

Northern Illinois University Foundation

Independent Auditor's Report and Financial Statements

June 30, 2020 and 2019



Northern Illinois University Foundation
June 30, 2020 and 2019

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Independent Auditor's Report

Board of Directors
Northern Illinois University Foundation
DeKalb, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Northern Illinois University Foundation, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, 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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Board of Directors
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 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.

BKD, LLP

Oakbrook Terrace, Illinois
October 26, 2020

Northern Illinois University Foundation
Statements of Financial Position
June 30, 2020 and 2019

Assets

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 5,448,474	\$ 2,699,932
Prepaid expenses	106,338	134,391
Promises to give, net	1,645,065	1,656,531
Endowments - promises to give, net	1,019,513	1,219,402
Investments	101,272,866	110,323,514
Student managed portfolio	679,345	603,471
Funds held in trust by others	1,893,830	2,007,924
Property and equipment, net	<u>22,590,946</u>	<u>23,152,937</u>
Total assets	<u>\$ 134,656,377</u>	<u>\$ 141,798,102</u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued liabilities	\$ 660,711	\$ 516,139
Due to NIU	851,574	941,822
Deferred revenue	102,314	-
Bonds payable	441,300	758,540
Remainder interest due to others	623,564	586,000
Agency		
Accounts administered for NIU Alumni Association	2,456,685	2,836,207
Endowment and gift accounts administered for NIU	<u>8,084,227</u>	<u>8,100,555</u>
Total liabilities	<u>13,220,375</u>	<u>13,739,263</u>

Net Assets

Without donor restrictions		
Undesignated	8,649,454	10,064,650
Designated by the Board for grants	820,041	36,184
Designated by the Board for endowment	630,045	699,561
Invested in property and equipment, net of related debt	<u>22,091,565</u>	<u>22,394,397</u>
Net assets without donor restrictions	32,191,105	33,194,792
With donor restrictions		
Perpetual in nature	55,707,130	54,808,924
Purpose restrictions	<u>33,537,767</u>	<u>40,055,123</u>
Net assets with donor restrictions	<u>89,244,897</u>	<u>94,864,047</u>
Total net assets	<u>121,436,002</u>	<u>128,058,839</u>
Total liabilities and net assets	<u>\$ 134,656,377</u>	<u>\$ 141,798,102</u>

Northern Illinois University Foundation
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	\$ 1,262,466	\$ 5,204,629	\$ 6,467,095
Investment loss	(378,897)	(3,671,371)	(4,050,268)
Services contract revenue	798,600	-	798,600
Rental income	319,805	-	319,805
Other	169,012	382,347	551,359
Net assets released from restrictions	7,534,755	(7,534,755)	-
	<u>9,705,741</u>	<u>(5,619,150)</u>	<u>4,086,591</u>
Expenses			
Program services			
University programs	4,799,345	-	4,799,345
Scholarships	2,966,756	-	2,966,756
	<u>7,766,101</u>	<u>-</u>	<u>7,766,101</u>
Supporting services			
Management and general expenses	1,595,913	-	1,595,913
Fundraising and development expenses	1,347,414	-	1,347,414
	<u>2,943,327</u>	<u>-</u>	<u>2,943,327</u>
	<u>10,709,428</u>	<u>-</u>	<u>10,709,428</u>
Change in Net Assets	(1,003,687)	(5,619,150)	(6,622,837)
Net Assets, Beginning of Year	<u>33,194,792</u>	<u>94,864,047</u>	<u>128,058,839</u>
Net Assets, End of Year	<u>\$ 32,191,105</u>	<u>\$ 89,244,897</u>	<u>\$ 121,436,002</u>

Northern Illinois University Foundation
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	\$ 1,542,527	\$ 7,159,951	\$ 8,702,478
Investment income	796,938	3,227,455	4,024,393
Services contract revenue	798,600	-	798,600
Rental income	332,597	-	332,597
Other	-	403,112	403,112
Net assets released from restrictions	9,124,804	(9,124,804)	-
	<u>12,595,466</u>	<u>1,665,714</u>	<u>14,261,180</u>
Total revenue, gains and other support			
Expenses			
Program services			
University programs	5,485,592	-	5,485,592
Scholarships	3,308,710	-	3,308,710
	<u>8,794,302</u>	<u>-</u>	<u>8,794,302</u>
Supporting services			
Management and general expenses	1,025,522	-	1,025,522
Fundraising and development expenses	1,541,211	-	1,541,211
	<u>2,566,733</u>	<u>-</u>	<u>2,566,733</u>
Total expenses	<u>11,361,035</u>	<u>-</u>	<u>11,361,035</u>
Change in Net Assets	1,234,431	1,665,714	2,900,145
Net Assets, Beginning of Year	<u>31,960,361</u>	<u>93,198,333</u>	<u>125,158,694</u>
Net Assets, End of Year	<u>\$ 33,194,792</u>	<u>\$ 94,864,047</u>	<u>\$ 128,058,839</u>

Northern Illinois University Foundation
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services			Supporting Services			Total
	University Programs	Scholarships	Total	Management and General	Fundraising and Development	Total	
University support	\$ 3,599,622	\$ -	\$ 3,599,622	\$ -	\$ -	\$ -	\$ 3,599,622
Scholarships	-	2,966,756	2,966,756	-	-	-	2,966,756
Foundation support for							
personnel services	263,833	-	263,833	995,878	643,844	1,639,722	1,903,555
Professional services	102,269	-	102,269	16,919	327,362	344,281	446,550
Accounting fees	-	-	-	42,612	-	42,612	42,612
Legal fees	1,298	-	1,298	186,712	3,333	190,045	191,343
Advertising and promotion	-	-	-	19,093	9,547	28,640	28,640
Office supplies	4,099	-	4,099	6,796	7,400	14,196	18,295
Office expenses	22,882	-	22,882	124,169	141,649	265,818	288,700
Equipment repair and maintenance	5,751	-	5,751	69,270	33,420	102,690	108,441
Travel	12,037	-	12,037	8,098	59,645	67,743	79,780
Conferences, conventions and meetings	85,481	-	85,481	36,483	118,496	154,979	240,460
Interest	16,149	-	16,149	-	-	-	16,149
Insurance	6,924	-	6,924	44,045	-	44,045	50,969
Depreciation and amortization	620,072	-	620,072	-	-	-	620,072
Other	58,928	-	58,928	45,838	2,718	48,556	107,484
	<u>\$ 4,799,345</u>	<u>\$ 2,966,756</u>	<u>\$ 7,766,101</u>	<u>\$ 1,595,913</u>	<u>\$ 1,347,414</u>	<u>\$ 2,943,327</u>	<u>\$ 10,709,428</u>
Total functional expenses							

Northern Illinois University Foundation
Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services			Supporting Services			Total
	University Programs	Scholarships	Total	Management and General	Fundraising and Development	Total	
University support	\$ 4,328,725	\$ 30,050	\$ 4,358,775	\$ -	\$ -	\$ -	\$ 4,358,775
Scholarships	-	3,278,660	3,278,660	-	-	-	3,278,660
Foundation support for							
personnel services	189,968	-	189,968	613,453	606,813	1,220,266	1,410,234
Professional services	246,999	-	246,999	52,632	378,755	431,387	678,386
Accounting fees	-	-	-	44,600	-	44,600	44,600
Legal fees	-	-	-	55,060	-	55,060	55,060
Advertising and promotion	333	-	333	13,054	9,672	22,726	23,059
Office supplies	2,210	-	2,210	7,792	13,828	21,620	23,830
Office expenses	28,987	-	28,987	31,258	189,766	221,024	250,011
Equipment repair and maintenance	41,463	-	41,463	85,947	73,332	159,279	200,742
Travel	20,040	-	20,040	11,991	76,159	88,150	108,190
Conferences, conventions and meetings	2,095	-	2,095	67,142	190,932	258,074	260,169
Interest	4,700	-	4,700	-	-	-	4,700
Insurance	-	-	-	36,630	-	36,630	36,630
Depreciation and amortization	620,072	-	620,072	-	-	-	620,072
Other	-	-	-	5,963	1,954	7,917	7,917
Total functional expenses	\$ 5,485,592	\$ 3,308,710	\$ 8,794,302	\$ 1,025,522	\$ 1,541,211	\$ 2,566,733	\$ 11,361,035

Northern Illinois University Foundation
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Operating Activities		
Expendable gifts received	\$ 6,729,073	\$ 8,975,035
Payments from services contract with NIU	743,600	743,600
Payments from service contract with NIUAA	55,000	55,000
Rental income	319,805	332,597
Foundation operations and fundraising expense	(2,943,327)	(2,566,733)
Scholarships and other expense on behalf of NIU	(9,268,894)	(10,461,812)
Purchase of NIU equipment and software	(341,783)	(280,690)
Other operating revenue	1,701,052	1,737,106
	<u>(3,005,474)</u>	<u>(1,465,897)</u>
Investing Activities		
Purchase of property and equipment	(58,081)	-
Proceeds from sale and maturities of investments	39,373,552	25,411,259
Purchase of investments	(31,478,549)	(22,609,917)
Interest and dividend income reinvested	(2,662,755)	(2,595,988)
Payment of investment fees	(323,766)	(375,709)
	<u>4,850,401</u>	<u>(170,355)</u>
Financing Activities		
Gifts received for endowment purposes	1,243,337	595,119
Interest payments on long-term debt	(22,482)	(4,700)
Principal payments on long-term debt	(317,240)	(339,883)
	<u>903,615</u>	<u>250,536</u>
Increase (Decrease) in Cash and Cash Equivalents	2,748,542	(1,385,716)
Cash and Cash Equivalents, Beginning of Year	2,699,932	4,085,648
Cash and Cash Equivalents, End of Year	\$ 5,448,474	\$ 2,699,932

Northern Illinois University Foundation
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Reconciliation of Changes in Net Assets to Net Cash		
Used In Operating Activities		
Change in net assets	\$ (6,622,837)	\$ 2,900,145
Items not requiring (providing) operating activities cash flows		
Depreciation	620,072	620,072
Investment return	4,050,268	(4,024,393)
Gifts received for endowment purposes	(1,043,448)	(997,563)
Bond interest paid	22,482	4,700
Change in value of split interest agreements	167,682	(54,431)
Changes in		
Prepaid expenses	28,053	71,871
Promises to give	11,466	(173,046)
Accounts payable and accrued liabilities	144,572	110,150
Due to NIU	(90,248)	263,514
Deferred revenue	102,314	-
Agency - NIU Alumni Association	(379,522)	(326,396)
Agency - NIU	(16,328)	139,480
Net cash used in operating activities	\$ (3,005,474)	\$ (1,465,897)
Supplemental Cash Flows Information		
Noncash contributions recognized as in-kind revenues/expenses	\$ 166,851	\$ 157,207

Northern Illinois University Foundation

Notes to Financial Statements

June 30, 2020 and 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Northern Illinois University Foundation (Foundation) was established in 1949 as an independent, privately governed not-for-profit corporation chartered under the laws of the State of Illinois.

The Foundation's mission is to energize and connect the private sector with the Northern Illinois University (NIU or University) community to secure and steward resources that support the future and growth of NIU. The Foundation fulfills this mission primarily through fundraising and asset management functions. The Foundation solicits and accepts donations of property, money and securities, and invests and administers such assets. The Foundation disburses funds in accordance with the terms under which they were given, to aid, supplement, improve, and enlarge the educational, cultural, recreational, and research activities and facilities of the University. More detailed information regarding the Foundation and its charitable activities can be obtained from the Foundation's website at www.niufoundation.org.

In November of 2019, the Foundation authorized the formation of a subsidiary for real estate. The Real Estate Foundation had no activity in fiscal year 2020.

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting and include the Foundation's assets, liabilities, net assets, revenues and expenses for the years ended June 30, 2020 and 2019.

Net assets, revenues and expenses are classified based on the terms of donor-imposed restrictions. Accordingly, the net assets, revenues and expenses of the Foundation are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those assets that are not subject to donor-imposed stipulations for timing of use or purpose of use. Net assets without donor restrictions include unrestricted gifts and investment earnings generated on unrestricted.

Net Assets With Donor Restrictions

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Northern Illinois University Foundation

Notes to Financial Statements

June 30, 2020 and 2019

Use of Estimates

The preparation of the 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, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates. The Foundation's significant estimates include the valuation of its investments, the collectability of receivables, and the present value of the liability for future payments related to trust and annuity agreements.

Cash and Cash Equivalents

The Foundation generally considers short-term, highly liquid financial instruments to be cash equivalents. Cash equivalents consist of time deposits and short-term investments with maturities of 90 days or less at the date of purchase. Cash equivalents are stated at cost, which approximates fair value.

Investments and Investment Return

Investments are reported at fair value (see Note 14). Fair value is 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.

The valuation of marketable securities is based upon quoted market prices and exchange rates, if applicable. Fair values for private equity, real estate and other investments held through limited partnerships or commingled funds are estimated by the respective external investment managers if market values are not ascertainable. The Foundation uses the Net Asset Value (NAV) to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company, or have the attributes of an investment company. Because they are not readily determinable, the fair values may differ from the values that would have been used had a ready market for these investments existed. Unrealized gains and losses that result from market fluctuations are recognized in the period in which the fluctuations occur. External investment management fees of \$323,766 and \$375,709 are netted against total investment return for the years ended June 30, 2020 and 2019, respectively.

Net investment return (defined as dividends, interest, and net realized and unrealized gains and losses on investments, net of investment management fees) is reported as follows:

As increases or decreases in net assets with donor restrictions if the terms of the underlying endowment funds designate the purpose for scholarships, departments, programs or are otherwise stipulated by the donor

As increases or decreases in net assets and gifts without donor restrictions if the terms of the underlying individual endowment funds and gifts are Board-designated

Northern Illinois University Foundation
Notes to Financial Statements
June 30, 2020 and 2019

As increases or decreases in net assets with donor restrictions if there is a change in the present value of a trust due to the passage of time or changes in actuarial life expectancies

Student Managed Portfolio

The Foundation sponsors the Student Managed Portfolio, an academic program in the College of Business. The Student Managed Portfolio program is a competitive-entry class where, under the oversight of a faculty advisor, students act as fiduciaries and manage a portfolio. Through this program, the Foundation provides real life experiences to further student's education.

Property and Equipment

Property and equipment are recorded at cost, or if gifted, at fair market value on the date of the gift. Depreciation of property and equipment in the amount of \$620,072 for each of the years ended June 30, 2020 and 2019, respectively, is charged to expense on a straight-line basis over the property or equipment's estimated useful life, which ranges from 5 to 40 years. Expenditures for repairs and maintenance are expensed as incurred.

Long-Lived Asset Impairment

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2020 and 2019.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contributions of services also include services received from personnel of an affiliate. Contribution revenue recognized from contributed services totaled \$166,851 and \$157,207 for the years ended June 30, 2020 and 2019, respectively.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. Due to certain investments, the Foundation does have unrelated business income, however the federal tax liability has been immaterial. The Foundation believes it does not have any uncertain tax positions that are material to the financial statements.

The Foundation files tax returns in the U.S. federal jurisdiction.

Northern Illinois University Foundation
Notes to Financial Statements
June 30, 2020 and 2019

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on purpose and relative time involved.

Contributions and Adoption of Accounting Standards Update (ASU) 2018-08

Contributions are provided to the Foundation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Foundation overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Pledges receivable represent outstanding unconditional promises by donors to make contributions to the Foundation. Unconditional promises to give that are expected to be collected within one

Northern Illinois University Foundation

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June 30, 2020 and 2019

year of the statement of financial position date are recorded at face value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated realizable future contribution amounts. The discount rate of 2.00% and 2.38% (U.S. Treasury bill rate) for the years ended June 30, 2020 and 2019, respectively, is used to determine present values that reflect the fair value applicable to the year in which the promises to give were received; the amortization of the related discount is subsequently included in contribution revenues. Contribution revenue recorded from pledges (see Note 3) is reflected in net assets without or net assets with donor restrictions, depending on donor stipulations, if any.

The Foundation uses estimates based on historical trends to determine the total allowance for uncollectible pledges.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction. For the years ended June 30, 2020 and 2019, the Foundation did not have any conditional contributions.

In 2020, the Foundation adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This new guidance 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 deferred) have been clarified. The focus is whether a gift or grant agreement both (1) specifies a “barrier or hurdle” 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 or hurdle is not achieved. An agreement that includes both is a conditional contribution.

The Foundation adopted this standard on July 1, 2019. Adoption of ASU 2018-08 did not result in any changes to the presentation of the financial statements or disclosures in the notes to the financial statements. The adoption of this standard also did not result in any changes to previously reported net assets or changes to net assets.

Endowment Spending Allocation and Fee

The endowment spending policy adopted by the Foundation’s Board of Directors (Board), in conjunction with the strategic asset allocation policy for the long-term pooled investment portfolio, is designed to provide reliable growth in annual spending allocation levels and to preserve or increase the real value of the endowment principal, over time. To meet these objectives, the Foundation utilizes a total return investment approach, with total return consisting of interest and dividends, and realized and unrealized gains and losses, net of investment management fees.

The annual spending is currently 4% of the three year average fund balance. The spending allocation distributed in support of designated purposes was \$2,956,217 and \$2,622,936 for the years ended June 30, 2020 and 2019, respectively.

Northern Illinois University Foundation

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June 30, 2020 and 2019

The Foundation's endowment spending allocation policy was enacted in accordance with the *Illinois Uniform Prudent Management of Institutional Funds Act* (UPMIFA). UPMIFA considers prudence in maintaining an endowment fund in perpetuity.

Endowed funds will participate in the investment pool 90 days after the principal amount is equal to or greater than the minimum needed to establish an endowment. During the first 90 days, or pre-investment period, investment earned will be recorded as income without donor restrictions. Over the long term, the Foundation expects the current spending allocation and endowment fee policies to allow endowments to grow at least at the annualized rate of inflation on average. This is consistent with the Foundation's objective of providing resources for the underlying purposes of endowment assets over the life of the endowments as well as to provide additional growth through new gifts and investment return.

In addition, an endowment fee is assessed to fund expenses incurred in meeting the Foundation's fiduciary and fundraising responsibilities. This annual fee is also assessed based on market value at a rate of 1.5%.

Revisions

Certain immaterial revisions have been made to the 2019 statement of cash flows for investing activities whereby proceeds from the sale and maturities of investments decreased by \$369,385 to \$25,411,259 and outflows from interest and dividend income reinvested decreased by \$48,104 to (\$2,595,998) resulting in a net decrease in cash used in investment activities of \$321,281 to (\$170,355). Additional immaterial revisions were made to the cash flows from operating activities whereby scholarships and other expense on behalf of NIU decreased by \$321,281 to (\$10,461,812), investment returns outflows decreased by \$375,712 to (\$4,024,393), and a change in the value of split interest agreements of (\$54,431) resulting in a decrease in the net cash used in by operating activities of \$321,281 to (\$1,465,897). Additionally, the 2019 statement of cash flows has been updated to include previously unreported supplemental cash flows information for noncash contributions recognized as in-kind revenues/expenses of \$157,207. These revisions did not have a significant impact on the financial statements.

Northern Illinois University Foundation
Notes to Financial Statements
June 30, 2020 and 2019

Note 2: Investments and Investment Return

Investments at June 30, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
U.S. Treasury securities	\$ 935,041	\$ 977,303
Equity		
Domestic equity - large/mid-cap	14,753,214	17,733,259
Domestic equity - small-cap	3,790,207	4,669,747
International developed	18,350,654	18,810,893
Private equity	4,913,959	5,537,388
Hedged strategies	8,638,410	8,320,581
Public fixed income	29,768,735	29,506,765
Private debt	395,696	328,951
Real assets	6,683,019	8,062,690
Private natural resources	3,770,301	4,189,807
Private real estate	2,491,593	2,033,382
Diversifying strategy mutual funds	7,441,320	10,736,236
Cash surrender value of life insurance	<u>20,062</u>	<u>19,983</u>
 Total	 101,952,211	 110,926,985
 Funds held in trust by others	 <u>1,893,830</u>	 <u>2,007,924</u>
	<u>\$ 103,846,041</u>	<u>\$ 112,934,909</u>

Total investment return for fiscal years 2020 and 2019 is comprised of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 2,662,755	\$ 2,595,988
Net realized and unrealized gains (losses) on investments reported at fair value	(6,389,257)	1,804,114
Investment fees	<u>(323,766)</u>	<u>(375,709)</u>
	<u>\$ (4,050,268)</u>	<u>\$ 4,024,393</u>

The Foundation's Board is responsible for the management of the Foundation's investments. The Investment Committee formulates an investment policy for funds and assets of the Foundation, provides that policy to the Board for approval, periodically recommends changes in policy as appropriate, interprets the policy to the Foundation's investment managers, and oversees implementation of that policy. Investment performance is reviewed regularly by the Investment Committee.

Northern Illinois University Foundation
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There are two primary investment strategies that are executed in different investment pools. Endowed funds and funds initially received as expendable but acting as endowment are invested with a long-term horizon. Expendable gift funds are invested with an intermediate-term strategy based upon historical patterns of usage.

In fulfilling its responsibilities, the Board has contracted with an independent investment advisory firm and a number of investment management firms to execute the strategy it has established.

The Foundation's permissible investment categories include:

- 1) Equities
- 2) Fixed income securities
- 3) Cash equivalents
- 4) Venture capital/private equity
- 5) Equity real estate
- 6) Hedge funds
- 7) Real assets

Note 3: Promises to Give, Net

Promises to give included unconditional promises to give, and consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 1,347,294	\$ 934,844
Due in one to five years	1,966,300	2,563,800
Due in more than five years	<u>25,000</u>	<u>107,000</u>
	3,338,594	3,605,644
Less		
Allowance	(368,596)	(376,892)
Unamortized discount (2.00% in fiscal year 2020; 2.38% in fiscal year 2019)	<u>(305,420)</u>	<u>(352,819)</u>
	<u>\$ 2,664,578</u>	<u>\$ 2,875,933</u>

Northern Illinois University Foundation
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Promises to give appear as follows in the statements of financial position at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Promises to give, net	\$ 1,645,065	\$ 1,656,531
Endowment promises to give, net	<u>1,019,513</u>	<u>1,219,402</u>
	<u>\$ 2,664,578</u>	<u>\$ 2,875,933</u>

Note 4: Property and Equipment

Property and equipment at June 30, 2020 and 2019, consist of:

	<u>2020</u>	<u>2019</u>
Land	\$ 3,861,333	\$ 3,861,333
Building and improvements	24,597,826	24,597,826
Construction in progress	58,081	-
Furniture and equipment	<u>92,541</u>	<u>92,541</u>
	28,609,781	28,551,700
Less accumulated depreciation	<u>(6,018,835)</u>	<u>(5,398,763)</u>
Property and equipment, net	<u>\$ 22,590,946</u>	<u>\$ 23,152,937</u>

Note 5: Bonds Payable

In March 2013, tax-exempt bonds were issued at 1.62% for eight years. The balance outstanding as of June 30, 2020 and 2019, is \$441,300 and \$758,540, respectively. Interest amounted to \$16,149 and \$4,700 for the years ended June 30, 2020 and 2019, respectively. Bonds are secured by an assignment of a lease for the Chessick Practice Center and a general obligation of the Foundation. Covenants require a minimum of \$3,000,000 of net assets without donor restrictions.

Aggregate annual maturities of long-term debt at June 30, 2020, are:

	<u>Bonds Payable</u>
2021	<u>\$ 441,300</u>

Northern Illinois University Foundation
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Note 6: Funds Held in Trust and Remainder Interest Due to Others

The Foundation administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Foundation's use. Assets held in the charitable remainder trusts are recorded at fair value of \$1,893,830 and \$2,007,924 as of June 30, 2020 and 2019, respectively, and included in 'Funds Held In Trust by Others' in the Foundation's statements of financial position. The Foundation has recorded a liability at June 30, 2020 and 2019, of \$623,564 and \$586,000, respectively, which represents the present value of the future obligations to make distributions to the designated beneficiaries. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate of 3.4% and applicable mortality tables. The portion of the trust attributable to the future interest of the Foundation was recorded in the statement of activities as contributions with donor restrictions in the period the trust was established.

Note 7: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2020 and 2019, are available for scholarships and University programs or are held in perpetuity and the income of which are expendable to support scholarships and University programs. Net assets with donor restrictions at June 30, 2020 and 2019, are restricted for the following purposes:

	2020	2019
Subject to expenditure for specified purpose		
University departments and programs	\$ 9,865,190	\$ 13,315,364
Scholarships	10,243,337	6,622,452
	20,108,527	19,937,816
Endowments		
Endowment gifts, plus earnings, subject to expendable spending allocation		
Restricted by donors for		
University departments and program	33,730,861	30,586,107
Scholarships	35,405,509	44,340,124
	69,136,370	74,926,231
	\$ 89,244,897	\$ 94,864,047

Northern Illinois University Foundation
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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events for the years ended June 30, 2020 and 2019, as follows.

	2020	2019
Satisfaction or purpose restrictions		
Scholarships	\$ 1,617,372	\$ 3,207,421
University departments and programs	5,917,383	5,917,383
	\$ 7,534,755	\$ 9,124,804

Note 8: Endowment

The Foundation’s endowment consists of approximately 561 individual funds established for a variety of purposes plus endowment pledges receivable and split interest agreements. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). Generally accepted accounting principles in the United States of America (GAAP) call for net assets to be reported strictly based on if external donor restrictions exist or not. Accordingly, any board-designated funds treated as endowment are reported as net assets without donor restriction.

The Foundation’s Board has interpreted Illinois UPMIFA as requiring prudent management of the fair value of original gifts as of the gift date of the donor-restricted endowment funds unless there are donor stipulations to the contrary. The Foundation classifies as net assets with donor restrictions 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 donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation. In accordance with Illinois UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

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The composition of net assets by type of endowment fund at June 30, 2020 and 2019, was:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2020			
Donor-restricted endowment funds	\$ -	\$ 69,136,370	\$ 69,136,370
Board-designated endowment funds	630,045	-	630,045
Total endowment funds	<u>\$ 630,045</u>	<u>\$ 69,136,370</u>	<u>\$ 69,766,415</u>
June 30, 2019			
Donor-restricted endowment funds	\$ -	\$ 74,926,231	\$ 74,926,231
Board-designated endowment funds	699,561	-	699,561
Total endowment funds	<u>\$ 699,561</u>	<u>\$ 74,926,231</u>	<u>\$ 75,625,792</u>

Changes in endowment net assets for the years ended June 30, 2020 and 2019, were:

	Without Donor Restrictions	With Donor Restrictions	Total
July 1, 2018	\$ 747,535	\$ 73,650,444	\$ 74,397,979
Investment return			
Investment income	13,814	1,445,805	1,459,619
Net appreciation	12,529	1,396,628	1,409,157
Total investment return	<u>26,343</u>	<u>2,842,433</u>	<u>2,868,776</u>
Contributions	-	1,923,887	1,923,887
Endowment spending allocation	(59,933)	(2,399,488)	(2,459,421)
Endowment administrative fee	(14,384)	(1,091,045)	(1,105,429)
June 30, 2019	<u>699,561</u>	<u>74,926,231</u>	<u>75,625,792</u>
Investment return			
Investment income	14,020	1,514,704	1,528,724
Net depreciation	(47,401)	(5,055,498)	(5,102,899)
Total investment return	<u>(33,381)</u>	<u>(3,540,794)</u>	<u>(3,574,175)</u>
Contributions	-	1,485,221	1,485,221
Endowment spending allocation	(26,322)	(2,654,564)	(2,680,886)
Endowment administrative fee	(9,813)	(1,079,724)	(1,089,537)
June 30, 2020	<u>\$ 630,045</u>	<u>\$ 69,136,370</u>	<u>\$ 69,766,415</u>

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Endowment assets are long term in nature and managed as such on a total return basis. There are certain short-term considerations in constructing the endowment investment portfolio, such as spending allocations and annual operating support. However, the assets can tolerate a reasonable level of short-term volatility in the interest of maximizing long-term performance. In order to attain the varied investment objectives, a proper balance must be achieved between return and risk. With a proper risk/return profile, the Foundation believes maintaining real purchasing power of the spending allocation and meeting annual funding needs can be achieved over time through the asset allocation and spending policies adopted by its Board.

The Foundation utilizes a diversified asset allocation consisting of: growth strategies (primarily equity-based investments), inflation hedging strategies to protect against inflation and provide purchasing power (strategies with significant correlations to inflation), and risk minimizing strategies to reduce volatility and preserve capital (fixed income and other strategies with low correlations to equities). Investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends).

Endowment in agency are assets received and held on behalf of Northern Illinois University and Northern Illinois University Alumni Association, which are managed and comingled as part of the overall investment portfolio. Changes in endowment in agency funds for the years ended June 30, 2020 and 2019, were:

Endowment in agency, July 1, 2018	<u>\$ 7,137,229</u>
Investment return	
Investment income	456,412
Net depreciation	<u>(175,424)</u>
Total investment return	<u>280,988</u>
Contributions	5,729
Endowment spending allocation	(483,203)
Endowment administrative fee	<u>(66,185)</u>
Endowment in agency, June 30, 2019	<u>6,874,558</u>
Investment return	
Investment income	200,337
Net depreciation	<u>(540,638)</u>
Total investment return	<u>(340,301)</u>
Contributions	31,856
Endowment spending allocation	(275,331)
Endowment administrative fee	<u>(66,959)</u>
Endowment in agency, June 30, 2020	<u><u>\$ 6,223,823</u></u>

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Underwater Endowments

The governing body of the Foundation has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of

- a) the original value of initial and subsequent gift amounts donated to the fund and
- b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

At June 30, 2020, 43 funds with original gift values of \$4,802,761; fair values of \$4,631,688; and deficiencies of \$171,073 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body. As of June 30, 2019, there were no funds with deficiencies.

The Foundation has a policy that provides for a planning window to allow for scholarship awarding in the usual university timeline. Expendable allocations are based on the prior year's June 30 balance and allowed to be allocated 12 months later. The governing board appropriated \$143,288 for expenditure from underwater endowment funds.

The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Note 9: University Support

The Foundation makes payments on behalf of, or directly to, the University in support of the University's mission. Such amounts are classified as Program Support on the statement of activities. There are two primary sources of Foundation funds available to the University: charitable gifts contributed to the Foundation that are immediately available for expenditure, and spending allocation from the accumulated investment earnings of individual endowment funds (see Note 8). Additionally, the Foundation makes grants from funds without donor restrictions. Total expenses by the Foundation in support of the University in accordance with the donated purpose were \$7,766,101 and \$8,794,302 for the years ended June 30, 2020 and 2019, respectively. Fluctuations in spending are driven by the current needs of the University and availability of support from the Foundation.

Note 10: Northern Illinois University Agreement

Under the terms of the contract, the Foundation aids and assists the University in achieving its educational, research and service goals by securing and administering gifts made to the University

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for scholarships, grants, and other supporting programs. In turn, the University furnishes certain services necessary to the operation of the Foundation.

Services rendered to the University include the development of University programs and activities. Income for such services was \$743,600 for both the years ended June 30, 2020 and 2019. The contract may be canceled upon 90 days written notice by either party.

The contract calls for the Foundation to act as the University's agent in managing its endowed assets as well as certain other expendable gifts made directly to the University. The endowments are invested in a manner consistent with the Foundation's endowments. The Foundation has elected to include these amounts in the related investment portfolio on the balance sheet with an offsetting liability. Funds managed for the University had a fair value of \$8,084,227 and \$8,100,555 as of June 30, 2020 and 2019, respectively.

Transactions between NIU and the Foundation throughout the fiscal year create an intercompany receivable or liability, reported in assets and liabilities, respectively.

The Foundation leases several properties to the University. The properties are used for biological research observation, as a site for a radio station transmitter tower, a multi-use building, an early school house museum, the Jeffrey and Kimberly Yordon Center and the Kenneth and Ellen Chessick Practice Center. While the Yordon Center lease does not include rental income, rental income of \$319,805 and \$332,597 is reported in the revenues section of the statement of activities for the years ended June 30, 2020 and 2019, respectively. The University is responsible for all operating expenses and maintenance. The Yordon Center lease extends through March 2023. The Chessick Center lease extends through February 2021.

An 89-month lease with the University provides for the 19 semi-annual lease installments at a rate of \$26,584 per month and calls for the University to be responsible for insurance and maintenance of the Chessick Practice Center building. Total future minimum lease payments are as follows:

Year Ending	Amount
June 30,	
2021	\$ <u>319,000</u>

Note 11: Northern Illinois University Alumni Association (Association) Agreement

In February 2004, the Foundation entered into an agreement with the Association calling for the Foundation to provide investment and funds administration services for the Association. Funds of the Association are reported as Agency Funds, Accounts Held for Northern Illinois University Alumni Association on the statement of financial position. The contract was revised with updates in June 2009 and was renewed through June 30, 2020, and calls for an annual fee of \$55,000. The contract ended as of June 30, 2020, due to the merger of the Foundation and the Association – see Note 19.

Northern Illinois University Foundation

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Note 12: Related Party Transactions

Members of the Board of Directors of the Foundation and Board of Trustees of the University enthusiastically support the Foundation's efforts through their valuable service, generous gift support and other means. Board members provided a total of \$431,731 and \$756,959 of gift support for the years ended June 30, 2020 and 2019, respectively, and are responsible for \$1,196,912 and \$1,379,384 of the outstanding pledge balance at June 30, 2020 and 2019, respectively.

In addition to direct support, board members have provided other valuable services and support to the Foundation.

Note 13: Retirement Plan

The Foundation contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State of Illinois (State) makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941, to provide retirement annuities and other benefits for staff members and employees of State universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents and other beneficiaries of such employees. SURS is considered a component unit of the State 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.

Note 14: Fair Value Measurements and Disclosures

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

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Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2020 and 2019:

	Fair Value Measurements Using				
	Total	Quoted Prices in Active Markets for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs Level 3	Investments Measured at NAV(A)
June 30, 2020					
U. S. Treasuries securities	\$ 935,041	\$ -	\$ 935,041	\$ -	\$ -
Equity securities					
Domestic equity - lrg/mid-cap	14,753,214	14,753,214	-	-	-
Domestic equity - small-cap	3,790,207	3,790,207	-	-	-
International developed	18,350,654	16,532,420	-	-	1,818,234
Private equity	4,913,959	-	-	-	4,913,959
Hedged strategies	8,638,410	1,233,037	-	-	7,405,373
Public fixed income	29,768,735	26,394,190	-	-	3,374,545
Private debt	395,696	-	-	-	395,696
Real assets	6,683,019	4,003,934	-	-	2,679,085
Private natural resources	3,770,301	-	-	-	3,770,301
Private real estate	2,491,593	-	-	-	2,491,593
Diversifying strategy mutual funds	7,441,320	5,266,902	-	-	2,174,418
Cash surrender value of life insurance	20,062	-	20,062	-	-
Total	101,952,211	71,973,904	955,103	-	29,023,204
Funds held in trust by others	1,893,830	1,893,830	-	-	-
	\$ 103,846,041	\$ 73,867,734	\$ 955,103	\$ -	\$ 29,023,204

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	<u>Fair Value Measurements Using</u>				Investments Measured at NAV (A)
	Total	Quoted Prices in Active Markets for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs Level 3	
June 30, 2019					
U. S. Treasuries securities	\$ 977,303	\$ -	\$ 977,303	\$ -	\$ -
Equity securities					
Domestic equity - lrg/mid-cap	17,733,259	17,733,259	-	-	-
Domestic equity - small-cap	4,669,747	4,669,747	-	-	-
International developed	18,810,893	18,810,893	-	-	-
Private equity	5,537,388	-	-	-	5,537,388
Hedged strategies	8,320,581	1,205,485	-	-	7,115,096
Public fixed income	29,506,765	25,864,440	-	-	3,642,325
Private debt	328,951	-	-	-	328,951
Real assets	8,062,690	4,292,161	-	-	3,770,529
Private natural resources	4,189,807	-	-	-	4,189,807
Private real estate	2,033,382	-	-	-	2,033,382
Diversifying strategy mutual funds	10,736,236	8,628,942	-	-	2,107,294
Cash surrender value of life insurance	19,983	-	19,983	-	-
	<u>110,926,985</u>	<u>81,204,927</u>	<u>997,286</u>	<u>-</u>	<u>28,724,772</u>
Funds held in trust by others	<u>2,007,924</u>	<u>2,007,924</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 112,934,909</u>	<u>\$ 83,212,851</u>	<u>\$ 997,286</u>	<u>\$ -</u>	<u>\$ 28,724,772</u>

- (A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2020.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. As of June 30, 2020 and 2019, there were no securities classified as Level 3.

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Alternative Investments

Investments in certain entities measured at fair value using the net asset value per share as a practical expedient consist of the following:

	Fair Value Estimated Using NAV (or its Equivalent)			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
June 30, 2020				
Hedged/alternative investments (A)	\$ 14,717,445	\$ -	(A)	(A)
Private equity (B)	14,305,759	7,256,018	(B)	(B)
	\$ 29,023,204	\$ 7,256,018		
June 30, 2019				
Hedged/alternative investments (A)	\$ 15,752,834	\$ -	(A)	(A)
Private equity (B)	12,971,938	5,919,618	(B)	(B)
	\$ 28,724,772	\$ 5,919,618		

- (A) The partnerships in this category consist of funds that invest in multiple limited partnerships with various investment strategies and long and short positions in equity securities of companies within the United States of America (USA) and outside of the USA. These funds can be redeemed daily, monthly, quarterly, annually or bi-annually depending on the partnership agreement within redemption notice periods of one to four months.
- (B) The partnerships in this category consist of funds that invest in the following types of investments in the USA and outside of the USA: venture capital partnerships, buyout partnerships, mezzanine/subordinated debt partnerships, restructuring/distressed debt partnerships and special situation partnerships and real estate. These investments cannot be redeemed during the life of the partnership, which can be up to 12 years; however, they can be transferred to another eligible investor. Distributions will be received as the underlying investments of the funds are liquidated over time. The fair value of this investment has been estimated using the NAV provided by the fund manager and an adjustment determined by management for the time period between the date of the last available NAV from the investment manager and June 30, 2020 and 2019, respectively.

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Note 15: Liquidity and Availability

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of June 30, 2020 and 2019, comprise the following:

	Financial Assets	Liquid Financial Assets
June 30, 2020		
Cash and cash equivalents	\$ 5,448,474	\$ 5,448,474
Promises to give, net	1,645,065	903,020
Endowments - promises to give, net	1,019,513	-
Investments	96,957,417	19,293,719
Endowment management fee	1,175,000	1,175,000
Endowment spending allocation	3,140,449	3,140,449
Student managed portfolio	679,345	679,345
Funds held in trust by others	1,893,830	-
Total financial assets	\$ 111,959,093	
Financial assets available for general expenditures within one year		\$ 30,640,007
June 30, 2019		
Cash and cash equivalents	\$ 2,699,932	\$ 2,625,863
Promises to give, net	1,656,531	1,418,435
Endowments - promises to give, net	1,219,402	-
Investments	106,196,705	28,060,624
Endowment management fee	1,175,000	1,175,000
Endowment spending allocation	2,951,809	2,951,809
Student managed portfolio	603,471	603,471
Funds held in trust by others	2,007,924	-
Total financial assets	\$ 118,510,774	
Financial assets available for general expenditures within one year		\$ 36,835,202

The Foundation regularly monitors liquidity to support spending for operations, grants and other mission related activities, as well as to meet the distribution requirements of net assets with donor restrictions. Significant unrestricted donor contributions and expendable gifts with purpose restrictions for current spending are received annually. These are available to meet cash needs for general and restricted expenditures. For the years ended June 30, 2020 and 2019, operating contributions of \$6,116,487 and \$7,063,196, respectively, were added to financial assets available to meet cash needs for general and purpose restricted expenditures within one year.

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The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the Board as unrestricted endowments. Annual spending from donor-restricted endowments is restricted for specific purposes. Actual gift amounts of donor-restricted endowment funds are not available for general expenditure as they are permanently restricted with only annual allocations of income becoming expendable.

The Board-designated, unrestricted endowment of \$630,045 and \$699,561 as of June 30, 2020 and 2019, respectively, are subject to an annual spending rate, currently 4% percent of the three year average fund balances, as described in Note 2 – Investments and Investment Return. Although the Foundation does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval process), these amounts could be made available if necessary.

The Foundation manages its liquidity by operating within a prudent range of financial soundness and stability. The Foundation maintains adequate cash and short-term investments to provide reasonable assurance that current obligations will be discharged.

Note 16: Significant Estimates

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Investments

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk 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 and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

Note 17: Conditional Commitments

The Foundation has made conditional commitments for scholarships in the amount of \$1,539,250, payable through the year ending June 30, 2021.

Northern Illinois University Foundation

Notes to Financial Statements

June 30, 2020 and 2019

Future Change in Accounting Principle

Revenue Recognition

The Financial Accounting Standards Board issued ASU No. 2014-09, *Revenue from Contracts with Customers*, amending its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment 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 those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for nonpublic entities for annual periods beginning after December 15, 2019, and any interim periods within annual reporting periods that begin after December 15, 2020. The Foundation expects to first apply the ASU during its fiscal year ending June 30, 2021. The impact of applying the ASU has not yet been determined.

Note 18: Subsequent Events

Subsequent events have been evaluated through October 26, 2020, which is the date the financial statements were available to be issued.

There has been significant volatility in the investment markets both nationally and globally due to COVID-19 and will continue subsequent to June 30, 2020.

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Foundation. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Effective as of July 1, 2020, the Foundation and the Association merged into a single corporation, resulting in the Foundation being the surviving organization of the merger.