UNIVERSITY OF ILLINOIS FOUNDATION

Financial Report

June 30, 2018

Contents

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, 2018 and 2017, 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. 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, 2018 and 2017, 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.

RSM US LLP

Davenport, Iowa
October 3, 2018

University of Illinois Foundation

Statements of Financial Position
June 30, 2018 and 2017
(Dollars in Thousands)

	2018	2017
Assets		
Cash and cash equivalents	$ 3,160	$ 2,926
Receivables:		
Pledges (Note 2)	216,000	143,000
Investment	6,270	570
Accounts	79	84
Due from University of Illinois	511	458
Prepaid expenses	859	934
Investments (Note 3)	2,064,134	1,898,976
Beneficial interest in trusts (Note 3)	50,758	46,821
Irrevocable trusts held by other trustees (Note 3)	17,181	20,068
Property and equipment, net (Note 4)	10,636	11,863
Other assets	68	68
Total assets	$ 2,369,656	$ 2,125,768
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 5,679	$ 1,810
Accrued vacation and sick pay	1,145	931
Annuities payable	48,630	46,517
Remainder interest due to others	3,325	3,332
Note payable (Note 9)	3,118	3,963
Total liabilities	61,897	56,553
Commitments (Note 5)		
Net assets (Notes 6 and 7):		
Unrestricted:		
Undesignated	12,878	9,105
Designated for quasi-endowment	37,076	15,364
Temporarily restricted	1,071,972	997,326
Permanently restricted	1,185,833	1,047,420
Total net assets	2,307,759	2,069,215
	$ 2,369,656	$ 2,125,768

See notes to financial statements.

University of Illinois Foundation

Statements of Activities
Years Ended June 30, 2018 and 2017
(Dollars in Thousands)

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions, gifts and pledges	$ 20,840	$ 153,412	$ 138,413	$ 312,665
Contributed services (Note 8)	558	-	-	558
Allocation from the University of Illinois	10,252	-	-	10,252
Investment income	33	6,107	-	6,140
Net increase in fair value of investments	8,479	134,220	-	142,699
Endowment property operations	-	826	-	826
Annual funds revenue	225	-	-	225
Other operating revenue	469	14,041	-	14,510
Total revenue, gains and other support	40,856	308,606	138,413	487,875
Net assets released from restrictions:				
Service fee revenue	25,216	(25,216)	-	-
Endowment budgets	54,570	(54,570)	-	-
Distributions to University of Illinois	149,868	(149,868)	-	-
Total revenue, gains, other support and net assets released from restrictions	270,510	78,952	138,413	487,875
Expenses:				
Program services:				
Fundraising	19,536	-	-	19,536
Distributions to University of Illinois (Note 8)	208,413	-	-	208,413
General and administrative	16,924	-	-	16,924
Actuarial adjustments	-	4,306	-	4,306
Interest on indebtedness	152	-	-	152
Total programs and expenses	245,025	4,306	-	249,331
Change in net assets	25,485	74,646	138,413	238,544
Net assets:				
Beginning	24,469	997,326	1,047,420	2,069,215
Ending	$ 49,954	$ 1,071,972	$ 1,185,833	$ 2,307,759

See notes to financial statements.

2017			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 255	$ 123,960	$ 57,160	$ 181,375
594	-	-	594
9,038	-	-	9,038
26	5,369	-	5,395
36,187	219,033	-	255,220
-	962	-	962
274	-	-	274
461	7,709	-	8,170
46,835	357,033	57,160	461,028
23,615	(23,615)	-	-
50,670	(50,670)	-	-
141,119	(141,119)	-	-
262,239	141,629	57,160	461,028
16,399	-	-	16,399
196,666	-	-	196,666
16,388	-	-	16,388
-	2,415	-	2,415
99	-	-	99
229,552	2,415	-	231,967
32,687	139,214	57,160	229,061
(8,218)	858,112	990,260	1,840,154
$ 24,469	$ 997,326	$ 1,047,420	$ 2,069,215

University of Illinois Foundation

Statements of Cash Flows
Years Ended June 30, 2018 and 2017
(Dollars in Thousands)

	2018	2017
Cash flows from operating activities:		
Contributions, gifts and pledges	$ 173,985	$ 146,616
Service fee revenue	25,216	23,615
Allocation from the University of Illinois	9,534	8,192
Endowment property operations	827	962
Annual funds revenue	224	273
Other operating revenue	14,506	8,157
Payments for salaries and benefits	(22,280)	(21,909)
Payments for marketing and communications	(455)	(467)
Payments for travel	(1,252)	(1,127)
Payments for meetings, conferences and special events	(1,914)	(1,296)
Payments for equipment not meeting capitalization threshold	(1,294)	(1,119)
Payments for supplies and other	(5,929)	(5,301)
Distributions on behalf of the University of Illinois	(203,525)	(189,619)
Net cash used in operating activities	(12,357)	(33,023)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	423,789	327,532
Purchase of investments	(446,099)	(321,100)
Purchase of property and equipment	(324)	(770)
Net cash (used in) provided by investing activities	(22,634)	5,662
Cash flows from financing activities:		
Proceeds from note payable	155	502
Payments on note payable	(1,000)	(1,296)
Investment loss restricted for long-term purposes	(17,414)	(17,198)
Gifts and grants received restricted for long-term purposes	60,057	54,160
Payments to annuitants	(6,573)	(7,990)
Net cash provided by financing activities	35,225	28,178
Increase in cash and cash equivalents	234	817
Cash and cash equivalents:		
Beginning	2,926	2,109
Ending	$ 3,160	$ 2,926

(Continued)

University of Illinois Foundation

Statements of Cash Flows (Continued)
Years Ended June 30, 2018 and 2017
(Dollars in Thousands)

	2018	2017
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	**$ 238,544**	$ 229,061
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	**1,551**	1,513
Actuarial adjustment	**4,306**	3,030
Gifts in-kind	**(10,674)**	(14,721)
Noncash distributions to the University of Illinois	**5,040**	7,047
Change in split interest agreements	**5,406**	1,508
Gifts and grants received for long-term purposes	**(138,413)**	(57,160)
Unrealized gains losses on investments	**(142,699)**	(255,220)
Investment losses earned for investing activities	**19,075**	18,220
Changes in assets and liabilities:		
Accounts receivable, University of Illinois	**(53)**	(153)
Prepaid expenses	**75**	(244)
Accounts receivable	**32**	(13)
Pledge receivable	**5,000**	35,000
Accounts payable and accrued expenses	**239**	(972)
Accrued vacation and sick leave	**214**	81
Net cash used in operating activities	**$ (12,357)**	$ (33,023)

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. In 2018, the Foundation received approval of its charitable registration within the UK. During the years ended June 30, 2018 and 2017, financial activity of the dual qualified charity was immaterial to the financial statements as a whole.

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 $6,408,000 and $9,392,000 for the years ended June 30, 2018 and 2017, respectively. All other revenues are reported as increases in net assets when earned.

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

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

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, 2018 and 2017) 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, 2018 and 2017) 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.

Other operating revenue: Other operating revenue includes non-deductible gifts to athletics that provided the option for preferential seating in accordance with the Tax Cuts and Jobs Act 0f 2017 and other non-gift event and fundraising activities.

Investments: Investments in equity securities, mutual funds and debt securities having a readily determinable fair value are carried at fair value. Real estate held for investment and private equities are carried at lower of cost or fair value. Alternative investments in funds that do not have readily determinable fair values including private equity investments, hedge funds, real estate funds, commingled funds and similar funds are valued using net asset value per share or its equivalent as a practical expedient. Fair value of investments in limited partnerships are generally valued based upon the most recent net asset value or capital account information available from the general partner of the limited partnership. For alternative investments not allowed to apply the practical expedient, the Foundation determines the fair value using a market-based approach, income-based approach or cost-based approach in accordance with Accounting Standards Codification (ASC) 820. 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.

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 2018, 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.

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 $6,129,000 and $5,950,000 as of June 30, 2018 and 2017, respectively.

Beneficial interest in trusts: The Foundation has beneficial interests in irrevocable trust agreements. These agreements are recorded at the present value of estimated 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.

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.

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

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.

Recent accounting policy: In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement.* These amendments clarify and improve the disclosure requirements for Fair Value Measurement (Topic 820). ASU 2018-13 is effective for annual financial statement issued for the years beginning after December 15, 2019. The Foundation is currently evaluating the impact this update will have on the financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* These amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement or cancellation of liabilities is a contribution or an exchange transaction. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. ASU 2018-08 is effective for annual financial statement issued for the years beginning after December 15, 2018. The Foundation is currently evaluating the impact this update will have on the financial statements.

In August 2016, the FASB issued 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 January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. Effective July 1, 2017, the Foundation elected to early adopt the amendment that no longer requires disclosure of the fair value of financial instruments that are not measured at fair value and as such, these disclosures are not included herein.

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 3, 2018, 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, 2018 and 2017 is as follows:

	2018	2017
	(Dollars in Thousands)	
Gross pledges receivable	$ 236,072	$ 155,725
Less present value discount 2018 $4,884,000; 2017 $2,262,000; allowance for doubtful pledges 2018 $15,188,000; 2017 $10,463,000	(20,072)	(12,725)
	$ 216,000	$ 143,000

Note 2. Pledges Receivable (Continued)

Gross pledges receivable as of June 30, 2018 and 2017 are expected to be collected as follows:

	2018	2017
	(Dollars in Thousands)	
In one year or less	$ 34,211	$ 56,798
Between one year and five years	120,379	63,402
More than five years	81,482	35,525
	$ 236,072	$ 155,725

Pledges receivable, net of amounts expected to be collected in one year or less are $31,146,000 and $52,064,000 as of June 30, 2018 and 2017, respectively. Pledges receivable from related parties were $7,659,000 and $14,734,000 as of June 30, 2018 and 2017, respectively. Conditional promises to give totaled $60,960,000 and $79,622,000 as of June 30, 2018 and 2017, respectively, which are not included in the financial statements. These gifts are conditional upon certain timing and other issues. Deferred revocable commitments are not included in the financial statements and total $777,784,000 and $707,009,000 as of June 30, 2018 and 2017, 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 2: Inputs other than quoted prices in the markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3: Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

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.

Note 3. Investments and Fair Value Measurements (Continued)

Alternative investments, where there is limited activity or less transparency around inputs to the valuation, are valued using net asset value as a practical expedient in accordance with generally accepted accounting principles. Alternative investments that do not meet the criteria to use net asset value as a practical expedient are classified within Level 3 of the valuation hierarchy. The Foundation values the investments included in Level 3 using net asset value and modifies net asset value when appropriate. The Foundation has determined net asset value of those investments is the value closest to the price that would be received to sell the investment in the market place. The significant inputs used for these Level 3 investments are the total net asset value of the fund or partnership and the Foundation's percentage ownership in the fund or partnership.

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, 2018 and 2017.

The following table summarizes assets measured at fair value on a recurring basis as of June 30, 2018 and 2017, 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, 2018 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	$ 3,486	$ -	$ 3,486	$ -
U.S. index linked government bonds	23,945	-	23,945	-
International government bonds	2,006	-	2,006	-
International index linked government bonds	33,418	-	33,418	-
Common stock, international:				
Consumer goods	2	2	-	-
Industrials	3,070	3,070	-	-
Information technology	7,317	7,317	-	-
Common stock, domestic:				
Consumer goods	261	261	-	-
Energy	50	50	-	-
Financial services	138	138	-	-
Health care	1,329	1,329	-	-
Industrials	146	146	-	-
Information technology	30,140	30,140	-	-
Materials	16,256	16,256	-	-
Real estate	8	8	-	-
Telecommunications	4	4	-	-
Utilities	5	5	-	-
Subtotal forward	$ 121,581	$ 58,726	$ 62,855	$ -

Note 3. Investments and Fair Value Measurements (Continued)

	Fair Value Measurements as of June 30, 2018 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	$ 121,581	$ 58,726	$ 62,855	$ -
Bond mutual funds:				
Corporate bonds and notes	54	54	-	-
Intermediate term	19,992	19,992	-	-
Multisector	642	642	-	-
Municipals	633	633	-	-
Blended mutual funds	9,891	9,891	-	-
Equity mutual funds, domestic:				
Small cap	534	534	-	-
Health care	543	543	-	-
Large cap	32,172	32,172	-	-
Mid cap	766	766	-	-
Equity mutual funds, international:				
Developed markets	55,130	55,130	-	-
Large cap	15,042	15,042	-	-
Small cap	38	38	-	-
Comingled nonexchange traded non U.S. equity funds	93,351	-	-	93,351
Private equity funds	156,888	-	-	156,888
Private real estate funds	20,593	-	-	20,593
Money market mutual funds	78,536	78,536	-	-
Other investments	5	-	-	5
Farms	63,113	-	63,113	-
Variable annuity contract—equity	1,911	-	1,911	-
Variable annuity contract—blended	429	-	429	-
Variable annuity contract—fixed income	988	-	988	-
Variable annuity contract—international equity	127	-	127	-
Cash surrender value of life insurance	6,456	-	-	6,456
Total investments subject to fair value hierarchy	$ 679,415	$ 272,699	$ 129,423	$ 277,293
Beneficial interest in trusts	$ 50,758	$ -	$ -	$ 50,758
Trusts held by others	17,181	-	-	17,181

The investments above exclude $8,004,000 of real estate and $12,428,000 of private equities which are carried at cost and $1,364,287,000 of investments where values are based on NAV using the practical expedient.

Note 3. Investments and Fair Value Measurements (Continued)

	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	$ 1,989	$ -	$ 1,989	$ -
U.S. government agencies	10	-	10	-
U.S. index linked government bonds	22,035	-	22,035	-
International government bonds	1,324	-	1,324	-
International index linked government bonds	34,878	-	34,878	-
Corporate bonds and notes	126	-	126	-
Common stock, international information technology	1,845	1,845	-	-
Common stock, domestic:				
Consumer goods	267	267	-	-
Energy	50	50	-	-
Financial services	175	175	-	-
Health care	844	844	-	-
Industrials	2,519	2,519	-	-
Information technology	14,851	14,851	-	-
Materials	10,300	10,300	-	-
Real estate	31	31	-	-
Telecommunications	3	3	-	-
Utilities	3	3	-	-
Bond mutual funds:				
Corporate bonds and notes	54	54	-	-
Intermediate term	18,923	18,923	-	-
Multisector	808	808	-	-
Municipals	702	702	-	-
Blended mutual funds	10,015	10,015	-	-
Equity mutual funds, domestic:				
Small cap	484	484	-	-
Health care	558	558	-	-
Large cap	31,921	31,921	-	-
Mid cap	714	714	-	-
Equity mutual funds, international:				
Developed markets	67,112	67,112	-	-
Large cap	14,936	14,936	-	-
Small cap	24,007	24,007	-	-
Comingled nonexchange traded non U.S. equity funds	113,526	-	-	113,526
Private equity funds	182,270	-	-	182,270
Private real estate funds	15,762	-	-	15,762
Money market mutual funds	51,890	51,890	-	-
Other investments	1,013	-	-	1,013
Farms	62,112	-	62,112	-
Variable annuity contract—equity	1,900	-	1,900	-
Variable annuity contract—blended	459	-	459	-
Variable annuity contract—fixed income	939	-	939	-
Variable annuity contract—international equity	135	-	135	-
Cash surrender value of life insurance	6,100	-	-	6,100
Total investments subject to fair value hierarchy	$ 697,590	$ 253,012	$ 125,907	$ 318,671
Beneficial interest in trusts	$ 46,821	$ -	$ -	$ 46,821
Trusts held by others	$ 20,068	-	-	20,068

Note 3. Investments and Fair Value Measurements (Continued)

The investments above exclude $8,972,000 of real estate and $11,690,000 of private equities which are carried at cost and $1,180,724,000 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, 2018 and 2017.

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, 2018						
	Comingled Non-Exchange Traded-Non U.S. Equity Funds	Private Equity Funds	Private Real Estate	Other Investments	Cash Surrender Value of Life Insurance	Beneficial Interest in Trusts	Trusts Held by Others
	(Dollars in Thousands)						
Balance, beginning	$ 113,526	$ 182,270	$ 15,762	$ 1,013	$ 6,100	$ 46,821	$ 20,068
Purchases	50,000	9,348	5,625	-	-	3,032	-
Sales (distributions)	(72,890)	(49,808)	(1,761)	(1,009)	-	-	(3,671)
Total gains or losses (both realized/unrealized) included in change in net assets	2,715	15,078	967	1	356	905	784
Balance, ending	$ 93,351	$ 156,888	$ 20,593	$ 5	$ 6,456	$ 50,758	$ 17,181
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	$ (855)	$ 6,270	$ 1,761	$ -	$ 356	$ 905	$ 783

	June 30, 2017						
	Comingled Non-Exchange Traded-Non U.S. Equity Funds	Private Equity Funds	Private Real Estate	Other Investments	Cash Surrender Value of Life Insurance	Beneficial Interest in Trusts	Trusts Held by Others
	(Dollars in Thousands)						
Balance, beginning	$ 91,370	$ 201,540	$ 5,536	$ 1,019	$ 6,879	$ 42,147	$ 19,804
Purchases	-	8,919	13,189	-	-	2,500	-
Sales (distributions)	-	(52,370)	-	-	-	-	-
Total gains or losses (realized/unrealized) included in change in net assets	22,156	24,181	(2,963)	(6)	(779)	2,174	264
Balance, ending	$ 113,526	$ 182,270	$ 15,762	$ 1,013	$ 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	$ 22,156	$ 7,793	$ (2,963)	$ (6)	$ (779)	$ 2,174	$ 264

Note 3. Investments and Fair Value Measurements (Continued)

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 invests in alternative investment funds including limited partnerships, private capital funds, and co-mingled non-exchange traded funds. The fair values of these investments are valued utilizing the net asset valuations (NAV), as a practical expedient, provided by the underlying private investment companies when the NAV of the investments are determined using a measurement basis consistent with US GAAP for investment companies. 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, 2018 and 2017:

	Fair Value		Unfunded	Redemption	Redemption
	2018	2017	Commitment	Frequency	Notice Period
	(Dollars in Thousands)				
Investments:					
Credit (A)	$ 128,298	$ 68,572	$ -	daily, monthly, quarterly, or annually	5 to 90 days
Developed markets—non-U.S. equity (B)	89,340	76,499	-	daily, monthly, quarterly, or annually	5 to 90 days
Emerging markets (C)	138,477	135,199	-	daily, monthly, quarterly, or annually	5 to 90 days
Global bonds (D)	142,475	135,710	-	daily, monthly, quarterly, or annually	5 to 90 days
Global equity (E)	257,512	227,259	-	daily, monthly, quarterly, or annually	5 to 90 days
Natural resources (F)	67,388	52,133	-	daily, monthly, quarterly, or annually	5 to 90 days
Private credit (G)	37,559	30,662	30,909	not eligible*	N/A
Private equity (H)	53,197	76,715	24,018	not eligible*	N/A
Private equity—global growth (I)	58,524	39,918	23,564	not eligible*	N/A
Private equity—venture capital (J)	12,399	8,173	15,666	not eligible*	N/A
Private natural resources (K)	69,095	44,217	52,689	not eligible*	N/A
Real estate (L)	59,043	41,967	36,250	not eligible*	N/A
U.S. equity (M)	250,980	243,700	-	daily, monthly, quarterly, or annually	5 to 90 days
	$ 1,364,287	$ 1,180,724	$ 183,096		

* These investments cannot be redeemed during the life of the fund which can be up to 10 years or more; however some can be transferred to another eligible investor. Distributions will be received as the underlying investments of the funds are liquidated over time.

(A) This category includes investments with both long and short positions in both debt and equity related to leveraged or distressed companies, residential mortgage backed securities, risk arbitrage and financial instruments that are subject to legal or contractual restrictions. These investments include both U.S. and Non-U.S. securities/companies.

(B) This category includes investments with both long and short positions in equity or equity-related securities primarily in Western Europe.

Note 3. Investments and Fair Value Measurements (Continued)

(C) This category includes investments with both long and short positions in equity or equity-related securities in global emerging markets including Latin America and Asia.

(D) This category includes investments in primarily debt or debt-like securities that are globally diversified.

(E) This category includes investments with both long and short positions in equity or equity-related securities listed or traded on an exchange or regulated market on a global basis.

(F) This category includes investments with both long and short positions in both debit and equity or related securities in energy, gas, mining and oil fields. These investments include both public and private companies.

(G) This category includes investment positions in both distressed debt and equity securities and other event driven investments such as broken merger or acquisition deals. These investments include both U.S. and Non-U.S. securities/companies.

(H) This category includes investments in private equity in a variety of industries, which include distressed debt and equity, health care and legal and regulatory finance.

(I) This category includes investments in private equity within growth sectors around the global including China, the Nordic Region and Sub-Saharan Africa.

(J) This category includes investments in venture capital private equity.

(K) This category includes investments in both debt and equity positions in the sectors of agriculture, oil and gas exploration and power, utility and energy infrastructure.

(L) This category includes investments in both debt and equity positions in real estate and real estate related securities and businesses.

(M) This category includes investments with both long and short positions in equity or equity-related securities in the U.S. in a range of industries including banking and health care.

All investments are considered noncurrent assets.

Note 4. Property and Equipment

Property and equipment as of June 30, 2018 and 2017 are as follows:

	2018	2017
	(Dollars in Thousands)	
Buildings held for the University's future use	$ 3,618	$ 3,468
Furniture, fixtures, equipment and leasehold improvements	18,319	18,419
	21,937	21,887
Less accumulated depreciation and amortization	11,301	10,024
	$ 10,636	$ 11,863
Depreciation and amortization expense	$ 1,551	$ 1,513

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, 2018.

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

Years ending June 30:	
2019	$ 442
2020	442
2021	442
2022	442
2023	442
Thereafter	409
	$ 2,619

Note 6. Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets as of June 30, 2018 and 2017 were restricted for the following:

	2018	2017
	(Dollars in Thousands)	
Research	$ 32,810	$ 35,620
Student support	123,507	114,057
Academic programs	166,890	159,816
Facilities	103,321	95,258
Faculty support	98,176	102,190
Public support	9,248	8,898
Other	27,856	27,013
Program support *	510,164	454,474
	$ 1,071,972	$ 997,326

Note 6. Temporarily Restricted and Permanently Restricted Net Assets (Continued)

Permanently restricted (endowed) net assets as of June 30, 2018 and 2017 are restricted for investment in perpetuity, the income from which is expendable for the following:

	2018	2017
	(Dollars in Thousands)	
Research	$ 68,009	$ 72,787
Student support	399,691	341,916
Academic programs	252,975	223,041
Facilities	6,001	5,853
Faculty support	274,705	243,049
Public support	19,431	17,652
Other	48,653	44,482
Program support *	116,368	98,640
	$ 1,185,833	$ 1,047,420

* 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 5,800 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 $81,271,000 and $78,222,000 for fiscal years ended June 30, 2018 and 2017, respectively.

Note 7. Endowments and Net Asset Classification (Continued)

Endowment net assets as of June 30, 2018 and 2017 were as follows:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	(Dollars in Thousands)			
Donor-restricted endowment funds	$ (3,559)	$ 783,237	$ 1,185,833	$ 1,965,511
Board-designated (quasi) endowment funds	37,076	-	-	37,076
Total endowment funds	$ 33,517	$ 783,237	$ 1,185,833	$ 2,002,587

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	(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

Changes in endowment net assets for the fiscal years ended June 30, 2018 and 2017 are as follows:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	(Dollars in Thousands)			
Endowment net assets, beginning of year	$ 9,269	$ 705,101	$ 1,047,420	$ 1,761,790
Investment return:				
Investment income	33	2,358	-	2,391
Net appreciation (realized and unrealized)	8,480	133,086	-	141,566
Total investment return	8,513	135,444	-	143,957
Contributions	20,840	18,858	138,413	178,111
Appropriation of endowment assets for expenditure	(5,105)	(76,166)	-	(81,271)
Endowment net assets, end of year	$ 33,517	$ 783,237	$ 1,185,833	$ 2,002,587

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	(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	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

Note 7. Endowments and Net Asset Classification (Continued)

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 $3,559,000 and $6,095,000 are reported in unrestricted net assets as of June 30, 2018 and 2017, 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 $665,000 and $694,000 for the years ended June 30, 2018 and 2017, 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 November 2022. 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, 2018 and 2017.

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

- The University provides the Foundation with certain administrative services in the areas of risk management, cash management and limited human resource services at no cost. The allocated costs, $60,000 and $96,000 for the years ended June 30, 2018 and 2017, 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 $4,877,000 and $3,464,000 for the years ended June 30, 2018 and 2017, respectively. There were no gifts received from the University of Illinois Alumni Association in 2018 and 2017. Conversely, disbursements to the Alumni Association from the Foundation were approximately $14,000 and $38,000 in 2018 and 2017, respectively.

Gifts and gift related income transferred from the Foundation to the University totaled $208,413,000 and $196,666,000 for the years ended June 30, 2018 and 2017, 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 $777,000 and $627,000 as of June 30, 2018 and 2017, respectively. Payments by the University to the Foundation, which approximate the Foundation's cost of carrying the properties, was $19,000 and $7,000 for the years ended June 30, 2018 and 2017, respectively. 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, 2018 and 2017.

- The Foundation obtained certain goods and services (supplies, telephone, printing, etc.) during the years ended June 30, 2018 and 2017 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:

	2018	2017
	(Dollars in Thousands)	
$10,000,000 unsecured line of credit to bank, due February 2020, interest rate negotiated in irregular intervals (3.08% as of June 30, 2018), contains certain financial and nonfinancial covenants	$ 3,118	$ 3,963

Note 9. Note Payable (Continued)

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

	2018	2017
	(Dollars in Thousands)	
Balance, beginning	$ 3,963	$ 4,757
Proceeds	155	502
Payments	(1,000)	(1,296)
Balance, ending	$ 3,118	$ 3,963

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, Act 5 and Article 15 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, 2017 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, such as the Foundation, to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal year 2018 and 2017 was 12.46 percent and 12.53 percent of employee payroll, respectively. The Foundation made contributions of approximately $1,150,000 and $1,140,000 and for the years ended June 30, 2018 and 2017, 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.

Note 10. Retirement Plan and Postemployment Benefits (Continued)

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. The Foundation remits the employer cost of current Foundation employees for health, dental and life insurance benefits. The Foundation made contributions of approximately $1,819,000 and $1,703,000 and for the years ended June 30, 2018 and 2017, respectively.

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.