

**NORTHEASTERN ILLINOIS  
UNIVERSITY FOUNDATION**

**FINANCIAL STATEMENTS**

**JUNE 30, 2020**

NORTHEASTERN ILLINOIS UNIVERSITY FOUNDATION

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Northeastern Illinois University Foundation  
Chicago, Illinois

We have audited the accompanying financial statements of NORTHEASTERN ILLINOIS UNIVERSITY FOUNDATION (a not-for-profit organization) which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NORTHEASTERN ILLINOIS UNIVERSITY FOUNDATION as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 1 to the financial statements, NORTHEASTERN ILLINOIS UNIVERSITY FOUNDATION adopted the new accounting guidance in Accounting Standards Update 2016-18, Statement of Cash Flows (Topic 230): *Restricted Cash*, as required by accounting principles generally accepted in the United States of America. The accounting principle was applied retrospectively to the prior period presented. Our opinion is not modified with respect to this matter.

Warady & Davis LLP

September 30, 2020

NORTHEASTERN ILLINOIS UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

| As of June 30   | 2020                 | 2019                 |
|---|----------------------|----------------------|
| <b>ASSETS</b>   |                      |                      |
| <b>CURRENT ASSETS</b>   |                      |                      |
| Cash and Cash Equivalents                                     |                      |                      |
| Held for Foundation   | \$ 1,099,939         | \$ 1,424,497         |
| Held in Custody   | 197,657              | 397,512              |
| Short-Term Investments, at Market                             | 1,546,595            | 1,396,560            |
| Contributions and Other Receivables - Current Portion         | 329,200              | 57,967               |
| Certificates of Deposit                                       |                      |                      |
| Held for Foundation   | 640,397              | —                    |
| Held in Custody   | 200,285              | —                    |
| Prepaid Expenses  | 1,206                | 6,000                |
| Total Current Assets  | <u>4,015,279</u>     | <u>3,282,536</u>     |
| <b>NONCURRENT ASSETS</b>                                      |                      |                      |
| Endowment Investments   | 12,236,422           | 12,418,297           |
| Assets Held Under Split-Interest Agreements                   | 821,944              | 868,851              |
| Long-Term Portion of Pledges Receivable                       | 146,258              | —                    |
| Other Assets  | 8,000                | 8,000                |
| Total Noncurrent Assets                                       | <u>13,212,624</u>    | <u>13,295,148</u>    |
|   | <u>\$ 17,227,903</u> | <u>\$ 16,577,684</u> |
| <b>LIABILITIES AND NET ASSETS</b>                             |                      |                      |
| <b>CURRENT LIABILITIES</b>                                    |                      |                      |
| Accounts Payable and Accrued Expenses                         | \$ 54,508            | \$ 12,117            |
| Obligations Under Split-Interest Agreements - Current Portion | 42,946               | 41,206               |
| Custodial Funds   | 397,942              | 397,512              |
| Total Current Liabilities                                     | <u>495,396</u>       | <u>450,835</u>       |
| <b>LONG-TERM LIABILITIES</b>                                  |                      |                      |
| Obligations Under Split-Interest Agreements                   | <u>443,445</u>       | <u>474,049</u>       |
| Total Liabilities   | <u>938,841</u>       | <u>924,884</u>       |
| <b>NET ASSETS</b>   |                      |                      |
| Without Donor Restrictions                                    | 718,040              | 817,902              |
| With Donor Restrictions - Time and Purpose                    | 2,358,650            | 2,063,005            |
| With Donor Restrictions in Perpetuity - Endowment             | 13,212,372           | 12,771,893           |
| Total Net Assets  | <u>16,289,062</u>    | <u>15,652,800</u>    |
|   | <u>\$ 17,227,903</u> | <u>\$ 16,577,684</u> |

## STATEMENTS OF ACTIVITIES

|   | 2020                       |                         |                         |                      | 2019                       |                         |                         |                      |
|---|----------------------------|-------------------------|-------------------------|----------------------|----------------------------|-------------------------|-------------------------|----------------------|
|   | Without Donor Restrictions | With Donor Restrictions |                         | Total                | Without Donor Restrictions | With Donor Restrictions |                         | Total                |
|   |                            | Time and Purpose        | In Perpetuity Endowment |                      |                            | Time and Purpose        | In Perpetuity Endowment |                      |
| <b>REVENUE</b>  |                            |                         |                         |                      |                            |                         |                         |                      |
| Support and Program Revenue   |                            |                         |                         |                      |                            |                         |                         |                      |
| Contributions   | \$ 85,039                  | \$ 1,545,903            | \$ 462,939              | \$ 2,093,881         | \$ 85,316                  | \$ 1,530,709            | \$ 726,529              | \$ 2,342,554         |
| Special Event Admissions  | 84,883                     |                         |                         | 84,883               | 127,144                    |                         |                         | 127,144              |
| Personal Service Costs,<br>Facility Use and Other Costs<br>Provided by NEIU to the Foundation |                            |                         |                         |                      |                            |                         |                         | —                    |
| Total Operating Revenues  | <u>762,128</u>             | <u>1,545,903</u>        | <u>462,939</u>          | <u>762,128</u>       | <u>688,739</u>             | <u>1,530,709</u>        | <u>726,529</u>          | <u>688,739</u>       |
| Total   | <u>932,050</u>             | <u>1,545,903</u>        | <u>462,939</u>          | <u>2,940,892</u>     | <u>901,199</u>             | <u>1,530,709</u>        | <u>726,529</u>          | <u>3,158,437</u>     |
| Other Revenues and Gains (Losses)   |                            |                         |                         |                      |                            |                         |                         |                      |
| Investment Income   | (90,015)                   | (32,263)                |                         | (122,278)            | 18,437                     | 265,617                 | 212,160                 | 496,214              |
| Other Revenue   |                            |                         |                         | —                    | 745                        |                         |                         | 745                  |
| Change in Value of Split Interest Agreements  |                            |                         | (18,043)                | (18,043)             |                            |                         | 80,510                  | 80,510               |
| Total Other Revenue and Gains (Losses)  | <u>(90,015)</u>            | <u>(32,263)</u>         | <u>(18,043)</u>         | <u>(140,321)</u>     | <u>19,182</u>              | <u>265,617</u>          | <u>292,670</u>          | <u>577,469</u>       |
| Total Support, Revenue and Gains (Losses)   | <u>842,035</u>             | <u>1,513,640</u>        | <u>444,896</u>          | <u>2,800,571</u>     | <u>920,381</u>             | <u>1,796,326</u>        | <u>1,019,199</u>        | <u>3,735,906</u>     |
| <b>NET ASSETS RELEASED FROM RESTRICTION</b>   |                            |                         |                         |                      |                            |                         |                         |                      |
| Donor Release of Permanent Restriction  |                            | 4,417                   | (4,417)                 | —                    |                            |                         |                         | —                    |
| Satisfaction of Restrictions  | <u>1,222,412</u>           | <u>(1,222,412)</u>      |                         | <u>—</u>             | <u>1,570,962</u>           | <u>(1,570,962)</u>      |                         | <u>—</u>             |
|   | <u>1,222,412</u>           | <u>(1,217,995)</u>      | <u>(4,417)</u>          | <u>—</u>             | <u>1,570,962</u>           | <u>(1,570,962)</u>      |                         | <u>—</u>             |
| <b>EXPENSES</b>   |                            |                         |                         |                      |                            |                         |                         |                      |
| Program Services  |                            |                         |                         |                      |                            |                         |                         |                      |
| Grants, Awards, Scholarships and Fellowships  | 783,413                    |                         |                         | 783,413              | 1,164,267                  |                         |                         | 1,164,267            |
| University Support  | 675,220                    |                         |                         | 675,220              | 686,307                    |                         |                         | 686,307              |
| Supporting Services   |                            |                         |                         |                      |                            |                         |                         |                      |
| Management and General  | 298,841                    |                         |                         | 298,841              | 260,892                    |                         |                         | 260,892              |
| Fundraising   |                            |                         |                         |                      |                            |                         |                         |                      |
| Development   | 387,360                    |                         |                         | 387,360              | 331,120                    |                         |                         | 331,120              |
| Direct Expenses for Special Events  | 19,475                     |                         |                         | 19,475               | 12,499                     |                         |                         | 12,499               |
| Total Expenses  | <u>2,164,309</u>           |                         |                         | <u>2,164,309</u>     | <u>2,455,085</u>           |                         |                         | <u>2,455,085</u>     |
| CHANGE IN NET ASSETS  | (99,862)                   | 295,645                 | 440,479                 | 636,262              | 36,258                     | 225,364                 | 1,019,199               | 1,280,821            |
| Net Assets, Beginning of Year   | 817,902                    | 2,063,005               | 12,771,893              | 15,652,800           | 781,644                    | 1,837,641               | 11,752,694              | 14,371,979           |
| <b>NET ASSETS, ENDING</b>   | <b>\$ 718,040</b>          | <b>\$ 2,358,650</b>     | <b>\$ 13,212,372</b>    | <b>\$ 16,289,062</b> | <b>\$ 817,902</b>          | <b>\$ 2,063,005</b>     | <b>\$ 12,771,893</b>    | <b>\$ 15,652,800</b> |

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020

|                                    | Program Services                            |                    | Supporting Services    |                             |                                    | Total Expenses |
|------------------------------------|---|--------------------|------------------------|-----------------------------|------------------------------------|----------------|
|                                    | Grants, Awards Scholarships and Fellowships | University Support | Management and General | Fundraising and Development | Direct Expenses for Special Events |                |
| Grants and Awards - NEIU           | \$ 214,940                                  | \$ —               | \$ —                   | \$ —                        | \$ —                               | \$ 214,940     |
| Scholarships and Fellowships       | 568,473                                     | —                  | —                      | —                           | —                                  | 568,473        |
| Donated Personal Service Costs     | —   | 168,999            | 225,233                | 367,896                     | —                                  | 762,128        |
| Bank and Credit Card Fees          | —   | —                  | 5,606                  | 234                         | —                                  | 5,840          |
| Conferences, Training and Meetings | —   | 3,408              | 11,898                 | —                           | 287                                | 15,593         |
| Contractual Services               | —   | 101,768            | —                      | —                           | —                                  | 101,768        |
| Donor Cultivation and Stewardship  | —   | 3,319              | 550                    | 8,680                       | —                                  | 12,549         |
| Dues and Subscriptions             | —   | 1,941              | 135                    | —                           | —                                  | 2,076          |
| Event Expenses                     |   |                    |                        |                             |                                    |                |
| Event Rental                       | —   | 1,050              | —                      | —                           | 16,405                             | 17,455         |
| Merchandise and Prizes             | —   | 450                | —                      | —                           | 594                                | 1,044          |
| Other Event Expenses               | —   | 28,645             | —                      | —                           | 1,875                              | 30,520         |
| Refreshments                       | —   | 30,048             | —                      | —                           | 314                                | 30,362         |
| Honorarium                         | —   | 87,640             | —                      | —                           | —                                  | 87,640         |
| Marketing                          | —   | 15,691             | —                      | 296                         | —                                  | 15,987         |
| Miscellaneous                      | —   | 28,025             | 6,307                  | 4,705                       | —                                  | 39,037         |
| Office Expense                     | —   | 3,657              | —                      | 212                         | —                                  | 3,869          |
| Postage                            | —   | 1,225              | 469                    | 428                         | —                                  | 2,122          |
| Printing                           | —   | 5,707              | 503                    | 4,775                       | —                                  | 10,985         |
| Professional Fees                  | —   | 135,499            | 45,325                 | —                           | —                                  | 180,824        |
| Repairs and Maintenance            | —   | 3,708              | 631                    | —                           | —                                  | 4,339          |
| Supplies                           | —   | 23,565             | 507                    | 134                         | —                                  | 24,206         |
| Travel                             | —   | 30,875             | 1,677                  | —                           | —                                  | 32,552         |
|                                    | \$ 783,413                                  | \$ 675,220         | \$ 298,841             | \$ 387,360                  | \$ 19,475                          | \$ 2,164,309   |

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

|                                    | Program Services                            |                    | Supporting Services    |                             |                                    | Total Expenses |
|------------------------------------|---|--------------------|------------------------|-----------------------------|------------------------------------|----------------|
|                                    | Grants, Awards Scholarships and Fellowships | University Support | Management and General | Fundraising and Development | Direct Expenses for Special Events |                |
| Grants and Awards - NEIU           | \$ 602,207                                  | \$ —               | \$ —                   | \$ —                        | \$ —                               | \$ 602,207     |
| Grants and Awards - Other          | 100,576                                     | —                  | —                      | —                           | —                                  | 100,576        |
| Scholarships and Fellowships       | 461,484                                     | —                  | —                      | —                           | —                                  | 461,484        |
| Donated Personal Service Costs     | —   | 154,040            | 217,723                | 316,976                     | —                                  | 688,739        |
| Bank and Credit Card Fees          | —   | —                  | —                      | 4,872                       | —                                  | 4,872          |
| Conferences, Training and Meetings | —   | 4,975              | 6,981                  | —                           | —                                  | 11,956         |
| Contractual Services               | —   | 69,794             | —                      | —                           | —                                  | 69,794         |
| Donor Cultivation and Stewardship  | —   | 34,971             | 1,520                  | 8,614                       | —                                  | 45,105         |
| Dues and Subscriptions             | —   | 867                | —                      | —                           | —                                  | 867            |
| Event Expenses                     |   |                    |                        |                             |                                    |                |
| Event Rental                       | —   | 11,916             | —                      | —                           | —                                  | 11,916         |
| Merchandise and Prizes             | —   | 3,262              | —                      | —                           | 174                                | 3,436          |
| Other Event Expenses               | —   | 27,602             | —                      | —                           | 3,441                              | 31,043         |
| Refreshments                       | —   | 28,196             | —                      | —                           | 8,884                              | 37,080         |
| Honorarium                         | —   | 69,343             | 1,500                  | —                           | —                                  | 70,843         |
| Marketing                          | —   | 15,820             | —                      | —                           | —                                  | 15,820         |
| Miscellaneous                      | —   | 21,688             | 5,247                  | —                           | —                                  | 26,935         |
| Office Expense                     | —   | 1,082              | 3,536                  | —                           | —                                  | 4,618          |
| Insurance                          |   |                    |                        |                             |                                    |                |
| Postage                            | —   | 747                | 11                     | —                           | —                                  | 758            |
| Printing                           | —   | 8,136              | —                      | 441                         | —                                  | 8,577          |
| Professional Fees                  | —   | 137,630            | 21,440                 | —                           | —                                  | 159,070        |
| Accounting and Audit Fees          |   |                    |                        |                             |                                    |                |
| Repairs and Maintenance            | —   | 60,808             | —                      | —                           | —                                  | 60,808         |
| Supplies                           | —   | 18,460             | 982                    | —                           | —                                  | 19,442         |
| Travel                             | —   | 16,970             | 1,952                  | 217                         | —                                  | 19,139         |
|                                    | \$ 1,164,267                                | \$ 686,307         | \$ 260,892             | \$ 331,120                  | \$ 12,499                          | \$ 2,455,085   |



## STATEMENTS OF CASH FLOWS

| For the Years Ended June 30  | 2020                | 2019                |
|--|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                     |                     |
| Contributions  | \$ 1,190,876        | \$ 2,079,579        |
| Event Admissions   | 84,883              | 127,144             |
| Other Receipts   | —                   | 745                 |
| Interest and Dividends   | 557,038             | 328,945             |
| Payments to Support NEIU Departments and Programs  | (506,221)           | (532,267)           |
| Payments for Operating Expenses  | (59,415)            | (81,048)            |
| Payments of Investment Fees  | (53,742)            | (51,824)            |
| Payments for Grant, Awards, Scholarships and Fellowships                                   | (783,413)           | (1,164,267)         |
| Net Cash Provided by Operating Activities  | <u>430,006</u>      | <u>707,007</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                     |                     |
| Change in Investments Held in Custody  | —                   | 3,076               |
| Change in Custodial Funds Liability  | 430                 | 194                 |
| Purchases of Certificates of Deposit - Held in Custody                                     | (200,285)           | —                   |
| Maturities of Certificates of Deposit - Held in Custody                                    | —                   | 99,980              |
| Purchases of Certificates of Deposit - Held for Foundation                                 | (640,397)           | —                   |
| Interest and Dividends Retained in Perpetuity  | —                   | 242,157             |
| Change in Cash held in Investment Portfolio  | (34,098)            | (54,044)            |
| Proceeds from Sales and Maturities of Investments  | 1,164,940           | 4,524,221           |
| Purchases of Investments   | (1,124,801)         | (5,281,252)         |
| Reinvested Dividends and Interest  | (557,038)           | (571,111)           |
| Net Cash Used by Investing Activities  | <u>(1,391,249)</u>  | <u>(1,036,779)</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                     |                     |
| Payments to Beneficiaries of Split-Interest Agreements                                     | (26,109)            | (44,948)            |
| Endowment Contributions  | 462,939             | 726,529             |
| Net Cash Provided by Financing Activities  | <u>436,830</u>      | <u>681,581</u>      |
| <b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>               | <b>(524,413)</b>    | <b>351,809</b>      |
| Cash, Cash Equivalents and Restricted Cash, Beginning                                      | 1,822,009           | 1,470,200           |
| <b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, ENDING</b>                                  | <b>\$ 1,297,596</b> | <b>\$ 1,822,009</b> |
| <b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b> |                     |                     |
| Change in Net Assets   | \$ 636,262          | \$ 1,280,821        |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities |                     |                     |
| Realized/Unrealized Net (Gains) Losses on Investments                                      | 625,574             | (7,529)             |
| Change in Value of Split-Interest Agreements   | 18,043              | (80,510)            |
| Donated Stock  | (10,283)            | (45,564)            |
| Endowment Contributions  | (462,939)           | (726,529)           |
| Endowment Investment Income  | —                   | (212,160)           |
| Proceeds from Sale of Donated Stock  | 10,012              | 49,237              |
| Changes in Assets and Liabilities:   |                     |                     |
| (Increase) Decrease in Contributions and Other Receivables                                 | (417,491)           | 463,554             |
| Increase in Prepaid Expenses   | 4,794               | (6,000)             |
| Increase in Cash held in Custody   | —                   | (3,077)             |
| Increase (Decrease) in Accounts Payable and Accrued Expenses                               | 26,034              | (5,236)             |
| Total Adjustments  | <u>(206,256)</u>    | <u>(573,814)</u>    |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>   | <b>\$ 430,006</b>   | <b>\$ 707,007</b>   |
| <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>                                   |                     |                     |
| Noncash Activities   |                     |                     |
| Donated Goods  | \$ 17,046           | \$ 6,596            |
| Donated Services   | 26,313              | —                   |
|  | <u>\$ 43,359</u>    | <u>\$ 6,596</u>     |
| Cash, Cash Equivalents and Restricted Cash, Ending consists of:                            |                     |                     |
| Cash and Cash Equivalents Held for Foundation  | \$ 1,099,939        | \$ 1,424,497        |
| Cash and Cash Equivalents Held in Custody  | 197,657             | 397,512             |
| Total Cash, Cash Equivalents and Restricted Cash   | <u>\$ 1,297,596</u> | <u>\$ 1,822,009</u> |

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

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**ORGANIZATION ACTIVITIES**

Northeastern Illinois University Foundation (the “Foundation”) is an Illinois nonprofit corporation established in May 1969 to secure and manage private support to benefit Northeastern Illinois University (the “University”), a State agency. Although the Foundation is a separate legal entity from the University, the Foundation’s sole existence is to serve the University.

The Foundation is considered a discretely-presented component unit of the University for financial reporting purposes. The financial balances and activities included in these financial statements are therefore also included as part of the University’s financial statements and the State of Illinois’ Comprehensive Annual Financial Report. All funds of the Foundation are locally administered and are not subject to the State of Illinois appropriation process, nor held in the State treasury.

The Foundation’s primary source of revenue is contributions. For the years ended June 30, 2020 and 2019, one donor contributed 13% and 11%, respectively, of total support and revenue.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist in understanding the Foundation’s financial statements. The financial statements and notes are representations of management who is responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**BASIS OF PRESENTATION**

These financial statements include all financial activities over which the Foundation exercises direct responsibility.

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when a liability has been incurred.

The Foundation classifies its net assets into two net asset categories according to the existence or absence of donor-imposed restrictions.

Net Assets without Donor Restrictions represent those resources that are not subject to donor-imposed stipulations and primarily represent resources used for transactions relating to the general operations of the Foundation. The Foundation may designate portions of its net assets without donor restriction as board-designated for various purposes including quasi-endowment. At June 30, 2019, \$493,578 is designated for the quasi-endowment fund and \$-0- is designated as an operating reserve. At June 30, 2019, \$514,662 was designated for the quasi-endowment fund and \$38,616 was designated as an operating reserve.

NOTES TO FINANCIAL STATEMENTS

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION (Continued)**

Net Assets with Donor Restrictions are subject to donor-imposed stipulations that may or will be met either by actions of the Foundation (purpose restrictions) and/or the passage of time (time restrictions). As the restrictions are satisfied, net assets with donor restriction are reclassified to net assets without donor restriction and are reported in the accompanying financial statements as net assets released from restrictions.

In addition, certain net assets may be subject to donor-imposed stipulations that the resources be maintained permanently by the Foundation or in perpetuity as endowment funds. Investment income, including realized and unrealized gains and losses, are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

When resources with and without donor restrictions are available for use, it is the Foundation's policy to use resources with donor restriction first, then resources without donor restrictions as needed.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

**USE OF ESTIMATES**

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

**REVENUE RECOGNITION**

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, when the conditions on which they depend are substantially met. Long-term contributions to be received after one year are discounted to their net present value at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as contribution revenue in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided based upon management's judgement including such factors as prior collection history, type of contribution and the nature of the fundraising activity. The Foundation had no uncollectible contributions written off during the years ended June 30, 2020 and 2019, respectively.

Contributions received in the same year in which the restriction is made are recorded as contributions with donor restrictions and released from restriction.

NOTES TO FINANCIAL STATEMENTS

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**CONTRIBUTED ASSETS AND SERVICES**

Gifts of securities are recorded at fair value on the date of the gift. Gifts of property, equipment and other non-monetary assets are recorded at their fair values at the date of the gift. Non-current other assets consist of a sculpture that was donated to the Foundation. Donated services are recorded as contribution revenue and a corresponding expense based on estimates of the fair market value of service received only if they meet the recognition requirements and represent specialized services that would otherwise have been purchased.

Donated goods totaling \$17,046 and donated professional services totaling \$26,313 (\$22,575 of accounting and \$3,738 of consulting) were received in the year ended June 30, 2020. Donated goods totaling \$6,596 were received for the year ended June 30, 2019.

**FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of financial instruments including cash and cash equivalents, other receivables, accounts payable and accrued expenses approximates the carrying values, principally because of the short maturity of those items. The carrying value of contributions receivable and assets held under split-interest agreements approximate fair value because the present value discount is included in the carrying amount. Investments in marketable debt and equity securities held by the Foundation and held in custody for others are carried at fair value based on quoted market prices. The fair value of obligations under split-interest agreements is determined at the present value of expected future cash flows discounted at an appropriate interest rate.

**CASH AND CASH EQUIVALENTS**

The Foundation considers all unrestricted highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

**INVESTMENTS**

Investments in marketable securities are stated at their fair values. Realized gains and losses are the differences between the proceeds received and the cost of investments sold. Unrealized gains and losses are the differences between the fair value and the cost of investments and are included in earnings. Investment income and gains/losses are recorded as net assets without donor restrictions unless restricted by the donor or by law. Endowment investment income are reported as net assets with donor restrictions until appropriated by the Board.

NOTES TO FINANCIAL STATEMENTS

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**SPLIT-INTEREST AGREEMENTS**

Split-interest agreements are agreements where donors enter into a trust or other arrangement whereby the Foundation accepts a contribution and agrees to make periodic payments to donors or third-party beneficiaries for a specified time. The assets are valued at fair value at the time of donation with a corresponding liability recorded for the present value of the expected future payments due to the donors or third-party beneficiaries with the difference recorded as contributions in the appropriate net asset type based on the donor's restriction. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. In accordance with the Foundation's accounting for investments, assets held under split-interest agreements are stated at their fair market value. Unrealized gain or loss adjustments to reflect the present value of the estimated annuity payments and actuarial assumptions are included in the accompanying statements of activities. The present value of the estimated future payments is calculated using an actuarial discount rate and applicable mortality tables.

**INCOME TAXES**

The Foundation is a not-for-profit that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and is similarly exempt for state income tax purposes.

The Foundation follows the guidance in the FASB Codification topic related to uncertainty in income taxes, which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Foundation has taken or expects to take in its tax returns. Under the guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is "more likely than not" that it is sustainable, based on its technical merits. Management has evaluated their material tax positions, which include such matters as the tax-exempt status of the Foundation and various positions relative to potential sources of unrelated business income. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation believes that it has appropriate support for the positions taken on its returns.

The Foundation files U.S. federal and Illinois state informational tax returns.

**FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing various programs and other activities are presented on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited, based on direct charges or appropriate methods determined by management. These allocation methods include allocation of personnel and any other costs deemed to be related to time and efforts expended by employees on different functions.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

## ACCOUNTING PRONOUNCEMENTS

In June 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance applies to all entities that receive or make contributions and clarifies the definition of an exchange transaction. The criteria for evaluating whether contributions are unconditional (and thus recognized immediately as revenue) or conditional (for which revenue recognition is delayed until the condition is met) have been clarified. The focus is whether a gift or grant agreement both (1) specifies a “barrier” that the recipient must overcome to be entitled to the resources and (2) releases the donor from its obligation to transfer resources if the barrier is not achieved. An agreement that includes both is a conditional contribution. The Organization adopted the ASU commencing July 1, 2019.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 (*Topic 606*): *Revenue from Contracts with Customers*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The new guidance was to be effective for the Organization’s year ending June 30, 2020 but was delayed as a result of the COVID-19 pandemic. The Foundation’s management however, early adopted the ASU effective July 1, 2019. Management determined there was no cumulative effect of applying the new standard to the opening balance of net assets without donor restrictions and there is no impact to change in net assets without donor restrictions currently or in the future.

The adoption of the ASU did not have a significant impact on the Foundation’s financial position, results of activities, or cash flows. A substantial portion of the Foundation’s revenue relates to contributions and the only arrangements to which the ASU would be applicable is special event admissions. Based on the Foundation’s evaluation of its contracts with customers, the timing and amount of revenues recognized previously is consistent with how revenues are recognized under the new standard. Therefore, in accordance with U.S. GAAP these admission fees are recognized in revenue at a point in time, when the event occurs.

As of July 1, 2019, the Foundation adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that restricted cash and cash equivalents, be included in beginning and ending cash in the statements of cash flows. The adoption of Accounting Standards Update 2016-18 resulted in the reclassification of certain items related to restricted cash in the statement of cash flows for the year ended June 30, 2019.

NOTES TO FINANCIAL STATEMENTS

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**NOTE 2—CASH AND CASH EQUIVALENTS, AND INVESTMENTS**

Restricted cash (See Note 7 for discussion of funds held in custody) and cash equivalents are also included in investments and assets held under split-interest agreements at June 30, 2020 and 2019, respectively. A reconciliation of cash and investments as shown on the June 30, statements of financial position is as follows:

|   | 2020          | 2019          |
|---|---------------|---------------|
| Cash, Held for Foundation.....                    | \$ 1,099,939  | \$ 1,424,497  |
| Cash, Held in Custody.....                        | 197,657       | 397,512       |
| Total Cash and Cash Equivalents.....              | \$ 1,297,596  | \$ 1,822,009  |
| Certificates of Deposit, Held for Foundation..... | \$ 640,397    | \$ —          |
| Certificates of Deposit, Held in Custody.....     | 200,285       | —             |
| Total.....  | \$ 840,682    | \$ —          |
| Short-Term Investments, Held for Foundation.....  | \$ 1,546,595  | \$ 1,396,560  |
| Endowment Investments .....                       | 12,236,422    | 12,418,297    |
| Assets Held Under Split-Interest Agreement .....  | 821,944       | 868,851       |
| Total.....  | \$ 14,604,961 | \$ 14,683,708 |

**NOTE 3—CONCENTRATION OF RISK**

**CUSTODIAL CREDIT RISK**

Custodial credit risk is the potential for a financial institution or counterparty to fail such that the Foundation would not be able to recover the value of deposits, investments or collateral securities that are in the possession of an outside party. The Foundation is aware of such risk and is comfortable with its deposits at Chicago area major banks.

The Foundation maintains its cash and certificates of deposit in several separate accounts at two different institutions. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each financial institution. As of June 30, 2020, the combined uninsured balance was \$2,030,502. The Foundation has not experienced any loss in these accounts. The Foundation believes it is not exposed to any significant credit risk on its cash balance. The investment committee of the Foundation Board reviews the financial health of commercial banking institutions with which the Foundation maintains assets on an annual basis.

NOTES TO FINANCIAL STATEMENTS

**NOTE 3—CONCENTRATION OF RISK (Continued)**

**CREDIT RISK**

Credit risk is the risk that an issuer or counterparty to a debt investment will not fulfill its obligations. Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist primarily of cash and cash equivalents and endowment investments.

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation limit. The Foundation does not believe that a significant risk of loss due to the failure of a financial institution presently exists.

The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment or group of investments represents a significant concentration of credit

**INTEREST RATE RISK**

As a means of limiting its exposure to fair value losses arising from changes in interest rates, as a long-term guideline, the Foundation's investments are allocated between various types of equity investments and fixed-income securities with a target allocation based on desired rate of return over a ten-year period as evaluated by the Foundation's Investment Committee on an annual basis and in consultation with the Foundation's investment advisors.

**COUNTRY/REGIONAL RISK AND FOREIGN CURRENCY RISK**

Country/Regional risk is the risk that domestic events – such as political upheaval, financial troubles, or natural disasters – will weaken a country's or region's securities markets. Foreign currency risk is the risk that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates.

**NOTE 4—LIQUIDITY AND AVAILABILITY OF RESOURCES**

|   | <b>2020</b>         | <b>2019</b>         |
|---|---------------------|---------------------|
| Cash, Held for Foundation.....                                    | \$ <b>1,099,939</b> | \$ 1,424,497        |
| Certificates of Deposit, Held for Foundation.....                 | <b>640,397</b>      | —                   |
| Short-Term Investments, Held for Foundation.....                  | <b>1,546,595</b>    | 1,396,560           |
| Contributions and Other Receivables .....                         | <b>475,458</b>      | 57,967              |
| Endowment Investments .....                                       | <b>12,236,422</b>   | 12,418,297          |
| Assets Held Under Split-Interest Agreements, net of Obligations.  | <b>335,553</b>      | 353,596             |
| Less: Net Assets With Donor Restrictions - Time and Purpose ..... | <b>(2,358,650)</b>  | (2,063,005)         |
| Less: Net Assets With Donor Restrictions – Endowment.....         | <b>(13,212,372)</b> | (12,771,893)        |
| Less: Board Designated Quasi-Endowment .....                      | <b>(493,578)</b>    | 514,662             |
| Less: Board Designated Operating Reserve .....                    | <u>—</u>            | <u>(38,616)</u>     |
|   | <b>\$ 269,764</b>   | <b>\$ 1,292,065</b> |

As part of its liquidity management plan, the Foundation attempts to maintain sufficient cash to meet current operating needs. Although the Foundation does not intend to spend its board-designated net assets of \$493,578, these amounts may be undesignated by the board and expended should the need arise. Additionally, the Foundation reasonably anticipates generating sufficient cash from subsequent year donations to meet future operating expenses.



NOTES TO FINANCIAL STATEMENTS

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**NOTE 5—INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The FASB Codification provides a framework for measuring fair value using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

*Level 1 Fair Value Measurements*

Level 1 investments are measured at fair value using the market approach. The market approach values assets at quoted prices in active markets for identical assets. Mutual funds are valued at their market values, which are determined daily and are quoted on a national exchange.

*Level 2 Fair Value Measurements*

Level 2 investments are measured at the redemption or stated price on the measurement day. These include bank certificates of deposit not included in the investment portfolio.

*Level 3 Fair Value Measurements*

The Foundation has no level 3 fair value measurements.

NORTHEASTERN ILLINOIS UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

**NOTE 5—INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

Investments at fair value measured on a recurring basis at June 30, 2020 consist of the following:

|   | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Total<br>June 30, 2020 |
|---|--|---|--|------------------------|
| Cash Held in Investments.....             | \$ 88,145  | \$  | \$   | \$ 88,145              |
| Equity Mutual Funds                       |  |   |  |                        |
| Large Cap Equity .....                    | 2,987,343  |   |  | 2,987,343              |
| Small Cap Equity .....                    | 1,055,455  |   |  | 1,055,455              |
| International Equity .....                | 2,346,628  |   |  | 2,346,628              |
| Emerging Markets Equity .....             | 1,094,003  |   |  | 1,094,003              |
| Master Limited<br>Partnership (MLP) ..... | 883,799  |   |  | 883,799                |
| Real Estate Global.....                   | 792,570  |   |  | 792,570                |
| Total Equity .....                        | <u>9,159,798</u>   |   |  | <u>9,159,798</u>       |
| Bond Mutual Fund                          |  |   |  |                        |
| Broad Domestic Fixed .....                | 3,831,885  |   |  | 3,831,885              |
| International Fixed Hedged .....          | 200,319  |   |  | 200,319                |
| Government Obligations.....               | 144,251  |   |  | 144,251                |
| Treasury Inflation                        |  |   |  |                        |
| Protected Securities .....                | 429,396  |   |  | 429,396                |
| International Fixed Unhedged ...          | 222,395  |   |  | 222,395                |
| High Yield Fixed.....                     | 528,772  |   |  | 528,772                |
| Total Bonds .....                         | <u>5,357,018</u>   |   |  | <u>5,357,018</u>       |
| Total Investments.....                    | <u>\$ 14,604,961</u>   | <u>\$ —</u>   | <u>\$ —</u>  | <u>\$ 14,604,961</u>   |

Total investment return was comprised of \$557,038 of dividend and interest income, realized gains of \$175,636, and unrealized losses of \$801,210, net of \$53,742 of fees for the year ended June 30, 2020.

NOTES TO FINANCIAL STATEMENTS

**NOTE 5—INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

Investments at fair value measured on a recurring basis at June 30, 2019 consist of the following:

|                                  | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Total<br>June 30, 2019 |
|----------------------------------|--|---|--|------------------------|
| Cash Held in Investments.....    | \$ 54,044  | \$  | \$   | \$ 54,044              |
| <b>Equity Mutual Funds</b>       |  |   |  |                        |
| Large Cap Equity .....           | 2,898,866  |   |  | 2,898,866              |
| Small Cap Equity .....           | 1,034,455  |   |  | 1,034,455              |
| International Equity .....       | 2,619,120  |   |  | 2,619,120              |
| Emerging Markets Equity .....    | 1,159,178  |   |  | 1,159,178              |
| <b>Master Limited</b>            |  |   |  |                        |
| Partnership (MLP) .....          | 878,245  |   |  | 878,245                |
| Real Estate Global.....          | 856,569  |   |  | 856,569                |
| Total Equity .....               | <u>9,446,433</u>   |   |  | <u>9,446,433</u>       |
| <b>Bond Mutual Fund</b>          |  |   |  |                        |
| Broad Domestic Fixed .....       | 3,761,042  |   |  | 3,761,042              |
| International Fixed Hedged ..... | 219,324  |   |  | 219,324                |
| Government Obligations.....      | 152,509  |   |  | 152,509                |
| <b>Treasury Inflation</b>        |  |   |  |                        |
| Protected Securities .....       | 283,860  |   |  | 283,860                |
| International Fixed Unhedged...  | 208,333  |   |  | 208,333                |
| High Yield Fixed.....            | 558,163  |   |  | 558,163                |
| Total Bonds .....                | <u>5,183,231</u>   |   |  | <u>5,183,231</u>       |
| Total Investments.....           | <u>\$ 14,683,708</u>   | <u>\$ —</u>   | <u>\$ —</u>  | <u>\$ 14,683,708</u>   |

Total investment return was comprised of \$534,886 of dividend and interest income, realized losses of \$298,604, and unrealized gains of \$311,756, net of \$51,824 of fees for the year ended June 30, 2019.

**NOTE 6—CONDITIONAL PLEDGE**

The Foundation received a conditional pledge by a donor during the year ended June 30, 2018 who promised to match qualifying contributions, up to an annual maximum of \$500,000, on a one-for-one basis during calendar year 2018. No conditional pledges were received during the years ended June 30, 2020 and 2019.

The Foundation raised \$458,821 of qualifying contributions towards the 2018 award, recognizing the matching contribution and pledge receivable in the same amount as of June 30, 2018. The remaining \$41,179 of the 2018 calendar year maximum is conditional on the Foundation raising additional qualifying contributions by the end of 2018 and therefore has not been recognized in revenue for the year ended June 30, 2018. The remaining \$41,179 was raised by December 31, 2018 and is recognized in support revenue for the year ended June 30, 2019.

NOTES TO FINANCIAL STATEMENTS

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**NOTE 7—NORTHEASTERN ILLINOIS UNIVERSITY AGREEMENT**

On July 1, 2005, the Foundation entered into an agreement with Northeastern Illinois University. Under the terms of the contract, the Foundation aids and assists the University in developing facilities for broader educational opportunities for the service to its students, alumni and citizens of the State of Illinois and of the United States by encouraging gifts of money, property, works of art, historical and other material having educational, artistic and historical value.

In turn, the University will furnish certain services necessary to the operation of the Foundation. The contract may be cancelled upon ninety days written notice by either party. In 2010, the NEIU Alumni Association became part of the Foundation.

During the year ended June 30, 2020, certain personnel services and facilities of the University with an estimated value of \$762,128 were provided to the Foundation without charge. In turn, the Foundation provided the University with support in the amount of \$506,221 and grants, awards, scholarships and fellowships of \$783,413.

During the year ended June 30, 2019, certain personnel services and facilities of the University with an estimated value of \$688,739 were provided to the Foundation without charge. In turn, the Foundation provided the University with support in the amount of \$532,267 and grants, awards, scholarships and fellowships of \$1,063,691.

During the year ended June 30, 2007, the Foundation became the fiscal agent for the Gaining Early Awareness and Readiness for Undergraduate Program (“GEAR UP”) scholarship fund which had been set up by the University. The funds were invested and restricted for use by the GEAR UP program. During the years ended June 30, 2019 and 2020, no scholarships were awarded to colleges and universities as no new students were enrolled in the program and previous had all graduated. Cash, certificates of deposit and investments held in custody relate to funds held for the Gear Up Grant and Gear Up College Success Scholarship Fund.

GEAR UP’s assets and liabilities are included in the Statement of Financial Positions and are as follows at June 30:

|  | <b>2020</b>       | 2019              |
|--|-------------------|-------------------|
| Cash – Held in Custody.....                    | \$ 197,657        | \$ 397,512        |
| Certificates of Deposit – Held in Custody..... | 200,285           | —                 |
| Total Assets Held for GEAR UP.....             | <b>\$ 397,942</b> | <b>\$ 397,512</b> |
| Custodial Liability – GEAR UP.....             | <b>\$ 397,942</b> | <b>\$ 397,512</b> |

NOTES TO FINANCIAL STATEMENTS

**NOTE 8—SPLIT-INTEREST AGREEMENTS**

The Foundation is the administrator of eight charitable remainder trusts. The following activity related to the charitable remainder trusts is included in the Statements of Financial Position and Statements of Activities as of and for the year ended June 30:

|   | 2020               | 2019              |
|---|--------------------|-------------------|
| Assets Held Under Split Interest Agreements .....                           | \$ <b>821,944</b>  | \$ <u>868,851</u> |
| Current Portion – Obligations Held Under<br>Split Interest Agreements ..... | \$ <b>42,946</b>   | \$ 41,206         |
| Long-Term – Obligations Held Under<br>Split Interest Agreement .....        | <u>443,445</u>     | <u>474,049</u>    |
| Total Obligations Held Under Split Interest<br>Agreements .....             | \$ <b>486,391</b>  | \$ <u>515,255</u> |
| Change in Value of Split Interest Agreements.....                           | \$ <b>(18,043)</b> | \$ <u>80,510</u>  |

**NOTE 9—NET ASSETS WITH TIME AND PURPOSE DONOR RESTRICTIONS**

Net Assets with time and purpose donor restrictions at June 30 are as follows:

|                                   | 2020                | 2019                |
|-----------------------------------|---------------------|---------------------|
| Scholarships and Fellowships..... | \$ <b>737,538</b>   | \$ 824,898          |
| Academics.....                    | <b>234,877</b>      | 221,811             |
| Alumni Association.....           | <b>109,868</b>      | 92,147              |
| Other.....                        | <u>1,276,367</u>    | <u>924,149</u>      |
|                                   | <b>\$ 2,358,650</b> | \$ <u>2,063,005</u> |

Amounts released from restrictions during the year ended June 30, 2020 were \$1,222,412, representing \$462,923 of scholarships and fellowships, \$23,279 of academic support, \$22,045 of Alumni Association expenses, and \$714,165 of other expenses. Also in the year ended June 30, 2020, a donor released \$4,417 of endowment contributions, which were reclassified to net assets with time and purpose restrictions.

Amounts released from restrictions during the year ended June 30, 2019 were \$1,570,962 representing \$315,555 of scholarships and fellowships, \$41,792 of academic support, \$40,627 of Alumni Association expenses, and \$1,172,988 of other expenses.

NOTES TO FINANCIAL STATEMENTS

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**NOTE 10—NET ASSETS WITH DONOR RESTRICTIONS IN PERPETUITY AND ENDOWMENTS**

Net assets with donor restrictions in perpetuity are comprised of 156 endowment funds in 2020 and 154 in 2019, which were established to support various purposes such as scholarships and lectureships. The endowment also includes one board-designated endowment fund. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The funds are managed jointly and are credited with a proportionate share of dividend and interest income and any realized and unrealized gains and losses.

Gifts of cash, cash equivalents, securities or other assets that are received by the Foundation for its use in perpetuity, without specific restrictions, are carried and accounted for in this fund. Assets in this classification are considered to be an important part of the Foundation's long-term capital and are invested in accordance with prudent and appropriate investment objectives. Non-cash assets are to be held as long as practicable; cash assets are to be invested in a diversified portfolio of fixed income and equity securities that meet the expected long-term needs of the Foundation.

The Board of Directors of the Foundation have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Illinois as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with time and purpose donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Foundation and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Foundation.
7. The investment policies of the Foundation.

NORTHEASTERN ILLINOIS UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

**NOTE 10—NET ASSETS WITH DONOR RESTRICTIONS IN PERPETUITY AND ENDOWMENTS (Continued)**

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

|                                       | Without Donor<br>Restrictions | With Purpose<br>Restrictions | Restricted<br>in Perpetuity | Total<br>Endowment<br>Net Assets |
|---------------------------------------|-------------------------------|------------------------------|-----------------------------|----------------------------------|
| Donor-Restricted Endowment Funds..... | \$ —                          | \$ (211,565)                 | \$ 13,212,372               | \$ 13,000,807                    |
| Quasi Endowment Fund .....            | 493,578                       |                              |                             | 493,578                          |
| Total Endowment Net Assets .....      | \$ 493,578                    | \$ (211,565)                 | \$ 13,212,372               | \$ 13,494,385                    |

Endowment net asset composition by type of fund as of June 30, 2019 is as follows:

|                                       | Without Donor<br>Restrictions | With Purpose<br>Restrictions | Restricted<br>in Perpetuity | Total<br>Endowment<br>Net Assets |
|---------------------------------------|-------------------------------|------------------------------|-----------------------------|----------------------------------|
| Donor-Restricted Endowment Funds..... | \$ —                          | \$                           | \$ 12,771,893               | \$ 12,771,893                    |
| Quasi Endowment Fund .....            | 514,662                       |                              |                             | 514,662                          |
| Total Endowment Net Assets .....      | \$ 514,662                    | \$ —                         | \$ 12,771,893               | \$ 13,286,555                    |

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

|  | Without Donor<br>Restrictions | With Purpose<br>Restrictions | Restricted<br>in Perpetuity | Total<br>Endowment<br>Net Assets |
|--|-------------------------------|------------------------------|-----------------------------|----------------------------------|
| Endowment Net Assets,<br>Beginning of Year.....            | \$ 514,662                    | \$ —                         | \$ 12,771,893               | \$ 13,286,555                    |
| Contributions .....  |                               |                              | 462,939                     | 462,939                          |
| Investment Income, net of fees .....                       | 86,782                        | 296,232                      |                             | 383,014                          |
| Net Realized and<br>Unrealized Gains.....                  | (107,866)                     | (368,203)                    |                             | (476,069)                        |
| Change in Value of Split Interest<br>Agreement.....        |                               |                              | (18,043)                    | (18,043)                         |
| Donor Release of Restriction in Perpetuity                 |                               |                              | (4,417)                     | (4,417)                          |
| Appropriation of Endowment Assets<br>for Expenditure ..... |                               | (139,594)                    |                             | (139,594)                        |
| Endowment Net Assets, End of Year .....                    | \$ 493,578                    | \$ (211,565)                 | \$ 13,212,372               | \$ 13,494,385                    |

NOTES TO FINANCIAL STATEMENTS

**NOTE 10—NET ASSETS WITH DONOR RESTRICTIONS IN PERPETUITY AND ENDOWMENTS (Continued)**

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

|  | Without Donor<br>Restrictions | With Purpose<br>Restrictions | Restricted<br>in Perpetuity | Total<br>Endowment<br>Net Assets |
|--|-------------------------------|------------------------------|-----------------------------|----------------------------------|
| Endowment Net Assets,                                      |                               |                              |                             |                                  |
| Beginning of Year.....                                     | \$ 496,225                    | \$ —                         | \$ 11,752,694               | \$ 12,248,919                    |
| Contributions .....  |                               |                              | 726,529                     | 726,529                          |
| Investment Income, net of fees .....                       | 17,948                        | 258,577                      | 206,537                     | 483,062                          |
| Net Realized and<br>Unrealized Gains.....                  | 489                           | 7,040                        | 5,623                       | 13,152                           |
| Change in Value of Split Interest<br>Agreement.....        |                               |                              | 80,510                      | 80,510                           |
| Appropriation of Endowment Assets<br>for Expenditure ..... |                               | (265,617)                    |                             | (265,617)                        |
| Endowment Net Assets, End of Year .....                    | <u>\$ 514,662</u>             | <u>\$ —</u>                  | <u>\$ 12,771,893</u>        | <u>\$ 13,286,555</u>             |

**FUNDS WITH DEFICIENCIES**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may drop below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Due to realized and unrealized investment losses with the expectation that all efforts are made to restore the value when market conditions improve and that, in accordance with policy, no distributions may be made from the funds in order to allow for this restoration. As of June 30, 2020, none of the funds were below the levels that donors required to be maintained in perpetuity, although it may appear that some funds are underwater at June 30, 2020 because the Foundation's former policy was to include all investment returns and amounts appropriated but not expended during the year in net assets with donor restrictions in perpetuity. The Foundation changed its policy during the year ended June 30, 2020 to include all investment returns and amounts appropriated and unexpended in net assets with donor restrictions – time and purpose in accordance with UPMIFA. This change and the unfavorable market fluctuations during the year lead to the negative balance of \$211,565 reported in the endowment net assets with time and purpose restriction. The balance in the endowment nets assets in excess of donor contributions was sufficient to offset the current year market losses and appropriations. There were no such deficiencies as of June 30, 2019.



NOTES TO FINANCIAL STATEMENTS

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**NOTE 10—NET ASSETS WITH DONOR RESTRICTIONS IN PERPETUITY AND ENDOWMENTS (Continued)**

INVESTMENT GUIDELINES:

The primary investment objectives of the funds are to provide a stable source of perpetual financial support to Foundation beneficiaries, and balance the desire to generate sufficient return on investments in order to achieve the stated return objectives with the desire to preserve the real purchasing power of the principal in the long-term. The Finance Committee, subject to annual review and rebalancing as necessary, will determine the allocation of assets, recognizing that returns on investments in this category can vary on a year-to-year basis because of the higher risk associated with higher expected long-term returns.

The Foundation employs a total return investment approach whereby a mix of equity, fixed income, and alternative investments are used to maximize long-term performance for a prudent level of risk.

INVESTMENT OBJECTIVES

- Maintaining the purchasing power of current assets and any/all future contributions with respect to inflation by producing positive real rates of return.
- Maximizing return within reasonable and prudent levels of risk.
- Limiting short-term investment losses.
- Portfolio outperformance relative to a customized policy benchmark or asset allocation benchmark over a full market cycle.
- Meeting all anticipated and unanticipated liquidity requirements.
- Controlling costs in administering and managing the portfolio.
- Funding distributions from the portfolio in accordance with the Spending Policy.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

The portfolio will be diversified in an effort to achieve stated investment objectives and to provide reasonable assurance that no single asset class or security will have a disproportionate impact on absolute performance. Adequate diversification will ensure that the risk level of the overall portfolio will be maintained within a predetermined tolerance. The predetermined tolerance will be based on the expected risk and return profile of the overall portfolio. Should the overall risk/return profile of the portfolio deviate beyond the predetermined tolerance, the portfolio will be rebalanced back to the target risk/return characteristics.

SPENDING POLICY

It is the Foundation's policy to distribute annually up to 5% of a trailing 3 or 5-year average of the endowment's total asset value, with the understanding that this spending rate plus inflation will not normally exceed total return from investment. However, it is understood that this total return basis for calculating spending is sanctioned by the Uniform Management of Institutional Funds Act (UMIFA), under which guidelines the University is permitted to spend an amount in excess of the current yield (interest and dividends earned), including realized or unrealized appreciation

NOTES TO FINANCIAL STATEMENTS

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**NOTE 11—RELATED PARTY TRANSACTIONS**

Contributions from board members totaled \$93,562 and \$71,682 for the years ended June 30, 2020 and 2019, respectively.

**NOTE 12—RECLASSIFICATIONS**

Certain prior year amounts have been reclassified to conform to current year presentation.

**NOTE 13—SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 30, 2020, the date which the financial statements were available for issue. There were no subsequent events which require disclosure.