior claims of the funded debt operations of Housing and the Student Center. In its meeting(s) of June 10, 2004, the Board of Trustees of the University approved allocations for the above purpose in the amount(s) of \$ 114,000 for fiscal year 2005. This allocation has been included in grants from SIU.

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NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

8. CONTINGENCY

In 1988, the Foundation received a grant from HUD in the approximate amount of \$ 1.3 million. The Foundation has been informed by HUD that this grant was in fact a loan to be paid back plus interest. The Foundation considers HUD's position to be incorrect and accordingly, has not accrued a liability as of June 30, 2005.

SUPPLEMENTARY INFORMATION

Southern Illinois University Foundation
Carbondale, Illinois

FHA Project No. 072-55010-NP
Evergreen Terrace - Family Housing Phase III

STATEMENT OF FINANCIAL POSITION DATA

June 30, 2005

ASSETS		
CURRENT ASSETS		
1120	Cash-operations	\$ 117,452
1130	Tenants accounts receivable	157,782
1160	Accrued interest	<u>195</u>
	Total current assets	275,429
RESTRICTED DEPOSITS		
1310	Escrow deposits-Hazard insurance	30,306
1320	Replacement reserve	275,541
1340	Residual receipts reserve	<u>8,498</u>
	Total deposits	314,345
PROPERTY AND EQUIPMENT		
1410	Land	178,000
1420	Buildings	3,983,703
1495	Accumulated depreciation	<u>(3,751,925)</u>
	Total fixed assets	<u>409,778</u>
	Total assets	<u><u>\$ 999,552</u></u>
LIABILITIES AND EQUITY/NET ASSETS		
CURRENT LIABILITIES		
2110	Accounts payable-operations	\$ 119,790
2120	Accrued liabilities	21,121
2170	Current portion of mortgage payable	156,790
2210	Prepaid revenue	<u>51,087</u>
	Total current liabilities	348,788
LONG TERM LIABILITIES		
2320	Mortgage payable, less current portion	<u>416,124</u>
	Total long term liabilities	<u>416,124</u>
	Total liabilities	764,912
3130	Total net assets	<u>234,640</u>
	Total liabilities and equity/net assets	<u><u>\$ 999,552</u></u>

Note: This information is presented in the format prescribed by the U.S. Department of Housing and Urban Development.

Southern Illinois University Foundation
Carbondale, Illinois

FHA Project No. 072-55010-NP
Evergreen Terrace - Family Housing Phase III

STATEMENT OF PROFIT AND LOSS

Year ended June 30, 2005

For the month Beginning: July 2004		Ending: June 2005	Project Number: 072-55010-NP	Project Name: Evergreen Terrace-Family Housing
Part I	Description of Account		Acct No.	Amount
Rent Revenue 5100	Rent Revenue - Gross Potential		5120	\$1,617,603
	Tenant Assistance Payments		5121	
	Rent Revenue - Stores and Commercial		5140	
	Garage and Parking Spaces		5170	
	Flexible Subsidy Revenue		5180	
	Misc. Rent Revenue		5190	
	Excess Rent		5191	
	Rent Revenue/ Insurance		5192	
	Special Claims Revenue		5193	
	Retained Excess Income		5194	
	Lease Revenue (Nursing Homes)		5195	
	Total Rent Revenue			
Vacancies 5200	Apartments		5220	\$ (136,685)
	Stores and Commercial		5240	
	Rental Concessions		5250	
	Garage and Parking Space		5270	
	Miscellaneous		5290	
Total Vacancies				\$ (136,685)
Net Rental Revenue (Rent Revenue Less Vacancies)				\$1,480,918
Nursing Homes/Assisted Living/Board & Care Other Elderly Care/Coop/and Other Revenues		5300		
Financial Revenue 5400	Financial Revenue - Project Operations		5410	\$ 2,546
	Revenue from Investments - Residual Receipts		5430	\$ 244
	Revenue from Investments - Replacement Reserve		5440	\$ 7,263
	Revenue from Investments - Miscellaneous		5490	
Total Financial Revenue				\$ 10,053
Other Revenue 5900	Laundry and Vending Revenue		5910	\$ 13,532
	Tenant Charges		5920	\$ 12,129
	Interest Reduction Payments Revenue		5945	
	Expiration of Gift Donor Restrictions		5960	
	Gifts		5970	\$ 114,000
	Miscellaneous Revenue (See Page 20)		5990	\$ 2,487
Total Other Revenue				\$ 142,148
Total Revenue				\$1,633,119
Administrative Expenses 6200/6300	Conventions and Meetings		6203	
	Management Consultants		6204	
	Advertising and Marketing		6210	
	Other Renting Expenses		6250	
	Office Salaries		6310	
	Office Expenses		6311	\$ 4,303
	Office or Model Apartment Rent		6312	
	Management Fee		6320	\$ 45,430
	Manager or Superintendent Salaries		6330	\$ 49,312
	Administrative Rent Free Unit		6331	\$ 11,146
	Legal Expense - Project		6340	
	Audit Expense		6350	
	Bookkeeping Fees/Accounting Services		6351	\$ 7,519
	Bad Debts		6370	\$ 56,002
Misc. Administrative Expenses (See Page 20)		6390	\$ 32,118	
Total Administrative Expenses				\$ 205,830
Utilities Expense 6400	Fuel Oil/Coal		6420	
	Electricity		6450	\$ 198,970
	Water		6451	\$ 96,189
	Gas		6452	\$ 90,467
	Sewer		6453	
Total Utilities Expense				\$ 385,626

Note: This information is presented in the format prescribed by the U.S. Department of Housing and Urban Development.

Southern Illinois University Foundation
Carbondale, Illinois

FHA Project No. 072-55010-NP
Evergreen Terrace - Family Housing Phase III

STATEMENT OF PROFIT AND LOSS - CONTINUED

Year ended June 30, 2005

Operating and Maintenance Expenses 6500	Payroll	6510	\$ 73,424	
	Supplies	6515		
	Contracts	6520	\$ 605,917	
	Operating and Maintenance Rent Free Unit	6521		
	Garbage and Trash Removal	6525	\$ 22,755	
	Security Payroll/Contract	6530		
	Security Rent Free Unit	6531		
	Heating/Cooling Repairs and Maintenance	6546		
	Snow Removal	6548		
	Vehicle and Maintenance Equipment Operation and Repairs	6570	\$ 3,676	
	Misc. Operating and Maintenance Expenses (See Page 20)	6590	\$ 4,500	
	Total Operating and Maintenance Expenses			\$ 710,272
Taxes and Insurance 6700	Real Estate Taxes	6710		
	Payroll Taxes (Project's Share)	6711		
	Property and Liability Insurance (Hazard)	6720	\$ 22,977	
	Fidelity Bond Insurance	6721		
	Workmen's Compensation	6722		
	Health Insurance and Other Employee Benefits	6723		
	Misc. Taxes, Licenses, Permits and Insurance	6790		
Total Taxes and Insurance			\$ 22,977	
Financial Expenses 6800	Interest on Mortgage Payable	6820	\$ 19,669	
	Interest on Notes Payable (Long Term)	6830		
	Interest on Notes Payable (Short Term)	6840		
	Mortgage Insurance Premium/Service Charge	6850		
	Miscellaneous Financial Expenses	6890		
Total Financial Expenses			\$ 19,669	
Elderly & Congregate Service Expenses 6900	Residential Services (Programs for Children)	6900	\$ 79,990	
	Total Service Expenses			\$ 79,990
	Total Cost of Operations before Depreciation			\$ 1,424,364
	Profit (Loss) Before Depreciation			\$ 208,755
	Depreciation Expenses	6600		\$ 99,593
Amortization Expense	6610			
Operating Profit or (Loss)			\$ 109,162	
Corporate or Mortgagor Entity Revenue/ Expenses 7100	Entity Revenue	7105		
	Officer's Salaries	7110		
	Legal Expenses	7120		
	Federal, State and Other Income Taxes	7130		
	Interest Income	7140		
	Interest on Notes Payable	7141		
	Interest on Mortgage Payable	7142		
Other Expense	7190			
Net Entity Expenses				
Profit or Loss (Net Income or Loss)			\$ 109,162	

Part II		
1.	Total principal payments required under the mortgage, even if payments under a Workout Agreement are less or more than those required under the mortgage.	\$ 152,161
2.	Replacement Reserve deposits required by the Regulatory Agreement or Amendments thereto, even if payments may be temporarily suspended or waived.	\$ 33,183
3.	Replacement or Painting Reserve releases which are included as expense items on this Profit and Loss Statement.	\$ -
4.	Project Improvement Reserve releases under the Flexible Subsidy Program that are included as expense items on this Profit and Loss Statement.	\$ -

Note: This information is presented in the format prescribed by the U.S. Department of Housing and Urban Development.

Southern Illinois University Foundation
Carbondale, Illinois

FHA Project No. 072-55010-NP
Evergreen Terrace - Family Housing Phase III

MISCELLANEOUS REVENUE AND EXPENSES

Year Ended June 30, 2005

Miscellaneous Revenue - 5990

Keys	\$ 2,122	
Miscellaneous Sales	<u>365</u>	Residents staying beyond withdrawal date at University.
Total Misc. Revenue	<u>\$ 2,487</u>	

Miscellaneous Administrative Expenses - 6390

Janitorial Supplies	\$ 2,289
Environmental Health and Safety	849
Financial Aid	448
Fire Protection	2,424
Information Technology	9,300
Labor Relations	101
Media & Communications	1,137
Micrographics	363
Public Safety	3,158
Purchasing	1,955
Receiving	326
Student Affairs/Enrollment Management	2,623
Professional Services	5,646
Legal Fees	125
Printing	778
Damage Claims	<u>596</u>
Total Misc. Admin.	<u>\$ 32,118</u>

Miscellaneous Operating and Maintenance Expenses - 6590

Household Furnishings	<u>\$ 4,500</u>
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Note: This information is presented in the format prescribed by the U.S. Department of Housing and Urban Development.

Southern Illinois University Foundation
Carbondale, Illinois

FHA Project No. 072-55010-NP
Evergreen Terrace - Family Housing Phase III

STATEMENT OF CASH FLOWS DATA

Year ended June 30, 2005

Cash Flows from Operating Activities	
Rental receipts	\$ 1,321,144
Interest receipts	10,062
Other receipts	20,352
Administrative	(51,408)
Management fees	(48,137)
Utilities	(377,858)
Salaries and wages	(203,521)
Operating	(30,594)
Maintenance	(591,926)
Insurance	(91)
Payment of HUD statement adjustment	(29)
Interest on mortgage note	(19,672)
Mortgage insurance	(22,886)
	<u>5,436</u>
Net cash provided by operating activities	<u>5,436</u>
Cash Flows from Investing Activities	
Net (deposits to) transfers from renewals and replacements fund	2,205
Transfer from residual receipts fund	40,000
	<u>42,205</u>
Net cash provided by investing activities	<u>42,205</u>
Cash Flows from Noncapital Financing Activities	
Grants from SIU	114,000
	<u>114,000</u>
Net cash provided by noncapital financing activities	<u>114,000</u>
Cash Flows from Capital Financing Activities	
Mortgage principal payments	(152,161)
Net change in restricted deposits	(6,228)
	<u>(158,389)</u>
Net cash used in capital financing activities	<u>(158,389)</u>
Net increase in cash	3,252
Cash - beginning of the year	114,200
Cash - end of year	<u>\$ 117,452</u>
Reconciliation of operating profit to net cash provided by operating activities	
Operating profit	\$ 109,162
Adjustments to reconcile operating profit to net cash provided by operating activities	
Bad debt expense	56,002
Depreciation expense	99,593
Grants from SIU	(114,000)
Changes in assets and liabilities	
Accounts receivable (net)	(110,982)
Accrued interest receivable	9
Accounts payable and accrued liabilities	(8,607)
Due to Southern Illinois University	19,694
Deferred revenue	(45,435)
	<u>5,436</u>
Net cash provided by operating activities	<u>\$ 5,436</u>

Note: This information is presented in the format prescribed by the U.S. Department of Housing and Urban Development.

Southern Illinois University Foundation
Carbondale, Illinois

FHA Project No. 072-55010-NP
Evergreen Terrace - Family Housing Phase III

June 30, 2005

RENEWALS AND REPLACEMENTS

In accordance with the provisions of the regulatory agreement, restricted cash is held in trust by HUD to be used for replacement of property with the approval of HUD as follows:

Balance, July 1, 2004	\$ 277,746
Monthly deposits (\$ 2,765 x 12) including HUD adjustment of \$ 3	33,183
Interest receipts	7,263
Replacement reserve release for interest earnings	<u>(42,651)</u>
Balance, June 30, 2005	<u>\$ 275,541</u>


RESIDUAL RECEIPTS

Balance, July 1, 2004	\$ 48,498
Interest Receipts	244
Residual receipts release to SIU	(40,000)
Interest Transferred to Unrestricted Fund	<u>(244)</u>
Balance, June 30, 2005	<u>\$ 8,498</u>

COMPUTATION OF SURPLUS CASH (DEFICIENCY) AT JUNE 30, 2005

Cash	\$ 117,452
Current Obligations	
Accounts payable due within 30 days	119,790
Accrued expenses (not escrowed)	21,121
Prepaid revenue	<u>51,087</u>
Total Current Obligations	<u>191,998</u>
Surplus Cash (Deficiency)	<u>\$ (74,546)</u>

Note: This information is presented in the format prescribed by the U.S. Department of Housing and Urban Development.

<p>Annual Financial Statement Electronic Submission U.S. Department of Housing and Urban Development Real Estate Assessment Center (REAC)</p>	
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Owner: SOUTHERN ILLINOIS UNIVERSITY
 FOUNDATION

Reporting From: 07/01/2004

FHA/Contract Number(s): 07255010

Reporting To: 06/30/2005

Submission Type: AUD-
 A133

		Assets	
Account	Description		Value
1120	Cash - Operations		\$ 117,452
1130	Tenant/Member Accounts Receivable (Coops)		\$ 157,782
1130N	Net Tenant Accounts Receivable		\$ 157,782
1160	Accounts Receivable - Interest		\$ 195
1100T	Total Current Assets		\$ 275,429
1310	Escrow Deposits		\$ 30,306
1320	Replacement Reserve		\$ 275,541
1340	Residual Receipts Reserve		\$ 8,498
1300T	Total Deposits		\$ 314,345
1410	Land		\$ 178,000
1420	Buildings		\$ 3,983,703
1400T	Total Fixed Assets		\$ 4,161,703
1495	Accumulated Depreciation		\$ 3,751,925
1400N	Net Fixed Assets		\$ 409,778
1000T	Total Assets		\$ 999,552
		Liabilities	
Account	Description		Value
2105	Bank Overdraft - Operations		\$ 0
2110	Accounts Payable - Operations		\$ 119,790
2120	Accrued Wages Payable		\$ 21,121
2170	Mortgage (or Bonds) Payable - First Mortgage (Bonds) (Short Term)		\$ 156,790
2210	Prepaid Revenue		\$ 51,087
2122T	Total Current Liabilities		\$ 348,788
2320	Mortgage (or Bonds) Payable - First Mortgage (or Bonds)		\$ 416,124
2300T	Total Long Term Liabilities		\$ 416,124
2000T	Total Liabilities		\$ 764,912
		Net Assets	
Account	Description		Value

3131	Unrestricted Net Assets	\$ -72,442
3132	Temporarily Restricted Net Assets	\$ 307,082
3130	Total Net Assets	\$ 234,640
2033T	Total Liabilities and Equity/Net Assets	\$ 999,552

Rent Revenue

Account	Description	Value
5120	Rent Revenue - Gross Potential	\$ 1,617,603
5100T	Total Rent Revenue	\$ 1,617,603

Vacancies

Account	Description	Value
5220	Apartments	\$ 136,685
5200T	Total Vacancies	\$ 136,685
5152N	Net Rental Revenue (Rent Revenue Less Vacancies)	\$ 1,480,918

Financial Revenue

Account	Description	Value
5410	Financial Revenue - Project Operations	\$ 2,546
5430	Revenue from Investments - Residual Receipts	\$ 244
5440	Revenue from Investments - Replacement Reserve	\$ 7,263
5400T	Total Financial Revenue	\$ 10,053

Other Revenue

Account	Description	Value
5910	Laundry and Vending Revenue	\$ 13,532
5920	Tenant Charges	\$ 12,129
5970	Gifts	\$ 114,000
5990	Miscellaneous Revenue	\$ 2,487
	Details - Miscellaneous Revenue	
	5990-010 - Description	Keys
	5990-020 - Amount	\$ 2,122
	5990-010 - Description	Miscellaneous Sales
	5990-020 - Amount	\$ 365
5900T	Total Other Revenue	\$ 142,148
5000T	Total Revenue	\$ 1,633,119

Administrative Expenses

Account	Description	Value
6311	Office Expenses	\$ 4,303
6320	Management Fee	\$ 45,430
6330	Manager or Superintendent Salaries	\$ 49,312
6331	Administrative Rent Free Unit	\$ 11,146
6351	Bookkeeping Fees/Accounting Services	\$ 7,519
6370	Bad Debts	\$ 56,002
6390	Miscellaneous Administrative	

Expenses \$ 32,118

Details - Miscellaneous Administrative Expenses

6390-010 - Description	Janitorial Supplies	
6390-020 - Amount	\$ 2,289	
6390-010 - Description	Environmental Health & Safety	
6390-020 - Amount	\$ 849	
6390-010 - Description	Financial Aid	
6390-020 - Amount	\$ 448	
6390-010 - Description	Fire Protection	
6390-020 - Amount	\$ 2,424	
6390-010 - Description	Information Technology	
6390-020 - Amount	\$ 9,300	
6390-010 - Description	Labor Relations	
6390-020 - Amount	\$ 101	
6390-010 - Description	Media & Communications	
6390-020 - Amount	\$ 1,137	
6390-010 - Description	Micrographics	
6390-020 - Amount	\$ 363	
6390-010 - Description	Public Safety	
6390-020 - Amount	\$ 3,158	
6390-010 - Description	Purchasing	
6390-020 - Amount	\$ 1,955	
6390-010 - Description	Receiving	
6390-020 - Amount	\$ 326	
6390-010 - Description	Student Affairs/Enrollment Management	
6390-020 - Amount	\$ 2,623	
6390-010 - Description	Professional Services	
6390-020 - Amount	\$ 5,646	
6390-010 - Description	Legal Fees	
6390-020 - Amount	\$ 125	
6390-010 - Description	Printing	
6390-020 - Amount	\$ 778	
6390-010 - Description	Damage Claims	
6390-020 - Amount	\$ 596	

6263T Total Administrative Expenses \$ 205,830

Utilities Expenses

Account	Description	Value
6450	Electricity	\$ 198,970
6451	Water	\$ 96,189
6452	Gas	\$ 90,467
6400T	Total Utilities Expense	\$ 385,626

Operating & Maintenance Expenses

Account	Description	Value
6510	Payroll	\$ 73,424
6520	Contracts	\$ 605,917
6525	Garbage and Trash Removal	\$ 22,755
6570	Vehicle and Maintenance Equipment Operation and Repairs	\$ 3,676
6590	Miscellaneous Operating and	

	Maintenance Expenses		\$ 4,500
	Details - Miscellaneous Operating and Maintenance Expenses		
	6590-010 - Description	Household Furnishings	
	6590-020 - Amount	\$ 4,500	
6500T	Total Operating and Maintenance Expenses		\$ 710,272
	Taxes & Insurance		
Account	Description		Value
6720	Property & Liability Insurance (Hazard)		\$ 22,977
6700T	Total Taxes and Insurance		\$ 22,977
	Financial Expenses		
Account	Description		Value
6820	Interest on First Mortgage (or Bonds) Payable		\$ 19,669
6800T	Total Financial Expenses		\$ 19,669
	6900 Expenses		
Account	Description		Value
6900	Nursing Homes/Assisted Living/ Board & Care/Other Elderly Care Expenses		\$ 79,990
	Operating Results		
Account	Description		Value
6000T	Total Cost of Operations before Depreciation		\$ 1,424,364
5060T	Profit (Loss) before Depreciation		\$ 208,755
6600	Depreciation Expenses		\$ 99,593
5060N	Operating Profit or (Loss)		\$ 109,162
	Change in Net Assets from Operations		
Account	Description		Value
3247	Change in Unrestricted Net Assets from Operations		\$ 109,162
3250	Change in Total Net Assets from Operations		\$ 109,162
	Part II		
Account	Description		Value
S1000-010	Total first mortgage (or bond) principal payments required during the audit year [12 monthly payments]. This applies to all direct loans, amortizing HUD-helds, and fully insured first mortgages.		\$ 152,161
S1000-020	Total of 12 monthly deposits in the audit year into the Replacement Reserve account, as required by the Regulatory Agreement even if payments may be temporarily suspended or reduced.		\$ 33,183

Equity Data

Account	Description	Value
S1100-060	Previous Year Unrestricted Net Assets	\$ -182,192
3247	Change in Unrestricted Net Assets from Operations	\$ 109,162
S1100-065	Other Changes in Unrestricted Net Assets	\$ 588
3131	Unrestricted Net Assets	\$ -72,442
S1100-070	Previous Year Temporarily Restricted Net Assets	\$ 307,670
S1100-075	Other Changes in Temporarily Restricted Net Assets	\$ -588
3132	Temporarily Restricted Net Assets	\$ 307,082
S1100-050	Previous Year Total Net Assets	\$ 125,478
3250	Change in Total Net Assets from Operations	\$ 109,162
S1100-055	Other Changes in Total Net Assets	\$ 0
Details - Other Changes in Net Assets		
S1100-056 - Description - Other Changes in Total Net Assets None		
S1100-057 - Amount - Other Changes in Total Net Assets \$ 0		
3130	Total Net Assets	\$ 234,640

Cash Flow from Operating Activities

Account	Description	Value
S1200-010	Rental Receipts	\$ 1,321,144
S1200-020	Interest Receipts	\$ 10,062
S1200-030	Other Operating Receipts	\$ 20,352
S1200-040	Total Receipts	\$ 1,351,558
S1200-050	Administrative	\$ -51,408
S1200-070	Management Fee	\$ -48,137
S1200-090	Utilities	\$ -377,858
S1200-100	Salaries and Wages	\$ -203,521
S1200-110	Operating and Maintenance	\$ -622,520
S1200-140	Property Insurance	\$ -91
S1200-170	Other Operating Expenses	\$ -29
S1200-180	Interest on First Mortgage	\$ -19,672
S1200-210	Mortgage Insurance Premium (MIP)	\$ -22,886
S1200-230	Total Disbursements	\$ -1,346,122
S1200-240	Net Cash provided by (used in) Operating Activities	\$ 5,436

Cash Flow from Investing Activities

Account	Description	Value
S1200-250	Net Deposits to the Reserve	

	for Replacement account	\$ 2,205
S1200-260	Net Deposits to the Residual Receipts account	\$ 40,000
S1200-350	Net Cash used in Investing Activities	\$ 42,205

Cash Flow from Financing Activities

Account	Description	Value
S1200-360	Principal Payments - First Mortgage (or Bonds)	\$ -152,161
S1200-450	Other Financing Activities	\$ 107,772
Details - Other Financing Activities		
S1200-451 - Description - Other Financing Activities	Grants from SIU due to cash deficit	
S1200-452 - Amount - Other Financing Activities	\$ 114,000	
S1200-451 - Description - Other Financing Activities	Net change in restricted deposits	
S1200-452 - Amount - Other Financing Activities	\$ -6,228	
S1200-460	Net Cash used in Financing Activities	\$ -44,389
S1200-470	Net increase (decrease) in Cash and Cash Equivalents	\$ 3,252

Cash and Cash Equivalents

Account	Description	Value
S1200-480	Beginning of Period Cash	\$ 114,200
S1200T	End of Period Cash	\$ 117,452

Reconciliation of Net Profit (Loss) to Net Cash Provided by (Used in) Operating Activities

Account	Description	Value
3250	Change in Total Net Assets from Operations	\$ 109,162
Adjustments to Reconcile Net Profit (Loss) to Net Cash Provided by (Used in) Operating Activities		
Account	Description	Value
6600	Depreciation Expenses	\$ 99,593
S1200-490	Decrease (increase) in Tenant/Member Accounts Receivable	\$ -110,982
S1200-510	Decrease (increase) in Accrued Receivable	\$ 9
S1200-540	Increase (decrease) in Accounts Payable	\$ 11,087
S1200-590	Increase (decrease) in Prepaid Revenue	\$ -45,435
S1200-600	Other adjustments to reconcile net profit (loss) to Net Cash provided by (used in) Operating Activities	\$ -57,998
Details - Other adjustments to reconcile net profit (loss) to Net Cash provided by (used in) Operating Activities		

S1200-601 - Description -
 Other adjustments to
 reconcile net profit (loss) to
 Net Cash provided by (used
 in) Operating Activities

Bad debt expense

S1200-602 - Amount - Other
 adjustments to reconcile net
 profit (loss) to Net Cash
 provided by (used in)
 Operating Activities

\$ 56,002

S1200-601 - Description -
 Other adjustments to
 reconcile net profit (loss) to
 Net Cash provided by (used
 in) Operating Activities

Grants from SIU

S1200-602 - Amount - Other
 adjustments to reconcile net
 profit (loss) to Net Cash
 provided by (used in)
 Operating Activities

\$ -114,000

Net Cash provided by (used in) Operating Activities

Account	Description	Value
S1200-610	Net Cash provided by (used in) Operating Activities	\$ 5,436

Notes

Account	Description	Value
S3100-010	Organization and Presentation Note	<p>FINANCIAL REPORTING ENTITY On July 3, 1967, the Federal Housing Administration and the Southern Illinois University Foundation entered into a regulatory agreement for nonprofit and public mortgagors under Section 221 (d) (3) of the National Housing Act, as amended, for the purpose of constructing a 304 unit apartment complex known as the FHA Project No. 072-55010-NP (the Project), Evergreen Terrace. The apartments of the Project are rented to married students, faculty and staff families of Southern Illinois University - Carbondale (the University) who meet low and moderate income requirements as determined by the Commissioner of the Federal Housing Administration. Under the terms of a lease agreement dated August 1, 1978, the University, as lessee, is the managing agent for the Project. The operations of the Project are recorded on the books and records of the University. The plant funds, hazard insurance escrow account, and residual receipt account are maintained on the books and records of the lessor, Southern Illinois University Foundation (the Foundation). All of these activities, when taken together, constitute the reporting entity for</p>

S3100-040 Summary of Significant
Accounting Policies Note

purposes of this report. These financial statements include only that portion of the activities of Southern Illinois University Foundation and Southern Illinois University that is attributable to the transactions of the Project. They do not purport to present the financial statements of either Southern Illinois University Foundation or Southern Illinois University. The Project is not a separate legal entity and, therefore, has not presented management's discussion and analysis. Effective July 1, 2001, the University and the Foundation adopted GASB Statement No. 35, Basic Financial Statements - and Management's Discussion and Analysis - for Public College and Universities; GASB Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and GASB Statement No. 38, Certain Financial Statement Note Disclosures. The financial statement presentation required by GASB Statements Nos. 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, and replaces the fund-group perspective previously required. For financial reporting purposes, the Project is considered a special-purpose government engaged only in business-type activities. Accordingly, the Project's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated. The Project has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Project has elected to not apply FASB pronouncements issued after the applicable date. For purposes of the statements of cash flows, the Project considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents. The Foundation accounts for its investments at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component

of investment income in the statement of revenues, expenses, and changes in net assets. The fair value is determined to be the amount at which financial instruments could be exchanged in a current transaction between willing parties, usually quoted market prices. Also, certain money market investments having a remaining maturity of one year or less at time of purchase and nonnegotiable certificates of deposit with redemption terms that do not consider market rates are carried at amortized cost. Effective July 1, 2004, the Foundation adopted GASB Statement No. 40, Deposit and Investment Risk Disclosures. The objective of this statement is to update the custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing the common risk of deposits and investments. Changes have been made to Note 3, Cash and Investments, to meet the additional disclosure requirements. Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of the donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, 15 years for land improvements and 40 years for buildings. Effective July 1, 1997, the University changed its equipment capitalization policy from \$500 to \$5,000. The Project's net assets are classified as follows: Invested in capital assets, net of related debt: This represents the Project's total investment in capital assets, property, plant, and equipment, net of accumulated depreciation and reduced by outstanding debt obligations related to those capital assets. Restricted - expendable: Restricted-expendable net assets include resources in which the Project is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. Hazard insurance escrow: This account has been established for the mandatory hazard insurance escrow payments to the mortgage trustee. Cash from this account can only be used for the payment of insurance premiums. The monthly transfers to the trustee are adjusted from time to time to reflect actual insurance premiums paid. Residual receipts: The Project's regulatory agreement requires the mortgagor to deposit all surplus cash, if any, as of the end of the fiscal year into a residual receipts account. Cash from this fund may be returned to the Project's operations

when approved by the FHA. Renewals and replacements: This account has been established for the mandatory replacement reserve payments to the mortgage trustee. Cash from this account can only be used for repair or replacement or other construction at the Project when released by the FHA. Unrestricted: Unrestricted net assets represent the accumulated revenues from the Project (including interest and gains and losses on the sale of investments and the residual receipt account) less the related accumulated expenses for operation of the Project. When an expense is incurred that can be paid using either restricted or unrestricted resources, the Project's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. The Project has classified its revenues and expenses as either operating or nonoperating according to the following criteria: Operating: Operating revenues and expenses include activities that have the characteristics of exchange transactions such as rent received from tenants and payments for services rendered. Nonoperating: Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other sources and uses that are defined as nonoperating by GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, such as investment income. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. CASH AND INVESTMENTS The current cash balance of \$117,452 is available for the general operations of the Project and is held by the University as the managing agent. All other cash and investments are restricted and may be expended only when the proper approvals have been obtained from HUD. The carrying amount of the Project's deposits was

\$159,021, while the bank balance was \$173,511. Amounts in excess of the federally insured limit are collateralized by certain assets of the University. The Project has obtained approval from HUD indicating its acceptance of the use of collateral. Credit Risk: Credit risk is the risk of loss due to the failure of the security issuer or backer. The Foundation's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. In order to allow investment managers the ability to opportunistically invest in non-Lehman Aggregate securities such as high yield bonds, the Foundation has not set a limit on credit rating of bonds. As of June 30, 2005, the Project's investments consisted of money market funds which do not carry a credit risk profile rating. Interest Rate Risk: Interest rate risk is the risk that the market value of portfolio securities will fall due to an increase in general interest rates. In order to capture the highest yield and the fact a majority of the Foundation's investments have a long time horizon, the Foundation has not set limits on investment maturities. As of June 30, 2005, balances relating to cash and investments amounted to \$159,021 and \$272,776, respectively; investments consisting of money market funds have a maturity of less than one year. Concentration of Credit Risk: The Foundation has no limit on the amount the project may invest in any one issuer. As of June 30, 2005, the Foundation did not have more than 5 percent of the Foundation's investments with any one issuer. Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2005, the Project's investments consisting of money market funds were not at risk. Foreign Currency Risk: As of June 30, 2005, the Project had no foreign investments. MORTGAGE NOTE PAYABLE The mortgage note payable insured by HUD bears interest at the rate of 3% and is payable in monthly installments of principal and interest of \$14,319 through February 1, 2009. Land, buildings and equipment are pledged as collateral for the note.

Changes in the mortgage note payable for the year ended June 30, 2005, were as follows: Balance June 30, 2004 \$725,075, Additions \$-, Deletions \$(152,161), Balance June 30, 2005 \$572,914, Amounts due Within one Year \$156,790. The amortization of the note payable required during the next four years is as follows: Year ending June 30, 2006, Principal \$156,790, Interest \$15,043, Total \$171,833. Year ending June 30, 2007, Principal \$161,558, Interest \$10,275, Total \$171,833. Year ending June 30, 2008, Principal \$166,472, Interest \$5,361, Total \$171,833. Year ending June 30, 2009, Principal \$88,094, Interest \$797, Total \$88,891. Total Principal \$572,914, Total Interest \$31,476, Total Principal and Interest \$604,390. RELATED PARTY TRANSACTIONS As managing agent, the University collects a fee from the Project which represents the Project's calculated share of overhead costs incurred by the University Housing Office. The charge may not exceed 5% of gross rent collections. The management fee, included in the statement of revenues, expenses and changes in net assets, amounted to \$45,430. In 2005, the University instituted a university service expense charge to recover service related costs from auxiliary units. The University calculates the amount of service costs provided to University Housing as an auxiliary unit. Service costs include charges for accounting services, public safety, bursar, etc. University Housing is responsible for allocating those costs based on expenditures to each Housing unit. For fiscal year 2005, Evergreen Terrace was allocated 5.13% of University Housing service fees. The university service expense for the Project, included in the statement of revenues, expenses and changes in net assets, amounted to \$30,204. (Also, see note 7 for an additional related party transaction.) CAPITAL ASSETS Capital asset activity for the year ended June 30, 2005 was as follows: Land Balance June 30, 2004 and 2005 \$127,600, Land improvements Balance June 30, 2004 and 2005 \$50,400, Buildings Balance June 30, 2004 and 2005 \$3,983,703. Less accumulated depreciation - Land improvements Balance June 30, 2004 and 2005 \$(50,400), Buildings Balance June 30, 2004 \$(3,601,932), Additions \$(99,593), Balance June 30, 2005 \$(3,701,525). Total capital assets, net balance June 30, 2004 \$509,371, Additions \$(99,593), Balance June 30, 2005 \$409,778.

REVENUE BOND FEE The Board of Trustees of the University will periodically approve the allocation of a portion of its revenue bond fee to Evergreen Terrace Family Housing to fund certain maintenance projects. These allocations are conditioned upon the satisfaction of any prior claims of the funded debt operations of Housing and the Student Center. In its meeting(s) of June 10, 2004, the Board of Trustees of the University approved allocations for the above purpose in the amount(s) of \$114,000 for fiscal year 2005. This allocation has been included in grants from SIU.

CONTINGENCY In 1988, the Foundation received a grant from HUD in the approximate amount of \$ 1.3 million. The Foundation has been informed by HUD that this grant was in fact a loan to be paid back plus interest. The Foundation considers HUD's position to be incorrect and accordingly, has not accrued a liability as of June 30, 2005.

Report on the Financial Statement and on the Supplementary Schedule of Federal Awards

Account	Description	Value	
S3400-020	Opinion		UNQUALIFIED
S3400-050	Going Concern" Issue		N

Report on Supplemental Data

Account	Description	Value	
S3400-100	Opinion		UNQUALIFIED

Report on Compliance and on Internal Control over Financial Reporting

Account	Description	Value	
S3500-020	Reportable Conditions Indicator		N
S3500-030	Material Weakness Indicator		N
S3500-040	Material Non-Compliance Indicator		N

Report on Compliance Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Account	Description	Value	
S3600-020	Reportable Conditions Indicator		N
S3600-030	Material Weakness Indicator		N

Schedule of Findings and Questioned Costs

Account	Description	Value	
S3700-010	Indicator - Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133		N
S3700-020	Dollar threshold used to distinguish between type A and type B programs		\$ 300,000

S3700-030 Low-Risk Auditee Indicator N

Schedule of Reserve for Replacement

Account	Description	Value
1320P	Balance at Beginning of Year	\$ 277,746
1320DT	Total Monthly Deposits	\$ 33,183
1320INT	Interest on Replacement Reserve Accounts	\$ 7,263
1320OWT	Other Withdrawals	\$ 42,651
Details - Other Replacement Reserve Withdrawals		
1320OW-010	Description	Replacement reserve release for interest earnings
1320OW-020	Amount	\$ 42,651
1320	Balance at End of Year, Confirmed by Mortgagee	\$ 275,541
1320R	Deposits Suspended or Waived Indicator	N

Schedule of Residual Receipts

Account	Description	Value
1340P	Balance at Beginning of Year	\$ 48,498
1340INT	Interest on Residual Receipt Accounts	\$ 244
1340WT	Approved Withdrawals	\$ 40,000
1340OWT	Other Withdrawals	\$ 244
Details - Other Residual Receipts Withdrawals		
1340OW-010	Description	Interest Transferred to Unrestricted Fund
1340OW-020	Amount	\$ 244
1340	Balance at Current Fiscal Year End	\$ 8,498

Computation of Surplus Cash, Distributions, and Residual Receipts (Annual)

Account	Description	Value
S1300-010	Cash	\$ 117,452
S1300-040	Total Cash	\$ 117,452
S1300-075	Accounts Payable - 30 days	\$ 119,790
S1300-100	Accrued Expenses [not escrowed]	\$ 21,121
2210	Prepaid Revenue	\$ 51,087
S1300-140	Total Current Obligations	\$ 191,998
S1300-150	Surplus Cash (Deficiency)	\$ -74,546
S1300-210	Deposit Due Residual Receipts	\$ 0

Schedule of Changes in Fixed Asset Accounts

Account	Description	Value
1410P	Beginning Balance for 1410	\$ 178,000
1410	Land	\$ 178,000
1420P	Beginning Balance for 1420	\$ 3,983,703
1420	Buildings	\$ 3,983,703
1400PT	Total Beginning Balance for Fixed Assets	\$ 4,161,703
1400T	Total Fixed Assets	\$ 4,161,703
1495P	Beginning Balance for 1495	\$ 3,652,332
6600	Total Provisions	\$ 99,593
1495	Ending Balance for	

1400N	Accumulated Depreciation	\$ 3,751,925
	Total Net Book Value	\$ 409,778

Schedule of 6900 Accounts

Account	Description	Value
6950	Housekeeping Salaries	\$ 79,990

Details - Schedule of Expenditures of Federal Awards

S3300-020	Program Number		1
	S3300-030 - Name of Federal U. S. Department of Housing and Urban Agency	Development	
	S3300-040 - Name of Federal Mortgage Insurance-Rental and Cooperative Program	Housing for Moderate Income Families and Elderly, Market Interest Rate	
	S3300-050 - CFDA Number	14.135	
	S3300-080 - Federal Awards Expended	\$ 572,914	
	S3300-150 - Opinion	UNQUALIFIED	

Schedule of Expenditures of Federal Awards

Account	Description	Value
S3300-500	Total Federal Awards Expended	\$ 572,914
S3300-510	Note to the Schedule	

BASIS OF PRESENTATION The above schedule of expenditures of federal awards includes the federal grant activity of Southern Illinois University Foundation FHA Project No. 072-55010-NP, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Mortgagor's Certification

Account	Description	Value
S2900-010	Narrative	We certify that we have examined the accompanying financial statements and supplemental data of Evergreen Terrace, FHA Project No. 072-55010-NP and, to the best of our knowledge and belief, the same are accurate and complete.
S2900-020	Name of Signatory #1	Bryan Vagner
S2900-025	Title of Certifying Official	Managing Director, SIU Foundation
S2900-030	Name of Signatory #2	Elizabeth Banycky
S2900-040	Auditee Telephone Number	618-453-4900
S2900-050	Date of Certification	03/06/2006
S2900-080	Auditee Name	Southern Illinois University Foundation
S2900-090	Auditee Street Address Line 1	1235 Douglas Drive
S2900-100	Auditee Street Address Line 2	Colyer Hall, Mail Code 6805
S2900-110	Auditee City	Carbondale

S2900-120	Auditee State	Illinois
S2900-130	Auditee Zip Code	62901
S2900-150	Auditee Contact Name	Cynthia M. Ciganovich
S2900-160	Auditee Contact Title	Investment Specialist and Fiduciary Manager
S2900-170	Auditee Contact FAX Number	618-453-2262
S2900-180	Auditee Contact E-mail	ccigano@siu.edu

Managing Agent's Certification

Account	Description	Value
S3000-010	Narrative	I hereby certify that I have examined the accompanying financial statements and supplemental data of Evergreen Terrace, HUD Project No. 072-55010-NP and to the best of my knowledge and belief, the same are accurate and complete.
S3000-020	Name of Managing Agent	Southern Illinois University
S3000-030	Name of Signatory	Dr. Duane Stuckey
S3000-040	Managing Agent TIN	
S3000-050	Name of Property Manager	SIU Treasurer

Auditor's Transmittal Letter

Account	Description	Value
S3200-005	Audit Firm ID (UII)	52960
S3200-010	Audit Firm	Kerber Eck & Braeckel LLP-Springfield
S3200-020	Lead Auditor First Name	Deborah
S3200-030	Lead Auditor Middle Name	J.
S3200-040	Lead Auditor Last Name	Ringer
S3200-045	Auditor Contact Title	Partner
S3200-050	Auditor Street Address Line 1	1 W Old State Capitol Plz
S3200-060	Auditor Street Address Line 2	Suite 1000
S3200-070	Auditor City	Springfield
S3200-080	Auditor State	IL
S3200-090	Auditor Zip Code	62701
S3200-110	Telephone Number	217-789-0960
S3200-120	Audit Firm TIN	
S3200-130	Date of Independent Auditor's Report	09/16/2005
S3200-140	Auditor Contact FAX Number	217-789-2822
S3200-150	Auditor Contact E-mail	debbier@kebcpa.com

- end of statement -

Southern Illinois University Foundation
Carbondale, Illinois

FHA Project No. 072-55010-NP
Evergreen Terrace - Family Housing Phase III

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development Mortgage Insurance-Rental and Cooperative Housing for Moderate Income Families and Elderly, Market Interest Rate	14.135	<u>\$ 572,914</u>

NOTE A - BASIS OF PRESENTATION

The above schedule of expenditures of federal awards includes the federal grant activity of Southern Illinois University Foundation FHA Project No. 072-55010-NP, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Honorable William G. Holland
Auditor General, State of Illinois
and
Board of Directors
Southern Illinois University Foundation

As Special Assistant Auditors for the Auditor General, State of Illinois, we have audited the financial statements of Southern Illinois University Foundation (the "Foundation") - FHA Project No. 072-55010-NP (the "Project") as of and for the year ended June 30, 2005, and have issued our report thereon, dated September 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Project's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project'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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Foundation's Board of Directors and management, the Project's management and the United States Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Kaehler, Eck & Brueschel LLP

Springfield, Illinois
September 16, 2005



Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133

Honorable William G. Holland
Auditor General, State of Illinois
and
Board of Directors
Southern Illinois University Foundation

Compliance

As Special Assistant Auditors for the Auditor General, State of Illinois, we have audited the compliance of Southern Illinois University Foundation (the "Foundation") - FHA Project No. 072-55010-NP (the "Project") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each major federal program for the year ended June 30, 2005. The Project's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Project's management. Our responsibility is to express an opinion on the Project's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Project's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Project's compliance with those requirements.

In our opinion, the Project complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Project is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Project's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Foundation's Board of Directors and management, the Project's management and United States Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Kuhler, Eck & Brantel LLP

Springfield, Illinois
September 16, 2005

Southern Illinois University Foundation
Carbondale, Illinois

FHA Project No. 072-55010-NP
Evergreen Terrace - Family Housing Phase III

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2005

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Reportable condition(s) identified not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? Yes No

Reportable condition(s) identified not considered to be material weaknesses? Yes None reported

Type of auditors’ report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) Yes No

Identification of major program:

CFDA Numbers

Name of Federal Program

14.135

Mortgage Insurance – Rental and Cooperative Housing for Moderate Income Families and Elderly, Market Interest Rate

Dollar threshold used to distinguish between Type A and B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Southern Illinois University Foundation
Carbondale, Illinois

FHA Project No. 072-55010-NP
Evergreen Terrace - Family Housing Phase III

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2005

No findings were reported in the previous year.

Southern Illinois University Foundation
Carbondale, Illinois

FHA Project No. 072-55010-NP
Evergreen Terrace - Family Housing Phase III

SPECIAL ASSISTANT AUDITOR INFORMATION

Year ended June 30, 2005

The Partner for the engagement was Deborah J. Ringer, with the accounting firm of:

Kerber, Eck & Braeckel LLP
1000 Myers Building
Springfield, Illinois 62701
(217) 789-0960

Deborah J. Ringer of Kerber, Eck & Braeckel LLP is a licensed CPA in the states of Illinois and Indiana.

Southern Illinois University Foundation
Carbondale, Illinois

FHA Project No. 072-55010-NP
Evergreen Terrace – Family Housing Phase III

CERTIFICATION OF PROJECT OWNER

Year Ended June 30, 2005

We certify that we have examined the accompanying financial statements and supplemental data of Evergreen Terrace, FHA Project No. 072-55010-NP and, to the best of our knowledge and belief, the same are accurate and complete.

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION

(Name) <u><i>Suzanne Wagner</i></u>	(Name) <u><i>Elizabeth B. B.</i></u>
(Title) <u>Managing Director</u>	(Title) <u>Treasurer</u>
(Date) <u>3/8/06</u>	(Date) <u>3/8/06</u>

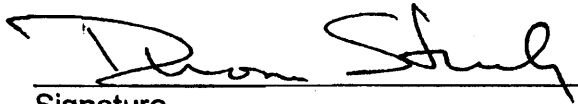
Southern Illinois University Foundation
Carbondale, Illinois

FHA Project No. 072-55010-NP
Evergreen Terrace – Family Housing Phase III

MANAGEMENT AGENT'S CERTIFICATION

I hereby certify that I have examined the accompanying financial statements and supplemental data of Evergreen Terrace, HUD Project No. 072-55010-NP and to the best of my knowledge and belief, the same are accurate and complete.

SOUTHERN ILLINOIS UNIVERSITY
Dr. Duane Stucky, Board Treasurer



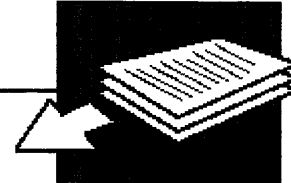
Signature

3-8-06

Date

Annual Financial Statement Electronic Submission

U.S. Department of Housing and Urban Development
Real Estate Assessment Center (REAC)



Project Name	FHA/Contract Number	Date From	Date To
SIU EVERGREEN TERRACE	07255010	07/01/2004	06/30/2005

Submission Warning

Auditor Procedures

Independent Accountant's Report on Applying Agreed-Upon Procedure

We have performed the procedure described in the second paragraph of this report, which was agreed to by SOUTHERN ILLINOIS UNIVERSITY FOUNDATION and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Circular A-133 reporting package. SOUTHERN ILLINOIS UNIVERSITY FOUNDATION is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the chart below.

We were engaged to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, SIU Evergreen Terrace as of and for the year ended 06/30/05, and have issued our report thereon dated 09/16/2005. The information in the "Hard Copy Documents" column was included within the scope or was a by-product of that audit. Further, our opinion on the fair presentation of the supplemental information dated 09/16/2005 was expressed in relation to the basic financial statements of SIU Evergreen Terrace taken as a whole.

A copy of the reporting package required by OMB Circular A-133, which includes the auditor's reports, is available in its entirety from SOUTHERN ILLINOIS UNIVERSITY FOUNDATION. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

This report is intended solely for the information and use of SOUTHERN ILLINOIS UNIVERSITY FOUNDATION and the U.S. Department of Housing and Urban Development, REAC, and is not intended to be and should not be used by anyone other than these specified parties.

PROCEDURE	UFRS RULE INFORMATION	HARD COPY DOCUMENTS	AGREES	DOES NOT
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1	Balance Sheet, Revenue and Expense and Cash Flow data (account numbers 1120 to 7100T and the S1200 series)	Financial Data Templates (i.e. Supplemental Schedules)	<input checked="" type="radio"/>	<input type="radio"/>
2	Surplus Cash (S1300 series accounts) Note: Cooperatives are exempt from submitting surplus cash accounts.	Financial Data Templates (i.e. Computation of Surplus Cash, Distributions, and Residual Receipts - (Annual))	<input checked="" type="radio"/>	<input type="radio"/>
3	Footnotes(S3100 series of accounts)	Footnotes to Audited Basic Financial Statements	<input checked="" type="radio"/>	<input type="radio"/>
4	Type of opinion on the Financial Statement and auditor reports(S3400, S3500 and S3600 series of Accounts)	Auditors's Reports on the Financial Statements, Compliance and Internal Control	<input checked="" type="radio"/>	<input type="radio"/>
5	Type of opinion on Financial Data Templates (i.e. Supplemental Data) (account S3400-100)	Auditor's Supplemental Report on Financial Data Templates	<input checked="" type="radio"/>	<input type="radio"/>
6	Audit findings narrative (S3800 series of accounts)	Schedule of Findings and Questioned Costs	<input checked="" type="radio"/>	<input type="radio"/>
7	General information (S3300, S3700 and S3800 series of accounts)	Schedule of Findings and Questioned Costs and Federal Awards Data	<input checked="" type="radio"/>	<input type="radio"/>

Firm Name Employer Kerber Eck & Braeckel LLP-Springfield
Employer Identification Number
Date 03/06/2006
Attesting Practitioner's First Name Deborah
Attesting Practitioner's Middle Name J.
Attesting Practitioner's Last Name Ringer
Attesting Practitioner's Title Partner
Attesting Practitioner's Telephone 217-789-0960
Attesting Practitioner's Fax 217-789-2822
Attesting Practitioner's E-mail debbier@kebcpa.com

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