



Crowe Chizek and Company LLC
Member Horwath International

Southern Illinois University Foundation
Carbondale, Illinois

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

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

June 30, 2006

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

June 30, 2006

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Southern Illinois University Foundation
Carbondale, Illinois

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

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

June 30, 2006

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Southern Illinois University Foundation
Carbondale, Illinois

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

June 30, 2006

AGENCY OFFICIALS

| | |
|-----------------------|-------------------------|
| Mr. Rickey McCurry | Chief Executive Officer |
| Mr. Jeff Lorber | Director of Development |
| Mr. Bryan Vagner | Managing Director |
| Ms. Elizabeth Banycky | Treasurer |

AGENCY OFFICE LOCATIONS

Southern Illinois University Foundation
Carbondale, Illinois 62901

Southern Illinois University Foundation
School of Medicine
Springfield, Illinois 62702



Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

Honorable William G. Holland
Auditor General, State of Illinois
and the Board of Directors
Southern Illinois University Foundation (at Carbondale)

As Special Assistant Auditors for the Auditor General, 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, 2006, and the related statements of revenue, 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 provide a reasonable basis for our opinion.

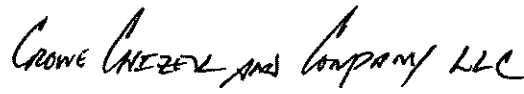
As discussed in Note 1, the financial statements of the Project are intended to present the financial position, and the changes in financial position and in cash flows of only that portion of the activities of Southern Illinois University Foundation and Southern Illinois University that are attributable 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, 2006, 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, 2006, 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 our report dated September 6, 2006, 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 read in conjunction with this report in considering 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 accompanying supplementary information shown on pages 13 to 18, which is required by the U.S. Department of Housing and Urban Development, 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 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 not a required part of the basic financial statements of the Project. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, 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 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.


Crowe Chizek and Company LLC

Chicago, Illinois
September 6, 2006

Southern Illinois University Foundation
Carbondale, Illinois

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

STATEMENT OF NET ASSETS

June 30, 2006

| | |
|--|-------------------|
| ASSETS | |
| Current Assets | |
| Cash and cash equivalents (Note 3) | \$ 179,386 |
| Accounts receivable net of allowance for doubtful accounts | 141,662 |
| Accrued interest receivable | <u>116</u> |
| Total Current Assets | <u>321,164</u> |
| Noncurrent Assets | |
| Cash and cash equivalents (Note 3) | 40,312 |
| Long-term investments (Note 3) | 263,413 |
| Capital assets, net (Note 6) | <u>310,185</u> |
| Total Noncurrent Assets | <u>613,910</u> |
| Total Assets | <u>935,074</u> |
| LIABILITIES | |
| Current Liabilities | |
| Accounts payable | 125,824 |
| Accrued liabilities | 18,162 |
| Deferred revenue | 108,026 |
| Mortgage note payable, current portion (Note 4) | <u>161,558</u> |
| Total Current Liabilities | <u>413,570</u> |
| Noncurrent Liabilities | |
| Mortgage note payable (Note 4) | <u>254,566</u> |
| Total Noncurrent Liabilities | <u>254,566</u> |
| Total Liabilities | <u>668,136</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | (105,939) |
| Restricted for: | |
| Expendable: | |
| Hazard Insurance Escrow | 28,911 |
| Residual Receipts | 8,498 |
| Renewals and Replacements | 246,922 |
| Unrestricted | <u>88,546</u> |
| Total Net Assets | <u>\$ 266,938</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

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For the year ended June 30, 2006

| | |
|---------------------------------|-------------------|
| REVENUE | |
| Operating | |
| Rentals | \$ 1,483,125 |
| Other | <u>39,414</u> |
| Total operating revenue | <u>1,522,539</u> |
| EXPENSES | |
| Operating | |
| Salaries and wages | 198,400 |
| Utilities | 388,733 |
| Maintenance and repairs | 627,832 |
| Administration and other | 234,508 |
| Depreciation (Note 6) | <u>99,593</u> |
| Total operating expenses | <u>1,549,066</u> |
| Operating loss | <u>(26,527)</u> |
| NONOPERATING REVENUE (EXPENSES) | |
| Investment income | 13,868 |
| Interest expense | (15,043) |
| Grants from SIU (Note 7) | <u>60,000</u> |
| Net nonoperating revenue | <u>58,825</u> |
| Increase in net assets | <u>32,298</u> |
| NET ASSETS | |
| Net assets - beginning of year | <u>234,640</u> |
| Net assets - end of year | <u>\$ 266,938</u> |

The accompanying notes are an integral part of this statement.

Southern Illinois University Foundation
Carbondale, Illinois

FHA Project No. 072-055010-NP
Evergreen Terrace - Family Housing Phase III

STATEMENT OF CASH FLOWS

For the year ended June 30, 2006

| | |
|--|-------------------|
| Cash Flows from Operating Activities | |
| Rental receipts | \$ 1,464,124 |
| Other receipts | 30,827 |
| Administrative expenditures | (87,708) |
| Utilities expenditures | (397,496) |
| Salaries and wages expenditures | (201,359) |
| Operating expenditures | (33,977) |
| Maintenance expenditures | (698,144) |
| Insurance expenditures | (83) |
| Mortgage insurance expenditures | <u>(24,015)</u> |
| Net cash provided by operating activities | <u>52,169</u> |
| Cash Flows from Investing Activities | |
| Deposits to renewals and replacements fund | (34,560) |
| Transfers from renewals and replacements fund | 56,054 |
| Interest-operations | 1,731 |
| Interest-residual receipts | <u>85</u> |
| Net cash provided by investing activities | <u>23,310</u> |
| Cash Flows from Noncapital Financing Activities | |
| Grants from SIU | 60,000 |
| Self Insurance Program (Property Coverage) | <u>97,031</u> |
| Net cash provided by noncapital financing activities | <u>157,031</u> |
| Cash Flows from Capital Financing Activities | |
| Mortgage principal payments | (156,790) |
| Interest on mortgage note | <u>(15,043)</u> |
| Net cash used in capital financing activities | <u>(171,833)</u> |
| Net increase in cash | 60,677 |
| Cash - beginning of year | <u>159,021</u> |
| Cash - end of year | <u>\$ 219,698</u> |
| Reconciliation of operating loss to net cash provided by operating activities | |
| Operating loss | \$ (26,527) |
| Adjustments to reconcile operating loss to net cash provided by operating activities | |
| Bad debt expense | 88,981 |
| Depreciation expense | 99,593 |
| Self Insurance Program (Property Coverage) | (97,031) |
| Changes in assets and liabilities | |
| Accounts receivable (net) | (72,861) |
| Accounts payable and accrued liabilities | (4,765) |
| Due to Southern Illinois University | 7,840 |
| Deferred revenue | <u>56,939</u> |
| Net cash provided by operating activities | <u>\$ 52,169</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, 2006

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.

Due to the significance of the financial relationship with the University, in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the State of Illinois stated that the Foundation should be included as a component unit of the University for financial reporting purposes and report under GASB on a stand-alone basis. Accordingly, the Project's financial statements are also reported in accordance with GASB.

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.

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, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 revenue, 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.

Capital assets are recorded at cost at the date of acquisition, or fair 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.

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 revenue 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, 2006

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 revenue and expenses include activities that have the characteristics of exchange transactions such as rent received from tenants and payments for services rendered.
- **Nonoperating:** Nonoperating revenue 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. CASH AND INVESTMENTS

The current cash balance of \$179,386 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 \$219,698, while the bank balance was \$234,197. 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, 2006, 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, 2006

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, 2006, balances relating to cash and investments amounted to \$219,698 and \$263,413, 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, 2006, 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, 2006, the Project's investments consisted of money market funds that were not at risk.

Foreign Currency Risk: As of June 30, 2006, 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, 2006, were as follows:

| <u>Balance</u> <u>June 30, 2005</u> | <u>Additions</u> | <u>Payments</u> | <u>Balance</u> <u>June 30, 2006</u> | <u>Amounts due</u> <u>Within one</u> <u>Year</u> |
|--|------------------|-----------------|--|--|
| \$ 572,914 | \$ - | \$ (156,790) | \$ 416,124 | \$ 161,558 |

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

| <u>Year ending</u> <u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|-------------------|------------------|-------------------|
| 2007 | \$ 161,558 | \$ 10,275 | \$ 171,833 |
| 2008 | 166,472 | 5,361 | 171,833 |
| 2009 | 88,094 | 797 | 88,891 |
| | <u>\$ 416,124</u> | <u>\$ 16,433</u> | <u>\$ 432,557</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, 2006

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 revenue, expenses and changes in net assets, amounted to \$12,413.

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 2006, Evergreen Terrace was allocated 5.13% of University Housing service fees. The university service expense for the Project, included in the statement of revenue, expenses and changes in net assets, amounted to \$60,408. (Also, see note 7 for an additional related party transaction.)

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

| | Balance <u>June 30, 2005</u> | <u>Additions</u> | <u>Retirements</u> | Balance <u>June 30, 2006</u> |
|-------------------------------|---------------------------------|--------------------|--------------------|---------------------------------|
| 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>(3,701,525)</u> | <u>(99,593)</u> | <u>-</u> | <u>(3,801,118)</u> |
| | <u>(3,751,925)</u> | <u>(99,593)</u> | <u>-</u> | <u>(3,851,518)</u> |
| Total capital assets, net | <u>\$ 409,778</u> | <u>\$ (99,593)</u> | <u>\$ -</u> | <u>\$ 310,185</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 July 14, 2005, the Board of Trustees of the University approved allocations for the above purpose in the amount(s) of \$60,000 for fiscal year 2006. This allocation has been included in grants from SIU.

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, 2006

8. CONTINGENCY

In 1988, the Foundation received a grant from HUD in the approximate amount of \$1.3 million. In 2005, the Foundation was informed by HUD that this grant was in fact a loan to be paid back plus interest. The Foundation considered HUD's position to be incorrect and accordingly, did not accrue a liability as of June 30, 2005. In 2006, HUD reversed their ruling and notified the Foundation that the \$1.3 million received in 1988 was indeed a grant and repayment was not required.

SUPPLEMENTAL INFORMATION

Southern Illinois University Foundation
Carbondale, Illinois

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

SCHEDULE OF FINANCIAL POSITION DATA

June 30, 2006

ASSETS

| | | |
|------------------------|----------------------------------|--------------------------|
| CURRENT ASSETS | | |
| 1120 | Cash-operations | \$ 179,386 |
| 1130 | Tenants accounts receivable | 141,662 |
| 1160 | Accrued interest | <u>116</u> |
| | Total current assets | 321,164 |
| RESTRICTED DEPOSITS | | |
| 1310 | Escrow deposits-Hazard insurance | 28,911 |
| 1320 | Replacement reserve | 266,316 |
| 1340 | Residual receipts reserve | <u>8,498</u> |
| | Total deposits | 303,725 |
| PROPERTY AND EQUIPMENT | | |
| 1410 | Land | 178,000 |
| 1420 | Buildings | 3,983,703 |
| 1495 | Accumulated depreciation | <u>(3,851,518)</u> |
| | Total fixed assets | <u>310,185</u> |
| | Total assets | <u><u>\$ 935,074</u></u> |

LIABILITIES AND EQUITY/NET ASSETS

| | | |
|-----------------------|---|--------------------------|
| CURRENT LIABILITIES | | |
| 2110 | Accounts payable-operations | \$ 125,824 |
| 2120 | Accrued liabilities | 18,162 |
| 2170 | Current portion of mortgage payable | 161,558 |
| 2210 | Prepaid revenue | <u>108,026</u> |
| | Total current liabilities | 413,570 |
| LONG TERM LIABILITIES | | |
| 2320 | Mortgage payable, less current portion | <u>254,566</u> |
| | Total long term liabilities | <u>254,566</u> |
| | Total liabilities | 668,136 |
| 3130 | Total net assets | <u>266,938</u> |
| | Total liabilities and equity/net assets | <u><u>\$ 935,074</u></u> |

See accompanying independent auditor's report

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

SCHEDULE OF PROFIT AND LOSS

For the year ended June 30, 2006

| For the month Beginning: | | Ending: | Project Number: | Project Name: |
|--|--|-----------|-----------------|----------------------------------|
| July 2005 | | June 2006 | 072-55010-NP | Evergreen Terrace-Family Housing |
| Part I | Description of Account | | Acct No. | Amount |
| Rent Revenue 5100 | Rent Revenue - Gross Potential | | 5120 | \$1,689,410 |
| | 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 | | | \$1,689,410 |
| Vacancies 5200 | Apartments | | 5220 | (\$206,285) |
| | Stores and Commercial | | 5240 | |
| | Rental Concessions | | 5250 | |
| | Garage and Parking Space | | 5270 | |
| | Miscellaneous | | 5290 | |
| Total Vacancies | | | \$ (206,285) | |
| Net Rental Revenue (Rent Revenue Less Vacancies) | | | \$1,483,125 | |
| Nursing Homes/Assisted Living/Board & Care Other Elderly Care/Coop/and Other Revenues | | 5300 | | |
| Financial Revenue 5400 | Financial Revenue - Project Operations | | 5410 | \$ 1,652 |
| | Revenue from Investments - Residual Receipts | | 5430 | \$ 85 |
| | Revenue from Investments - Replacement Reserve | | 5440 | \$ 12,131 |
| | Revenue from Investments - Miscellaneous | | 5490 | |
| Total Financial Revenue | | | \$ 13,868 | |
| Other Revenue 5900 | Laundry and Vending Revenue | | 5910 | \$ 20,652 |
| | Tenant Charges | | 5920 | \$ 15,765 |
| | Interest Reduction Payments Revenue | | 5945 | |
| | Expiration of Gift Donor Restrictions | | 5960 | |
| | Gifts | | 5970 | \$ 60,000 |
| | Miscellaneous Revenue (See Page 20) | | 5990 | \$ 2,997 |
| Total Other Revenue | | | \$ 99,414 | |
| Total Revenue | | | \$1,596,407 | |
| 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 | \$ 4,674 |
| | Office or Model Apartment Rent | | 6312 | |
| | Management Fee | | 6320 | \$ 12,413 |
| | Manager or Superintendent Salaries | | 6330 | \$ 52,290 |
| | Administrative Rent Free Unit | | 6331 | \$ 11,691 |
| | Legal Expense - Project | | 6340 | |
| | Audit Expense | | 6350 | |
| | Bookkeeping Fees/Accounting Services | | 6351 | \$ 15,039 |
| | Bad Debts | | 6370 | \$ 88,981 |
| Misc. Administrative Expenses (See Page 20) | | 6390 | \$ 77,612 | |
| Total Administrative Expenses | | | \$ 262,700 | |
| Utilities Expense 6400 | Fuel Oil/Coal | | 6420 | |
| | Electricity | | 6450 | \$ 195,384 |
| | Water | | 6451 | \$ 88,509 |
| | Gas | | 6452 | \$ 104,840 |
| | Sewer | | 6453 | |
| Total Utilities Expense | | | \$ 388,733 | |

See accompanying independent auditor's report

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

SCHEDULE OF PROFIT AND LOSS - CONTINUED

For the year ended June 30, 2006

| | | | | |
|---|---|-------------------|------------------|--------------------|
| Operating and Maintenance Expenses 6500 | Payroll | 6510 | \$ 64,388 | |
| | Supplies | 6515 | | |
| | Contracts | 6520 | \$ 592,864 | |
| | Operating and Maintenance Rent Free Unit | 6521 | | |
| | Garbage and Trash Removal | 6525 | \$ 24,606 | |
| | 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 | \$ 3,340 | |
| | Misc. Operating and Maintenance Expenses (See Page 20) | 6590 | \$ 7,022 | |
| | Total Operating and Maintenance Expenses | | | \$ 692,220 |
| | Taxes and Insurance 6700 | Real Estate Taxes | 6710 | |
| Payroll Taxes (Project's Share) | | 6711 | | |
| Property and Liability Insurance (Hazard) | | 6720 | \$ 24,098 | |
| 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 | | | \$ 24,098 | |
| Financial Expenses 6800 | Interest on Mortgage Payable | 6820 | \$ 15,043 | |
| | 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 | | | \$ 15,043 | |
| Elderly & Congregate Service Expenses 6900 | Residential Services (Programs for Children) | 6900 | \$ 81,722 | |
| | Total Service Expenses | | | \$ 81,722 |
| | Total Cost of Operations before Depreciation | | | \$1,464,516 |
| | Profit (Loss) Before Depreciation | | | \$ 131,891 |
| | Depreciation Expenses | 6600 | | \$ 99,593 |
| Corporate or Mortgagor Entity Revenue/ Expenses 7100 | Amortization Expense | 6610 | | |
| | Operating Profit or (Loss) | | | \$ 32,298 |
| | 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) | | | \$ 32,298 | |

| 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. | \$ 156,790 |
| | 2. Replacement Reserve deposits required by the Regulatory Agreement or Amendments thereto, even if payments may be temporarily suspended or waived. | \$ 34,698 |
| | 3. Replacement or Painting Reserve releases which are included as expense items on this Profit and Loss Statement. | \$ 56,054 |
| | 4. Project Improvement Reserve releases under the Flexible Subsidy Program that are included as expense items on this Profit and Loss Statement. | \$ - |

See accompanying independent auditor's report

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

SCHEDULE OF MISCELLANEOUS REVENUE AND EXPENSES

For the year ended June 30, 2006

Miscellaneous Revenue - 5990

| | |
|---------------------|-----------------|
| Keys | \$ 2,837 |
| Printing | 160 |
| Miscellaneous Sales | - |
| Total Misc. Revenue | <u>\$ 2,997</u> |

Miscellaneous Administrative Expenses - 6390

| | |
|---------------------------------------|------------------|
| Janitorial Supplies | \$ 1,366 |
| Environmental Health & Safety | 1,698 |
| Financial Aid | 896 |
| Fire Protection | 4,849 |
| Information Technology | 18,600 |
| Labor Relations | 202 |
| Media & Communications | 2,274 |
| Micrographics | 727 |
| Public Safety | 6,315 |
| Purchasing | 3,910 |
| Receiving | 652 |
| Student Affairs/Enrollment Management | 5,246 |
| Professional Services | 26,570 |
| Legal Fees | 525 |
| Printing | 622 |
| Travel | 180 |
| Equipment | 301 |
| Damage Claims | 2,679 |
| Total Misc. Admin. | <u>\$ 77,612</u> |

Miscellaneous Operating and Maintenance Expenses - 6590

| | |
|-----------------------|-----------------|
| Household Furnishings | <u>\$ 7,022</u> |
|-----------------------|-----------------|

See accompanying independent auditor's report

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. 072-055010-NP
Evergreen Terrace - Family Housing Phase III

SCHEDULE OF CASH FLOWS DATA

For the year ended June 30, 2006

| | |
|---|--------------------------|
| Cash Flows from Operating Activities | |
| Rental receipts | \$ 1,464,124 |
| Interest receipts | 13,947 |
| Other receipts | 30,827 |
| Administrative expenditures | (87,708) |
| Utilities expenditures | (397,496) |
| Salaries and wages expenditures | (201,359) |
| Operating expenditures | (33,977) |
| Maintenance expenditures | (698,144) |
| Insurance expenditures | (83) |
| Interest on mortgage note | (15,043) |
| Mortgage insurance expenditures | <u>(24,015)</u> |
| Net cash provided by operating activities | <u>51,073</u> |
| Cash Flows from Investing Activities | |
| Deposits to renewals and replacements fund | (46,829) |
| Transfers from renewals and replacements fund | <u>56,054</u> |
| Net cash provided by investing activities | <u>9,225</u> |
| Cash Flows from Noncapital Financing Activities | |
| Grants from SIU | 60,000 |
| Self Insurance Program (Property Coverage) | <u>97,031</u> |
| Net cash provided by noncapital financing activities | <u>157,031</u> |
| Cash Flows from Capital Financing Activities | |
| Mortgage principal payments | (156,790) |
| Net change in restricted deposits | <u>1,395</u> |
| Net cash used in capital financing activities | <u>(155,395)</u> |
| Net increase in cash | 61,934 |
| Cash - beginning of year | <u>117,452</u> |
| Cash - end of year | <u><u>\$ 179,386</u></u> |
| Reconciliation of operating profit to | |
| net cash provided by operating activities | |
| Operating profit | \$ 32,298 |
| Adjustments to reconcile operating profit to net cash | |
| provided by operating activities | |
| Bad debt expense | 88,981 |
| Depreciation expense | 99,593 |
| Grants from SIU | (60,000) |
| Self Insurance Program (Property Coverage) | (97,031) |
| Changes in assets and liabilities | |
| Accounts receivable (net) | (72,861) |
| Accrued interest receivable | 79 |
| Accounts payable and accrued liabilities | (4,765) |
| Due to Southern Illinois University | 7,840 |
| Deferred revenue | <u>56,939</u> |
| Net cash provided by operating activities | <u><u>\$ 51,073</u></u> |

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

See accompanying independent auditor's report

Southern Illinois University Foundation
Carbondale, Illinois

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

June 30, 2006

SCHEDULE OF RENEWALS AND REPLACEMENTS, RESIDUAL RECEIPTS,
AND COMPUTATION OF SURPLUS CASH (DEFICIENCY)

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, 2005 | \$ 275,541 |
| Monthly deposits (\$2,765 plus \$2,903 x 11) | 34,698 |
| Interest receipts | 12,131 |
| Replacement reserve releases | <u>(56,054)</u> |
| Balance, June 30, 2006 | <u>\$ 266,316</u> |

RESIDUAL RECEIPTS

| | |
|---|-----------------|
| Balance, July 1, 2005 | \$ 8,498 |
| Interest Receipts | 85 |
| Residual receipts release to SIU | - |
| Interest Transferred to Unrestricted Fund | <u>(85)</u> |
| Balance, June 30, 2006 | <u>\$ 8,498</u> |

COMPUTATION OF SURPLUS CASH (DEFICIENCY) AT JUNE 30, 2006

| | |
|-------------------------------------|--------------------|
| Cash | \$ 179,386 |
| Current Obligations | |
| Accounts payable due within 30 days | 125,824 |
| Accrued expenses (not escrowed) | 18,162 |
| Prepaid revenue | <u>108,026</u> |
| Total Current Obligations | <u>252,012</u> |
| Surplus Cash (Deficiency) | <u>\$ (72,626)</u> |

See accompanying independent auditor's report

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

Southern Illinois University Foundation
(at Carbondale)

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2006

| <u>Federal Grantor/ Program or Cluster 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 (Balance of loan outstanding is \$416,124) | 14.135 | \$ <u> </u> - |

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southern Illinois University Foundation FHA Project No. 072-55010-NP, for the year ended June 30, 2006 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 financial statements.

NOTE 2 - MORTGAGE NOTE

The mortgage note with the U.S. Department of Housing and Urban Development was executed in July, 1967. The original amount of the mortgage was \$4,000,000.



Crowe Chizek and Company LLC
Member Horwath International

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 The Board of Directors
Southern Illinois University Foundation (at Carbondale)

As Special Assistant Auditors for the Auditor General, State of Illinois, we have audited the financial statements of Southern Illinois University Foundation (at Carbondale) – FHA Project No. 072-55010-NP (the “Project”) as of and for the year ended June 30, 2006 and have issued our report thereon dated September 6, 2006. 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

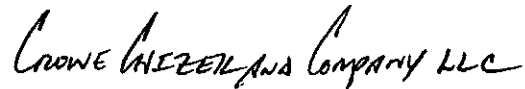
In planning and performing our audit, we considered the Project’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. 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.


Crowe Chizek and Company LLC

Chicago, Illinois
September 6, 2006



Crowe Chizek and Company LLC
Member Horwath International

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable William G. Holland
Auditor General, State of Illinois
and the Board of Directors
Southern Illinois University Foundation (at Carbondale)

Compliance

As Special Assistant Auditors for the Auditor General, we have audited the compliance of Southern Illinois University Foundation (at Carbondale) – 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 its major federal program for the year ended June 30, 2006. The Project’s major federal program is identified in the summary of auditor’s 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 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 on 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, 2006.

Internal Control Over Compliance

The management of the Project is responsible for establishing and maintaining effective internal control over compliance with 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 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 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 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 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.


Crowe Chizek and Company LLC

Chicago, Illinois
September 6, 2006

Southern Illinois University Foundation
(at Carbondale)

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2006

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Type of auditors' report issued: Unqualified

Internal control over financial reporting:
Material weakness(es) identified? ___ yes X no
Reportable condition(s) identified that are not
considered to be material weaknesses? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? ___ yes X no
Reportable condition(s) identified that are not
considered to be material weaknesses? ___ yes X none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to reported
In accordance with section 510(a) of Circular A-133 ___ yes X no

Identification of major programs:

CFDA 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 type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes ___ no

SECTION 2 - FINANCIAL STATEMENT FINDINGS

None

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

Southern Illinois University Foundation
(at Carbondale)

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

SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS

June 30, 2006

No findings were reported in the prior audit period.

Southern Illinois University Foundation
(at Carbondale)

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

June 30, 2006

INFORMATION ON INDEPENDENT AUDITOR

| | |
|-------------------|--|
| Audit Executive: | Stuart Miller, CPA |
| Office Address: | Crowe Chizek and Company LLC 70 West Madison Street, Suite 700 Chicago, Illinois 60602 |
| Telephone Number: | (312) 345-5000 |

Southern Illinois University Foundation
(at Carbondale)

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

CERTIFICATION OF PROJECT OWNER

June 30, 2006

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 is complete and accurate

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION

| | |
|-------------------------------------|--|
| (Name) <u><i>Suzanne Wagner</i></u> | (Name) <u><i>Ed P. [Signature]</i></u> |
| (Title) <u>Managing Director</u> | (Title) <u>Treasurer</u> |
| (Date) <u>10/3/06</u> | (Date) <u>10/3/06</u> |

Southern Illinois University Foundation
(at Carbondale)

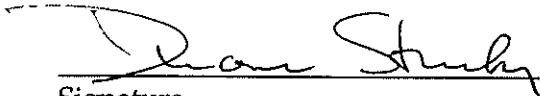
FHA Project No. 072-55010-NP
Evergreen Terrace – Family Housing Phase III

MANAGEMENT AGENT'S CERTIFICATION

June 30, 2006

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

SOUTHERN ILLINOIS UNIVERSITY
Dr. Duane Stucky, Board Treasurer


Signature

10.3.06
Date

Southern Illinois University Foundation
Carbondale, Illinois

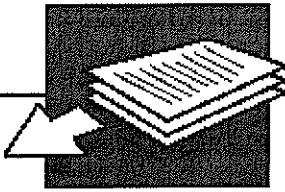
FHA Project No. 072-55010-NP
Evergreen Terrace – Family Housing Phase III

ADDITIONAL INFORMATION

June 30, 2006

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| INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED UPON PROCEDURES | 18 |

| | |
|--|---|
| <p>Annual Financial Statement Electronic Submission U.S. Department of Housing and Urban Development Real Estate Assessment Center (REAC)</p> |  |
|--|---|

Owner: SOUTHERN ILLINOIS UNIVERSITY
 FOUNDATION

TIN:

Reporting From: 07/01/2005

Reporting To: 06/30/2006

FHA/Contract Number(s): 07255010

Submission Type: AUD-
 A133

| Account | Description | Assets | Value |
|---------|--|--------|--------------|
| 1120 | Cash - Operations | | \$ 179,386 |
| 1130 | Tenant/Member Accounts Receivable (Coops) | | \$ 141,662 |
| 1130N | Net Tenant Accounts Receivable | | \$ 141,662 |
| 1160 | Accounts Receivable - Interest | | \$ 116 |
| 1100T | Total Current Assets | | \$ 321,164 |
| 1310 | Escrow Deposits | | \$ 28,911 |
| 1320 | Replacement Reserve | | \$ 266,316 |
| 1340 | Residual Receipts Reserve | | \$ 8,498 |
| 1300T | Total Deposits | | \$ 303,725 |
| 1410 | Land | | \$ 178,000 |
| 1420 | Buildings | | \$ 3,983,703 |
| 1400T | Total Fixed Assets | | \$ 4,161,703 |
| 1495 | Accumulated Depreciation | | \$ 3,851,518 |
| 1400N | Net Fixed Assets | | \$ 310,185 |
| 1000T | Total Assets | | \$ 935,074 |

| Account | Description | Liabilities | Value |
|---------|---|-------------|------------|
| 2105 | Bank Overdraft - Operations | | \$ 0 |
| 2110 | Accounts Payable - Operations | | \$ 125,824 |
| 2120 | Accrued Wages Payable | | \$ 18,162 |
| 2170 | Mortgage (or Bonds) Payable - First Mortgage (Bonds) (Short Term) | | \$ 161,558 |
| 2210 | Prepaid Revenue | | \$ 108,026 |
| 2122T | Total Current Liabilities | | \$ 413,570 |
| 2320 | Mortgage (or Bonds) Payable - First Mortgage (or Bonds) | | \$ 254,566 |
| 2300T | Total Long Term Liabilities | | \$ 254,566 |
| 2000T | Total Liabilities | | \$ 668,136 |

| Account | Description | Net Assets | Value |
|---------|-------------|------------|-------|
|---------|-------------|------------|-------|

| | | |
|-------|---|------------|
| 3131 | Unrestricted Net Assets | \$ -17,393 |
| 3132 | Temporarily Restricted Net Assets | \$ 284,331 |
| 3130 | Total Net Assets | \$ 266,938 |
| 2033T | Total Liabilities and Equity/Net Assets | \$ 935,074 |

Rent Revenue

| Account | Description | Value |
|---------|--------------------------------|--------------|
| 5120 | Rent Revenue - Gross Potential | \$ 1,689,410 |
| 5100T | Total Rent Revenue | \$ 1,689,410 |

Vacancies

| Account | Description | Value |
|---------|--|--------------|
| 5220 | Apartments | \$ 206,285 |
| 5200T | Total Vacancies | \$ 206,285 |
| 5152N | Net Rental Revenue (Rent Revenue Less Vacancies) | \$ 1,483,125 |

Financial Revenue

| Account | Description | Value |
|---------|--|-----------|
| 5410 | Financial Revenue - Project Operations | \$ 1,652 |
| 5430 | Revenue from Investments - Residual Receipts | \$ 85 |
| 5440 | Revenue from Investments - Replacement Reserve | \$ 12,131 |
| 5400T | Total Financial Revenue | \$ 13,868 |

Other Revenue

| Account | Description | Value |
|---------|--|--------------|
| 5910 | Laundry and Vending Revenue | \$ 20,652 |
| 5920 | Tenant Charges | \$ 15,765 |
| 5970 | Gifts | \$ 60,000 |
| 5990 | Miscellaneous Revenue | \$ 2,997 |
| | Details - Miscellaneous Revenue | |
| | 5990-010 - Description Keys | |
| | 5990-020 - Amount \$ 2,837 | |
| | 5990-010 - Description Printing | |
| | 5990-020 - Amount \$ 160 | |
| 5900T | Total Other Revenue | \$ 99,414 |
| 5000T | Total Revenue | \$ 1,596,407 |

Administrative Expenses

| Account | Description | Value |
|---------|--------------------------------------|-----------|
| 6311 | Office Expenses | \$ 4,674 |
| 6320 | Management Fee | \$ 12,413 |
| 6330 | Manager or Superintendent Salaries | \$ 52,290 |
| 6331 | Administrative Rent Free Unit | \$ 11,691 |
| 6351 | Bookkeeping Fees/Accounting Services | \$ 15,039 |
| 6370 | Bad Debts | \$ 88,981 |
| 6390 | Miscellaneous Administrative | |

Expenses \$ 77,612

Details - Miscellaneous Administrative Expenses

| | |
|------------------------|---------------------------------------|
| 6390-010 - Description | Janitorial Supplies |
| 6390-020 - Amount | \$ 1,366 |
| 6390-010 - Description | Environmental Health & Safety |
| 6390-020 - Amount | \$ 1,698 |
| 6390-010 - Description | Financial Aid |
| 6390-020 - Amount | \$ 896 |
| 6390-010 - Description | Fire Protection |
| 6390-020 - Amount | \$ 4,849 |
| 6390-010 - Description | Information Technology |
| 6390-020 - Amount | \$ 18,600 |
| 6390-010 - Description | Labor Relations |
| 6390-020 - Amount | \$ 202 |
| 6390-010 - Description | Media & Communications |
| 6390-020 - Amount | \$ 2,274 |
| 6390-010 - Description | Micrographics |
| 6390-020 - Amount | \$ 727 |
| 6390-010 - Description | Public Safety |
| 6390-020 - Amount | \$ 6,315 |
| 6390-010 - Description | Purchasing |
| 6390-020 - Amount | \$ 3,910 |
| 6390-010 - Description | Receiving |
| 6390-020 - Amount | \$ 652 |
| 6390-010 - Description | Student Affairs/Enrollment Management |
| 6390-020 - Amount | \$ 5,246 |
| 6390-010 - Description | Professional Services |
| 6390-020 - Amount | \$ 26,570 |
| 6390-010 - Description | Legal Fees |
| 6390-020 - Amount | \$ 525 |
| 6390-010 - Description | Printing |
| 6390-020 - Amount | \$ 622 |
| 6390-010 - Description | Travel |
| 6390-020 - Amount | \$ 180 |
| 6390-010 - Description | Equipment |
| 6390-020 - Amount | \$ 301 |
| 6390-010 - Description | Damage Claims |
| 6390-020 - Amount | \$ 2,679 |

6263T Total Administrative Expenses \$ 262,700

Utilities Expenses

| Account | Description | Value |
|---------|-------------------------|------------|
| 6450 | Electricity | \$ 195,384 |
| 6451 | Water | \$ 88,509 |
| 6452 | Gas | \$ 104,840 |
| 6400T | Total Utilities Expense | \$ 388,733 |

Operating & Maintenance Expenses

| Account | Description | Value |
|---------|---------------------------|------------|
| 6510 | Payroll | \$ 64,388 |
| 6520 | Contracts | \$ 592,864 |
| 6525 | Garbage and Trash Removal | \$ 24,606 |

| | | | |
|----------------|---|-----------------------|--------------|
| 6570 | Vehicle and Maintenance Equipment Operation and Repairs | | \$ 3,340 |
| 6590 | Miscellaneous Operating and Maintenance Expenses | | \$ 7,022 |
| | Details - Miscellaneous Operating and Maintenance Expenses | | |
| | 6590-010 - Description | Household Furnishings | |
| | 6590-020 - Amount | \$ 7,022 | |
| 6500T | Total Operating and Maintenance Expenses | | \$ 692,220 |
| | Taxes & Insurance | | |
| Account | Description | | Value |
| 6720 | Property & Liability Insurance (Hazard) | | \$ 24,098 |
| 6700T | Total Taxes and Insurance | | \$ 24,098 |
| | Financial Expenses | | |
| Account | Description | | Value |
| 6820 | Interest on First Mortgage (or Bonds) Payable | | \$ 15,043 |
| 6800T | Total Financial Expenses | | \$ 15,043 |
| | 6900 Expenses | | |
| Account | Description | | Value |
| 6900 | Nursing Homes/Assisted Living/ Board & Care/Other Elderly Care Expenses | | \$ 81,722 |
| | Operating Results | | |
| Account | Description | | Value |
| 6000T | Total Cost of Operations before Depreciation | | \$ 1,464,516 |
| 5060T | Profit (Loss) before Depreciation | | \$ 131,891 |
| 6600 | Depreciation Expenses | | \$ 99,593 |
| 5060N | Operating Profit or (Loss) | | \$ 32,298 |
| | Change in Net Assets from Operations | | |
| Account | Description | | Value |
| 3247 | Change in Unrestricted Net Assets from Operations | | \$ 32,298 |
| 3250 | Change in Total Net Assets from Operations | | \$ 32,298 |
| | Part II | | |
| Account | Description | | Value |
| S1000-010 | Total first mortgage (or bond) principal payments required during the audit period (usually 12 months). This applies to all direct loans, HUD-held and HUD-insured first mortgages. | | \$ 156,790 |
| S1000-020 | The total of all monthly reserve for replacement deposits (usually 12 months) | | |

| | | |
|-----------|--|-----------|
| | required during the audit period even if deposits have been temporarily waived or suspended. | \$ 34,698 |
| S1000-030 | Replacement Reserves, or Residual Receipts and Releases which are included as expense items on this Profit and Loss statement. | \$ 56,054 |

Equity Data

| Account | Description | Value |
|-----------|---|------------|
| S1100-060 | Previous Year Unrestricted Net Assets | \$ -72,442 |
| 3247 | Change in Unrestricted Net Assets from Operations | \$ 32,298 |
| S1100-065 | Other Changes in Unrestricted Net Assets | \$ 22,751 |
| 3131 | Unrestricted Net Assets | \$ -17,393 |
| S1100-070 | Previous Year Temporarily Restricted Net Assets | \$ 307,082 |
| S1100-075 | Other Changes in Temporarily Restricted Net Assets | \$ -22,751 |
| 3132 | Temporarily Restricted Net Assets | \$ 284,331 |
| S1100-050 | Previous Year Total Net Assets | \$ 234,640 |
| 3250 | Change in Total Net Assets from Operations | \$ 32,298 |
| 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 | \$ 266,938 |

Cash Flow from Operating Activities

| Account | Description | Value |
|-----------|----------------------------|--------------|
| S1200-010 | Rental Receipts | \$ 1,464,124 |
| S1200-020 | Interest Receipts | \$ 13,947 |
| S1200-030 | Other Operating Receipts | \$ 30,827 |
| S1200-040 | Total Receipts | \$ 1,508,898 |
| S1200-050 | Administrative | \$ -87,708 |
| S1200-090 | Utilities | \$ -397,496 |
| S1200-100 | Salaries and Wages | \$ -201,359 |
| S1200-110 | Operating and Maintenance | \$ -732,121 |
| S1200-140 | Property Insurance | \$ -83 |
| S1200-180 | Interest on First Mortgage | \$ -15,043 |
| S1200-210 | Mortgage Insurance Premium | |

| | | |
|-----------|---|---------------|
| | (MIP) | \$ -24,015 |
| S1200-230 | Total Disbursements | \$ -1,457,825 |
| S1200-240 | Net Cash provided by (used in) Operating Activities | \$ 51,073 |

Cash Flow from Investing Activities

| Account | Description | Value |
|-----------|---|----------|
| S1200-250 | Net Deposits to the Reserve for Replacement account | \$ 9,225 |
| S1200-260 | Net Deposits to the Residual Receipts account | \$ 0 |
| S1200-350 | Net Cash used in Investing Activities | \$ 9,225 |

Cash Flow from Financing Activities

| Account | Description | Value |
|-----------|--|-------------|
| S1200-360 | Principal Payments - First Mortgage (or Bonds) | \$ -156,790 |
| S1200-450 | Other Financing Activities | \$ 158,426 |

Details - Other Financing Activities

| | | |
|--|--|-----------|
| S1200-451 - Description - Other Financing Activities | Grants from Slu due to cash deficit | |
| S1200-452 - Amount - Other Financing Activities | \$ 60,000 | |
| S1200-451 - Description - Other Financing Activities | Self Insurance Program (Property Coverage) | |
| S1200-452 - Amount - Other Financing Activities | \$ 97,031 | |
| S1200-451 - Description - Other Financing Activities | Net change in restricted deposits | |
| S1200-452 - Amount - Other Financing Activities | \$ 1,395 | |
| S1200-460 | Net Cash used in Financing Activities | \$ 1,636 |
| S1200-470 | Net increase (decrease) in Cash and Cash Equivalents | \$ 61,934 |

Cash and Cash Equivalents

| Account | Description | Value |
|-----------|--------------------------|------------|
| S1200-480 | Beginning of Period Cash | \$ 117,452 |
| S1200T | End of Period Cash | \$ 179,386 |

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 | \$ 32,298 |

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 | \$ -72,861 |
| S1200-510 | Decrease (increase) in | |

| | | |
|-----------|---|------------|
| | Accrued Receivable | \$ 79 |
| S1200-540 | Increase (decrease) in Accounts Payable | \$ 3,075 |
| S1200-590 | Increase (decrease) in Prepaid Revenue | \$ 56,939 |
| S1200-600 | Other adjustments to reconcile net profit (loss) to Net Cash provided by (used in) Operating Activities | \$ -68,050 |

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
 \$ 88,981

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
 \$ -60,000

S1200-601 - Description -

Other adjustments to reconcile net profit (loss) to Net Cash provided by (used in) Operating Activities
 Self Insurance Program (Property Coverage)

S1200-602 - Amount - Other adjustments to reconcile net profit (loss) to Net Cash provided by (used in) Operating Activities
 \$ -97,031

Net Cash provided by (used in) Operating Activities

| Account | Description | Value |
|-----------|---|-----------|
| S1200-610 | Net Cash provided by (used in) Operating Activities | \$ 51,073 |

Notes

| Account | Description | Notes | Value |
|-----------|------------------------------------|--|-------|
| S3100-010 | Organization and Presentation Note | 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 | |

S3100-040 Summary of Significant
Accounting Policies Note

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.

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. Due to the significance of the financial relationship with the University, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity and GASB Statement No. 39,

Determining Whether Certain Organizations are Component Units, the State of Illinois stated that the Foundation should be included as a component unit of the University for financial reporting purposes and report under GASB on a stand-alone basis. Accordingly, the Project's financial statements are also reported in accordance with GASB. 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 revenue, 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. Capital assets are recorded at cost at the date of acquisition, or fair 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. 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 revenue 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 revenue and expenses include activities that have the characteristics of exchange transactions such as rent received from tenants and payments for services rendered. Nonoperating: Nonoperating revenue 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND INVESTMENTS The current cash balance of \$179,386 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 \$219,698, while the bank balance was \$234,197. 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, 2006, 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, 2006, balances relating to cash and investments amounted to \$219,698 and \$263,413, 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, 2006, 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, 2006, the Project's investments consisted of money market funds that were not at risk.

Foreign Currency Risk: As of June 30, 2006, 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, 2006, were as follows: Balance June 30, 2005 \$572,914, Additions \$-, Payments \$(156,790), Balance June 30, 2006 \$416,124, Amounts due Within one Year \$161,558. The amortization of the note payable required during the next three years is as follows: 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 \$416,124, Total Interest \$16,433, Total Principal and Interest \$432,557.

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 revenue, expenses and changes in net assets, amounted to \$12,413. 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 2006, Evergreen Terrace was allocated 5.13% of University Housing service fees. The university service expense for the Project, included in the statement of revenue, expenses and changes in net assets, amounted to \$60,408. (Also, see note 7 for an additional related party transaction.)

CAPITAL ASSETS Capital asset activity for the year ended June 30, 2006 was as follows: Land Balance June 30, 2005 and 2006 \$127,600, Land improvements Balance June 30, 2005 and 2006 \$50,400, Buildings Balance June 30, 2005 and 2006 \$3,983,703. Less accumulated depreciation - Land improvements Balance June 30, 2005 and 2006 \$(50,400), Buildings Balance June 30, 2005 and 2006 \$(3,701,525), Additions \$(99,593), Balance June 30, 2006 \$(3,801,118). Total capital assets, net balance Balance June 30, 2005 \$409,778, Additions \$(99,593), Balance June 30, 2006 \$310,185.

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 July 14, 2005, the Board of Trustees of the University approved allocations for the above purpose in the amount(s) of \$60,000 for fiscal year 2006. 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. In 2005, the Foundation was informed by HUD that this grant was in fact a loan to be paid back plus interest. The Foundation considered HUD's position to be incorrect and accordingly, did not accrue a liability as of June 30, 2005. In 2006, HUD reversed their ruling and notified the Foundation that the \$1.3 million received in 1988 was indeed a grant and repayment was not required.

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 | Significant Deficiencies 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 | Significant Deficiencies 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 | | Y |
| Schedule of Reserve for Replacement | | | |
| Account | Description | Value | |
| 1320P | Balance at Beginning of Year | \$ 275,541 | |
| 1320DT | Total Monthly Deposits | \$ 34,698 | |
| 1320INT | Interest on Replacement Reserve Accounts | \$ 12,131 | |
| 1320OWT | Other Withdrawals | \$ 56,054 | |
| Details - Other Replacement Reserve Withdrawals | | | |
| 1320OW-010 | Description | Replacement reserve releases | |
| 1320OW-020 | Amount | \$ 56,054 | |
| 1320 | Balance at End of Year, Confirmed by Mortgagee | \$ 266,316 | |
| 1320R | Deposits Suspended or Waived Indicator | | N |
| Schedule of Residual Receipts | | | |
| Account | Description | Value | |
| 1340P | Balance at Beginning of Year | \$ 8,498 | |
| 1340INT | Interest on Residual Receipt Accounts | \$ 85 | |
| 1340OWT | Other Withdrawals | \$ 85 | |
| Details - Other Residual Receipts Withdrawals | | | |
| 1340OW-010 | Description | Interest Transferred to Unrestricted Fund | |
| 1340OW-020 | Amount | \$ 85 | |
| 1340 | Balance at Current Fiscal Year End | \$ 8,498 | |
| Computation of Surplus Cash, Distributions, and Residual Receipts (Annual) | | | |
| Account | Description | Value | |
| S1300-010 | Cash | \$ 179,386 | |

| | | |
|-----------|---------------------------------|------------|
| S1300-040 | Total Cash | \$ 179,386 |
| S1300-075 | Accounts Payable - 30 days | \$ 125,824 |
| S1300-100 | Accrued Expenses [not escrowed] | \$ 18,162 |
| 2210 | Prepaid Revenue | \$ 108,026 |
| S1300-140 | Total Current Obligations | \$ 252,012 |
| S1300-150 | Surplus Cash (Deficiency) | \$ -72,626 |
| 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 | \$ 3,751,925 |
| 6600 | Total Provisions | \$ 99,593 |
| 1495 | Ending Balance for Accumulated Depreciation | \$ 3,851,518 |
| 1400N | Total Net Book Value | \$ 310,185 |

Schedule of 6900 Accounts

| Account | Description | Value |
|----------------|-----------------------|--------------|
| 6950 | Housekeeping Salaries | \$ 81,722 |

Details - Schedule of Expenditures of Federal Awards

| | | | |
|-----------|-------------------------------------|--|---|
| S3300-020 | Program Number | | 1 |
| | S3300-030 - Name of Federal Agency | U.S. Department of Housing and Urban Development | |
| | S3300-040 - Name of Federal Program | Mortgage Insurance-Rental and Cooperative Housing for Moderate Income Families and Elderly, Market Interest Rate | |
| | S3300-050 - CFDA Number | 14.135 | |
| | S3300-080 - Federal Awards Expended | \$ 416,124 | |
| | S3300-150 - Opinion | UNQUALIFIED | |

Schedule of Expenditures of Federal Awards

| Account | Description | Value |
|----------------|-------------------------------|--------------|
| S3300-500 | Total Federal Awards Expended | \$ 416,124 |

S3300-510 Note to the Schedule

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southern Illinois University Foundation FHA Project No. 072-55010-NP, for the year ended June 30, 2006 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 Government, and Non-Profit Organizations. Therefore, some amounts

presented in this schedule may differ from amounts presented in, or used in the preparation of, the 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 is complete and accurate. |
| 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 | 10/03/2006 |
| 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, FHA Project No. 072-55010-NP and, to the best of my knowledge and belief, the same is complete and accurate. |
| 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

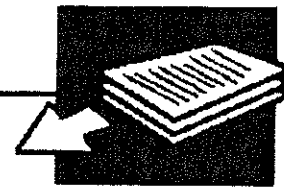
| Account | Description | Value |
|-----------|-------------------------------|--|
| S3200-005 | Audit Firm ID (UII) | 54101 |
| S3200-010 | Audit Firm | Crowe Chizek and Company LLC |
| S3200-020 | Lead Auditor First Name | Pete |
| S3200-030 | Lead Auditor Middle Name | A. |
| S3200-040 | Lead Auditor Last Name | Ugo |
| S3200-045 | Auditor Contact Title | Senior Manager |
| S3200-050 | Auditor Street Address Line 1 | 3815 River Crossing Parkway, Suite 300 |
| S3200-070 | Auditor City | Indianapolis |
| S3200-080 | Auditor State | IN |

| | | |
|-----------|--------------------------------------|----------------------|
| S3200-090 | Auditor Zip Code | 46240 |
| S3200-100 | Auditor Zip Code Extension | 0977 |
| S3200-110 | Telephone Number | 317-208-2509 |
| S3200-130 | Date of Independent Auditor's Report | 09/06/2006 |
| S3200-140 | Auditor Contact FAX Number | 317-706-2660 |
| S3200-150 | Auditor Contact E-mail | pugo@crowechizek.com |

- end of statement -

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 | 07/01/2005 | 06/30/2006 |

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*, Crowe Chizek and Company LLC as of and for the year ended 06/30/06, and have issued our report thereon dated 09/06/2006. 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 09/06/2006 was expressed in relation to the basic financial statements of Crowe Chizek and Company LLC 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 |
|-----------|--------------------------|------------------------|--------|-------------|
|-----------|--------------------------|------------------------|--------|-------------|

AGREE

- | | | | | |
|---|--|--|----------------------------------|-----------------------|
| 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 **Crowe Chizek and Company LLC**

Employer Identification Number

Date **03/10/2007**

Attesting Practitioner's First Name **Stuart**

Attesting Practitioner's Middle Name **J.**

Attesting Practitioner's Last Name **Miller**

Attesting Practitioner's Title **Executive**

Attesting Practitioner's Telephone **312-345-5000**

Attesting Practitioner's Fax **312-899-5300**

Attesting Practitioner's E-mail **sjmiller@crowechizek.com**

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