
Northern Illinois University Foundation

Consolidated Financial Report
June 30, 2021

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Independent Auditor's Report

To the Board of Directors
Northern Illinois University Foundation

We have audited the accompanying consolidated financial statements of Northern Illinois University Foundation and its subsidiaries (the "Foundation"), which comprise the consolidated statement of financial position as of June 30, 2021 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northern Illinois University Foundation and its subsidiaries as of June 30, 2021 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

October 18, 2021

Northern Illinois University Foundation

Consolidated Statement of Financial Position

June 30, 2021

Assets

Cash and cash equivalents	\$ 5,416,283
Investments	136,951,610
Student Managed Portfolio	946,303
Receivables - Net of allowances:	
Pledges receivable	4,703,558
Other accounts receivable	33,197
Prepaid expenses and other assets	545,834
Property and equipment - Net	21,994,224
Total assets	<u><u>\$ 170,591,009</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 521,615
Due to NIU	895,552
Travel deposits	268,667
Agency - Endowment and gift accounts administered for NIU	10,956,058
Annuity liability	551,944
Total liabilities	<u>13,193,836</u>

Net Assets

Net assets without donor restrictions:	
Undesignated	14,125,247
Board designated:	
Board designated for grants	696,106
Board-designated endowment	2,957,109
Board designated invested in property and equipment - Net of related debt	21,994,223
Total board designated	<u>25,647,438</u>
Total net assets without donor restrictions	39,772,685
Net assets with donor restrictions	<u>117,624,488</u>
Total net assets	<u>157,397,173</u>
Total liabilities and net assets	<u><u>\$ 170,591,009</u></u>

Northern Illinois University Foundation

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support			
Contributions	\$ 1,701,933	\$ 10,593,999	\$ 12,295,932
Contributed service revenue	3,539,245	-	3,539,245
Contribution from NIU Alumni Association acquisition	1,992,056	365,529	2,357,585
Services contract revenue	743,600	-	743,600
Membership dues	53,495	-	53,495
Sponsorships	47,500	-	47,500
Royalties	146,327	-	146,327
Investment income - Net	2,112,531	27,079,301	29,191,832
Other income	314,990	115,094	430,084
Net assets released from restrictions	9,774,332	(9,774,332)	-
Total revenue, gains, and other support	20,426,009	28,379,591	48,805,600
Expenses			
Program services:			
University departments and programs	4,863,463	-	4,863,463
Scholarships	2,687,335	-	2,687,335
Total program services	7,550,798	-	7,550,798
Support services:			
Management and general	2,423,488	-	2,423,488
Fundraising	2,870,143	-	2,870,143
Total support services	5,293,631	-	5,293,631
Total expenses	12,844,429	-	12,844,429
Increase in Net Assets	7,581,580	28,379,591	35,961,171
Net Assets - Beginning of year	32,191,105	89,244,897	121,436,002
Net Assets - End of year	\$ 39,772,685	\$ 117,624,488	\$ 157,397,173

Northern Illinois University Foundation

Consolidated Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services			Support Services			
	Program	Scholarships	Total	Management and General	Fundraising	Total	Total
Scholarships	\$ -	\$ 2,687,335	\$ 2,687,335	\$ -	\$ -	\$ -	\$ 2,687,335
Foundation support for personnel services	2,252,830	-	2,252,830	1,537,924	2,372,263	3,910,187	6,163,017
Professional services	437,423	-	437,423	212,952	304,097	517,049	954,472
Accounting fees	-	-	-	62,055	-	62,055	62,055
Legal fees	2,750	-	2,750	155,202	6,109	161,311	164,061
Advertising and promotion	2,583	-	2,583	1,497	4,135	5,632	8,215
Office supplies	90,088	-	90,088	80,466	125,919	206,385	296,473
Office expense	292,571	-	292,571	3,821	6,685	10,506	303,077
Equipment rental and maintenance	128,103	-	128,103	47,932	7,141	55,073	183,176
Travel	268,475	-	268,475	483	(313)	170	268,645
Conferences, conventions, and meetings	121,411	-	121,411	(27,684)	7,412	(20,272)	101,139
Interest	4,232	-	4,232	-	-	-	4,232
Insurance	21,068	-	21,068	54,833	-	54,833	75,901
Depreciation	616,531	-	616,531	-	-	-	616,531
Assets transferred to NIU	520,870	-	520,870	-	-	-	520,870
Taxes	105	-	105	139,948	-	139,948	140,053
Other	104,423	-	104,423	154,059	36,695	190,754	295,177
Total functional expenses	\$ 4,863,463	\$ 2,687,335	\$ 7,550,798	\$ 2,423,488	\$ 2,870,143	\$ 5,293,631	\$ 12,844,429

Northern Illinois University Foundation

Consolidated Statement of Cash Flows

Year Ended June 30, 2021

Cash Flows from Operating Activities	
Expendable gifts received	\$ 8,089,573
Payments from services contract with NIU	743,600
Membership dues received	53,495
Events and program fees received	114,141
Sponsorships and royalties	193,827
Rental income	186,388
Foundation operations and fundraising expense	(1,669,278)
Scholarships and other expense on behalf of NIU	(7,046,716)
Equipment and software transferred to NIU	(520,870)
Other operating revenue	129,555
	<hr/>
Net cash and cash equivalents provided by operating activities	273,715
Cash Flows from Investing Activities	
Purchase of property and equipment	(19,809)
Proceeds from sale and maturities of investments	(64,532,640)
Purchase of investments	62,193,444
Interest and dividend income reinvested	(2,245,659)
Payment of investment fees	(294,922)
	<hr/>
Net cash and cash equivalents used in investing activities	(4,899,586)
Cash Flows from Capital and Related Financing Activities	
Gifts received for endowment purposes	5,039,209
Interest payments on long-term debt	(4,231)
Principal payments on long-term debt	(441,300)
	<hr/>
Net cash and cash equivalents provided by capital and related financing activities	4,593,678
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Net Decrease in Cash and Cash Equivalents	(32,193)
Cash and Cash Equivalents - Beginning of year	5,448,476
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Cash and Cash Equivalents - End of year	\$ 5,416,283
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Reconciliation of Increase in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities	
Increase in net assets	\$ 35,961,171
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:	
Depreciation	616,531
Investment income	(29,191,832)
Gifts received for endowment purposes	(5,803,503)
Bond interest paid	4,232
Change in value of split-interest agreements	(71,620)
Acquisition of the NIU Alumni Association	(2,357,585)
(Decrease) increase in assets and liabilities:	
Receivables	(33,193)
Prepaid expenses	(345,664)
Pledges receivables	(1,274,687)
Accounts payable and accrued expenses	(145,943)
Due to NIU	43,977
Agency - NIU	2,871,831
	<hr/>
Total adjustments	(35,687,456)
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Net cash and cash equivalents provided by operating activities	\$ 273,715
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Note 1 - Nature of Business

Northern Illinois University Foundation (the "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) 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 NIU. More detailed information regarding the Foundation and its charitable activities can be obtained from the Foundation's website at www.niufoundation.org.

Northern Illinois University Alumni Association (the "Association") was established in 1936 as an independent, privately governed not-for-profit corporation chartered under the laws of the State of Illinois.

The Association's mission is to establish mutually beneficial relations between NIU and its alumni and promote the interests of NIU. The Association fulfills this mission primarily through communicating the message of excellence and creating opportunities for alumni and friends of NIU to interact with the NIU community. More detailed information regarding the Association and its charitable activities can be obtained from the Association's website at www.myniu.com.

Effective July 1, 2020, the Foundation acquired the Association. The Foundation assumed all assets and liabilities of the Association at fair value upon acquisition and recorded the net amount as a contribution on the consolidated statement of activities and changes in net assets.

In November 2019, the Foundation authorized the formation of a subsidiary for real estate. NIU Real Estate Foundation had minimal activity in fiscal year 2021 and is consolidated into the Foundation.

In June 2020, the Foundation authorized the formation of a subsidiary related to travel activities conducted through the Association. Alumni Association Travel Program LLC had no activity in fiscal year 2021.

Note 2 - Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of the Foundation have been prepared on the basis of generally accepted accounting principles (GAAP).

Classification of Net Assets

Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

For the purpose of the accompanying financial statements, the Foundation considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. The Foundation maintains its cash in banks that at times may exceed federally insured limits. The Foundation has not experienced any losses and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Investments

The Foundation's investments are reported at fair value. Donated investments are reflected as contributions at their fair values at the date the donor relinquishes control. Gain or loss on the sale of investments is computed using the specific recorded costs of each security. Investment income is recorded on the accrual basis and is reported in the consolidated statement of activities and changes in net assets.

The Foundation's investments are exposed to various risks, such as interest rate, credit risk, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and could materially affect the amounts reported in the consolidated statement of financial position.

Alternative investments, composed primarily of hedge funds and limited partnerships that are not readily marketable, are measured at fair value, valued at net asset value per share as the practical expedient. The Foundation reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and significant assumptions used in determining fair value. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

Student Managed Portfolio

The Foundation sponsors the Student Managed Portfolio, an academic program in NIU 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 of investments. Through this program, the Foundation provides valuable real-life experiences to further students' education.

Property and Equipment

Property and equipment are recorded at cost. The straight-line method is used for computing depreciation. Assets are depreciated over their estimated useful lives. Costs of maintenance and repairs are charged to expense when 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.

Note 2 - Significant Accounting Policies (Continued)

No asset impairment was recognized during the year ended June 30, 2021.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value when the services received required specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contributions of services include services received from skilled personnel from NIU. Contribution revenue recognized from contributed services totaled \$3,539,245 for the year ended June 30, 2021.

Contributions

Unconditional promises to give cash and other assets to the Foundation are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

Pledge receivables that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

Conditional promises to give are not recognized as revenue until barriers prescribed by the pledge agreements are overcome. The Foundation records cash received in advance of meeting conditions as a refundable advance on the consolidated statement of financial position. As of June 30, 2021, there were no conditional promises to give.

Functional Allocation of Expenses

The costs of providing various program and other services have been reported on a functional basis in the consolidated statements of activities and changes in net assets and functional expenses. Costs are charged to program services and support services on an actual basis when available. In addition, costs may be allocated between the program and support functions based on various methods and estimates. Allocations for personnel expenses are based on estimates of time and effort of personnel involved in each function. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Program expenses include activities relating to the purpose of the Foundation's mission. Examples of activities included in program expenses are alumni engagement, travel programs, real estate, student advocacy, and NIU-related communications.

Supporting service expenses are activities other than program services that include management and general activities and fundraising activities. Management and general activities include oversight, business management, and administrative activities; specific examples include, but are not limited to, portion of salaries, committee and staff meetings, legal expenses, accounting and auditing expense, and office management. Fundraising activities include activities related to fundraising campaigns; specific examples include, but are not limited to, fundraising publicity, soliciting bequests, preparing and distributing fundraising literature, and special events.

Note 2 - Significant Accounting Policies (Continued)

Agency - Endowment and Gift Accounts Administered for NIU

The Foundation adopted the accounting treatment prescribed by generally accepted accounting principles, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, and, accordingly, records the funds received on behalf of others as a liability.

Travel Deposits

Deposits are collected prior to the start date of various alumni trips and are recorded as travel deposits in the consolidated statement of financial position. The funding received is used to fund the associated travel related costs, which are paid before and after the trip takes place.

Endowment Spending Allocation and Fee

The endowment spending policy adopted by the Foundation's board of directors (the "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 percent of the three-year average fund balance. The spending allocation distributed in support of designated purposes was \$3,141,645 for the year ended June 30, 2021.

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 spending allocation and endowment fee policies to allow endowments to grow, on average, at least at the annualized rate of inflation. This is consistent with the Foundation's objective of providing resources for the underlying purposes of endowment assets over the life of the endowments and 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 percent.

Income Taxes

The Foundation is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

New Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, 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 Foundation adopted the ASU effective July 1, 2020 using the modified retrospective method, and no changes were made to the timing of recognition.

Notes to Consolidated Financial Statements

June 30, 2021

Note 2 - Significant Accounting Policies (Continued)

Principles of Consolidation

The financial statements include the accounts of the Foundation and all of its subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 18, 2021, which is the date the financial statements were available to be issued.

Note 3 - Investments

The details of the Foundation's investments and the Student Managed Portfolio at June 30, 2021 are as follows:

U.S. Treasury securities	\$ 908,268
Equity:	
Domestic equity - Large/Mid cap	25,579,359
Domestic equity - Small cap	7,101,885
International equity	26,969,457
Private equity	8,235,126
Hedged strategies	10,576,210
Public fixed income	35,299,627
Private debt	2,311,866
Public real assets	10,209,267
Private natural resources	4,735,222
Private real estate	2,783,338
Diversifying strategies	<u>909,745</u>
Total	135,619,370
Funds held in trust by others	<u>2,278,543</u>
Total	<u>\$ 137,897,913</u>

Total investment income for the year ended June 30, 2021 is summarized as follows:

Interest and dividend income	\$ 2,017,803
Net realized and unrealized gains on investments reported at fair value	27,320,975
Investment fees	<u>(146,946)</u>
Total	<u>\$ 29,191,832</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. 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.

Note 3 - Investments (Continued)

The Foundation's permissible investment categories include:

- Equities
- Fixed-income securities
- Cash equivalents
- Venture capital/Private equity
- Equity real estate
- Hedge funds
- Real assets

Note 4 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Notes to Consolidated Financial Statements

June 30, 2021

Note 4 - Fair Value Measurements (Continued)

The following table presents information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2021 and the valuation techniques used by the Foundation to determine those fair values:

	Investments Measured at Fair Value on a Recurring Basis at June 30, 2021				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV	Balance at June 30, 2021
U.S. Treasury securities	\$ -	\$ 908,268	\$ -	\$ -	\$ 908,268
Equity:					
Domestic equity - Large/Mid cap	25,579,359	-	-	-	25,579,359
Domestic equity - Small cap	7,101,885	-	-	-	7,101,885
International equity	24,082,317	-	-	2,887,140	26,969,457
Private equity	-	-	-	8,235,126	8,235,126
Hedged strategies	1,666,287	-	-	8,909,923	10,576,210
Public fixed income	35,299,627	-	-	-	35,299,627
Private debt	-	-	-	2,311,866	2,311,866
Public real assets	6,064,052	-	-	4,145,215	10,209,267
Private natural resources	-	-	-	4,735,222	4,735,222
Private real estate	-	-	-	2,783,338	2,783,338
Diversifying strategies	-	-	-	909,745	909,745
Total equities	99,793,527	-	-	34,917,575	134,711,102
Funds held in trust by others:					
Equity:					
Domestic equity - Large/Mid cap	1,150,851	-	-	-	1,150,851
Domestic equity - Small cap	206,776	-	-	-	206,776
International equity	376,259	-	-	-	376,259
Public fixed income	544,657	-	-	-	544,657
Total funds held in trust by others	2,278,543	-	-	-	2,278,543
Total assets	\$ 102,072,070	\$ 908,268	\$ -	\$ 34,917,575	\$ 137,897,913

Investments in Entities that Calculate Net Asset Value per Share

The Foundation holds shares or interests in investment companies at year end where the fair value of the investment held is estimated based on net asset value per share of the investment company.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Investments Held at June 30, 2021	
	Fair Value	Unfunded Commitments
Hedge funds/Alternative investments	\$ 13,055,139	\$ -
Private equity fund	21,862,436	5,627,690
Total	\$ 34,917,575	\$ 5,627,690

Notes to Consolidated Financial Statements

June 30, 2021

Note 4 - Fair Value Measurements (Continued)

The hedge fund and alternative investments class includes investments in 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 biannually, depending on the partnership agreement, within redemption notice periods of one to four months.

The private equity funds class includes funds that invest in the following types of investments in the USA and outside 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, 2021.

Note 5 - Pledges Receivable

Included in pledges receivable are several unconditional promises to give. They are included as follows:

Amounts due in:		
Less than one year	\$	1,413,668
One to five years		3,073,514
More than five years		<u>1,000,000</u>
Pledges receivable - Gross		5,487,182
Less allowance for uncollectible contributions		(165,692)
Less allowance for net present value discount (at 1.5 percent rate)		<u>(617,932)</u>
Pledges receivable - Net	\$	<u><u>4,703,558</u></u>

Note 6 - Property and Equipment

Property and equipment are summarized as follows:

	Amount	Depreciable Life - Years
Land	\$ 3,861,333	-
Building improvements	24,675,715	15-40
Furniture and fixtures	<u>92,541</u>	5
Total cost	28,629,589	
Accumulated depreciation	<u>6,635,365</u>	
Net property and equipment	<u><u>\$ 21,994,224</u></u>	

Depreciation expense for 2021 was \$616,531. Included in building improvements are two buildings, the Yordon Center and the Chessick Practice Center, that are leased back to NIU.

Notes to Consolidated Financial Statements

June 30, 2021

Note 7 - Bonds Payable

In March 2013, tax-exempt bonds were issued at 1.62 percent for eight years. There is no balance outstanding as of June 30, 2021, as the bonds matured during 2021. Interest amounted to \$4,232 for the year ended June 30, 2021. Bonds were secured by an assignment of a lease for the Chessick Practice Center and a general obligation of the Foundation. Covenants required a minimum of \$3,000,000 of net assets without donor restrictions.

Note 8 - 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 \$2,278,543 as of June 30, 2021 and are included with investments on the consolidated statement of financial position. The Foundation has recorded a liability at June 30, 2021 of \$551,944, 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 percent and applicable mortality tables. The portion of the trust attributable to the future interest of the Foundation was recorded in the consolidated statement of activities and changes in net assets as contributions with donor restrictions in the period the trust was established.

Note 9 - Net Assets

Net assets with donor restrictions as of June 30, 2021 are available for the following purposes:

Subject to expenditures for a specified purpose:	
University departments and programs	\$ 14,197,658
Scholarships	<u>8,502,879</u>
Total	22,700,537
Endowment gifts and earnings subject to expenditure specific purpose:	
University departments and programs	40,800,771
Scholarships	<u>54,123,180</u>
Total	<u>94,923,951</u>
Total net assets with donor restrictions	<u>\$ 117,624,488</u>
Purpose restrictions accomplished:	
University departments and programs	\$ 2,976,066
Scholarships	2,677,190
Endowment administrative fee	1,166,761
Investment income appropriated for spending	<u>2,954,315</u>
Total net assets released from restrictions	<u>\$ 9,774,332</u>

Note 10 - Endowment

The Foundation's endowment consists of approximately 566 individual funds established for a variety of purposes plus endowment pledges receivable and split-interest agreements. The endowment includes donor-restricted endowment funds, funds designated by the Board to function as endowments, and donor-restricted funds designated by the Board to act as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 10 - Endowment (Continued)

Interpretation of Relevant Law

The Foundation is subject to the Illinois Uniform Prudent Management of Institutional Funds Act and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Foundation had 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. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law; however, foundation policy does not permit spending of underwater funds unless directed by donor agreement. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

	Endowment Net Asset Composition by Type of Fund as of June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 2,957,109	\$ -	\$ 2,957,109
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	59,588,801	59,588,801
Accumulated investment gains	-	35,335,150	35,335,150
Total	\$ 2,957,109	\$ 94,923,951	\$ 97,881,060

Notes to Consolidated Financial Statements

June 30, 2021

Note 10 - Endowment (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 2,421,354	\$ 70,866,254	\$ 73,287,608
Investment return:			
Investment income	39,691	1,144,371	1,184,062
Net appreciation (realized and unrealized)	612,075	22,031,413	22,643,488
Total investment return	651,766	23,175,784	23,827,550
Contributions	-	5,039,209	5,039,209
Endowment spending allocation	(105,586)	(3,001,916)	(3,107,502)
Endowment administrative fee	(10,425)	(1,155,380)	(1,165,805)
Endowment net assets - End of year	<u>\$ 2,957,109</u>	<u>\$ 94,923,951</u>	<u>\$ 97,881,060</u>

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 funds are assets received and held on behalf of NIU, which are managed and commingled as part of the overall investment portfolio. Changes in endowment in agency funds for the year ended June 30, 2021 were as follows:

	Changes in Endowment in Agency Funds
Endowment in agency - Beginning of year	\$ 6,223,823
Investment return:	
Investment income	70,087
Net appreciation (realized and unrealized)	1,532,734
Total investment return	1,602,821
Contributions	1,020
Endowment spending allocation	(189,556)
Endowment administrative fee	(71,105)
Reclass of Alumni Association agency funds due to acquisition	(1,923,754)
Endowment in agency - End of year	<u>\$ 5,643,249</u>

Note 10 - Endowment (Continued)

Underwater Endowment Funds

As of June 30, 2021, there were no funds where the fair market value had fallen below original gift value.

Note 11 - NIU Support

The Foundation makes payments on behalf of, or directly to, NIU in support of NIU's mission. Such amounts are classified as program support on the consolidated statement of activities and changes in net assets. There are two primary sources of foundation funds available to NIU: 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 10). Additionally, the Foundation makes grants from funds without donor restrictions. Total expenses by the Foundation in support of NIU in accordance with the donated purpose was \$7,550,798 for the year ended June 30, 2021. Fluctuations in spending are driven by the Foundation's current availability of support and the needs of NIU.

Note 12 - Transactions with NIU and State of Illinois

The Foundation was formed for the purpose of providing fundraising services and other assistance to NIU to attract private gifts to support NIU's instructional, research, and public services activities. In this capacity, the Foundation solicits, receives, holds, and administers gifts for the benefit of NIU.

The Foundation has entered into a contract with the board of trustees of NIU, which specifies the relationship between the two organizations in accordance with the Legislative Audit Commission's University Guidelines, 1982, and last amended in 2014. Among the provisions of the contract is a requirement that the Foundation and NIU will provide services to each other to be reimbursed on an actual basis up to approved budgetary limits. For the year ended June 30, 2021, the Foundation provided fundraising services for the benefit of NIU. The contract requires NIU to provide services up to specified limits and to provide other support as described below. These amounts are reflected in the contributed services in-kind revenue item. These expenses have been allocated among the expenses on the accompanying consolidated statements of activities and changes in net assets and functional expenses.

NIU provides certain services for which no separate charges will be assessed. Such services will include, but not be limited to, routine business, fundraising, and financial services as needed, on a regular or ad hoc basis, in areas such as limited information technology services and limited human resource services. The estimated value of such services was \$3,539,245 for the year ended June 30, 2021 and is reflected on the consolidated statement of activities and changes in net assets as revenue with a corresponding expense. The Foundation is required to recognize as revenue and expense those on-behalf payments for pension benefits made by the State of Illinois (the "State") for NIU employees who are supervised by the Foundation. These payments charged to the Foundation totaled \$272,980 for June 30, 2021 and are included in the amounts shown as allocation from NIU and as salaries and benefits expense (see Note 14).

Additionally, the contract requires NIU to pay to the Foundation \$743,600 annually, as the Foundation solicits and accepts contributions for the benefit of NIU in accordance with its corporate purposes. Contributions are recorded as revenue and held in a restricted net asset class until the funds are used in the form of scholarship, cash grants, or expenditures for the benefit of NIU. The Foundation also receives contributions of certain noncash assets, which are recorded as revenue and then, at the Foundation's discretion, transferred to NIU.

The contract also calls for the Foundation to act as NIU's agent in managing its endowed assets and certain other donor-restricted gifts made directly to NIU. 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 consolidated statement of financial position, with an offsetting liability. Funds managed for NIU had a fair value of \$10,956,058 at June 30, 2021.

Notes to Consolidated Financial Statements

June 30, 2021

Note 12 - Transactions with NIU and State of Illinois (Continued)

Other transactions between the Foundation and NIU include the following as of and for the year ended June 30, 2021:

- NIU leases various properties from the Foundation. These properties are used as a site for a radio station transmitter tower, a multiuse building, an early schoolhouse museum, the Jeffrey & Kimberly Yordon Center, and the Kenneth and Ellen Chessick Practice Center. Rental income of \$186,388 is reported in the revenue section of the consolidated statement of activities and changes in net assets for the year ended June 30, 2021.
- The Foundation obtained certain goods and services (supplies, telephone, printing, etc.) during the year through NIU, for which the Foundation reimbursed the University at cost.

	Due to NIU	Revenue	Expenses
Accounts payable and other liabilities	\$ 895,552	\$ -	\$ -
Agency funds payable	10,956,058	-	-
Rental income	-	186,388	-
In-kind service contribution	-	3,539,245	-
Services contract revenue	-	743,600	-
Program expenses	-	-	789,911
Management expenses	-	-	1,976,540
Fundraising expenses	-	-	772,794
Total	<u>\$ 11,851,610</u>	<u>\$ 4,469,233</u>	<u>\$ 3,539,245</u>

Note 13 - Related Party Transactions

The following is a description of transactions between the Foundation and related parties:

Members of the board of directors of the Foundation and board of trustees of NIU enthusiastically support the Foundation's efforts through their valuable service, generous gift support, and other means. Board members provided gift support totaling \$506,113 for the year ended June 30, 2021 and are responsible for \$1,363,815 of the outstanding pledge balance at June 30, 2021.

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

Note 14 - Retirement Plans

The Foundation contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiemployer defined benefit retirement 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. The Foundation's contributions to the plans totaled \$76,565 for the year ended June 30, 2021.

Note 15 - Conditional Commitments

The Foundation has made conditional commitments for scholarships in the amount of \$1,014,250, payable through the year ended June 30, 2021.

Notes to Consolidated Financial Statements

June 30, 2021

Note 16 - Liquidity and Availability of Resources

The following reflects the Foundation's financial assets for general expenditure, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date:

	<u>Financial Assets</u>	<u>Liquid Financial Assets</u>
Cash and cash equivalents	\$ 5,416,283	\$ 5,416,283
Pledges receivable - Net	4,703,558	1,413,668
Investments	130,801,770	27,124,719
Endowment management fee	1,200,000	1,200,000
Endowment spending allocation	2,671,297	2,671,297
Student Managed Portfolio	946,303	946,303
Funds held in trust by others	2,278,543	-
Other accounts receivable	33,197	-
Cash surrender value of life insurance	20,132	-
	<u>\$ 148,071,083</u>	<u>\$ 38,772,270</u>
Total		

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 contributions without donor restrictions for current spending are received annually. These are included in financial assets available for meeting cash needs for general and restricted expenditures. For the year ended June 30, 2021, operating contributions of \$8,542,642 were added to financial assets available to meet cash needs for general and purpose-restricted expenditures within one year.

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 endowment without donor restrictions of \$2,957,109 as of June 30, 2021 is subject to an annual spending rate, currently 4 percent percent of the three-year average fund balances, as described in Note 2. 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.