

**STATE OF ILLINOIS  
SOUTHERN ILLINOIS UNIVERSITY  
FINANCIAL AUDIT**

For the Year Ended June 30, 2012

Performed as Special Assistant Auditors  
for the Auditor General, State of Illinois

# **Southern Illinois University Board of Trustees and Officers of Administration Fiscal Year 2012**

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**Southern Illinois University**  
**Annual Financial Report**  
**Fiscal Year 2012**

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SOUTHERN ILLINOIS UNIVERSITY

SENIOR VICE PRESIDENT FOR FINANCIAL & ADMINISTRATIVE AFFAIRS AND BOARD TREASURER  
STONE CENTER - MAIL CODE 6801 / 1400 DOUGLAS DRIVE / CARBONDALE, ILLINOIS 62901

September 28, 2012

TO THE BOARD OF TRUSTEES  
OF SOUTHERN ILLINOIS UNIVERSITY

I am pleased to submit the annual financial report of Southern Illinois University for the year ended June 30, 2012.

The report consists of the Independent Auditors' Report, Management's Discussion and Analysis, the basic financial statements, and the notes to the financial statements of the University and its aggregate discretely presented component units. It presents the respective financial positions of the University and its component units and is intended for the use of administrative officers and other interested parties.

The financial statements of the University have been audited by CliftonLarsonAllen LLP for fiscal year 2012. As Special Assistant Auditors for the Auditor General, they have issued reports covering their audits of the compliance of the University with applicable state and federal laws and regulations and a report containing supplementary financial information and special data requested by the Auditor General. These reports are available at the Office of the Auditor General, State of Illinois.

In addition, the University has published under separate cover Treasurer's Reports to the Bondholders, which provide more detailed information on the University's revenue bond systems. These reports are available upon request from the Office of the President at Carbondale, Illinois.

Respectfully submitted,

  
Duane Stucky  
Board Treasurer

DS/lap

## FINANCIAL STATEMENT REPORT

### SUMMARY

The audit of the accompanying basic financial statements of Southern Illinois University was conducted by CliftonLarsonAllen LLP.

Based on their audit, and the reports of other auditors, the auditors expressed an unqualified opinion on the University's basic financial statements.

## Independent Auditors' Report

Honorable William G. Holland  
Auditor General, State of Illinois  
and  
Board of Trustees  
Southern Illinois University

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities of Southern Illinois University (“the University”) and its aggregate discretely presented component units, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2012, which collectively comprise the University’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University’s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the University’s June 30, 2011 financial statements. The financial statements of the University as of and for the year ended June 30, 2011 were audited by other auditors whose report dated April 2, 2012 expressed an unqualified opinion on these statements. We did not audit the financial statements of the University’s discretely presented component units (the “University Related Organizations”), as described in Note 1 of the financial statements as of and for the year ended June 30, 2012. Those statements were audited by other auditors whose reports thereon have been provided to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the University Related Organizations, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of one University Related Organization, the Association of Alumni, Former Students and Friends of Southern Illinois University, Inc. (at Carbondale), were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of Southern Illinois University as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated March 25, 2013 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 11 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.

*CliftonLarsonAllen LLP*

Peoria, Illinois  
March 25, 2013

**Southern Illinois University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012**

**Introduction**

The following discussion and analysis of the financial statements of Southern Illinois University (the "University") provides an overview of the University's financial activities for the year ended June 30, 2012. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnotes.

This discussion focuses on the financial activities of the University (the primary unit), a component unit of the State of Illinois which conducts instruction, research, public services and related activities principally at its campuses in Carbondale, which includes the School of Medicine in Springfield, and Edwardsville, which includes the School of Dental Medicine in Alton and the East St. Louis Center.

The seven component units of the University consist of the following entities: the Southern Illinois University Foundation at Carbondale; the Southern Illinois University at Edwardsville Foundation; the Association of Alumni, Former Students and Friends of Southern Illinois University, Inc.; the Alumni Association of Southern Illinois University at Edwardsville; University Park at Edwardsville; Southern Illinois Research Park, Inc. at Carbondale; and SIU Physicians and Surgeons, Inc. Complete financial statements for the component units may be obtained from each entity, and addresses are provided in Note 1 in the Notes to Financial Statements.

**Using the financial statements**

The University's 2012 financial report includes three basic financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. The notes to the basic financial statements are an integral part of the basic financial statements and provide additional details which should be included as part of any review or analysis. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and provide information on the University as a whole.

**FINANCIAL HIGHLIGHTS**

**Statement of Net Assets**

The Statement of Net Assets includes all assets and liabilities, both current and noncurrent, using the accrual basis of accounting. The statement presents the financial position of the University at the end of the fiscal year. The difference between total assets and total liabilities is net assets, which is one indicator of the current financial health of the University. The changes in the net assets that occur over time indicate improvements or deterioration in the University's financial condition.

Net assets are divided into three major categories: Invested in Capital Assets, Net of Related Debt; Restricted Net Assets; and Unrestricted Net Assets. Invested in Capital Assets, net, consists of capital assets reduced by the outstanding balances of borrowings for construction and improvements of those assets. Restricted Net Assets have external constraints, including grants and contracts, self-insurance and capital projects. Unrestricted Net Assets are those that do not meet the definition of the first two categories.



**Southern Illinois University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012**

The University's assets, liabilities and net assets at June 30, 2012 and 2011 are summarized as follows:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>Assets:</b>		
Current assets	\$ 335,623,841	\$ 289,668,133
Capital assets, net	789,422,415	716,438,214
Other assets	<u>115,340,059</u>	<u>122,044,829</u>
<b>Total Assets</b>	<u>\$ 1,240,386,315</u>	<u>\$ 1,128,151,176</u>
<b>Liabilities:</b>		
Current liabilities	148,880,124	143,773,319
Noncurrent liabilities	<u>366,900,301</u>	<u>355,984,432</u>
<b>Total Liabilities</b>	<u>\$ 515,780,425</u>	<u>\$ 499,757,751</u>
<b>Net Assets:</b>		
Invested in capital assets, net	495,051,877	410,754,130
Restricted - nonexpendable	2,662,160	2,976,342
Restricted - expendable	121,876,102	115,669,997
Unrestricted	<u>105,015,751</u>	<u>98,992,956</u>
<b>Total Net Assets</b>	<u>\$ 724,605,890</u>	<u>\$ 628,393,425</u>

The University's financial position remained strong at June 30, 2012, with assets of \$1,240,386,315 and liabilities of \$515,780,425. Net assets, the difference between total assets and total liabilities, increased \$96,212,465, or over 15%, compared to the previous year.

**Statement of Revenues, Expenses and Changes in Net Assets**

The Statement of Revenues, Expenses and Changes in Net Assets presents the results of the University's revenue and expense activity categorized as operating or nonoperating. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

Operating revenues and expenses involve exchange transactions. In general, operating revenues include student tuition and fees which are net of scholarship allowances, most grants and contracts, auxiliary enterprises, and sales and services of educational departments. Operating expenses are those expenses incurred to carry out the mission of the University, and include educational and general program expenses, as well as auxiliary enterprises and depreciation.

Nonoperating revenues and expenses involve non-exchange transactions and include state appropriations, investment income, payments on-behalf of the University, and gifts. State appropriations are mandated as nonoperating because they are provided by the legislature to the University without the legislature directly receiving commensurate goods and services for those revenues. Therefore, an operating loss will always result.

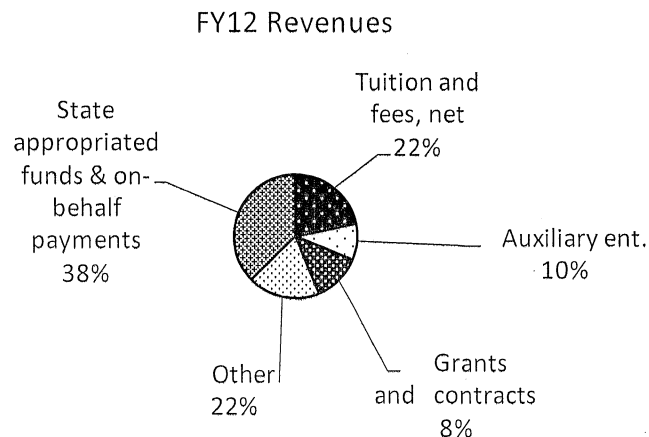
**Southern Illinois University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012**

The following summarizes the University's financial activity for fiscal years 2012 and 2011:

	Year Ended June 30, 2012	Year Ended June 30, 2011
<b>Operating revenues:</b>		
Tuition and fees, net	\$ 256,084,347	\$ 242,813,334
Auxiliary enterprises	111,868,932	107,373,101
Grants and contracts	101,258,764	109,135,111
Other	135,534,392	133,445,510
Operating expenses	<u>(1,069,993,849)</u>	<u>(1,003,604,416)</u>
<b>Operating loss</b>	<u>(465,247,414)</u>	<u>(410,837,360)</u>
State appropriations	219,501,500	222,013,500
On-behalf payments	221,995,044	191,169,767
Other nonoperating revenues & expenses, net	<u>52,156,315</u>	<u>49,928,314</u>
Income (loss) before other revenues	28,405,445	52,274,221
Other revenues	<u>67,807,020</u>	<u>30,267,882</u>
<b>Increase in net assets</b>	96,212,465	82,542,103
<b>Net assets at beginning of year</b>	<u>628,393,425</u>	<u>545,851,322</u>
<b>Net assets at end of year</b>	<u>\$ 724,605,890</u>	<u>\$ 628,393,425</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in net assets for the year of \$96.2 million. A significant portion of this increase was in the net investment in capital assets of the University, which increased over \$84.2 million. This was primarily due to several construction and renovation projects at both the Carbondale and Edwardsville campuses.

The following is a graphic illustration of revenues by source (operating, nonoperating, and other), which were used to fund the University's operating activities for the year ended June 30, 2012. The revenue from charges for tuition and fees is shown net of the scholarship allowance of \$38,196,952. Student tuition and state appropriations are the primary source of funding for the University's academic programs. Other operating revenues consist primarily of income from sales and services of educational activities, investment income, and income from the Physicians and Surgeons practice plan.



**Southern Illinois University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012**

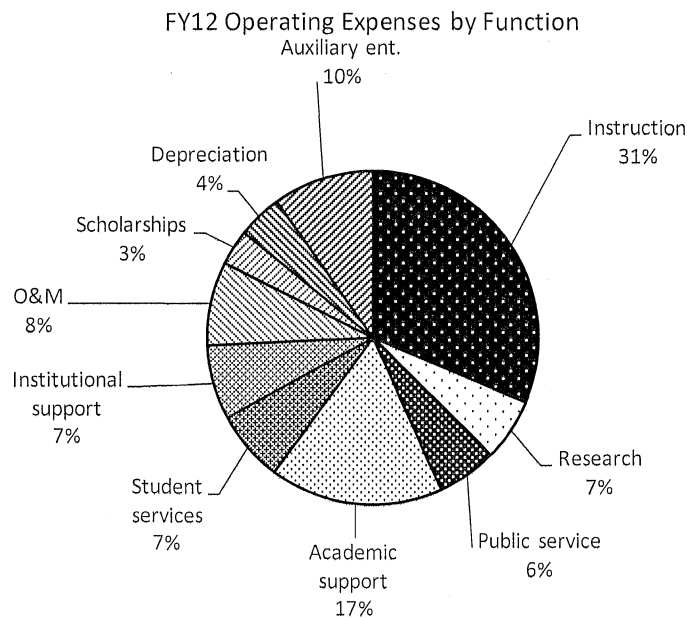
**Operating Expenses**

A summary of the University's operating expenses by functional classification for the years ended June 30, 2012 and 2011 is as follows:

	Year Ended June 30, 2012	Year Ended June 30, 2011
Instruction	\$ 335,294,851	\$ 317,152,057
Research	64,680,837	63,660,347
Public service	62,712,130	62,657,302
Academic support	179,607,411	161,909,517
Student services	74,401,013	69,031,681
Institutional support	77,575,317	70,058,717
Operation and maintenance of plant	87,292,169	84,188,302
Scholarships and fellowships	36,837,164	31,645,865
Depreciation	46,321,372	44,134,264
Auxiliary enterprises	104,731,554	98,759,484
Other expenditures	540,031	406,880
	<u>\$ 1,069,993,849</u>	<u>\$ 1,003,604,416</u>

Operating expenses include \$221,995,044 for health care and retirement costs paid on-behalf of University employees by the State of Illinois. These expenses have been allocated by function.

The following is a graphic illustration of operating expenses by function for the year ended June 30, 2012:



**Southern Illinois University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012**

**Statement of Cash Flows**

The Statement of Cash Flows provides additional information about the University's sources and uses of cash during the fiscal year. This statement helps users assess the University's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

	<u>Year Ended June 30, 2012</u>	<u>Year Ended June 30, 2011</u>
Cash provided by (used in):		
Operating activities	\$ (154,603,317)	\$ (203,953,507)
Noncapital financing activities	281,990,021	283,738,929
Capital and related financing activities	(55,091,638)	(70,826,713)
Investing activities	<u>(9,997,363)</u>	<u>7,627,551</u>
Net increase (decrease) in cash	62,297,703	16,586,260
Cash and cash equivalents, beginning of year	<u>98,251,928</u>	<u>81,665,668</u>
Cash and cash equivalents, end of year	<u>\$ 160,549,631</u>	<u>\$ 98,251,928</u>

For additional information regarding the detail behind the four categories summarized above, please refer to the Statement of Cash Flows.

**Capital Asset and Debt Administration**

The University's Capital Asset policy requires the capitalization of infrastructure at \$1,000,000, buildings and intangible assets at \$100,000, site or building improvements at \$25,000 and equipment at \$5,000. The University depreciates its capital assets on a straight-line basis, using estimated useful lives ranging from five to forty years. At the end of fiscal year 2012, the University had \$495,051,877 invested in capital assets, net of accumulated depreciation and related debt. Depreciation expense for the current year was \$46,321,372 with accumulated depreciation of \$808,013,183. In fiscal year 2012, the University experienced an increase in capital assets of \$72.9 million primarily attributable to multiple construction projects at both the Carbondale and Edwardsville campuses. At Carbondale, construction began on the new Student Services building and construction of the Transportation Education Center neared completion. At Edwardsville, construction and renovation projects continued on the Science building, Art and Design building, and the Lukas Annex.

The University has historically utilized revenue bonds to finance capital projects related to the Housing and Auxiliary Facilities System and the Medical Facilities System which have the ability to generate resources to service the debt. In fiscal year 2012, the University issued Housing and Auxiliary System Revenue Bonds of \$29.8 million to fund the cost of constructing the Student Services Building and to refund the outstanding balance of the 2001A Housing and Auxiliary Facilities System bond issuance. In November 2012, the University's Treasurer is expected to seek approval from the Board of Trustees to sell bonds of approximately \$27 million for additional construction projects, renovations, and partial refunding of the 2003A and 2004A issuances. The amount of outstanding bonds payable at June 30, 2012 was \$299,840,896.

The University issued certificates of participation (COPS) in 2002 and 2004 to fund multiple construction and renovation projects on the Carbondale, Edwardsville, and School of Medicine campuses. The balance

**Southern Illinois University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012**

**Capital Asset and Debt Administration (continued)**

of outstanding COPS at June 30, 2012 was \$17,885,949. The final principal and interest payment related to the 2002 issuance will be made in August, 2012 in the amount of \$505,890.

For additional information concerning the University's Capital Assets and Debt Administration, see Notes 6, 8, 9 and 10 in the Notes to Financial Statements.

**Economic Outlook**

The State of Illinois continues to have a sizable budget deficit which has resulted in mounting unpaid obligations, including extensive state appropriation payment delays to all Illinois Public Universities. As of August 31, 2012, the State of Illinois owed Southern Illinois University almost \$97 million in total appropriations down from \$114 million as of August 31, 2011. Similar to fiscal year 2011, the State has extended the state lapse period allowing the State to pay liabilities related to fiscal year 2012 until December 31, 2012. The University anticipates full payment of the fiscal year 2012 appropriations by the end of calendar year 2012. State appropriations represent 42% of total revenues and are the largest single source of revenue for the University. State operating appropriations for fiscal year 2012 were approved at \$219.5 million. The fiscal year 2013 operating appropriation has been approved at \$206.0 million, which represents a 6.2% decrease over the fiscal year 2012 appropriation level.

The State continues to appropriate on-behalf payments for University employees' benefits, but in fiscal year 2003 began requiring the University to supplement the funding. In fiscal year 2012, the State's portion of the on-behalf payments equaled \$222.0 million, a 16.1% increase over fiscal year 2011 funding, and the University contributed \$7 million. The University will contribute \$7 million toward employee health coverage in fiscal year 2013.

As of June 30, 2011, the State of Illinois had an unfunded pension liability of \$82.9 billion (43.4%). Pension reform legislation approved in 2010 is expected to diminish future pension liabilities related to newly hired employees. In addition the Governor has proposed legislation that includes a plan for school districts, community college districts, and state universities to assume responsibility for a higher share of pension costs to be phased in.

As funding from the State has been reduced, gaps in the operating budget have primarily been filled by increases in tuition and fees. Fiscal year 2013 tuition increased by 4.8% for first time students and student fees increased 3.5% for full-time students at the Carbondale campus and 3.0% for full-time students at the Edwardsville campus. Southern Illinois University continues to develop and expand its resource base by seeking more revenue opportunities from grants and contracts, sales and services of educational activities that include clinics, conferences and seminars, other self-supporting activities, and fund raising efforts.

Enrollment has remained relatively flat over the past four years but experienced a 3% decline in the Fall 2012. The Fall 2012 enrollment at the Edwardsville campus was 14,054, a decrease of 181 students. Total enrollment at the Carbondale campus was 18,847, down 970 students.

The University is committed to strong fiscal stewardship of its resources and maintaining a sound financial position. To that end, University management establishes institutional priorities that are linked to additional funding, sets funding guidelines for asset maintenance of facilities and equipment, and holds 2% of State appropriated funds and tuition income as a contingency reserve for fiscal emergencies. Furthermore, SIU implemented several cost saving measures in fiscal year 2011 that are continuing into

**Southern Illinois University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012**

**Economic Outlook (continued)**

fiscal year 2013 such as a hiring freeze on non-essential positions and cost restrictions on travel and purchases to help offset unanticipated budget shortfalls and to address cash flow issues created by state appropriation payment delays.

The University is not aware of any additional facts, decisions, or conditions that might be expected to have a significant effect on the financial position or results of operations during the next fiscal years beyond those unknown factors having a global effect on virtually all types of business operations.

**Southern Illinois University**  
**Statement of Net Assets**  
**June 30, 2012 with Comparative Totals for 2011**

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2012	2011	2012	2011
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 118,597,843	\$ 68,346,834	\$ 12,848,212	\$ 5,438,365
Cash and cash equivalents, restricted	41,951,788	29,905,094	984,399	4,740,404
Short-term investments	11,361,995	7,972,989	11,990,612	10,031,129
Short-term investments, restricted	24,396,636	6,308,395	20,862,315	19,877,815
Deposits with University	-	-	12,809,198	11,502,129
Appropriations receivable from State of Illinois	-	38,961	-	-
Reimbursement due from State Treasurer	65,710,769	97,416,482	-	-
Accounts receivable, net	54,527,769	60,869,098	20,399,503	28,758,263
Notes receivable, net	3,122,252	3,257,745	-	-
Accrued interest receivable	85,789	68,008	208,867	185,072
Due from related organizations	5,448,985	5,244,633	75,720	34,855
Inventories	9,637,994	9,600,488	-	-
Prepaid expenses and other assets	782,021	639,406	10,487,355	2,813,809
<b>Total Current Assets</b>	<b>335,623,841</b>	<b>289,668,133</b>	<b>90,666,181</b>	<b>83,381,841</b>
<b>Noncurrent Assets:</b>				
Cash and cash equivalents	-	-	465,114	540,109
Long-term investments	92,165,784	91,481,944	9,305,558	8,340,203
Long-term investments, restricted	2,521,762	9,696,558	123,791,106	129,422,750
Notes receivable, net	14,405,165	14,722,625	73,187	66,538
Prepaid expenses and other assets	6,247,348	6,143,702	7,576,888	16,410,309
Capital assets, not depreciated	176,983,458	87,909,529	412,172	315,672
Capital assets, net of depreciation	612,438,957	628,528,685	5,643,827	5,287,728
<b>Total Noncurrent Assets</b>	<b>904,762,474</b>	<b>838,483,043</b>	<b>147,267,852</b>	<b>160,383,309</b>
<b>TOTAL ASSETS</b>	<b>1,240,386,315</b>	<b>1,128,151,176</b>	<b>237,934,033</b>	<b>243,765,150</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts payable	40,154,772	34,515,211	1,437,076	1,213,285
Accrued interest payable	3,005,488	2,914,298	-	-
Accrued payroll	11,866,799	11,987,032	3,956,377	4,046,126
Accrued compensated absences	4,955,779	3,735,380	-	-
Revenue bonds payable	17,479,618	16,370,048	-	-
Certificates of participation	2,185,398	2,100,784	-	-
Liabilities under capitalized leases	292,827	122,595	-	-
Annuities payable	-	-	501,143	541,789
Accrued liability for self-insurance	14,433,109	12,846,252	-	-
Deposits held for University related organizations	12,809,198	11,502,129	-	-
Deposits held in custody for others	1,177,499	1,331,924	68,309	93,879
Deferred revenue	40,316,647	46,199,648	448,719	850,142
Housing deposits	133,110	140,670	-	-
Due to related organizations	69,880	7,348	5,454,825	5,272,140
<b>Total Current Liabilities</b>	<b>148,880,124</b>	<b>143,773,319</b>	<b>11,866,449</b>	<b>12,017,361</b>
<b>Noncurrent Liabilities:</b>				
Accrued compensated absences	42,611,366	45,866,519	-	-
Revenue bonds payable	282,361,278	269,117,679	-	-
Certificates of participation	15,700,551	17,885,949	-	-
Liabilities under capitalized leases	963,724	87,030	-	-
Annuities payable	-	-	3,415,751	3,746,173
Accrued liability for self-insurance	7,827,497	5,583,732	-	-
Federal loan program contributions refundable	17,273,195	17,271,593	-	-
Housing deposits	162,690	171,930	-	-
Other accrued liabilities	-	-	2,476,895	2,447,443
Deposits held in custody for others	-	-	2,124,626	2,295,626
<b>Total Noncurrent Liabilities</b>	<b>366,900,301</b>	<b>355,984,432</b>	<b>8,017,272</b>	<b>8,489,242</b>
<b>TOTAL LIABILITIES</b>	<b>515,780,425</b>	<b>499,757,751</b>	<b>19,883,721</b>	<b>20,506,603</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	495,051,877	410,754,130	6,055,999	5,603,399
Restricted for:				
Nonexpendable	2,662,160	2,976,342	94,288,238	94,347,079
Expendable	121,876,102	115,669,997	68,270,616	74,610,363
Unrestricted	105,015,751	98,992,956	49,435,459	48,697,706
<b>TOTAL NET ASSETS</b>	<b>\$ 724,605,890</b>	<b>\$ 628,393,425</b>	<b>\$ 218,050,312</b>	<b>\$ 223,258,547</b>

The accompanying notes are an integral part of this statement.

Southern Illinois University

Statement of Revenues, Expenses and Changes in Net Assets

Year Ended June 30, 2012 with Comparative Totals for 2011

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2012	2011	2012	2011
<b>REVENUES</b>				
<b>Operating Revenues:</b>				
Student tuition and fees (net of scholarship allowances of \$38,196,952 for 2012; \$41,849,276 for 2011)	\$ 256,084,347	\$ 242,813,334	\$ -	\$ -
Federal grants and contracts	42,005,028	47,278,070	-	-
State of Illinois grants and contracts	30,693,731	34,150,739	-	-
Other government grants and contracts	6,386,232	7,680,891	-	-
Private grants and contracts	22,173,773	20,025,411	-	-
Sales and services of educational departments	81,012,744	78,558,753	-	-
Physicians and Surgeons practice plan	54,203,736	54,622,838	-	-
Patient service revenue (net)	-	-	92,750,929	103,376,149
Auxiliary enterprises:				
Funded debt enterprises (net of scholarship allowances of \$6,266,581 for 2012; \$7,029,568 for 2011)	102,295,975	97,587,220	-	-
Other auxiliary enterprises (net of scholarship allowances of \$915,569 for 2012; \$988,815 for 2011)	9,572,957	9,785,881	-	-
Loan interest income	297,083	251,714	-	-
Other operating revenues	20,829	12,205	17,300,272	16,241,885
<b>Total Operating Revenues</b>	<b>604,746,435</b>	<b>592,767,056</b>	<b>110,051,201</b>	<b>119,618,034</b>
<b>EXPENSES</b>				
<b>Operating Expenses:</b>				
Instruction	335,294,851	317,152,057	-	-
Research	64,680,837	63,660,347	-	-
Public service	62,712,130	62,657,302	-	-
Academic support	179,607,411	161,909,517	-	-
Student services	74,401,013	69,031,681	-	-
Institutional support	77,575,317	70,058,717	122,988,725	112,021,067
Operation and maintenance of plant	87,292,169	84,188,302	-	-
Scholarships and fellowships	36,837,164	31,645,865	-	-
Depreciation	46,321,372	44,134,264	573,808	586,011
Auxiliary enterprises:				
Funded debt enterprises	93,977,385	89,188,761	-	-
Other auxiliary enterprises	10,754,169	9,570,723	-	-
Other operating expenses	540,031	406,880	-	-
<b>Total Operating Expenses</b>	<b>1,069,993,849</b>	<b>1,003,604,416</b>	<b>123,562,533</b>	<b>112,607,078</b>
<b>Operating Income (Loss)</b>	<b>(465,247,414)</b>	<b>(410,837,360)</b>	<b>(13,511,332)</b>	<b>7,010,956</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State appropriations	219,501,500	222,013,500	-	-
Gifts and contributions	13,746,003	9,748,643	6,548,287	9,107,293
Investment income	4,625,294	3,414,546	394,299	28,358,557
Grants and contracts	48,128,082	49,275,873	-	120,455
Interest on capital asset-related debt	(11,265,152)	(11,030,411)	-	-
Accretion on bonds payable	(4,331,329)	(4,475,452)	-	-
University related organizations	(407,985)	(596,460)	-	-
Payments on behalf of the university	221,995,044	191,169,767	-	-
Other nonoperating revenues (expenses)	1,661,402	3,591,575	(980,643)	1,468,246
<b>Net Nonoperating Revenues (Expenses)</b>	<b>493,652,859</b>	<b>463,111,581</b>	<b>5,961,943</b>	<b>39,054,551</b>
<b>Income (Loss) Before Other Revenues</b>	<b>28,405,445</b>	<b>52,274,221</b>	<b>(7,549,389)</b>	<b>46,065,507</b>
<b>Other Revenues:</b>				
Capital state appropriations	59,779,396	26,153,991	-	-
Additions to permanent endowments	-	-	2,341,154	1,354,195
Capital grants and gifts	8,027,624	4,113,891	-	-
<b>Total Other Revenues</b>	<b>67,807,020</b>	<b>30,267,882</b>	<b>2,341,154</b>	<b>1,354,195</b>
<b>Increase (decrease) in Net Assets</b>	<b>96,212,465</b>	<b>82,542,103</b>	<b>(5,208,235)</b>	<b>47,419,702</b>
<b>NET ASSETS</b>				
Net assets at beginning of year	628,393,425	545,851,322	223,258,547	175,838,845
<b>Net assets at end of year</b>	<b>\$ 724,605,890</b>	<b>\$ 628,393,425</b>	<b>\$ 218,050,312</b>	<b>\$ 223,258,547</b>

The accompanying notes are an integral part of this statement.



# Southern Illinois University

## Statement of Cash Flows

Year Ended June 30, 2012 with Comparative Totals for 2011

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2012	2011	2012	2011
<b>Cash Flows from Operating Activities</b>				
Tuition and fees	\$ 258,656,869	\$ 251,711,272	\$ -	\$ -
Grants and contracts	100,559,721	108,833,825	-	-
Sales and services of educational activities	78,789,760	78,977,454	-	-
Physicians and Surgeons	62,973,237	40,945,064	-	-
Auxiliary enterprise revenues:				
Funded debt	104,783,027	101,740,709	-	-
Other auxiliary	10,787,433	10,742,235	-	-
Payments for employee salaries and benefits	(543,469,543)	(527,059,232)	(32,393,581)	(31,530,120)
Payments to suppliers	(267,531,059)	(279,800,941)	(80,317,743)	(69,779,032)
Payments for scholarships and fellowships	(77,235,952)	(80,239,460)	-	-
Loans issued to students	(2,555,668)	(1,754,709)	-	-
Interest earned on loans to students	273,733	229,012	-	-
Collection of loans from students	2,509,133	2,396,075	-	-
Patient service revenue	-	-	100,203,089	86,406,456
Other operating receipts	116,855,992	89,325,189	6,940,927	8,617,991
<b>Net cash used in operating activities</b>	<b>(154,603,317)</b>	<b>(203,953,507)</b>	<b>(5,567,308)</b>	<b>(6,284,705)</b>
<b>Cash Flows from Noncapital Financing Activities</b>				
State appropriations	219,529,444	222,250,088	-	-
Direct lending receipts	226,632,961	231,339,629	-	-
Direct lending payments	(227,071,156)	(231,377,621)	-	-
Grants and contracts	48,710,181	49,275,873	-	-
Government advances for federal loan funds	(218,129)	(109,186)	-	-
Payments to annuitants	-	-	(470,420)	(545,733)
Other	815,384	602,885	(991,113)	(1,261,983)
Gifts for other than capital purposes	13,591,336	11,757,261	8,878,143	9,304,822
<b>Net cash provided by noncapital financing activities</b>	<b>281,990,021</b>	<b>283,738,929</b>	<b>7,416,610</b>	<b>7,497,106</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Capital appropriations	31,259,102	18,364,538	-	-
Capital grants	-	-	-	120,455
Sale of capital assets	146,768	-	-	-
Purchases of capital assets	(84,542,133)	(60,508,046)	(284,313)	(226,329)
Proceeds from capital debt	30,078,628	-	-	-
Other	1,335,434	1,992,479	-	-
Principal paid on capital debt	(21,895,000)	(18,995,000)	-	-
Interest paid on capital debt	(11,474,437)	(11,680,684)	-	-
<b>Net cash used in capital and related financing activities</b>	<b>(55,091,638)</b>	<b>(70,826,713)</b>	<b>(284,313)</b>	<b>(105,874)</b>
<b>Cash Flows from Investing Activities</b>				
Purchases of investments	(29,913,978)	(46,276,296)	(22,347,766)	(7,320,016)
Proceeds from sales of investments and maturities	16,824,768	50,169,639	20,260,502	5,856,247
Investment income	3,091,847	3,734,208	4,101,122	4,399,365
<b>Net cash provided by (used in) investing activities</b>	<b>(9,997,363)</b>	<b>7,627,551</b>	<b>2,013,858</b>	<b>2,935,596</b>
<b>Net increase in cash</b>	<b>62,297,703</b>	<b>16,586,260</b>	<b>3,578,847</b>	<b>4,042,123</b>
Cash and cash equivalents, beginning of the year	98,251,928	81,665,668	10,718,878	6,676,755
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 160,549,631</b>	<b>\$ 98,251,928</b>	<b>\$ 14,297,725</b>	<b>\$ 10,718,878</b>

**Southern Illinois University**  
**Statement of Cash Flows**  
**Year Ended June 30, 2012 with Comparative Totals for 2011**

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2012	2011	2012	2011
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>				
Operating Income (Loss)	\$ (465,247,414)	\$ (410,837,360)	\$ (13,511,332)	\$ 7,010,956
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation expense	46,321,372	44,134,264	573,808	586,011
Amortization expense	-	-	357,126	357,126
Noncash grants to University	-	-	1,832,857	539,777
Noncash expenditures for the benefit of the University	-	-	517,414	647,766
Noncash contributions	-	-	(2,180,914)	(382,777)
Budget expended at University	(356,549)	(318,694)	-	-
Payments on behalf of the university	221,995,044	191,169,767	-	-
Change in assets and liabilities:				
Accounts receivable (net)	6,372,664	(11,722,570)	8,316,702	(14,108,107)
Reimbursement due from State Treasurer	31,705,713	(13,146,146)	-	-
Inventories	(37,507)	(2,300,034)	-	-
Prepaid expenses	(159,659)	77,425	(4,097)	107
Other assets	5,019,837	1,417,045	67,859	(74,992)
Accounts payable	8,824,506	1,022,355	204,972	1,983,230
Accrued payroll	(120,234)	2,669,405	-	-
Deferred revenue	(3,206,861)	572,824	(346,157)	(2,461)
Compensated absences	(2,034,753)	(1,429,558)	-	-
Deposits held for others	(19,923)	(32,998)	(25,571)	32,133
Other liabilities	3,813,821	(374,356)	(33,514)	22,199
Due to/from related organizations	(7,473,374)	(4,854,876)	(1,336,461)	(2,895,673)
<b>Net cash used in operating activities</b>	<b>\$ (154,603,317)</b>	<b>\$ (203,953,507)</b>	<b>\$ (5,567,308)</b>	<b>\$ (6,284,705)</b>
<b>Noncash investing, capital and financing activities:</b>				
Payments on behalf of the university for fringe benefits	\$ 221,995,044	\$ 191,169,767	\$ -	\$ -
Accretion on bonds payable	4,331,329	4,475,452	-	-
Gifts in kind	5,358,096	1,532,837	810,000	1,187,543
Capital assets in accounts payable	9,342,691	5,009,156	-	-
Capital asset acquisition by CDB	59,548,781	26,153,991	-	-
Loss on disposals of capital assets	1,862,944	674,527	-	-
Other capital asset adjustments	127,059	1,359,811	-	-
Net interest capitalized	456,110	688,895	-	-

The accompanying notes are an integral part of this statement.

**Southern Illinois University**  
**Notes to Financial Statements**  
**June 30, 2012 and June 30, 2011**

**NOTE 1 - The financial reporting entity and component unit disclosures**

Southern Illinois University (the University), a component unit of the State of Illinois, conducts education, research, public service, and related activities principally at its two campuses. One is in Carbondale and includes the School of Medicine in Springfield. The other is in Edwardsville and includes the School of Dental Medicine in Alton and the East St. Louis Center. The governing body of the University is the Board of Trustees of Southern Illinois University (the Board). As required by accounting principles generally accepted in the United States of America, these financial statements present the financial position and financial activities of the University (the primary unit) and its component units as well as certain activities and expenditures funded by other State agencies on behalf of the University or its employees. The component units discussed below are included in the University's financial reporting entity because of the significance of their financial relationship with the University.

The University Related Organizations' column in the financial statements includes the financial data of the University's component units which consist of the following seven entities: the Southern Illinois University Foundation (at Carbondale) and the Southern Illinois University at Edwardsville Foundation (Foundations); The Association of Alumni, Former Students and Friends of Southern Illinois University, Incorporated, and The Alumni Association of Southern Illinois University at Edwardsville (Alumni Associations); University Park, Southern Illinois University at Edwardsville, Inc.; Southern Illinois Research Park, Inc., Carbondale; and SIU Physicians & Surgeons, Inc. The University's related organizations are reported in a separate column to emphasize that they are Illinois non-profit organizations legally separate from the University. These entities are University Related Organizations as defined under University Guidelines adopted by the State of Illinois Legislative Audit Commission in 1982 and amended in 1997.

The Foundations were formed for the purpose of providing fundraising and other assistance to the University in order to attract private gifts to support the University's education, research, and public service goals. In this capacity, the Foundations solicit, receive, hold, and administer gifts for the benefit of the University. Complete financial statements for the Foundations may be obtained by writing: Southern Illinois University Foundation (at Carbondale), MC 6805, 1235 Douglas, Carbondale, IL 62901-6805 and Southern Illinois University at Edwardsville Foundation, Edwardsville, IL 62026-1082.

The Alumni Associations were formed to promote the general welfare of the University and to encourage and stimulate interest among students, former students, and others in the University's programs. In this capacity, the Alumni Associations offer memberships to former students, conduct various activities for students and alumni, and publish periodicals for the benefit of the alumni. Complete financial statements for the Alumni Associations may be obtained by writing: The Association of Alumni, Former Students and Friends of Southern Illinois University, Incorporated, MC 6809, Colyer Hall, Carbondale, IL 62901-6809 and The Alumni Association of Southern Illinois University at Edwardsville, Southern Illinois University, Edwardsville, IL 62026-1031.

University Park, Southern Illinois University at Edwardsville, Inc. was formed for the purpose of providing such management, administrative, and other services as deemed essential to the operation and development of the University Park facility. Complete financial statements for the University Park may be obtained by writing: University Park, Southern Illinois University at Edwardsville, Inc., Southern Illinois University, Edwardsville, IL 62026-1333.

Southern Illinois Research Park, Inc. was formed to promote high technology and knowledge-based enterprise development within Carbondale and southern Illinois. Complete financial statements for the

**Southern Illinois University  
Notes to Financial Statements  
June 30, 2012 and June 30, 2011**

**NOTE 1 - The financial reporting entity and component unit disclosures (continued)**

Research Park may be obtained by writing: Southern Illinois Research Park, 150 East Pleasant Hill Road, Carbondale, IL 62901-6891.

SIU Physicians & Surgeons, Inc., d/b/a SIU HealthCare, was formed to aid in the education and training of medical students, residents, fellows, and physicians for the delivery of cost-effective, high-quality patient care and the conduct of medical and other scientific investigations. Complete financial statements for SIU Physicians & Surgeons, Inc. may be obtained by writing: SIU Physicians & Surgeons, Inc., SIU School of Medicine, P.O. Box 19606, Springfield, IL 62794-9606.

The University is a component unit of the State of Illinois for financial reporting purposes. The financial balances and activities included in these financial statements are, therefore, also included in the State's comprehensive annual financial report.

**NOTE 2 - Significant accounting policies**

***University basis of presentation***

The financial statements of the University have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University'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 to pay has been incurred. All significant intra-agency transactions have been eliminated.

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; the 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.

The financial statements include prior year comparative information, which has been derived from the University's 2011 financial statements. Such information does not include all of the information required 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 University's financial statements for the year ended June 30, 2011.

***University Related Organizations basis of presentation***

The financial statements of the Southern Illinois University at Edwardsville Foundation; the Alumni Association of Southern Illinois University at Edwardsville; University Park, Southern Illinois University at Edwardsville, Inc.; Southern Illinois Research Park, Inc., Carbondale; and SIU Physicians & Surgeons, Inc., comply with the Governmental Accounting Standards Board (GASB) presentation format as described above.

**Southern Illinois University**  
**Notes to Financial Statements**  
**June 30, 2012 and June 30, 2011**

**NOTE 2 - Significant accounting policies (continued)**

Beginning in fiscal year 2009, the Southern Illinois University Foundation (at Carbondale) and The Association of Alumni, Former Students and Friends of Southern Illinois University, Inc., follow Financial Accounting Standards Board (FASB) standards for financial statement presentation. Consequently, reclassifications have been made to convert their statements to the GASB format for inclusion in the University Related Organizations' column in the financial statements.

***Cash and cash equivalents***

Cash, deposits and cash equivalents of the University include bank accounts and investments with original maturities of ninety days or less at the time of purchase, primarily U.S. Treasury Bills and money market funds. The University classifies its investment in The Illinois Funds as a deposit for financial statement purposes.

***Allowance for uncollectibles***

The University provides allowances for uncollectible accounts and notes receivable based upon management's best estimate of uncollectible accounts and notes at the statement of net assets date, considering type, age, collection history of receivables, and any other factors as considered appropriate. The University's accounts receivable and notes receivable are reported net of allowances of \$14,071,241 and \$3,070,691, respectively, at June 30, 2012, compared to allowances of \$14,122,939 and \$2,749,831, respectively, at June 30, 2011.

***Inventories***

Inventories are stated at the lower of cost (first-in, first-out method) or market with the exception of the Textbook Rental Service at the Edwardsville campus. The rental books are recorded net of depreciation with the related expense reported as operating expense.

***Capital assets***

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The University's capitalization policy for capital assets is as follows: infrastructure \$1,000,000 or greater; buildings \$100,000 or greater; intangible assets \$100,000 or greater; site or building improvements \$25,000 or greater; and equipment and library books \$5,000 or greater. Renovations to buildings that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense in the year incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 20 years for infrastructure, 15 years for site or building improvements, and seven to 20 years for intangible assets. Vehicles and electronic data processing equipment are depreciated over five years. Other equipment and books are depreciated over seven years. Land, works of art, and historical treasures are not depreciated. The "following-month" prorate convention is used, in which no depreciation is recorded in the month of acquisition and an entire month of depreciation is recorded in the month of disposition.

***Revenue and expense recognition***

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the University reported on-behalf payments of \$221,995,044 for fiscal year 2012 for health care and retirement costs, compared to \$191,169,767 for fiscal year 2011. These costs are reflected in the Statement of Revenues, Expenses and Changes in Net Assets as nonoperating revenues entitled "Payments on behalf of the University" and as operating expenses under the appropriate functional classifications.

**Southern Illinois University  
Notes to Financial Statements  
June 30, 2012 and June 30, 2011**

**NOTE 2 - Significant accounting policies (continued)**

Substantially all employees participate in group health insurance plans administered by the State of Illinois. The employer contributions to these plans for University employees paid from State appropriations and auxiliary enterprises are paid by the State on behalf of the University. On-behalf payments for health care costs totaled \$122,701,805 for the year ended June 30, 2012, and \$112,954,554 for the year ended June 30, 2011. The employer contributions to these plans for employees paid from other University held funds are paid by the University. On behalf-payments of \$99,293,239 for the year ended June 30, 2012, were made for retirement costs, compared to \$78,215,213 for the year ended June 30, 2011.

***Classification of revenues and expenses***

The University has classified its revenues and expenses as either operating or nonoperating as follows:

**Operating:** Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as student tuition and fees, sales and services of educational departments, sales and services of auxiliary enterprises, and most grants and contracts. The majority of the University's expenses are operating expenses.

**Nonoperating:** Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other sources and uses that are defined as nonoperating by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, such as state appropriations, investment income, and federal student aid programs. Appropriations made to the University from the State of Illinois General Revenue Fund are recognized as nonoperating revenues in the year appropriated to the extent expended. Other nonoperating revenues and expenses include transactions relating to capital and financing activities, noncapital financing activities, and investing activities.

Tuition and fees are generally recognized as revenues as they are assessed. The portion of summer session tuition and fees applicable to the following fiscal year is deferred.

The University first applies restricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Restricted grant revenues from external sources are recognized to the extent of related expenditures on the accrual basis.

***Compensated absences***

Accrued compensated absences for University personnel are charged to current funds based on earned but unused vacation and sick leave days including the University's share of Social Security and Medicare taxes. At June 30, 2012, the University estimates \$32,744,025 will be paid from state appropriated accounts funded by the State of Illinois and the Income Fund, and \$14,823,120 from local funds in subsequent years for a combined total of \$47,567,145. This compares to \$35,585,279 from state accounts and \$14,016,620 from local funds, totaling \$49,601,899, at June 30, 2011.

**Southern Illinois University**  
**Notes to Financial Statements**  
**June 30, 2012 and June 30, 2011**

**NOTE 2 - Significant accounting policies (continued)**

***New Governmental Accounting Standards***

The Governmental Accounting Standards Board (GASB) has issued the following statements which are effective for periods beginning July 1, 2011, or later which may impact the University:

Statement No. 57 – *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method. The Statement also amends a Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, requirement that a defined benefit OPEB plan obtain an actuarial valuation. The statement is effective for periods beginning after June 15, 2011. It did not impact the University.

Statement No. 60 – *Accounting and Financial Reporting for Service Concession Arrangements*, applies to public-private partnerships in which the public institution retains specific control criteria. The standard generally applies to arrangements to provide services through the use of infrastructure or another public asset, such as a facility. The statement is effective for periods beginning after December 15, 2011. The impact on the University will be reviewed.

Statement No. 61 – *The Financial Reporting Entity: Omnibus*, which amends the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. The primary significance to public Universities is that Statement 61 amends the criteria for blending, or reporting component units as if they were part of the primary governments. The statement is effective for periods beginning after June 15, 2012. It is not expected to impact the University.

Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, incorporates guidance that previously could only be found in certain FASB and American Institute of Certified Public Accountants (AICPA) pronouncements. The standard supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. The statement is effective for periods beginning after December 15, 2011. The impact on the University will be reviewed.

Statement No. 63 – *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position*, addresses how to report elements of financial statements that are deferrals. The statement clarifies that amounts that are required to be reported as deferred outflows or inflows of resources should be reported in a separate section in a statement of net assets. The statement is effective for periods beginning after December 15, 2011. The impact on the University will be reviewed.

Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions* provides guidance for circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The statement is effective for periods beginning after June 15, 2011. It did not impact the University.

Statement No. 65 – *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows or deferred inflows of resources, certain items previously reported as assets and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities. The statement is effective for periods beginning after December 15, 2012. The impact on the University will be reviewed.

**Southern Illinois University**  
**Notes to Financial Statements**  
**June 30, 2012 and June 30, 2011**

**NOTE 2 - Significant accounting policies (continued)**

Statement No. 66 – *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, resolves conflicting guidance that resulted from the issuance of Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* as well as Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. The statement is effective for periods beginning after December 15, 2012. The impact on the University will be reviewed.

Statement No. 67 – *Financial Reporting for Pension Plans*, amends Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, to revise existing guidance for financial reporting of pension plans of state and local governments. The statement is effective for fiscal years beginning after June 15, 2013. The impact on the University will be reviewed.

Statement No. 68 – *Accounting and Financial Reporting for Pensions*, amends Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to revise and establish new financial reporting requirements for most governments that provide pension benefits. The statement is effective for fiscal years beginning after June 15, 2014. The impact on the University will be reviewed.

**NOTE 3 - Cash, deposits and cash equivalents**

At June 30, 2012, the actual bank balances related to the deposits of the University amounted to \$170,779,212; of this balance, \$128,373,301 was either covered by federal depository insurance or not required to be collateralized and \$42,405,911 was covered by collateral held by an agent in the University's name. The actual bank balances at June 30, 2011, were \$109,521,823.

Cash, deposits and cash equivalents at June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
<b>UNIVERSITY:</b>		
Cash and cash equivalents	\$ 30,051,858	\$ 9,620,219
The Illinois Funds	<u>130,497,773</u>	<u>88,631,709</u>
Total cash and cash equivalents	<u>\$ 160,549,631</u>	<u>\$ 98,251,928</u>
<b>UNIVERSITY RELATED ORGANIZATIONS:</b>		
Total cash and cash equivalents	<u>\$ 14,297,725</u>	<u>\$ 10,718,878</u>

**NOTE 4 – Investments**

***University investment policy***

It is University policy to invest funds in a manner which will provide investment returns and security consistent with good business practices, while meeting the daily cash flow demands of the University and conforming to all statutes governing the investments of funds. Funds are invested in accordance with the provisions of the Illinois Compiled Statutes, Chapter 30, Sections 235/0.01 – 235/8, the *Public Funds Investment Act*; the policies of the Board; and covenants provided from the University's bond and certificate of participation issuance activities. The University's Investment Policy authorizes the University to invest in securities of the United States of America, its agencies, and its instrumentalities; interest bearing savings accounts, certificates of deposit, interest bearing time deposits, and other direct obligations of any bank defined in the Illinois Banking Act; certain short term obligations of U.S.



**Southern Illinois University**  
**Notes to Financial Statements**  
**June 30, 2012 and June 30, 2011**

**NOTE 4 – Investments (continued)**

corporations rated in the highest three rating classification by at least two standard rating services provided such obligations do not mature in longer than 270 days from the time of purchase and the issuing entity has at least \$500 million in assets (limited to 33 percent of the portfolio); money market mutual funds provided they are comprised of only U.S. Treasuries, agencies and instrumentalities; Public Treasurer's Investment Pool-State Treasurer's Office; repurchase agreements of Government securities; and other specifically defined repurchase agreements.

The three basic objectives of the University's investment policy are safety of invested funds; maintenance of sufficient liquidity to meet cash flow needs; and attainment of the maximum investment returns possible consistent with the first two objectives. The University insures the safety of its invested funds by limiting credit and interest rate risks. The University's portfolio is structured to ensure that cash is available to meet anticipated demands. Additionally, since all possible cash demands cannot be anticipated, the portfolio consists largely of securities with active secondary or resale markets. The investment returns on the University's portfolio is a priority after the safety and liquidity objectives have been met. Investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

***University investments***

Investments are reported at fair value. The fair value is determined to be the amount, usually quoted market prices, at which financial instruments could be exchanged in a current transaction between willing partners. The investment with the Public Treasurer's Investment Pool-State Treasurer's Office is at fair value, which is the same value as the pool shares. State statutes require the Illinois Funds to comply with the *Illinois Public Funds Investment Act* (30 ILCS 235). Also, certain money market investments having a remaining maturity of one year or less at time of purchase and non-negotiable certificates of deposit with redemption terms that do not consider market rates are carried at amortized cost.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The University has pooled its operating cash for investment purposes to provide for efficiencies and economies in their management. Proceeds related to revenue bond and certificate of participation financing activities are pooled to the extent allowed under the covenants. Investment income earned on the operating cash and investments, including realized gains and losses resulting from the sale or other disposition of investments, is distributed on a quarterly basis to the pooled participants based upon their respective average balances over the prior three-month period.

Western Asset Management manages the external portfolio, and JPMorgan Chase keeps custody of these funds and assists in the accounting and reporting functions related to these investments. The funds are allocated into an Intermediate Maturity Portfolio.

**Southern Illinois University**  
**Notes to Financial Statements**  
**June 30, 2012 and June 30, 2011**

**NOTE 4 – Investments (continued)**

Investment income net of realized and unrealized gains and losses on investments for the years ended June 30, 2012 and 2011 are reflected below:

	<u>2012</u>	<u>2011</u>
<b><u>UNIVERSITY:</u></b>		
Interest earnings	\$ 2,081,046	\$ 2,293,684
Realized gain/(loss) on investments	493,075	1,176,159
Unrealized gain/(loss) on investments	<u>2,051,173</u>	<u>(55,297)</u>
Net investment income	<u>\$ 4,625,294</u>	<u>\$ 3,414,546</u>
<b><u>UNIVERSITY RELATED ORGANIZATIONS:</u></b>		
Interest earnings	\$ 3,654,931	\$ 4,786,377
Realized gain/(loss) on investments	737,763	9,144,629
Unrealized gain/(loss) on investments	<u>(3,998,395)</u>	<u>14,427,551</u>
Net investment income	<u>\$ 394,299</u>	<u>\$ 28,358,557</u>

***University risk disclosures***

*Credit risk:* Credit risk is the risk of loss due to the failure of the security issuer or backer to meet promised interest or principal payments on required dates. Credit risk is mitigated by limiting investments to those specified in the *Illinois Public Funds Investment Act*, which prohibits investment in corporate bonds with maturity dates longer than 270 days from the date of purchase; pre-qualifying the financial institutions which are utilized; and diversifying the investment portfolio so that the failure of any one issue or backer will not place an undue financial burden on the University. U.S. Treasuries are federal government securities that do not require the disclosure of credit risk. The U.S. agencies investments typically include the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Federal Home Loan Bank, all of which are rated AAA. The Public Treasurer's Investment Pool is also rated AAA.

*Concentration of credit risk:* The University's investment policy states that the portfolio should consist of a mix of various types of securities, issues and maturities. While the fund's asset allocation strategy provides diversification by fixed income sector, each portfolio within the sector is also broadly diversified by security type, issue and maturity.

*Custodial credit risk:* Custodial credit risk is the risk that when, in the event a financial institution or counterparty fails, the University would not be able to recover value of deposits, investments or collateral securities that are in the possession of an outside party. All of the University's investments are held in the University's name and are not subject to creditors of the custodial institution.

*Interest rate risk:* Interest rate risk is the risk that the market value of portfolio securities will fall or rise due to changes in general interest rates. Interest rate risk is mitigated by maintaining significant balances in cash equivalent and other short maturity investments and by establishing an asset allocation policy that is consistent with the expected cash flows of the University. The internally managed portfolio is managed in accordance with covenants provided from the University's debt issuance activities. The externally managed portfolio is typically allocated with a minimum of \$40 million held in cash equivalents and \$65 to \$115 million held in the intermediate term portfolio. However, circumstances may occur that cause the allocations to temporarily fall outside the prescribed ranges.

**Southern Illinois University**  
**Notes to Financial Statements**  
**June 30, 2012 and June 30, 2011**

**NOTE 4 – Investments (continued)**

*Foreign currency risk:* The University does not hold any foreign investments.

***University Related Organizations investments***

As the investments of the University's two Foundations are considered material to the University's financial statements taken as a whole, the following disclosures are made:

***Southern Illinois University Foundation (at Carbondale)***

The Foundation financial statements follow Financial Accounting Standards Board (FASB) standards; therefore, the required disclosures differ from GASB requirements. Investments are stated at fair value in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, and are recorded on the trade date. The fair value of all debt and equity securities with a readily determinable fair value are based on quotations obtained from national securities exchanges. The alternative investments (hedge funds, limited partnerships and other private equity) for which quoted market prices are not available, are carried at estimated fair market values as provided by the external general partners or investment managers and/or audited financial statements of the fund or partnership. Such values may be based on a variety of estimates and assumptions requiring varying degrees of judgment and may be subject to volatility in market conditions and the possibility that their value could substantially change in the near term and/or be materially different than the values reported in the statement of financial position. Management of the Foundation believes that the carrying amounts of these financial instruments are a reasonable estimate of fair value. Realized gains and losses on sales of investments are determined on the specific identification basis.

Investment securities are exposed to various risks including, but not limited to, interest rate and market and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term. Because the hedge funds and limited partnerships are not readily marketable, their estimated fair value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market existed.

The Foundation maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Life insurance policies are carried at net cash surrender value. Changes in fair value (realized and unrealized) are recorded in the statement of activities.

The Foundation measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an order transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Foundation may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

**Southern Illinois University  
Notes to Financial Statements  
June 30, 2012 and June 30, 2011**

**NOTE 4 – Investments (continued)**

Custodial credit risk is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned to the Foundation. The Foundation has a policy to require banks to collateralize balances over the FDIC insured amount. As of June 30, 2012, the entire bank balance of \$479,635 was either insured or collateralized by pledged bank assets in the Foundation's name. As of June 30, 2011, \$2,372,904 of the bank balance of \$2,777,153 was either insured or collateralized by pledged bank assets in the Foundation's name.

*Southern Illinois University at Edwardsville Foundation*

It is Foundation policy to invest funds in a manner which will provide investment returns and security consistent with good business practices, while meeting the daily cash flow demands of the Foundation. Funds are invested in accordance with the approved Board policy for investments. The Foundation's investment policy authorizes the Foundation to invest in securities of the U.S. government or its agencies, banker's acceptances, certificates of deposit, interest bearing savings accounts, interest bearing time deposits, and other direct obligations of any bank defined in the Illinois Banking Act. The Foundation's policy also authorizes additional types of investments in corporate debt securities, open and closed end mutual funds, and common and preferred stocks subject to United States' securities regulation and enforcement. The fair value of investments is determined to be the amount, usually quoted market prices, at which financial instruments could be exchanged in a current transaction between willing parties.

The Foundation has specific investment objectives based on the type of investment. For student assistance endowments and quasi-endowments, the main objective of the investment policy is maintenance of the purchasing power of the assets in perpetuity. For general endowments and quasi-endowments, the main objective is maximizing total return on assets. For charitable gift annuity funds, the main objective of the investment policy is to generate sufficient cash flow to meet the financial commitments to the annuitants while obtaining a total investment return that provides for a residual balance of at least 50 percent of the original gift amount at the termination of the agreement. The investment policy has an overall return objective to preserve the inflation adjusted value of the funds and to maximize total return net of investment expense.

*Credit risk:* Credit risk is mitigated by limiting investments to those specified in the Board approved policy and diversifying the investment portfolio so that the failure of any one issuer or backer will not place an undue financial burden on the Foundation. Board policy requires investments in fixed income securities or corporate securities to be purchased or retained only if the security is A2 or higher by Moody's Investor Service or is rated A or higher by Standard and Poor's Corporation (S&P), Fitch Investors Service or Duffs & Phelps Credit Rating Co. Commercial paper, money markets, and banker's acceptances must be rated at least Prime-1 by Moody's or at least A1 by S&P. U.S. Treasuries are federal government securities that do not require the disclosure of credit risk. The U.S. agencies investments include the Federal Home Loan Mortgage Corporation and the Federal Home Loan Bank, all rated AAA and Aaa by S&P and Moody's, respectively.

*Concentration of credit risk:* Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. The Foundation's investment policy encourages diversification and prohibits investments of five percent or more of total investments in any one issuer.

*Custodial credit risk:* Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments that are in the possession of an outside party. The investment custodians hold these investments in their name for the benefit of the

**Southern Illinois University**  
**Notes to Financial Statements**  
**June 30, 2012 and June 30, 2011**

**NOTE 4 – Investments (continued)**

Foundation. The Foundation's investments are managed by two separate investment firms, each offering SIPC protection up to \$500,000.

*Interest rate risk:* The Foundation does not maintain a policy that limits investment maturities in regards to interest rate risk; however, its overall risk management requires sound investment decisions and diversification of overall risk.

*Foreign currency risk:* The Foundation had no investment in common stocks of foreign companies at June 30, 2012. The Foundation's policy related to foreign currency risk is that no purchase of a foreign equity may be made if such purchase would cause the total value of foreign equity assets to exceed the lesser of ten percent of the total or 25 percent of the equity portion of the endowment portfolio.

Investment policies and relevant risk disclosures as described in GASB Statement No. 40 applicable to the other University Related Organizations can be obtained by contacting those entities listed in Note 1 on pages 16 and 17.

**Investment maturities**

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2012 and 2011, the University had the following investment balances:

**UNIVERSITY:**

Investment Type:	AS OF JUNE 30, 2012					
	Fair Value	Investment Maturities (in Years)				No Maturity
		Less Than 1	1-5	6-10		
U.S. Treasuries	\$ 55,591,173	\$ 13,861,776	\$ 30,455,443	\$ 11,273,954	\$ -	
U.S. Agencies	74,810,704	21,896,855	33,912,610	19,001,239	-	
The Illinois Funds	130,497,773	130,497,773	-	-	-	
Common Stock	44,300	-	-	-	44,300	
Subtotal	260,943,950	\$ 166,256,404	\$ 64,368,053	\$ 30,275,193	\$ 44,300	
Less: Investment in The Illinois Funds reported as cash	(130,497,773)					
<b>Total Investments</b>	<b>\$ 130,446,177</b>					

**UNIVERSITY:**

Investment Type:	AS OF JUNE 30, 2011					
	Fair Value	Investment Maturities (in Years)				No Maturity
		Less Than 1	1-5	6-10		
U.S. Treasuries	\$ 45,230,472	\$ 5,834,621	\$ 30,155,248	\$ 9,240,603	\$ -	
U.S. Agencies	70,185,114	8,446,763	50,162,527	11,575,824	-	
The Illinois Funds	88,631,709	88,631,709	-	-	-	
Common Stock	44,300	-	-	-	44,300	
Subtotal	204,091,595	\$ 102,913,093	\$ 80,317,775	\$ 20,816,427	\$ 44,300	
Less: Investment in The Illinois Funds reported as cash	(88,631,709)					
<b>Total Investments</b>	<b>\$ 115,459,886</b>					

Southern Illinois University  
Notes to Financial Statements  
June 30, 2012 and June 30, 2011

**NOTE 4 – Investments (continued)**

*Investment maturities*

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2012 and 2011, the University Related Organizations had the following investment balances:

UNIVERSITY RELATED ORGANIZATIONS:

Investment Type:	AS OF JUNE 30, 2012					
	Fair Value	Investment Maturities (in Years)				
		Less Than 1	1-5	6-10	Over 10	No Maturity
Municipal Bonds	\$ 1,022,558	\$ -	\$ 782,162	\$ 240,396	\$ -	\$ -
Government Bonds	32,126	-	-	-	32,126	-
Common Stock	918,934	-	-	-	-	918,934
Certificates of Deposit	5,415,395	2,120,298	3,295,097	-	-	-
Corporate Equity Securities	500,490	-	500,490	-	-	-
Hedge Funds	3,446,567	3,446,567	-	-	-	-
Private Equity	6,925,517	5,061,810	1,863,707	-	-	-
Money Market Funds with Brokers	2,953,980	2,953,980	-	-	-	-
Mutual Funds	144,734,024	144,734,024	-	-	-	-
<b>Total Investments</b>	<b>\$ 165,949,591</b>	<b>\$ 158,316,679</b>	<b>\$ 6,441,456</b>	<b>\$ 240,396</b>	<b>\$ 32,126</b>	<b>\$ 918,934</b>

UNIVERSITY RELATED ORGANIZATIONS:

Investment Type:	AS OF JUNE 30, 2011					
	Fair Value	Investment Maturities (in Years)				
		Less Than 1	1-5	6-10	Over 10	No Maturity
Municipal Bonds	\$ 288,911	\$ -	\$ 206,575	\$ 82,336	\$ -	\$ -
Common Stock	200,675	-	-	-	-	200,675
Certificates of Deposit	8,392,224	1,790,984	6,576,327	24,913	-	-
Foreign Equity Securities	20,758,113	20,758,113	-	-	-	-
Corporate Equity Securities	330,135	-	265,988	64,147	-	-
Hedge Funds	5,434,086	3,570,379	1,863,707	-	-	-
Private Equity	4,291,328	4,291,328	-	-	-	-
Money Market Funds with Brokers	2,754,297	2,754,297	-	-	-	-
Mutual Funds	125,222,128	125,222,128	-	-	-	-
<b>Total Investments</b>	<b>\$ 167,671,897</b>	<b>\$ 158,387,229</b>	<b>\$ 8,912,597</b>	<b>\$ 171,396</b>	<b>\$ -</b>	<b>\$ 200,675</b>

**Southern Illinois University**  
**Notes to Financial Statements**  
**June 30, 2012 and June 30, 2011**

**NOTE 5 - Accounts and notes receivable**

Accounts and notes receivable consisted of the following at June 30, 2012 and 2011:

**UNIVERSITY:**

	<u>2012</u>		<u>2011</u>	
	<u>Accounts Receivable</u>	<u>Notes Receivable</u>	<u>Accounts Receivable</u>	<u>Notes Receivable</u>
Student tuition and fees	\$ 16,303,129	\$ -	\$ 16,499,626	\$ -
Auxiliary enterprises	11,126,505	-	10,703,293	-
Grants and contracts	15,091,100	-	19,832,477	-
General operating	25,597,936	-	27,323,351	-
Student loans	127,913	20,598,107	94,699	20,576,969
Plant funds	-	-	190,178	153,232
Other accounts receivable	352,426	-	348,413	-
	<u>68,599,009</u>	<u>20,598,107</u>	<u>74,992,037</u>	<u>20,730,201</u>
Less: Allowance for doubtful accounts	<u>(14,071,241)</u>	<u>(3,070,691)</u>	<u>(14,122,939)</u>	<u>(2,749,831)</u>
Net receivable	<u>\$ 54,527,769</u>	<u>\$ 17,527,417</u>	<u>\$ 60,869,098</u>	<u>\$ 17,980,370</u>

**UNIVERSITY RELATED ORGANIZATIONS:**

	<u>2012</u>		<u>2011</u>	
	<u>Accounts Receivable</u>	<u>Notes Receivable</u>	<u>Accounts Receivable</u>	<u>Notes Receivable</u>
Accounts receivable	\$ 60,490,310	\$ -	\$ 67,141,074	\$ -
Student loans	-	73,187	-	66,538
	<u>60,490,310</u>	<u>73,187</u>	<u>67,141,074</u>	<u>66,538</u>
Less: Allowances for assignment losses & doubtful accounts	<u>(40,090,807)</u>	<u>-</u>	<u>(38,382,811)</u>	<u>-</u>
Net receivable	<u>\$ 20,399,503</u>	<u>\$ 73,187</u>	<u>\$ 28,758,263</u>	<u>\$ 66,538</u>

During fiscal year 2003, Southern Illinois University entered into a contract for deed agreement with Equipping the Saints Ministry, International, Inc. for the sale of the Auburn Clinic building in Auburn, Illinois. The contract was in the amount of \$240,000 at an interest rate of 4%, to be paid over a term of ten years in eighteen semi-annual installments of \$9,000, including interest, beginning June 19, 2003, with a final installment of \$124,790 due on December 19, 2011. A down payment of \$24,000 was paid upon signing of the contract. The balance was paid in full on September 8, 2011.

Southern Illinois University  
Notes to Financial Statements  
June 30, 2012 and June 30, 2011

**NOTE 6 - Capital assets**

Capital asset activity for the University for the fiscal year ended June 30, 2012 was as follows:

UNIVERSITY:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 21,544,339	\$ -	\$ 29,642	\$ -	\$ 21,514,697
Nondepreciable historical treasures and works of art	10,842,890	637,669	-	-	11,480,559
Construction in progress	55,522,300	102,295,809	593,422	(13,236,485)	143,988,202
Total capital assets not being depreciated	87,909,529	102,933,478	623,064	(13,236,485)	176,983,458
Capital assets being depreciated:					
Site improvements	61,768,341	1,955,510	981,254	1,789,196	64,531,793
Buildings	995,725,288	2,050,892	7,223,583	8,256,724	998,809,321
Equipment	329,048,993	14,228,636	5,305,682	3,190,565	341,162,512
Intangible assets	7,340,787	-	-	-	7,340,787
Infrastructure	8,607,727	-	-	-	8,607,727
Total capital assets being depreciated	1,402,491,136	18,235,038	13,510,519	13,236,485	1,420,452,140
Less accumulated depreciation for:					
Site improvements	37,322,886	2,382,558	981,254	-	38,724,190
Buildings	450,727,737	26,305,218	6,434,418	-	470,598,537
Equipment	275,488,752	16,859,981	4,854,968	-	287,493,765
Intangible assets	1,815,349	773,615	-	-	2,588,964
Infrastructure	8,607,727	-	-	-	8,607,727
Total accumulated depreciation	773,962,451	46,321,372	12,270,640	-	808,013,183
Total capital assets being depreciated, net	628,528,685	(28,086,334)	1,239,879	13,236,485	612,438,957
Capital assets, net	\$ 716,438,214	\$ 74,847,144	\$ 1,862,943	\$ -	\$ 789,422,415



Southern Illinois University  
Notes to Financial Statements  
June 30, 2012 and June 30, 2011

**NOTE 6 - Capital assets (continued)**

Capital asset activity for the University for the fiscal year ended June 30, 2011 was as follows:

**UNIVERSITY:**

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 21,544,339	\$ -	\$ -	\$ -	\$ 21,544,339
Nondepreciable historical treasures and works of art	10,273,961	568,929	-	-	10,842,890
Construction in progress	87,679,757	53,636,719	105,093	(85,689,083)	55,522,300
Total capital assets not being depreciated	119,498,057	54,205,648	105,093	(85,689,083)	87,909,529
Capital assets being depreciated:					
Site improvements	59,671,889	631,558	1,074,348	2,539,242	61,768,341
Buildings	914,366,031	1,247,791	3,038,375	83,149,841	995,725,288
Equipment	320,320,107	16,100,597	7,371,711	-	329,048,993
Intangible assets	6,905,597	435,190	-	-	7,340,787
Infrastructure	8,607,727	-	-	-	8,607,727
Total capital assets being depreciated	1,309,871,351	18,415,136	11,484,434	85,689,083	1,402,491,136
Less accumulated depreciation for:					
Site improvements	36,197,349	2,199,885	1,074,348	-	37,322,886
Buildings	428,797,057	24,969,056	3,038,376	-	450,727,737
Equipment	266,106,569	16,133,683	6,751,500	-	275,488,752
Intangible assets	983,709	831,640	-	-	1,815,349
Infrastructure	8,607,727	-	-	-	8,607,727
Total accumulated depreciation	740,692,411	44,134,264	10,864,224	-	773,962,451
Total capital assets being depreciated, net	569,178,940	(25,719,128)	620,210	85,689,083	628,528,685
Capital assets, net	\$ 688,676,997	\$ 28,486,520	\$ 725,303	\$ -	\$ 716,438,214

**Southern Illinois University**  
**Notes to Financial Statements**  
**June 30, 2012 and June 30, 2011**

**NOTE 6 - Capital assets (continued)**

Capital asset activity for the University Related Organizations for the fiscal years ended June 30, 2012 and 2011 was as follows:

**UNIVERSITY RELATED ORGANIZATIONS:**

**2012**

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 315,672	\$ 96,500	\$ -	\$ -	\$ 412,172
Total capital assets not being depreciated	315,672	96,500	-	-	412,172
Capital assets being depreciated:					
Site improvements	315,630	-	-	-	315,630
Buildings	4,271,676	810,000	-	-	5,081,676
Equipment	4,460,241	119,907	11,500	-	4,568,648
Total capital assets being depreciated	9,047,547	929,907	11,500	-	9,965,954
Less accumulated depreciation for:					
Site improvements	170,961	31,399	-	-	202,360
Buildings	915,606	135,895	-	-	1,051,501
Equipment	2,673,252	406,514	11,500	-	3,068,266
Total accumulated depreciation	3,759,819	573,808	11,500	-	4,322,127
Total capital assets being depreciated, net	5,287,728	356,099	-	-	5,643,827
Capital assets, net	<u>\$ 5,603,400</u>	<u>\$ 452,599</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,055,999</u>

**UNIVERSITY RELATED ORGANIZATIONS:**

**2011**

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 315,672	\$ -	\$ -	\$ -	\$ 315,672
Total capital assets not being depreciated	315,672	-	-	-	315,672
Capital assets being depreciated:					
Site improvements	315,630	-	-	-	315,630
Buildings	4,271,676	-	-	-	4,271,676
Equipment	4,171,511	291,288	2,558	-	4,460,241
Total capital assets being depreciated	8,758,817	291,288	2,558	-	9,047,547
Less accumulated depreciation for:					
Site improvements	139,559	31,402	-	-	170,961
Buildings	795,459	120,147	-	-	915,606
Equipment	2,241,348	434,462	2,558	-	2,673,252
Total accumulated depreciation	3,176,366	586,011	2,558	-	3,759,819
Total capital assets being depreciated, net	5,582,451	(294,723)	-	-	5,287,728
Capital assets, net	<u>\$ 5,898,123</u>	<u>\$ (294,723)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,603,400</u>

Southern Illinois University  
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**NOTE 7 – Changes in liabilities**

Liability activity for the years ended June 30, 2012 and 2011 is as follows:

	<b>2012</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
<b>UNIVERSITY:</b>					
Compensated absences	\$ 49,601,899	\$ 5,014,443	\$ 7,049,197	\$ 47,567,145	\$ 4,955,779
Revenue bonds payable	285,487,727	34,136,329	19,783,160	299,840,896	17,479,618
Certificates of participation	19,986,733	-	2,100,784	17,885,949	2,185,398
Capitalized leases	209,625	1,484,798	437,872	1,256,551	292,827
Self insurance	18,429,984	13,664,458	9,833,836	22,260,606	14,433,109
Federal loan programs refundable	17,271,593	1,602	-	17,273,195	-
Due to related organizations	7,348	62,532	-	69,880	69,880
Housing deposits	312,600	200,730	217,530	295,800	133,110
Total long-term liabilities	<u>\$ 391,307,509</u>	<u>\$ 54,564,892</u>	<u>\$ 39,422,379</u>	<u>\$ 406,450,022</u>	<u>\$ 39,549,721</u>

	<b>2011</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
<b>UNIVERSITY RELATED ORGANIZATIONS:</b>					
Annuities payable	\$ 4,287,962	\$ 79,858	\$ 450,926	\$ 3,916,894	\$ 501,143
Other accrued liabilities	2,447,443	29,452	-	2,476,895	-
Deposits held in custody for others	2,389,505	-	196,570	2,192,935	68,309
Total long-term liabilities	<u>\$ 9,124,910</u>	<u>\$ 109,310</u>	<u>\$ 647,496</u>	<u>\$ 8,586,724</u>	<u>\$ 569,452</u>

	<b>2011</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
<b>UNIVERSITY:</b>					
Compensated absences	\$ 51,031,457	\$ 3,226,114	\$ 4,655,672	\$ 49,601,899	\$ 3,735,380
Revenue bonds payable	297,273,024	4,475,452	16,260,749	285,487,727	16,370,048
Certificates of participation	22,857,825	-	2,871,092	19,986,733	2,100,784
Capitalized leases	233,722	226,761	250,858	209,625	122,595
Self insurance	18,829,390	11,347,694	11,747,100	18,429,984	12,846,252
Federal loan programs refundable	17,266,223	5,370	-	17,271,593	-
Due to related organizations	35,948	-	28,600	7,348	7,348
Other accrued liabilities	121,965	-	121,965	-	-
Housing deposits	287,550	284,623	259,573	312,600	140,670
Total long-term liabilities	<u>\$ 407,937,104</u>	<u>\$ 19,566,014</u>	<u>\$ 36,195,609</u>	<u>\$ 391,307,509</u>	<u>\$ 35,323,077</u>

	<b>2011</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
<b>UNIVERSITY RELATED ORGANIZATIONS:</b>					
Annuities payable	4,468,907	343,464	524,409	4,287,962	541,789
Other accrued liabilities	2,419,760	27,683	-	2,447,443	-
Deposits held in custody for others	1,973,377	499,521	83,393	2,389,505	93,879
Total long-term liabilities	<u>\$ 8,862,044</u>	<u>\$ 870,668</u>	<u>\$ 607,802</u>	<u>\$ 9,124,910</u>	<u>\$ 635,668</u>

Southern Illinois University  
Notes to Financial Statements  
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**NOTE 8 - Revenue bonds payable**

Revenue bonds payable activity for the years ended June 30, 2012 and 2011 is as follows:

<u>UNIVERSITY:</u>		<u>2012</u>				
Series	Annual Maturity To	Beginning Balance	Accretion/ New Debt	Principal Paid/Debt Refunded	Ending Balance	Current Portion
1993A	2018	\$ 22,158,410	\$ 1,327,733	\$ 3,430,000	\$ 20,056,143	\$ 4,050,000
1997A	2018	17,333,393	947,419	3,105,000	15,175,812	3,135,000
1999A	2029	36,816,975	2,056,177	395,000	38,478,152	450,000
2001A	2017	4,735,000	-	4,735,000	-	-
2003A	2029	6,975,000	-	265,000	6,710,000	275,000
2004A	2035	35,985,000	-	950,000	35,035,000	980,000
2005	2026	17,300,000	-	885,000	16,415,000	945,000
2006A	2036	60,015,000	-	2,995,000	57,020,000	3,140,000
2008A	2028	28,245,000	-	975,000	27,270,000	1,040,000
2009A	2030	51,715,000	-	2,055,000	49,660,000	2,090,000
2012A	2030	-	29,805,000	-	29,805,000	1,515,000
		<u>\$ 281,278,778</u>	<u>\$ 34,136,329</u>	<u>\$ 19,790,000</u>	295,625,107	17,620,000
						Unaccreted appreciation (321,499)
					5,408,750	Unamortized debt premium 301,727
					(1,192,961)	Unamortized loss on refunding (120,610)
					<u>\$ 299,840,896</u>	<u>\$ 17,479,618</u>

<u>UNIVERSITY:</u>		<u>2011</u>				
Series	Annual Maturity To	Beginning Balance	Accretion/ New Debt	Principal Paid/Debt Refunded	Ending Balance	Current Portion
1993A	2018	\$ 24,144,934	\$ 1,448,476	\$ 3,435,000	\$ 22,158,410	\$ 3,430,000
1997A	2018	19,398,036	1,060,357	3,125,000	17,333,393	3,105,000
1999A	2029	35,240,356	1,966,619	390,000	36,816,975	395,000
2001A	2017	6,190,000	-	1,455,000	4,735,000	1,465,000
2003A	2029	7,230,000	-	255,000	6,975,000	265,000
2004A	2035	36,905,000	-	920,000	35,985,000	950,000
2005	2026	18,125,000	-	825,000	17,300,000	885,000
2006A	2036	62,865,000	-	2,850,000	60,015,000	2,995,000
2008A	2028	29,090,000	-	845,000	28,245,000	975,000
2009A	2030	53,735,000	-	2,020,000	51,715,000	2,055,000
		<u>\$ 292,923,326</u>	<u>\$ 4,475,452</u>	<u>\$ 16,120,000</u>	281,278,778	16,520,000
						Unaccreted appreciation (288,660)
					5,569,400	Unamortized debt premium 314,520
					(1,360,451)	Unamortized loss on refunding (175,812)
					<u>\$ 285,487,727</u>	<u>\$ 16,370,048</u>

**Southern Illinois University**  
**Notes to Financial Statements**  
**June 30, 2012 and June 30, 2011**

**NOTE 8 - Revenue bonds payable (continued)**

**University revenue bonds payable:**

The Housing and Auxiliary Facilities System Bonds, Series 1993A were authorized by the University's Board under the Third Supplemental Bond Resolution dated May 13, 1993. The bonds mature at varying amounts from 2011 to 2018 and pay no current interest. Interest ranges from 6.05 to 6.20 percent, approximate yield to maturity. The University records the annual increase in the principal amount of these bonds as interest expense and accretion on bonds payable.

The Housing and Auxiliary System Bonds, Series 1997A were authorized by the Board under the Fifth Supplemental Bond Resolution dated July 10, 1997. The bonds were issued as current interest and capital appreciation bonds. The current interest bonds mature at varying amounts from 1998 to 2009 with interest ranging from 4.20 to 5.50 percent. Interest payments are due semi-annually. The capital appreciation bonds mature at varying amounts from 1998 to 2018 with approximate yield to maturity ranges from 4.10 to 5.74 percent. They pay no current interest. The University records the annual increase in principal amount of these bonds as interest expense and accretion on bonds payable.

The Housing and Auxiliary Facilities System Bonds, Series 1999A were authorized by the University's Board under the Sixth Supplemental Bond Resolution dated May 13, 1999. The bonds mature at varying amounts from 2001 to 2029 with interest ranging from 4.10 to 5.55 percent. They pay no current interest. The University records the annual increase in the principal amount of these bonds as interest expense and accretion on bonds payable.

The Housing and Auxiliary Facilities System Bonds, Series 2001A were authorized by the University's Board under the Eighth Supplemental Bond Resolution dated July 12, 2001, as amended on December 11, 2003. The bonds mature at varying amounts from 2002 to 2017 with interest ranging from 4.00 to 5.50 percent. Interest payments are due semi-annually. The final payment on the 2001A Series Bonds was made on April 1, 2012.

The Housing and Auxiliary Facilities System Bonds, Series 2003A were authorized by the University's Board under the Ninth Supplemental Bond Resolution dated December 12, 2002. The bonds mature at varying amounts from 2004 to 2029 with interest ranging from 1.15 to 4.85 percent. Interest payments are due semi-annually.

The Housing and Auxiliary Facilities System Bonds, Series 2004A were authorized by the University's Board under the Tenth Supplemental Bond Resolution dated October 14, 2004. The bonds mature at varying amounts from 2006 to 2035 with interest ranging from 3.00 to 5.00 percent. Interest payments are due semi-annually.

The Medical Facilities System Bonds, Series 2005 were authorized by the University's Board on October 13, 2005. The bonds mature at varying amounts from 2006 to 2026 with interest ranging from 3.25 to 5.00 percent. Interest payments are due semi-annually.

The Housing and Auxiliary Facilities System Bonds, Series 2006A were authorized by the University's Board under the Eleventh Supplemental Bond Resolution dated March 9, 2006, as amended and restated on May 2, 2006, and as further amended on November 9, 2006. The bonds mature at varying amounts from 2007 to 2036 with interest ranging from 4.00 to 5.25 percent. Interest payments are due semi-annually.

**Southern Illinois University**  
**Notes to Financial Statements**  
**June 30, 2012 and June 30, 2011**

**NOTE 8 - Revenue bonds payable (continued)**

The Housing and Auxiliary Facilities System Bonds, Series 2008A were authorized by the University's Board under the Twelfth Supplemental Bond Resolution dated April 10, 2008. The bonds mature at varying amounts from 2009 to 2028 with interest ranging from 3.00 to 5.50 percent. Interest payments are due semi-annually.

The Housing and Auxiliary Facilities System Bonds, Series 2009A were authorized by the University's Board under the Thirteenth Supplemental Bond Resolution approved April 2, 2009. The bonds mature at varying amounts from 2011 to 2030 with interest ranging from 2.50 to 6.20 percent. Interest payments are due semi-annually. The bonds are Build America Bonds that carry a direct payment subsidy from the U.S. Treasury in an amount equal to 35% of the interest due on each payment date:

Year				Treasury	
Ending	Principal	Interest	Rebate	Total	
2013	\$ 2,090,000	\$ 2,708,925	\$ (948,124)	\$ 3,850,801	
2014	2,135,000	2,641,000	(924,350)	3,851,650	
2015	2,185,000	2,563,606	(897,262)	3,851,344	
2016	2,245,000	2,473,475	(865,716)	3,852,759	
2017	2,310,000	2,371,327	(829,965)	3,851,362	
2018-22	12,750,000	10,023,265	(3,508,143)	19,265,122	
2023-27	15,255,000	6,174,998	(2,161,249)	19,268,749	
2028-30	10,690,000	1,342,920	(470,022)	11,562,898	
Total	\$ 49,660,000	\$ 30,299,516	\$ (10,604,831)	\$ 69,354,685	

The Housing and Auxiliary Facilities System Bonds, Series 2012A were authorized by the University's Board under the Fourteenth Supplemental Bond Resolution approved December 8, 2011. The bonds mature at varying amounts from 2013 to 2030 with interest ranging from 2.05 to 4.38 percent. Interest payments are due semi-annually. Debt service reserve funds of \$1,592,622 were released and used to refund a portion of Series 2001A debt service. The current refunding, which was undertaken by the Board to effect a cost savings, resulted in a net decrease in debt service payments of \$1,939,053 of which \$1,592,622 represents application of the debt service reserve released funds. The financing resulted in an economic gain of \$233,957 and an accounting loss of \$9,103.

**Housing and Auxiliary Facilities System:** These bonds, which are payable through 2036, do not constitute a debt of the State of Illinois or the individual members, officers or agents of the Board of Trustees of the University but, together with interest thereon, are payable from and secured by a pledge of and lien on (i) the net revenues of the System, (ii) pledged tuition in an amount not to exceed maximum annual debt service (subject to prior payment of operating and maintenance expenses of the System), (iii) the Bond and Interest Sinking Fund account, and (iv) the Repair and Replacement Reserve account. Unrefunded bonds issued in 2001 and prior are additionally secured by the Debt Service Reserve. Total principal and interest remaining on the debt is \$430,761,471 with annual requirements ranging from \$2,604,000 to \$26,671,069. For the current year, principal and interest paid was \$28,608,233, and the total revenues pledged were \$59,500,547. In the prior year, principal and interest paid was \$25,090,869, and the total revenues pledged were \$58,000,566. For fiscal year 2012, the total revenue pledged represents 100 percent of the net revenues of the System and 16 percent of net tuition revenue received, compared to 100 percent of the net revenues and 16 percent of net tuition revenue received during fiscal year 2011. Although net tuition is pledged it is not expected to be needed to meet debt service requirements.

**Southern Illinois University**  
**Notes to Financial Statements**  
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**NOTE 8 - Revenue bonds payable (continued)**

The bond resolution requires that debt service coverage on a cash basis be at least 120 percent of the maximum annual debt service. For the year ended June 30, 2012, the maximum annual debt requirement was \$26,671,069, and the coverage was 223 percent. For the year ended June 30, 2011, the maximum annual debt requirement was \$25,267,244, and the coverage was 230 percent. The bond resolution also requires the Treasurer to transfer annually to Renewals and Replacements from the funds remaining in unrestricted net assets the sum of 10 percent of the maximum annual net debt service requirement or such portion thereof as is available for transfer. The net assets of Renewals and Replacements were \$24,417,813 at June 30, 2012, and \$20,770,921 at June 30, 2011.

All of the refunded bonds are considered to be defeased and, accordingly, have been accounted for as if they were retired. As of June 30, 2012, there were no outstanding balances of refunded bonds. As of June 30, 2011, \$7,850,000 of the bonds refunded in 2006 was outstanding and the market value of the related escrow fund was \$7,905,680.

**Medical Facilities System:** These bonds, which are payable through 2026, do not constitute a debt of the State of Illinois or the individual members, officers or agents of the Board of Trustees of the University but, together with interest thereon, are payable from and secured by a pledge of and lien on (i) the net revenues of the System, (ii) pledged tuition (subject to the prior payment of necessary operating and maintenance expenses of the Housing and Auxiliary Facilities System, debt service of the Housing and Auxiliary Facilities System not to exceed the maximum annual debt service, and then necessary operating and maintenance expenses of the System), and (iii) the Bond and Interest Sinking Fund account. Total principal and interest remaining on the debt is \$22,222,162 with annual requirements ranging from \$543,400 to \$1,985,750. For the current year, principal and interest paid was \$1,717,900, and the total revenues pledged were \$146,269,449. In the prior year, principal and interest paid was \$1,690,238, and the total revenues pledged were \$138,480,771. For fiscal year 2012, the total revenue pledged represents 100 percent of the net revenues of the System and 84 percent of net tuition revenue received, compared to 100 percent of the net revenues and 84 percent of net tuition revenue received during fiscal year 2011. Although net tuition is pledged it is not expected to be needed to meet debt service requirements.

The bond resolution requires that debt service coverage on the cash basis (net revenues plus pledged tuition) be at least 200 percent of annual debt service and that net revenues shall be at least 100 percent of the annual debt service requirement in each fiscal year. For the year ended June 30, 2012, the maximum annual debt service was \$1,985,750, and the coverage was 7,366 percent. For the year ended June 30, 2011, the maximum annual debt requirement was \$1,985,750, and the coverage was 6,974 percent. The bond resolution also requires the Treasurer to credit funds remaining in the revenue fund into a separate and special account designated the Medical Facilities System Repair and Replacement Reserve account on or before the close of each fiscal year, the sum of not less than 10 percent of the maximum annual debt service, or such portion thereof as is available for transfer and deposit annually, for a repair and replacement reserve. The net assets of Renewals and Replacements were \$1,279,196 at June 30, 2012, and \$932,711 at June 30, 2011.

Southern Illinois University  
Notes to Financial Statements  
June 30, 2012 and June 30, 2011

**NOTE 8 - Revenue bonds payable (continued)**

As of June 30, 2012, future debt service requirements for all bonds outstanding are:

<u>UNIVERSITY:</u>	<u>June 30, 2012</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 17,620,000	\$ 10,793,569	\$ 28,413,569
2014	17,580,000	10,374,156	27,954,156
2015	18,460,000	9,945,624	28,405,624
2016	18,905,000	9,449,936	28,354,936
2017	18,075,000	8,906,869	26,981,869
2018-22	92,245,000	36,351,644	128,596,644
2023-27	83,695,000	22,115,350	105,810,350
2028-32	52,960,000	9,057,735	62,017,735
2033-37	14,710,000	1,738,750	16,448,750
Total payments	334,250,000	<u>\$ 118,733,633</u>	<u>\$ 452,983,633</u>
Unaccreted appreciation	(38,624,893)		
Subtotal	295,625,107		
Unamortized premiums on bonds	5,408,750		
Unamortized deferred loss on refunding	(1,192,961)		
Total bonds payable	<u>\$ 299,840,896</u>		

As of June 30, 2011, future debt service requirements for all bonds outstanding were:

<u>UNIVERSITY:</u>	<u>June 30, 2011</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 16,520,000	\$ 10,301,144	\$ 26,821,144
2013	17,105,000	9,904,744	27,009,744
2014	17,065,000	9,478,281	26,543,281
2015	17,370,000	9,057,224	26,427,224
2016	17,770,000	8,605,136	26,375,136
2017-21	87,610,000	35,288,040	122,898,040
2022-26	76,805,000	21,825,766	98,630,766
2027-31	55,585,000	9,884,495	65,469,495
2032-36	18,405,000	2,659,000	21,064,000
Total payments	324,235,000	<u>\$ 117,003,830</u>	<u>\$ 441,238,830</u>
Unaccreted appreciation	(42,956,222)		
Subtotal	281,278,778		
Unamortized premiums on bonds	5,569,400		
Unamortized deferred loss on refunding	(1,360,451)		
Total bonds payable	<u>\$ 285,487,727</u>		



Southern Illinois University  
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**NOTE 9 - Capitalized leases**

The University has entered into lease purchase contracts for certain items of equipment. Minimum lease payments under capital leases together with the present value of the net minimum lease payments are:

<u>UNIVERSITY:</u>	<u>June 30, 2012</u>
<u>Year Ending</u>	
2013	\$ 323,194
2014	233,106
2015	198,617
2016	198,617
2017	198,617
2018	198,617
Total minimum lease payments	1,350,768
Less amount representing interest	(94,217)
Present value of net minimum lease payments	<u>\$ 1,256,551</u>
<u>Year Ending</u>	<u>June 30, 2011</u>
2012	129,853
2013	90,088
Total minimum lease payments	219,941
Less amount representing interest	(10,316)
Present value of net minimum lease payments	<u>\$ 209,625</u>

Assets held under capital lease are:

<u>UNIVERSITY:</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Equipment	\$ 1,753,090	\$ 387,019
Less accumulated depreciation	(308,960)	(79,964)
Total net assets	<u>\$ 1,444,130</u>	<u>\$ 307,055</u>

The University leases office and instructional space and equipment (principally office machines, automobiles, and farm equipment) under contracts which are renewable annually and many of which are subject to escalation upon proper notice by the lessor. Rental payments on these operating leases totaled \$16,129,823 in 2012 and \$15,936,493 in 2011.

**NOTE 10 - Certificates of participation payable**

**Series 2004A:** On June 17, 2004, the University issued Certificates of Participation (COPS) in the par amount of \$32,740,000. The COPS were issued at a discount of \$91,480. The certificates were issued to finance, in combination with University funds, the renovation of Morris Library, the construction of a library storage facility, the construction of a Research Park, the replacement of campus signage, the purchase of computer and research equipment, and energy conservation measures, all at Carbondale; the construction of a Pharmacy building and the renovation of the Dental School building, both at Edwardsville; and energy performance measures at the School of Medicine in Springfield. The certificates bear interest at rates ranging from 2% to 5% payable semi-annually, and principal installments ranging from \$1,070,000 to \$2,720,000 are payable annually on February 15 beginning 2005 through the year

**Southern Illinois University**  
**Notes to Financial Statements**  
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**NOTE 10 - Certificates of participation payable (continued)**

2024. As of June 30, 2012 and 2011, these certificates were outstanding in the amount of \$17,390,900 and \$19,016,248, respectively.

**Series 2002:** On June 5, 2002, the University issued Certificates of Participation (COPS) in the par amount of \$4,180,000. The COPS were issued at a premium of \$10,540. The certificates were issued to finance, in combination with University funds, the construction of a new support services building to house business services offices and warehouse space for the University's Springfield medical campus. The certificates bear interest at rates ranging from 3.25% to 4.40% payable semi-annually, and principal installments ranging from \$355,000 to \$495,000 are payable annually on August 15 beginning 2003 through the year 2012. As of June 30, 2012 and 2011, these certificates were outstanding in the amount of \$495,049 and \$970,485, respectively.

Annual aggregate principal and interest payments required for subsequent years are:

<b>UNIVERSITY:</b>			
<u>June 30, 2012</u>	<u>Certificates of Participation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,190,000	\$ 812,540	\$ 3,002,540
2014	1,760,000	733,850	2,493,850
2015	1,195,000	661,250	1,856,250
2016	1,070,000	610,463	1,680,463
2017	1,125,000	563,650	1,688,650
2018-22	6,410,000	2,000,000	8,410,000
2023-24	4,190,000	345,500	4,535,500
Total payments	17,940,000	\$ 5,727,253	\$ 23,667,253
Unamortized premiums (discounts) on COPS	(54,051)		
Total payable	\$ 17,885,949		
<u>June 30, 2011</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,105,000	\$ 898,843	\$ 3,003,843
2013	2,190,000	812,540	3,002,540
2014	1,760,000	733,850	2,493,850
2015	1,195,000	661,250	1,856,250
2016	1,070,000	610,463	1,680,463
2017-21	6,135,000	2,284,150	8,419,150
2022-24	5,590,000	625,000	6,215,000
Total payments	20,045,000	\$ 6,626,096	\$ 26,671,096
Unamortized premiums (discounts) on COPS	(58,267)		
Total payable	\$ 19,986,733		

**Southern Illinois University**  
**Notes to Financial Statements**  
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**NOTE 11 - Accrued self-insurance**

The University is exposed to various risks of loss relative to general liability, professional liability, and certain group coverage of student health and life benefits. The University minimizes its exposure through a combination of risk reduction and self-insurance programs, as well as primary and excess insurance coverage with commercial carriers.

The general and professional liability self-insurance fund provides for comprehensive general and professional liability coverage. The University also purchases excess insurance coverage with commercial carriers for claims that may result in catastrophic losses. The University makes contributions to the general and professional liability self-insurance fund based on yearly actuarial analysis. The actuarial analysis for 2012 included a 2.3% discount rate for self-insurance liabilities.

The Student Medical Insurance Plan (the "Plan") was established on August 15, 1995, as a secondary coverage plan to supplement the On-Campus Student Health Services in Carbondale and Springfield. The Plan is supported by student fees and covers all students enrolled at the Carbondale campus with the exception of those students who have demonstrated comparable coverage and have applied for a refund. The Plan provides a maximum benefit per student while covered under the Plan of \$250,000, subject to other limits of the Plan. To protect against excessive losses, the University established a gap-reserve fund and purchased a stop-loss insurance policy with a commercial carrier in the amount of \$5,000,000. Contributions to the Student Medical Insurance Plan are based on historic and estimated future year claims.

As of June 30, 2012 and 2011, the accrual for self-insurance was \$21,198,482 and \$16,981,334, respectively, for the general and professional liability fund and \$1,062,124 and \$1,448,650, respectively, for the Student Medical Insurance Plan, for a total accrued liability for self-insurance of \$22,260,606 and \$18,429,984. Because the amounts accrued and funded are estimates, the aggregate actual claims covered by the self-insurance funds could differ from the amount that has been accrued. Changes in these estimates will be reflected in the Statement of Revenues, Expenses, and Changes in Net Assets in the period in which additional information becomes available.

Changes in the self-insurance accrual for the years ended June 30, 2012, and June 30, 2011, are reflected below:

	<u>June 30, 2012</u>		
	<u>Total</u>	<u>General and Professional</u>	<u>Student Plan</u>
Accrued liability, June 30, 2011	\$ 18,429,984	\$ 16,981,334	\$ 1,448,650
Current year claims and other changes	13,664,458	7,242,661	6,421,797
Payment of Claims	(9,833,836)	(3,025,513)	(6,808,323)
Accrued liability, June 30, 2012	<u>\$ 22,260,606</u>	<u>\$ 21,198,482</u>	<u>\$ 1,062,124</u>

	<u>June 30, 2011</u>		
	<u>Total</u>	<u>General and Professional</u>	<u>Student Plan</u>
Accrued liability, June 30, 2010	\$ 18,829,390	\$ 17,500,528	\$ 1,328,862
Current year claims and other changes	11,347,694	3,166,866	8,180,828
Payment of Claims	(11,747,100)	(3,686,060)	(8,061,040)
Accrued liability, June 30, 2011	<u>\$ 18,429,984</u>	<u>\$ 16,981,334</u>	<u>\$ 1,448,650</u>

**Southern Illinois University**  
**Notes to Financial Statements**  
**June 30, 2012 and June 30, 2011**

**NOTE 12 - Net Assets**

Net asset balances by major categories at June 30, 2012 and 2011:

<u>UNIVERSITY:</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Invested in capital assets, net of related debt	\$ 495,051,877	\$ 410,754,130
Restricted for:		
Nonexpendable	2,662,160	2,976,342
Expendable		
Quasi-endowment	228,634	243,320
Scholarships, research, instruction and other	11,043,436	13,104,549
Loans	5,164,326	5,060,503
Self insurance	9,066,898	8,138,679
Capital projects	77,818,081	69,276,593
Debt service	18,554,727	19,846,353
Unrestricted	<u>105,015,751</u>	<u>98,992,956</u>
Total	<u>\$ 724,605,890</u>	<u>\$ 628,393,425</u>
 <u>UNIVERSITY RELATED ORGANIZATIONS:</u>		
Invested in capital assets, net of related debt	\$ 6,055,999	\$ 5,603,399
Restricted for:		
Nonexpendable	94,288,238	94,347,079
Expendable		
Scholarships, research, instruction and other	58,445,237	62,795,595
Loans	2,455,203	554,931
Capital projects	7,370,176	11,259,837
Unrestricted	<u>49,435,459</u>	<u>48,697,706</u>
Total	<u>\$ 218,050,312</u>	<u>\$ 223,258,547</u>

**NOTE 13 - Donor-restricted endowments**

The University entered into an agreement with the Southern Illinois University Foundation at Carbondale on July 1, 2003, in which the University transferred Endowment funds to the Foundation. The Foundation has agreed to hold and administer these funds as agency funds based upon and consistent with the desires of the donor and/or the University. During fiscal year 2012, realized losses on investments totaled \$34,191 and unrealized losses on investments totaled \$89,352, resulting in a balance of \$1,926,718 held by the Foundation at June 30, 2012. During fiscal year 2011, realized gains on investments were \$106,244 and unrealized gains on investments were \$216,491, resulting in a balance of \$2,050,261 at June 30, 2011. The Foundation distributes earnings to the University on a quarterly basis. Payments during fiscal years 2012 and 2011 totaled \$74,287 and \$74,947, respectively.

The State of Illinois adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), effective June 30, 2009. UPMIFA added certain prudent spending measures to the Uniform Management of Institutional Funds Act. In accordance with UPMIFA, the Board of Directors of Southern Illinois University Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the institution; and the investment policies of the Foundation.

**Southern Illinois University**  
**Notes to Financial Statements**  
**June 30, 2012 and June 30, 2011**

**NOTE 14 - State Universities Retirement System**

The University contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941, to provide retirement annuities and other benefits for staff members and employees of state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40, of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at [www.SURS.org](http://www.SURS.org) or calling 1-800-275-7877.

Plan members are required to contribute 8% of their annual covered salary, and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The current rate for fiscal year 2013 is 34.51% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The employer contribution to SURS for the years ended June 30, 2012, 2011, and 2010 were \$102,861,965, \$81,241,705, and \$74,103,976, respectively, equal to the required contributions for the year. The fiscal year 2012 contribution consisted of \$99,293,239 from State appropriations and \$3,568,726 from other current funds, and the fiscal year 2011 contribution consisted of \$78,215,213 from State appropriations and \$3,026,492 from other current funds.

All full-time employees of the Foundations, the Alumni Associations, University Park, and the Research Park are paid as University employees. Accordingly, the benefits related to these employees are covered by the University's plan.

**NOTE 15 - Post-employment benefits**

In addition to providing the above pension benefits, the State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Universities Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$5,000.

**Southern Illinois University**  
**Notes to Financial Statements**  
**June 30, 2012 and June 30, 2011**

**NOTE 15 - Post-employment benefits (continued)**

The State pays the University's portion of employer costs for the benefits provided. The total costs of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois, 62763-3838.

**NOTE 16 - University Related Organizations - transactions with related parties**

The University has entered into master contracts with the University Related Organizations which specify the relationship between the University and its related organizations in accordance with the Legislative Audit Commission's University Guidelines of 1982 as amended in 1997. Significant transactions for the University during fiscal years 2012 and 2011 included the receipt of \$42,183,041 and \$38,300,063, respectively, from SIU Physicians & Surgeons, Inc. (SIU P&S) for services provided by the University. Also, SIU P&S contributions to the University for Academic Development for the School of Medicine during fiscal years 2012 and 2011 totaled \$8,872,118 and \$8,010,670, respectively.

Additional information concerning transactions with related parties may be obtained by contacting the entities listed in Note 1 on pages 16 and 17.

**NOTE 17 - Commitments and contingencies**

***Grants and contracts***

The University receives monies from federal and state government agencies under grants and contracts for research and other activities, including medical service reimbursements and the administration of student financial aid. The costs, both direct and indirect, charged to these grants and contracts are subject to audit and disallowance by the granting agency. During fiscal year 2011, the U.S. Department of Education performed a program review at SIUE that will likely result in the return of Title IV funds by the University. The University recognized a \$1,476,000 liability in 2012; there exists an additional contingent liability of \$800,000. The University administration believes that any other disallowances or adjustment resulting from this review and any other reviews would not have a material effect on the University's financial position.

***Legal action***

The University is a defendant in several lawsuits. However, University officials are of the opinion, based on the advice of legal counsel, that any ultimate liability which could result from such litigation would not have a material effect on the University's financial position or its future operations.

**Southern Illinois University**  
**Notes to Financial Statements**  
**June 30, 2012 and June 30, 2011**

**NOTE 17 - Commitments and contingencies (continued)**

***Forward contract***

The University has forward fixed-price purchase contracts with MidAmerican Energy Company for the procurement of electricity that is used in the normal course of operations. The University does not employ futures contracts or other derivative products. At June 30, 2012 and 2011, the University's annual commitment related to this contract is approximately \$11,500,000.

***Construction projects***

The University has active construction projects as of June 30, 2012. These projects include the Student Services Building, Transportation Education Center, and Morris Library renovations at the Carbondale campus as well as the Science Building renovation at the Edwardsville campus. A total of \$143,988,202 has been spent on these projects through June 30, 2012. The University has \$76,160,767 committed to the completion of these projects.

**NOTE 18 - Subsequent event**

On November 8, 2012, the Board of Trustees of Southern Illinois University authorized the issuance of the Housing and Auxiliary Facilities System Revenue Bonds, Series 2012B in an amount not exceeding \$55,000,000 for the purpose of the demolition of the Carbondale Triads housing complex as well as updating the heating, ventilation, and air conditioning (HVAC) system at the Carbondale Student Recreation Center and refunding portions of the 2003A and 2004A bond issuances. On December 19, 2012, Southern Illinois University issued Housing and Auxiliary Facilities System Revenue Bonds, Series 2012B with a par value of \$44,700,000.

**NOTE 19 - Segment information**

A segment is an identifiable activity for which one or more revenue bonds or other revenue-backed debt instruments are outstanding. A segment has a specific identifiable revenue stream pledged in support of the revenue bonds or other revenue-backed debt and has related expenses, gains and losses, assets, and liabilities that can be identified.

The University has issued revenue bonds with the net revenues from the two segments pledged to pay the bond interest and principal. The Housing and Auxiliary Facilities System segment is comprised of University owned housing units, student centers, recreation and athletic facilities, and similar auxiliary enterprise units. The Medical Facilities System is comprised of clinical facilities used to provide patient care at the School of Medicine in Springfield. Additional information relating to these segments is included in Note 8, Revenue bonds payable.

Condensed financial statements for the University's two segments for fiscal year 2012, with comparative information for fiscal year 2011, are presented on the following pages.

**Southern Illinois University  
Notes to Financial Statements  
June 30, 2012 and June 30, 2011**

**NOTE 19 - Segment information (continued)**

	<u>Housing and Auxiliary Facilities System</u>	
<b>CONDENSED STATEMENTS OF NET ASSETS</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
<b>Assets:</b>		
Current assets	\$ 90,239,625	\$ 62,356,861
Capital assets, net	265,059,345	263,682,720
Other assets	6,334,154	12,741,551
<b>Total Assets</b>	<u>361,633,124</u>	<u>338,781,132</u>
<b>Liabilities:</b>		
Current liabilities	26,781,999	28,080,023
Noncurrent liabilities	269,504,099	255,519,773
<b>Total Liabilities</b>	<u>296,286,098</u>	<u>283,599,796</u>
<b>Net Assets (Deficit)</b>		
Invested in capital assets, net of related debt	5,866,275	(4,889,449)
Restricted - expendable	42,015,146	42,326,550
Unrestricted	17,465,605	17,744,235
<b>Total Net Assets</b>	<u>\$ 65,347,026</u>	<u>\$ 55,181,336</u>
<b>CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS</b>	<b>Year ended June 30, 2012</b>	<b>Year ended June 30, 2011</b>
Operating revenues	\$ 108,218,954	\$ 104,553,077
Operating expenses	(100,246,328)	(94,690,883)
Depreciation expense	(14,236,559)	(13,049,509)
Operating loss	<u>(6,263,933)</u>	<u>(3,187,315)</u>
Nonoperating revenues and expenses - net	16,257,499	9,022,819
Income before other revenues, expenses, gains or losses	9,993,566	5,835,504
Other revenues, expenses, gains or losses - net	<u>172,124</u>	<u>362,273</u>
Increase in net assets	10,165,690	6,197,777
Net assets at beginning of year	55,181,336	48,983,559
Net assets at end of year	<u>\$ 65,347,026</u>	<u>\$ 55,181,336</u>
<b>CONDENSED STATEMENTS OF CASH FLOWS</b>	<b>Year ended June 30, 2012</b>	<b>Year ended June 30, 2011</b>
<b>Cash provided by (used in):</b>		
Operating activities	\$ 23,280,428	\$ 23,990,228
Noncapital financing activities	10,703,344	11,892,620
Capital financing activities	(13,808,191)	(54,664,606)
Investing activities	<u>(10,630,195)</u>	<u>6,865,024</u>
Net increase (decrease) in cash	9,545,386	(11,916,734)
Cash, beginning of year	50,527,511	62,444,245
Cash, end of year	<u>\$ 60,072,897</u>	<u>\$ 50,527,511</u>



**Southern Illinois University**  
**Notes to Financial Statements**  
**June 30, 2012 and June 30, 2011**

**NOTE 19 - Segment information (continued)**

	<u>Medical Facilities System</u>	
	<b>June 30, 2012</b>	<b>June 30, 2011</b>
<b>CONDENSED STATEMENTS OF NET ASSETS</b>		
Assets:		
Current assets	\$ 9,323,658	\$ 8,900,240
Capital assets, net	34,803,524	35,886,654
Other assets	206,713	222,926
Total Assets	<u>44,333,895</u>	<u>45,009,820</u>
Liabilities:		
Current liabilities	2,882,214	2,171,340
Noncurrent liabilities	17,021,344	17,895,083
Total Liabilities	<u>19,903,558</u>	<u>20,066,423</u>
Net Assets		
Invested in capital assets, net of related debt	18,768,556	18,971,097
Restricted - expendable	1,738,370	1,393,159
Unrestricted	3,923,411	4,579,141
Total Net Assets	<u>\$ 24,430,337</u>	<u>\$ 24,943,397</u>
<b>CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS</b>		
	<b>Year ended June 30, 2012</b>	<b>Year ended June 30, 2011</b>
Operating revenues	\$ 41,226,508	\$ 39,196,236
Operating expenses	(56,312,481)	(48,686,453)
Depreciation expense	(1,276,765)	(1,238,713)
Operating loss	<u>(16,362,738)</u>	<u>(10,728,930)</u>
Nonoperating revenues and expenses - net	15,875,213	13,595,822
Income (Loss) before other revenues, expenses, gains or losses	(487,525)	2,866,892
Other revenues, expenses, gains or losses - net	<u>(25,535)</u>	<u>476,921</u>
Increase (decrease) in net assets	(513,060)	3,343,813
Net assets at beginning of year	24,943,397	21,599,584
Net assets at end of year	<u>\$ 24,430,337</u>	<u>\$ 24,943,397</u>
<b>CONDENSED STATEMENTS OF CASH FLOWS</b>		
	<b>Year ended June 30, 2012</b>	<b>Year ended June 30, 2011</b>
Cash provided by (used in):		
Operating activities	\$ 2,080,320	\$ 2,582,867
Noncapital financing activities	115,842	115,842
Capital financing activities	(1,790,302)	(3,534,413)
Investing activities	(134,331)	156,137
Net increase (decrease) in cash	271,529	(679,567)
Cash, beginning of year	3,540,411	4,219,978
Cash, end of year	<u>\$ 3,811,940</u>	<u>\$ 3,540,411</u>

**Southern Illinois University**  
**Notes to Financial Statements**  
**June 30, 2012 and June 30, 2011**

**20. University Related Organizations**

Condensed financial statements for the component units of the University as of June 30, 2012 are as follows:

	SIUC FOUNDATION	SIUE FOUNDATION	SIUC PHYSICIANS & SURGEONS	SIUC ALUMNI	SIUE ALUMNI	SIUC RESEARCH PARK	SIUE UNIV. PARK	TOTAL
<b>CONDENSED STATEMENTS OF NET ASSETS</b>								
<b>JUNE 30, 2012</b>								
Assets:								
Current assets	\$ 40,900,791	\$ 3,619,429	\$ 43,966,568	\$ 438,694	\$ 64,008	\$ 232,810	\$ 1,443,881	\$ 90,666,181
Other non-current assets	105,892,106	26,545,317	2,054,635	6,598,595	121,200	-	-	141,211,853
Capital assets	560,036	2,103,193	828,150	221,519	-	219,508	2,123,593	6,055,999
<b>Total Assets</b>	<b>147,352,933</b>	<b>32,267,939</b>	<b>46,849,353</b>	<b>7,258,808</b>	<b>185,208</b>	<b>452,318</b>	<b>3,567,474</b>	<b>237,934,033</b>
Liabilities:								
Current liabilities	715,472	386,560	10,000,125	366,854	275,422	58,810	63,206	11,866,449
Noncurrent liabilities	4,977,702	562,675	-	1,681,551	-	-	795,344	8,017,272
<b>Total Liabilities</b>	<b>5,693,174</b>	<b>949,235</b>	<b>10,000,125</b>	<b>2,048,405</b>	<b>275,422</b>	<b>58,810</b>	<b>858,550</b>	<b>19,883,721</b>
Net Assets:								
Invested in capital assets, net of related debt	560,036	2,103,193	828,150	221,519	-	219,508	2,123,593	6,055,999
Restricted - nonexpendable	77,364,138	16,924,100	-	-	-	-	-	94,288,238
Restricted - expendable	56,884,684	11,385,932	-	-	-	-	-	68,270,616
Unrestricted	6,850,901	905,479	36,021,078	4,988,884	(90,214)	174,000	585,331	49,435,459
<b>Total Net Assets</b>	<b>\$ 141,659,759</b>	<b>\$ 31,318,704</b>	<b>\$ 36,849,228</b>	<b>\$ 5,210,403</b>	<b>\$ (90,214)</b>	<b>\$ 393,508</b>	<b>\$ 2,708,924</b>	<b>\$ 218,050,312</b>

**CONDENSED STATEMENTS OF REVENUES,  
EXPENSES AND CHANGES IN NET ASSETS**  
**Year ended June 30, 2012**

Operating revenues	\$ 5,421,265	\$ 5,282,055	\$ 96,132,182	\$ 1,929,381	\$ 399,495	\$ 360,098	\$ 526,725	\$ 110,051,201
Operating expenses	14,892,482	9,998,839	95,348,080	1,996,990	421,908	389,458	514,776	123,562,533
Operating income (loss)	(9,471,217)	(4,716,784)	784,102	(67,609)	(22,413)	(29,360)	11,949	(13,511,332)
Nonoperating revenues and expenses - net	4,969,285	(129,041)	229,740	74,860	(4,667)	931	820,835	5,961,943
Income (Loss) before other revenues	(4,501,932)	(4,845,825)	1,013,842	7,251	(27,080)	(28,429)	832,784	(7,549,389)
Other revenues	1,589,976	751,178	-	-	-	-	-	2,341,154
Increase (decrease) in net assets	(2,911,956)	(4,094,647)	1,013,842	7,251	(27,080)	(28,429)	832,784	(5,208,235)
Net assets at beginning of year	144,571,715	35,413,351	35,835,386	5,203,152	(63,134)	421,937	1,876,140	223,258,547
Net assets at end of year	<b>\$ 141,659,759</b>	<b>\$ 31,318,704</b>	<b>\$ 36,849,228</b>	<b>\$ 5,210,403</b>	<b>\$ (90,214)</b>	<b>\$ 393,508</b>	<b>\$ 2,708,924</b>	<b>\$ 218,050,312</b>

**CONDENSED STATEMENTS OF CASH FLOWS**  
**Year ended June 30, 2012**

Cash provided by (used in):								
Operating activities	\$ (8,553,785)	\$ (4,862,010)	\$ 8,426,488	\$ (401,305)	\$ 19,668	\$ 19,777	\$ (216,141)	\$ (5,567,308)
Noncapital financing activities	6,440,919	751,178	47,167	15,876	476	-	160,994	7,416,610
Capital financing activities	(103,342)	(5,671)	(106,794)	-	-	(67,906)	(600)	(284,313)
Investing activities	1,451,673	925,153	(724,292)	337,176	15,025	931	8,192	2,013,858
Net increase (decrease) in cash	(764,535)	(3,191,350)	7,642,569	(48,253)	35,169	(47,198)	(47,555)	3,578,847
Cash, beginning of year	1,061,472	3,935,705	4,107,515	61,411	9,393	114,345	1,429,037	10,718,878
Cash, end of year	<b>\$ 296,937</b>	<b>\$ 744,355</b>	<b>\$ 11,750,084</b>	<b>\$ 13,158</b>	<b>\$ 44,562</b>	<b>\$ 67,147</b>	<b>\$ 1,381,482</b>	<b>\$ 14,297,725</b>

**Southern Illinois University**  
**Notes to Financial Statements**  
**June 30, 2012 and June 30, 2011**

**20. University Related Organizations**

Condensed financial statements for the component units of the University as of June 30, 2011 are as follows:

	SIUC FOUNDATION	SIUE FOUNDATION	SIUC PHYSICIANS & SURGEONS	SIUC ALUMNI	SIUE ALUMNI	SIUC RESEARCH PARK	SIUE UNIV. PARK	TOTAL
<b>CONDENSED STATEMENTS OF NET ASSETS</b>								
<b>JUNE 30, 2011</b>								
Assets:								
Current assets	\$ 31,445,742	\$ 6,502,882	\$ 43,339,889	\$ 372,799	\$ 22,426	\$ 239,847	\$ 1,458,256	\$ 83,381,841
Other non-current assets	118,824,247	27,581,495	1,228,541	7,003,998	141,628	-	-	154,779,909
Capital assets	438,806	2,238,859	1,027,790	252,547	-	262,630	1,382,768	5,603,400
<b>Total Assets</b>	<b>150,708,795</b>	<b>36,323,236</b>	<b>45,596,220</b>	<b>7,629,344</b>	<b>164,054</b>	<b>502,477</b>	<b>2,841,024</b>	<b>243,765,150</b>
Liabilities:								
Current liabilities	653,568	351,598	9,760,834	783,353	227,188	80,540	160,280	12,017,361
Noncurrent liabilities	5,483,512	558,287	-	1,642,839	-	-	804,604	8,489,242
<b>Total Liabilities</b>	<b>6,137,080</b>	<b>909,885</b>	<b>9,760,834</b>	<b>2,426,192</b>	<b>227,188</b>	<b>80,540</b>	<b>964,884</b>	<b>20,506,603</b>
Net Assets:								
Invested in capital assets, net of related debt	438,806	2,238,858	1,027,790	252,547	-	262,630	1,382,768	5,603,399
Restricted - nonexpendable	78,080,232	16,266,847	-	-	-	-	-	94,347,079
Restricted - expendable	58,425,476	16,184,887	-	-	-	-	-	74,610,363
Unrestricted	7,627,201	722,759	34,807,596	4,950,605	(63,134)	159,307	493,372	48,697,706
<b>Total Net Assets</b>	<b>\$144,571,715</b>	<b>\$35,413,351</b>	<b>\$ 35,835,386</b>	<b>\$5,203,152</b>	<b>\$ (63,134)</b>	<b>\$ 421,937</b>	<b>\$1,876,140</b>	<b>\$223,258,547</b>

**CONDENSED STATEMENTS OF REVENUES,  
EXPENSES AND CHANGES IN NET ASSETS**  
**Year ended June 30, 2011**

Operating revenues	\$ 5,473,484	\$ 4,861,126	\$105,989,374	\$2,077,218	\$ 390,064	\$ 337,396	\$ 489,372	\$119,618,034
Operating expenses	15,091,400	4,277,959	89,841,164	2,010,122	488,766	365,145	532,522	112,607,078
Operating income (loss)	(9,617,916)	583,167	16,148,210	67,096	(98,702)	(27,749)	(43,150)	7,010,956
Nonoperating revenues and expenses - net	34,421,123	3,251,817	148,121	1,058,215	39,193	121,506	14,576	39,054,551
Income (Loss) before other revenues	24,803,207	3,834,984	16,296,331	1,125,311	(59,509)	93,757	(28,574)	46,065,507
Other revenues	1,071,836	282,359	-	-	-	-	-	1,354,195
Increase (decrease) in net assets	25,875,043	4,117,343	16,296,331	1,125,311	(59,509)	93,757	(28,574)	47,419,702
Net assets at beginning of year	118,696,672	31,296,008	19,539,055	4,077,841	(3,625)	328,180	1,904,714	175,838,845
Net assets at end of year	\$144,571,715	\$35,413,351	\$ 35,835,386	\$5,203,152	\$ (63,134)	\$ 421,937	\$1,876,140	\$223,258,547

**CONDENSED STATEMENTS OF CASH FLOWS**  
**Year ended June 30, 2011**

Cash provided by (used in):								
Operating activities	\$ (8,830,583)	\$ 997,479	\$ 1,709,503	\$ 71,756	\$ (95,056)	\$ (15,363)	\$ (122,441)	\$ (6,284,705)
Noncapital financing activities	7,176,041	281,827	(106,715)	9,041	66	-	136,846	7,497,106
Capital financing activities	(4,498)	(68,647)	(97,688)	-	-	64,959	-	(105,874)
Investing activities	2,481,708	1,203,192	(318,845)	(496,842)	51,954	1,051	13,378	2,935,596
Net increase (decrease) in cash	822,668	2,413,851	1,186,255	(416,045)	(43,036)	50,647	27,783	4,042,123
Cash, beginning of year	238,804	1,521,854	2,921,260	477,456	52,429	63,698	1,401,254	6,676,755
Cash, end of year	\$ 1,061,472	\$ 3,935,705	\$ 4,107,515	\$ 61,411	\$ 9,393	\$ 114,345	\$1,429,037	\$ 10,718,878