State of Illinois
Southern Illinois University Edwardsville Foundation

# FINANCIAL AUDIT

For the year ended June 30, 2005
(with comparative totals for 2004)

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

State of Illinois
Southern Illinois University Edwardsville Foundation

FINANCIAL AUDIT

For the year ended June 30, 2005

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* Note:  This report has been issued under separate cover.

State of Illinois
Southern Illinois University Edwardsville Foundation

FOUNDATION OFFICIALS

June 30, 2005

The Foundation Board of Directors, continuing members:

Mr. Tom Allen
Mr. John C. Anderson
Mr. Gordon Broom
Mr. Allen Cassens
Mr. John Conrad
Ms. Judy Dailey
Mr. Mark J. Deschaine
Mr. Terrance Egger
Mr. Ted Eilerman
Mr. Byron Farrell
Mr. James C. Fowler
Mr. John Fruit
Dr. William Going
Dr. Kathy Gugger
Mr. Alfred Hagemann
Ms. Rita Hardy
Ms. Sandra Hardy-Chinn
Mr. John Hunter
Ms. Mary Lou Inman
Mr. Merle T. Inman
Ms. Maxine Johnson
Mr. Rick Jones
Ms. Mary Kane
Mr. Keith Kehrer
Mr. Dale Keller
Mr. Ralph Korte
Mr. L. Thomas Lakin
Ms. Mara Meyers
Ms. Karyn Molnar
Mr. Robert Murdick
Mr. John North
Mr. David Oates
Mr. John E. Oeltjen
Mr. Lendell Phelps, Jr.
Mr. Robert Plummer
Mr. James Rankin, Sr.
Mr. Clinton Rogier
Dr. Gilbert Rutman
Ms. Betty Lou Schmidt
Mr. John Schmidt
Mr. Gerard Schuetzenhofer
Ms. Ellen Sherberg
Mr. Dennis Terry
Mr. Charles Tosovsky
Dr. James Walker, President of SIU
Mr. Robert Wetzel
Mr. G. Patrick Williams, Vice Chancellor
Ms. S. Lavernn Wilson
Dr. Brent Wohlford
Dr. Edward Hightower, Board of Trustees, designated representative

New members during Fiscal 2005:

Ms. Elzora Douglas
Mr. Robert E. McClellan Jr.
Mr. Mark S. Shashek
Mr. Bill Simon
Dr. Vaughn Vandegrift, Chancellor

Retiring members during Fiscal 2005:

Mr. C. Kenneth Anderson, deceased
Mr. Edward Pinnell
Dr. David Werner, Emeritus Chancellor

State of Illinois
Southern Illinois University Edwardsville Foundation

FOUNDATION OFFICIALS - CONTINUED

June 30, 2005

Southern Illinois University personnel who provide significant administrative support to the Foundation include:

| | |
|---|---|
| Chief Executive Officer | Mr. G. Patrick Williams |
| Director of Financial Affairs | Mr. Rich Hampton |
| Assistant Director of Giving and Research | Ms. Gayla Bruning |
| Assistant Director of Financial Affairs | Ms. Emma Christensen |
| Accounting Associate | Ms. Joan Cummings |

Foundation offices are located at:

Southern Illinois University Edwardsville
B. Barnard Birger Hall
#30 Circle Drive
Edwardsville, IL 62026

State of Illinois
Southern Illinois University Edwardsville Foundation

FINANCIAL STATEMENT REPORT
SUMMARY

June 30, 2005

The audit of the accompanying basic financial statements of Southern Illinois University Edwardsville Foundation was performed by Kerber, Eck, and Braeckel LLP.

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

Kerber, Eck & Braeckel LLP

CPAs and
Management Consultants

1000 Myers Building
1 West Old State Capitol Plaza
Springfield, IL 62701-1268
ph 217.789.0960
fax 217.789.2822
www.kebcpa.com

## Independent Auditors' Report

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

As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements of the Southern Illinois University Edwardsville Foundation (the Foundation), a component unit of Southern Illinois University, as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Foundation 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 2004 financial statements and, in our report dated September 27, 2004, we expressed an unqualified opinion on those financial statements.

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 the Southern Illinois University Edwardsville Foundation as of June 30, 2005, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Other Locations

Belleville, IL • Carbondale, IL • Cape Girardeau, MO • St. Louis, MO • Milwaukee, WI

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2005, 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 considered in assessing the results of our audit.

The management's discussion and analysis on pages 8 through 12 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.

Kerber, Eck & Braeckel LLP

Springfield, Illinois
September 26, 2005

State of Illinois
Southern Illinois University Edwardsville Foundation

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

## Introduction

Following this discussion and analysis are the basic financial statements for the Southern Illinois University Edwardsville Foundation (SIUE Foundation). Significant changes were made to the financial statement format in recent years due to the implementation of new guidelines issued by the Governmental Accounting Standards Board (GASB). Similar to last year, the current year financial statements provide comparative data for last year under the new format. GASB Statements implemented in Fiscal Year 2002 included:

GASB Statement No. 35 *Basic Financial Statements - and Management's Discussion and Analysis - For Public Colleges and Universities*
GASB Statement No. 37 *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus*
GASB Statement No. 38 *Certain Financial Statement Note Disclosures*

During fiscal year 2005, GASB Statement No. 40, *Deposit and Investment Risk Disclosures* was implemented.

This discussion and analysis will review the basic financial statements and their relationship to each other, and outline any additional facts, decisions, or conditions that are expected to have a significant effect on the financial position of the SIUE Foundation.

## Financial Statements

The three basic financial statements presented for fiscal years 2005 and 2004 are the Statement of Net Assets; the Statement of Changes in Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. The Statement of Net Assets shows all assets (resources) listed in order of their liquidity, and all liabilities (commitments) of the SIUE Foundation are listed in order of their term length. The net assets are presented in a manner that indicates the level of restriction, if any, placed on the net assets. The SIUE Foundation reports $ 22,237,315 in net assets at June 30, 2005, of which $ 1,351,973 is considered unrestricted.

## SIUE Foundation Net Assets
**(in thousands of dollars)**

| | June 30, 2005 | June 30, 2004 | % Change |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | $ 3,399 | $ 4,289 | -20.8 % |
| **Non-Current Assets** | 21,885 | 18,231 | 20.0 % |
| **Total Assets** | 25,284 | 22,520 | 12.3 % |
| **Liabilities** | | | |
| **Current Liabilities** | 853 | 362 | 135.6 % |
| **Non-Current Liabilities** | 2,194 | 2,189 | 0.2 % |
| **Total Liabilities** | 3,047 | 2,551 | 19.4 % |
| **Net Assets** | | | |
| **Invested in Capital Assets** | 526 | 586 | -10.2 % |
| **Restricted** | 20,359 | 17,841 | 14.1 % |
| **Unrestricted** | 1,352 | 1,542 | -12.3 % |
| **Total Net Assets** | $ 22,237 | $ 19,969 | 11.4 % |

Total Net Assets for the SIUE Foundation increased in Fiscal Year 2005 (FY 2005) by approximately $ 2,268,000. Several significant items contributed to the change in net assets for the fiscal year. Contributing to the 20% increase in Non-Current Assets was a portion of a gift of art and collectibles received in a previous year. The collection is so extensive that it is being valued over several fiscal years. FY 2005 includes the addition of approximately $ 1.4 million to Assets Held for Resale, representing the estimated value of this portion of the collection that may be offered for sale by the SIUE Foundation.

The increase in Total Liabilities was due to an increase in Accounts Payable, which is included in the Current Liabilities line. These charges represent expenses incurred by the Foundation during FY 2005, but not paid by the end of the fiscal year. Of the $ 606,000 balance in the Accounts Payable account, $ 468,000 is due to the renovation of the Simmons Cooper baseball complex. This is strictly a timing issue and this amount was paid shortly after the end of the fiscal year.

Total Net Assets increased by 11.4% during the year. The largest percentage increase within the Net Assets categories was under the Restricted Funds. In addition to the above noted items, net assets were also positively affected by a very positive fund raising year to be discussed later, and a 5.4% return on the endowment portfolio, net of investment manager fees.

**SIUE Foundation Revenues, Expenses and Changes in Net Assets**
**(in thousands of dollars)**

| | FY 2005 | FY 2004 | % Change |
|---|---|---|---|
| **Operating Revenues** | $ 1,195 | $ 1,077 | 11.0 % |
| **Operating Expenses** | | | |
| **General and Operating** | 321 | 365 | -12.1 % |
| **Expenditures for the Benefit of SIUE** | 1,776 | 1,343 | 32.2 % |
| **Transfer of Gifts to SIUE** | 1,094 | 636 | 72.0 % |
| **Other Operating Expenses** | 500 | 423 | 18.2 % |
| **Total Operating Expenses** | 3,691 | 2,767 | 33.4 % |
| **Operating Loss** | (2,496) | (1,690) | -47.7 % |
| **Non-Operating Revenues (Expenses)** | | | |
| **Contributions** | 3,992 | 3,041 | 31.3 % |
| **Net Investment Income** | 700 | 985 | -28.9 % |
| **Increase (Decrease) in PV Trust** | (32) | 140 | -122.9 % |
| **Loss -Assets held for Resale** | - | (41) | -100.0 % |
| **Other Non-Operating Expenses** | (146) | (115) | -27.0 % |
| **Total Non-Operating Revenues, net of expenses** | 4,514 | 4,010 | 12.6 % |
| **Contributions to permanent endowments** | 251 | 884 | -71.6 % |
| **Increase in Net Assets** | $ 2,269 | $ 3,204 | -29.2 % |

The Statement of Revenues, Expenses, and Changes in Net Assets details the activity for the fiscal year, including the change in net assets from last year due to this activity. Activity is segregated between operating activity and non-operating activity. GASB defines operating activity as that which has the characteristics of exchange transactions, meaning each party to the transaction receives a material benefit. Non-operating activity includes non-exchange transactions. Thus, contributions are considered non-operating activity in these financial statements, due to the lack of a two-party exchange, even though the primary function of the SIUE Foundation is to raise contributions for SIUE. Considering these facts, the Increase in Net Assets may be a better indicator of the operational results than the Operating Income (Loss). For FY 2005, the SIUE Foundation realized an increase in net assets of $ 2,268,149 from the current year activity, compared to $ 3,204,427 in Fiscal Year 2004 (FY 2004).

Operating Revenues increased by approximately 11% due to increased revenue from events, sales and other operating revenues. This is a normal fluctuation as these revenues vary from year to year, depending on the number and type of activities, fundraising events, and athletic events held during the year. Operating Expenses increased by $ 924,000 over FY 2004.

This was due mainly to the baseball complex renovation expenditures mentioned earlier in this discussion and analysis. The expenditures for the complex are categorized as capitalized assets, included and then transferred to the University to be recorded and maintained as a University asset.

Non-operating revenues, net of expenses, plus contributions to permanent endowments, decreased by 2.6%, or roughly $ 129,000. The 8.1% increase in contributions, or approximately $ 318,000, was offset by a similar decrease in investment earnings of $ 285,000. In FY 2004, the Foundation experienced a very positive 10.7% increase in endowment earnings, versus 5.4% in FY 2005. These returns are after the management fees paid to the investment managers responsible for the specific investment strategy of the Foundation investments. The general guidelines, however, are established by the Foundation and the managers are monitored closely on their performance and adherence to Foundation investment policies.

The final statement presented is the Statement of Cash Flows. The primary purpose of this statement is to categorize all cash transactions into either operating, financing, or investing activities, and reconcile the change in cash from operating activities to the Operating Income (Loss) as presented on the Statement of Revenue, Expenses and Changes in Net Assets. Again, please note that contributions are not considered operating activity according to GASB and therefore have been categorized as non-operating activity in the Statement of Cash Flows. During the fiscal year, the SIUE Foundation experienced a cash increase of $ 37,720 compared to an increase in FY 2004 of $ 8,452.

A significant variance between years is the receipt of payment from the University for support in the form of cash. Due to timing issues, two years of payments were received during FY 2005 causing an increase of $ 400,000 from FY 2004. Other significant variances exist in Expenditures for the Benefit of SIUE and the Cash Contributions lines. Each of these variances are largely due to the baseball complex renovation. A significant amount of expenditures were incurred on this project, and donations were received in FY 2005 to assist in the completion of this project.

**Facts, Decisions, or Conditions Significantly Affecting Financial Position**

Contributions and Assets Held for Resale: During Fiscal Year 2002 (FY 2002), the SIUE Foundation received title to a large collection of art and collectibles from an estate bequest. At the time, the Foundation did not have a reasonable basis for estimating the value of this contribution so it was not included in the FY 2002 financial statements. During Fiscal Year 2003 (FY 2003), the value of a portion of this collection was estimated at $ 1,520,000, and was included in the financial statements. During FY 2004, $ 1,476,960 in additional assets were valued and included in the financial statements. During FY 2005, $ 1,447,818 in additional assets were valued and included in the financial statements. All of the FY 2005 additional valued assets are included in Assets Held for Resale. Due to the extremely large number of pieces in this collection, the remainder of the collection continues to be evaluated and will be included in the financial statements as reliable estimates are attained.

Beneficial Interest in Trusts: The Foundation has a life-estate interest in a real estate trust established in 1997 (see Note I at the end of the financial statements). The trust includes the ownership of five parcels of real estate ranging from 40 acres to 117 acres each. Subsequent to the end of the fiscal year, two of the parcels were sold for $ 586,000 which was $ 228,000 more than the trust valuation. The trust was not revalued based on this sale since it occurred after the end of the fiscal year. However, in Fiscal Year 2006, the sale will be reflected. Additionally, the remaining three parcels may be significantly undervalued as well. However, according to accounting principles generally accepted in the United States of America, the real estate will remain at the original cost on the books until a transaction is realized, or the trust is terminated upon the death of the surviving spouse.

Other: The notes to the basic financial statements include additional details and further explanations of data presented in the basic financial statements. The notes are an integral part of the basic financial statements and should be included as part of any review or analysis.

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Southern Illinois University Edwardsville Foundation

STATEMENT OF NET ASSETS

June 30, 2005
(with comparative totals for 2004)

| ASSETS | 2005 | 2004 |
|---|---|---|
| Current assets | | |
| Cash and cash equivalents (Note C) | $ 53,486 | $ 15,766 |
| Short-term investments (Note C) | 2,716,969 | 3,040,076 |
| Deposits with SIUE | 284,382 | 242,774 |
| Pledge receivables, net of allowance of $ 24,621 for 2005 | 212,131 | 140,401 |
| Accounts receivable - SIUE (Note G) | 3,795 | 250,901 |
| Other receivables | 24,415 | 516,461 |
| Interest receivable | 68,118 | 59,173 |
| Prepaid expenses | 36,038 | 23,539 |
| Total current assets | 3,399,334 | 4,289,091 |
| Non-current assets | | |
| Noncurrent investments (Note C) | 13,317,202 | 11,044,800 |
| Pledge receivables, net of allowance of $ 40,475 for 2005 | 266,969 | 254,412 |
| Loan receivables | 46,470 | 29,791 |
| Capital assets, net of depreciation (Note D) | 2,175,692 | 2,236,444 |
| Assets held for resale (Note J) | 3,823,328 | 2,377,915 |
| Beneficial interest in trusts (Note I) | 2,255,757 | 2,288,185 |
| Total noncurrent assets | 21,885,418 | 18,231,547 |
| Total assets | 25,284,752 | 22,520,638 |

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STATEMENT OF NET ASSETS - CONTINUED

June 30, 2005
(with comparative totals for 2004)

| | 2005 | 2004 |
|---|---|---|
| **LIABILITIES** | | |
| Current liabilities | | |
| Accounts payable - SIUE (Note G) | $ 163,727 | $ 217,291 |
| Accounts payable - Other | 606,629 | 61,657 |
| Accrued interest (Note H) | 34,238 | 34,444 |
| Annuity payable | 48,986 | 48,986 |
| Total current liabilities | 853,580 | 362,378 |
| Noncurrent liabilities | | |
| Revenue bond payable (Note H) | 1,650,000 | 1,650,000 |
| Annuity payable | 543,857 | 539,094 |
| Total noncurrent liabilities | 2,193,857 | 2,189,094 |
| Total liabilities | 3,047,437 | 2,551,472 |
| **NET ASSETS** | | |
| Net assets | | |
| Invested in capital assets, net of related debt | 525,692 | 586,444 |
| Restricted nonexpendable | | |
| Scholarships, research, instruction, and other | 10,820,702 | 9,906,739 |
| Loans | 806,737 | 785,239 |
| Restricted expendable | | |
| Scholarships, research, instruction, and other | 7,082,211 | 5,498,805 |
| Capital projects and debt service | 1,650,000 | 1,650,000 |
| Unrestricted | 1,351,973 | 1,541,939 |
| Total net assets | $ 22,237,315 | $ 19,969,166 |

The accompanying notes are an integral part of this statement

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# STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended June 30, 2005
(with comparative totals for 2004)

| | 2005 | 2004 |
|---|---|---|
| Operating revenues | | |
| Payments from SIUE (Note G) | $ 190,000 | $ 290,000 |
| Budget allocation from SIUE (Note G) | 402,663 | 322,165 |
| Events, sales and other operating revenues | 601,853 | 465,308 |
| Total operating revenues | 1,194,516 | 1,077,473 |
| Operating expenses | | |
| General and operating expenses | 320,594 | 365,069 |
| Budget expended at SIUE (Note G) | 402,663 | 322,165 |
| Expenditures for the benefit of SIUE | 1,775,660 | 1,342,774 |
| Expenditures for the benefit of Alumni Association (Note G) | 35,581 | 38,818 |
| Gifts to SIUE | 1,093,969 | 635,916 |
| Depreciation (Note D) | 62,382 | 62,355 |
| Total operating expenses | 3,690,849 | 2,767,097 |
| Operating loss | (2,496,333) | (1,689,624) |
| Nonoperating revenues (expenses) | | |
| Contributions | 3,992,177 | 3,041,074 |
| Net investment income (Note C) | 700,292 | 984,869 |
| Increase (decrease) in allowance for uncollectibles | (13,203) | 12,712 |
| Increase (decrease) in present value-interest in trusts (Note I) | (32,428) | 140,309 |
| Bond interest expense | (75,281) | (75,488) |
| Grants to other organizations | (8,350) | (4,750) |
| Payments to annuitants | (48,986) | (47,887) |
| Loss on sale of assets held for resale | - | (41,146) |
| Other nonoperating revenues (expenses) | (322) | 386 |
| Net nonoperating revenues | 4,513,899 | 4,010,079 |
| Income before other revenues, expenses, gains or losses | 2,017,566 | 2,320,455 |
| Additions to permanent endowments | 250,583 | 883,972 |
| Increase in net assets | 2,268,149 | 3,204,427 |
| Net assets - beginning of year | 19,969,166 | 16,764,739 |
| Net assets - end of year | $ 22,237,315 | $ 19,969,166 |

The accompanying notes are an integral part of this statement.

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STATEMENT OF CASH FLOWS

For the year ended June 30, 2005
(with comparative totals for 2004)

| | 2005 | 2004 |
|---|---|---|
| Cash flows from operating activities | | |
| Payments received from related organizations | $ 440,000 | $ 40,000 |
| Payments received from other revenue sources | 583,256 | 478,996 |
| Payments for benefit of SIUE, net of reimbursements | (2,098,914) | (1,345,879) |
| General and operating expense | (396,031) | (390,830) |
| Net cash flows used by operating activities | (1,471,689) | (1,217,713) |
| Cash flows from noncapital financing activities | | |
| Contributions for endowments | 731,696 | 328,865 |
| Other contributions | 2,116,302 | 1,113,214 |
| Net cash flows provided by noncapital financing activities | 2,847,998 | 1,442,079 |
| Cash flows from capital financing activities | | |
| Payments of bond interest | (75,488) | (63,319) |
| Purchase of capital assets | (1,630) | - |
| Net cash flows used by capital financing activities | (77,118) | (63,319) |
| Cash flows from investing activities | | |
| Interest and dividend income | 2,586 | 539 |
| Bank charges | (3,629) | (2,815) |
| Change in deposits with SIUE | (51,557) | (4,174) |
| Purchase of investments | (1,294,339) | (209,723) |
| Proceeds from sale of stock | 85,468 | 63,578 |
| Net cash flows used by investing activities | (1,261,471) | (152,595) |
| Net increase in cash | 37,720 | 8,452 |
| Cash, beginning of year | 15,766 | 7,314 |
| Cash, end of year | $ 53,486 | $ 15,766 |

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STATEMENT OF CASH FLOWS - CONTINUED

For the year ended June 30, 2005
(with comparative totals for 2004)

| | 2005 | 2004 |
|---|---|---|
| Reconciliation of operating loss to net cash used by operating activities | | |
| Operating loss | $ (2,496,333) | $ (1,689,624) |
| Adjustments to reconcile operating loss to net cash used by operating activities | | |
| Depreciation | 62,382 | 62,355 |
| Noncash gifts to SIUE | 250,882 | 575,055 |
| Changes in assets and liabilities: | | |
| Receivables | 225,204 | (235,654) |
| Accounts payable | 496,171 | 58,052 |
| Other assets | (9,995) | 12,103 |
| Net cash used by operating activitie: | $ (1,471,689) | $ (1,217,713) |

Schedule of noncash investing, capital and financing activities:

The Foundation received noncash contributions from donors of $ 1,789,491 and $ 2,115,207 during the years ended June 30, 2005 and 2004, respectively, of which $ 250,882 and $ 575,055 were forwarded to the University, respectively.

The accompanying notes are an integral part of this statement.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Financial Reporting Entity*

   The Southern Illinois University Edwardsville Foundation (the "Foundation") exists for the primary purpose of aiding and assisting Southern Illinois University ("SIUE" or "University") in achieving its educational, research, and service goals and responsibilities.

   Due to the significance of the financial relationship with the University, the Foundation is included as a component unit of the University for financial reporting purposes in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity.* The financial activities included in these financial statements are included 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.

2. *Financial Statement Presentation*

   Effective July 1, 2001, the Foundation adopted GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities;* GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus;* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures.* The financial statement presentation required by GASB Statements Nos. 35, 37 and 38 provides a comprehensive perspective of the Foundation's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows, and replaces the fund-group perspective previously required.

   Effective July 1, 2004, the Foundation has also implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures.*

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. *Basis of Accounting*

   For financial reporting purposes, the Foundation is considered a special-purpose government 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 intra-agency 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.

4. *Cash and Cash Equivalents*

   The Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash held by investment custodians and money market accounts stated at cost, which approximates fair value.

5. *Investments*

   The Foundation carries investments at fair value as determined by 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.

6. *Capital Assets*

   Property and equipment purchased by the Foundation are recorded at cost. Donated assets are capitalized at estimated fair value at the date of the donation. For equipment, the Foundation's capitalization policy includes all items with a unit cost of $ 1,000 or more, and an estimated useful life of greater than one year. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

6. *Capital Assets - continued*

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 5 to 7 years for equipment and 40 years for real property.

7. *Assets Held for Resale*

Assets held for resale primarily represent a marble staircase, a collection of artwork and historical treasures, and a building formerly housing the operations of the Foundation. The staircase sections are carried at current appraisal value, the artwork and historical treasures are carried at market value, and the building is carried at cost.

8. *Annuities Payable*

The Foundation uses the actuarial method of recording annuity funds. Under this method, when a gift is received, the present value of the aggregate annuities payable is recorded as a liability, based upon life expectancy tables, and the remainder is recorded as net assets. Investment income and gains are recorded as an increase to net assets, and annuity payments and investment losses are charged to liability accounts with annual adjustments made between the liability and the net assets to record adjustment of the actuarial liability.

9. *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 for 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, annuity funds and loan funds.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. *Net Assets - continued*

- **Restricted net assets - nonexpendable -** continued**:**

  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 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 bind 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 restricted in accordance with the donor's wishes or, in the absence of such a restriction, transferred to unrestricted net assets.

  The loan funds consist of gifts received from donors stipulating that the funds are to be used for loans to students, faculty or staff and from interest on specific endowment funds, which stipulate that income is to be used for loans.

- **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 toward restricted resources, and then toward unrestricted resources.

10. *Classifications of Revenues and Expenses*

The Foundation has classified its revenues and expenses as either operating or non-operating according to the following criteria:

- **Operating:** Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as contract payments from Southern Illinois University.

- **Non-operating:** Non-operating revenues and expenses include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources and expenditure uses that are defined as non-operating revenues

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

*10. Classifications of Revenues - continued*

and expenses 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.

## NOTE B - TAX STATUS

An IRS ruling dated August 19, 1982, determined that the Foundation qualifies for Federal income tax exemption under Section 501(c)(3) of the Internal Revenue Code.

## NOTE C - CASH AND INVESTMENTS

1. *Deposits with SIUE*

The Foundation owns a participating share of pooled cash and investments maintained by the University. The underlying financial instruments which comprise the University's pooled cash and investments consist primarily of cash, certificates of deposit and U.S. Government securities, and are stated at cost which approximates fair value. The Foundation's share of pooled cash and investments is not classified with investments in the accompanying statement of net assets, since specific investment securities of the pooled fund are not purchased on behalf of, and/or separately allocated to, the participants of the fund. The Foundation uses its share of the pooled cash and investments to advance loan funds to students.

2. *Investments*

The Foundation has pooled its operating cash and investments to provide for efficiencies and economies in its management. Investments are reported at fair value. The fair value is determined to be the amount, usually quoted market prices, at which financial instruments could be exchanged in a current transaction between willing partners. The calculation of realized gains is independent of the calculation of the net increase 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.

Investment income for the year ended June 30, 2005, of $ 378,469 is presented net of investment management fees and bank service charges, which amounted to $ 81,210 and $ 3,629, respectively, for the year. The net increase in the fair value of investments for the fiscal year 2005 was $ 321,823. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

**NOTE C - CASH AND INVESTMENTS - Continued**

3. *Endowment Investments*

State law permits the Board of Directors to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. The Board has established a policy regarding spending net income with the stated purpose of ensuring that administrators of these funds are able to make the best possible use of the earnings of these funds "while preserving the interests and intent of the donor, the Foundation and the University." The Foundation's Investment Policy is administered to all endowment funds unless exceptions have been stipulated by the donor. The net appreciation on investments of donor-restricted endowments authorized for expenditure in fiscal year 2005 is $ 425,336. At June 30, 2005, the fair value of the assets of donor-restricted endowment funds not authorized for expenditure was $ 867,498 greater than the original principal amount of those funds.

Under the policy established by the Board, up to four and one half (4.5) percent of the average balance (end of previous year's market value plus new contributions) at the end of the previous twelve (12) months may be authorized for expenditure if investment income from the current or previous years is available. The remaining income, if any, is retained and may be used in the future if the investment return does not equal or exceed four and one half (4.5) percent.

4. *Investment Policy*

It is Foundation policy to invest funds in a manner which will provide investment returns and security consistent with good business practices, while meeting the daily cash flow demands of the Foundation. Funds are invested in accordance with the approved Board policy for investments. The Foundation's Investment Policy authorizes the Foundation to invest in securities of the U.S. Government or its agencies, banker's acceptances, certificates of deposit, interest bearing savings accounts, interest bearing time deposits, and other direct obligations of any bank defined in the Illinois Banking Act. The Foundation's policy also authorizes additional types of investments in corporate debt securities, open and closed end mutual funds and common and preferred stocks subject to United States' securities regulation and enforcement.

The Foundation has specific investment objectives based on the type of investment. For student assistance endowments and quasi-endowments, the main objective of the investment policy is maintenance of the purchasing power of the assets in perpetuity. For general endowments and quasi-endowments, the main objective is maximizing total return of the assets. For charitable gift annuity funds, the main objective of the investment policy is to generate sufficient cash flow to meet the financial commitments to

## NOTE C - CASH AND INVESTMENTS - Continued

4. *Investment Policy - Continued*

the annuitants while obtaining a total investment return that provides for a residual balance of at least 50% of the original gift amount at the termination of the contract. The investment policy has an overall return objective to preserve the inflation adjusted value of the funds and to maximize total return net of investment expense (i.e., total interest, dividends and capital appreciation reduced by management fees and transaction costs).

5. *Cash and Investment Risks*

*Custodial credit risk:*

*Deposits:* The risk that, in the event of the failure of a depository financial institution, the Foundation will not be able to recover deposits that are in the possession of an outside party. The carrying amount of cash in bank is $ 144,357, all of which is insured or collateralized. The Foundation's policy for custodial credit risk is to ask the bank at which its accounts are maintained to collateralize amounts in excess of FDIC insurance at all times.

*Investments:* 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 that are in the possession of an outside party. The investment custodians hold these investments in their name for benefit of the Foundation. The Foundation does not maintain a policy regarding custodial credit risk.

*Foreign currency risk:* The risk that changes in exchange rates will adversely affect the investment. The carrying amount of the Foundation’s investment in common stocks of foreign companies is $ 156,315 with a cost of $ 139,749. The Foundation's policy related to foreign currency risk is that no purchase of a foreign equity may be made if such purchase would cause the total value of foreign equity assets to exceed the lesser of 10% of the total and 25% of the equity portion of the endowment portfolio.

*Credit risk:* The risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is mitigated by limiting investments to those specified in the Board approved policy; and diversifying the investment portfolio so that the failure of any one issuer or backer will not place an undue financial burden on the Foundation. Board policy requires investments in fixed income government or corporate securities to be purchased or retained only if the security is rated A2 or higher by Moody's Investor Service or is rated A or higher by Standard & Poor's Corporation, Fitch Investors Service or Duff & Phelps Credit Rating Co. Commercial paper, money markets and banker's acceptances must be rated at least Prime-1 by Moody's Investor Service or at least A1 by Standard & Poor's Corporation. U.S. Treasuries are federal government securities that do not require the disclosure of credit risk.

## NOTE C - CASH AND INVESTMENTS - Continued

*5. Cash and Investment Risks - Continued*

*Credit risk: - Continued*

The U.S. agencies investments include the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Federal Home Loan Bank, all rated AAA and Aaa by Standard & Poor's Corporation and Moody's Investor Services, respectively.

The Foundation has corporate bond investments as follows:

| | | Credit Quality Rating | | |
|---|---|---|---|---|
| Corporate Bonds | Investment | Standard & Poor's | Fitch | Moody's |
| Goldman Sachs Group 01-15-11 | $ 55,752 | AA | A | A2 |
| National Rural Utils Coop Fl 5-15-06 | 50,899 | A | na | Aaa |
| General Elec Cap Corp M/T/N 2-15-07 | 50,769 | AAA | A+ | A1 |
| Lehman Brothers Frn 9-28-07 | 49,785 | A | AA- | A1 |
| HSBC Fiance Corp CPI FLT RT 2-10-10 | 97,237 | A | AA- | Aa3 |
| Verizon New Jersey Inc 1-17-12 | 52,856 | A | AA | Aaa |
| Genworth Finl Inc 6-15-14 | 53,622 | A | A+ | A1 |
| Wachovia Corp 8-01-14 | 52,194 | A | A | A2 |
| Wells Fargo Bank 02-01-11 | 55,150 | AA | AA- | Aa3 |
| | $ 518,264 | | | |

Using Morningstar ratings, the Foundation has fixed income mutual funds as follows:

| | | |
|---|---|---|
| TIAA-CREF Inst Bond Fund | $ 298,004 | *** |
| TIAA-CREF Short-Term Bond Fund | 114,647 | ***** |
| Vanguard GNMA Fund | 30,713 | ***** |
| First American Intermediate Term Bond Cl Y | 291,798 | *** |
| First American Core Bond Class Y | 301,063 | *** |
| | $ 1,036,225 | |

*Concentration of credit risk:* the risk of loss attributable to the magnitude of investment in a single issuer. The Foundation's investment policy encourages diversification and prohibits investments of 5% or more of total investments in any one issuer.

*Interest rate risk*: The risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation does not maintain a policy regarding interest rate risk; however, its overall risk management requires sound investment decisions and diversification of overall risk.

## NOTE C - CASH AND INVESTMENTS - Continued

5. *Cash and Investment Risks - Continued*

*Overall risk*: The portfolio should not be limited to any one asset class, industry segment, and type of security or single issue. The investment policy requires funds to be managed as a balanced portfolio consisting of equities, fixed income and cash equivalents. The Foundation has defined benchmark indices and parameters of ratios per asset class as follows:

| | Ratio | | |
|---|---|---|---|
| Asset Class | Minimum | Maximum | Benchmark Index |
| Equities | 30% | 70% | Standard & Poor's 500 Index |
| Fixed Income | 30 | 70 | Lehman Brothers Intermediate Govt/Credit Bond Index |
| Cash (& equivalents) | 0 | 20 | U.S. 3 Month Treasury Bill |

The Foundation currently uses Allegiant Investment Counselors, U.S. Bank and The Bank of Edwardsville to manage its external portfolio.

As of June 30, 2005, the Foundation had the following cash and investment balances:

**Externally Managed Investments:**

| | | Investment Maturities (in Years) | | | |
|---|---|---|---|---|---|
| Investment Type | Fair Value | Less than 1 | 1-5 | 6-10 | No Maturity |
| U.S. Treasuries | $ 1,291,450 | $ - | $ 1,005,992 | $ 285,458 | $ - |
| U.S. Agencies | 2,541,546 | 151,734 | 2,381,104 | 8,708 | - |
| Corporate Bonds | 518,264 | 50,899 | 308,693 | 158,672 | - |
| Common Stock - domestic | 3,727,507 | - | - | - | 3,727,507 |
| Common Stock - foreign | 156,315 | - | - | - | 156,315 |
| Mutual Funds - equity | 2,214,326 | - | - | - | 2,214,326 |
| Mutual Funds - fixed income | 1,036,225 | - | - | - | 1,036,225 |
| Other | 1,400 | 198 | - | - | 1,202 |
| Certificates of Deposit | 3,199,000 | 1,166,000 | 2,033,000 | - | - |
| Cash and Equivalents | 1,348,138 | 1,348,138 | - | - | - |
| Total Externally Managed | $ 16,034,171 | $ 2,716,969 | $ 5,728,789 | $ 452,838 | $ 7,135,575 |

Under the Board's Policy, the maximum term of fixed income investments is 15 years.

## NOTE D - CAPITAL ASSETS

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

| | Balance Beginning of Year | Additions | Retirements | Balance End of Year |
|---|---|---|---|---|
| Building | $ 2,478,121 | $ - | $ - | $ 2,478,121 |
| Furniture, fixtures and equipment | 95,200 | 1,630 | - | 96,830 |
| Total | 2,573,321 | 1,630 | - | 2,574,951 |
| Total accumulated depreciation | (336,877) | (62,382) | - | (399,259) |
| Capital assets net of depreciation | $ 2,236,444 | $ (60,752) | $ - | $ 2,175,692 |

## NOTE E - OVERHEAD RECOVERY FEE

In accordance with its policy and by agreement with the donor, the Foundation classifies 5% of all restricted contributions received, except certain exempted funds, as an acceptance fee. The fee is to be used for the general operations of the Foundation. For the year ended June 30, 2005, the Foundation collected $ 113,307.

Donors have also agreed to an investment fee as a percentage of assets under management. The Foundation receives a management fee, which is the difference between 1% of all investments in the custody of the Bank of Edwardsville and the amount of management fees assessed by the investment managers. For the year ended June 30, 2005, $ 62,877 was collected and used for the general operations of the Foundation.

## NOTE F - RETIREMENT PLAN

All full-time Foundation personnel are SIUE employees. Retirement benefits and post-retirement benefits, other than pension, are available for eligible SIUE employees under a contributory retirement plan (the "Plan") administered by the State Universities Retirement System.

**NOTE F - RETIREMENT PLAN - Continued**

Participants of the Plan contribute eight percent of their gross earnings, and SIUE annually contributes an amount determined by the State Legislature from State appropriations and other resources, 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, 2005, SIUE contributed $ 24,190 to the Plan on behalf of Foundation personnel. This amount is included in the amounts shown as Budget allocation from SIUE and Budget expended at SIUE in the accompanying Statement of Revenues, Expenses and Changes in Net Assets.

**NOTE G - TRANSACTIONS WITH RELATED PARTIES**

The Foundation has entered into a master contract with the Board of Trustees of SIUE, which specifies the relationship between the two organizations in accordance with the Legislative Audit Commission's University Guidelines, 1997. Among the provisions of the master contract is a requirement that the Foundation and SIUE provide services to each other to be reimbursed based on actual costs within the approved budgetary limits.

During the year, the Foundation provided fund-raising services on behalf of SIUE with a portion of the Foundation's fund-raising costs being reimbursed by SIUE through cash and in-kind payments. Total reimbursable costs satisfied through cash payments from SIUE for the year ended June 30, 2005, was $ 150,000, and is included in payments from SIUE in the accompanying Statement of Revenues, Expenses and Changes in Net Assets.

Pursuant to governmental accounting standards, the Foundation is required to recognize as revenue and expense, those on-behalf payments for salaries and fringe benefits made by the University for personnel of the Foundation. These amounts total $ 402,663 (including $ 24,190 of retirement payments described in Note F), for the year ended June 30, 2005, and are reflected as Budget allocation from SIUE and Budget expended at SIUE in the accompanying Statement of Revenues, Expenses and Changes in Net Assets.

In accordance with its corporate purposes, the Foundation solicits and accepts gifts for SIUE. The Foundation receives cash gifts, which are recorded on the Foundation's books. Certain of these gifts are forwarded to SIUE in the form of scholarships, cash grants, or expenditures for the benefit of SIUE. The Foundation also receives certain non-cash gifts, which are recorded on the Foundation's books and then forwarded to SIUE. During the year ended June 30, 2005, the Foundation received $ 1,789,491 in non-cash contributions from donors, of which $ 250,882 was forwarded to the University.

**NOTE G - TRANSACTIONS WITH RELATED PARTIES - Continued**

The Foundation has entered into a contract with the Board of Trustees of SIUE to provide all aspects of coordination of alumni services. Under the terms of the contract, SIUE provided the Foundation with $ 40,000 for the year ended June 30, 2005, which is included in payments from SIU in the accompanying Statement of Revenues, Expenses and Changes in Net Assets. During the year, the Foundation expended $ 35,581 for alumni services.

The Foundation maintains restricted fund accounts for various campus units. The disbursements from these accounts are included on the Statement of Revenues, Expenses, and Changes in Net Assets as payments for benefit of SIUE. Some of these disbursements are paid by SIUE and then invoiced to the Foundation for reimbursement. At June 30, 2005, the Foundation included on the Statement of Net Assets $ 163,727 accounts payable - SIUE for such reimbursements and $ 3,795 accounts receivable - SIUE for overpayments of such reimbursements.

The Foundation offices are located at B. Barnard Birger Hall, which is positioned on land for which the Foundation has a 99-year lease, dated June 14, 1999, with the University. The lease states that the Foundation shall surrender the premises and all improvements upon expiration or termination of the lease. The Foundation paid the University $ 1 for the lease of this land and $ 1 for the lease of the land known as the Arboretum. The fair value of these leases has not been determined.

The Foundation has entered into two separate lease contracts with the Board of Trustees of SIUE for office space for Marketing and Communications and Graphics at $ 15,000 each per year.

The Foundation maintains a substantial portion of its cash and investments at a financial institution which has two common Board members with the Foundation.

**NOTE H - REVENUE BOND PAYABLE**

On October 22, 1999, the Foundation issued a revenue bond payable in the amount of $ 2,000,000 for the purpose of financing the construction of a new 12,000-sq. ft. office building following Board approval on August 25, 1999. The bond bore an interest rate of 5.25% and was to mature on July 15, 2005. Annual interest of $ 106,459 was payable semi-annually January 15 and July 15. On March 14, 2003, the revenue bonds were reissued at an interest rate of 4.50% and a principal payment of $ 350,000 was made upon refinancing. Annual interest of $ 75,488 is payable semi-annually January 15 and July 15. As of June 30, 2005, the revenue bond of $ 1,650,000 and accrued interest of $ 34,238 were outstanding.

## NOTE H - REVENUE BOND PAYABLE - Continued

Aggregate maturities of bonds payable for the three years following June 30, 2005, are as follows:

| Year ending | Principal | Interest | Total |
|---|---|---|---|
| 2006 | $ - | $ 75,281 | $ 75,281 |
| 2007 | - | 75,281 | 75,281 |
| 2008 | 1,650,000 | 84,769 | 1,734,769 |
| | $ 1,650,000 | $ 235,331 | $ 1,885,331 |

The City of Edwardsville was the conduit issuer for the tax-exempt revenue bonds. The bonds are bank-qualified revenue bonds and the sole security is the pledged revenues of the Foundation and certain of its assets consisting of real estate properties. If these properties are sold, some or all of the proceeds are pledged to the repayment of the bond issue. There is no mortgage on the facility and SIUE is not obligated for the repayment of the bonds.

## NOTE I - BENEFICIAL INTEREST IN TRUSTS

The Foundation has a life-estate interest in a real estate trust established in 1997. Per the terms of this agreement, upon the death of the surviving spouse, the Foundation will receive 100% of the assets. The underlying assets consist of cash, securities and farmland with a net present value of $ 2,209,720 at June 30, 2005.

The Foundation also has interest in a residual trust established in 1997. Per the terms of this agreement, upon the death of the surviving spouse, the Foundation will receive 25% of the net trust income for 20 years and 25% of the net assets upon the expiration of that 20-year period. The underlying assets consist of personal property, cash and securities with the Foundation's share of the net present value of $ 46,037 at June 30, 2005.

The present value of the interests in both trusts decreased by $ 32,428 during the year ending June 30, 2005.

Both interests are maintained in a perpetual trust and administered by a bank. The Foundation receives no current income from either interest.

**NOTE J - COLLECTION OF ART WORK AND HISTORICAL TREASURES**

In fiscal year 2002, the Foundation received title to a large collection of artwork and collectibles from an estate bequest. The Foundation did not capitalize this collection in fiscal year 2002. In determining not to capitalize this collection in fiscal year 2002, the Foundation considered the following factors. First, the amount at which to value the gift was not available at the time because, a) no appraisal was conducted of the items given to the Foundation, and b) the donor's cost of the items was not considered to be a fair representation of the value of the collection. The second factor considered was that the Foundation, in consultation with the University Museum, has the option of selling a portion of the collection and transferring the remainder to the University Museum for the benefit of the University.

During fiscal year 2003, the University Museum estimated the value of a portion of the collection to be $ 1,520,000 of which $ 1,500,000 was transferred to the University.

During fiscal year 2004, the Foundation valued additional items from the estate and the University Museum estimated their value at $ 1,476,960, all of which are being maintained as assets held for resale in the accompanying Statement of Net Assets.

During fiscal year 2005, the Foundation valued additional items from the estate and the University Museum estimated their value at $ 1,447,817, all of which are being maintained as assets held for resale in the accompanying Statement of Net Assets.

**NOTE K - SUMMARIZED FINANCIAL INFORMATION**

The financial statements include certain prior-year summarized comparative information. Such 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, 2004, from where the summarized information was derived.