Financial Statements

University of Illinois Foundation
Years Ended June 30, 2020 and 2019
With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

University of Illinois Foundation

Financial Statements

Years Ended June 30, 2020 and 2019

Contents

Report of Independent Auditors....1

Financial Statements

Statements of Financial Position....3
Statements of Activities and Changes in Net Assets....4
Statements of Cash Flows....5
Notes to Financial Statements....6

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Report of Independent Auditors

The Board of Directors
University of Illinois Foundation

We have audited the accompanying financial statements of the University of Illinois Foundation, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets 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 conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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. 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Illinois Foundation at June 30, 2020 and 2019, and the results of its activities and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Ernst & Young LLP

September 30, 2020

University of Illinois Foundation

Statements of Financial Position
(Dollars in Thousands)

	June 30 2020	June 30 2019
Assets		
Cash and cash equivalents	**$ 3,304**	$ 5,366
Receivables:		
Pledges *(Note 3)*	**248,000**	310,000
Investment	**1,463**	4,027
Accounts	**84**	124
Due from University of Illinois	**621**	1,959
Prepaid expenses	**1,489**	1,034
Investments *(Note 4)*	**2,188,294**	2,127,031
Beneficial interest in trusts *(Note 4)*	**53,902**	52,012
Irrevocable trusts held by other trustees *(Note 4)*	**22,677**	21,863
Property and equipment, net *(Note 5)*	**48,836**	16,034
Other assets	**68**	68
Total assets	**$ 2,568,738**	$ 2,539,518
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 6,378**	$ 6,110
Accrued vacation and sick pay	**1,756**	1,211
Annuities payable	**46,311**	43,756
Remainder interest due to others	**2,826**	2,840
Note payable *(Note 6)*	**7,879**	6,877
Total liabilities	**65,150**	60,794
Commitments *(Note 7)*		
Net assets *(Notes 8 and 9):*		
Without donor restrictions	**57,573**	56,077
With donor restrictions	**2,446,015**	2,422,647
Total net assets	**2,503,588**	2,478,724
Total liabilities and net assets	**$ 2,568,738**	$ 2,539,518

See accompanying notes.

University of Illinois Foundation

Statements of Activities and Changes in Net Assets
(Dollars in Thousands)

	Year Ended June 30, 2020			Year Ended June 30, 2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Revenues, gains, and other support:						
Contributions, gifts, and pledges	**$ 553**	**$ 270,580**	**$ 271,133**	$ 1,764	$ 317,350	$ 319,114
Contributed services *(Note 11)*	**525**	–	**525**	531	–	531
Allocation from University of Illinois	**9,037**	–	**9,037**	10,124	–	10,124
Investment (loss) income	**(25)**	**(5,528)**	**(5,553)**	(2,545)	845	(1,700)
Net (decrease) increase in fair value of investments	**(692)**	**(7,997)**	**(8,689)**	4,134	64,007	68,141
Endowment property operations	**–**	**931**	**931**	–	853	853
Annual funds revenue	**224**	**–**	**224**	225	–	225
Other operating revenue	**414**	**15,429**	**15,843**	408	15,392	15,800
Actuarial adjustments	**–**	**–**	**–**	–	747	747
Total revenue, gains, and other support	**10,036**	**273,415**	**283,451**	14,641	399,194	413,835
Net assets released from restrictions:						
Service fee revenue	**28,245**	**(28,245)**	**–**	27,234	(27,234)	–
Endowment budgets	**74,060**	**(74,060)**	**–**	64,186	(64,186)	–
Distributions to University of Illinois	**142,374**	**(142,374)**	**–**	144,131	(144,131)	–
Total revenue, gains, other support, and net assets released from restrictions	**254,715**	**28,736**	**283,451**	250,192	163,643	413,835
Expenses:						
Program services:						
Fundraising	**20,784**	**–**	**20,784**	19,402	–	19,402
Distributions to University of Illinois *(Note 11)*	**216,434**	**–**	**216,434**	208,317	–	208,317
General and administrative	**15,800**	**–**	**15,800**	15,075	–	15,075
Actuarial adjustments	**–**	**5,368**	**5,368**	–	–	–
Interest on indebtedness	**201**	**–**	**201**	76	–	76
Total programs and expenses	**253,219**	**5,368**	**258,587**	242,870	–	242,870
Increase in net assets	**1,496**	**23,368**	**24,864**	7,322	163,643	170,965
Net assets:						
Beginning	**56,077**	**2,422,647**	**2,478,724**	48,755	2,259,004	2,307,759
Ending	**$ 57,573**	**$ 2,446,015**	**$ 2,503,588**	$ 56,077	$ 2,422,647	$ 2,478,724

See accompanying notes.

University of Illinois Foundation

Statements of Cash Flows
(Dollars in Thousands)

	Year Ended June 30	
	2020	**2019**
Operating activities		
Contributions, gifts, and pledges	**$ 128,593**	$ 129,809
Service fee revenue	**28,245**	27,234
Allocation from University of Illinois	**9,754**	8,009
Endowment property operations	**931**	853
Annual funds revenue	**224**	224
Other operating revenue	**15,849**	15,808
Payments for salaries and benefits	**(24,430)**	(21,719)
Payments for marketing and communications	**(369)**	(432)
Payments for travel	**(981)**	(1,133)
Payments for meetings, conferences, and special events	**(1,824)**	(2,205)
Payments for equipment not meeting capitalization threshold	**(1,595)**	(1,411)
Payments for supplies and other	**(5,064)**	(3,882)
Distributions on behalf of University of Illinois	**(206,357)**	(200,673)
Net cash used in operating activities	**(57,024)**	(49,518)
Investing activities		
Proceeds from sales and maturities of investments	**709,511**	230,559
Purchase of investments	**(776,240)**	(223,656)
Purchase of property for University of Illinois	**(2,030)**	(4,775)
Proceeds from sale of property for University of Illinois	**880**	61
Purchase of property and equipment	**(230)**	(474)
Net cash (used in) provided by investing activities	**(68,109)**	1,715
Financing activities		
Proceeds from note payable	**1,906**	4,820
Payments on note payable	**(904)**	(1,061)
Investment loss restricted for long-term purposes	**(31,415)**	(30,170)
Gifts and grants received restricted for long-term purposes	**159,572**	82,836
Payments to annuitants	**(6,088)**	(6,416)
Net cash provided by financing activities	**123,071**	50,009
(Decrease) increase in cash and cash equivalents	**(2,062)**	2,206
Cash and cash equivalents:		
Beginning	**5,366**	3,160
Ending	**$ 3,304**	$ 5,366

See accompanying notes.

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), University of Illinois Foundation UK Limited, to establish a dual qualified charity, allowing UK residents to advantageously make contributions to the Foundation. In 2019, the Foundation received approval of its charitable registration within the UK. During the years ended June 30, 2020 and 2019, financial activity of the dual qualified charity was immaterial to the financial statements as a whole and is not consolidated within the financial statements.

Significant Accounting Policies

Accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of presentation: The Foundation maintains its accounts in accordance with the principles of fund accounting. Under this method of accounting, resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund.

(Dollars in Thousands)

1. Nature of Activities and Significant Accounting Policies (continued)

For financial reporting purposes, the Foundation classifies its net assets into net asset categories according to the existence or absence of donor-imposed restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Items that affect this net asset category consist of fees for service and related operating expenses associated with the mission of the Foundation. In addition to these transactions, unrestricted gifts to the Foundation, board-designated funds, and property/equipment are included.

With donor restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the organization or passage of time. Items that affect this net asset category include gifts with donor restrictions not met at year-end, annuity and life income gifts, endowments where the principal may be expended upon the passage of a stated period of time/event (term endowments), and gifts functioning as endowment funds (quasi-endowments). Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Foundation. Generally, the donors stipulate that the corpus of the gift be held in perpetuity and that only the income be made available for program operations.

Net assets consisted of the following at June 30:

	2020	2019
Detail of net assets:		
Without donor restrictions:		
Unrestricted	**$ 8,399**	$ 8,315
Designated by Board of Directors	**30,642**	29,964
Plant and equipment	**18,532**	17,798
	57,573	56,077
With donor restrictions:		
Purpose restricted	**1,015,211**	1,078,415
Permanent endowment	**1,430,804**	1,344,232
	2,446,015	2,422,647
Total net assets	**$ 2,503,588**	$ 2,478,724

1. Nature of Activities and Significant Accounting Policies (continued)

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 $1,489 and $4,972 for the years ended June 30, 2020 and 2019, respectively. All other revenues are reported as increases in net assets when earned.

Contributions received in the same year in which the restriction is met are recorded as contributions with donor restrictions and 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 1.35% and 1.45% for the years ended June 30, 2020 and 2019, respectively) 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 4.00% for the years ended June 30, 2020 and 2019) 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.

1. Nature of Activities and Significant Accounting Policies (continued)

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 included in the financial statements. These items are transferred to the University upon receipt. Contributed services are recorded as contribution revenue and a corresponding expense. See Note 11.

Other operating revenue: Other operating revenue includes nondeductible gifts to athletics that provided the option for preferential seating and other non-gift event and fundraising activities.

Investments: The Foundation invests in both traditional and alternative investments. The majority of Foundation investments are carried at fair market value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*. The Foundation's investments are liquidated on a periodic basis in accordance with the provisions of the respective investment fund agreements. Unrealized gains and losses are reported in net assets with and without donor restrictions. The Foundation is a limited partner in certain funds that employ investment strategies that require long holding periods to create value. These investments are typically accounted for using the equity method of accounting, based on the fund's financial information. Management has utilized the best available information for reported alternative investment values, which in some instances are valuations as of an interim date. See Note 4 regarding the valuation of the Foundation's investments.

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 is included in these amounts. Accrued vacation and sick pay obligations are due and payable within one year.

Accounts payable and accrued expenses: Accounts payable and accrued expenses are due and payable within one year.

Property and equipment: Property and equipment are 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 5 years on most furniture and equipment. Buildings and site improvements are depreciated using an estimated useful life of 20 to 50 years.

1. Nature of Activities and Significant Accounting Policies (continued)

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 that 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 on the statements of financial position is $5,798 and $5,425 as of June 30, 2020 and 2019, respectively.

Beneficial interest in trusts: The Foundation has beneficial interests in irrevocable trust agreements. These agreements are recorded at the present value of estimated future cash receipts, which is estimated to be the fair value of the assets contributed, based on quoted market prices at year-end, less the present value of any payments expected to be made to other beneficiaries.

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

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

Investment and accounts receivable: 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.

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 its material tax positions, which include such matters as the tax-exempt status of each entity and various positions relative to potential sources of UBI. As of June 30, 2020 and 2019, there were no uncertain tax benefits identified or recorded as a liability. Forms 990 and 990-T filed by the Foundation are no longer subject to examination by the IRS for the fiscal years ended June 30, 2013, or prior.

The Tax Cuts and Jobs Act (the Act) was enacted on December 22, 2017. For tax-exempt entities, the Act requires organizations to pay an excise tax on remuneration above certain thresholds that is paid to executives by the organization, and report income or loss from unrelated business activities on an activity-by-activity basis, among other provisions. As of and for the year ended June 30, 2020, the Foundation has made reasonable estimates for the effects of the Act. The Foundation may record further adjustments in future periods upon obtaining, preparing, or analyzing additional information about facts and circumstances that existed as of the date of enactment. The Foundation will continue to revise and refine the calculations as additional IRS guidance is issued; however, the Foundation does not anticipate any material impact to the financial statements.

Recent accounting policy: In August 2016, the FASB issued Accounting Standards Update No. (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 on the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This new standard requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Foundation adopted ASU 2016-15 and ASU 2016-18 during the year ended June 30, 2020, using the retrospective transition approach to all periods presented. The adoption of ASU 2016-15 and ASC 2016-18 did not have an impact to the statement of cash flows.

1. Nature of Activities and Significant Accounting Policies (continued)

In June 2018, the FASB issued ASU 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 regarding contributions of cash and other assets received and made by not-for-profit organizations. ASU 2018-08 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. The Foundation adopted ASU 2018-08 during the year ended June 30, 2020. The adoption of ASC 2018-08 had no impact to the Foundation's financial statements.

New Accounting Guidance Not Yet Applicable: 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 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. 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. In May 2020, the FASB voted to defer the effective date of ASU 2016-02, making it effective for annual reporting periods beginning after December 15, 2021. The Foundation is currently evaluating the effect that the standard will have on its financial statements; however, it is not believed to have a material impact.

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 May 2020, the FASB voted to defer the effective date of ASU 2014-09, making it effective for annual reporting periods beginning after December 15, 2019. The Foundation is currently evaluating the effect that the standard will have on its financial statements; however, it is not believed to have a material impact.

(Dollars in Thousands)

1. Nature of Activities and Significant Accounting Policies (continued)

Significant events: The effects of the global viral outbreak of coronavirus disease (COVID-19) in 2020, which include significant stock market exchange volatility, various temporary business closures, event cancellations, and high levels of unemployment, may impact the Foundation's fundraising activities and future support to be provided to the University, the direct impact of which is unknown at this time.

Subsequent events: The Foundation has evaluated all subsequent events through September 30, 2020, the date that the accompanying financial statements were available to be issued.

2. Liquidity and Availability

The following represents the Foundation's financial assets available within one year for general expenditure at June 30:

	2020	**2019**
Financial assets:		
Cash and cash equivalents	**$ 1,675**	$ 3,134
Due from University of Illinois	**621**	1,959
Investments	**11,128**	7,787
Board designated and quasi-endowments	**15,779**	16,126
Total financial assets available within one year	**$ 29,203**	$ 29,006

The Foundation has certain board-designated and donor-restricted funds that are available for general expenditure within one year in the normal course of operations. These assets are part of the governing board-designated policy and included above. It is the Foundation's practice to utilize the income from the endowments for operations, which equated to $936 and $874 in the years ended June 30, 2020 and 2019, respectively. However, the entire amount could be made available, if necessary. The Foundation's target for the working capital reserve is between six and nine months of operating expenses. The target for capital reserve is accumulated depreciation for equipment and facilities. The target for special project reserve is the amount of planned, documented, unspent moneys for special projects as designated and approved by the board.

As part of the Foundation's liquidity management plan, cash in excess of daily requirements is invested in short-term investments and money market funds.

(Dollars in Thousands)

2. Liquidity and Availability (continued)

Additionally, the Foundation maintains a $15,000 line of credit that can be utilized short term through maturity of October 2021, for specific capital projects. The line of credit is discussed in more detail in Note 6, of which $7,121 and $3,123 is available as of June 30, 2020 and 2019, respectively.

3. Pledges Receivable

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

	2020	**2019**
Gross pledges receivable	**$ 266,766**	$ 334,554
Less present value discount: 2020 – $4,844; 2019 – $6,554; allowance for doubtful pledges: 2020 – $13,922; 2019 – $18,000	**(18,766)**	(24,554)
	$ 248,000	$ 310,000

Gross pledges receivable as of June 30 are expected to be collected as follows:

	2020	**2019**
In one year or less	**$ 62,292**	$ 123,716
Between one year and five years	**119,984**	126,515
More than five years	**84,490**	84,323
	$ 266,766	$ 334,554

Pledges receivable, net expected to be collected in one year or less are $58,843 and $115,098 as of June 30, 2020 and 2019, respectively. Pledges receivable from related parties were $1,971 and $7,030 as of June 30, 2020 and 2019, respectively. Conditional promises to give totaled $93,736 and $70,989 as of June 30, 2020 and 2019, respectively, but are not included in the financial statements. These gifts are conditional upon certain timing considerations or nonbinding agreements where the donor intends to recommend a gift but does not intend to be legally bound. Deferred revocable commitments, which depend on the occurrence of a specific and uncertain event, are not included in the financial statements and total $841,035 and $811,898 as of June 30, 2020 and 2019, respectively.

4. Investments and Fair Value Measurements

FASB ASC 820-10, *Fair Value Measurement – Overall*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is as follows:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Foundation has the ability to access as of the measurement date. Level 1 inputs would also include investments valued at prices in active markets that the Foundation has access to where transactions occur with sufficient frequency and volume to provide reliable pricing information.

Level 2 – Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or a liability.

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 multidimensional relational model that includes standard inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers, and reference data.

4. Investments and Fair Value Measurements (continued)

In certain cases where there is limited activity or less transparency regarding inputs to the valuation, including alternative investments, securities are classified within Level 3 of the valuation hierarchy and may include equity and/or debt securities issued by private entities. Level 3 investments include direct private investments and coinvestments using performance multiples applicable to the investment's industry, determined through the use of a market-based approach, which utilizes comparable companies' data and equity mutual funds that have underlying marketable securities but have significant redemption restrictions.

Farms: The fair market value of the Foundation's farms is determined by a contracted professional agricultural services company. The company employs the use of several inputs in determining a farm's fair market value. Quarterly and annual publications by the federal government, professional farm managers, and rural appraisers that discuss current farm values, lease trends, and credit conditions are used as one input. The Foundation also uses comparative sales data for farmland in the area surrounding each specific farm, assembled from in-house real estate transactions, county assessor data, and other local data sources. These inputs serve as benchmarks and each farm is then evaluated based on soil productivity, drainage quality, topography, and other physical characteristics to determine the fair market value.

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 trust's 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, 2020 or 2019.

(Dollars in Thousands)

4. Investments and Fair Value Measurements (continued)

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

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2020
Assets:				
Cash surrender value of life insurance	$ –	$ –	$ 6,071	$ 6,071
Certificate of deposit	–	1,560	–	1,560
Common stock:				
Domestic	53,674	–	–	53,674
International	15,611	–	–	15,611
Farms	–	64,715	–	64,715
International government bonds	–	2,097	–	2,097
International index linked government bonds	–	42,962	–	42,962
Money market mutual funds	146,546	–	–	146,546
Mutual funds:				
Blended, domestic	10,548	–	–	10,548
Bond	23,634	–	–	23,634
Equity, domestic	35,394	–	–	35,394
Equity, international	15,829	–	–	15,829
Non-U.S. developed markets equity	–	–	105,013	105,013
Private equity funds	–	–	117,078	117,078
Private real estate funds	–	–	32,753	32,753
U.S. treasury bonds and bills	–	1,994	–	1,994
U.S. index linked government bonds	–	30,220	–	30,220
Variable annuity contract	–	3,360	–	3,360
Total investments at fair value	$ 301,236	$ 146,908	$ 260,915	$ 709,059
Beneficial interest in trusts	$ –	$ –	$ 53,902	$ 53,902
Trusts held by others	$ –	$ –	$ 22,677	$ 22,677

The investments above exclude $4,352 of real estate that is carried at cost, $12,638 of private equities and other assets carried at cost, and $1,462,245 of investments where values are based on net asset value (NAV) as a practical expedient.

(Dollars in Thousands)

4. Investments and Fair Value Measurements (continued)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2019
Assets:				
Cash surrender value of life insurance	$ –	$ –	$ 6,020	$ 6,020
Common stock:				
Domestic	52,135	–	–	52,135
International	13,395	–	–	13,395
Farms	–	61,425	–	61,425
International government bonds	–	2,362	–	2,362
International index linked government bonds	–	37,921	–	37,921
Money market mutual funds	52,618	–	–	52,618
Mutual funds:				
Blended, domestic	10,554	–	–	10,554
Blended, international	50	–	–	50
Bond	22,726	–	–	22,726
Equity, domestic	36,199	–	–	36,199
Equity, international	59,603	–	–	59,603
Partnerships – non-U.S. developed markets equity	–	–	92,903	92,903
Private equity funds	–	–	133,905	133,905
Private real estate funds	–	–	29,568	29,568
U.S. treasury bonds and bills	–	2,682	–	2,682
U.S. index linked government bonds	–	22,083	–	22,083
Variable annuity contract	–	3,444	–	3,444
Total investments at fair value	$ 247,280	$ 129,917	$ 262,396	$ 639,593
Beneficial interest in trusts	$ –	$ –	$ 52,758	$ 52,758
Trusts held by others	$ –	$ –	$ 21,863	$ 21,863

The investments above exclude $2,397 of real estate that is carried at cost, $12,817 of private equities and other assets carried at cost, and $1,472,224 of investments where values are based on NAV as a practical expedient.

(Dollars in Thousands)

4. Investments and Fair Value Measurements (continued)

The Foundation's Level 3 investments have been valued based on unadjusted account statement balances as reported by insurance companies or trustees. As a result, there were no unobservable inputs that have been internally developed by UIF in determining the fair values of its investments at June 30, 2020 or 2019. During the years ended June 30, 2020 and 2019, the Foundation did not have any transfers of assets between any levels of the fair value hierarchy.

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:

	Year Ended June 30, 2020						
	Beneficial Interest in Trusts	**Cash Surrender Value of Life Insurance**	**Other Investments**	**Non-U.S. Developed Markets Equity**	**Private Equity Funds**	**Private Real Estate Funds**	**Trusts Held by Others**
Purchases/additions	**$ –**	**$ 23**	**$ –**	**$ 10,000**	**$ 20,052**	**$ 1,892**	**$ 1,521**
Sales/deductions	**–**	**(115)**	**–**	**(584)**	**(20,176)**	**(1,570)**	**–**

	Year Ended June 30, 2019						
	Beneficial Interest in Trusts	**Cash Surrender Value of Life Insurance**	**Other Investments**	**Non-U.S. Developed Markets Equity**	**Private Equity Funds**	**Private Real Estate Funds**	**Trusts Held by Others**
Purchases/additions	$ –	$ 12	$ –	$ –	$ 27,490	$ 15,999	$ 5,954
Sales/deductions	–	(472)	(4)	–	(25,702)	(1,637)	(668)

The Foundation invests in alternative investment funds that include limited partnerships, private capital funds, and private real estate funds. The fair values of these investments are valued utilizing the NAV, as a practical expedient, provided by the underlying private investment companies when the NAVs of the investments are determined using a measurement basis consistent with U.S. GAAP for investment companies. The Foundation may only utilize the practical expedient if the investment does not have a readily determinable fair value and the investee is an investment

(Dollars in Thousands)

4. Investments and Fair Value Measurements (continued)

company within the scope of ASC 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:

	NAV 2020	NAV 2019	Unfunded Commitment	Redemption Frequency and Notice Period		Redemption Notice Period
Credit (a)	**$ 232,728**	$ 228,198	$ –	Daily, monthly, quarterly, or annually	**	5 to 90 days
Developed markets – non-U.S. equity (b)	**104,240**	111,836	–	Daily, monthly, quarterly, or annually		5 to 90 days
Emerging markets (c)	**97,180**	134,826	–	Daily, monthly, quarterly, or annually	***	5 to 90 days
Global equity (d)	**268,453**	274,432	–	Daily, monthly, quarterly, or annually	**	5 to 90 days
Global fixed income (e)	**87,416**	133,411	–	Daily, monthly, quarterly		5 to 90 days
Natural resources (f)	**16,204**	27,008	–	Daily, monthly, quarterly, or annually		5 to 90 days
Private credit (g)	**101,658**	64,757	18,987	Not eligible	*	N/A
Private equity – global growth (h)	**60,898**	64,779	20,612	Not eligible	*	N/A
Private equity – health care (i)	**48,993**	37,602	32,475	Not eligible	*	N/A
Private equity – industrials (j)	**10,889**	N/A	–	Not eligible	*	N/A
Private equity – middle market (k)	**20,612**	N/A	17,999	Not eligible	*	N/A
Private equity – venture capital (l)	**29,099**	21,975	32,132	Not eligible	*	N/A
Private natural resources (m)	**83,084**	80,234	25,738	Not eligible	*	N/A
Real estate (n)	**76,730**	72,930	32,710	Not eligible	*	N/A
U.S. equity (o)	**224,061**	220,236	–	Daily, monthly, quarterly, or annually	**/***	5 to 90 days
	$ 1,462,245	$ 1,472,224	$ 180,653			

* In the case of private funds, capital is returned as monetization events occur that may be infrequent in nature and the timing is not known. Generally, capital is committed to a partnership for a period of up to ten years with the ability of the general partner to extend the life of the fund one to three additional years. Generally in the early years of a fund's life, the general partner, in order to facilitate its funding of investments, will call capital from the limited partners up to the amount of its commitment. As of June 30, 2020 and 2019, unfunded commitments of $180,653 and $193,562, respectively, related to private fund investments. The unfunded commitments at June 30, 2020, include $40,000 in commitments to funds that have not called any capital as of June 30, 2020.

** There are certain investments with a fair value of $354,613 in the above category that are subject to certain lock provisions that may limit the ability to redeem all or a portion of the investment for a given period of time, typically ranging from one to three years.

*** There are certain investments in the above categories for which redemption has been requested and will occur during fiscal year 2021. The fair value of the redemption requests at June 30, 2020, totals $61,340.

(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.

4. 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 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.

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

(f) This category includes investments with both long and short positions in both debt and equity or related securities in energy, gas, mining, and oilfields. 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 broker merger or acquisition deals. These investments include both U.S. and non-U.S. securities/companies.

(h) This category includes investments in private equity within growth sectors around the globe, including China, Indonesia, and Sub-Saharan Africa.

(i) This category includes investments in private equity in the health care industry.

(j) This category includes investments in private equity related to the industrial sector.

(k) This category includes investments in private equity specializing in the acquisition and recapitalization of private middle-market companies

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

(m) 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.

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

(o) 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.

(Dollars in Thousands)

5. Property and Equipment

Property and equipment as of June 30 are as follows:

	2020	2019
Buildings held for the University's future use	**$ 43,922**	$ 9,972
Furniture, fixtures, equipment, and leasehold improvements	**18,499**	18,269
	62,421	28,241
Less accumulated depreciation and amortization	**13,585**	12,207
	$ 48,836	$ 16,034
Depreciation and amortization expense	**$ 1,378**	$ 1,429

6. Note Payable

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

	2020	2019
$15,000 unsecured line of credit to bank, due October 2021, interest rate negotiated in irregular intervals (0.87% as of June 30, 2020), contains certain financial and nonfinancial covenants	**$ 7,879**	$ 6,877

The Foundation was in compliance with all covenants at June 30, 2020 and 2019.

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

	2020	2019
Balance, beginning	**$ 6,877**	$ 3,118
Proceeds	**1,906**	4,820
Payments	**(904)**	(1,061)
Balance, ending	**$ 7,879**	$ 6,877

(Dollars in Thousands)

7. 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, 2020.

The maturities of the principal amounts on the lease obligations are as follows:

Year ending June 30:	
2021	$ 450
2022	454
2023	457
2024	172
2025	115
Thereafter	125
	$ 1,773

8. Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30 were purpose restricted for the following:

	2020	2019
Purpose restricted:		
Research	**$ 33,496**	$ 30,282
Student support	**139,875**	131,783
Academic programs	**163,701**	166,935
Facilities	**81,887**	99,958
Faculty support	**102,361**	96,919
Public support	**7,213**	7,376
Other	**26,286**	26,299
Program support*	**460,392**	518,863
	1,015,211	1,078,415

(Dollars in Thousands)

8. Net Assets With Donor Restrictions (continued)

	2020	2019
Permanent endowment:		
Research	**$ 61,270**	$ 71,759
Student support	**477,274**	463,884
Academic programs	**284,081**	286,697
Facilities	**7,392**	7,638
Faculty support	**296,052**	307,335
Public support	**21,572**	22,847
Other	**54,693**	54,583
Program support*	**228,470**	129,489
	1,430,804	1,344,232
Total net assets with donor restrictions	**$ 2,446,015**	$ 2,422,647

* Donor-designated funds to be used by the institution, campus, college, or department with no restriction as to how the funds should be spent.

9. Endowments and Net Asset Classification

The Foundation's endowment fund consists of approximately 6,400 individual funds established for a variety of purposes. Its endowment fund includes donor-restricted endowment funds and funds designated as endowment and 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

(Dollars in Thousands)

9. Endowments and Net Asset Classification (continued)

- 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 of Directors approved spending was $103,344 and $91,504 for the fiscal years ended June 30, 2020 and 2019, respectively.

	2020			
	Board-Designated Without Donor Restrictions	**Quasi and Term With Donor Restrictions**	**Permanent With Donor Restrictions**	**Total**
Endowment net assets, beginning of year	**$ 28,675**	**$ 769,062**	**$ 1,344,232**	**$ 2,141,969**
Investment return:				
Investment gain (loss)	**2,897**	**(6,615)**	**–**	**(3,718)**
Net appreciation (realized and unrealized)	**(692)**	**(15,512)**	**–**	**(16,204)**
Total investment return	**2,205**	**(22,127)**	**–**	**(19,922)**
Contributions	**–**	**6,881**	**86,572**	**93,453**
Appropriation of endowment assets for expenditure	**(1,581)**	**(101,763)**	**–**	**(103,344)**
Endowment net assets, end of year	**$ 29,299**	**$ 652,053**	**$ 1,430,804**	**$ 2,112,156**

(Dollars in Thousands)

9. Endowments and Net Asset Classification (continued)

	2019			
	Board-Designated Without Donor Restrictions	**Quasi and Term With Donor Restrictions**	**Permanent With Donor Restrictions**	**Total**
Endowment net assets, beginning of year	$ 28,627	$ 788,127	$ 1,185,833	$ 2,002,587
Investment return:				
Investment loss	(44)	(2,611)	–	(2,655)
Net appreciation (realized and unrealized)	1,004	58,782	–	59,786
Total investment return	960	56,171	–	57,131
Contributions	625	14,731	158,399	173,755
Appropriation of endowment assets for expenditure	(1,537)	(89,967)	–	(91,504)
Endowment net assets, end of year	$ 28,675	$ 769,062	$ 1,344,232	$ 2,141,969

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 this nature are reported in net assets with donor restrictions. As of June 30, 2020 and 2019, funds with an original gift value of $699,158 and $144,281 were "underwater" by $39,900 and $6,337, respectively. Deficiencies resulted from unfavorable market fluctuations that 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.

(Dollars in Thousands)

10. Functional Classification of Expenses

The following table represents functional expenses by natural category reported for program services, general and administrative costs, and fundraising costs. Included in general and administrative costs are the functions of financial operations, general communications, general overhead, gift and trust administration, human resources, IT enterprise applications, legal counsel, and the President's office general operating expenses and 46% of the President's compensation and direct expenses, allocated based on direct supervision of activities. The fundraising costs function includes the areas of annual giving, advancement data analytics, board and donor relations, campaigns, development programs, development research, gift planning, principal gifts, and 54% of the President's compensation and direct expenses, allocated based on direct supervision of activities.

	2020			
	Program Services	General and Administrative	Fundraising	Total
Salaries and benefits	$ –	$ 9,954	$ 15,469	$ 25,423
Communication and marketing	–	134	235	369
Travel	–	116	858	974
Meetings and special events	–	154	1,584	1,738
Equipment and software (not capitalized)	–	1,160	176	1,336
Professional services	–	955	1,828	2,783
Supplies and other	–	1,953	492	2,445
Depreciation and amortization	–	1,374	–	1,374
Interest	–	201	–	201
Actuarial adjustment	5,368	–	–	5,368
Distributions to the University	216,434	–	142	216,576
Total	$ 221,802	$ 16,001	$ 20,784	$ 258,587

(Dollars in Thousands)

10. Functional Classification of Expenses (continued)

	2019			
	Program Services	General and Administrative	Fundraising	Total
Salaries and benefits	$ –	$ 9,590	$ 13,781	$ 23,371
Communication and marketing	–	115	317	432
Travel	–	117	1,016	1,133
Meetings and special events	–	91	1,871	1,962
Equipment and software (not capitalized)	–	1,182	123	1,305
Professional services	–	688	1,567	2,255
Supplies and other	–	1,867	569	2,436
Depreciation and amortization	–	1,425	–	1,425
Interest	30	46	–	76
Distributions to the University	208,317	–	158	208,475
Total	$ 208,347	$ 15,121	$ 19,402	$ 242,870

11. 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 that 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 (the State) for University employees who are supervised by the Foundation. These payments (estimated to be $621 and $666 for the years ended June 30, 2020 and 2019, respectively) are included in the amounts shown as allocation from the University of Illinois and as salaries and benefits expense (see Note 10).

11. Transactions With the University of Illinois, State of Illinois, and Related Parties (continued)

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 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. The value of rent provided to the Foundation is $498 and is recorded in contributed services with a corresponding rent expense for the years ended June 30, 2020 and 2019.

- The University provides certain services for which no separate charges will be assessed. Such services will include, but not be limited to, routine business and financial services as needed, on a regular or ad hoc basis, in such areas as risk management, cash management, and limited human resource services. The estimated value of such services was $27 and $33 for the years ended June 30, 2020 and 2019, respectively, and is reflected on the statements of activities and changes in net assets 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 $1,431 and $7,364 for the years ended June 30, 2020 and 2019, respectively. There were no gifts received from the University of Illinois Alumni Alliance in 2020 or 2019. Conversely, disbursements to the Alumni Association from the Foundation were approximately $22 and $21 in 2020 and 2019, respectively.

11. Transactions With the University of Illinois, State of Illinois, and Related Parties (continued)

Gifts and gift-related income transferred from the Foundation to the University totaled $216,434 and $208,317 for the years ended June 30, 2020 and 2019, respectively. These amounts are reflected on the statements of activities and changes in net assets. Other transactions between the Foundation and the University include the following:

- The University leases from the Foundation various properties with a carrying value of $8,281 and $7,131 as of June 30, 2020 and 2019, respectively. Payments by the University to the Foundation, which approximate the Foundation's cost of carrying the properties, were $93 and $13 for the years ended June 30, 2020 and 2019, respectively. The Foundation also holds $35,641 and $2,841 of properties for the University's future use that are not covered by the lease agreement as of June 30, 2020 and 2019, respectively. During the year ended June 30, 2020, the John Marshall Law School became a college of the University of Illinois Chicago (UIC) known as the UIC John Marshall Law School. The transaction resulted in gifted real estate assets of approximately $32,800 to the Foundation, on behalf of the UIC John Marshall Law School. The funds were recorded as property and equipment on the statement of financial position.

- The Foundation obtained certain goods and services (supplies, telephone, printing, etc.) during the years ended June 30, 2020 and 2019, through the University for which the Foundation reimbursed the University at cost.

12. 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 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's financial reporting entity and is included in the State's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40 of the Illinois Compiled Statutes. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at SURS.org.

12. Retirement Plan and Postemployment Benefits (continued)

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 who 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 six months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2019, can be found in the SURS comprehensive annual financial report notes to the financial statements.

Contributions: The State 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 SURS to reach 90% of the total actuarial accrued liability by the end of fiscal year 2045. Employer contributions from “trust, federal, and other funds” are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions that are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal years 2020 and 2019 was 13.02% and 12.29% of employee payroll, respectively. The Foundation made contributions of approximately $1,363 and $1,201 for the years ended June 30, 2020 and 2019, respectively. The normal cost is equal to the value of the 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% of their annual covered salary. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

In addition to providing pension benefits, the State 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

12. Retirement Plan and Postemployment Benefits (continued)

employees for health, dental, or 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 $2,472 and $2,474 for the years ended June 30, 2020 and 2019, 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.