

STATE OF ILLINOIS  
Southern Illinois University  
Annual Financial Report  
For the Years Ended June 30, 2014 and 2013

**Table of Contents**

Treasurer's Letter	1
Board of Trustees and Officers of Administration	2
Financial Statement Report	
Summary	3
Independent Auditors' Report	4
Management's Discussion and Analysis	7
Basic Financial Statements	
Statements of Net Position	15
Statements of Revenues, Expenses and Changes in Net Position	16
Statements of Cash Flows	17
Notes to the Financial Statements	19



SOUTHERN ILLINOIS UNIVERSITY

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

December 22, 2014

TO THE BOARD OF TRUSTEES  
OF SOUTHERN ILLINOIS UNIVERSITY

I am pleased to submit the annual financial report of Southern Illinois University for the years ended June 30, 2014, and 2013.

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 years 2014 and 2013. 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

# **Southern Illinois University Board of Trustees and Officers of Administration Fiscal Years 2014 and 2013**

## **BOARD OF TRUSTEES OF SOUTHERN ILLINOIS UNIVERSITY**

Randal Thomas, Chair  
Donna Manering, Vice Chair  
Don Lowery, Secretary  
Jesse Cler  
Roger Herrin  
Nick Mehner  
Shirley Portwood  
Joel Sambursky  
Marquita Wiley

Springfield  
Makanda  
Golconda  
Carbondale  
Harrisburg  
Edwardsville  
Godfrey  
Carbondale  
Belleville

## **OFFICERS OF SOUTHERN ILLINOIS UNIVERSITY**

Randy J. Dunn, President (Current)  
Glenn Poshard, President (07/01/13 to 04/30/14)  
Lucas Crater, Interim General Counsel  
Paul Sarvela, Vice President, Academic Affairs  
Duane Stucky, Senior Vice President, Financial and Administrative Affairs, and Board Treasurer  
Misty Whittington, Executive Secretary of the Board

## **OFFICERS OF ADMINISTRATION, SOUTHERN ILLINOIS UNIVERSITY CARBONDALE**

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John W. Nicklow, Provost and Vice Chancellor for Academic Affairs  
J. Kevin Dorsey, Dean and Provost, School of Medicine  
Kevin D. Bame, Vice Chancellor for Administration and Finance  
James Salmo, Vice Chancellor for Development and Alumni Relations

## **OFFICERS OF ADMINISTRATION, SOUTHERN ILLINOIS UNIVERSITY EDWARDSVILLE**

Julie Furst-Bowe, Chancellor  
Ann M. Boyle, Interim Provost and Vice Chancellor for Academic Affairs  
Narbeth Emmanuel, Vice Chancellor for Student Affairs  
Kenneth Neher, Vice Chancellor for Administration  
Rachel Stack, Vice Chancellor for University Advancement (Current)  
Patrick Hundley, Vice Chancellor for University Relations (07/01/13 to 01/05/14)

**Southern Illinois University  
Management's Discussion and Analysis  
For the Years Ended June 30, 2014 and 2013**

**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 fiscal year ended June 30, 2014 with selected comparative information for the years ended June 30, 2013, as restated, and 2012. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnotes.

Chartered in 1869, Southern Illinois University opened for instruction in Carbondale in 1874 in a one-building teacher training institution known as Southern Illinois Normal University. Today, two institutions constitute Southern Illinois University—Southern Illinois University Carbondale, with a School of Medicine in Springfield, and Southern Illinois University Edwardsville, with a School of Dental Medicine in Alton and the East St. Louis Center.

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. The seven discretely presented 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 financial report includes three basic financial statements: the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements 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**

**Statements of Net Position**

The Statements of Net Position include all assets and liabilities, both current and noncurrent, and all deferred outflows and inflows of resources, using the accrual basis of accounting. The statements present the financial position of the University at the end of the fiscal years. The difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources is net position, which is one indicator of the current financial health of the University. The changes in the net position that occur over time indicate improvements or deterioration in the University's financial condition.

Net position is divided into three major categories: Net Investment in Capital Assets, Restricted Net Position; and Unrestricted Net Position. Net Investment in Capital Assets, consists of capital assets reduced by depreciation and the outstanding balances of borrowings for construction and improvements of those assets. Restricted Net Position has external constraints, including grants and contracts, self-insurance and capital projects. Unrestricted Net Position does not meet the definition of the first two categories.

**Southern Illinois University  
Management's Discussion and Analysis  
For the Years Ended June 30, 2014 and 2013**

**Statements of Net Position (continued)**

The University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2014, 2013 as restated, and 2012 are summarized as follows:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
<b>Assets and deferred outflows of resources:</b>			
Current assets	\$ 305,271,039	\$ 313,851,436	\$ 335,623,841
Capital assets, net	864,880,714	840,332,955	789,422,415
Other assets	134,400,912	114,002,373	115,340,059
Deferred outflows of resources	3,332,060	3,235,468	-
<b>Total assets and deferred outflows of resources</b>	<u>1,307,884,725</u>	<u>1,271,422,232</u>	<u>1,240,386,315</u>
<b>Liabilities and deferred inflows of resources:</b>			
Current liabilities	138,511,732	143,485,425	148,880,124
Noncurrent liabilities	386,705,191	366,561,724	366,900,301
<b>Total liabilities and deferred inflows of resources</b>	<u>525,216,923</u>	<u>510,047,149</u>	<u>515,780,425</u>
<b>Net Position:</b>			
Net investment in capital assets	560,071,866	531,990,424	495,051,877
Restricted - nonexpendable	5,030,306	4,903,490	2,662,160
Restricted - expendable	82,400,745	116,725,903	121,876,102
Unrestricted	135,164,885	107,755,266	105,015,751
<b>Total Net Position</b>	<u>\$ 782,667,802</u>	<u>\$ 761,375,083</u>	<u>\$ 724,605,890</u>

University assets and deferred outflows of resources totaled just over \$1.3 billion at June 30, 2014, an increase of 2.9% compared to 2013. At June 30, 2013, the total was \$1.27 billion for an increase of 2.5% compared to 2012. The largest asset of the University is its investment in land, buildings and equipment which totaled \$864.9 million, \$840.3 million, and \$789.4 million at June 30, 2014, 2013, and 2012, respectively. University liabilities and deferred inflows of resources at June 30, 2014 increased 3% or \$15 million compared to 2013 while there was a decrease of 1.1% between fiscal years 2013 and 2012. Long-term debt, including Revenue Bonds Payable and Certificates of Participation, totaled \$305,847,405 in fiscal year 2014, \$293,097,782 in 2013, and \$298,061,829 in 2012, and comprised the largest portion of the University's liabilities. The University's 2014 overall net position, the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, increased \$21,292,719, or 2.8%, compared to fiscal year 2013 and increased \$39,671,985, or over 5% between fiscal year 2013 and 2012.

**Statements of Revenues, Expenses and Changes in Net Position**

The Statements of Revenues, Expenses and Changes in Net Position present the results of the University's revenue and expense activity categorized as operating or non-operating. All 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.

**Southern Illinois University  
Management's Discussion and Analysis  
For the Years Ended June 30, 2014 and 2013**

**Statements of Revenues, Expenses and Changes in Net Position (continued)**

Non-operating 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 non-operating 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.

The following summarizes the University's financial activity for fiscal years 2014, 2013 as restated, and 2012:

	<u>Year Ended June 30, 2014</u>	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>
<b>Operating revenues:</b>			
Tuition and fees, net	\$ 238,780,837	\$ 238,577,997	\$ 256,084,347
Auxiliary enterprises	115,287,620	109,379,705	111,868,932
Grants and contracts	90,107,128	95,348,278	101,258,764
Other	147,715,272	137,708,006	135,534,392
Operating expenses	<u>(1,137,077,211)</u>	<u>(1,119,793,470)</u>	<u>(1,069,993,849)</u>
<b>Operating loss</b>	<u>(545,186,354)</u>	<u>(538,779,484)</u>	<u>(465,247,414)</u>
State appropriations	205,884,551	205,965,800	219,501,500
On-behalf payments	274,921,642	281,309,245	221,995,044
Other nonoperating revenues & expenses, net	<u>69,085,941</u>	<u>64,715,125</u>	<u>52,156,315</u>
Income before other revenues	4,705,780	13,210,686	28,405,445
Other revenues	<u>16,586,939</u>	<u>26,461,299</u>	<u>67,807,020</u>
<b>Increase in net position</b>	21,292,719	39,671,985	96,212,465
<b>Net position at beginning of year</b>	761,375,083	724,605,890	628,393,425
Cumulative effect of change in accounting principle	-	(2,902,792)	-
<b>Net position at end of year</b>	<u>\$ 782,667,802</u>	<u>\$ 761,375,083</u>	<u>\$ 724,605,890</u>

Operating revenue experienced a net increase of \$10.9 million, or 1.9%, in fiscal year 2014 compared to 2013. This increase included several significant components. Sales and services of educational departments and auxiliary enterprise revenues combined for increased revenues of \$20.3 million. This increase is partially offset by a decrease in grant and physicians and surgeons revenue of \$9.6 million, or 6.6%. Fiscal year 2014 operating expenses increased \$17.3 million, or 1.5% compared to 2013. Academic support and student service expenses increased \$7.4 million in 2014 to facilitate student and faculty achievement. Also, 2014 auxiliary enterprise expenses increased \$4.4 million primarily driven by increased housing contracts and self-operation activities in the Student Center related to food services. Increased depreciation of \$5.6 million also contributed to the operating expense increase in 2014. Net non-operating revenues and expenses realized in 2014 decreased \$2.1 million from fiscal year 2013 primarily due to a reduction in payments on behalf of the University of \$6.4 million partially offset by increased gift and investment income of \$4.8 million. Revenues for State appropriated capital development projects decreased \$9.6 million in 2014 compared to 2013 as these projects were nearing completion.

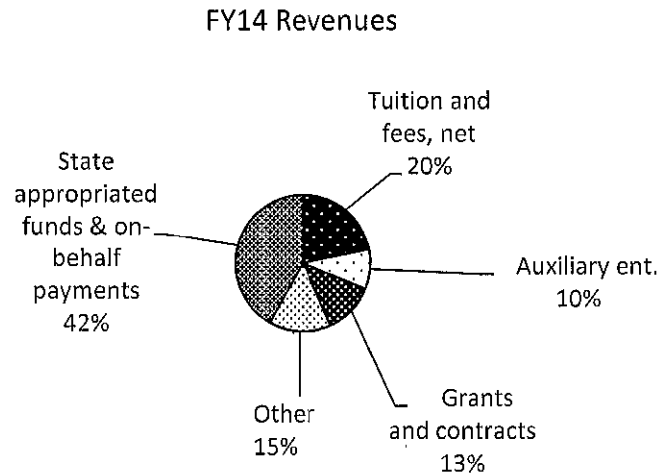
For fiscal year 2013, the Statement of Revenues, Expenses and Changes in Net Position reflected a positive year with an increase in net position of \$36.8 million compared to 2012. A significant portion of this increase was in the net investment in capital assets of the University, which increased over \$36.9 million from fiscal year 2012. This increase was primarily due to several construction and renovation projects at both the Carbondale and Edwardsville campuses.

**Southern Illinois University  
Management's Discussion and Analysis  
For the Years Ended June 30, 2014 and 2013**

**Statements of Revenues, Expenses and Changes in Net Position (continued)**

The Governmental Accounting Standards Board Statement No. 65 – *Items Previously Reported as Assets and Liabilities*, requires that all non-insurance components of bond issuance costs be expensed in the year incurred. This change in accounting principle resulted in a decrease of the University's fiscal year 2013 Net Position of \$2,902,792 which is reflected in the University's Statement of Revenues, Expenses, and Changes in Net Position.

The following is a graphic illustration of fiscal year 2014 revenues by source (operating, non-operating, and other); which were used to fund the University's operating activities. The revenue from charges for tuition and fees is shown net of the scholarship allowance of \$67,586,274. 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 and income from the Physicians and Surgeons practice plan.



**Southern Illinois University  
Management's Discussion and Analysis  
For the Years Ended June 30, 2014 and 2013**

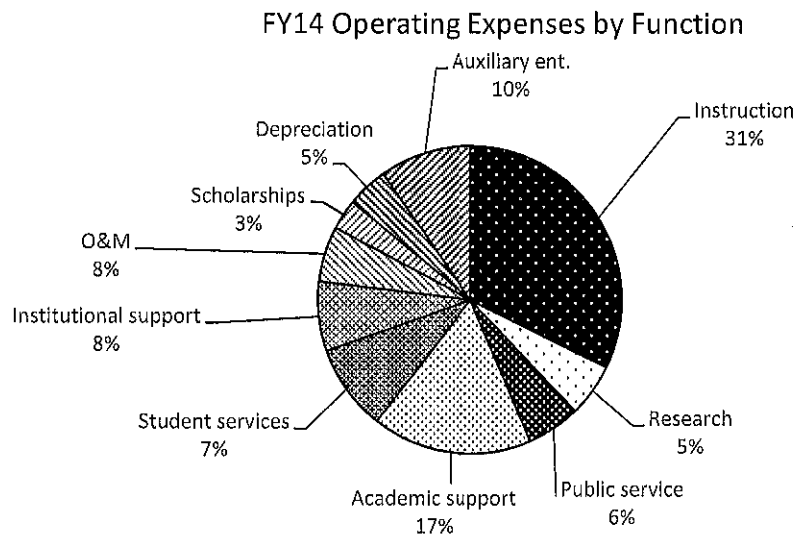
**Statements of Revenues, Expenses and Changes in Net Position (continued)**

**Operating Expenses**

A summary of the University's operating expenses by functional classification for the years ended June 30, 2014, 2013, and 2012 is as follows:

	<u>Year Ended June 30, 2014</u>	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>
Instruction	\$ 354,744,896	\$ 357,711,356	\$ 335,294,851
Research	59,937,521	64,348,813	64,680,837
Public service	64,291,049	66,813,986	62,712,130
Academic support	192,875,757	189,137,814	179,607,411
Student services	79,764,915	76,152,832	74,401,013
Institutional support	88,304,207	80,591,514	77,575,317
Operation and maintenance of plant	90,232,049	88,830,154	87,292,169
Scholarships and fellowships	40,250,063	41,793,912	36,837,164
Depreciation	53,824,833	48,209,665	46,321,372
Auxiliary enterprises	112,659,073	108,226,105	104,731,554
Other expenditures	192,848	(2,022,681)	540,031
	<u>\$ 1,137,077,211</u>	<u>\$ 1,119,793,470</u>	<u>\$ 1,069,993,849</u>

Operating expenses include \$274,921,642, \$281,309,245, and \$221,995,044 for health care and retirement costs paid on-behalf of University employees by the State of Illinois for fiscal years 2014, 2013, and 2012, respectively. These expenses have been allocated by function. The University chooses to report its expenses by functional classification in the Statements of Revenues, Expenses and Changes in Net Position. The expenses are displayed in their natural classifications in note 19. The following is a graphic illustration of operating expenses by function for the year ended June 30, 2014:





**Southern Illinois University**  
**Management's Discussion and Analysis**  
**For the Years Ended June 30, 2014 and 2013**

**Statements of Cash Flows**

The Statements of Cash Flows provide additional information about the University's sources and uses of cash during the fiscal year. These statements help 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. The following summarizes the University's cash flow activity for fiscal years 2014, 2013 as restated, and 2012:

	<u>Year Ended</u> <u>June 30, 2014</u>	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Year Ended</u> <u>June 30, 2012</u>
Cash provided by (used in):			
Operating activities	\$ (204,170,027)	\$ (197,978,964)	\$ (154,603,317)
Noncapital financing activities	286,521,693	287,252,722	281,990,021
Capital and related financing activities	(58,072,412)	(94,015,678)	(55,091,638)
Investing activities	<u>(20,451,586)</u>	<u>10,542,392</u>	<u>(9,997,363)</u>
Net increase in cash	3,827,668	5,800,472	62,297,703
Cash and cash equivalents, beginning of year	<u>166,350,103</u>	<u>160,549,631</u>	<u>98,251,928</u>
Cash and cash equivalents, end of year	<u>\$ 170,177,771</u>	<u>\$ 166,350,103</u>	<u>\$ 160,549,631</u>

Major sources of funds included in operating activities are student tuition and fees, grants and contracts, sales and services of educational activities, and auxiliary enterprises. For fiscal years 2014, 2013, and 2012, respectively, student tuition and fees generated \$250.2 million, \$249 million, and \$258.7 million. Grants and contracts provided \$89 million, \$86.6 million, and \$100.6 million. Sales and services of educational activities received \$98.7 million, \$86.7 million, and \$78.8 million, and auxiliary enterprises generated \$120.6 million, \$112.6 million, and \$115.6 million. Payments for employee salaries and benefits, payments to suppliers for goods and services, and scholarship and fellowship payments comprise the major uses of operating funds.

The major source of funds in noncapital financing activities is State appropriations which provided \$206 million in both fiscal years 2014 and 2013 and \$219.5 million in 2012. Fiscal year 2014 cash provided by noncapital financing activities was relatively unchanged compared to fiscal year 2013, but decreased 6% in 2013 compared to 2012.

The issuance of the Series 2014A certificates of participation and 2012B revenue bonds, as well as debt service payments on outstanding capital debt, and the purchases of capital assets comprise the major activity in capital and related financing activities. Cash used for this activity decreased \$35.9 million in fiscal year 2014 compared to 2013 following an increase of \$38.9 million in fiscal year 2013 compared to 2012.

Investing activities include the purchases, sales, and maturities of investments as well as investment income. Cash provided by this activity decreased \$31 million between fiscal years 2014 and 2013, but increased by \$20.5 million in 2013 compared to 2012.

**Southern Illinois University  
Management's Discussion and Analysis  
For the Years Ended June 30, 2014 and 2013**

**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 years 2014, 2013, and 2012, respectively, the University had \$560,071,866, \$531,990,424, and \$495,051,877 invested in capital assets, net of accumulated depreciation and related debt. Depreciation expense for 2014, 2013, and 2012, respectively, was \$53,824,833, \$48,209,665, and \$46,321,372 with accumulated depreciation of \$899,195,894, \$850,779,657, and \$808,013,183. The University experienced an increase in capital assets of \$24.5 million in 2014 compared to 2013, and an increase of \$50.9 million in 2013 compared to 2012. These increases are primarily attributable to the construction of the Student Services building and capital improvements to facilities at Carbondale along with renovations and construction on the Science and Art buildings at Edwardsville.

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 2014, the University did not issue any additional revenue bonds. The total amount of outstanding bonds payable at June 30, 2014 was \$282,771,851. In fiscal year 2013, the University issued Housing and Auxiliary System Revenue Bonds of \$44.7 million to fund the demolition of Allen, Boomer, and Wright Halls on the Carbondale campus along with the renovation of the energy conservations infrastructure of the Student Recreation Center, also on the Carbondale campus. Bond proceeds were also used to refund part of the 2003A and 2004A issuances. The total amount of outstanding bonds payable at June 30, 2013 was \$297,196,667 compared to \$299,840,896 at June 30, 2012.

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. In fiscal year 2014, the University issued COPS of \$43 million for capital improvement projects at Carbondale and to refund the outstanding 2004A COPS issuance. The balance of outstanding COPS at June 30, 2014, 2013, and 2012 was \$43,993,736, \$15,700,551, and \$17,885,949, respectively. For additional information concerning the University's Capital Assets and Debt Administration, see Notes 6, 8, 9, and 11 in the Notes to Financial Statements.

**Economic Outlook**

The financial condition of the State of Illinois continues to be a critical element to the University's future since 42% of the University's total revenue comes from state appropriations. The State of Illinois has been struggling to address a large backlog of payables and a growing unfunded pension liability. Temporary tax increases approved in 2011 have helped the State of Illinois reduce the payables liability, which totaled \$4.6 billion at the end of fiscal year 2014, down from the peak of \$8.5 billion in fiscal year 2010. However, the temporary tax increases are set to expire on December 31, 2014, and if not extended would result in a loss of \$1.9 billion in revenue to the State in fiscal year 2015. Additionally, the Illinois General Assembly adopted comprehensive pension reform legislation in December 2013 aimed at addressing Illinois' estimated \$100 billion unfunded pension liability. The pension reform legislation is being challenged in court as unconstitutional. If the pension reform legislation is deemed invalid, it could have a profound and negative effect on Illinois' budgetary performance and liquidity.

State appropriation payments to all Illinois Public Universities continue to be delayed and create cash flow concerns. Southern Illinois University received full payment of the fiscal year 2014 appropriations in September 2014, three months after the end of the fiscal year. The fiscal year 2015 operating appropriation has been approved at \$206 million, which represents three consecutive years of level funding.

**Southern Illinois University  
Management's Discussion and Analysis  
For the Years Ended June 30, 2014 and 2013**

**Economic Outlook (continued)**

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 2014, the State's portion of the on-behalf payments equaled \$274.9 million, a 2.3% decrease over fiscal year 2013 funding. Every year since 2003 the University has contributed \$7 million toward employee health coverage.

Since 2009 the State of Illinois has reduced the University's operating appropriation by \$24.1 million, representing a 10.5% decrease. As funding from the State has been reduced, gaps in the operating budget have primarily been filled by a 24% increase in tuition and fees during this same time period. Despite reduced support from the State, the University chose to hold the fall 2014 tuition rates at the same level as fall 2013. 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.

Fall 2014 enrollment increased by 147 students following two years of declines of approximately 3.3% each. The fall 2014 enrollment at the Edwardsville campus was 13,972, an increase of 122 students. Total enrollment at the Carbondale campus was 17,989, up 25 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 fiscal year 2014, such as restrictions on hiring of 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**  
**Statements of Net Position**  
**June 30, 2014 and 2013 (Restated)**

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2014	2013	2014	2013
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 136,110,801	\$ 124,386,820	\$ 15,492,651	\$ 10,891,731
Cash and cash equivalents, restricted	34,066,970	41,963,283	1,742,153	2,257,460
Short-term investments	2,487,566	13,841,351	20,058,684	16,250,789
Short-term Investments, restricted	24,070,204	10,475,320	19,878,323	19,878,323
Deposits with University	-	-	15,743,768	14,743,863
Appropriations receivable from State of Illinois	-	98	-	-
Reimbursement due from State Treasurer	50,628,567	60,514,780	-	-
Accounts receivable, net	42,071,206	47,058,962	15,246,743	21,449,616
Notes receivable, net	3,696,959	3,287,770	-	-
Accrued Interest receivable	74,827	21,285	321,732	291,370
Due from related organizations	3,928,743	4,615,124	66,259	74,681
Inventories	7,523,263	7,618,521	-	-
Prepaid expenses and other assets	611,933	68,122	1,824,634	2,358,303
<b>Total Current Assets</b>	<b>305,271,039</b>	<b>313,851,436</b>	<b>90,374,947</b>	<b>88,196,136</b>
<b>Noncurrent Assets:</b>				
Cash and cash equivalents	-	-	20,005	120,010
Long-term Investments	104,061,447	89,446,585	15,299,144	14,096,932
Long-term investments, restricted	11,662,698	5,789,682	159,238,583	135,634,476
Notes receivable, net	14,764,486	15,053,053	30,217	46,439
Prepaid expenses and other assets	3,912,281	3,713,053	9,184,308	11,148,884
Capital assets, not depreciated	106,571,545	175,882,281	315,672	315,672
Capital assets, net of depreciation	758,309,169	664,450,674	5,036,645	5,411,388
<b>Total Noncurrent Assets</b>	<b>999,281,626</b>	<b>954,335,328</b>	<b>189,124,574</b>	<b>166,773,801</b>
<b>Deferred outflows of resources</b>	<b>3,332,060</b>	<b>3,235,468</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,307,884,725</b>	<b>1,271,422,232</b>	<b>279,499,521</b>	<b>254,969,937</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>				
<b>Current Liabilities:</b>				
Accounts payable	33,918,518	41,484,818	1,453,917	1,540,814
Accrued Interest payable	3,158,868	2,897,488	-	-
Accrued payroll	10,838,689	10,485,564	3,751,986	4,272,798
Accrued compensated absences	4,799,327	4,675,223	-	-
Revenue bonds payable	18,847,304	18,044,088	-	-
Certificates of participation	2,070,878	1,755,348	-	-
Liabilities under capitalized leases	1,110,503	384,656	-	-
Annuities payable	-	-	410,978	524,229
Accrued liability for self-insurance	10,462,460	11,336,557	-	-
Deposits held for University related organizations	15,743,768	14,743,863	-	-
Deposits held in custody for others	1,060,285	1,377,805	76,819	83,938
Unearned revenue	36,316,849	36,105,640	165,008	214,634
Housing deposits	118,024	120,859	-	-
Due to related organizations	66,259	73,516	3,928,743	4,616,289
<b>Total Current Liabilities</b>	<b>138,511,732</b>	<b>143,485,425</b>	<b>9,787,451</b>	<b>11,252,702</b>
<b>Noncurrent Liabilities:</b>				
Accrued compensated absences	40,546,323	42,492,309	-	-
Revenue bonds payable	263,924,547	279,152,579	-	-
Certificates of participation	41,922,858	13,945,203	-	-
Liabilities under capitalized leases	2,986,351	1,207,314	-	-
Annuities payable	-	-	3,074,411	3,331,037
Accrued liability for self-insurance	19,497,050	12,370,170	-	-
Federal loan program contributions refundable	17,683,811	17,246,433	-	-
Housing deposits	144,251	147,716	-	-
Other accrued liabilities	-	-	1,812,915	1,825,036
Deposits held in custody for others	-	-	2,784,267	2,304,314
<b>Total Noncurrent Liabilities</b>	<b>386,705,191</b>	<b>366,561,724</b>	<b>7,671,593</b>	<b>7,460,387</b>
<b>Deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>44,500</b>	<b>-</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>525,216,923</b>	<b>510,047,149</b>	<b>17,503,544</b>	<b>18,713,089</b>
<b>NET POSITION</b>				
Net investment in capital assets	560,071,866	531,990,424	5,352,317	5,727,060
<b>Restricted for:</b>				
Nonexpendable	5,030,306	4,903,490	102,965,863	97,819,438
Expendable	82,400,745	116,725,903	89,297,448	73,916,705
Unrestricted	135,164,885	107,755,266	64,380,349	58,793,645
<b>TOTAL NET POSITION</b>	<b>\$ 782,667,802</b>	<b>\$ 761,375,083</b>	<b>\$ 261,995,977</b>	<b>\$ 236,256,848</b>

The accompanying notes are an integral part of this statement.

Southern Illinois University

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2014 and 2013 (Restated)

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2014	2013	2014	2013
<b>REVENUES</b>				
<b>Operating Revenues:</b>				
Student tuition and fees (net of scholarship allowances of \$67,586,274 for 2014; \$57,637,176 for 2013)	\$ 238,780,837	\$ 238,577,997	\$ -	\$ -
Federal grants and contracts	33,826,313	39,186,109	-	-
State of Illinois grants and contracts	29,545,442	26,639,068	-	-
Other government grants and contracts	6,266,886	6,719,888	-	-
Private grants and contracts	20,468,487	22,803,213	-	-
Sales and services of educational departments	100,850,328	86,414,105	-	-
Physicians and Surgeons practice plan	46,567,937	50,960,697	-	-
Patient service revenue (net)	-	-	84,841,895	88,505,023
<b>Auxiliary enterprises:</b>				
Funded debt enterprises (net of scholarship allowances of \$7,900,178 for 2014; \$5,990,809 for 2013)	102,595,002	99,875,617	-	-
Other auxiliary enterprises (net of scholarship allowances of \$903,023 for 2014; \$921,094 for 2013)	12,692,618	9,504,088	-	-
Loan interest income	295,531	306,198	-	-
Other operating revenues	1,476	27,006	17,325,109	20,963,392
<b>Total Operating Revenues</b>	<b>591,890,857</b>	<b>581,013,986</b>	<b>102,167,004</b>	<b>109,468,415</b>
<b>EXPENSES</b>				
<b>Operating Expenses:</b>				
Instruction	354,744,896	357,711,356	-	-
Research	59,937,521	64,348,813	-	-
Public service	64,291,049	66,813,986	-	-
Academic support	192,875,757	189,137,814	-	-
Student services	79,764,915	76,152,832	-	-
Institutional support	88,304,207	80,591,514	113,188,708	114,914,569
Operation and maintenance of plant	90,232,049	88,830,154	-	-
Scholarships and fellowships	40,250,063	41,793,912	-	-
Depreciation	53,824,833	48,209,665	655,970	653,103
<b>Auxiliary enterprises:</b>				
Funded debt enterprises	97,260,078	95,405,348	-	-
Other auxiliary enterprises	15,398,995	12,820,757	-	-
Other operating expenses	192,848	(2,022,681)	-	-
<b>Total Operating Expenses</b>	<b>1,137,077,211</b>	<b>1,119,793,470</b>	<b>113,844,678</b>	<b>115,567,672</b>
<b>Operating Loss</b>	<b>(545,186,354)</b>	<b>(538,779,484)</b>	<b>(11,677,674)</b>	<b>(6,099,257)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State appropriations	205,884,551	205,965,800	-	-
Gifts and contributions	12,712,911	10,658,892	5,691,928	3,215,456
Investment income	2,499,422	(253,472)	28,239,124	18,828,598
Grants and contracts	66,956,845	69,118,524	-	-
Interest on capital asset-related debt	(10,575,366)	(10,086,422)	-	-
Accretion on bonds payable	(3,952,802)	(4,166,477)	-	-
University related organizations	(302,909)	(1,183,038)	-	-
Payments on behalf of the University	274,921,642	281,309,245	-	-
Other nonoperating revenues (expenses)	1,747,840	627,118	(868,218)	102,747
<b>Net Nonoperating Revenues (Expenses)</b>	<b>549,892,134</b>	<b>551,990,170</b>	<b>33,062,834</b>	<b>22,146,801</b>
<b>Income Before Other Revenues</b>	<b>4,705,780</b>	<b>13,210,686</b>	<b>21,385,160</b>	<b>16,047,544</b>
<b>Other Revenues:</b>				
Capital state appropriations	15,629,069	25,253,273	-	-
Additions to permanent endowments	400,000	-	4,353,969	2,158,992
Capital grants and gifts	557,870	1,208,026	-	-
<b>Total Other Revenues</b>	<b>16,586,959</b>	<b>26,461,299</b>	<b>4,353,969</b>	<b>2,158,992</b>
<b>Increase In Net Position</b>	<b>21,292,719</b>	<b>39,671,985</b>	<b>25,739,129</b>	<b>18,206,536</b>
<b>NET POSITION</b>				
Net position at beginning of year	761,375,083	724,605,890	236,256,848	218,050,312
Cumulative effect of change in accounting principle	-	(2,902,792)	-	-
<b>Net position at end of year</b>	<b>\$ 782,667,802</b>	<b>\$ 761,375,083</b>	<b>\$ 261,995,977</b>	<b>\$ 236,256,848</b>

The accompanying notes are an integral part of this statement.

**Southern Illinois University**  
**Statements of Cash Flows**  
**Years Ended June 30, 2014 and 2013**

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2014	2013	2014	2013
<b>Cash Flows from Operating Activities</b>				
Tuition and fees	\$ 250,214,851	\$ 249,055,757	\$ -	\$ -
Grants and contracts	89,010,737	86,576,748	-	-
Sales and services of educational activities	98,683,524	86,722,308	-	-
Physicians and Surgeons	49,919,147	49,899,841	-	-
Auxiliary enterprise revenues:				
Funded debt	106,858,640	102,085,325	-	-
Other auxiliary	13,781,217	10,585,651	-	-
Payments for employee salaries and benefits	(544,526,321)	(534,946,543)	(30,583,494)	(31,020,482)
Payments to suppliers	(272,137,921)	(272,154,003)	(76,021,734)	(75,922,529)
Payments for scholarships and fellowships	(90,964,605)	(86,423,946)	-	-
Loans issued to students	(2,430,974)	(1,242,312)	-	-
Interest earned on loans to students	264,895	281,485	-	-
Collection of loans from students	2,716,686	2,684,521	-	-
Patient service revenue	-	-	89,648,630	86,148,974
Other operating receipts	94,440,097	108,896,204	10,322,667	12,540,706
<b>Net cash used in operating activities</b>	<b>(204,170,027)</b>	<b>(197,978,964)</b>	<b>(6,633,931)</b>	<b>(8,253,331)</b>
<b>Cash Flows from Noncapital Financing Activities</b>				
State appropriations	205,884,649	205,965,702	-	-
Direct lending receipts	212,388,272	220,580,546	-	-
Direct lending payments	(212,638,838)	(220,114,497)	-	-
Grants and contracts	66,956,845	69,118,524	-	-
Government advances for federal loan funds	344,840	(179,643)	-	-
Payments to annuitants	-	-	(130,167)	(458,844)
Other	582,179	37,388	(1,344,614)	(1,134,754)
Gifts for other than capital purposes	13,003,746	11,844,702	11,044,604	9,187,184
<b>Net cash provided by noncapital financing activities</b>	<b>286,521,693</b>	<b>287,252,722</b>	<b>9,569,823</b>	<b>7,593,586</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Capital appropriations	12,323,635	17,244,839	-	-
Sale of capital assets	-	-	-	-
Purchases of capital assets	(70,853,205)	(90,238,700)	(359,845)	(457,151)
Proceeds from capital debt	44,012,972	50,945,917	-	-
Deposit to bond escrow	-	(41,960,658)	-	-
Other	1,263,931	1,540,791	-	-
Principal paid on capital debt	(33,555,000)	(20,290,000)	-	-
Interest paid on capital debt	(11,264,745)	(11,257,867)	-	-
<b>Net cash used in capital and related financing activities</b>	<b>(58,072,412)</b>	<b>(94,015,678)</b>	<b>(359,845)</b>	<b>(457,151)</b>
<b>Cash Flows from Investing Activities</b>				
Purchases of investments	(52,334,537)	(35,404,322)	(17,658,285)	(20,814,643)
Proceeds from sales of investments and maturities	28,850,018	42,020,339	14,417,025	16,633,020
Investment income	3,032,933	3,926,375	4,650,821	4,269,995
<b>Net cash provided by (used in) investing activities</b>	<b>(20,451,586)</b>	<b>10,542,392</b>	<b>1,409,561</b>	<b>88,372</b>
<b>Net increase (decrease) in cash</b>	<b>3,827,668</b>	<b>5,800,472</b>	<b>3,985,608</b>	<b>(1,028,524)</b>
Cash and cash equivalents, beginning of the year	166,350,103	160,549,631	13,269,201	14,297,725
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 170,177,771</b>	<b>\$ 166,350,103</b>	<b>\$ 17,254,809</b>	<b>\$ 13,269,201</b>

**Southern Illinois University**  
**Statements of Cash Flows**  
**Years Ended June 30, 2014 and 2013**

	UNIVERSITY		UNIVERSITY RELATED ORGANIZATIONS	
	2014	2013	2014	2013
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>				
Operating Loss	\$ (545,186,354)	\$ (538,779,484)	\$ (11,677,674)	\$ (6,099,257)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation expense	53,824,833	48,209,665	655,970	653,103
Amortization expense	-	-	357,125	357,125
Noncash grants to University	-	-	167,016	182,232
Noncash expenditures for the benefit of the University	-	-	410,523	295,715
Noncash contributions	-	-	321,534	43,346
Budget expended at University	(465,814)	(467,875)	-	-
Payments on behalf of the University	274,921,642	281,309,245	-	-
Change in assets and liabilities:				
Accounts receivable (net)	21,175,198	7,713,513	6,181,309	(1,050,344)
Reimbursement due from State Treasurer	9,886,212	5,195,989	-	-
Inventories	95,258	2,019,473	-	-
Prepaid expenses	(57,078)	46,598	4,623	1,518
Other assets	(16,431,053)	(1,248,840)	(72,807)	894,760
Accounts payable	(5,396,038)	4,027,578	(1,952,688)	(712,877)
Accrued payroll	353,125	(1,381,235)	-	-
Deferred revenue	(2,557,344)	(4,021,253)	(10,858)	56,043
Compensated absences	(1,821,882)	(399,613)	-	-
Deposits held for others	13,218	5,188	(8,632)	15,629
Other liabilities	9,268,191	1,418,896	(1,956)	(941,013)
Due to/from related organizations	(1,792,141)	(1,626,809)	(1,007,789)	(1,949,311)
<b>Net cash used in operating activities</b>	<b>\$ (204,170,027)</b>	<b>\$ (197,978,964)</b>	<b>\$ (6,634,304)</b>	<b>\$ (8,253,331)</b>
<b>Noncash investing, capital and financing activities:</b>				
Payments on behalf of the University for fringe benefits	\$ 274,921,642	\$ 281,309,245	\$ -	\$ -
Accretion on bonds payable	3,952,802	4,166,477	-	-
Gifts in kind	404,923	1,018,272	-	-
Capital assets in accounts payable	9,336,060	16,242,662	-	-
Capital asset acquisition by CDB	8,838,177	14,965,407	-	-
Loss on disposals of capital assets	841,625	1,155,032	78,617	201,500
Other capital asset adjustments	(2,755,354)	(1,676,636)	-	-
Net interest capitalized	484,182	1,105,601	-	-

The accompanying notes are an integral part of this statement.

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**NOTE 1 - The financial reporting entity and discretely presented 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 discretely presented 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, Inc. 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, Inc., 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 Research Park may be obtained by writing: Southern Illinois Research Park, 150 East Pleasant Hill Road, Carbondale, IL 62901-6891.



**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

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

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).

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, derived from the University's 2013 financial statements. Certain reclassifications have been made to the 2013 financial statement presentation to conform to current fiscal year presentation.

***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.

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.

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

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

***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 position 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 \$20,349,430 and \$287,448, respectively, at June 30, 2014, compared to allowances of \$16,666,202 and \$798,909, respectively, at June 30, 2013.

***Inventories***

Except for the Textbook Rental Service at the Edwardsville campus, inventories are stated at the lower of cost or market. Cost is determined principally by the average cost method or the first-in, first-out method, depending on the type of inventory. 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 deemed inexhaustible and 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 \$274,921,642 for fiscal year 2014 for health care and retirement costs, compared to \$281,309,245 for fiscal year 2013. These costs are reflected in the Statement of Revenues, Expenses and Changes in Net Position as non-operating revenues entitled "Payments on behalf of the University" and as operating expenses under the appropriate functional classifications.

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

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

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

auxiliary enterprises are paid by the State on behalf of the University. On-behalf payments for health care costs totaled \$128,223,834 for the year ended June 30, 2014, and \$144,485,866 for the year ended June 30, 2013. The employer contributions to these plans for employees paid from other University held funds are paid by the University. On behalf-payments of \$146,697,808 for the year ended June 30, 2014, were made to the State Universities Retirement System for retirement costs, compared to \$136,823,379 for the year ended June 30, 2013.

***Classification of revenues and expenses***

The University has classified its revenues and expenses as either operating or non-operating 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.

**Non-operating:** Non-operating revenues and expenses include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other sources and uses that are defined as non-operating 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 are recognized as non-operating revenues in the year appropriated to the extent expended. Other non-operating revenues and expenses include transactions relating to capital and financing activities, noncapital financing activities, and investing activities. Gift and contribution revenue of the Southern Illinois University Edwardsville Foundation is reported as operating revenue in accordance with their audited financial statements.

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 considered unearned.

The University first applies resources in restricted net position when an expense or outlay is incurred for purposes for which resources in both restricted and unrestricted net positions 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, 2014, the University estimates \$29,812,998 will be paid from state appropriated accounts funded by the State of Illinois and the Income Fund, and \$15,532,652 from local funds in subsequent years for a combined total of \$45,345,650. This compares to \$31,810,387 from state accounts and \$15,357,145 from local funds, totaling \$47,167,532, at June 30, 2013.

***New Governmental Accounting Standards***

The Governmental Accounting Standards Board (GASB) has issued the following statements which are effective for periods beginning July 1, 2013, or later which may impact the University:

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

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

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. Application of Statement No. 65 in fiscal year 2014 resulted in the presentation of the unamortized loss on refunding, previously reported as a reduction of revenue bonds payable, as a deferred outflow on the Statement of Net Position. It also resulted in the expensing of the unamortized non-insurance components of the bond issuance costs which were previously reported as prepaid expenses. This change resulted in a reduction of \$2,902,792 to beginning fiscal year 2013 net position. Comparative totals for 2013 have been restated to reflect all changes.

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. This statement did not impact the University.

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. This statement did not impact the University.

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 University will be required to recognize a liability in its financial statements for its proportionate share of the net pension liability of all employers for pension benefits provided to its employees through the State University Retirement Plan.

Statement No. 69 – *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The statement is effective for fiscal years beginning after December 15, 2013. This statement is not expected to impact the University.

Statement No. 70 – *Accounting and Financial Reporting for Non-exchange Financial Guarantees*, specifies the information required to be disclosed by governments that extend or receive non-exchange financial guarantees. The statement is effective for fiscal years beginning after June 15, 2013. This statement did not impact the University.

Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, specifies that governments recognize a beginning deferred outflow of resources for any contributions made subsequent to the beginning net pension liability measurement date. The statement is effective for fiscal years beginning after June 15, 2014. The impact on the University will be reviewed.

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

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

At June 30, 2014, the actual bank balances related to the deposits of the University amounted to \$178,206,188; of this balance, \$100,031,199 was either covered by federal depository insurance or not required to be collateralized and \$78,174,989 was covered by collateral held by an agent in the University's name. The actual bank balances at June 30, 2013, were \$175,064,427.

Cash, deposits and cash equivalents at June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
<b><u>UNIVERSITY:</u></b>		
Cash and cash equivalents	\$ 56,732,694	\$ 55,806,032
The Illinois Funds	<u>113,445,077</u>	<u>110,544,071</u>
Total cash and cash equivalents	<u>\$ 170,177,771</u>	<u>\$ 166,350,103</u>
<b><u>UNIVERSITY RELATED ORGANIZATIONS:</u></b>		
Total cash and cash equivalents	<u>\$ 17,254,809</u>	<u>\$ 13,269,201</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. 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

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**NOTE 4 – Investments (continued)**

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 aggregate 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.

Investment income net of realized and unrealized gains and losses on investments for the years ended June 30, 2014 and 2013 are reflected below:

	<u>2014</u>	<u>2013</u>
<b><u>UNIVERSITY:</u></b>		
Interest earnings	\$ 1,294,916	\$ 2,084,310
Realized gain/(loss) on investments	1,517,013	1,600,290
Unrealized gain/(loss) on investments	<u>(312,507)</u>	<u>(3,938,072)</u>
Net investment income	<u>\$ 2,499,422</u>	<u>\$ (253,472)</u>
<b><u>UNIVERSITY RELATED ORGANIZATIONS:</u></b>		
Interest earnings	\$ 4,333,356	\$ 4,127,375
Realized gain/(loss) on investments	10,955,884	2,397,123
Unrealized gain/(loss) on investments	<u>12,949,884</u>	<u>12,304,100</u>
Net investment income	<u>\$ 28,239,124</u>	<u>\$ 18,828,598</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 AA or higher. The Public Treasurer’s Investment Pool is rated AAAM.

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**NOTE 4 – Investments (continued)**

*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.

*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.

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**NOTE 4 – Investments (continued)**

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 orderly transaction between market participants at the measurement date. 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.

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, 2014, the entire bank balance of \$367,740 was either insured or collateralized by pledged bank assets in the Foundation's name. As of June 30, 2013, the entire bank balance of \$428,332 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 the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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



**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**NOTE 4 – Investments (continued)**

undue financial burden on the Foundation. Board policy requires investments in fixed income government 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) or Fitch Investors Service. 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 more than 10 percent 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 Foundation. In fiscal years 2014 and 2013, the Foundation's investments were managed by two different investment firms, each offering SIPC protection up to \$500,000. The investment balance exposed to custodial credit risk as of June 30, 2014 and 2013 was \$30,206,450 and \$26,486,512, respectively.

*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, 2014. 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 10 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 19 and 20.

Southern Illinois University  
Notes to Financial Statements  
For the Years Ended June 30, 2014 and 2013

**NOTE 4 – Investments (continued)**

***Investment maturities***

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2014 and 2013, the University had the following investment balances:

<b>UNIVERSITY:</b>	<b>AS OF JUNE 30, 2014</b>				
	<b>Investment Maturities (in Years)</b>				
	<b>Fair Value</b>	<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>No Maturity</b>
<b>Investment Type:</b>					
U.S. Treasuries	\$ 91,455,795	\$ 14,850,751	\$ 69,191,948	\$ 7,413,096	\$ -
U.S. Agencies	49,758,000	10,683,199	28,664,445	10,410,356	-
The Illinois Funds	113,445,077	113,445,077	-	-	-
Money Market Mutual Funds	1,023,820	1,023,820	-	-	-
Common Stock	44,300	-	-	-	44,300
Subtotal	255,726,992	\$ 140,002,847	\$ 97,856,393	\$ 17,823,452	\$ 44,300
Less: Investment in The Illinois Funds reported as cash	(113,445,077)				
<b>Total Investments</b>	<b>\$ 142,281,915</b>				

<b>UNIVERSITY:</b>	<b>AS OF JUNE 30, 2013</b>				
	<b>Investment Maturities (in Years)</b>				
	<b>Fair Value</b>	<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>No Maturity</b>
<b>Investment Type:</b>					
U.S. Treasuries	\$ 59,735,212	\$ 24,316,671	\$ 26,964,385	\$ 8,454,156	\$ -
U.S. Agencies	59,773,426	-	46,195,012	13,578,414	-
The Illinois Funds	110,544,071	110,544,071	-	-	-
Common Stock	44,300	-	-	-	44,300
Subtotal	230,097,009	\$ 134,860,742	\$ 73,159,397	\$ 22,032,570	\$ 44,300
Less: Investment in The Illinois Funds reported as cash	(110,544,071)				
<b>Total Investments</b>	<b>\$ 119,552,938</b>				

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**NOTE 4 – Investments (continued)**

***Investment maturities***

Interest rate risk is disclosed below using the segmented time distribution method. As of June 30, 2014 and 2013, the University Related Organizations had the following investment balances:

**UNIVERSITY RELATED ORGANIZATIONS:**

Investment Type:	AS OF JUNE 30, 2014					
	Fair Value	Investment Maturities (in Years)				
		Less Than 1	1-5	6-10	Over 10	No Maturity
Municipal Bonds	\$ 3,454,225	\$ 156,202	\$ 2,269,032	\$ 1,028,991	\$ -	\$ -
Government Bonds	62,757	-	-	-	62,757	-
Government Agencies	1,266,582	-	-	1,266,582	-	-
Common Stock	1,317,717	-	-	-	-	1,317,717
Certificates of Deposit	2,155,388	1,518,001	637,387	-	-	-
Corporate Bonds	3,585,907	1,068,626	1,584,610	932,671	-	-
Commodities	4,588,436	4,588,436	-	-	-	-
Alternative Investments	35,584,080	23,261,862	12,322,218	-	-	-
Real Estate	4,341,066	4,118,083	222,983	-	-	-
Natural Resources	345,677	345,677	-	-	-	-
Money Market Funds with Brokers	3,874,934	3,874,934	-	-	-	-
Mutual Funds	153,897,966	153,897,966	-	-	-	-
<b>Total Investments</b>	<b>\$ 214,474,735</b>	<b>\$ 192,829,787</b>	<b>\$ 17,036,230</b>	<b>\$ 3,228,244</b>	<b>\$ 62,757</b>	<b>\$ 1,317,717</b>

**UNIVERSITY RELATED ORGANIZATIONS:**

Investment Type:	AS OF JUNE 30, 2013					
	Fair Value	Investment Maturities (in Years)				
		Less Than 1	1-5	6-10	Over 10	No Maturity
Municipal Bonds	\$ 2,289,938	\$ -	\$ 834,749	\$ 1,455,189	\$ -	\$ -
Government Bonds	81,962	-	-	-	81,962	-
Government Agencies	484,155	484,155	-	-	-	-
Common Stock	1,459,661	-	-	-	-	1,459,661
Certificates of Deposit	3,272,239	1,083,857	2,188,382	-	-	-
Corporate Equity Securities	3,152,316	229,620	1,825,218	1,097,478	-	-
Alternative Investments	15,561,332	14,021,112	1,540,220	-	-	-
Real Estate	1,045,097	1,045,097	-	-	-	-
Natural Resources	399,712	399,712	-	-	-	-
Money Market Funds with Brokers	2,382,011	2,382,011	-	-	-	-
Mutual Funds	155,732,097	155,732,097	-	-	-	-
<b>Total Investments</b>	<b>\$ 185,860,520</b>	<b>\$ 175,377,661</b>	<b>\$ 6,388,569</b>	<b>\$ 2,552,667</b>	<b>\$ 81,962</b>	<b>\$ 1,459,661</b>

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**NOTE 5 - Accounts and notes receivable**

Accounts and notes receivable consisted of the following at June 30, 2014 and 2013:

**UNIVERSITY:**

	<u>2014</u>		<u>2013</u>	
	<u>Accounts Receivable</u>	<u>Notes Receivable</u>	<u>Accounts Receivable</u>	<u>Notes Receivable</u>
Student tuition and fees	\$ 12,471,148	\$ -	\$ 12,057,218	\$ -
Auxiliary enterprises	13,298,773	-	12,029,484	-
Grants and contracts	16,426,111	-	18,100,149	-
General operating	19,995,432	-	21,002,257	-
Student loans	120,586	18,748,893	88,093	19,139,732
Other accounts receivable	108,586	-	447,963	-
	<u>62,420,636</u>	<u>18,748,893</u>	<u>63,725,164</u>	<u>19,139,732</u>
Less: Allowance for doubtful accounts	<u>(20,349,430)</u>	<u>(287,448)</u>	<u>(16,666,202)</u>	<u>(798,909)</u>
Net receivable	<u>\$ 42,071,206</u>	<u>\$ 18,461,445</u>	<u>\$ 47,058,962</u>	<u>\$ 18,340,823</u>

**UNIVERSITY RELATED ORGANIZATIONS:**

	<u>2014</u>		<u>2013</u>	
	<u>Accounts Receivable</u>	<u>Notes Receivable</u>	<u>Accounts Receivable</u>	<u>Notes Receivable</u>
Accounts receivable	\$ 44,983,988	\$ -	\$ 56,748,132	\$ -
Student loans	-	30,217	-	46,439
	<u>44,983,988</u>	<u>30,217</u>	<u>56,748,132</u>	<u>46,439</u>
Less: Allowances for assignment losses & doubtful accounts	<u>(29,737,245)</u>	<u>-</u>	<u>(35,298,516)</u>	<u>-</u>
Net receivable	<u>\$ 15,246,743</u>	<u>\$ 30,217</u>	<u>\$ 21,449,616</u>	<u>\$ 46,439</u>

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**NOTE 6 - Capital assets**

Capital asset activity for the University for the fiscal year ended June 30, 2014 was as follows:

**UNIVERSITY:**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 21,958,021	\$ 7,208	\$ 57,847	\$ -	\$ 21,907,382
Nondepreciable historical treasures and works of art	11,522,850	39,589	-	-	11,562,439
Construction in progress	142,401,410	47,853,299	272,956	(116,880,029)	73,101,724
Total capital assets not being depreciated	175,882,281	47,900,096	330,803	(116,880,029)	106,571,545
Capital assets being depreciated:					
Site improvements	68,225,338	496,538	26,026	695,551	69,391,401
Buildings	1,078,220,816	9,118,894	225,916	111,450,516	1,198,564,310
Equipment	352,835,663	17,971,131	5,667,475	3,720,341	368,859,660
Intangible assets	7,340,787	-	-	-	7,340,787
Infrastructure	8,607,727	3,727,557	-	1,013,621	13,348,905
Total capital assets being depreciated	1,515,230,331	31,314,120	5,919,417	116,880,029	1,657,505,063
Less accumulated depreciation for:					
Site improvements	41,502,201	2,930,846	26,026	-	44,407,021
Buildings	497,664,841	31,597,747	207,179	-	529,055,409
Equipment	299,642,310	18,513,110	5,175,391	-	312,980,029
Intangible assets	3,362,578	719,283	-	-	4,081,861
Infrastructure	8,607,727	63,847	-	-	8,671,574
Total accumulated depreciation	850,779,657	53,824,833	5,408,596	-	899,195,894
Total capital assets being depreciated, net	664,450,674	(22,510,713)	510,821	116,880,029	758,309,169
Capital assets, net	<u>\$ 840,332,955</u>	<u>\$ 25,389,383</u>	<u>\$ 841,624</u>	<u>\$ -</u>	<u>\$ 864,880,714</u>

The University incurred interest expense of \$11,059,548 during fiscal year 2014 including \$484,182 of capitalized interest.

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

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

Capital asset activity for the University for the fiscal year ended June 30, 2013 was as follows:

**UNIVERSITY:**

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 21,514,697	\$ 443,324	\$ -	\$ -	\$ 21,958,021
Nondepreciable historical treasures and works of art	11,480,559	42,291	-	-	11,522,850
Construction in progress	143,988,202	83,063,882	738,464	(83,912,210)	142,401,410
Total capital assets not being depreciated	176,983,458	83,549,497	738,464	(83,912,210)	175,882,281
Capital assets being depreciated:					
Site improvements	64,531,793	1,271,525	34,587	2,456,607	68,225,338
Buildings	998,809,321	2,159,189	-	77,252,306	1,078,220,816
Equipment	341,162,512	13,295,026	5,825,172	4,203,297	352,835,663
Intangible assets	7,340,787	-	-	-	7,340,787
Infrastructure	8,607,727	-	-	-	8,607,727
Total capital assets being depreciated	1,420,452,140	16,725,740	5,859,759	83,912,210	1,515,230,331
Less accumulated depreciation for:					
Site improvements	38,724,190	2,812,597	34,586	-	41,502,201
Buildings	470,598,537	27,066,304	-	-	497,664,841
Equipment	287,493,765	17,557,150	5,408,605	-	299,642,310
Intangible assets	2,588,964	773,614	-	-	3,362,578
Infrastructure	8,607,727	-	-	-	8,607,727
Total accumulated depreciation	808,013,183	48,209,665	5,443,191	-	850,779,657
Total capital assets being depreciated, net	612,438,957	(31,483,925)	416,568	83,912,210	664,450,674
Capital assets, net	\$ 789,422,415	\$ 52,065,572	\$ 1,155,032	\$ -	\$ 840,332,955

The University incurred interest expense of \$11,092,023 during fiscal year 2013 including \$1,105,601 of capitalized interest.

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

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

Capital asset activity for the University Related Organizations for the fiscal years ended June 30, 2014 and 2013 was as follows:

**UNIVERSITY RELATED ORGANIZATIONS:**

**2014**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Ending Balance</b>
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	5,246,733	21,974	-	-	5,268,707
Equipment	4,729,542	337,871	162,708	-	4,904,705
Total capital assets being depreciated	10,291,905	359,845	162,708	-	10,489,042
Less accumulated depreciation for:					
Site improvements	233,763	31,398	-	-	265,161
Buildings	1,119,151	220,177	-	-	1,339,328
Equipment	3,527,603	404,395	84,090	-	3,847,908
Total accumulated depreciation	4,880,517	655,970	84,090	-	5,452,397
Total capital assets being depreciated, net	5,411,388	(296,125)	78,618	-	5,036,645
Capital assets, net	\$ 5,727,060	\$ (296,125)	\$ 78,618	\$ -	\$ 5,352,317

**UNIVERSITY RELATED ORGANIZATIONS:**

**2013**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Ending Balance</b>
Capital assets not being depreciated:					
Land	\$ 412,172	\$ -	\$ 96,500	\$ -	\$ 315,672
Total capital assets not being depreciated	412,172	-	96,500	-	315,672
Capital assets being depreciated:					
Site improvements	315,630	-	-	-	315,630
Buildings	5,081,676	165,057	-	-	5,246,733
Equipment	4,568,548	360,607	199,713	-	4,729,542
Total capital assets being depreciated	9,965,954	525,664	199,713	-	10,291,905
Less accumulated depreciation for:					
Site improvements	202,360	31,403	-	-	233,763
Buildings	1,051,501	67,650	-	-	1,119,151
Equipment	3,068,266	554,050	94,713	-	3,527,603
Total accumulated depreciation	4,322,127	653,103	94,713	-	4,880,517
Total capital assets being depreciated, net	5,643,827	(127,439)	105,000	-	5,411,388
Capital assets, net	\$ 6,055,999	\$ (127,439)	\$ 201,500	\$ -	\$ 5,727,060

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**NOTE 7 – Changes in long-term liabilities**

Long-term liability activity for the years ended June 30, 2014 and 2013 is as follows:

<b>2014</b>					
<b>UNIVERSITY:</b>					
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Compensated absences	\$ 47,167,532	\$ 3,498,734	\$ 5,320,616	\$ 45,345,650	\$ 4,799,327
Revenue bonds payable	297,196,667	3,952,802	18,377,618	282,771,851	18,847,304
Certificates of participation	15,700,551	44,012,972	15,719,787	43,993,736	2,070,878
Capitalized leases	1,591,970	2,937,210	432,326	4,096,854	1,110,503
Self insurance	23,706,727	13,720,176	7,467,393	29,959,510	10,462,460
Federal loan programs refundable	17,246,433	437,378	-	17,683,811	-
Housing deposits	268,575	170,503	176,803	262,275	118,024
Total long-term liabilities	<u>\$ 402,878,455</u>	<u>\$ 68,729,775</u>	<u>\$ 47,494,543</u>	<u>\$ 424,113,687</u>	<u>\$ 37,408,496</u>
<b>UNIVERSITY RELATED ORGANIZATIONS:</b>					
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Annuities payable	\$ 3,855,266	\$ -	\$ 369,877	\$ 3,485,389	\$ 410,978
Other accrued liabilities	1,825,036	-	12,121	1,812,915	-
Deposits held in custody for others	2,388,252	472,834	-	2,861,086	76,819
Total long-term liabilities	<u>\$ 8,068,554</u>	<u>\$ 472,834</u>	<u>\$ 381,998</u>	<u>\$ 8,159,390</u>	<u>\$ 487,797</u>
<b>2013 (Restated)</b>					
<b>UNIVERSITY:</b>					
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Compensated absences	\$ 47,567,145	\$ 2,828,543	\$ 3,228,156	\$ 47,167,532	\$ 4,675,223
Revenue bonds payable	299,840,896	52,101,945	54,746,174	297,196,667	18,044,088
Certificates of participation	17,885,949	-	2,185,398	15,700,551	1,755,348
Capitalized leases	1,256,551	747,361	411,942	1,591,970	384,656
Self insurance	22,260,606	10,660,079	9,213,958	23,706,727	11,336,557
Federal loan programs refundable	17,273,195	-	26,762	17,246,433	-
Housing deposits	295,800	172,460	199,685	268,575	120,859
Total long-term liabilities	<u>\$ 406,380,142</u>	<u>\$ 66,510,388</u>	<u>\$ 70,012,075</u>	<u>\$ 402,878,455</u>	<u>\$ 36,316,731</u>
<b>UNIVERSITY RELATED ORGANIZATIONS:</b>					
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Annuities payable	3,916,894	397,217	458,845	3,855,266	524,229
Other accrued liabilities	2,476,895	-	651,859	1,825,036	-
Deposits held in custody for others	2,192,935	195,317	-	2,388,252	83,938
Total long-term liabilities	<u>\$ 8,586,724</u>	<u>\$ 592,534</u>	<u>\$ 1,110,704</u>	<u>\$ 8,068,554</u>	<u>\$ 608,167</u>



**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**NOTE 8 - Revenue bonds payable**

Revenue bonds payable activity for the years ended June 30, 2014 and 2013 is as follows:

<u>UNIVERSITY:</u>		<u>2014</u>				
<u>Series</u>	<u>Annual Maturity To</u>	<u>Beginning Balance</u>	<u>Accretion/ New Debt</u>	<u>Principal Paid/Debt Refunded</u>	<u>Ending Balance</u>	<u>Current Portion</u>
1993A	2018	\$ 17,195,976	\$ 1,013,383	\$ 4,050,000	\$ 14,159,359	\$ 4,050,000
1997A	2018	12,867,823	694,156	3,345,000	10,216,979	3,175,000
1999A	2029	40,177,785	2,245,263	505,000	41,918,048	505,000
2004A	2014	1,020,000	-	1,020,000	-	-
2005	2026	15,470,000	-	1,015,000	14,455,000	1,085,000
2006A	2036	53,880,000	-	2,550,000	51,330,000	3,780,000
2008A	2028	26,230,000	-	1,110,000	25,120,000	1,220,000
2009A	2030	47,570,000	-	2,135,000	45,435,000	2,185,000
2012A	2030	28,290,000	-	1,565,000	26,725,000	1,090,000
2012B	2035	44,220,000	-	510,000	43,710,000	1,555,000
		<u>\$ 286,921,584</u>	<u>\$ 3,952,802</u>	<u>\$ 17,805,000</u>	273,069,386	18,645,000
						Unaccreted appreciation (328,654)
					9,702,465	Unamortized debt premium 530,958
					<u>\$ 282,771,851</u>	<u>\$ 18,847,304</u>

<u>UNIVERSITY:</u>		<u>2013 (Restated)</u>				
<u>Series</u>	<u>Annual Maturity To</u>	<u>Beginning Balance</u>	<u>Accretion/ New Debt</u>	<u>Principal Paid/Debt Refunded</u>	<u>Ending Balance</u>	<u>Current Portion</u>
1993A	2018	\$ 20,056,143	\$ 1,189,833	\$ 4,050,000	\$ 17,195,976	\$ 4,050,000
1997A	2018	15,175,812	827,011	3,135,000	12,867,823	3,345,000
1999A	2029	38,478,152	2,149,633	450,000	40,177,785	505,000
2003A	2013	6,710,000	-	6,710,000	-	-
2004A	2014	35,035,000	-	34,015,000	1,020,000	1,020,000
2005	2026	16,415,000	-	945,000	15,470,000	1,015,000
2006A	2036	57,020,000	-	3,140,000	53,880,000	2,550,000
2008A	2028	27,270,000	-	1,040,000	26,230,000	1,110,000
2009A	2030	49,660,000	-	2,090,000	47,570,000	2,135,000
2012A	2030	29,805,000	-	1,515,000	28,290,000	1,565,000
2012B	2035	-	44,700,000	480,000	44,220,000	510,000
		<u>\$ 295,625,107</u>	<u>\$ 48,866,477</u>	<u>\$ 57,570,000</u>	286,921,584	17,805,000
						Unaccreted appreciation (333,530)
					10,275,083	Unamortized debt premium 572,618
					<u>\$ 297,196,667</u>	<u>\$ 18,044,088</u>

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**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 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 2013 with interest ranging from 1.15 to 4.85 percent. Interest payments are due semi-annually. A portion of the bonds were part of an advanced refunding on December 19, 2012. The final payment on the 2003A Series Bonds was made on April 1, 2013.

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 2014 with interest ranging from 3.00 to 5.00 percent. Interest payments are due semi-annually. A portion of the bonds were part of an advanced refunding on December 19, 2012. The final payment on the 2004A Series Bonds was made on April 1, 2014.

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.

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.

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

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

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:

<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Treasury Rebate</b>	<b>Total</b>
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	2,385,000	2,260,448	(791,157)	3,854,291
2019	2,460,000	2,141,197	(749,419)	3,851,778
2020-24	13,660,000	8,621,178	(3,017,412)	19,263,766
2025-29	16,485,000	4,288,650	(1,501,028)	19,272,622
2030	3,705,000	229,710	(80,398)	3,854,312
<b>Total</b>	<b>\$ 45,435,000</b>	<b>\$ 24,949,591</b>	<b>\$ (8,732,357)</b>	<b>\$ 61,652,234</b>

Note: The October 1, 2014 Treasury Rebate will be reduced by 7.2% in accordance with the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. Reductions to future Treasury Rebates are subject to Congressional action.

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.

The Housing and Auxiliary Facilities System Bonds, Series 2012B were authorized by the University's Board under the Fifteenth Supplemental Bond Resolution approved November 8, 2012. The bonds in Series 2012B-1 mature at varying amounts from 2013 to 2035 with interest ranging from 1.00 to 5.00 percent. Interest payments are due semi-annually. The advance refunding, which was undertaken by the Board to effect a cost savings, resulted in a net decrease in debt service payments of \$6,293,473. The financing resulted in an economic gain of \$4,829,291 and an accounting loss of \$2,216,389.

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

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

The bonds in Series 2012B-2 mature at \$5,365,000 in 2035 with interest of 4.40 percent. Interest payments are due semi-annually. The bonds are Qualified Energy Conservation Bonds that carry a direct payment subsidy from the U.S. Treasury in an amount equal to 70% of the tax credit rate published by the Bureau of Public Debt on the date of the bond sale:

Year Ending	Principal	Interest	Treasury Rebate	Total
2015	\$ -	\$ 236,060	\$ (157,731)	\$ 78,329
2016	-	236,060	(157,731)	78,329
2017	-	236,060	(157,731)	78,329
2018	-	236,060	(157,731)	78,329
2019	-	236,060	(157,731)	78,329
2020-24	-	1,180,300	(788,655)	391,645
2025-29	-	1,180,300	(788,655)	391,645
2030-34	-	1,180,300	(788,655)	391,645
2035	5,365,000	236,060	(157,731)	5,443,329
<b>Total</b>	<b>\$ 5,365,000</b>	<b>\$ 4,957,260</b>	<b>\$ (3,312,351)</b>	<b>\$ 7,009,909</b>

Note: The October 1, 2014 Treasury Rebate will be reduced by 7.2% in accordance with the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. Reductions to future Treasury Rebates are subject to Congressional action.

**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 \$385,292,249 with annual requirements ranging from \$2,604,000 to \$26,920,816. For the current year, principal and interest paid was \$26,535,010, and the total revenues pledged were \$62,345,702. In the prior year, principal and interest paid was \$26,772,473, and the total revenues pledged were \$60,763,029. For fiscal year 2014, the total revenue pledged represents 100 percent of the net revenues of the System and 17 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 2013. 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 a cash basis be at least 120 percent of the maximum annual debt service. For the year ended June 30, 2014, the maximum annual debt requirement was \$26,920,816, and the coverage was 232 percent. For the year ended June 30, 2013, the maximum annual debt requirement was \$26,920,816, and the coverage was 226 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 \$25,078,988 at June 30, 2014, and \$28,601,147 at June 30, 2013. 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, 2014, there were

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

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

no outstanding balances of refunded bonds. As of June 30, 2013, \$33,035,000 of the bonds refunded in 2012 were outstanding and the market value of the related escrow fund was \$34,588,749.

**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 \$18,714,412 with annual requirements ranging from \$543,400 to \$1,985,750. For the current year, principal and interest paid was \$1,765,250, and the total revenues pledged were \$134,401,408. In the prior year, principal and interest paid was \$1,742,500, and the total revenues pledged were \$144,617,443. For fiscal year 2014, the total revenue pledged represents 100 percent of the net revenues of the System and 83 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 2013. 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, 2014, the maximum annual debt service was \$1,985,750, and the coverage was 6,768 percent. For the year ended June 30, 2013, the maximum annual debt requirement was \$1,985,750, and the coverage was 7,283 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 \$964,900 at June 30, 2014, and \$1,447,805 at June 30, 2013.

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

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

As of June 30, 2014, future debt service requirements for all bonds outstanding are:

<u>UNIVERSITY:</u>	<u>June 30, 2014</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$ 18,645,000	\$ 10,067,928	\$ 28,712,928
2016	19,070,000	9,591,435	28,661,435
2017	18,235,000	9,053,688	27,288,688
2018	20,030,000	8,589,643	28,619,643
2019	18,005,000	8,041,740	26,046,740
2020-24	88,325,000	31,006,885	119,331,885
2025-29	82,300,000	17,354,517	99,654,517
2030-34	27,050,000	6,055,365	33,105,365
2035-36	11,915,000	670,460	12,585,460
Total payments	303,575,000	\$ 100,431,661	\$ 404,006,661
Unaccrued appreciation	(30,505,614)		
Subtotal	273,069,386		
Unamortized premiums on bonds	9,702,465		
Total bonds payable	\$ 282,771,851		

As of June 30, 2013, future debt service requirements for all bonds outstanding were:

<u>UNIVERSITY:</u>	<u>June 30, 2013 (Restated)</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2014	\$ 17,805,000	\$ 10,495,260	\$ 28,300,260
2015	18,645,000	10,067,928	28,712,928
2016	19,070,000	9,591,435	28,661,435
2017	18,235,000	9,053,688	27,288,688
2018	20,030,000	8,589,643	28,619,643
2019-23	90,520,000	34,033,113	124,553,113
2024-28	82,530,000	19,996,999	102,526,999
2029-33	38,735,000	7,703,635	46,438,635
2034-36	15,810,000	1,395,220	17,205,220
Total payments	321,380,000	\$ 110,926,921	\$ 432,306,921
Unaccrued appreciation	(34,458,416)		
Subtotal	286,921,584		
Unamortized premiums on bonds	10,275,083		
Total bonds payable	\$ 297,196,667		

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**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, 2014</u>
<u>Year Ending</u>	
2015	\$ 1,180,857
2016	1,150,036
2017	1,060,183
2018	581,364
2019	<u>296,334</u>
Total minimum lease payments	4,268,774
Less amount representing interest	<u>(171,920)</u>
Present value of net minimum lease payments	<u>\$ 4,096,854</u>

<u>Year Ending</u>	<u>June 30, 2013</u>
2014	421,857
2015	368,263
2016	337,441
2017	281,575
2018	<u>281,574</u>
Total minimum lease payments	1,690,710
Less amount representing interest	<u>(98,740)</u>
Present value of net minimum lease payments	<u>\$ 1,591,970</u>

Assets held under capital lease are:

<u>UNIVERSITY:</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Equipment	\$ 4,266,466	\$ 1,944,077
Improvements	288,082	288,082
Less accumulated depreciation	<u>(1,082,507)</u>	<u>(548,432)</u>
Total net assets	<u>\$ 3,472,041</u>	<u>\$ 1,683,727</u>

**NOTE 10 - Operating Leases**

The University leases office and instructional space as well as equipment (principally office machines, automobiles, and farm equipment) under contracts which are renewable annually. The University also leases clinical space under contract of which some are renewable for multiple years with renewal options at the end of the initial lease period. Many of the University's leases are subject to escalation upon proper notice by the lessor. The clinical leases extending beyond 2014 have future payments of \$3,489,513 in 2015, \$3,385,350 in 2016, \$3,208,518 in 2017, and \$1,184,687 in 2018. There are no clinical leases as of June 30, 2014 with future payments beyond 2018. Rental payments on operating leases totaled \$17,887,158 in 2014 and \$16,354,641 in 2013.

**NOTE 11 - Certificates of participation payable**

**Series 2014A:** On February 13, 2014, the University issued Certificates of Participation (COPS) in the par amount of \$42,995,000. The COPS were issued at a premium of \$1,017,972. The certificates were issued

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**NOTE 11 – Certificates of participation payable (continued)**

to finance, in combination with University funds, multiple capital improvement projects on the Carbondale campus as well as to refund the outstanding balance of the Series 2004A COPS. The certificates bear interest at rates ranging from 2% to 5% payable semi-annually, and principal installments ranging from \$1,525,000 to \$2,855,000 are payable annually on February 15 beginning 2015 through the year 2034. The current refunding undertaken by the Board to effect a cost savings resulted in a net decrease in debt service payments of \$1,365,042. The financing resulted in an economic gain of \$1,173,843 and an accounting loss of \$330,440.

**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 outstanding balance of the Series 2004A COPS were refunded with the issuance of the Series 2014A COPS. The final payment for the Series 2004A COPS was made on February 15, 2014.

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

<u>UNIVERSITY:</u>			
<u>June 30, 2014</u>	<u>Certificates of Participation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,020,000	\$ 1,711,747	\$ 3,731,747
2016	2,155,000	1,652,290	3,807,290
2017	2,210,000	1,592,540	3,802,540
2018	2,285,000	1,515,090	3,800,090
2019	2,360,000	1,434,940	3,794,940
2020-24	13,255,000	5,759,200	19,014,200
2025-29	8,290,000	3,623,725	11,913,725
2030-34	10,420,000	1,493,898	11,913,898
Total payments	42,995,000	\$ 18,783,430	\$ 61,778,430
Unamortized premiums on COPS	998,736		
Total payable	\$ 43,993,736		
<u>June 30, 2013</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,170,000	513,025	1,683,025
2019-23	6,710,000	1,696,475	8,406,475
2024	2,720,000	136,000	2,856,000
Total payments	15,750,000	\$ 4,914,713	\$ 20,664,713
Unamortized premiums (discounts) on COPS	(49,449)		
Total payable	\$ 15,700,551		



**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**NOTE 12 - 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 2014 included a 1.5% 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, 2014 and 2013, the accrual for self-insurance was \$29,154,205 and \$22,620,572, respectively, for the general and professional liability fund and \$805,305 and \$1,086,155, respectively, for the Student Medical Insurance Plan, for a total accrued liability for self-insurance of \$29,959,510 and \$23,706,727. 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 Position in the period in which additional information becomes available.

Changes in the self-insurance accrual for the years ended June 30, 2014, and June 30, 2013, are reflected below:

	<u>June 30, 2014</u>		
	<u>Total</u>	<u>General and Professional</u>	<u>Student Plan</u>
Accrued liability, June 30, 2013	\$ 23,706,727	\$ 22,620,572	\$ 1,086,155
Current year claims and other changes	13,720,176	8,630,480	5,089,696
Payment of Claims	<u>(7,467,393)</u>	<u>(2,096,847)</u>	<u>(5,370,546)</u>
Accrued liability, June 30, 2014	<u>\$ 29,959,510</u>	<u>\$ 29,154,205</u>	<u>\$ 805,305</u>

	<u>June 30, 2013</u>		
	<u>Total</u>	<u>General and Professional</u>	<u>Student Plan</u>
Accrued liability, June 30, 2012	\$ 22,260,606	\$ 21,198,482	\$ 1,062,124
Current year claims and other changes	10,660,080	3,535,351	7,124,729
Payment of Claims	<u>(9,213,959)</u>	<u>(2,113,261)</u>	<u>(7,100,698)</u>
Accrued liability, June 30, 2013	<u>\$ 23,706,727</u>	<u>\$ 22,620,572</u>	<u>\$ 1,086,155</u>

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**NOTE 13 - Net Position**

Net position balances by major categories at June 30, 2014 and 2013, as restated:

<u>UNIVERSITY:</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Net investment in capital assets	\$ 560,071,866	\$ 531,990,424
Restricted for:		
Nonexpendable	5,030,306	4,903,490
Expendable		
Quasi-endowment	704,383	248,140
Scholarships, research, instruction and other	945,958	3,642,564
Loans	4,816,380	4,669,585
Self insurance	7,855,672	11,549,092
Capital projects	53,652,475	81,973,428
Debt service	14,425,877	14,643,094
Unrestricted	135,164,885	107,755,266
Total	<u>\$ 782,667,802</u>	<u>\$ 761,375,083</u>
 <u>UNIVERSITY RELATED ORGANIZATIONS:</u>		
Net investment in capital assets	\$ 5,352,317	\$ 5,727,060
Restricted for:		
Nonexpendable	102,965,863	97,819,438
Expendable		
Scholarships, research, instruction and other	81,022,376	65,081,949
Loans	3,106,763	2,703,614
Capital projects	5,168,309	6,131,142
Unrestricted	64,380,349	58,793,645
Total	<u>\$ 261,995,977</u>	<u>\$ 236,256,848</u>

**NOTE 14 - 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 2014, there was an addition to the University's permanent endowments of \$400,000. For fiscal year 2014, realized gains on investments totaled \$158,311 and unrealized gains on investments totaled \$134,639, resulting in a balance of \$2,784,267 held by the Foundation at June 30, 2014. During fiscal year 2013, realized losses on investments were \$28,298 and unrealized gains on investments were \$192,897, resulting in a balance of \$2,091,317 at June 30, 2013. The Foundation distributes earnings to the University on a quarterly basis. Payments during fiscal years 2014 and 2013 totaled \$77,165 and \$76,504, 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**  
**For the Years Ended June 30, 2014 and 2013**

**NOTE 15 - State Universities Retirement System**

The University contributes to the State Universities Retirement System of Illinois (SURS), which offers a cost-sharing multiple-employer defined benefit pension plan as well as a defined contribution plan. These plans have 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 rate for fiscal year 2014 was 35.20% 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, 2014, 2013, and 2012 were \$149,491,589, \$139,770,149, and \$102,861,965, respectively, equal to the required contributions for the year. The fiscal year 2014 contribution consisted of \$146,697,808 from State appropriations and \$2,793,781 from other current funds, and the fiscal year 2013 contribution consisted of \$136,823,379 from State appropriations and \$2,946,770 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 16 - 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 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. The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and various unions that represent the State's and University's employees. Annuitants 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. 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.

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**NOTE 16 - Post-employment benefits (continued)**

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 17 - 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 2014 and 2013 included the receipt of \$37,288,484 and \$40,130,585, 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 2014 and 2013 totaled \$8,749,316 and \$8,365,842, respectively.

Additional information concerning transactions with related parties may be obtained by contacting the entities listed in Note 1 on pages 19 and 20.

**NOTE 18 - 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. As of June 30, 2014, the status of these liabilities remained the same as the previous fiscal year. 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.

***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, 2014, the University's annual commitment related to this contract is approximately \$10,200,000 while at June 30, 2013, the University's annual commitment was approximately \$10,500,000.

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**NOTE 18 - Commitments and contingencies (continued)**

***Construction projects***

During fiscal years 2014 and 2013, the University had several construction projects taking place. At Carbondale, there were multiple facility and infrastructure projects as well as renovations to Morris Library, housing facilities, the Student Recreation Center, and the Student Services Building. At Edwardsville, general improvements to roads and parking lots and renovations to the Science Building were the primary focus. As of June 30, 2014 and 2013, \$54,679,876 and \$142,401,410 had been spent on these projects with \$55,071,878 and \$38,313,764 being committed to the completion of these projects.

**NOTE 19 - Operating Expenses by Natural Classification**

University operating expenses by natural classification for the years ended June 30, 2014 and June 30, 2013 are summarized as follows:

**Operating Expenses by Natural Classification--June 30, 2014**

	<b>Compensation and benefits</b>	<b>Supplies and Services</b>	<b>Student Aid</b>	<b>Depreciation</b>	<b>Total</b>
Instruction	305,179,701	32,908,151	16,657,044	-	354,744,896
Research	35,321,992	21,338,774	3,276,755	-	59,937,521
Public Service	41,835,516	20,861,268	1,594,265	-	64,291,049
Academic Support	161,283,522	30,036,920	1,555,315	-	192,875,757
Student Services	49,332,327	24,880,542	5,552,046	-	79,764,915
Institutional Support	66,890,389	14,822,931	6,590,887	-	88,304,207
Operations and maintenance of plant	48,569,597	41,662,452	-	-	90,232,049
Scholarships and fellowships	599,921	110,276	39,539,866	-	40,250,063
Auxiliary Enterprises	55,922,619	56,114,896	621,558	-	112,659,073
Other	-	192,848	-	-	192,848
Depreciation	-	-	-	53,824,833	53,824,833
<b>Total</b>	<b>764,935,584</b>	<b>242,929,058</b>	<b>75,387,736</b>	<b>53,824,833</b>	<b>1,137,077,211</b>

**Operating Expenses by Natural Classification--June 30, 2013**

	<b>Compensation and benefits</b>	<b>Supplies and Services</b>	<b>Student Aid</b>	<b>Depreciation</b>	<b>Total</b>
Instruction	310,881,615	31,635,524	15,194,217	-	357,711,356
Research	38,105,580	22,421,656	3,821,577	-	64,348,813
Public Service	43,461,889	21,847,623	1,504,474	-	66,813,986
Academic Support	157,810,615	29,590,192	1,737,007	-	189,137,814
Student Services	48,249,543	23,129,382	4,773,907	-	76,152,832
Institutional Support	65,939,668	8,427,701	6,224,145	-	80,591,514
Operations and maintenance of plant	47,782,287	41,047,867	-	-	88,830,154
Scholarships and fellowships	570,165	68,195	41,155,552	-	41,793,912
Auxiliary Enterprises	54,733,841	52,751,212	741,052	-	108,226,105
Other	-	(2,022,681)	-	-	(2,022,681)
Depreciation	-	-	-	48,209,665	48,209,665
<b>Total</b>	<b>767,535,203</b>	<b>228,896,671</b>	<b>75,151,931</b>	<b>48,209,665</b>	<b>1,119,793,470</b>

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**NOTE 20 - 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 2014, with comparative information for fiscal year 2013, as restated, are presented on the following pages.

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**NOTE 20 - Segment information (continued)**

**Housing and Auxiliary Facilities System**

**CONDENSED STATEMENTS OF NET POSITION**

	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Assets and deferred outflows of resources:		
Current assets	\$ 71,192,679	\$ 76,110,825
Capital assets, net	285,666,016	285,077,030
Other assets	3,423,452	6,822,539
Deferred outflows of resources	2,443,504	2,599,647
Total Assets and deferred outflows of resources	<u>362,725,651</u>	<u>370,610,041</u>
Liabilities:		
Current liabilities	27,978,937	33,149,839
Noncurrent liabilities	252,552,555	266,656,213
Total Liabilities	<u>280,531,492</u>	<u>299,806,052</u>
Net Position		
Net investment in capital assets	20,014,324	9,125,202
Restricted - expendable	40,743,952	43,221,124
Unrestricted	21,435,883	18,457,663
Total Net Position	<u>\$ 82,194,159</u>	<u>\$ 70,803,989</u>

**CONDENSED STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION**

	<b>Year ended June 30, 2014</b>	<b>Year ended June 30, 2013</b>
Operating revenues	\$ 110,427,352	\$ 105,917,392
Operating expenses	(104,388,244)	(97,280,294)
Depreciation expense	(15,566,121)	(14,459,512)
Operating loss	<u>(9,527,013)</u>	<u>(5,822,414)</u>
Nonoperating revenues and expenses - net	13,981,921	13,990,466
Income before other revenues, expenses, gains or losses	4,454,908	8,168,052
Other revenues, expenses, gains or losses - net	<u>6,935,262</u>	<u>(176,296)</u>
Increase in net position	11,390,170	7,991,756
Net position at beginning of year	70,803,989	65,347,026
Cumulative effect of change in accounting principle	-	(2,534,793)
Net position at end of year	<u>\$ 82,194,159</u>	<u>\$ 70,803,989</u>

**CONDENSED STATEMENTS OF CASH FLOWS**

	<b>Year ended June 30, 2014</b>	<b>Year ended June 30, 2013</b>
Cash provided by (used in):		
Operating activities	\$ 26,216,341	\$ 26,862,853
Noncapital financing activities	4,829,806	4,526,577
Capital financing activities	(39,255,850)	(41,730,264)
Investing activities	397,046	10,716,870
Net increase (decrease) in cash	<u>(7,812,657)</u>	<u>376,036</u>
Cash, beginning of year	60,448,933	60,072,897
Cash, end of year	<u>\$ 52,636,276</u>	<u>\$ 60,448,933</u>

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**NOTE 20 - Segment information (continued)**

	<b>Medical Facilities System</b>	
	<b>June 30, 2014</b>	<b>June 30, 2013</b>
<b>CONDENSED STATEMENTS OF NET POSITION</b>		
Assets and deferred outflows of resources:		
Current assets	\$ 7,502,695	\$ 8,697,902
Capital assets, net	32,213,806	33,636,100
Other assets	50,108	54,770
Deferred outflows of resources	570,609	635,821
Total Assets and deferred outflows of resources	<u>40,337,218</u>	<u>43,024,593</u>
Liabilities:		
Current liabilities	2,767,063	2,516,552
Noncurrent liabilities	15,377,701	16,568,778
Total Liabilities	<u>18,144,764</u>	<u>19,085,330</u>
Net Position		
Net investment in capital assets	18,114,711	18,537,917
Restricted - expendable	1,290,991	1,761,049
Unrestricted	2,786,752	3,640,297
Total Net Position	<u>\$ 22,192,454</u>	<u>\$ 23,939,263</u>
<b>CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION</b>		
	<b>Year ended June 30, 2014</b>	<b>Year ended June 30, 2013</b>
Operating revenues	\$ 40,301,094	\$ 41,851,324
Operating expenses	(62,482,240)	(62,690,762)
Depreciation expense	(1,675,255)	(1,687,431)
Operating loss	<u>(23,856,401)</u>	<u>(22,526,869)</u>
Nonoperating revenues and expenses - net	21,931,460	22,022,873
Income (Loss) before other revenues, expenses, gains or losses	(1,924,941)	(503,996)
Other revenues, expenses, gains or losses - net	<u>178,132</u>	<u>160,205</u>
Increase (decrease) in net position	(1,746,809)	(343,791)
Net position at beginning of year	23,939,263	24,430,337
Cumulative effect of change in accounting principle	-	(147,283)
Net position at end of year	<u>\$ 22,192,454</u>	<u>\$ 23,939,263</u>
<b>CONDENSED STATEMENTS OF CASH FLOWS</b>		
	<b>Year ended June 30, 2014</b>	<b>Year ended June 30, 2013</b>
Cash provided by (used in):		
Operating activities	\$ 1,552,993	\$ 2,181,113
Noncapital financing activities	115,842	115,842
Capital financing activities	(1,840,078)	(2,102,303)
Investing activities	7,322	13,694
Net increase (decrease) in cash	<u>(163,921)</u>	<u>208,346</u>
Cash, beginning of year	4,020,286	3,811,940
Cash, end of year	<u>\$ 3,856,365</u>	<u>\$ 4,020,286</u>



**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**21. University Related Organizations**

Condensed financial statements for the component units of the University as of June 30, 2014 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 POSITION</b>								
<b>JUNE 30, 2014</b>								
Assets:								
Current assets	\$ 38,940,278	\$ 3,888,243	\$45,428,850	\$ 157,913	\$ 42,396	\$ 336,860	\$1,580,407	\$ 90,374,947
Other non-current assets	139,116,203	31,081,077	4,931,600	8,482,536	160,841	-	-	183,772,257
Capital assets	317,226	2,101,500	661,768	165,767	-	133,264	1,972,792	5,352,317
<b>Total Assets</b>	<b>178,373,707</b>	<b>37,070,820</b>	<b>51,022,218</b>	<b>8,806,216</b>	<b>203,237</b>	<b>470,124</b>	<b>3,553,199</b>	<b>279,499,521</b>
Liabilities:								
Current liabilities	576,303	510,856	8,237,708	371,988	5,311	8,190	77,095	9,787,451
Noncurrent liabilities	5,439,988	418,690	-	1,726,749	-	-	86,166	7,671,593
Deferred inflows of resources	-	-	-	-	-	44,500	-	44,500
<b>Total Liabilities and deferred inflows of resources</b>	<b>6,016,291</b>	<b>929,546</b>	<b>8,237,708</b>	<b>2,098,737</b>	<b>5,311</b>	<b>52,690</b>	<b>163,261</b>	<b>17,503,544</b>
Net Position:								
Net investment in capital assets	317,226	2,101,500	661,768	165,767	-	133,264	1,972,792	5,352,317
Restricted - nonexpendable	81,980,272	20,985,591	-	-	-	-	-	102,965,863
Restricted - expendable	77,923,875	11,373,573	-	-	-	-	-	89,297,448
Unrestricted	12,136,043	1,680,610	42,122,742	6,541,712	197,926	284,170	1,417,146	64,380,349
<b>Total Net Position</b>	<b>\$172,357,416</b>	<b>\$36,141,274</b>	<b>\$42,784,510</b>	<b>\$6,707,479</b>	<b>\$ 197,926</b>	<b>\$ 417,434</b>	<b>\$3,389,938</b>	<b>\$261,995,977</b>

**CONDENSED STATEMENTS OF REVENUES,  
EXPENSES AND CHANGES IN NET POSITION**

**Year ended June 30, 2014**

Operating revenues	\$ 5,694,550	\$ 3,119,791	\$90,214,767	\$1,718,184	\$ 434,303	\$ 405,042	\$ 580,367	\$102,167,004
Operating expenses	16,582,800	4,139,178	89,477,239	2,184,870	438,936	400,200	621,455	113,844,678
Operating income (loss)	(10,888,250)	(1,019,387)	737,528	(466,686)	(4,633)	4,842	(41,088)	(11,677,674)
Nonoperating revenues and expenses - net	27,688,759	3,556,038	360,533	1,420,099	29,204	1,361	6,840	33,062,834
Income (Loss) before other revenues	16,800,509	2,536,651	1,098,061	953,413	24,571	6,203	(34,248)	21,385,160
Other revenues	4,073,454	280,515	-	-	-	-	-	4,353,969
Increase (decrease) in net position	20,873,963	2,817,166	1,098,061	953,413	24,571	6,203	(34,248)	25,739,129
Net position at beginning of year	151,483,453	33,324,108	41,686,449	5,754,066	173,355	411,231	3,424,186	236,256,848
Net position at end of year	\$172,357,416	\$36,141,274	\$42,784,510	\$6,707,479	\$ 197,926	\$ 417,434	\$3,389,938	\$261,995,977

**CONDENSED STATEMENTS OF CASH FLOWS**

**Year ended June 30, 2014**

Cash provided by (used in):								
Operating activities	\$ (10,674,432)	\$ (543,018)	\$ 4,928,680	\$ (445,414)	\$ (2,399)	\$ 13,101	\$ 89,551	\$ (6,633,931)
Noncapital financing activities	9,277,648	280,515	(3,704)	13,304	-	-	2,060	9,569,823
Capital financing activities	(121,739)	(30,027)	(208,079)	-	-	-	-	(359,845)
Investing activities	1,400,180	(176,527)	(277,685)	450,000	7,452	1,361	4,780	1,409,561
Net Increase (decrease) in cash	(118,343)	(469,057)	4,439,212	17,890	5,053	14,462	96,391	3,985,608
Cash, beginning of year	415,514	1,957,170	9,334,550	6,028	27,670	71,937	1,456,332	13,269,201
Cash, end of year	\$ 297,171	\$ 1,488,113	\$13,773,762	\$ 23,918	\$ 32,723	\$ 86,399	\$1,552,723	\$ 17,254,809

**Southern Illinois University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2014 and 2013**

**21. University Related Organizations**

Condensed financial statements for the component units of the University as of June 30, 2013 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 POSITION</b>								
<b>JUNE 30, 2013</b>								
<b>Assets:</b>								
Current assets	\$ 37,346,228	\$ 3,764,450	\$ 45,104,066	\$ 124,121	\$ 43,620	\$ 289,597	\$ 1,524,054	\$ 88,196,136
Other non-current assets	119,537,302	28,453,414	5,365,029	7,551,534	139,462	-	-	161,046,741
Capital assets	378,233	2,196,993	723,581	198,050	-	176,386	2,053,817	5,727,060
<b>Total Assets</b>	<b>157,261,763</b>	<b>34,414,857</b>	<b>51,192,676</b>	<b>7,873,705</b>	<b>183,082</b>	<b>465,983</b>	<b>3,577,871</b>	<b>254,969,937</b>
<b>Liabilities:</b>								
Current liabilities	682,682	551,026	9,506,227	382,454	9,727	54,752	65,834	11,252,702
Noncurrent liabilities	5,095,628	539,723	-	1,737,185	-	-	87,851	7,460,387
<b>Total Liabilities</b>	<b>5,778,310</b>	<b>1,090,749</b>	<b>9,506,227</b>	<b>2,119,639</b>	<b>9,727</b>	<b>54,752</b>	<b>153,685</b>	<b>18,713,089</b>
<b>Net Position:</b>								
Net investment in capital assets	378,233	2,196,993	723,581	198,050	-	176,386	2,053,817	5,727,060
Restricted - nonexpendable	79,127,259	18,692,179	-	-	-	-	-	97,819,438
Restricted - expendable	62,584,862	11,331,843	-	-	-	-	-	73,916,705
Unrestricted	9,393,099	1,103,093	40,962,868	5,556,016	173,355	234,845	1,370,369	58,793,645
<b>Total Net Position</b>	<b>\$ 151,483,453</b>	<b>\$ 33,324,108</b>	<b>\$ 41,686,449</b>	<b>\$ 5,754,066</b>	<b>\$ 173,355</b>	<b>\$ 411,231</b>	<b>\$ 3,424,186</b>	<b>\$ 236,256,848</b>

**CONDENSED STATEMENTS OF REVENUES,  
EXPENSES AND CHANGES IN NET POSITION**

**Year ended June 30, 2013**

Operating revenues	\$ 5,546,633	\$ 3,401,682	\$ 97,228,569	\$ 1,671,601	\$ 624,485	\$ 405,205	\$ 590,240	\$ 109,468,415
Operating expenses	15,250,701	4,311,481	92,555,490	2,089,856	381,166	389,434	589,544	115,567,672
Operating income (loss)	(9,704,068)	(909,799)	4,673,079	(418,255)	243,319	15,771	696	(6,099,257)
Nonoperating revenues and expenses - net	18,252,170	2,031,803	164,142	961,918	20,250	1,952	714,566	22,146,801
Income (Loss) before other revenues	8,548,102	1,122,004	4,837,221	543,663	263,569	17,723	715,262	16,047,544
Other revenues	1,275,592	883,400	-	-	-	-	-	2,158,992
Increase (decrease) in net position	9,823,694	2,005,404	4,837,221	543,663	263,569	17,723	715,262	18,206,536
Net position at beginning of year	141,659,759	31,318,704	36,849,228	5,210,403	(90,214)	393,508	2,708,924	218,050,312
Net position at end of year	\$ 151,483,453	\$ 33,324,108	\$ 41,686,449	\$ 5,754,066	\$ 173,355	\$ 411,231	\$ 3,424,186	\$ 236,256,848

**CONDENSED STATEMENTS OF CASH FLOWS**

**Year ended June 30, 2013**

<b>Cash provided by (used in):</b>								
Operating activities	\$ (8,999,714)	\$ (475,900)	\$ 1,491,509	\$ (318,836)	\$ (19,320)	\$ 2,838	\$ 66,092	\$ (8,253,331)
Noncapital financing activities	6,638,768	883,400	35,039	34,261	35	-	2,083	7,593,586
Capital financing activities	(124,004)	(145,836)	(179,756)	(7,555)	-	-	-	(457,151)
Investing activities	2,603,527	951,151	(3,762,326)	285,000	2,393	1,952	6,675	88,372
<b>Net Increase (decrease) in cash</b>	<b>118,577</b>	<b>1,212,815</b>	<b>(2,415,534)</b>	<b>(7,130)</b>	<b>(16,892)</b>	<b>4,790</b>	<b>74,850</b>	<b>(1,028,524)</b>
Cash, beginning of year	296,937	744,355	11,750,084	13,158	44,562	67,147	1,381,482	14,297,725
Cash, end of year	\$ 415,514	\$ 1,957,170	\$ 9,334,550	\$ 6,028	\$ 27,670	\$ 71,937	\$ 1,456,332	\$ 13,269,201