UNIVERSITY OF ILLINOIS
FOUNDATION

Financial Report

June 30, 2017

Contents

RSM US LLP

Independent Auditor's Report

Board of Directors
University of Illinois Foundation

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, 2017 and 2016, 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, 2017 and 2016, and the changes in its 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, 2017 and 2016 dated October 6, 2017 and October 5, 2016, 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 solely 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 effectiveness of the Foundation's 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 6, 2017

University of Illinois Foundation

Statements of Financial Position
June 30, 2017 and 2016
(Dollars in Thousands)

	2017	2016
Assets		
Cash and cash equivalents	**$ 2,926**	$ 2,109
Receivables:		
Pledges (Note 2)	**143,000**	175,000
Investment	**570**	20,042
Accounts	**84**	74
Due from University of Illinois	**458**	305
Prepaid expenses	**934**	690
Investments (Note 3)	**1,898,976**	1,643,893
Beneficial interest in trusts (Note 3)	**46,821**	42,147
Irrevocable trusts held by other trustees (Note 3)	**20,068**	19,804
Property and equipment, net (Note 4)	**11,863**	12,606
Other assets	**68**	68
Total assets	**$ 2,125,768**	$ 1,916,738
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 1,810**	$ 17,572
Accrued vacation and sick pay	**931**	850
Annuities payable	**46,517**	48,468
Remainder interest due to others	**3,332**	4,937
Note payable (Note 9)	**3,963**	4,757
Total liabilities	**56,553**	76,584
Commitments (Note 5)		
Net assets (Notes 6 and 7):		
Unrestricted:		
Undesignated	**9,105**	(22,265)
Designated for quasi-endowment	**15,364**	14,047
Temporarily restricted	**997,326**	858,112
Permanently restricted	**1,047,420**	990,260
Total net assets	**2,069,215**	1,840,154
	$ 2,125,768	$ 1,916,738

See notes to financial statements.

University of Illinois Foundation

Statements of Activities
Years Ended June 30, 2017 and 2016
(Dollars in Thousands)

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions, gifts and pledges	$ 255	$ 123,960	$ 57,160	$ 181,375
Contributed services (Note 8)	594	-	-	594
Allocation from the University of Illinois	9,038	-	-	9,038
Investment income	26	5,369	-	5,395
Net increase (decrease) in fair value of investments	36,187	219,033	-	255,220
Endowment property operations	-	962	-	962
Annual funds revenue	274	-	-	274
Other operating revenue	461	7,709	-	8,170
Total revenue, gains and other support	46,835	357,033	57,160	461,028
Net assets released from restrictions:				
Service fee revenue	23,615	(23,615)	-	-
Endowment budgets	50,670	(50,670)	-	-
Distributions to University of Illinois	141,119	(141,119)	-	-
Total revenue, gains, other support and net assets released from restrictions	262,239	141,629	57,160	461,028
Expenses:				
Program services:				
Fundraising	16,399	-	-	16,399
Distributions to University of Illinois (Note 8)	196,666	-	-	196,666
General and administrative	16,388	-	-	16,388
Actuarial adjustments	-	2,415	-	2,415
Interest on indebtedness	99	-	-	99
Total programs and expenses	229,552	2,415	-	231,967
Change in net assets	32,687	139,214	57,160	229,061
Net assets:				
Beginning	(8,218)	858,112	990,260	1,840,154
Ending	$ 24,469	$ 997,326	$ 1,047,420	$ 2,069,215

See notes to financial statements.

2016			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 9	$ 118,774	$ 32,271	$ 151,054
575	-	-	575
9,565	-	-	9,565
59	11,994	-	12,053
(3,088)	(72,291)	-	(75,379)
-	754	-	754
323	-	-	323
423	6,292	-	6,715
7,866	65,523	32,271	105,660
22,509	(22,509)	-	-
29,041	(29,041)	-	-
111,022	(111,022)	-	-
170,438	(97,049)	32,271	105,660
17,216	-	-	17,216
163,132	-	-	163,132
14,740	-	-	14,740
-	2,017	-	2,017
70	-	-	70
195,158	2,017	-	197,175
(24,720)	(99,066)	32,271	(91,515)
16,502	957,178	957,989	1,931,669
$ (8,218)	$ 858,112	$ 990,260	$ 1,840,154

University of Illinois Foundation

Statements of Cash Flows
Years Ended June 30, 2017 and 2016
(Dollars in Thousands)

	2017	2016
Cash flows from operating activities:		
Contributions, gifts and pledges	**$ 146,616**	$ 110,178
Service fee revenue	**23,615**	22,509
Allocation from the University of Illinois	**8,192**	8,961
Endowment property operations	**962**	754
Annual funds revenue	**273**	323
Other operating revenue	**8,157**	6,638
Payments for salaries and benefits	**(21,909)**	(20,697)
Payments for marketing and communications	**(467)**	(344)
Payments for travel	**(1,127)**	(1,102)
Payments for meetings, conferences and special events	**(1,296)**	(1,397)
Payments for equipment not meeting capitalization threshold	**(1,119)**	(1,102)
Payments for supplies and other	**(5,301)**	(3,695)
Distributions on behalf of the University of Illinois	**(189,619)**	(154,714)
Net cash used in operating activities	**(33,023)**	(33,688)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	**327,532**	650,083
Purchase of investments	**(321,100)**	(649,983)
Purchase of property and equipment	**(770)**	(3,330)
Net cash provided by (used in) investing activities	**5,662**	(3,230)
Cash flows from financing activities:		
Proceeds from note payable	**502**	3,000
Payments on note payable	**(1,296)**	(1,500)
Investment loss restricted for long-term purposes	**(17,198)**	(8,676)
Gifts and grants received restricted for long-term purposes	**54,160**	52,271
Payments to annuitants	**(7,990)**	(7,300)
Net cash provided by financing activities	**28,178**	37,795
Increase in cash and cash equivalents	**817**	877
Cash and cash equivalents:		
Beginning	**2,109**	1,232
Ending	**$ 2,926**	$ 2,109

(Continued)

University of Illinois Foundation

Statements of Cash Flows (Continued)
Years Ended June 30, 2017 and 2016
(Dollars in Thousands)

	2017	2016
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	**$ 229,061**	$ (91,515)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	**1,513**	1,529
Actuarial adjustment	**3,030**	3,850
Gifts in-kind	**(14,721)**	(12,058)
Noncash distributions to the University of Illinois	**7,047**	8,542
Change in split interest agreements	**1,508**	2,544
Gifts and grants received for long-term purposes	**(57,160)**	(32,271)
Unrealized (gains) losses on investments	**(255,220)**	75,378
Investment losses earned for investing activities	**18,220**	10,474
Changes in assets and liabilities:		
Accounts receivable, University of Illinois	**(153)**	182
Prepaid expenses	**(244)**	200
Accounts receivable	**(13)**	-
Pledge receivable	**35,000**	(1,000)
Accounts payable and accrued expenses	**(972)**	416
Accrued vacation and sick leave	**81**	41
Net cash used in operating activities	**$ (33,023)**	$ (33,688)

See notes to financial statements.

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.

In 2017, the Foundation registered an entity in the United Kingdom (UK) to establish a dual qualified charity, allowing UK residents to advantageously make contributions to the Foundation. Through October 6, 2017, the date that the financial statements were available to be issued, the Foundation was awaiting the approval of its charitable registration within the UK.

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 $9,392,000 and $6,642,000 for the years ended June 30, 2017 and 2016, respectively. All other revenues are reported as increases in net assets when earned.

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

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

Net assets released from restrictions: Net assets were released from donor restrictions by satisfying restricted purposes. For accounting and reporting purposes, the Foundation classifies its released from restrictions into three categories.

Descriptions of the three categories follow:

Service fee revenue – The Foundation has a policy of appropriating for distribution each year a percentage (approximately 1.45 percent for the years ended June 30, 2017 and 2016) of its six-year moving average market value of the endowment and actual expenses incurred by the Foundation's investment office.

Endowment budgets – The Foundation has a policy of appropriating for distribution each year a percentage (approximately 4.0 percent for the years ended June 30, 2017 and 2016) of its six-year moving average market value of the endowment.

Distributions to University of Illinois – The Foundation makes distributions to the University in accordance with donor restrictions. These distributions include current use or restricted contributions for the University received by the Foundation.

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.

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. For alternative investments not allowed to apply the practical expedient, the Foundation determines the fair value through the use of performance multiples applicable to the investment's industry, determined through the use of a market-based approach, which utilizes comparable companies' data. 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 receivable, accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments. The carrying amount of pledges receivable, irrevocable trusts held by others and beneficial interest in trusts approximate 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.

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

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: For 2016, the largest component of accounts payable represents 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, 2017 and 2016 were $ 16,399,000 and $17,216,000, respectively. Other operating expenses include general and administrative expense, actuarial adjustments and interest on indebtedness for the years ended June 30, 2017 and 2016.

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.

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 $5,950,000 and $6,280,000 as of June 30, 2017 and 2016, 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.

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

Prepaid expenses: Prepaid expenses are expenses paid in advance of actually incurring them. They are expected to be expensed 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, 2017 and 2016, 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, 2013 and prior.

Recent accounting policy: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 will be effective for the Foundation on July 1, 2019. Early adoption is permitted. ASU 2016-15 requires a retrospective transition method. However, if it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Foundation is currently evaluating the impact the adoption of this guidance will have on its statement of cash flows.

In August 2016, the FASB issued 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.

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

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 6, 2017, the date that the financial statements were available to be issued. Through this date, there were no subsequent events requiring disclosure.

Note 2. Pledges Receivable

A summary of the pledges receivable (unconditional promises to give) as of June 30, 2017 and 2016 is as follows:

	2017	2016
	(Dollars in Thousands)	
Gross pledges receivable	$ 155,725	$ 190,685
Less present value discount 2017 $2,262,000; 2016 $2,691,000; allowance for doubtful pledges 2017 $10,463,000; 2016 $12,994,000	(12,725)	(15,685)
	$ 143,000	$ 175,000

Gross pledges receivable as of June 30, 2017 and 2016 are expected to be collected as follows:

	2017	2016
	(Dollars in Thousands)	
In one year or less	$ 56,798	$ 64,326
Between one year and five years	63,402	83,849
More than five years	35,525	42,510
	$ 155,725	$ 190,685

Pledges receivable, net expected to be collected in one year or less are $52,064,000 and $59,493,000 as of June 30, 2017 and 2016, respectively. Pledges receivable from related parties were $14,734,000 and $35,745,000 as of June 30, 2017 and 2016, respectively. Conditional promises to give totaled $79,622,000 and $51,354,000 as of June 30, 2017 and 2016, 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 $707,009,000 and $701,872,000 as of June 30, 2017 and 2016, 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.

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. Level 3 investments include direct private investments and co-investments using performance multiples applicable to the investment's industry, determined through the use of a market-based approach, which utilizes comparable companies' data and equity mutual funds that have underlying marketable securities but have significant redemption restrictions.

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, 2017 and 2016.

The following table summarizes assets measured at fair value on a recurring basis as of June 30, 2017 and 2016, 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, 2017 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	$ 47,537	$ -	$ 47,537	$ -
International government bonds	36,030	-	32,378	3,652
U.S. government agencies	10	-	10	-
Municipal bonds	2,662	-	2,662	-
Corporate bonds and notes	30,921	-	30,921	-
Commercial mortgage-backed securities	4,824	-	4,824	-
Asset backed securities	13,052	-	13,052	-
Mortgage-backed securities	2,389	-	2,389	-
Subtotal forward	$ 137,425	$ -	$ 133,773	$ 3,652

Note 3. Investments and Fair Value Measurements (Continued)

	Fair Value Measurements as of June 30, 2017 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	$ 137,425	$ -	$ 133,773	$ 3,652
Common stock, International				
Information technology	1,845	1,845	-	-
Other investments	892	892	-	-
Common stock, domestic				
Consumer goods	267	267	-	-
Energy	50	50	-	-
Financial services	1,181	1,181	-	-
Health care	844	844	-	-
Industrials	4,972	4,972	-	-
Information technology	14,852	14,852	-	-
Materials	7,846	7,846	-	-
Telecommunications	3	3	-	-
Utilities	3	3	-	-
Real Estate	31	31	-	-
Bond mutual funds				
U.S. government	5,694	449	5,245	-
Mortgages	8,476	684	7,792	-
Corporate bonds and notes	4,057	321	3,736	-
High yield	617	50	567	-
Municipals	763	18	745	-
International	58,621	70	58,551	-
Equity mutual funds				
Small cap	43,379	364	120	42,895
Mid cap	714	714	-	-
Large cap	40,510	39,029	1,481	-
International	238,886	78,754	160,132	-
Money market mutual funds	52,041	52,041	-	-
Other investments	3,438	-	-	3,438
Farms	62,112	-	62,112	-
Cash surrender value of life insurance	6,100	-	-	6,100
Partnership interests	5,050	-	5,050	-
Total investments subject to fair value hierarchy	$ 700,669	$ 205,280	$ 439,304	$ 56,085
Beneficial interest in trusts	$ 46,821	$ -	$ -	$ 46,821
Trusts held by others	20,068	-	-	20,068

The investments above exclude $8,972,000 of real estate and $6,640,000 of private equities which are carried at cost and $1,182,695,000 of investments where values are based on NAV using the practical expedient.

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)			
Assets:				
U.S. treasury bonds and bills	$ 15,406	$ -	$ 15,406	$ -
International government bonds	51,079	-	46,561	4,518
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	-
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	11,239	383	128	10,728
Mid cap	664	664	-	-
Large cap	78,704	76,490	2,214	-
International	256,111	12,211	243,900	-
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	5,044	-	5,044	-
Total investments subject to fair value hierarchy	$ 647,370	$ 129,022	$ 492,936	$ 25,412
Beneficial interest in trusts	$ 42,147	$ -	$ -	$ 42,147
Trusts held by others	19,804	-	-	19,804

Note 3. Investments and Fair Value Measurements (Continued)

The investments above exclude $7,518,000 of real estate and $6,640,000 of private equities which are carried at cost and $982,365,000 of investments where values are based on NAV using the practical expedient.

There were no transfers between Levels 1 or 2 of the fair value hierarchy during the years ended June 30, 2017 and 2016.

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, 2017					
	International Government Bonds	Equity Mutual Funds	Other Investments	Cash Surrender Value of Life Insurance	Beneficial Interest in Trusts	Trusts Held by Others
	(Dollars in Thousands)					
Balance, beginning	$ 4,518	$ 10,728	$ 3,287	$ 6,879	$ 42,147	$ 19,804
Purchases	756	26,143	2,459	-	-	-
Sales (distributions)	(89)	(219)	(2,508)	-	-	-
Total gains or losses (realized/unrealized) included in change in net assets	121	6,243	200	(779)	4,674	264
Net Transfers in/out of level 3	(1,654)	-	-	-	-	-
Balance, ending	$ 3,652	$ 42,895	$ 3,438	$ 6,100	$ 46,821	$ 20,068
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	$ 121	$ 6,243	$ 200	$ (779)	$ 4,674	$ 264

Note 3. Investments and Fair Value Measurements (Continued)

	June 30, 2016					
	International Government Bonds	Equity Mutual Funds	Other Investments	Cash Surrender Value of Life Insurance	Beneficial Interest in Trusts	Trusts Held by Others
	(Dollars in Thousands)					
Balance, beginning	$ -	$ 855	$ 3,530	$ 6,605	$ 40,237	$ 22,670
Purchases	4,506	10,173	-	-	-	-
Sales (distributions)	-	-	(100)	-	-	-
Total gains or losses (realized/unrealized) included in change in net assets	12	(300)	(143)	274	1,910	(2,866)
Balance, ending	$ 4,518	$ 10,728	$ 3,287	$ 6,879	$ 42,147	$ 19,804
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	$ 12	$ (300)	$ (143)	$ 274	$ 1,910	$ (2,866)

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 Foundation may only utilize the practical expedient if the investment doesn't have a readily determinable fair value and the investee is an investment company within the scope of Accounting Standards Codification Topic 946, *Financial Services-Investment Companies*. The following table sets forth the Foundation's investments whose fair value is determined using NAV per share (or its equivalent) as of June 30, 2017 and 2016:

	Fair Value		Unfunded	Redemption	Redemption
	2017	2016	Commitment	Frequency	Notice Period
	(Dollars in Thousands)				
Investments:					
Hedged/alternative investments (A)	$ 953,300	$ 794,865	$ -	(A)	(A)
Private equity (B)	171,666	146,325	205,690	(B)	(B)
Real estate trusts and partnerships (B)	57,729	41,175	26,276	(B)	(B)
	$ 1,182,695	$ 982,365	$ 231,966		

(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.

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.

All investments are considered noncurrent assets.

Note 4. Property and Equipment

Property and equipment as of June 30, 2017 and 2016 are as follows:

	2017	2016
	(Dollars in Thousands)	
Buildings held for the University's future use	$ 3,468	$ 2,966
Furniture, fixtures, equipment and leasehold improvements	18,419	18,210
	21,887	21,176
Less: accumulated depreciation and amortization	10,024	8,570
	$ 11,863	$ 12,606
Depreciation and amortization expense	$ 1,513	$ 1,529

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, 2017.

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

Year ending June 30:	
2018	$ 443
2019	170
2020	115
2021	115
2022	115
Thereafter	470
	$ 1,428

Note 6. Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets as of June 30, 2017 and 2016 were restricted for the following:

	2017	2016
	(Dollars in Thousands)	
Research	$ 35,620	$ 26,176
Student support	114,057	94,041
Academic programs	159,816	125,724
Facilities	95,258	56,931
Faculty support	102,190	77,981
Public support	8,898	6,607
Other	27,013	21,570
Unrestricted *	454,474	449,082
	$ 997,326	$ 858,112

Permanently restricted (endowed) net assets as of June 30, 2017 and 2016 are restricted for investment in perpetuity, the income from which is expendable for the following:

	2017	2016
	(Dollars in Thousands)	
Research	$ 72,787	$ 72,377
Student support	341,916	313,216
Academic programs	223,041	218,095
Facilities	5,853	5,319
Faculty support	243,049	223,307
Public support	17,652	16,469
Other	44,482	43,536
Unrestricted *	98,640	97,941
	$ 1,047,420	$ 990,260

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

Note 7. Endowments and Net Asset Classification

The Foundation's endowment fund consists of approximately 5,400 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 $78,222,000 and $70,306,000 for fiscal years ended June 30, 2017 and 2016, respectively.

Endowment net assets as of June 30, 2017 and 2016 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	2017 (Dollars in Thousands)			
Donor-restricted endowment funds	$ (6,095)	$ 705,101	$ 1,047,420	$ 1,746,426
Board-designated (quasi) endowment funds	15,364	-	-	15,364
Total endowment funds	$ 9,269	$ 705,101	$ 1,047,420	$ 1,761,790
	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	$ (21,822)	$ 559,485	$ 990,260	$ 1,527,923

Note 7. Endowments and Net Asset Classification (Continued)

Changes in endowment net assets for the fiscal years ended June 30, 2017 and 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	2017			
	(Dollars in Thousands)			
Endowment net assets, beginning of year	$ (21,822)	$ 559,485	$ 990,260	$ 1,527,923
Investment return:				
Investment Income	26	4,030	-	4,056
Net appreciation (realized and unrealized)	36,187	203,836	-	240,023
Total investment return (loss)	36,213	207,866	-	244,079
Contributions	255	10,595	57,160	68,010
Appropriation of endowment assets for expenditure	(5,377)	(72,845)	-	(78,222)
Endowment net assets, end of year	$ 9,269	$ 705,101	$ 1,047,420	$ 1,761,790
	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

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 $6,095,000 and $35,870,000 are reported in unrestricted net assets as of June 30, 2017 and 2016, 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.

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 $694,000 and $786,000 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016.

- 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, $96,000 and $77,000 for the years ended June 30, 2017 and 2016, 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 $3,464,000 and $712,000 for the years ended June 30, 2017 and 2016, respectively. There were no gifts received from the University of Illinois Alumni Association in 2017 and 2016. Conversely, disbursements to the Alumni Association from the Foundation were approximately $38,000 and $30,000 in 2017 and 2016, respectively.

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 $196,666,000 and $163,132,000 for the years ended June 30, 2017 and 2016, 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 $627,000 as of June 30, 2017 and 2016. 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, 2017 and 2016. 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, 2017 and 2016.

- The Foundation obtained certain goods and services (supplies, telephone, printing, etc.) during the years ended June 30, 2017 and 2016 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:

	2017	2016
	(Dollars in Thousands)	
$15,000,000 unsecured line of credit to bank, due February 2018, interest rate negotiated in irregular intervals (2.00% as of June 30, 2017), contains certain financial and nonfinancial covenants	$ 3,963	$ 4,757

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

	2017	2016
	(Dollars in Thousands)	
Balance, beginning	$ 4,757	$ 3,257
Proceeds	502	3,000
Payments	(1,296)	(1,500)
Balance, ending	$ 3,963	$ 4,757

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.

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 2017 and 2016 was 12.53 percent and 12.69 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.

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 $1,140,000 and $1,159,000 and for the years ended June 30, 2017 and 2016, respectively.