

**GOVERNORS STATE UNIVERSITY
FOUNDATION
UNIVERSITY PARK, ILLINOIS

FINANCIAL STATEMENTS
JUNE 30, 2015**

GOVERNORS STATE UNIVERSITY FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Governors State University Foundation

We have audited the accompanying financial statements of the business-type activities of Governors State University Foundation, a component unit of Governors State University and the State of Illinois, which comprise the statement of net position as of June 30, 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 in the first paragraph present fairly, in all material respects, the financial position of Governors State University Foundation as of June 30, 2015, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Governors State University Foundation's 2014 financial statements, and our report dated October 14, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



November 2, 2015

GOVERNORS STATE UNIVERSITY FOUNDATION MANAGEMENT'S DISCUSSION AND ANALYSIS

This document presents management's discussion and analysis of the financial performance of the Foundation during the fiscal years ended June 30, 2015 and 2014. This discussion should be read in conjunction with the financial statements and footnotes. The financial statements, footnotes and this discussion are the responsibility of the Foundation's management.

Reporting Entity

The Governors State University Foundation is a non-for-profit corporation and is considered to be a component unit of the State of Illinois and Governors State University (the University), as defined by the Governmental Accounting Standards Board Statement No. 39. This statement defines component units as organizations where the "substance and significance of the relationship between the organization and the primary government (or its component units) would be such that the exclusion of that organization from the reporting entity's financial statements would render those statements misleading or incomplete." Accordingly, the Foundation is included in the University's financial statements as a discrete component unit.

The Governors State University Foundation was incorporated in 1969, under the laws of the State of Illinois, as a not-for-profit organization. The Foundation's purpose is to assist and support the University's educational and cultural mission through encouraging philanthropic gifts of money, property, works of art, and other materials having educational, artistic, or historical value. These gifts are to be administered with the primary objective of serving purposes other than those for which the State of Illinois ordinarily makes sufficient appropriations to the University.

Using the Annual Report

These financial statements are prepared in accordance with the guidance found in the statements issued by the Governmental Accounting Standards Board (GASB). These statements focus on the financial condition of the Foundation, the results of operations and cash flows of the Foundation as a whole.

As prescribed by GASB, the annual report includes three financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The accompanying notes to the financial statements provide more detailed information regarding the items presented on the face of the financial statements. An explanation of the financial statement presentation follows.

The Statement of Net Position reflects the assets and liabilities of the Foundation using the accrual basis of accounting and presents the financial position of the Foundation at a specified point in time. The difference between total assets and total liabilities, known as net position, is one indicator of the current financial condition of the Foundation. The increase or decrease in net position that occurs over time indicates the improvement or erosion of the Foundation's financial condition.

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the fiscal year. Revenues and expenses are reported as either operating or non-operating. Under this reporting model, certain grants, the GSU budget allocation (in-kind support) and other revenues are reported as operating revenue, and gifts to the Foundation and investment income are considered non-operating revenue.

**GOVERNORS STATE UNIVERSITY FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Using the Annual Report, continued

Additionally, payments for scholarships, grants to the University and the GSU budget allocation (in-kind expense) are treated as operating expenses.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, and investing activities.

Financial Highlights

The Foundation's financial position increased during the fiscal year ended June 30, 2015. Total Net Position increased by \$445 thousand (8.8%) from June 30, 2014. This is attributable to various factors including contributions and investment earnings. Nonexpendable net position (permanent endowments) increased by \$191 thousand, and expendable restricted net position decreased slightly by \$5 thousand.

Condensed Statement of Net Position

	As of June 30,		Change
	2015	2014	
ASSETS			
Current Assets	\$ 358,343	\$ 455,346	\$ (97,003)
Non-current Assets	5,177,276	4,682,999	494,277
Total Assets	<u>5,535,619</u>	<u>5,138,345</u>	<u>397,274</u>
LIABILITIES			
Total Current Liabilities	<u>4,834</u>	<u>52,915</u>	<u>(48,081)</u>
Total Liabilities	<u>4,834</u>	<u>52,915</u>	<u>(48,081)</u>
NET POSITION	<u>\$ 5,530,785</u>	<u>\$ 5,085,430</u>	<u>\$ 445,355</u>

At June 30, 2015, total current assets of \$358 thousand included \$336 thousand of cash and cash equivalents and \$22 thousand of receivables. The approximate \$97 thousand decrease between 2015 and 2014 is due to the transfer of cash into investments during 2015 and a decrease in pledges receivable at year-end.

The Foundation's largest noncurrent assets for June 30, 2015 are its endowment investments of \$1.9 million and restricted long-term investments of \$1.0 million. The \$494 thousand increase in noncurrent investments between 2015 and 2014 can be mainly attributed to additional contributions and investment earnings.

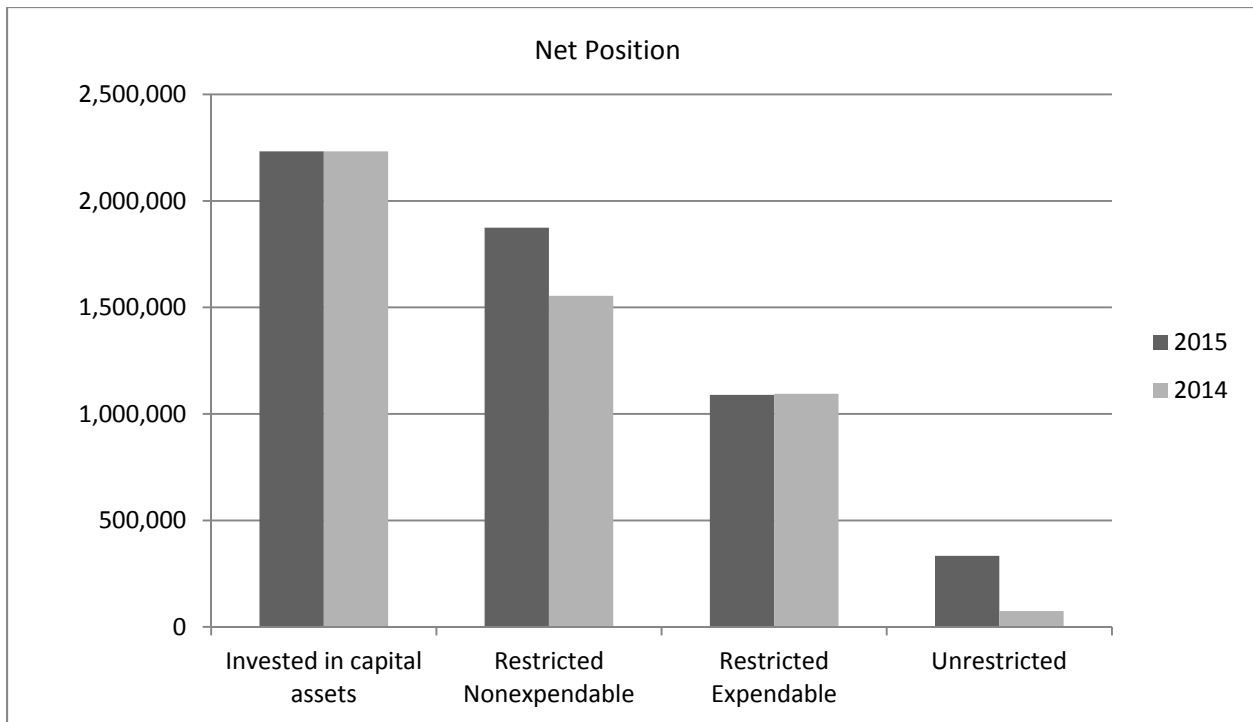
The Foundation's liabilities at June 30, 2015 total \$5 thousand owed to vendors.

The Foundation's current assets of \$358 thousand were sufficient to cover current liabilities of \$5 thousand. The ratio of current assets to current liabilities is \$74.13 in current assets for every \$1 in current liabilities for fiscal year 2015.

**GOVERNORS STATE UNIVERSITY FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Financial Highlights, continued

The Foundation's total net position at June 30, 2015 totaled \$5.5 million, a \$445 thousand increase over total net position at June 30, 2014. Net position classified as "invested in capital assets" represents the sculptures and works of art owned by the Foundation and remained unchanged. Net position classified as "restricted, nonexpendable endowment" increased by \$191 thousand from 2014 to 2015 due mainly to the \$133 thousand of endowment gifts received during fiscal year 2015 and \$58 thousand of previously received expendable contributions in which the donor revised their restriction. Net Position classified as "restricted, expendable" decreased by \$5 thousand from 2014 to 2015 due mainly to lower investment earnings, the donor restriction revision mentioned previously, and slightly increased scholarship awards. The increase of \$259 thousand in "unrestricted" net assets is a result of an unrestricted estate gift. This gift has been designated by Foundation leadership to help endow the GSU Promise Scholarship.



**GOVERNORS STATE UNIVERSITY FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	For the years ended June 30,	
	2015	2014
OPERATING REVENUES (EXPENSES)		
Operating revenues	\$ 471,420	\$ 442,410
Operating expenses	756,634	766,344
Operating income (loss)	(285,214)	(323,934)
NON-OPERATING REVENUES (EXPENSES)		
Contributions	575,053	342,042
Investment income	22,739	250,923
Net non-operating revenues	597,792	592,965
Income (loss) before other revenues	312,578	269,031
Additions to permanent endowments – contributions	132,777	127,368
Capital assets contributions	-	60,567
Total other revenues	132,777	187,935
Change in Net Position	445,355	456,966
Total net position at beginning of year	5,085,430	4,628,464
Total net position at end of year	\$ 5,530,785	\$ 5,085,430

Operating Revenues

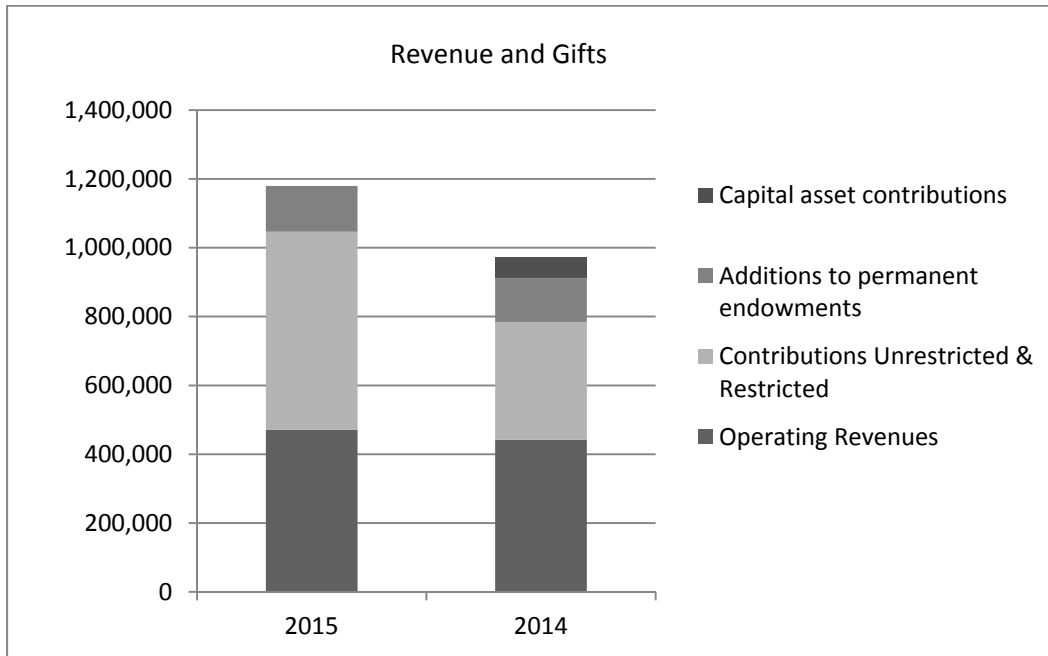
Total operating revenues were \$471,420 and \$442,410 for the years ended June 30, 2015 and 2014, respectively. The increase of \$29,010 is mainly due to an increase in the budget allocation from GSU. It is offset by a decrease in grants and contracts and other revenue.

Gifts

The Foundation receives gifts from many sources and for different purposes. Gifts that are unrestricted or temporarily restricted for a specific purpose are reported as Contributions in the Non-operating section for the financial statement. Additions to permanent endowments for scholarships or to support programs and departments are shown after the Non-operating section of the statement as are any capital assets contributed.

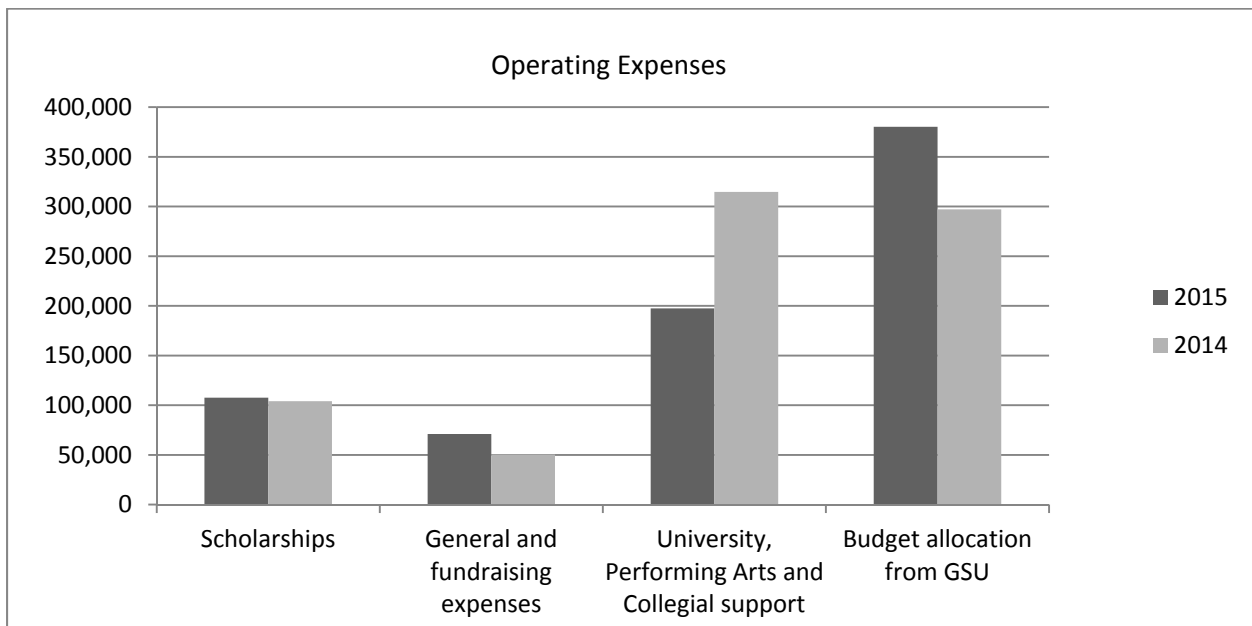
During fiscal year 2015, there was a total of \$575 thousand of unrestricted and restricted gifts, and \$133 thousand of additions to permanent endowments.

**GOVERNORS STATE UNIVERSITY FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**



Operating Expenses

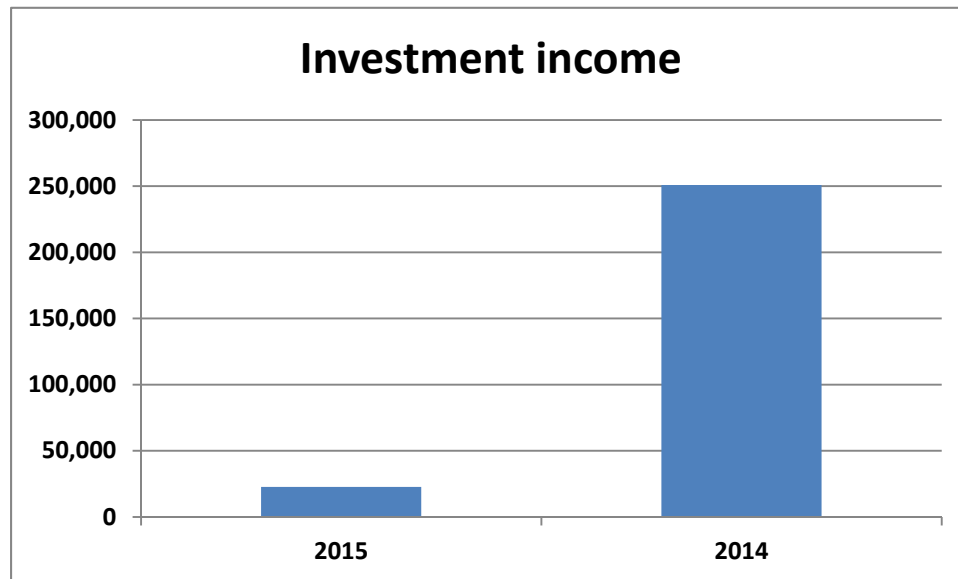
Total operating expenses for fiscal year 2015 totaled \$756,634. Of this amount, \$107,695 or 14.2% was awarded in scholarships to students for tuition and fees, \$71,151 or 9.4% was for general and fundraising expenses, \$197,519 or 26.1% supported University functions, and \$380,269 or 50.3% was for in-kind expenses covered by the University.



**GOVERNORS STATE UNIVERSITY FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Other

Along with contributions, Non-operating revenues (expenses) include investment income. Investment income for fiscal year 2015 was \$22,739, a \$228 thousand decrease from fiscal year 2014. This decrease is due to less favorable market conditions during 2015.



Condensed Statement of Cash Flows

	For the years ended June 30,	
	2015	2014
Net cash used by operating activities	\$ (333,295)	\$ (234,917)
Net cash provided by noncapital financing activities	733,295	640,086
Net cash used by investing activities	(471,995)	(485,277)
Cash increase (decrease)	(71,995)	(80,108)
Cash - beginning of year	408,390	488,498
Cash - end of year	<u>\$ 336,395</u>	<u>\$ 408,390</u>

For fiscal year 2015, the major uses of funds included in operating activities are scholarships of \$107 thousand and general operating expenses of \$317 thousand. The major source of funds included in noncapital financing activities is contributions. The major use of funds included in investing activities in 2015 is the net purchase of investments of \$500 thousand, a decrease of \$10 thousand from 2014.

GOVERNORS STATE UNIVERSITY FOUNDATION MANAGEMENT'S DISCUSSION AND ANALYSIS

The Foundation's Future

The Foundation operates with the purpose of supporting the University's mission of providing affordable education to a diverse population. This support includes scholarships to students and support of other academic and cultural initiatives. To fulfill its purpose, the Foundation is pursuing a higher level of engagement with constituents at a greater frequency. The Foundation's strategy includes:

- Engaging alumni through personal and professional networks and workplace initiatives
- Connecting with stakeholders via social media such as Twitter and LinkedIn
- Developing corporate and foundation partnerships, and
- Cultivating current students as future alumni.

GOVERNORS STATE UNIVERSITY FOUNDATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2015
With Comparative Totals as of June 30, 2014

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 1 & 2)	\$ 336,395	\$ 408,390
Due from GSU (Note 5)	4,144	-
Pledges receivable (Note 1)	10,315	39,924
Accrued investment income	7,489	7,032
Total Current Assets	358,343	455,346
Non-current Assets		
Investments (Notes 1, 2, & 4)	2,944,120	2,449,843
Capital assets (Notes 1 & 6)	2,233,156	2,233,156
Total Non-current Assets	5,177,276	4,682,999
Total Assets	5,535,619	5,138,345
LIABILITIES		
Current Liabilities		
Accounts payable	4,834	10,519
Due to GSU	-	42,396
Total Current Liabilities	4,834	52,915
Total Liabilities	4,834	52,915
NET POSITION (Notes 1 & 4)		
Invested in capital assets	2,233,156	2,233,156
Restricted for:		
Nonexpendable	1,874,539	1,683,098
Expendable (scholarships and University support)	1,089,675	1,094,849
Unrestricted	333,415	74,327
Total Net Position	\$ 5,530,785	\$ 5,085,430

The accompanying notes are an integral part of the financial statements.

GOVERNORS STATE UNIVERSITY FOUNDATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015
With Comparative Totals for the Year Ended June 30, 2014

	2015	2014
OPERATIONS		
Revenues		
Grants and contracts	\$ 65,050	\$ 90,890
Budget allocation from GSU (Note 5)	380,269	297,165
Other operating revenues	26,101	54,355
Total operating revenues	471,420	442,410
Expenses		
Scholarships	107,695	104,020
General and fundraising expenses	71,151	50,491
Collegial support	5,331	13,866
Performing Arts Center support	105,030	91,430
University support	87,158	209,372
Budget allocation from GSU (Note 5)	380,269	297,165
Total operating expenses	756,634	766,344
Operating loss	(285,214)	(323,934)
NON-OPERATING REVENUES (EXPENSES)		
Contributions	575,053	333,557
Non-cash contributions	-	8,485
Investment income	22,739	250,923
Net non-operating revenues	597,792	592,965
Income before other revenues, expenses, gains and losses	312,578	269,031
Additions to permanent endowments - contributions	132,777	127,368
Capital asset contributions	-	60,567
Total other revenues and expenses	132,777	187,935
Change in net position	445,355	456,966
Total net position at beginning of year	5,085,430	4,628,464
Total net position at end of year	\$ 5,530,785	\$ 5,085,430

The accompanying notes are an integral part of the financial statements.

GOVERNORS STATE UNIVERSITY FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
With Comparative Totals for the Year Ended June 30, 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants and contracts	\$ 65,050	\$ 90,890
Operating revenues	26,101	54,355
General and operating expenses	(316,751)	(276,142)
Payments of scholarships	(107,695)	(104,020)
Net cash used by operating activities	(333,295)	(234,917)
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions	600,518	512,718
Contributions for permanent endowments	132,777	127,368
Net cash provided by noncapital financing activities	733,295	640,086
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investment securities	524,122	1,122,327
Interest and dividend income	55,391	46,066
Investment management fees	(27,092)	(21,441)
Purchase of investment securities	(1,024,416)	(1,632,229)
Net cash used by investing activities	(471,995)	(485,277)
 Cash increase (decrease)	(71,995)	(80,108)
 Cash and cash equivalents - beginning of year	408,390	488,498
 Cash and cash equivalents - end of year	\$ 336,395	\$ 408,390
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (285,214)	\$ (323,934)
Adjustments used to reconcile operating loss to net cash used by operating activities:		
Non-cash University support included in operating loss	-	36,567
Changes in liabilities		
Accounts payable and due to GSU	(48,081)	52,450
Net cash used by operating activities	\$ (333,295)	\$ (234,917)
 NONCASH INVESTING AND FINANCING ACTIVITIES INCLUDED IN CHANGE IN NET POSITION:		
Unrealized gain (loss) on investments	\$ (41,167)	\$ 190,920
Donations of capital assets	\$ -	\$ 60,567
Other noncash contributions	\$ -	\$ 8,485

The accompanying notes are an integral part of the financial statements.

**GOVERNORS STATE UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Governors State University Foundation ("Foundation") was incorporated as a not-for-profit organization in June, 1969. The Foundation provides support services to Governors State University (the "University") to assist the University in achieving its educational, research, and service goals. During fiscal year 2011, the Governors State University Alumni Association's (Alumni Association) Board of Directors voted to terminate the Alumni Association as a separate charitable organization. The net assets and activities of the Alumni Association were transferred to and assumed by the Foundation.

The Foundation follows Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. These GASB statements provided criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a primary government. The Foundation is reported as a component unit of Governors State University, and is discretely presented on the University's financial statements. The Foundation is also a component unit of the State of Illinois and is included in the State of Illinois Comprehensive Annual Financial Report.

Basis of Accounting

For financial statement purposes, the Foundation is considered a special purpose government engaged only in business-type activities. Accordingly, the Foundation's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. When both restricted and unrestricted resources are available for use, it is the Foundation's policy to use restricted resources first, then unrestricted resources as needed.

Cash Equivalents

In accordance with GASB Statement No. 9, cash equivalents were defined as short-term, highly liquid investments that are both:

- 1) Readily convertible to known amounts of cash
- 2) So near to their maturity that they present insignificant risk of changes in value because of changes in interest rates.

While the Foundation's investment in mutual funds could be readily converted to cash, the Foundation considers these financial instruments to be investments and has classified them as such on the financial statements.

Although certificates of deposit with original maturities of less than three months may be defined as cash equivalents, the Foundation displays certificates of deposit (if any) as a discrete item and classifies it as investments. There were no certificates of deposit as of June 30, 2015.

**GOVERNORS STATE UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are recorded at fair market value as determined by quoted market prices. Investments are pooled for the purposes of allocating realized gains and losses, unrealized gains and losses and ordinary income, net of investment fees, to the unallocated reserve in the restricted fund. Allocation to specific accounts is based on contractual obligations and the Foundation's investment policy. The investment policy states that assets are to be invested in a diversified portfolio of equity and fixed income securities.

Non-fixed income investments should generally represent 25%-75% of the Foundation invested assets. Fixed income investments should also represent 25%-75% of the Foundation's invested assets and are to focus on high quality bonds, maintaining an average credit quality of AA, to achieve an attractive risk-adjusted total return over the long run. A maximum of 25% of the total portfolio may be invested in foreign securities. Prohibited transactions include purchasing securities on margin, purchase of private placements, and purchasing individual junk bonds or any other low-grade security.

Investments purchased or received by gift are carried at market value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net position. Investment earnings include dividends, interest, and capital appreciation (both realized and unrealized). Investment fees were netted against investment income. Investment income consisted of:

Interest and dividends	\$ 55,848
Investment fees	(27,092)
Realized gains (losses)	35,150
Unrealized loss	<u>(41,167)</u>
Total	<u>\$ 22,739</u>

Income Taxes

Governors State University Foundation is a non-profit organization, which has been granted tax-exempt status as a public charity under Section 501(c)(3) of the Internal Revenue Code. The Governors State University Foundation is required to pay federal and state income taxes only on its net unrelated business income (if any).

Pledges Receivable

The Foundation's pledges receivable include pledges from donors which are reported at their estimated net realizable value. The Foundation has determined that an allowance for doubtful accounts is not necessary. Pledges receivable of \$10,315 have been reported on the Statement of Net Position.

**GOVERNORS STATE UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

The only capital assets of the Foundation are its artworks, a collection of environmental and other sculptures and a painting. The artworks are being carried at cost (if purchased) or at estimated fair market value at the time of donation. The artworks are held for public exhibition rather than for financial gain; protected, kept unencumbered, cared for, and preserved; and subject to an organizational policy that requires the proceeds from the sale of artworks to be used to acquire new artworks. No depreciation is recorded for the artworks.

Net Position

The Foundation's net position is classified as follows:

Restricted Net Position – Expendable

Restricted expendable net position includes resources in which the Foundation is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted Net Position – Nonexpendable

Nonexpendable restricted net position consists of endowment funds. The endowment funds include those funds where donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income to be used as scholarships for Governors State University students or support for University and Foundation programs.

Unrestricted Net Position

Unrestricted net position represents the assets available for current operating expenses of the Foundation. There are no restrictions by outside sources on the use of these assets.

Classification of Revenues

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

Operating Revenues

Operating revenues include activities that have characteristics of exchange transactions, such as payments for services.

Non-operating Revenues

Non-operating revenues include activities that have the characteristics of non-exchange transactions such as gifts, contributions, and investment income.

**GOVERNORS STATE UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

Comparative Totals

Comparative totals have been presented in the accompanying basic financial statements in order to provide an understanding of changes in the Foundation's financial position and operations. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2014, from which the summarized comparative totals were derived. Certain 2014 amounts have been reclassified to conform with the current year presentation.

New Accounting Pronouncements

The Foundation adopted the provisions of Governmental Accounting Standards Board (GASB) Statements No. 68, 69, and 71. These statements had little or no accounting impact on the Foundation. In addition, the Foundation will be required to implement additional GASB Statements in future fiscal years. The Foundation has not yet evaluated the impact of these statements on its financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS

GASB Statement No. 40 *Deposit and Investment Risk Disclosures* requires general disclosures by investment type with disclosures of the specific risks those investments are exposed to.

A reconciliation of "cash and cash equivalents" presented on the statement of net position to deposits and investments are as follows:

Cash and cash equivalents	\$ <u>336,395</u>	Deposits	\$ 141,979
		Investments	<u>194,416</u>
			<u>\$ 336,395</u>

Deposits consist of the following at June 30, 2015:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Deposits:		
Cash in Bank	\$ 67,899	\$ 67,899
Illinois Funds Money Market	<u>74,080</u>	<u>74,080</u>
	<u>\$ 141,979</u>	<u>\$ 141,979</u>

**GOVERNORS STATE UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

The Illinois Funds Money Market had a credit rating of AAAm.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, deposits may not be returned. The Federal Deposit Insurance Corporation fully insured bank balances at June 30, 2015. Depositories and brokers are chosen based on stability and longevity. The Foundation currently has no custodial credit risk related to its bank deposits.

The fair value of the investment portfolio of the Foundation at June 30, 2015 is as follows:

	<u>Fair Value</u>
Investments:	
Money Market Funds	\$ 194,416
Stocks / Mutual Funds investing in stocks	2,107,473
Mutual Funds investing in bonds	584,968
Corporate Bonds	201,530
US Treasury Obligations	<u>50,149</u>
Total	<u>\$ 3,138,536</u>

Custodial Credit Risk – Investments: Custodial credit risk is the risk that in the event of custodian failure, investment principal may not be returned. At June 30, 2015, investments consisted of money market funds, mutual funds, corporate bonds, US Treasury Obligations and US Agency Obligations. All investments were being held by the First Midwest Bank Trust Division.

Interest Rate Risk: Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's value. The Foundation's investment policy addresses the overall diversification of the portfolio with consideration for liquidity. It does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, but encourages a laddered portfolio with maturities occurring at regular intervals.

Credit Risk: Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. The Foundation's investment policy encourages the investment manager to focus on high quality bonds, maintaining an average credit quality of AA, to achieve an attractive risk-adjusted total return over the long run. The money market fund was invested in Northern Trust Institutional U.S. Government Select Portfolio which has a maturity of < 1 year and a credit rating of AAAm.

The maturities of the debt securities investment portfolio (at market value) of the Foundation at June 30, 2015 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>5-10</u>
Corporate Bonds	\$ 201,530	\$ 100,438	\$ 49,827	\$ 51,265
US Treasury Obligations	50,149	50,149	-	-
Mutual Funds investing in Bonds	<u>584,968</u>	<u>584,968</u>	-	-
Total	<u>\$ 836,647</u>	<u>\$ 735,555</u>	<u>\$ 49,827</u>	<u>\$ 51,265</u>

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NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

The Standard & Poor's credit ratings of the debt securities investment portfolio (at market value) of the Foundation at June 30, 2015 are as follows:

<u>Credit Rating</u>	<u>Total Debt Securities</u>
US Treasury Obligations	\$ 50,150
No Rating	316,637
AA	51,937
A	49,827
A-	50,280
BBB+	49,485
AAf	132,393
BBB+f	67,118
B-f	68,820
Total	<u>\$ 836,647</u>

Foreign Currency Risk: Foreign currency risk exists when there is a possibility that the exchange rate of foreign currencies against the US dollar may vary. The Foundation's policy is to limit its investments in foreign securities to 25%.

NOTE 3 - LOCALLY HELD FUNDS

The Foundation does not receive any appropriated funds from the University. Most funds received are initially deposited in the University's account with First Midwest Bank and settled up on a periodic basis.

NOTE 4 - ENDOWMENTS

The Foundation's endowment funds are generally invested in marketable securities which are valued at market as of the statement of net position date. Investment income is initially assigned to the unallocated reserve in the restricted fund. Then it is allocated to various accounts based on the endowment agreements and the approved spending plans.

On June 30, 2009, the State of Illinois passed the Uniform Prudent Management of Institutional Funds Act. This State law allows the Foundation to appropriate for expenditure an amount that it determines to be prudent for uses, benefits, purposes, and duration for which the endowment fund was established. In making these appropriations, the Foundation must act in good faith and with the care that an ordinary prudent person in a similar position would do. The Foundation has adopted a spending policy based on the previous calendar year appreciation rate less 1% and the rate of inflation. The resulting rate will be applied to the endowment balance to determine amounts will be available for expenditure in the subsequent fiscal year. The Foundation transfers available investment earnings to the related expendable accounts on an annual basis. As of June 30, 2015, net appreciation of endowments available for expenditure of \$188,825 have been reported as Restricted Net Position - Expendable.

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NOTE 5 - TRANSACTIONS WITH GOVERNORS STATE UNIVERSITY

The Foundation has an ongoing contract with the University which includes provisions requiring the Foundation to comply with Section VI of the "University Guidelines 1982 (as amended 1997)" as adopted by the State of Illinois Legislative Audit Commission. The contract requires that the University provide the Foundation with personnel and operational services at no cost. University officials estimate the value of these services for the year ending June 30, 2015 at \$380,269 including all direct payroll expenses and fringe benefits and are shown as budget allocations from Governors State University on the Statement of Revenues, Expenses, and Changes in Net Position. The Foundation provided the University with support in the amount of \$305,214 for the year ended June 30, 2015.

As of June 30, 2015, \$4,144 is due from the University to the Foundation.

NOTE 6 - CAPITAL ASSETS

Capital assets of the Foundation consist entirely of works of art and include the following pieces at June 30, 2015:

	<u>Carrying Value</u>
"Large Planar Hybrid" - R. Hunt	\$ 40,000
"Spiral"	370,500
"Flying Saucer" - J. Highstein	24,903
"Untitled" - J. Shapiro	55,948
"For Lady Day" - M. Di Suvero	800,000
"Icarus" - C. Ginnever	55,000
"Falling Meteor" - J. Peart	60,000
"Passages" - James Brenner	40,000
"Art Arc" - T. Karpowicz	16,000
"Oscar's Inclination" - M. Dunbar	25,000
"Demeure No. 4, Lanleff" – E. Martin	25,000
IBO Ancestor Figure	9,000
Cameroon Helmet Mask	12,000
IBO MMWO Mask	6,500
New Guinea Asmat Figure	15,000
Three Taureg Poles	3,500
"A Rare Yaka Architectural Panel"	30,000
"Calm and Free"	26,000
African & Oceanic Art & Artifacts (64 pieces)	103,005
Pre-Columbian Art & Artifacts (67 pieces)	53,600
African Art Collection	47,200
"Wind Waves" - Y. Domenge	375,000
Vase - C. Lotton	2,000
"Shoulders" - M. Puryear (2 prints)	8,000
"Butte" – Barry Tinsley	<u>30,000</u>
	<u>\$ 2,233,156</u>

**GOVERNORS STATE UNIVERSITY FOUNDATION
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NOTE 7 – SUBSEQUENT EVENTS

Subsequent to June 30, 2015, financial markets as a whole have incurred significant declines in values. The Foundation's investment portfolio has also incurred a significant decline in the values reported in the accompanying financial statements. However, because the values of individual investments fluctuate with market conditions, the amount of investment losses that the Foundation will recognize in its future financial statements, if any, can not be determined.