



Crowe Horwath LLP  
Member Horwath International

**SOUTHERN ILLINOIS UNIVERSITY FOUNDATION  
(AT CARBONDALE)**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

June 30, 2008

Performed as special assistant auditors for the  
Auditor General, State of Illinois

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION  
(AT CARBONDALE)

FINANCIAL STATEMENTS  
June 30, 2008

TABLE OF CONTENTS

AGENCY OFFICIALS.....	1
SUMMARY.....	2
REPORT OF INDEPENDENT AUDITORS.....	3
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED).....	5
BASIC FINANCIAL STATEMENTS	
STATEMENTS OF NET ASSETS.....	8
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS .....	9
STATEMENTS OF CASH FLOWS-DIRECT METHOD.....	10
NOTES TO BASIC FINANCIAL STATEMENTS.....	11
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT</i> <i>AUDITING STANDARDS</i> .....	28

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION  
(AT CARBONDALE)

June 30, 2008

**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

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION  
(AT CARBONDALE)

June 30, 2008

FINANCIAL STATEMENT REPORT  
SUMMARY

The audit of the accompanying basic financial statements of Southern Illinois University Foundation (at Carbondale) was performed by Crowe Horwath LLP.

Based on their audit, the auditors expressed an unqualified opinion of the Foundation's financial statements.



Crowe Horwath LLP  
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 basic financial statements of Southern Illinois University Foundation (at Carbondale) (the "Foundation"), a component unit of Southern Illinois University, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2007 financial statements on which we expressed an unqualified opinion in our report dated November 16, 2007.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Illinois University Foundation (at Carbondale) as of June 30, 2008, 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 October 1, 2008, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 5 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

  
Crowe Horwath LLP

Chicago, Illinois  
October 1, 2008

**Southern Illinois University Foundation (at Carbondale)  
Management's Discussion and Analysis (Unaudited)  
For the Period Ending June 30, 2008**

The attached statements are presented in a "business-type activities" format to provide the reader with statements which indicate the available economic resources of the entity. In order to understand the statements, below is a brief description of each statement.

**Statement of Net Assets:**

The Statement of Net Assets indicates assets available for current use (current assets) and those assets to be held (noncurrent assets). Please note the terminology of short-term investments listed under current assets does not indicate the investment duration, but the ability of the Foundation to expend the investments for current uses. This statement also indicates which liabilities are due within one year (current liabilities) and those due in a year or more (noncurrent liabilities). Net Assets located at the bottom of the statement are grouped by the asset's purpose. A donor can restrict an asset for a certain purpose such as current expenditures (expendable) or to be held in perpetuity (nonexpendable, i.e., endowments).

As indicated below, the Foundation's net assets decreased by \$5,777,313 over the previous year. (The decrease in net assets is also indicated on the Statement of Revenues, Expenses, and Changes in Net Assets. See page 9.) The reason for the decrease was basically due to the negative investment performance in the endowment and working fund pools. Investments in the pools decreased by approximately 7% or \$7.8 million (see the Overall Financial Position section for information about the investment performance). The increase in pledge activity, due to the final year of the Opportunity Through Excellence Campaign, increased pledge receivable by 33% or \$2.7 million.

The increase in net capital assets is the result of hardware purchases for the new computer systems implementation which began in October.

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Current Assets	\$28,608,217	\$29,827,540
Capital Assets, Net	238,681	34,438
Noncurrent Assets	<u>104,525,977</u>	<u>108,759,307</u>
Total Assets	<u>133,372,875</u>	<u>138,621,285</u>
Current Liabilities	1,218,216	947,384
Noncurrent Liabilities	<u>6,253,622</u>	<u>5,995,551</u>
Total Liabilities	<u>7,471,838</u>	<u>6,942,935</u>
Total Net Assets	<u>\$125,901,037</u>	<u>\$131,678,350</u>

Invested in Capital Assets, Net of Related Debt	\$238,681	\$34,438
Restricted Nonexpendable	67,398,275	63,401,710
Restricted Expendable	52,562,091	59,162,168
Unrestricted	<u>5,701,990</u>	<u>9,080,034</u>
Total Net Assets	<u>\$125,901,037</u>	<u>\$131,678,350</u>

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

The Statement of Revenues, Expenses, and Changes in Net Assets basically indicates the activity for the period and its effect on net assets. The activity from operations, which have the characteristics of exchange transactions, is shown first. Nonoperating Revenues (Expenses) are listed after operating activities. Nonoperating Revenues include activities that have the characteristics of nonexchange transactions. Contributions are considered a nonoperating activity because the donor does not receive a material financial benefit from the transaction. Other Revenues, Expenses, Gains and Losses is the last grouping of transactions, which includes contributions received for capital assets (such as equipment and buildings) and additions to permanent endowments. Since the primary purpose of the Foundation is to solicit and hold contributions for the benefit of Southern Illinois University, Net Increase in Net Assets is a better indicator of the Foundation's core activity versus Operating Income (Loss).

As indicated above, the Foundation had a net decrease in assets of \$5,777,313 over the previous year. Negative investment performance in the endowment and working fund pool was the main reason for this decrease.

Key activities for this period include:

- an \$11.2 million increase in contributions over the previous year
- expenditures for the new computer systems of \$1.9 million
- an increase of \$8.2 million in expenditures for the benefit of SIU which includes an increase of \$7.9 million for the use of software which benefits the College of Engineering
- negative \$7.8 million return on investments in the endowment and working fund pools

	For the Year Ended <u>June 30, 2008</u>	For the Year Ended <u>June 30, 2007</u>
(Loss) Income before other revenues, expenses, gains and losses	\$(10,009,900)	\$13,072,547
Contributions for capital assets	1,894,384	925,488
Additions to permanent endowments	<u>2,338,203</u>	<u>3,608,632</u>
Increase (decrease) in net assets	(5,777,313)	17,606,667
Net assets – beginning of year	<u>131,678,350</u>	<u>114,071,683</u>
Net assets – end of year	<u>\$125,901,037</u>	<u>\$131,678,350</u>



**Statement of Cash Flows:**

The primary purpose of the Statement of Cash Flows is to provide relevant information about the cash receipts and cash disbursements of the Foundation during the period. The chart below indicates the Foundation basically received cash from contributions (noncapital and capital financing activities) then used the cash for operational expenditures. Any residual cash generated during the fiscal year is invested.

	For the Year Ended <u>June 30, 2008</u>	For the Year Ended <u>June 30, 2007</u>
Net cash used by operating activities	\$(10,195,609)	\$(8,497,507)
Net cash provided by noncapital financing activities	9,203,091	9,585,733
Net cash provided by capital financing activities	1,736,862	973,804
Net cash used by investing activities	<u>(589,290)</u>	<u>(1,833,283)</u>
Net increase in cash	155,054	228,747
Cash - beginning of the year	<u>403,572</u>	<u>174,825</u>
Cash - end of year	<u>\$558,626</u>	<u>\$403,572</u>

**Overall Financial Position and Results:**

During this reporting period, the effects of negative investment markets caused a decrease in Foundation assets. The negative performance produced 98 underwater endowments as of June 30, 2008. The current difference between their historical value and fair value is approximately \$405,500.

Performance figures indicate the investments yielded -7.6% for the endowment pool and -5.1% for the unrestricted/restricted pool during the 12 month period as compiled by our investment consultants, Fund Evaluation Group. This information was reviewed by the Foundation.

**Facts, Decisions, or Conditions Significantly Affecting Net Assets:**

In October of 2007 the SIU Foundation Board of Directors approved a \$3.2 million dollar project to implement a new advancement and financial computer system. As of June 30, 2008, the Foundation has expended \$1.9 million towards the project.

There are no facts, decisions, or conditions significantly affecting net assets other than those items explained in the previous section of this discussion and analysis. Please see the notes to the financial statements that include additional details and further explanations of data presented in the financial statements. The notes are an integral part of the financial statements and should be included as part of any review or analysis.

**SOUTHERN ILLINOIS UNIVERSITY FOUNDATION  
(AT CARBONDALE)  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2008  
(with comparative totals for 2007)**

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2A)	\$550,121	\$395,067
Short-term investments (Note 2B)	28,537,937	28,152,199
Accounts receivable	6,122	13,775
Pledge receivable, net	1,220,061	869,131
Accrued investment income	139,469	153,539
Net investment in financing leases	88,094	166,472
Other assets	66,413	77,357
<b>Total Current Assets</b>	<u>28,608,217</u>	<u>29,827,540</u>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 2A)	8,505	8,505
Endowment Investments (Note 2B)	79,183,198	85,456,512
Other long-term investments (Note 2B)	11,350,752	11,380,491
Pledge receivable, net (Note 3)	9,658,104	7,335,078
Irrevocable trust held by other	99,928	99,928
Cash surrender value of life insurance	332,023	293,489
Investment in real estate	288,000	158,000
Net investment in financing leases	--	88,094
Capital assets, net of accumulated depreciation (Note 4)	238,681	34,438
Other assets	3,605,467	3,939,210
<b>Total Noncurrent Assets</b>	<u>104,764,658</u>	<u>108,793,745</u>
<b>TOTAL ASSETS</b>	<u>133,372,875</u>	<u>138,621,285</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	583,661	278,098
Annuities payable-current portion (Note 6)	546,461	502,814
Long-term liabilities-current portion (Note 6)	88,094	166,472
<b>Total Current Liabilities</b>	<u>1,218,216</u>	<u>947,384</u>
<b>Noncurrent Liabilities</b>		
Annuities payable (Note 6)	3,907,337	3,252,709
Agency funds payable (Note 6)	1,992,254	2,243,736
Deposits held for others (Note 6)	345,533	402,514
Other accrued liabilities (Note 6)	8,498	8,498
Long-term liabilities (Note 6)	--	88,094
<b>Total Noncurrent Liabilities</b>	<u>6,253,622</u>	<u>5,995,551</u>
<b>TOTAL LIABILITIES</b>	<u>7,471,838</u>	<u>6,942,935</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	238,681	34,438
Restricted for:		
Nonexpendable		
Scholarships, research, instruction, and other	64,819,841	60,823,278
Loans	2,436,024	2,436,024
Capital projects	142,410	142,410
Expendable		
Scholarships, research, instruction, and other	50,080,868	56,793,755
Loans	521,128	922,843
Capital projects	1,960,095	1,445,570
Unrestricted	<u>5,701,990</u>	<u>9,080,034</u>
<b>TOTAL NET ASSETS</b>	<u>\$125,901,037</u>	<u>\$131,678,350</u>

*The accompanying notes are an integral part of the financial statements.*

**SOUTHERN ILLINOIS UNIVERSITY FOUNDATION  
(AT CARBONDALE)  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2008  
(with comparative totals for 2007)**

	<b>Years Ended</b>	
	<b><u>June 30, 2008</u></b>	<b><u>June 30, 2007</u></b>
<b>REVENUES</b>		
Operating revenues		
Payments from SIU	\$34,180	\$56,423
Budget allocation from SIU	4,014,621	3,628,816
Other	931,322	583,081
Total operating revenues	<u>4,980,123</u>	<u>4,268,320</u>
<b>EXPENSES</b>		
Operating expenses		
General and operating	2,555,254	1,322,562
Budget expended at SIU (Note 12)	4,014,621	3,628,816
Scholarships and cash grants to SIU	6,651,511	5,192,921
Expenditures for the benefit of SIU	22,499,615	14,255,446
Noncash grants to SIU	1,034,107	3,457,046
Amortization and depreciation expense (Notes 4 and 5)	386,279	368,899
Other	1,607	461
Total operating expenses	<u>37,142,994</u>	<u>28,226,151</u>
Operating loss	<u>(32,162,871)</u>	<u>(23,957,831)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Contributions	30,612,259	19,083,794
Grants from University and Related Organizations (Note 12)	33,107	12,076
Grants from other government agencies	16,685	9,726
Return on investments (Note 2B)	(7,800,593)	16,737,490
Payments received on capital financing leases	248,027	252,195
Reduction in capital financing leases	(166,472)	(161,558)
Interest on capital indebtedness	(5,681)	(10,410)
Adjustment of actuarial liability (Note 8)	(786,755)	683,514
Bad debt benefit	2,394	423,551
Nonoperating revenues, net	<u>22,152,971</u>	<u>37,030,378</u>
(Loss) Income before other revenues, expenses, gains and losses	(10,009,900)	13,072,547
<b>OTHER REVENUES, EXPENSES, GAINS, AND LOSS</b>		
Contributions for capital assets	1,894,384	925,488
Additions to permanent endowments	<u>2,338,203</u>	<u>3,608,632</u>
(Decrease) Increase in net assets	<u>(5,777,313)</u>	<u>17,606,667</u>
<b>NET ASSETS</b>		
Net assets - beginning of year	<u>131,678,350</u>	<u>114,071,683</u>
Net assets - end of year	<u>\$125,901,037</u>	<u>\$131,678,350</u>

*The accompanying notes are an integral part of the financial statements.*

**SOUTHERN ILLINOIS UNIVERSITY FOUNDATION**  
**STATEMENT OF CASH FLOWS - DIRECT METHOD**  
**FOR THE YEARS ENDED JUNE 30, 2008**  
**(WITH COMPARATIVE TOTALS FOR 2007)**

	Years Ended	
	June 30, 2008	June 30, 2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments from SIU	\$45,337	\$59,699
Other operating revenues	906,210	562,681
General and operating expenses	(2,348,933)	(1,336,228)
Scholarships and cash grants to SIU	(6,574,709)	(5,184,572)
Expenditures for the benefit of SIU	(2,223,514)	(2,599,087)
Net cash used by operating activities	(10,195,609)	(8,497,507)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Contributions and grants for other than capital purposes	7,450,908	6,547,417
Private contributions for endowment purposes	2,338,203	3,608,632
Payments to annuitants and recipients	(506,646)	(502,259)
Payments for agency funds to SIU	(79,374)	(68,057)
Net cash provided by noncapital financing activities	9,203,091	9,585,733
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Payments received on capital financing leases	248,027	252,195
Reduction in capital financing leases	(166,472)	(161,558)
Interest on capital indebtedness	(5,681)	(10,410)
Purchase of capital assets	(233,396)	(31,911)
Cash contributions for capital assets	1,894,384	925,488
Net cash provided by capital financing activities	1,736,862	973,804
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale and maturities of investments	5,497,594	3,492,662
Interest and dividend income	3,773,458	3,396,627
Purchase of investments	(9,557,545)	(8,540,554)
Investment fees	(302,797)	(182,018)
Net cash used by investing activities	(589,290)	(1,833,283)
<b>NET INCREASE (DECREASE) IN CASH</b>		
	155,054	228,747
Cash - beginning of the year	403,572	174,825
Cash - end of year	\$558,626	\$403,572
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating loss	(\$32,162,871)	(\$23,957,831)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Amortization and depreciation expense	386,279	368,899
Noncash grants to SIU	1,034,107	3,457,045
Noncash expenditures for the benefit of SIU	20,273,246	11,828,940
Noncash other operating expenses	1,607	461
Changes in assets and liabilities:		
Receivables	7,653	8,281
Other assets	(36,413)	(35,508)
Accounts payable	296,094	(176,711)
Other accrued liabilities	4,575	4,656
Other liabilities	114	4,261
Net cash used by operating activities	(\$10,195,609)	(\$8,497,507)

**SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES**

During the year, the Foundation received \$20,271,838 in noncash contributions from donors. The actuarial liability for annuities payable increased by \$786,755 for the year. Allowance for bad debts of \$2,394 were reversed for the year.

# SOUTHERN ILLINOIS UNIVERSITY FOUNDATION (at Carbondale)

## Notes to Basic Financial Statements

*June 30, 2008 and 2007*

### 1. Summary of Significant Accounting Policies:

- A. Financial Reporting Entity:** The Southern Illinois University Foundation (the "Foundation") located in Carbondale, exists for the primary purpose of aiding and assisting Southern Illinois University ("SIU" or "University") in achieving its educational, research, and service goals and responsibilities.

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. The financial activities included in these financial statements are reported in a separate column in the University's financial statements to emphasize that the Foundation is an Illinois not-for-profit organization legally separate from the University.

These financial statements include all financial activities over which the Foundation exercises direct responsibility.

- B. Financial Statement Presentation:** The Foundation follows 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-Management's Discussion and Analysis-for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statement presentations required by GASB Statements Nos. 35, 37 and 38 provide 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.

Effective July 1, 2004, the Foundation adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The objective of this statement is to update the custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing other common risks of the deposits and investments.

## **SOUTHERN ILLINOIS UNIVERSITY FOUNDATION (at Carbondale)**

### **Notes to Basic Financial Statements - Continued**

***June 30, 2008 and 2007***

#### **1. Summary of Significant Accounting Policies: - Continued**

**C. Basis of Accounting:** For GASB financial reporting purposes, the Foundation is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the Foundation'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 interfund transactions have been eliminated.

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

**D. Comparative Data:** Comparative totals for the prior year have been presented in the accompanying financial statements to facilitate an understanding of the changes in the Foundation's financial position and its revenues, expenses and net assets between years. The 2007 information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2007, from which the summarized financial information was derived.

**E. Cash Equivalents:** For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**F. Investments:** 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 return on investments in the statement of revenue, expenses, and changes in net assets.

# **SOUTHERN ILLINOIS UNIVERSITY FOUNDATION (at Carbondale)**

## **Notes to Basic Financial Statements - Continued** **June 30, 2008 and 2007**

### **1. Summary of Significant Accounting Policies: - Continued**

**G. Capital Assets:** 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. Livestock for educational purposes is recorded at estimated fair value. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 6 to 10 years for equipment.

**H. Intangible Assets:** Amortization expense is computed using the straight-line method over the remaining rights of 9 years, and 4 months.

**I. Net Assets: The Foundation's net assets are classified as follows:**

- **Invested in capital assets, net of related debt:** This represents the Foundation's total investment in capital assets, net of accumulated depreciation and reduced by outstanding debt obligations related to those capital assets.
- **Restricted net assets – expendable:** Restricted expendable net assets include resources in which the Foundation is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.
- **Restricted net assets – nonexpendable:** Nonexpendable restricted net assets consist of endowment funds, gift annuities, and life income funds.

The endowment funds include those funds where donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

The gift annuities consist of funds acquired by the Foundation subject to agreements whereby they are made available to the Foundation on the condition that the Foundation binds itself to periodically pay stipulated amounts to designated individuals. Payments of such amounts terminate at a time specified in the agreements. Upon termination, the principal of annuity funds is transferred to the fund designated by the grantor or, in the absence of such a designation, to current unrestricted net assets.

# SOUTHERN ILLINOIS UNIVERSITY FOUNDATION (at Carbondale)

## Notes to Basic Financial Statements - Continued

*June 30, 2008 and 2007*

### 1. Summary of Significant Accounting Policies: - Continued

The life income funds consist of assets which are normally trusts and the Foundation is usually trustee and the grantor stipulates that income generated by these assets is to be paid to an individual for a period of time. In some cases, the amount to be paid is the lesser of the income generated from the donated assets or a fixed percent of the fair value of the assets. If income in any year is less than the fixed percent, future years' income may be used in that year to bring the distributions up to the fixed percent; to the extent that income for a year exceeds the required payments, the excess is deferred. At the end of the specified period of time, any remaining assets are transferred to a fund designated by the donor or, in the absence of such a designation, to current unrestricted net assets.

- **Unrestricted net assets:** Unrestricted net assets represent resources used for transactions relating to the educational and general operations of the Foundation, and may be used at the discretion of the governing board to meet current expenses for any purpose.

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

- J. Income Taxes:** The U.S. Treasury Department issued a determination letter, dated March 20, 1999, indicating the Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code except for taxes associated with unrelated business income. No provision has been made as management does not believe it has significant unrelated business income.
- K. Classification of Revenues and Expenses:** The Foundation has classified its revenues and expenses as either operating or nonoperating according to the GASB criteria. Non-exchange transactions, including contributions from donors, are recorded in accordance with the recognition requirements of GASB 33. Since the primary purpose of the Foundation is to solicit and hold contributions for the benefit of SIU, net increase in the net assets is a better indicator of the Foundation's core activity versus operating income (loss).



# SOUTHERN ILLINOIS UNIVERSITY FOUNDATION (at Carbondale)

## Notes to Basic Financial Statements - Continued

June 30, 2008 and 2007

### 1. Summary of Significant Accounting Policies: - Continued

#### GASB criteria:

- **Operating:** Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as the salary support from SIU and the fundraising expenditures.
- **Nonoperating:** Nonoperating revenue and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources and expenditure uses that are defined as nonoperating revenues and expenditures 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 States and Local Governments*, such as investment income.

**L. Allowance for Bad Debts:** The allowance for bad debts, or uncollectible pledges, was \$80,968 or 0.6% of outstanding pledges. Management calculates the allowance based upon collection history of prior pledges receivable.

### 2. Cash and Cash Equivalents, and Investments:

**A. Cash and Cash Equivalents:** At June 30, 2008, the carrying amount of the Foundation’s deposits with financial institutions was \$555,831 and the bank balances were \$1,246,595.

**Custodial Credited Risk –** Custodial credit risk is the risk that in the event of a bank failure, the Foundation’s deposits may not be returned to the Foundation. The Foundation does have a policy to require banks to collateralize balances over the FICA insured amount. As of June 30, 2008, the entire amount of funds held at the banks were either insured or collateralized by pledged bank assets in the Foundation’s and University’s name.

**B. Investments:** The Board of Directors of the Foundation is responsible for the management of the Foundation’s investments. The Board, through the bylaws, has given authority to the Investment Committee to formulate an investment policy for funds and assets of the Foundation. The Investment Committee shall

## **SOUTHERN ILLINOIS UNIVERSITY FOUNDATION (at Carbondale)**

### **Notes to Basic Financial Statements - Continued**

***June 30, 2008 and 2007***

#### **2. Cash and Cash Equivalents, and Investments: - Continued**

submit that policy to the Board for approval, periodically recommend changes in policy as appropriate, interpret that policy to the Foundation's investment managers, and oversee implementation of that policy. Investment performance is reviewed quarterly. The Foundation's Treasurer is authorized by the Board of Directors to invest funds in compliance with the Board's investment policies.

If a donor has not provided specific instructions, state law permits the Board of Directors to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the Board is required to consider the Foundation's "long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions." Any net appreciation expended will be required to be spent for the purposes for which the endowment was established. The net appreciation on investments of donor-restricted endowments available for authorization for expenditure approximates \$16,460,000 at June 30, 2008. At June 30, 2008, the fair value of the assets of certain donor-restricted endowment funds was approximately \$406,000 less than the original principal amount of those funds.

The Board chooses to spend only a portion of the investment income (including changes in the value of investments) each year. Under the policy established by the Board, 4.5 percent of the average fair value of endowment investment pool at the end of the previous twelve (12) quarters has been authorized for expenditure. The remaining income, if any, is retained to be used in future years when the amount computed using the spending policy exceeds the investment income.

During Fiscal Year 2008, the Foundation realized a net gain of \$3,220,384 from the sale of investments, \$3,648,976 in interest and dividend income, investment fees of \$268,994, and an unrealized loss of \$14,400,959. The calculation of realized gains is independent of the calculation of the net increase <decrease> in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net decrease in investment income during Fiscal Year 2008 was \$8,508,056, of which \$7,800,593 is noted on the Statement of Revenues, Expenses, and Changes in Net Assets. Of the remaining amount,

## SOUTHERN ILLINOIS UNIVERSITY FOUNDATION (at Carbondale)

### Notes to Basic Financial Statements - Continued June 30, 2008 and 2007

#### 2. Cash and Cash Equivalents, and Investments: - Continued

\$511,556 is included in Annuities Payable, \$187,453 is included in Agency Funds Payable and \$8,454 is included in Deposits Held for Others which are components of the Noncurrent Liabilities in the Statement of Net Assets. This amount includes all changes in fair value (including purchases and sales) that occurred during the year. The cumulative unrealized loss on investments held at June 30, 2008 was \$4,644,525 (fair value of \$117,071,887 less historical value of \$121,716,412).

The Foundation determines the fair value 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.

The Foundation has committed amounts to certain fund of funds, hedge funds, and private equity investments at June 30, 2008, which will be called over the life of the investments. The uncalled balance of those commitments at June 30, 2008 was approximately \$1,559,401.

As of June 30, 2008:

**SOUTHERN ILLINOIS UNIVERSITY FOUNDATION**  
**Investment Disclosures**  
**As of June 30, 2008**

Investment Type	Total Fair Value	Custodial Credit Risk Held by Financial Institution and not in Foundation's name	Maturity		Currency
			Less than 1 year	More than 10 years	
<b>Short-Term Securities:</b>					
Commercial Paper	\$11,492,027	\$11,492,027	\$11,492,027	\$ --	--
<b>Investments Other than Short-Term Securities:</b>					
U.S. Agency Bonds	31,291	--	--	31,291	--
<b>External Investment Pools:</b>					
U.S. Equity Mutual Funds	44,430,308	--	44,430,308	--	--
Exchange-Traded Funds	3,502,466	--	3,502,466	--	--
Non-U.S. Equity Mutual Funds	17,376,903	--	17,376,903	--	Various
U.S. Fixed Income Mutual Funds	32,138,190	--	32,138,190	--	--
Money Market Funds	1,993,421	--	1,993,421	--	--
Alternatives	6,107,281	--	5,666,682	440,599	--
Total Short-Term Securities and Investments, as of June 30, 2008	<u>\$117,071,887</u>	<u>\$11,492,027</u>	<u>\$116,599,997</u>	<u>\$471,890</u>	<u>--</u>

## SOUTHERN ILLINOIS UNIVERSITY FOUNDATION (at Carbondale)

### Notes to Basic Financial Statements - Continued June 30, 2008 and 2007

#### 2. Cash and Cash Equivalents, and Investments: - Continued

The cost basis of these investments is \$121,716,412.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In order to capture the highest yield and because a majority of the Foundation's investments have a long time horizon, the Foundation has not set limits on investment maturities.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. 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 set an overall weighted average credit rating for each investment pool of "Aa" or better by Moody's or "AA" or better by Standard & Poor's. The Foundation's U.S. Agency Bond investment of \$31,291 has a Moody's rating of Aaa. Since there is not a nationally recognized rating for the mutual funds held by the Foundation, the investments are not rated with the exception of the above mentioned bond.

The credit risk profile for securities at June 30, 2008 per Morningstar is as follows:

*SOUTHERN ILLINOIS UNIVERSITY FOUNDATION  
Credit Rating per Morningstar  
As of June 30, 2008*

Investment Type	5	4	3	2	1	Not Rated	Total
<b>Short-Term Securities:</b>							
Commercial Paper	\$ --	\$ --	\$ --	\$ --	\$ --	\$11,492,027	\$11,492,027
<b>Investments Other than Short-Term Securities:</b>							
U.S. Agency Bonds	--	--	--	--	--	31,291	31,291
<b>External Investment Pools:</b>							
U.S. Equity Mutual Funds	--	--	12,458,632	--	--	31,971,677	44,430,309
Exchange-Traded Funds	--	--	--	--	--	3,502,466	3,502,466
Non-U.S. Equity Mutual Funds	14,512,194	2,884,708	--	--	--	--	17,376,902
U.S. Fixed Income Mutual Funds	5,748,105	--	23,630,343	--	--	2,759,742	32,138,190
Money Market Funds	--	--	--	--	--	1,993,421	1,993,421
Alternatives	--	--	--	--	--	6,107,281	6,107,281
<b>Total Short-Term Securities and Investments, as of June 30, 2008</b>	<b>\$20,260,299</b>	<b>\$2,884,708</b>	<b>\$36,088,975</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$57,857,905</b>	<b>\$117,071,887</b>

## SOUTHERN ILLINOIS UNIVERSITY FOUNDATION (at Carbondale)

### Notes to Basic Financial Statements - Continued June 30, 2008 and 2007

#### 2. Cash and Cash Equivalents, and Investments: - Continued

The Morningstar Rating is a quantitative assessment of a fund's past performance – both return and risk – as measured from one to five stars. It uses focused comparison groups to better measure fund manager skill. As always, the Morningstar Rating is intended for use as the first step in the fund evaluation process. A high rating alone is not a sufficient basis for investment decisions.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Foundation has various policies which limit concentration risk. The Investment Policy Statements (IPS), approved by the Foundation's Board of Directors, establishes several guidelines and restrictions which address concentration risk. First, the IPS establishes asset allocation which limits the concentration in any one asset class. Below is the holding as of June 30, 2008 for the endowment pool by class:

<b>Asset Class</b>	<b>Current Weight</b>	<b>Acceptable Range</b>
Domestic Equity – Large	24.2%	17% - 26%
Domestic Equity – Mid	19.8%	12% - 20%
Domestic Equity – Small	10.1%	5% - 15%
International Equity- LC Developed	11.9%	8% - 16%
International Equity- SC Developed	2.6%	0% - 7%
International Equity- Emerging Mkts	3.0%	0% - 7%
<b>Total Equities</b>	<b>71.6%</b>	<b>50% - 75%</b>
Illiquid Alternatives	7.0%	0% - 20%
Liquid Alternatives	.5%	0% - 20%
<b>Total Alternatives</b>	<b>7.5%</b>	<b>0% - 25%</b>
<b>Fixed Income</b>	<b>20.9%</b>	<b>5% - 25%</b>

## SOUTHERN ILLINOIS UNIVERSITY FOUNDATION (at Carbondale)

### Notes to Basic Financial Statements - Continued

June 30, 2008 and 2007

#### 2. Cash and Cash Equivalents, and Investments: - Continued

Next, the IPS's manager guidelines for equity investments provide that no position of any one company exceeds 8% of the manager's total portfolio as measured at market and that one economic sector may not exceed 40% of the portfolio. For fixed income investments, no position of any one issuer shall exceed 8% of the manager's total portfolio as measured at market value except for securities issued by the U.S. government or its agencies, with respect to the corporate sector of the portfolio, no more than 25% of the portfolio in any one economic sector, and corporate or mortgage-backed securities may not exceed 60% of the portfolio. As of June 30, 2008 the sector weightings are as follows:

<u>Equity Investments</u>		<u>Fixed Income Investments</u>	
Utilities	5.22%	U.S. Treasuries	12.84%
Consumer discretionary	9.74%	Corporates	25.61%
Financials	15.15%	Mortgage Backed	45.03%
Telecommunications	2.78%	Foreign	1.99%
Consumer staples	10.03%	Municipals	0.37%
Materials	5.47%	Short-Term	12.59%
Energy	14.22%	Agencies	1.57%
Information technology	14.67%		
Health care	9.22%		
Industrials	13.50%		

As of June 30, 2008, the Foundation did not have more than 5% of its 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, 2008 the Foundation had \$11,492,027 of securities which were at risk. The securities at risk relate to \$333,702 invested by the Student Saluki Club for the Foundation and \$11,158,325 of unrated money market funds and equities that are invested with a financial institution.

# SOUTHERN ILLINOIS UNIVERSITY FOUNDATION (at Carbondale)

## Notes to Basic Financial Statements - Continued June 30, 2008 and 2007

### 2. Cash and Cash Equivalents, and Investments: - Continued

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Foundation had investments in five different non-U.S. mutual funds. The U.S dollar balances of the Foundation's investment exposed to foreign currency risk as of June 30, 2008 are listed below. Amounts listed for U.S. dollar are primarily ADR's (American Depository Receipts) with exposure to various foreign currencies.

	International equity mutual funds
Argentine peso	\$ 8,088
Australian dollar	517,233
Brazilian real	878,261
British pound sterling	1,253,872
Canadian dollar	601,418
Chilean peso	83,369
Chinese yuan renminbi	539,882
Czech crown	25,197
Danish krone	253,765
Egyptian pound	22,447
Euro	4,565,190
Hong Kong dollar	261,297
Hungarian forint	110,196
Indian rupee	504,083
Indonesian rupiah	131,971
Israel shekel	144,776
Japanese yen	1,594,042
Malaysian ringgit	139,723
Mexican peso	589,543
New Zealand dollar	7,583
Norwegian krone	136,949
Pakistan rupee	11,224
Philippine peso	51,091
Polish zloty	106,436
Russian ruble	381,607
Singapore dollar	161,799
South African rand	449,856
South Korean won	809,177
Swedish krona	219,209
Swiss franc	935,985
Taiwan dollar	701,892
Thai baht	77,458
Turkish lira	91,171
United States dollar	1,019,199
Total Foreign Currency	<u>\$17,376,903</u>

### 3. Receivables:

The only receivables not expected to be collected within one year are \$9,658,104 of net pledge receivables.

## SOUTHERN ILLINOIS UNIVERSITY FOUNDATION (at Carbondale)

### Notes to Basic Financial Statements - Continued June 30, 2008 and 2007

#### 4. Capital Assets:

Following are the changes in capital assets for Fiscal Year 2008:

	Balance June 30, 2007	Additions	Retirement	Balance June 30, 2008
<i>Capital assets being depreciated:</i>				
Furniture, fixtures and equipment	\$ 345,384	\$ 233,396	\$ (26,742)	\$ 552,038
Less accumulated depreciation for furniture, fixtures and equipment	(310,946)	(29,153)	26,742	(313,357)
Capital assets being depreciated, net	34,438	204,243	-0-	238,681
Capital assets, net	\$ 34,438	\$ 204,243	\$ -0-	\$ 238,681

#### 5. Acquired Intangible Assets:

As of June 30, 2008:

	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets Patent	\$ 4,970,000	\$ 1,621,946

This amount is included in other assets in the accompanying statement of net assets:

#### Aggregate Amortization Expense:

For year ended 06/30/08 \$357,126

#### Estimated Amortization Expense:

For year ended 06/30/09	\$357,126
For year ended 06/30/10	\$357,126
For year ended 06/30/11	\$357,126
For year ended 06/30/12	\$357,126
For year ended 06/30/13	\$357,126



## SOUTHERN ILLINOIS UNIVERSITY FOUNDATION (at Carbondale)

### Notes to Basic Financial Statements - Continued June 30, 2008 and 2007

#### 6. Long-Term Liabilities:

Long-term liability activity for Fiscal Year 2008 is as follows:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Amounts due within one year
Mortgage payable	\$ 254,566	\$ -	\$ (166,472)	\$ 88,094	\$ 88,094
Other liabilities					
Annuities payable	3,755,523	2,256,809	(1,558,534)	4,453,798	546,461
Agency funds payable	2,243,736	180,965	(432,447)	1,992,254	-
Deposits held for others	402,514	4,467	(61,448)	345,533	-
Other accrued liabilities	30,981	25,503	(16,944)	39,540	31,042
Total other liabilities	<u>6,432,754</u>	<u>2,467,744</u>	<u>(2,069,373)</u>	<u>6,831,125</u>	<u>577,503</u>
Total Long-Term Liabilities	<u>\$ 6,687,320</u>	<u>\$ 2,467,744</u>	<u>\$ (2,235,845)</u>	<u>\$ 6,919,219</u>	<u>\$ 665,597</u>

#### 7. Notes Payable:

**A. Mortgage Payable:** The Evergreen Terrace housing project (see Note 12) was financed by a 3% FHA mortgage, payable monthly with the final payment due in 2009. Thirty-eight acres of land, buildings and improvements, with a carrying value of \$4,161,703, are pledged as collateral for this mortgage. As described in Note 12, the property is leased to SIU under the terms of a direct financing lease and the assets are reflected in SIU's financial statements.

**B. Maturity Information:** The scheduled maturities of the mortgage payable are as follows:

	Principal	Interest	Total Payments
2009	<u>\$ 88,094</u>	<u>\$ 797</u>	<u>\$ 88,891</u>

# SOUTHERN ILLINOIS UNIVERSITY FOUNDATION (at Carbondale)

## Notes to Basic Financial Statements - Continued June 30, 2008 and 2007

### 8. Annuities Payable:

The following summarizes annuities payable transactions for the Fiscal Year 2008:

Balance, July 1, 2007	\$ 3,755,523
Annuity Funds:	
Net Investment income	(167,381)
Payments to annuitants	(130,835)
Adjustment for actuarial liability	383,580
Liability portion of funds established during current year	40,859
Life Income Funds:	
Net Investment income	(344,175)
Payments to recipients	(382,411)
Adjustment for actuarial liability	443,841
Liability portion of funds established during current year	<u>854,797</u>
Balance, June 30, 2008	<u>\$ 4,453,798</u>

An additional adjustment for actuarial liability in the amount of \$(40,666) was made for the deposits held for others.

### 9. Agency Funds Payable:

The following summarizes agency funds payable transactions for the Fiscal Year 2008:

Balance, July 1, 2007	\$ 2,243,736
Agency Funds:	
Net investment income	(187,453)
Payments to SIU	(83,433)
Liability portion of funds established during current year	<u>19,404</u>
Balance, June 30, 2008	<u>\$ 1,992,254</u>

## **SOUTHERN ILLINOIS UNIVERSITY FOUNDATION (at Carbondale)**

### **Notes to Basic Financial Statements - Continued**

***June 30, 2008 and 2007***

#### **10. Retirement Plan:**

All full-time Foundation personnel are SIU employees. Retirement benefits and post-retirement benefits other than pension are available for eligible SIU employees under a contributory retirement plan (the "Plan") administered by the State Universities Retirement System. Participants of the Plan contribute eight percent of their gross earnings, and SIU annually contributes an amount determined by the State Legislature from State appropriations and amounts from other current funds based on actuarially determined rates. Information pertaining to the Plan and Plan benefits can be found in the SIU financial statements. The Foundation does not own any of the Plan assets and has no responsibility for the Plan obligations.

During the year ended June 30, 2008, SIU contributed \$259,719 to the Plan on behalf of Foundation personnel. This amount is included in the amounts shown as Budget allocation from SIU and Budget expended at SIU in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets.

#### **11. Fees:**

##### **A. Investment and Overhead Recovery Fee:**

The Foundation receives a 1% investment fee on endowment funds, which is computed quarterly by using the fair value of the pool as of the prior quarter end. The fee was \$853,276 for Fiscal Year 2008.

##### **B. Supplement Fee:**

Beginning July 1, 2004, the University and Foundation assessed a six percent Supplement Fee on gifts of cash and securities. Five percent is retained by the University and Foundation for support of the Southern @ 150 strategic initiative to increase private support. The remaining one percent is provided to the college/department for which the contribution was restricted to support their advancement efforts. The Foundation's portion of the supplement fee was \$483,016 for Fiscal Year 2008.

## **SOUTHERN ILLINOIS UNIVERSITY FOUNDATION (at Carbondale)**

### **Notes to Basic Financial Statements - Continued** **June 30, 2008 and 2007**

#### **12. Transactions With Related Parties:**

The Foundation has entered into a master contract with the Board of Trustees of SIU which specifies the relationship between the two organizations in accordance with the Legislative Audit Commission's University Guidelines, 1982 and amended in 1997. Among the provisions of the contract is a requirement that the Foundation and SIU will provide services to each other to be reimbursed on an actual cost basis up to approved budgetary limits. During the year ended June 30, 2008, the Foundation provided fund-raising services on behalf of SIU with a portion of the Foundation's fund raising costs being reimbursed by SIU through in-kind payment. Total reimbursable costs satisfied through in-kind payments were \$47,877 for rental of office space and \$18,950 for Office of the Comptroller, Accounts Payable Office and Purchasing Office. These in-kind payments are not reflected in the accompanying financial statements.

Pursuant to GASB and the Master Contract, the Foundation is required to recognize as revenue and expense those in-kind payments for salaries and fringe benefits made by the University for personnel of the Foundation as part of the fee for services. These amounts are reflected as Budget allocation from SIU and Budget expended at SIU in the accompanying Statement of Revenue, Expenses, and Changes in Net Assets.

In accordance with its corporate purposes, the Foundation solicits and accepts contributions for SIU. The Foundation receives cash contributions, which are recorded in the Foundation's books. Certain of these contributions are turned over to SIU in the form of scholarships, cash grants or expenditures for the benefit of SIU. The Foundation also receives certain non-cash contributions, which are recorded on the Foundation's books and then turned over to SIU.

During the year ended June 30, 2008, the Foundation received from SIU \$16,000 for collaborated training fees for Oracle Database SQL and PL/SQL training.

The Foundation leases the Evergreen Terrace housing project, which consists of thirty-eight acres of land, including buildings and improvements, to SIU under a lease agreement through the year 2009. This lease has been classified and accounted for as a direct financing lease in the accompanying statement of net assets at the gross investment (minimum lease payments) less unearned interest income. The terms of the lease provide for annual rental with renewal options. At the conclusion of the lease, SIU may purchase the project from the Foundation for one dollar. The annual rental is equal to the amount of principal and interest payments, and deposits to the repair and replacement reserve and hazard insurance escrow funds, as required by the Federal Housing Administration

## **SOUTHERN ILLINOIS UNIVERSITY FOUNDATION (at Carbondale)**

### **Notes to Basic Financial Statements - Continued**

***June 30, 2008 and 2007***

#### **12. Transactions With Related Parties: - Continued**

("FHA"), the mortgagee. Future minimum lease payments to be received are consistent with the Foundation's mortgage note maturities, as described in Note 7B.

During the year ended June 30, 2008, the Foundation paid \$138,038 to the Association of Alumni, Former Students and Friends of Southern Illinois University (at Carbondale) (the "Association") to assist the Association in its support for SIU, relating primarily to the cost of printed materials distributed by the Association. During the year, the Association paid \$250,000 to the Foundation for alumni database services. The Association also granted \$6,005 to various SIU Foundation restricted accounts. These accounts benefit SIU by providing funding for department operations and scholarships.

The Foundation also received several grants from the University totaling \$27,102.



Crowe Horwath LLP  
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, we have audited the basic financial statements of Southern Illinois University Foundation (at Carbondale) (the "Foundation") as of and for the year ended June 30, 2008, and have issued our report thereon dated October 1, 2008. 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 Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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, and the Board of Directors and Management of Southern Illinois University Foundation, and is not intended to be and should not be used by anyone other than these specified parties.

  
Crowe Horwath LLP

Chicago, Illinois  
October 1, 2008