

Southern Illinois University Foundation
Carbondale, Illinois

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

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year ended June 30, 2004

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

Southern Illinois University Foundation
Carbondale, Illinois

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

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year ended June 30, 2004

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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

Year ended June 30, 2004

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Southern Illinois University Foundation
Carbondale, Illinois

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

AGENCY OFFICIALS

June 30, 2004

AGENCY OFFICIALS

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

Agency offices are located at:

Southern Illinois University Foundation
Carbondale, Illinois 62901



Independent Auditors' Report

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

As Special Assistant Auditors for the Auditor General, State of Illinois, we have audited the accompanying statement of net assets of Southern Illinois University Foundation (the "Foundation") - FHA Project No. 072-55010-NP (the "Project") as of June 30, 2004, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the Project's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements of the Project are intended to present the financial position, and the changes in financial position and in cash flows of only that portion of the activities of Southern Illinois University Foundation and Southern Illinois University that are attributable to the transactions of the Project. They do not purport to, and do not, present fairly the financial position of Southern Illinois University Foundation or Southern Illinois University

as of June 30, 2004, 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, 2004, 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 17, 2004, on our consideration of the Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the report on pages 16 through 34 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Project. The accompanying schedule of expenditures of federal awards on page 35 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A- 133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is stated fairly, in all material respects, in relation to the basic financial statements taken as a whole.

Kuhn, Eck & Brueckel LLP

Springfield, Illinois
September 17, 2004

Southern Illinois University Foundation
Carbondale, Illinois

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

STATEMENT OF NET ASSETS

JUNE 30, 2004

ASSETS

Current Assets

Cash and cash equivalents (Note 3)	\$ 114,200
Accounts receivable (net)	102,802
Accrued interest receivable	<u>204</u>

Total Current Assets 217,206

Noncurrent Assets

Cash and cash equivalents (Note 3)	75,342
Long-term investments (Note 3)	274,980
Capital assets, net (Notes 4 and 6)	<u>509,371</u>

Total Noncurrent Assets 859,693

Total Assets 1,076,899

LIABILITIES

Current Liabilities

Accounts payable	107,908
Accrued liabilities	21,916
Deferred revenue	96,522
Mortgage note payable, current portion (Note 4)	<u>152,161</u>

Total Current Liabilities 378,507

Noncurrent Liabilities

Mortgage note payable (Note 4)	<u>572,914</u>
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Total Noncurrent Liabilities 572,914

Total Liabilities 951,421

NET ASSETS

Invested in capital assets, net of related debt (215,704)

Restricted for:

Expendable

Hazard Insurance	24,078
Residual Reserve	48,498
Replacement Reserve	235,094

Unrestricted 33,512

Total Net Assets \$ 125,478

The accompanying notes are an integral part of this statement.

Southern Illinois University Foundation
Carbondale, Illinois

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year ended June 30, 2004

REVENUES

Operating Revenues

Rentals (net)	\$ 1,300,444
Other	24,638

Total operating revenues 1,325,082

EXPENSES

Operating Expenses

Salaries and wages	200,729
Utilities	369,481
Maintenance and repairs	599,957
Administration and other	147,851
Depreciation (Note 6)	99,593

Total operating expenses 1,417,611

Operating loss (92,529)

NONOPERATING REVENUES (EXPENSES)

Investment income	7,588
Interest expense	(24,200)
Grants from SIU (Notes 7 and 8)	243,251

Net nonoperating revenues 226,639

Increase in net assets 134,110

NET ASSETS

Net assets (deficit) - beginning of year (8,632)

Net assets - end of year \$ 125,478

The accompanying notes are an integral part of this statement.

Southern Illinois University Foundation
Carbondale, Illinois

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

STATEMENT OF CASH FLOWS

Year ended June 30, 2004

Cash Flows from Operating Activities	
Rental receipts	\$ 1,269,901
Other receipts	19,597
Administrative	(25,826)
Management fees	(4,506)
Utilities	(373,762)
Salaries and wages	(199,497)
Operating	(38,526)
Maintenance	(709,912)
Insurance	(117)
Mortgage insurance	<u>(21,889)</u>
Net cash used in operating activities	<u>(84,537)</u>
Cash Flows from Investing Activities	
Deposits to renewals and replacements fund	(33,021)
Transfers from renewals and replacements fund	93,550
Interest-operations	2,203
Interest-residual receipts	<u>640</u>
Net cash provided by investing activities	<u>63,372</u>
Cash Flows from Noncapital Financing Activities	
Grants from SIU	<u>243,251</u>
Net cash provided by noncapital financing activities	<u>243,251</u>
Cash Flows from Capital Financing Activities	
Mortgage principal payments	(147,669)
Interest on mortgage note	<u>(24,167)</u>
Net cash used in capital financing activities	<u>(171,836)</u>
Net increase in cash	50,250
Cash - beginning of the year	<u>139,292</u>
Cash - end of year	<u><u>\$ 189,542</u></u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (92,529)
Adjustments to reconcile operating loss to net cash used in operating activities	
Bad debt expense	23,271
Depreciation expense	99,593
Changes in assets and liabilities	
Accounts receivable (net)	(8,482)
Accounts payable and accrued liabilities	9,795
Due to Southern Illinois University	(99,483)
Deferred revenue	<u>(16,702)</u>
Net cash used in operating activities	<u><u>\$ (84,537)</u></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, 2004

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 Statement 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.

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, 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

The Foundation accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets.

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

The Project's net assets are classified as follows:

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

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

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, 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

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

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

- **Operating revenues:** Operating revenues include activities that have the characteristics of exchange transactions such as rent received from tenants.

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, 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

3. CASH AND INVESTMENTS

The current cash balance of \$ 114,200 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 \$ 189,542, while the bank balance was \$ 212,038. 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.

Investments consist of money market accounts and are thus not subject to categorization.

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.

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, 2004

4. MORTGAGE NOTE PAYABLE - Continued

Changes in the mortgage note payable for the year ended June 30, 2004, were as follows:

<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2004</u>	<u>Amounts due</u> <u>Within one</u> <u>Year</u>
\$ <u>872,744</u>	\$ <u>-</u>	\$ <u>(147,669)</u>	\$ <u>725,075</u>	\$ <u>152,161</u>

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

<u>Year ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 152,161	\$ 19,672	\$ 171,833
2006	156,790	15,043	171,833
2007	161,558	10,275	171,833
2008	166,472	5,361	171,833
2009	<u>88,094</u>	<u>797</u>	<u>88,891</u>
	<u>\$ 725,075</u>	<u>\$ 51,148</u>	<u>\$ 776,223</u>

5. RELATED PARTY TRANSACTIONS

As managing agent, the University collects a fee from the Project which represents the Project's calculated share of overhead costs incurred by the University Housing Office. The charge may not exceed 5% of gross rent collections. The management fee, included in the statement of revenues, expenses and changes in net assets, amounted to \$ 59,924. (Also, see notes 7 and 8 for additional related party transactions).

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, 2004

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 was as follows:

	<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2004</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>(3,502,339)</u>	<u>(99,593)</u>	<u>-</u>	<u>(3,601,932)</u>
	<u>(3,552,739)</u>	<u>(99,593)</u>	<u>-</u>	<u>(3,652,332)</u>
Total capital assets, net	<u>\$ 608,964</u>	<u>\$ (99,593)</u>	<u>\$ -</u>	<u>\$ 509,371</u>

7. REVENUE BOND FEE

The Board of Trustees of the University will periodically approve the allocation of a portion of their revenue bond fee to Evergreen Terrace Family Housing to fund certain maintenance projects. These allocations are conditioned upon the satisfaction of any prior claims of the funded debt operations of Housing and the Student Center. In its meeting(s) of June 10, 2004, the Board of Trustees of the University approved allocations for the above purpose in the amount(s) of \$ 173,251 for fiscal year 2004. This allocation has been included in grants from SIU.

8. ELIZABETH APARTMENTS TRANSFER

The University transferred \$ 70,000 from Elizabeth Apartments to Evergreen Terrace Family Housing to fund certain maintenance projects. The transfer has been included in grants from SIU.

SUPPLEMENTARY INFORMATION

Southern Illinois University Foundation
Carbondale, Illinois

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

STATEMENT OF FINANCIAL POSITION DATA

June 30, 2004

ASSETS

CURRENT ASSETS		
1120	Cash-operations	\$ 114,200
1130	Tenants accounts receivable	102,802
1160	Accrued interest	204
	Total current assets	<u>217,206</u>
RESTRICTED DEPOSITS		
1310	Escrow deposits-Hazard insurance	24,078
1320	Replacement reserve	277,746
1340	Residual receipts reserve	48,498
	Total deposits	<u>350,322</u>
PROPERTY AND EQUIPMENT		
1410	Land	178,000
1420	Buildings	3,983,703
1495	Accumulated depreciation	<u>(3,652,332)</u>
	Total fixed assets	<u>509,371</u>
	Total assets	<u><u>\$ 1,076,899</u></u>

LIABILITIES AND EQUITY/NET ASSETS

CURRENT LIABILITIES		
2110	Accounts payable-operations	\$ 107,908
2120	Accrued liabilities	21,916
2170	Current portion of mortgage payable	152,161
2210	Prepaid revenue	96,522
	Total current liabilities	<u>378,507</u>
LONG TERM LIABILITIES		
2320	Mortgage payable, less current portion	<u>572,914</u>
	Total long term liabilities	<u>572,914</u>
	Total liabilities	951,421
3130	Total net assets	<u>125,478</u>
	Total liabilities and equity/net assets	<u><u>\$ 1,076,899</u></u>

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

Statement of Profit and Loss

For the month Beginning: July 2003		Ending: June 2004		Project Number: 072-55010-NP		Project Name: Evergreen Terrace-Family Housing	
Part I	Description of Account			Acct No.	Amount		
Rent Revenue 5100	Rent Revenue - Gross Potential			5120	\$1,605,945		
	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				\$1,605,945		
Vacancies 5200	Apartments			5220	\$ (305,501)		
	Stores and Commercial			5240			
	Rental Concessions			5250			
	Garage and Parking Space			5270			
	Miscellaneous			5290			
	Total Vacancies				\$ (305,501)		
Net Rental Revenue (Rent Revenue Less Vacancies)				\$1,300,444			
Nursing Homes/Assisted Living/Board & Care Other Elderly Care/Coop/and Other Revenues			5300				
Financial Revenue 5400	Financial Revenue - Project Operations			5410	\$ 2,063		
	Revenue from Investments - Residual Receipts			5430	\$ 580		
	Revenue from Investments - Replacement Reserve			5440	\$ 4,945		
	Revenue from Investments - Miscellaneous			5490			
	Total Financial Revenue				\$ 7,588		
Other Revenue 5900	Laundry and Vending Revenue			5910	\$ 12,062		
	Tenant Charges			5920	\$ 10,247		
	Interest Reduction Payments Revenue			5945			
	Expiration of Gift Donor Restrictions			5960			
	Gifts			5970	\$ 243,251		
	Miscellaneous Revenue (See Page 20)			5990	\$ 2,329		
	Total Other Revenue				\$ 267,889		
Total Revenue				\$1,575,921			
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	\$ 5,977		
	Office or Model Apartment Rent			6312			
	Management Fee			6320	\$ 59,924		
	Manager or Superintendent Salaries			6330	\$ 47,433		
	Administrative Rent Free Unit			6331	\$ 10,725		
	Legal Expense - Project			6340			
	Audit Expense			6350			
	Bookkeeping Fees/Accounting Services			6351	\$ 4,158		
	Bad Debts			6370	\$ 23,271		
Misc. Administrative Expenses (See Page 20)			6390	\$ 21,789			
Total Administrative Expenses				\$ 173,277			
Utilities Expense 6400	Fuel Oil/Coal			6420			
	Electricity			6450	\$ 198,589		
	Water			6451	\$ 83,354		
	Gas			6452	\$ 87,538		
	Sewer			6453			
	Total Utilities Expense				\$ 369,481		

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

**Statement of
Profit and Loss - Continued**

Operating and Maintenance Expenses 6500	Payroll	6510	\$ 52,844	
	Supplies	6515		
	Contracts	6520	\$ 481,763	
	Operating and Maintenance Rent Free Unit	6521		
	Garbage and Trash Removal	6525	\$ 21,154	
	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	\$ 2,989	
	Misc. Operating and Maintenance Expenses (See Page 20)	6590	\$ 94,051	
	Total Operating and Maintenance Expenses			
Taxes and Insurance 6700	Real Estate Taxes	6710		
	Payroll Taxes (Project's Share)	6711		
	Property and Liability Insurance (Hazard)	6720	\$ 22,006	
	Fidelity Bond Insurance	6721		
	Workmen's Compensation	6722		
	Health Insurance and Other Employee Benefits	6723		
	Misc. Taxes, Licenses, Permits and Insurance	6790		
Total Taxes and Insurance				\$ 22,006
Financial Expenses 6800	Interest on Mortgage Payable	6820	\$ 24,200	
	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				\$ 24,200
Elderly & Congregate Service Expenses 6900	Residential Services (Programs for Children)	6900	\$ 100,453	
	Total Service Expenses			\$ 100,453
	Total Cost of Operations before Depreciation			\$1,342,218
	Profit (Loss) Before Depreciation			\$ 233,703
Corporate or Mortgagor Entity Revenue/ Expenses 7100	Depreciation Expenses	6600		\$ 99,593
	Amortization Expense	6610		
	Operating Profit or (Loss)			\$ 134,110
	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)			\$ 134,110	

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.	\$ 147,669
2.	Replacement Reserve deposits required by the Regulatory Agreement or Amendments thereto, even if payments may be temporarily suspended or waived.	\$ 33,176
3.	Replacement or Painting Reserve releases which are included as expense items on this Profit and Loss Statement.	\$ 93,550
4.	Project Improvement Reserve releases under the Flexible Subsidy Program that are included as expense items on this Profit and Loss Statement.	\$ -

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

Southern Illinois University Foundation
Carbondale, Illinois

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

MISCELLANEOUS REVENUE AND EXPENSES

Year ended June 30, 2004

Miscellaneous Revenue - 5990

Keys	\$ 2,269	
Miscellaneous Sales	<u>60</u>	Residents staying beyond withdrawal date at University.
Total Misc. Revenue	<u>\$ 2,329</u>	

Miscellaneous Administrative Expenses - 6390

Wearing Apparel	\$ 688
Janitorial Supplies	3,706
Commodities	466
Professional Services	13,491
Legal Fees	328
Printing	828
Damage Claims	<u>2,282</u>
Total Misc. Admin.	<u>\$ 21,789</u>

Miscellaneous Operating and Maintenance Expenses - 6590

Household Furnishings	<u>\$ 94,051</u>
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Note: This information is presented in the format prescribed by the U.S. Department of Housing and Urban Development.

Southern Illinois University Foundation
Carbondale, Illinois

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

STATEMENT OF CASH FLOWS DATA

Year ended June 30, 2004

Cash Flows from Operating Activities	
Rental receipts	\$1,269,901
Interest receipts	2,843
Other receipts	19,597
Administrative	(25,826)
Management fees	(4,506)
Utilities	(373,762)
Salaries and wages	(199,497)
Operating	(38,526)
Maintenance	(709,912)
Insurance	(117)
Interest on mortgage note	(24,167)
Mortgage insurance	<u>(21,889)</u>
Net cash used in operating activities	<u>(105,861)</u>
Cash Flows from Investing Activities	
Deposits to renewals and replacements fund	(33,176)
Transfers from renewals and replacements fund	<u>93,550</u>
Net cash provided by investing activities	<u>60,374</u>
Cash Flows from Noncapital Financing Activities	
Grants from SIU	<u>243,251</u>
Net cash provided by noncapital financing activities	<u>243,251</u>
Cash Flows from Capital Financing Activities	
Mortgage principal payments	(147,669)
Net change in restricted deposits	<u>(6,039)</u>
Net cash used in capital financing activities	<u>(153,708)</u>
Net increase in cash	44,056
Cash - beginning of the year	<u>70,144</u>
Cash - end of year	<u>\$ 114,200</u>
Reconciliation of operating loss to	
net cash used in operating activities	
Operating profit	\$ 134,110
Adjustments to reconcile operating loss to net cash	
used in operating activities	
Bad debt expense	23,271
Depreciation expense	99,593
Grants from SIU	(243,251)
Changes in assets and liabilities	
Accounts receivable (net)	(8,482)
Accrued interest receivable	201
Due from plant funds	(4,945)
Accounts payable and accrued liabilities	9,827
Due to Southern Illinois University	(99,483)
Deferred revenue	<u>(16,702)</u>
Net cash used in operating activities	<u>\$ (105,861)</u>

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

Southern Illinois University Foundation
Carbondale, Illinois

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

June 30, 2004

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 the property with the approval of HUD as follows:

Balance, July 1, 2003	\$ 333,175
Monthly deposits (\$ 2,765 x 12) less \$ 4 due to variance in principal payment	33,176
Replacement reserve release	(93,550)
Net change in investment income retained by mortgagee	<u>4,945</u>
Balance, June 30, 2004	<u><u>\$ 277,746</u></u>

RESIDUAL RECEIPTS

Balance, July 1, 2003	\$ 48,498
Interest Receipts	580
Interest Transferred to Unrestricted Fund	<u>(580)</u>
Balance, June 30, 2004	<u><u>\$ 48,498</u></u>

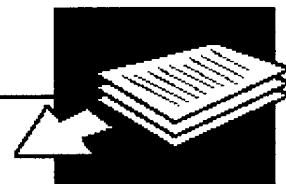
COMPUTATION OF SURPLUS CASH (DEFICIENCY) AT JUNE 30, 2004

Cash	\$ 114,200
Current Obligations	
Accounts payable due within 30 days	107,908
Accrued expenses (not escrowed)	21,916
Prepaid revenue	<u>96,522</u>
Total Current Obligations	<u>226,346</u>
Surplus Cash (Deficiency)	<u><u>\$ (112,146)</u></u>

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

Annual Financial Statement
Electronic Submission

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



Owner: SOUTHERN ILLINOIS UNIVERSITY
 FOUNDATION

TIN: 376024575

Reporting From: 07/01/2003

Reporting To: 06/30/2004

FHA/Contract Number(s): 07255010

Submission Type: AUD-
 A133

		Assets		
Account	Description		Value	
1120	Cash - Operations		\$ 114,200	
1130	Tenant/Member Accounts Receivable (Coops)		\$ 102,802	
1130N	Net Tenant Accounts Receivable		\$ 102,802	
1160	Accounts Receivable - Interest		\$ 204	
1100T	Total Current Assets		\$ 217,206	
1310	Escrow Deposits		\$ 24,078	
1320	Replacement Reserve		\$ 277,746	
1340	Residual Receipts Reserve		\$ 48,498	
1300T	Total Deposits		\$ 350,322	
1410	Land		\$ 178,000	
1420	Buildings		\$ 3,983,703	
1400T	Total Fixed Assets		\$ 4,161,703	
1495	Accumulated Depreciation		\$ 3,652,332	
1400N	Net Fixed Assets		\$ 509,371	
1000T	Total Assets		\$ 1,076,899	
		Liabilities		
Account	Description		Value	
2110	Accounts Payable - Operations		\$ 107,908	
2120	Accrued Wages Payable		\$ 21,916	
2170	Mortgage (or Bonds) Payable - First Mortgage (Bonds) (Short Term)		\$ 152,161	
2210	Prepaid Revenue		\$ 96,522	
2122T	Total Current Liabilities		\$ 378,507	
2320	Mortgage (or Bonds) Payable - First Mortgage (or Bonds)		\$ 572,914	
2300T	Total Long Term Liabilities		\$ 572,914	
2000T	Total Liabilities		\$ 951,421	
		Net Assets		
Account	Description		Value	
3131	Unrestricted Net Assets		\$ -182,192	
3132	Temporarily Restricted Net Assets		\$ 307,670	
3130	Total Net Assets		\$ 125,478	

2033T	Total Liabilities and Equity/Net Assets		\$ 1,076,899
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Rent Revenue

Account	Description		Value
5120	Rent Revenue - Gross Potential		\$ 1,605,945
5100T	Total Rent Revenue		\$ 1,605,945

Vacancies

Account	Description		Value
5220	Apartments		\$ 305,501
5200T	Total Vacancies		\$ 305,501
5152N	Net Rental Revenue (Rent Revenue Less Vacancies)		\$ 1,300,444

Financial Revenue

Account	Description		Value
5410	Financial Revenue - Project Operations		\$ 2,063
5430	Revenue from Investments - Residual Receipts		\$ 580
5440	Revenue from Investments - Replacement Reserve		\$ 4,945
5400T	Total Financial Revenue		\$ 7,588

Other Revenue

Account	Description		Value
5910	Laundry and Vending Revenue		\$ 12,062
5920	Tenant Charges		\$ 10,247
5970	Gifts		\$ 243,251
5990	Miscellaneous Revenue		\$ 2,329
	Details - Miscellaneous Revenue		
	5990-010 - Description	Keys	
	5990-020 - Amount	\$ 2,269	
	5990-010 - Description	Miscellaneous Sales	
	5990-020 - Amount	\$ 60	
5900T	Total Other Revenue		\$ 267,889
5000T	Total Revenue		\$ 1,575,921

Administrative Expenses

Account	Description		Value
6311	Office Expenses		\$ 5,977
6320	Management Fee		\$ 59,924
6330	Manager or Superintendent Salaries		\$ 47,433
6331	Administrative Rent Free Unit		\$ 10,725
6351	Bookkeeping Fees/Accounting Services		\$ 4,158
6370	Bad Debts		\$ 23,271
6390	Miscellaneous Administrative Expenses		\$ 21,789
	Details - Miscellaneous Administrative Expenses		
	6390-010 - Description	Wearing Apparel	
	6390-020 - Amount	\$ 688	
	6390-010 - Description	Janitorial Supplies	
	6390-020 - Amount	\$ 3,706	
	6390-010 - Description	Commodities	

	6390-020 - Amount	\$ 466	
	6390-010 - Description	Professional Services	
	6390-020 - Amount	\$ 13,491	
	6390-010 - Description	Legal Fees	
	6390-020 - Amount	\$ 328	
	6390-010 - Description	Printing	
	6390-020 - Amount	\$ 828	
	6390-010 - Description	Damage Claims	
	6390-020 - Amount	\$ 2,282	
6263T	Total Administrative Expenses		\$ 173,277

Utilities Expenses

Account	Description	Value	
6450	Electricity		\$ 198,589
6451	Water		\$ 83,354
6452	Gas		\$ 87,538
6400T	Total Utilities Expense		\$ 369,481

Operating & Maintenance Expenses

Account	Description	Value	
6510	Payroll		\$ 52,844
6520	Contracts		\$ 481,763
6525	Garbage and Trash Removal		\$ 21,154
6570	Vehicle and Maintenance Equipment Operation and Repairs		\$ 2,989
6590	Miscellaneous Operating and Maintenance Expenses		\$ 94,051
	Details - Miscellaneous Operating and Maintenance Expenses		
	6590-010 - Description	Household Furnishings	
	6590-020 - Amount	\$ 94,051	
6500T	Total Operating and Maintenance Expenses		\$ 652,801

Taxes & Insurance

Account	Description	Value	
6720	Property & Liability Insurance (Hazard)		\$ 22,006
6700T	Total Taxes and Insurance		\$ 22,006

Financial Expenses

Account	Description	Value	
6820	Interest on First Mortgage (or Bonds) Payable		\$ 24,200
6800T	Total Financial Expenses		\$ 24,200

6900 Expenses

Account	Description	Value	
6900	Nursing Homes/Assisted Living/ Board & Care/Other Elderly Care Expenses		\$ 100,453

Operating Results

Account	Description	Value	
6000T	Total Cost of Operations before Depreciation		\$ 1,342,218
5060T	Profit (Loss) before Depreciation		\$ 233,703
6600	Depreciation Expenses		\$ 99,593

5060N	Operating Profit or (Loss)	\$ 134,110
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Change in Net Assets from Operations

Account	Description	Value
3247	Change in Unrestricted Net Assets from Operations	\$ 134,110
3250	Change in Total Net Assets from Operations	\$ 134,110

Part II

Account	Description	Value
S1000-010	Total first mortgage (or bond) principal payments required during the audit year [12 monthly payments]. This applies to all direct loans, amortizing HUD-helds, and fully insured first mortgages.	\$ 147,669
S1000-020	Total of 12 monthly deposits in the audit year into the Replacement Reserve account, as required by the Regulatory Agreement even if payments may be temporarily suspended or reduced.	\$ 33,176
S1000-030	Replacement Reserves, or Residual Receipts and Releases which are included as expense items on this Profit and Loss statement.	\$ 93,550

Equity Data

Account	Description	Value
S1100-060	Previous Year Unrestricted Net Assets	\$ -106,859
3247	Change in Unrestricted Net Assets from Operations	\$ 134,110
S1100-065	Other Changes in Unrestricted Net Assets	\$ -209,443
3131	Unrestricted Net Assets	\$ -182,192
S1100-070	Previous Year Temporarily Restricted Net Assets	\$ 98,227
S1100-075	Other Changes in Temporarily Restricted Net Assets	\$ 209,443
3132	Temporarily Restricted Net Assets	\$ 307,670
S1100-050	Previous Year Total Net Assets	\$ -8,632
3250	Change in Total Net Assets from Operations	\$ 134,110
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	\$ 0	
	Changes in Total Net Assets		
3130	Total Net Assets		\$ 125,478

Cash Flow from Operating Activities

Account	Description	Value	
S1200-010	Rental Receipts		\$ 1,269,901
S1200-020	Interest Receipts		\$ 2,843
S1200-030	Other Operating Receipts		\$ 19,597
S1200-040	Total Receipts		\$ 1,292,341
S1200-050	Administrative		\$ -25,826
S1200-070	Management Fee		\$ -4,506
S1200-090	Utilities		\$ -373,762
S1200-100	Salaries and Wages		\$ -199,497
S1200-110	Operating and Maintenance		\$ -748,438
S1200-140	Property Insurance		\$ -117
S1200-180	Interest on First Mortgage		\$ -24,167
S1200-210	Mortgage Insurance Premium (MIP)		\$ -21,889
S1200-230	Total Disbursements		\$ -1,398,202
S1200-240	Net Cash provided by (used in) Operating Activities		\$ -105,861

Cash Flow from Investing Activities

Account	Description	Value	
S1200-250	Net Deposits to the Reserve for Replacement account		\$ 60,374
S1200-260	Net Deposits to the Residual Receipts account		\$ 0
S1200-350	Net Cash used in Investing Activities		\$ 60,374

Cash Flow from Financing Activities

Account	Description	Value	
S1200-360	Principal Payments - First Mortgage (or Bonds)		\$ -147,669
S1200-450	Other Financing Activities		\$ 237,212
	Details - Other Financing Activities		
	S1200-451 - Description - Other Financing Activities	Grants from SIU	
	S1200-452 - Amount - Other Financing Activities	\$ 243,251	
	S1200-451 - Description - Other Financing Activities	Net change in restricted deposits	
	S1200-452 - Amount - Other Financing Activities	\$ -6,039	
S1200-460	Net Cash used in Financing Activities		\$ 89,543
S1200-470	Net increase (decrease) in Cash and Cash Equivalents		\$ 44,056

Cash and Cash Equivalents

Account	Description	Value	
S1200-480	Beginning of Period Cash		\$ 70,144
S1200T	End of Period Cash		\$ 114,200

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 \$ 134,110

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	\$ -8,482
S1200-500	Decrease (increase) in Accounts Receivable - Other	\$ -4,945
S1200-510	Decrease (increase) in Accrued Receivable	\$ 201
S1200-540	Increase (decrease) in Accounts Payable	\$ -89,656
S1200-590	Increase (decrease) in Prepaid Revenue	\$ -16,702
S1200-600	Other adjustments to reconcile net profit (loss) to Net Cash provided by (used in) Operating Activities	\$ -219,980

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

\$ 23,271

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

\$ -243,251

Account	Description	Value
S1200-610	Net Cash provided by (used in) Operating Activities	\$ -105,861

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

3. Cash and Investments - The current cash balance of \$114,200 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 \$189,542, while the bank balance was \$212,038. 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.

Investments consist of money market accounts and are thus not subject to categorization. 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, 2004, were as follows: Balance June 30, 2003 \$872,744, Additions \$-, Deletions \$(147,669), Balance June 30, 2004 \$725,075, Amounts due Within one Year \$152,161. The amortization of the note payable required during the next five years and thereafter is as follows: Year ending June 30, 2005 Principal \$152,161, Interest \$19,672, Total \$171,833, Year ending June 30, 2006 Principal \$156,790, Interest \$15,043, Total \$171,833, Year ending June 30, 2007 Principal \$161,558, Interest \$10,275, Total \$171,833, Year ending June 30, 2008

Principal \$166,472, Interest \$5,361, Total \$171,833, Year ending June 30, 2009 Principal \$88,094, Interest \$797, Total \$88,891. Total Principal \$725,075, Total Interest \$51,148, Total Principal and Interest \$776,223.

5. Related Party Transactions - As managing agent, the University collects a fee from the Project which represents the Project's calculated share of overhead costs incurred by the University Housing Office. The charge may not exceed 5% of gross rent collections. The management fee, included in the statement of revenues, expenses and changes in net assets, amounted to \$59,924. (Also, see notes 7 and 8 for additional related party transactions). 6. Capital Assets - Capital asset activity for the year ended June 30, 2004 was as follows: Land Balance June 30, 2003 and 2004 \$127,600, Land improvements Balance June 30, 2003 and 2004 \$50,400, Buildings Balance June 30, 2003 and 2004 \$3,983,703. Less accumulated depreciation - Land improvements Balance June 30, 2003 and 2004 \$(50,400), Buildings Balance June 30, 2003 \$(3,502,339), Additions \$(99,593), Balance June 30, 2004 \$(3,601,932). Total capital assets, net balance June 30, 2003 \$608,964, Additions \$(99,593), Balance June 30, 2004 \$509,371. 7. Revenue Bond Fee - The Board of Trustees of the University will periodically approve the allocation of a portion of their revenue bond fee to Evergreen Terrace Family Housing to fund certain maintenance projects. These allocations are conditioned upon the satisfaction of any prior claims of the funded debt operations of Housing and the Student Center. In its meeting(s) of June 10, 2004, the Board of Trustees of the University approved allocations for the above purpose in the amount(s) of \$173,251 for fiscal year 2004. This allocation has been included in grants from SIU. 8. Elizabeth Apartments Transfer - The University transferred \$70,000 from Elizabeth Apartments to Evergreen Terrace Family Housing to fund certain maintenance projects. The transfer has been included in grants from SIU.

S3100-040 Summary of Significant Accounting Policies Note

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 Statement Nos. 35, 37 and 38 provides a comprehensive perspective of the Foundation's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows, and replaces the fund-group perspective previously required. For financial reporting purposes, the

Project is considered a special-purpose government engaged only in business-type activities. Accordingly, the Project's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated. The Project has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Project has elected to not apply FASB pronouncements issued after the applicable date. For purposes of the statements of cash flows, the Project considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents. The Foundation accounts for its investments at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets. Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of the donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, 15 years for land improvements and 40 years for buildings. Effective July 1, 1997, the University changed its equipment capitalization policy from \$500 to \$5,000. The Project's net assets are classified as follows: Investment in capital assets, net of related debt: This represents the Project's total investment in capital assets, property, plant, and equipment, net of accumulated depreciation and reduced by outstanding debt obligations related to those capital assets. Restricted - expendable: Restricted-expendable net assets include resources in which the Project is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. Hazard insurance escrow: This account has been established for the mandatory hazard insurance escrow payments to the mortgage trustee. Cash from this account can only be used for the payment of insurance premiums. The monthly transfers to the trustee are adjusted from time to time to reflect actual insurance premiums paid. Residual receipts: The Project's regulatory agreement requires the mortgagor to deposit all surplus cash, if any, as of the end of the fiscal year into a residual receipts account. Cash from this fund may be returned to the Project's operations when approved by the FHA. Renewals and replacements: This account has been established for the mandatory replacement reserve payments to the mortgage trustee. Cash from

this account can only be used for repair or replacement or other construction at the Project when released by the FHA. Unrestricted: Unrestricted net assets represent the accumulated revenues from the Project (including interest and gains and losses on the sale of investments and the residual receipt account) less the related accumulated expenses for operation of the Project. When an expense is incurred that can be paid using either restricted or unrestricted resources, the Project's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. The Project has classified its revenues as either operating or nonoperating revenues according to the following criteria: Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions such as rent received from tenants. Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, such as investment income. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

Report on Supplemental Data

Account	Description	Value	
S3400-100	Opinion		UNQUALIFIED

Report on Compliance and on Internal Control over Financial Reporting

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

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

Account	Description	Value	
S3600-020	Reportable Conditions Indicator		N

S3600-030 Material Weakness Indicator N

Schedule of Findings and Questioned Costs

Account	Description	Value
S3700-010	Indicator - Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133	N
S3700-020	Dollar threshold used to distinguish between type A and type B programs	\$ 300,000
S3700-030	Low-Risk Auditee Indicator	N
Details - Prior Audit Findings		
S3900-010	Previous Finding Reference Number	03-01
S3900-020	Status Indicator	CLEARED
S3900-030	Statement of Condition for Previous Finding	Federal program: CFDA No. 14.135 Mortgage Insurance-Rental and Cooperative Housing for Moderate Income Families and Elderly, Market Interest Rate. U.S. Department of Housing and Urban Development. The Project Management Agent improperly required tenants to prepay multiple monthsÆ rent as a condition of occupancy.
S3900-040	Previous Response for Finding	We agree with the recommendation.
S3900-050	Narrative	Status: Not repeated. During the year ended June 30, 2004, the Project Management Agent implemented a policy whereby tenants sign a form giving the Project Management Agent permission to bill for the entire semester at the beginning of the semester.

Schedule of Reserve for Replacement

Account	Description	Value
1320P	Balance at Beginning of Year	\$ 333,175
1320DT	Total Monthly Deposits	\$ 33,176
1320UGL	Unrealized Gain or (Loss)	\$ 4,945
1320WT	Approved Withdrawals	\$ 93,550
1320	Balance at End of Year, Confirmed by Mortgagee	\$ 277,746
1320R	Deposits Suspended or Waived Indicator	N

Schedule of Residual Receipts

Account	Description	Value
1340P	Balance at Beginning of Year	\$ 48,498
1340INT	Interest on Residual Receipt Accounts	\$ 580
1340OWT	Other Withdrawals	\$ 580
Details - Other Residual Receipts Withdrawals		
1340OW-010	Description	Interest Transferred to Unrestricted Fund
1340OW-020	Amount	\$ 580
1340	Balance at Current Fiscal Year End	\$ 48,498

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

Account	Description	Value
S1300-010	Cash	\$ 114,200

S1300-040	Total Cash	\$ 114,200
S1300-075	Accounts Payable - 30 days	\$ 107,908
S1300-100	Accrued Expenses [not escrowed]	\$ 21,916
2210	Prepaid Revenue	\$ 96,522
S1300-140	Total Current Obligations	\$ 226,346
S1300-150	Surplus Cash (Deficiency)	\$ -112,146
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	\$ 3,552,739
6600	Total Provisions	\$ 99,593
1495	Ending Balance for Accumulated Depreciation	\$ 3,652,332
1400N	Total Net Book Value	\$ 509,371

Schedule of 6900 Accounts

Account	Description	Value
6950	Housekeeping Salaries	\$ 100,453

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	\$ 725,075
	S3300-150 - Opinion	UNQUALIFIED

Schedule of Expenditures of Federal Awards

Account	Description	Value
S3300-500	Total Federal Awards Expended	\$ 725,075

S3300-510 Note to the Schedule

NOTE A - BASIS OF PRESENTATION. The above schedule of expenditures of federal awards includes the federal grant activity of Southern Illinois University Foundation FHA Project No. 072-55010-NP, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local 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 basic financial statements.

Mortgagor's Certification

Account	Description	Value
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S2900-010 Narrative

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

S2900-020	Name of Signatory #1	Bryan Vagner
S2900-025	Title of Certifying Official	Managing Director, SIU Foundation
S2900-030	Name of Signatory #2	Elizabeth Banycky
S2900-040	Auditee Telephone Number	618-453-4900
S2900-050	Date of Certification	03/10/2005
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	Assistant Controller
S2900-170	Auditee Contact FAX Number	618-453-2262
S2900-180	Auditee Contact E-mail	ccigano@siu.edu

Managing Agent's Certification

Account	Description	Value
S3000-010	Narrative	I hereby certify that I have examined the accompanying financial statements and supplemental data of Evergreen Terrace, HUD Project No. 072-55010-NP and to the best of my knowledge and belief, the same are accurate and complete.
S3000-020	Name of Managing Agent	Southern Illinois University
S3000-030	Name of Signatory	Dr. Duane Stuckey
S3000-040	Managing Agent TIN	37-6005961
S3000-050	Name of Individual (i.e., Property Manager)	SIU Treasurer

Auditor's Transmittal Letter

Account	Description	Value
S3200-005	Audit Firm ID (UII)	52960
S3200-010	Audit Firm	Kerber Eck & Braeckel LLP-Springfield
S3200-020	Lead Auditor First Name	Deborah
S3200-030	Lead Auditor Middle Name	J.
S3200-040	Lead Auditor Last Name	Ringer
S3200-045	Auditor Contact Title	Partner
S3200-050	Auditor Street Address Line 1	1 W Old State Capitol Plz
S3200-060	Auditor Street Address Line 2	Suite 1000
S3200-070	Auditor City	Springfield
S3200-080	Auditor State	IL
S3200-090	Auditor Zip Code	62701
S3200-110	Telephone Number	217-789-0960
S3200-120	Audit Firm TIN	430352985
S3200-130	Date of Independent Auditor's Report	09/17/2004
S3200-140	Auditor Contact FAX Number	217-789-2822
S3200-150	Auditor Contact E-mail	debbier@spfld.kebcpa.com

- end of statement -

Southern Illinois University Foundation
Carbondale, Illinois

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2004

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development Mortgage Insurance-Rental and Cooperative Housing for Moderate Income Families and Elderly, Market Interest Rate	14.135	\$ <u>725,075</u>

NOTE A - BASIS OF PRESENTATION

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



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

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

As Special Assistant Auditors for the Auditor General, State of Illinois, we have audited the financial statements of Southern Illinois University Foundation (the "Foundation") - FHA Project No. 072-55010-NP (the "Project") as of and for the year ended June 30, 2004, and have issued our report thereon, dated September 17, 2004. 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.

Kulter, Eck & Brueckel LLP

Springfield, Illinois
September 17, 2004



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

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

Compliance

As Special Assistant Auditors for the Auditor General, State of Illinois, we have audited the compliance of Southern Illinois University Foundation (the "Foundation") - FHA Project No. 072-55010-NP (the "Project") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each major federal program for the year ended June 30, 2004. The Project's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each major federal program is the responsibility of the Project's management. Our responsibility is to express an opinion on the Project's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Project's compliance with those requirements and performing such other procedures as we considered necessary in the

circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination 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, 2004.

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 the internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Foundation's Board of Directors and management, the Project's management and 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.

Kuhn, Eck & Brueckel LLP

Springfield, Illinois
September 17, 2004

Southern Illinois University Foundation
Carbondale, Illinois

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2004

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified?	___ Yes	___ <u>X</u> No
Reportable condition(s) identified not considered to be material weaknesses?	___ Yes	___ <u>X</u> None reported
Noncompliance material to financial statements noted?	___ Yes	___ <u>X</u> No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?	___ Yes	___ <u>X</u> No
Reportable condition(s) identified not considered to be material weaknesses?	___ Yes	___ <u>X</u> None reported

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

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

Identification of major program:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
14.135	Mortgage Insurance – Rental and Cooperative Housing for Moderate Income Families and Elderly, Market Interest Rate

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

Auditee qualified as low-risk auditee? ___ Yes ___ X No

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

Southern Illinois University Foundation
Carbondale, Illinois

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2004

Finding 03-01

Federal program: CFDA No. 14.135

The project Management Agent improperly required tenants to prepay multiple months' rent as a condition of occupancy.

Status: Not repeated. During the year ended June 30, 2004, the Project Management Agent implemented a policy whereby tenants sign a form giving the Project Management Agent permission to bill for the entire semester at the beginning of the semester.

Southern Illinois University Foundation
Carbondale, Illinois

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

SPECIAL ASSISTANT AUDITOR INFORMATION

Year ended June 30, 2004

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

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

Kerber, Eck & Braeckel LLP's federal identification number is 43-0352985. Deborah J. Ringer of Kerber, Eck & Braeckel LLP is a licensed CPA in the states of Illinois and Indiana.

Southern Illinois University Foundation
Carbondale, Illinois

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

CERTIFICATION OF PROJECT OWNER

Year ended June 30, 2004

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

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION
FEIN 37-6024575

(Name) <u><i>Dezyl Wagner</i></u>	(Name) <u><i>Edw. Byle</i></u>
(Title) <u><i>Managing Director</i></u>	(Title) <u><i>Treasurer</i></u>
(Date) <u><i>3/10/05</i></u>	(Date) <u><i>3/10/05</i></u>

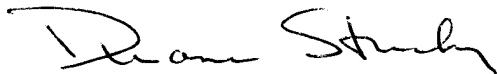
Southern Illinois University Foundation
Carbondale, Illinois

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

MANAGEMENT AGENT'S CERTIFICATION

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

SOUTHERN ILLINOIS UNIVERSITY
Dr. Duane Stuckey, SIU Treasurer
FEIN 37-6005961



Signature

3-10-05

Date