



University of Illinois Foundation

**Financial Report**

**June 30, 2016**

# **University of Illinois Foundation**

Financial Statements  
June 30, 2016

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## Independent Auditor's Report

RSM US LLP

To the Board of Directors  
University of Illinois Foundation  
Urbana, Illinois

### Report on the Financial Statements

We have audited the accompanying financial statements of University of Illinois Foundation which comprise the statements of financial position as of June 30, 2016 and 2015, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University of Illinois Foundation as of June 30, 2016 and 2015, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our reports for the years ended June 30, 2016 and 2015 dated October 5, 2016 and September 30, 2015, respectively, on our consideration of the University of Illinois 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 those reports 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 internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering University of Illinois Foundation's internal control over financial reporting and compliance.

*RSM US LLP*

Davenport, Iowa  
October 5, 2016

**University of Illinois Foundation**

**Statements of Financial Position**

**June 30, 2016 and 2015**

**(Dollars in Thousands)**

	2016	2015
<b>Assets</b>		
Cash and cash equivalents	\$ 2,109	\$ 1,232
Receivables:		
Pledges (Note 2)	175,000	194,000
Investment	20,042	14,146
Accounts	74	74
Due from University of Illinois	305	487
Prepaid expenses	690	890
Investments (Note 3)	1,643,893	1,712,445
Beneficial interest in trusts (Note 3)	42,147	40,237
Irrevocable trusts held by other trustees (Note 3)	19,804	22,670
Property and equipment, net (Note 4)	12,606	10,822
Other assets	68	68
	<u>1,916,738</u>	<u>1,997,071</u>
<b>Total assets</b>	<b>\$ 1,916,738</b>	<b>\$ 1,997,071</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 17,572	\$ 3,557
Accrued vacation and sick pay	850	809
Annuities payable	48,468	52,838
Remainder interest due to others	4,937	4,941
Note payable (Note 9)	4,757	3,257
	<u>76,584</u>	<u>65,402</u>
<b>Total liabilities</b>	<b>76,584</b>	<b>65,402</b>
Commitments (Note 5)		
Net assets (Notes 6 and 7):		
Unrestricted:		
Undesignated	(22,265)	1,561
Designated for quasi-endowment	14,047	14,941
Temporarily restricted	858,112	957,178
Permanently restricted	990,260	957,989
	<u>1,840,154</u>	<u>1,931,669</u>
<b>Total net assets</b>	<b>1,840,154</b>	<b>1,931,669</b>
	<u>\$ 1,916,738</u>	<u>\$ 1,997,071</u>

See notes to financial statements.

**University of Illinois Foundation**

**Statements of Activities**  
**Years Ended June 30, 2016 and 2015**  
**(Dollars in Thousands)**

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions, gifts and pledges	\$ 9	\$ 118,774	\$ 32,271	\$ 151,054
Contributed services (Note 8)	575	-	-	575
Allocation from the University of Illinois	9,565	-	-	9,565
Investment income	59	11,994	-	12,053
Net (decrease) increase in fair value of investments	(3,088)	(72,291)	-	(75,379)
Endowment property operations	-	754	-	754
Annual funds revenue	323	-	-	323
Other operating revenue	423	6,292	-	6,715
<b>Total revenue, gains and other support</b>	<b>7,866</b>	<b>65,523</b>	<b>32,271</b>	<b>105,660</b>
Net assets released from restrictions:				
Service fee revenue	22,509	(22,509)	-	-
Endowment budgets	29,041	(29,041)	-	-
Distributions to University of Illinois	111,022	(111,022)	-	-
<b>Total revenue, gains, other support and net assets released from restrictions</b>	<b>170,438</b>	<b>(97,049)</b>	<b>32,271</b>	<b>105,660</b>
Expenses:				
Program services:				
Fundraising	17,216	-	-	17,216
Distributions to University of Illinois (Note 8)	163,132	-	-	163,132
General and administrative	14,740	-	-	14,740
Actuarial adjustments	-	2,017	-	2,017
Interest on indebtedness	70	-	-	70
<b>Total programs and expenses</b>	<b>195,158</b>	<b>2,017</b>	<b>-</b>	<b>197,175</b>
<b>Change in net assets</b>	<b>(24,720)</b>	<b>(99,066)</b>	<b>32,271</b>	<b>(91,515)</b>
Net assets:				
Beginning	16,502	957,178	957,989	1,931,669
Ending	<b>\$ (8,218)</b>	<b>\$ 858,112</b>	<b>\$ 990,260</b>	<b>\$ 1,840,154</b>

See notes to financial statements.

2015

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 250	\$ 165,307	\$ 43,946	\$ 209,503
587	-	-	587
11,721	-	-	11,721
79	13,874	-	13,953
4,410	26,709	-	31,119
-	1,160	-	1,160
271	-	-	271
446	6,664	-	7,110
17,764	213,714	43,946	275,424
20,667	(20,667)	-	-
42,325	(42,325)	-	-
143,471	(143,471)	-	-
224,227	7,251	43,946	275,424
17,288	-	-	17,288
193,936	-	-	193,936
15,198	-	-	15,198
-	5,346	-	5,346
48	-	-	48
226,470	5,346	-	231,816
(2,243)	1,905	43,946	43,608
18,745	955,273	914,043	1,888,061
\$ 16,502	\$ 957,178	\$ 957,989	\$ 1,931,669



**University of Illinois Foundation**

**Statements of Cash Flows**  
**Years Ended June 30, 2016 and 2015**  
**(Dollars in Thousands)**

	2016	2015
Cash flows from operating activities:		
Contributions, gifts and pledges	\$ 110,178	\$ 113,049
Service fee revenue	22,509	20,667
Allocation from the University of Illinois	8,961	11,367
Endowment property operations	754	1,160
Annual funds revenue	323	271
Other operating revenue	6,638	7,169
Payments for salaries and benefits	(20,697)	(21,953)
Payments for marketing and communications	(344)	(754)
Payments for travel	(1,102)	(1,052)
Payments for meetings, conferences and special events	(1,397)	(1,609)
Payments for equipment not meeting capitalization threshold	(1,102)	(1,734)
Payments for supplies and other	(3,695)	(3,891)
Distributions on behalf of the University of Illinois	(154,714)	(169,813)
<b>Net cash used in operating activities</b>	<b>(33,688)</b>	<b>(47,123)</b>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	650,083	813,829
Purchase of investments	(649,983)	(811,378)
Purchase of property and equipment	(3,330)	(3,419)
<b>Net cash used in investing activities</b>	<b>(3,230)</b>	<b>(968)</b>
Cash flows from financing activities:		
Proceeds from note payable	3,000	2,500
Payments on note payable	(1,500)	(1,300)
Investment loss restricted for long-term purposes	(8,676)	(4,527)
Gifts and grants received restricted for long-term purposes	52,271	58,946
Payments to annuitants	(7,300)	(8,381)
<b>Net cash provided by financing activities</b>	<b>37,795</b>	<b>47,238</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>877</b>	<b>(853)</b>
Cash and cash equivalents:		
Beginning	1,232	2,085
Ending	<b>\$ 2,109</b>	<b>\$ 1,232</b>

(Continued)

**University of Illinois Foundation**

**Statements of Cash Flows (Continued)**

**Years Ended June 30, 2016 and 2015**

**(Dollars in Thousands)**

	<b>2016</b>	<b>2015</b>
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	<b>\$ (91,515)</b>	\$ 43,608
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	<b>1,529</b>	674
Actuarial adjustment	<b>3,850</b>	7,031
Gifts in-kind	<b>(12,058)</b>	(31,579)
Noncash distributions to the University of Illinois	<b>8,542</b>	26,250
Change in split interest agreements	<b>2,544</b>	383
Gifts and grants received for long-term purposes	<b>(32,271)</b>	(43,946)
Unrealized losses (gains) on investments	<b>75,378</b>	(31,120)
Investment losses earned for investing activities	<b>10,474</b>	6,763
Changes in assets and liabilities:		
Accounts receivable, University of Illinois	<b>182</b>	366
Prepaid expenses	<b>200</b>	(270)
Accounts receivable	<b>-</b>	63
Pledge receivable	<b>(1,000)</b>	(23,000)
Accounts payable and accrued expenses	<b>416</b>	(2,314)
Accrued vacation and sick leave	<b>41</b>	(32)
<b>Net cash used in operating activities</b>	<b><u>\$ (33,688)</u></b>	<b><u>\$ (47,123)</u></b>

See notes to financial statements.

## University of Illinois Foundation

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** The University of Illinois Foundation (Foundation) is a nonprofit corporation responsible for encouraging and administering private gifts made to further the mission of the University of Illinois (University). Although the Foundation is a separate legal entity from the University, the Foundation's sole reason for existence is to serve the University. The Foundation is considered a discretely-presented component unit of the University and is therefore included in the University's government-wide financial statements.

#### Significant accounting policies:

**Accounting estimates:** 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 amount of assets and liabilities and 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.

**Basis of presentation:** The Foundation classifies its net assets for accounting and reporting purposes into three net asset categories according to the existence or absence of donor-imposed restrictions.

Descriptions of the three net asset categories and types of transactions affecting each category follow:

*Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations. The Foundation may designate portions of its unrestricted net assets as board-designated for various purposes including quasi-endowment.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation or the passage of time.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be permanently maintained by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned for general or specific purposes.

**Revenue recognition:** Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Contributions due in one year are expected to be paid at the end of the year and are discounted accordingly. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity. Uncollectible contributions receivable written off totaled \$6,642,000 and \$4,103,000 for the years ended June 30, 2016 and 2015, respectively.

Contributions received in the same year in which the restriction is met are recorded as temporarily restricted contributions and released from restriction.

**Contributed assets and services:** Real estate and other objectively measurable assets that are available for financial support are recorded at their fair value at the date of contribution. Nonmonetary assets, art objects, equipment and various services contributed to the University through the Foundation for direct benefit of a University department are not included in the financial statements, although donors receive recognition for such contributions. These items are transferred to the University upon receipt. Contributed services are recorded as contribution revenue and a corresponding expense. See Note 8.

**Note 1. Nature of Activities and Significant Accounting Policies (Continued)**

**Investments:** Investments are recorded at fair value, except for real estate held for investment and private equities, which are carried at lower of cost or fair value. The Foundation elected to report the fair value of alternative investments, comprised of hedge funds and private capital funds, included in managed separate investment accounts using the practical expedient. The practical expedient allows for the use of net asset value (NAV), either as reported by the investee fund or as adjusted by the Foundation based on various factors. See Note 3 for discussion of fair value measurements. The Foundation has the ability to liquidate its alternative investments on a periodic basis in accordance with the provisions of the respective investment fund agreements. Unrealized gains and losses on non-endowment investments are reported in unrestricted net assets. Unrealized gains and losses on endowment investments are reported in temporarily restricted net assets until appropriated by the Board.

**Fair value of financial instruments:** The carrying amount of cash and cash equivalents, accounts and notes receivable, accounts payable and accrued expenses approximates fair value because of the short maturity of these instruments. The carrying amount of contributions receivable, irrevocable trusts held by others and beneficial interest in trusts approximates fair value because the present value discount is included in the carrying amount. The investments in marketable debt and equity securities are carried at fair value based upon quoted market prices. For all other investments except real estate and private equities which are recorded at lower of cost or market, the carrying amount would approximate fair value. The carrying amount of notes payable, which carry current interest rates, approximates fair value. The fair value of obligations related to split interest agreements is determined as the present value of expected future cash flows discounted at an appropriate interest rate.

**Accrued vacation and sick pay:** Accrued vacation and sick pay for Foundation personnel are charged as an operating expense, using the vesting method for sick leave and earned but unused for vacation. The Foundation's share of social security and Medicare taxes are included in these amounts. Accrued vacation and sick pay obligations are due and payable within one year.

**Accounts payable and accrued expenses:** The largest component of accounts payable represent securities purchased within the Foundation's endowment investment portfolio pending settlement at year-end. Accounts payable and accrued expenses are due and payable within one year.

**Property and equipment:** Property and equipment is stated at cost on the date of acquisition or fair value if acquired by gift. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. The Foundation utilizes an estimated useful life of five years on most furniture and equipment. Buildings and site improvements are depreciated using an estimated useful life of 20-50 years.

**Functional expenses:** Program expenses are presented on the statement of activities. Fundraising costs are charged to expense as incurred. Total fundraising costs for the years ended June 30, 2016 and 2015 were \$17,216,000 and \$17,288,000, respectively. Other operating expenses include general and administrative expense, actuarial adjustments and interest on indebtedness for the years ended June 30, 2016 and 2015.

**Presentation of cash flows:** For purposes of reporting cash flows, cash and cash equivalents include liquid accounts that are not designated for investment purposes. Cash and cash equivalents include deposit accounts and investments with original maturities of 90 days or less at the time of purchase. The Foundation has deposit accounts which exceed federal depository insurance limits. Management believes that credit risk related to these deposits is minimal.

## University of Illinois Foundation

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Annuities payable:** The Foundation's split interest agreements consist of charitable gift annuities, charitable remainder annuity trusts, charitable remainder unitrusts and deferred gift annuities. The carrying value of these assets is consistent with the accounting policies for investments of the Foundation. The annuities payable to beneficiaries resulting from these agreements are reported as a liability at the present value of the estimated future payments to be distributed over the beneficiaries' lives. The Foundation recalculates the present value of these payments through the use of Internal Revenue Service (IRS) discount rates and IRS life expectancy tables. The current portion of the annuities payable recorded in the statement of financial position is \$6,280,000 and \$7,103,000 as of June 30, 2016 and 2015, respectively.

**Beneficial interest in trusts:** The Foundation has beneficial interests in irrevocable trust agreements. These agreements are recorded at the present value of estimated future cash receipts which is estimated to be the fair value of the assets contributed, based on quoted market prices at year-end, less the present value of any payments expected to be made to other beneficiaries. The present value of payments to be made to other beneficiaries was determined using the discount rate appropriate for each agreement and life expectancies from IRS annuity tables.

**Irrevocable trusts held by other trustees:** These trusts are carried at fair value and represent gifts deposited with a trustee other than the Foundation (usually a bank) that will be transferred to the Foundation at the conclusion of the trust arrangement. Trusts held by other trustees are not expected to be liquidated in one year or less.

**Prepaid expenses:** Prepaid expenses are expenses paid in advance of actually incurring them. They are expected to be expended or liquidated in one year or less.

**Investment and accounts receivables:** Investment receivables represent security sales within the Foundation's investment portfolio that are pending settlement at year-end. All accounts receivable are to be collected within one year or less. Management expects the accounts receivable to be fully collectible. Management evaluates the accounts receivable to determine any amounts that may be uncollectible and any amounts determined to be uncollectible are written off.

**Income taxes:** The Foundation is recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation may be subject to federal and state income taxes on any net income from unrelated business activities. The Foundation files a Form 990 (Return of Organization Exempt from Income Tax) annually and unrelated business income (UBI) is reported on Form 990-T, as appropriate. Management has evaluated their material tax positions, which include such matters as the tax exempt status of each entity and various positions relative to potential sources of UBIT. As of June 30, 2016 and 2015, there were no uncertain tax benefits identified and recorded as a liability. Forms 990 and 990-T filed by the Foundation are no longer subject to examination by the IRS for the fiscal years ended June 30, 2012 and prior.

**Note 1. Nature of Activities and Significant Accounting Policies (Continued)**

**Recent accounting policy:** In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update make certain improvements that address many, but not all, of the identified issues about the current financial reporting for nonprofit entities. A second phase of the project is expected to address more protracted issues surrounding whether and how to define the term “operations” and align measures of operations (or financial performance) as presented in a statement of activities with measures of operations in a statement of cash flows. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments is permitted. The amendments should be initially adopted only for an annual fiscal period or for the first interim period within the fiscal year of adoption. The Foundation is currently evaluating the impact this update will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU is expected to impact the Foundation’s financial statements as the Foundation has certain operating lease arrangements for which it is the lessee. The standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2018, with early adoption permitted. The Foundation is in the process of evaluating the impact of this new guidance.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Foundation has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

**Subsequent events:** The Foundation has evaluated all subsequent events through October 5, 2016, the date that the financial statements were available to be issued. Through this date, there were no subsequent events requiring disclosure.

## University of Illinois Foundation

### Notes to Financial Statements

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#### Note 2. Pledges Receivable

A summary of the pledges receivable (unconditional promises to give) as of June 30, 2016 and 2015 is as follows:

	2016	2015
	(Dollars in Thousands)	
Gross pledges receivable	\$ 190,685	\$ 208,341
Less present value discount 2016 \$2,691,000; 2015 \$3,100,000; allowance for doubtful pledges 2016 \$12,994,000; 2015 \$11,241,000	(15,685)	(14,341)
	<u>\$ 175,000</u>	<u>\$ 194,000</u>

Gross pledges receivable as of June 30, 2016 and 2015 are expected to be collected as follows:

	2016	2015
	(Dollars in Thousands)	
In one year or less	\$ 64,326	\$ 35,967
Between one year and five years	83,849	127,097
More than five years	42,510	45,277
	<u>\$ 190,685</u>	<u>\$ 208,341</u>

Pledges receivable, net expected to be collected in one year or less are \$59,493,000 and \$33,402,000 as of June 30, 2016 and 2015, respectively. Pledges receivable from related parties were \$35,745,000 and \$11,432,000 as of June 30, 2016 and 2015, respectively. Conditional promises to give totaled \$51,354,000 and \$15,353,000 as of June 30, 2016 and 2015, respectively, which are not included in the financial statements. These gifts are conditional upon certain timing issues. Deferred revocable commitments are not included in the financial statements and total \$822,973,000 and \$782,395,000 as of June 30, 2016 and 2015, respectively.

#### Note 3. Investments and Fair Value Measurements

Accounting guidance for fair value establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is as follows:

- Level 1:** Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Foundation has the ability to access as of the measurement date. Level 1 inputs would also include investments valued at prices in active markets that the Foundation has access to where transactions occur with sufficient frequency and volume to provide reliable pricing information.
- Level 2:** Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3:** Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

## University of Illinois Foundation

### Notes to Financial Statements

#### Note 3. Investments and Fair Value Measurements (Continued)

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

**Investments:** Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds, exchange traded equities and mutual funds.

If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics and other valuation methodologies. Level 2 securities would include mortgage-backed agency securities, certain corporate securities and other certain securities. These securities are valued primarily through a multi-dimensional relational model including standard inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data.

In certain cases where there is limited activity or less transparency around inputs to the valuation, including alternative investments, securities are classified within Level 3 of the valuation hierarchy and may include equity and/or debt securities issued by private entities.

**Beneficial interest in trusts and trusts held by others:** The values of beneficial interest in trusts are derived from the underlying investments of the trusts. The value of those investments is determined in the same manner as investments described above. The value of trusts held by others is based on the Foundation owning an interest in the trust and not the underlying investments. The estimated future value of the interest in the trust is based on management's estimate of the trusts' expected performance which is then present valued back to the date of the financial statements based on life expectancy factors published by the IRS.

There have been no changes in valuation techniques used for any assets measured at fair value during the years ended June 30, 2016 and 2015.

The following table summarizes assets measured at fair value on a recurring basis as of June 30, 2016 and 2015, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Fair Value Measurements as of June 30, 2016 Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in Thousands)			
Assets:				
U.S. treasury bonds and bills	\$ 15,406	\$ -	\$ 15,406	\$ -
International government bonds	51,079	-	46,993	4,086
U.S. government agencies	20	-	20	-
Municipal bonds	2,490	-	2,490	-
Corporate bonds and notes	25,329	-	25,329	-
Commercial mortgage-backed securities	6,878	-	6,878	-
Asset backed securities	11,099	-	11,099	-
Mortgage-backed securities	1,884	-	1,884	-
Subtotal forward	\$ 114,185	\$ -	\$ 110,099	\$ 4,086



University of Illinois Foundation

Notes to Financial Statements

Note 3. Investments and Fair Value Measurements (Continued)

	Fair Value Measurements as of June 30, 2016 Using			
	Fair Value	Quoted Prices		
		in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in Thousands)			
Subtotal forwarded	\$ 114,185	\$ -	\$ 110,099	\$ 4,086
Common stock, domestic				
Consumer goods	1,874	1,874	-	-
Energy	42	42	-	-
Financial services	1,166	160	1,006	-
Health care	467	467	-	-
Industrials	111	111	-	-
Information technology	243	243	-	-
Materials	3,505	3,505	-	-
Telecommunications	5	5	-	-
Utilities	5	5	-	-
Real Estate	4	4	-	-
Bond mutual funds				
U.S. government	4,339	119	4,220	-
Mortgages	6,937	219	6,718	-
Corporate bonds and notes	4,896	111	4,785	-
High yield	843	34	809	-
Municipals	1,255	38	1,217	-
International	52,994	69	52,925	-
Equity mutual funds				
Small cap	511	383	128	-
Mid cap	664	664	-	-
Large cap	76,490	76,490	-	-
International	12,211	12,211	-	-
Money market mutual funds	32,268	32,268	-	-
Other investments	3,287	-	-	3,287
Farms	60,303	-	60,303	-
Cash surrender value of life insurance	6,879	-	-	6,879
Partnership interests	5,293	-	5,293	-
Total investments subject to fair value hierarchy	<u>\$ 390,777</u>	<u>\$ 129,022</u>	<u>\$ 247,503</u>	<u>\$ 14,252</u>
Beneficial interest in trusts	\$ 42,147	\$ -	\$ -	\$ 42,147
Trusts held by others	19,804	-	-	19,804

The investments above exclude \$7,269,000 of real estate and \$6,640,000 of private equities which are carried at cost and \$1,239,207,000 of investments where values are based on NAV.



University of Illinois Foundation

Notes to Financial Statements

Note 3. Investments and Fair Value Measurements (Continued)

	Fair Value Measurements as of June 30, 2015 Using			
	Fair Value	Quoted Prices	Significant Other	Significant
		in Active	Observable	Unobservable
		Markets for	Inputs	Inputs
	Identical Assets	(Level 2)	(Level 3)	
	(Level 1)			
(Dollars in Thousands)				
Subtotal forwarded	\$ 537,744	\$ 318,084	\$ 219,660	\$ -
Money market mutual funds	48,979	48,979	-	-
Other investments	3,530	-	-	3,530
Farms	62,689	-	62,689	-
Cash surrender value of life insurance	6,605	-	-	6,605
Partnership interests	5,293	-	5,293	-
Total investments subject to fair value hierarchy	<u>\$ 664,840</u>	<u>\$ 367,063</u>	<u>\$ 287,642</u>	<u>\$ 10,135</u>
Beneficial interest in trusts	\$ 40,237	\$ -	\$ -	\$ 40,237
Trusts held by others	22,670	-	-	22,670

The investments above exclude \$6,298,000 of real estate and \$8,140,000 of private equities which are carried at cost and \$1,033,167,000 of investments where values are based on NAV.

There were no transfers between Levels 1 or 2 of the fair value hierarchy during the years ended June 30, 2016 and 2015.

The following tables present additional information about investments measured at fair value on a recurring basis for which the Foundation has utilized level 3 inputs to determine fair value:

	June 30, 2016				
	International Government Bonds	Other Investments	Cash Surrender Value of Life Insurance	Beneficial Interest in Trusts	Trusts Held by Others
(Dollars in Thousands)					
Balance, beginning	\$ -	\$ 3,530	\$ 6,605	\$ 40,237	\$ 22,670
Purchases	4,506	-	-	-	-
Sales (distributions)	-	(100)	-	-	-
Total gains or losses (realized/unrealized) included in change in net assets	(420)	(143)	274	1,910	(2,866)
Balance, ending	<u>\$ 4,086</u>	<u>\$ 3,287</u>	<u>\$ 6,879</u>	<u>\$ 42,147</u>	<u>\$ 19,804</u>
Total gains or losses included in change in net assets attributable to the change in unrealized gains or losses relating to financial instruments still held at fiscal year-end	<u>\$ (420)</u>	<u>\$ (143)</u>	<u>\$ 274</u>	<u>\$ 1,910</u>	<u>\$ (2,866)</u>

University of Illinois Foundation

Notes to Financial Statements

Note 3. Investments and Fair Value Measurements (Continued)

	June 30, 2015				
	International Government Bonds	Other Investments	Cash Surrender Value of Life Insurance	Beneficial Interest in Trusts	Trusts Held by Others
	(Dollars in Thousands)				
Balance, beginning	\$ 116	\$ 3,635	\$ 6,281	\$ 37,978	\$ 23,739
Purchases	296	-	-	-	-
Sales (distributions)	(994)	(118)	-	-	-
Total gains or losses (realized/unrealized) included in change in net assets	582	13	324	2,259	(1,069)
Balance, ending	<u>\$ -</u>	<u>\$ 3,530</u>	<u>\$ 6,605</u>	<u>\$ 40,237</u>	<u>\$ 22,670</u>
Total gains or losses included in change in net assets attributable to the change in unrealized gains or losses relating to financial instruments still held at fiscal year-end	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 324</u>	<u>\$ 2,259</u>	<u>\$ (1,069)</u>

Gains and losses on Level 3 investments included in change in net assets for the periods above are reported as net increase (decrease) in fair value of investments.

The Foundation elected to report the fair value of alternative investments, comprised of hedge funds and private capital funds, included in managed separate investment accounts using the practical expedient. The practical expedient allows for the use of NAV, either as reported by the investee fund or as adjusted by the Foundation based on various factors. The following table sets forth the Foundation's investments whose fair value is estimated using NAV per share (or its equivalent) as of June 30, 2016 and 2015:

	Fair Value		Unfunded Commitment	Redemption Frequency	Redemption Notice Period
	2016	2015			
	(Dollars in Thousands)				
Investments:					
Hedged/alternative investments (A)	\$ 794,865	\$ 687,567	\$ -	(A)	(A)
Private equity (B)	157,053	100,858	165,891	(B)	(B)
Real estate trusts and partnerships (B)	41,175	30,104	34,809	(B)	(B)
Large cap equity mutual fund (C)	2,214	1,425	-	Daily	Trade Date Plus 1-3 Days
International equity mutual fund (D)	243,900	213,213	-	Daily-30 days	Trade Date Plus 1 day-30 Days
	<u>\$ 1,239,207</u>	<u>\$ 1,033,167</u>	<u>\$ 200,700</u>		

- (A) The partnerships in this category consist of funds that invest in multiple limited partnerships with various investment strategies and long and short positions in equity securities of companies within the United States of America (USA) and outside of the USA. These funds can be redeemed daily, monthly, quarterly or annually depending on the partnership agreement within redemption notice periods of 1 to 36 months.

## University of Illinois Foundation

### Notes to Financial Statements

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#### Note 3. Investments and Fair Value Measurements (Continued)

- (B) The partnerships in this category consist of funds that invest in the following types of investments in the USA and outside of the USA: venture capital partnerships, buyout partnerships, mezzanine/subordinated debt partnerships, restructuring/distressed debt partnerships and special situation partnerships and real estate. These investments cannot be redeemed during the life of the partnership which can be up to 12 years; however they can be transferred to another eligible investor. Distributions will be received as the underlying investments of the funds are liquidated over time. The fair value of this investment has been estimated using the NAV provided by the fund manager and an adjustment determined by management for the time period between the date of the last available NAV from the investment manager and fiscal year end.
- (C) These funds invest in marketable equities that are all exchange traded in the USA and that are categorized as large cap. These funds can be redeemed at the month end NAV per share based on the fair value of the underlying assets.
- (D) These funds invest in international equities that are all exchange traded in countries outside of the USA. These funds can be redeemed at the month end NAV per share based on the fair value of the underlying assets.

All investments are considered noncurrent assets.

#### Note 4. Property and Equipment

Property and equipment as of June 30, 2016 and 2015 are as follows:

	2016	2015
	(Dollars in Thousands)	
Buildings held for the University's future use	\$ 2,966	\$ 2,966
Furniture, fixtures, equipment and leasehold improvements	18,210	15,230
	<u>21,176</u>	<u>18,196</u>
Accumulated depreciation and amortization	8,570	7,374
	<u>\$ 12,606</u>	<u>\$ 10,822</u>
Depreciation and amortization expense	<u>\$ 1,529</u>	<u>\$ 674</u>

## University of Illinois Foundation

### Notes to Financial Statements

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#### Note 5. Operating Leases

The Foundation is obligated under certain leases accounted for as operating leases. The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2016.

The maturities of the principal amounts on the lease obligations are as follows (dollars in thousands):

Year ending June 30:		
2017	\$	361
2018		443
2019		172
2020		120
2021		124
Thereafter		677
	\$	<u>1,897</u>

#### Note 6. Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets as of June 30, 2016 and 2015 were restricted for the following:

	2016	2015
	(Dollars in Thousands)	
Research	\$ 26,176	\$ 25,680
Student support	94,041	96,980
Academic programs	125,724	133,868
Facilities	56,931	64,356
Faculty support	77,981	81,347
Public support	6,607	6,912
Other	21,570	50,399
Unrestricted *	449,082	497,636
	<u>\$ 858,112</u>	<u>\$ 957,178</u>

Permanently restricted (endowed) net assets as of June 30, 2016 and 2015 are restricted for investment in perpetuity, the income from which is expendable for the following:

	2016	2015
	(Dollars in Thousands)	
Research	\$ 72,377	\$ 69,007
Student support	313,216	302,583
Academic programs	218,095	204,560
Facilities	5,319	4,844
Faculty support	223,307	219,676
Public support	16,469	16,457
Other	43,536	42,637
Unrestricted *	97,941	98,225
	<u>\$ 990,260</u>	<u>\$ 957,989</u>

\* Donor designated funds to be used by the institution, campus, college or department but does not restrict how the funds should be spent.

## University of Illinois Foundation

### Notes to Financial Statements

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#### Note 7. Endowments and Net Asset Classification

The Foundation's endowment fund consists of approximately 5,470 individual funds established for a variety of purposes. Its endowment fund includes donor-restricted endowment funds and funds designated as endowment, quasi-endowment, by the Board of Directors. Net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law:** The Board of Directors of the Foundation interprets the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) to require consideration of the following factors, if relevant, in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund
- The purposes of the institution and the endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the institution
- The investment policy of the institution

In accordance with the Foundation's interpretation of UPMIFA, absent explicit donor stipulations to the contrary, the Foundation shall classify as permanently restricted net assets the original value of the gifts donated to the permanent endowment, but such classification does not limit the expenditures from the endowment fund only to income, interest, dividends or rents, issues or profits. The portion of the fund's value spendable annually for the donor-designated purpose is to be determined, from time to time, by the Foundation's Board of Directors, acting in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, considering the above relevant factors. The Board approved spending was \$ 70,306,000 and \$73,494,000 for fiscal years ended June 30, 2016 and 2015, respectively.

Endowment net assets as of June 30, 2016 and 2015 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2016				
(Dollars in Thousands)				
Donor-restricted endowment funds	\$ (35,869)	\$ 559,485	\$ 990,260	\$ 1,513,876
Board-designated (quasi) endowment funds	14,047	-	-	14,047
Total endowment funds	<u>\$ (21,822)</u>	<u>\$ 559,485</u>	<u>\$ 990,260</u>	<u>\$ 1,527,923</u>
2015				
(Dollars in Thousands)				
Donor-restricted endowment funds	\$ (10,202)	\$ 661,243	\$ 957,989	\$ 1,609,030
Board-designated (quasi) endowment funds	14,941	-	-	14,941
Total endowment funds	<u>\$ 4,739</u>	<u>\$ 661,243</u>	<u>\$ 957,989</u>	<u>\$ 1,623,971</u>

## University of Illinois Foundation

### Notes to Financial Statements

#### Note 7. Endowments and Net Asset Classification (Continued)

Changes in endowment, not total, net assets for the fiscal years ended June 30, 2016 and 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2016				
(Dollars in Thousands)				
Endowment net assets, beginning of year	\$ 4,739	\$ 661,243	\$ 957,989	\$ 1,623,971
Investment return:				
Investment Income	58	8,694	-	8,752
Net appreciation (loss) (realized and unrealized)	(3,088)	(70,076)	-	(73,164)
Total investment return (loss)	(3,030)	(61,382)	-	(64,412)
Contributions	9	6,390	32,271	38,670
Appropriation of endowment assets for expenditure	(23,540)	(46,766)	-	(70,306)
Endowment net assets, end of year	\$ (21,822)	\$ 559,485	\$ 990,260	\$ 1,527,923
2015				
(Dollars in Thousands)				
Endowment net assets, beginning of year	\$ 8,640	\$ 677,424	\$ 914,043	\$ 1,600,107
Investment return:				
Investment Income	79	11,509	-	11,588
Net appreciation (realized and unrealized)	4,410	25,681	-	30,091
Total investment return	4,489	37,190	-	41,679
Contributions	250	11,483	43,946	55,679
Appropriation of endowment assets for expenditure	(8,640)	(64,854)	-	(73,494)
Endowment net assets, end of year	\$ 4,739	\$ 661,243	\$ 957,989	\$ 1,623,971

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. Deficiencies of \$35,870,000 and \$10,202,000 are reported in unrestricted net assets as of June 30, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations which occurred during the holding period.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the investment objective of the endowment is to seek maximum total return consistent with the preservation of principal, diversification and avoidance of excessive risk. The Foundation will exercise reasonable care, skill and caution with regard to the investment of funds in the context of the entire portfolio which incorporates risk and return objectives reasonably suitable to the purposes of the Foundation. The assets are to be managed in a manner that seeks to meet these investment objectives, while at the same time attempting to reduce volatility in year-to-year spending. Actual returns in any given year may vary.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation.



## University of Illinois Foundation

### Notes to Financial Statements

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#### **Note 8. Transactions with the University of Illinois, State of Illinois and Related Parties**

The Foundation was formed for the purpose of providing fundraising services and other assistance to the University in order to attract private gifts to support the University's instructional, research and public services activities. In this capacity, the Foundation solicits, receives, holds and administers gifts for the benefit of the University.

The Foundation enters into annual contracts with the University which require the Foundation to perform the above described functions and supervise University employees who maintain University donor records and perform support functions for Foundation fundraising activities.

The Foundation is required to recognize as revenue and expense those on-behalf payments for pension benefits made by the State of Illinois for University employees who are supervised by the Foundation. These payments (estimated at \$786,000 and \$720,000 for the years ended June 30, 2016 and 2015, respectively) are included in the amounts shown as allocation from the University of Illinois and as salaries and benefits expense (see Note 10).

Pursuant to the contracts, the Foundation is required to comply with Section VI of "University Guidelines 1982," as adopted by the University Board of Trustees on November 12, 1982 and amended in 1997 by the State of Illinois Legislative Audit Commission. The contracts require the University to make payments to the Foundation for the cost of services provided up to specified limits and to provide other support as described below:

- On October 6, 1989, the Foundation Board of Directors agreed to renovate the University Facility now known as the "Karnes Center in Historic Harker Hall at Swanlund Plaza" at a cost of approximately \$5,500,000 in exchange for the University President's pledge to provide the facility to the Foundation rent free through fiscal year 2023. This amount was capitalized as a leasehold improvement in fiscal year 1993 and annual depreciation is recorded in the amount of \$183,000. The value of rent provided to the Foundation is \$498,000 and is recorded in contributed services with a corresponding rent expense for the years ended June 30, 2016 and 2015.
- The University provides the Foundation with certain administrative services in the areas of purchasing, accounting, cashiering, internal auditing, benefits and investment management and electronic data processing systems at no cost. The allocated costs, \$77,000 and \$89,000 for the years ended June 30, 2016 and 2015, respectively, are reflected in the statement of activities as a revenue and corresponding expense.

Gifts received by the Foundation include some donations attributable to solicitations by development personnel of the University. Amounts received directly by the Foundation through these fundraising efforts are generally not quantifiable. Conversely, private gifts and grants received by the University include some gifts attributable to direct and indirect solicitations by Foundation personnel. Amounts received directly by the University through these fundraising efforts are not quantifiable.

Gifts received from Foundation Board Members were \$712,000 and \$2,429,000 for the years ended June 30, 2016 and 2015, respectively. There were no gifts received from the University of Illinois Alumni Association in 2016 and 2015. Conversely, disbursements to the Alumni Association from the Foundation were approximately \$30,000 and \$43,000 in 2016 and 2015, respectively.

## University of Illinois Foundation

### Notes to Financial Statements

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#### Note 8. Transactions with the University of Illinois, State of Illinois and Related Parties (Continued)

Gifts and gift related income transferred from the Foundation to the University totaled \$163,132,000 and \$193,936,000 for the years ended June 30, 2016 and 2015, respectively. These amounts are reflected in the statement of activities. Other transactions between the Foundation and the University include the following:

- The University leases from the Foundation various properties with a carrying value of \$125,000 as of June 30, 2016 and 2015. Payments by the University to the Foundation, which approximate the Foundation's cost of carrying the properties, was \$ 1,000 for each of the years ended June 30, 2016 and 2015. The Foundation also holds \$2,841,000 of properties for the University's future use that is not covered by the lease agreement as of June 30, 2016 and 2015.
- The Foundation obtained certain goods and services (supplies, telephone, printing, etc.) during the years ended June 30, 2016 and 2015 through the University for which the Foundation reimbursed the University at cost.

#### Note 9. Note Payable

The note payable is to provide funds to purchase property that is to be held for the University:

	2016	2015
	(Dollars in Thousands)	
\$15,000,000 unsecured line of credit to bank, due February 2018, interest rate negotiated in irregular intervals (1.30% as of June 30, 2016), contains certain financial and nonfinancial covenants	\$ 4,757	\$ 3,257

The changes in the note payable balance consist of the following:

	2016	2015
	(Dollars in Thousands)	
Balance, beginning	\$ 3,257	\$ 2,057
Proceeds	3,000	2,500
Payments	(1,500)	(1,300)
Balance, ending	\$ 4,757	\$ 3,257

## University of Illinois Foundation

### Notes to Financial Statements

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#### Note 10. Retirement Plan and Postemployment Benefits

The Foundation contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State of Illinois (the State) makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the State's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40 of the Illinois Compiled Statutes. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at [www.SURS.org](http://www.SURS.org).

*Benefits Provided.* A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2015 can be found in the SURS' comprehensive annual financial report (CAFR) Notes to the Financial Statements.

*Contributions.* The State of Illinois is primarily responsible for funding SURS on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of the System to reach 90 percent of the total Actuarial Accrued Liability by the end of fiscal year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal year 2016 and 2015 was 12.69 percent and 11.71 percent of employee payroll, respectively. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0 percent of their annual covered salary. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

In addition to providing pension benefits, the State of Illinois provides certain health, dental and life insurance benefits to annuitants. This includes annuitants of the Foundation. Substantially all State employees, including the Foundation's employees, may become eligible for postemployment benefits if they eventually become annuitants. Health and dental benefits include basic benefits for annuitants under the State's self-insurance plan and insurance contracts currently in force. Life insurance benefits for annuitants under age 60 are equal to their annual salary at the time of retirement; life insurance benefits for annuitants age 60 or older are limited to \$5,000 per annuitant. Currently, the State does not segregate payments made to annuitants from those made to current employees for health, dental and life insurance benefits. These costs are funded by the State and are not an obligation of the Foundation.

## University of Illinois Foundation

### Notes to Financial Statements

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#### **Note 10. Retirement Plan and Postemployment Benefits (Continued)**

Employees of the Foundation may also elect to participate in several tax deferred annuity plans and defined contribution plans. These are single employer plans under which benefits are provided to participating employees through contracts issued to each individual. Participation and the level of employee contributions are voluntary. The Foundation is not required to make contributions. The State made contributions on behalf of the Foundation of approximately \$1,159,000 and \$1,105,000 for the years ended June 30, 2016 and 2015, respectively.