

Erikson Institute

Financial Report
June 30, 2022

Contents

Independent auditor's report	1-2
Financial statements	
Statements of financial position	3
Statements of activities	4-5
Statements of functional expenses	6-7
Statements of cash flows	8
Notes to financial statements	9-24
Supplementary Information	
Financial responsibility ratio supplemental schedule	25-26

Independent Auditor's Report

Board of Trustees
Erikson Institute

Report on the Audit of the Financial Statements**Opinion**

We have audited the financial statements of Erikson Institute (the Institute), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Institute as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Institute and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern within one year after the date that the financial statements are issued or are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying financial responsibility ratio supplemental schedule is presented for purposes of additional analysis as required by Title 34 *U.S Code of Federal Regulations Part 668, Student Assistance General Provisions*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Institute's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control over financial reporting and compliance.

RSM US LLP

Chicago, Illinois
October 28, 2022

Erikson Institute

**Statements of Financial Position
June 30, 2022 and 2021**

	2022	2021
Assets		
Cash	\$ 1,370,482	\$ 1,452,377
Receivables, net:		
Contributions	2,723,385	4,061,813
Grants and contracts	2,402,197	2,610,956
Other	416,815	298,360
Investments	60,454,917	64,470,880
Property and equipment, net	21,181,014	21,177,501
Investments held for deferred compensation plan	429,374	504,398
Other assets	271,598	339,766
Total assets	\$ 89,249,782	\$ 94,916,051
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,342,135	\$ 2,450,767
Unearned revenue and deposits	2,051,310	516,058
Deferred compensation plan payable	429,374	504,398
Bonds payable, net of unamortized financing fees	25,374,370	25,050,717
Interest rate swap agreement	3,135,225	6,136,055
Total liabilities	32,332,414	34,657,995
Net assets:		
Without donor restrictions	16,168,803	17,793,175
With donor restrictions	40,748,565	42,464,881
Total net assets	56,917,368	60,258,056
Total liabilities and net assets	\$ 89,249,782	\$ 94,916,051

See notes to financial statements.

Erikson Institute

Statements of Activities
Years Ended June 30, 2022 and 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Student tuition and fees, net of scholarships of \$1,964,480 and \$2,741,073, respectively	\$ 4,446,258	\$ -	\$ 4,446,258
Contributions	2,164,039	6,534,701	8,698,740
Government grants	4,556,989	-	4,556,989
Clinical and training	2,471,285	-	2,471,285
Investment income, net	842,136	1,142,047	1,984,183
Miscellaneous	52,127	-	52,127
Net assets released from restrictions:			
Appropriation from earnings on endowment funds	1,073,650	(1,073,650)	-
Satisfaction of donor and time restrictions	5,423,537	(5,423,537)	-
Total support and revenue	21,030,021	1,179,561	22,209,582
Expenses:			
Program services	17,374,846	-	17,374,846
Management and general	4,069,050	-	4,069,050
Fundraising	953,663	-	953,663
Total expenses	22,397,559	-	22,397,559
(Decrease) increase in net assets before other items	(1,367,538)	1,179,561	(187,977)
Other items:			
Depreciation	(812,462)	-	(812,462)
Investment gain (loss), net	(2,135,393)	(2,895,877)	(5,031,270)
Interest rate swap fair value adjustment	3,000,830	-	3,000,830
Other	(309,809)	-	(309,809)
Total other items	(256,834)	(2,895,877)	(3,152,711)
(Decrease) increase in net assets	(1,624,372)	(1,716,316)	(3,340,688)
Net assets:			
Beginning of year	17,793,175	42,464,881	60,258,056
Cumulative effect of adjustment from adoption of ASC 606	-	-	-
Beginning of year, as adjusted	17,793,175	42,464,881	60,258,056
End of year	<u>\$ 16,168,803</u>	<u>\$ 40,748,565</u>	<u>\$ 56,917,368</u>

See notes to financial statements.

2021		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 5,294,497	\$ -	\$ 5,294,497
1,747,581	8,259,875	10,007,456
8,400,440	-	8,400,440
2,327,250	-	2,327,250
885,996	1,154,500	2,040,496
45,052	-	45,052
1,082,540	(1,082,540)	-
3,737,514	(3,737,514)	-
23,520,870	4,594,321	28,115,191
16,876,999	-	16,876,999
4,692,351	-	4,692,351
1,025,623	-	1,025,623
22,594,973	-	22,594,973
925,897	4,594,321	5,520,218
(833,714)	-	(833,714)
5,537,700	7,215,913	12,753,613
2,119,604	-	2,119,604
-	-	-
6,823,590	7,215,913	14,039,503
7,749,487	11,810,234	19,559,721
10,400,533	30,654,647	41,055,180
(356,845)	-	(356,845)
10,043,688	30,654,647	40,698,335
\$ 17,793,175	\$ 42,464,881	\$ 60,258,056

Erikson Institute

**Statement of Functional Expenses
Year Ended June 30, 2022**

	Program Services			Supporting Services			
	Academic Programs	Special Projects	Total	Management and General	Fundraising	Total	Total
Compensation	\$ 6,354,645	\$ 6,965,015	\$ 13,319,660	\$ 1,949,686	\$ 775,461	\$ 2,725,147	\$ 16,044,807
Contracted services	245,087	1,095,310	1,340,397	1,023,695	80,007	1,103,702	2,444,099
Legal and audit fees	28,421	6,907	35,328	120,676	11,064	131,740	167,068
Occupancy and insurance	370,010	212,158	582,168	227,618	11,540	239,158	821,326
Books and library materials	100,654	4,196	104,850	3,610	144	3,754	108,604
Office expenses	74,020	108,777	182,797	181,212	9,517	190,729	373,526
Meeting and travel expenses	115,168	84,656	199,824	25,048	20,956	46,004	245,828
Advertising	276,384	12,188	288,572	146,572	44	146,616	435,188
Software and hardware	227,868	32,222	260,090	134,596	20,135	154,731	414,821
Miscellaneous	105,394	2,124	107,518	123,271	2,617	125,888	233,406
Interest	709,687	243,955	953,642	133,066	22,178	155,244	1,108,886
	8,607,338	8,767,508	17,374,846	4,069,050	953,663	5,022,713	22,397,559
Depreciation	519,976	178,742	698,718	97,495	16,249	113,744	812,462
	<u>\$ 9,127,314</u>	<u>\$ 8,946,250</u>	<u>\$ 18,073,564</u>	<u>\$ 4,166,545</u>	<u>\$ 969,912</u>	<u>\$ 5,136,457</u>	<u>\$ 23,210,021</u>

See notes to financial statements.

Erikson Institute

**Statement of Functional Expenses
Year Ended June 30, 2021**

	Program Services			Supporting Services			
	Academic Programs	Special Projects	Total	Management and General	Fundraising	Total	Total
Compensation	\$ 5,522,709	\$ 7,717,790	\$ 13,240,499	\$ 2,394,483	\$ 778,650	\$ 3,173,133	\$ 16,413,632
Contracted services	175,493	929,871	1,105,364	1,113,151	125,891	1,239,042	2,344,406
Legal and audit fees	13,890	5,133	19,023	224,385	31,119	255,504	274,527
Occupancy and insurance	310,470	187,340	497,810	233,419	9,702	243,121	740,931
Books and library materials	112,769	3,333	116,102	1,489	-	1,489	117,591
Office expenses	35,774	99,091	134,865	196,222	10,870	207,092	341,957
Meeting and travel expenses	32,098	54,243	86,341	25,171	4,613	29,784	116,125
Advertising	149,264	3,363	152,627	58,529	1,152	59,681	212,308
Software and hardware	252,425	50,515	302,940	130,316	20,000	150,316	453,256
Miscellaneous	209,727	11,713	221,440	175,653	20,370	196,023	417,463
Interest	744,177	255,811	999,988	139,533	23,256	162,789	1,162,777
	7,558,796	9,318,203	16,876,999	4,692,351	1,025,623	5,717,974	22,594,973
Depreciation	533,577	183,417	716,994	100,046	16,674	116,720	833,714
	<u>\$ 8,092,373</u>	<u>\$ 9,501,620</u>	<u>\$ 17,593,993</u>	<u>\$ 4,792,397</u>	<u>\$ 1,042,297</u>	<u>\$ 5,834,694</u>	<u>\$ 23,428,687</u>

See notes to financial statements.

Erikson Institute

Statements of Cash Flows Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (3,340,688)	\$ 19,559,721
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Depreciation	812,462	833,714
Allowance for uncollectible accounts	54,095	19,760
Realized and unrealized loss (gain) on investments	2,995,787	(15,096,110)
Interest rate swap fair value adjustment	(3,000,830)	(2,119,603)
Amortization of financing fees	334,653	15,300
Proceeds from contributions restricted for permanent endowment	(550,000)	-
SBA PPP Loan forgiveness	-	(2,917,695)
Change in assets and liabilities:		
Contributions receivable	1,338,428	(1,616,106)
Grants and contracts receivable	71,081	404,500
Other receivables	19,223	131,719
Other assets	68,168	(18,433)
Accounts payable and accrued liabilities	(1,108,632)	534,842
Unearned revenue and deposits	1,535,252	(65,196)
Net cash used in operating activities	(771,001)	(333,587)
Cash flows from investing activities:		
Additions to property and equipment	(815,976)	(65,550)
Proceeds from sale of investments	16,569,565	17,042,541
Purchase of investments	(15,603,483)	(16,829,466)
Net cash provided by investing activities	150,106	147,525
Cash flows from financing activities:		
Proceeds from bond issuance	25,635,000	-
Bond redemption payments	(25,372,000)	-
Payment of bond issuance costs	(274,000)	-
Proceeds from contributions restricted for permanent endowment	550,000	-
Net cash provided by financing activities	539,000	-
Net decrease in cash	(81,895)	(186,062)
Cash:		
Beginning of year	1,452,377	1,638,439
End of year	\$ 1,370,482	\$ 1,452,377
Supplemental disclosure of cash flow information:		
Cash payments for interest	\$ 1,094,031	\$ 1,147,477
Supplemental disclosure of noncash financing information:		
SBA PPP Loan forgiveness	\$ -	\$ 2,917,695

See notes to financial statements.

Erikson Institute

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Erikson Institute (Institute) is an independent institution of higher education located in Chicago, Illinois, that prepares child development professionals for leadership. Through its academic programs, applied research and community service and engagement, the Institute advances the ability of practitioners and researchers to improve life for children and their families. The Institute is a catalyst for discovery and change, continually bringing the newest scientific knowledge on children's development and learning into its classrooms and out to the community so that professionals serving children and families are informed, inspired and responsive. The Institute is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

Accounting policies: The Institute follows accounting standards established by the Financial Accounting Standards Board (FASB) to ensure consistent reporting of financial condition, changes in net assets, and cash flows. References to generally accepted accounting principles (U.S. GAAP) in these footnotes are to the FASB Accounting Standards Codification, sometimes referred to as the Codification or ASC.

Revenue recognition: Revenue is recorded on the accrual basis of accounting, whereby revenue is recognized when earned.

Tuition revenues are recognized ratably over the length of a course when instructional services are provided. As part of the requirements for completion of the courses, students are required to pay other fees associated with courses in addition to tuition, including student services fees, matriculation fees, graduation fees, late registration and tuition payment plan fees. These fees are recognized as service revenue over time corresponding to the instructional period, similar to tuition. If a student withdraws during the semester, student services fees are nonrefundable.

Student admission applications are processed and approved by the Admission Office. Enrollment agreements are executed and program admission are offered and accepted. Registration in courses by each student acknowledges their adherence to the financial responsibilities outlined in the student handbook, including the payment of tuition fees.

Tuition is refundable up to 75% for those students who withdrawal after the add/drop date included in the academic calendar, with a schedule of percentage refunded included in the academic calendar. After five weeks post add/drop date the refund is 0%. Students who withdrawal before the add/drop date included in the academic calendar will be refunded 100% of tuition fees.

The Institute utilized the portfolio approach to apply the revenue recognition standard to tuition and fee revenue. Tuition and fees received in advance of services rendered are recorded as unearned tuition.

Clinical and training revenue is recognized when clinical services or training sessions have been provided.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues without donor restrictions. Grant revenue represents conditional contributions received from governmental agencies in connection with COVID-19 relief. Revenue is recognized when the related conditions are satisfied, generally when qualifying expenditures are incurred.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

All contributions are considered to be available for unrestricted use unless otherwise specifically restricted by donors. Contributions are recorded and recognized as revenue when a notice of an award or a pledge is received. Restricted contributions are recorded as revenue in donor restricted net assets if limited by donor imposed stipulations that expire by passage of time, can be fulfilled and removed by action of the Institute, or contributions are non-expendable. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Government grants: The Institute receives funding under grants from various federal, state and local government agencies. Revenue is recognized as income under government grant agreements based on their respective terms. Government grants are primarily conditional contributions which are recognized when the barriers have been substantially met (generally, when qualifying expenses have been incurred and all other grant requirements have been met). Amounts received prior to incurring qualifying expenditures are reported as unearned revenue in the statements of financial position in the amount of \$94,993 and \$0 as of June 30, 2022 and 2021, respectively.

Expense allocation: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Certain expenses are attributable to more than one program or supporting function. These expenses are allocated consistently on the following bases: depreciation, interest and occupancy costs are allocated based on square-footage used by each function. Salaries and benefits are allocated based on actual time and effort.

Cash: Cash includes cash on hand, demand deposits and time deposits with original maturities of less than three months.

The Institute maintains funds in accounts that, at times, are in excess of Federal Deposit Insurance Corporation insurance limits; however, the Institute minimizes this risk by maintaining deposits in high-quality financial institutions. The Institute has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Contributions receivable: Contributions receivable are reported at their estimated realizable value and recognized as revenue at the time an unconditional promise to give is received from a donor. If the pledge is receivable over an extended period of time, the present value of the pledge is recorded. The receivables are discounted using a present value discount rate commensurate with the risk involved. Management reviews the receivables for collectability and records an allowance for any accounts deemed uncollectible.

Investments: Investments in marketable securities held by the Institute are stated at fair value. The Institute reports the fair value of market alternatives, also known as alternative investments, using the practical expedient. The practical expedient allows for the use of net asset value (NAV), either as reported by the investee fund or as adjusted by the Institute based on various factors.

Investment income or loss (including gains and losses on investments, interest and dividends) net of investment expenses is included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Property and equipment: Property and equipment are recorded at cost. The Institute capitalizes all expenditures for property, equipment and software in excess of \$5,000. Depreciation is being provided on a straight-line basis over the estimated useful lives of the assets as follows:

Computer software	5 years
Computer equipment	5 years
Furniture and equipment	10 years
Building	39 years

Assets retired or otherwise disposed of are removed from the accounts at their net book value and the gain or loss is recognized as the difference between proceeds, if any, and the net book value. Repairs and maintenance are charged to expense as incurred.

Unearned revenue and deposits: Tuition and deposits received for classes to be held subsequent to year-end are recorded as an unearned tuition and deposits liability at year-end. In 2022, contributions for the annual luncheon to be held subsequent to year-end in the amount of \$1,505,000 are recorded as unearned revenue at year-end. In 2021, the Institute did not hold an annual luncheon and, therefore, no unearned revenue was recorded.

Interest rate swap agreement: The Institute's interest rate swap agreement is recognized as either an asset or liability at its fair value in the statements of financial position with changes in the fair value reported on the statements of activities. The Institute uses an interest rate swap agreement as part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. The interest rate swap agreement was not entered into for trading or speculative purposes. The Institute's swap agreement does not meet the requirements to qualify for hedge accounting.

Net assets: In order to ensure the observance of limitations and restrictions placed on the use of available resources, the Institute maintains its financial accounts in a manner that segregates resources for various purposes that are classified into funds established in accordance with their nature and purpose. For financial reporting purposes, fund balances and related activities of the various funds are classified as net assets without donor restrictions or net assets with donor restrictions based on the existence or absence of donor-imposed restrictions.

Accounting estimates: The preparation of financial statements 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.

Income taxes: The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Institute may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Institute and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities during the periods covered by these financial statements.

The Institute files Form 990 in the U.S. federal jurisdiction and applicable forms with the state of Illinois.

Erikson Institute

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Recent accounting pronouncements: In 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Institute in the fiscal year ending June 30, 2023. The Institute has evaluated the impact of the adoption of this new standard on its financial statements and has determined the impact to be not material.

Subsequent events: The Institute has evaluated subsequent events for potential recognition and/or disclosure through October 28, 2022, the date the financial statements were available to be issued.

Note 2. Financial Assets and Liquidity Resources

The table below represents financial assets available for general expenditures within one year of June 30, 2022 and 2021:

	2022	2021
Financial assets at year-end:		
Cash	\$ 1,370,482	\$ 1,452,377
Contributions receivable	2,723,385	4,061,813
Grants and contracts receivable	2,402,197	2,610,956
Other receivables	416,815	298,360
Investments	60,454,917	64,470,880
Total financial assets	67,367,796	72,894,386
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(40,748,565)	(42,464,881)
Donor restricted funds to be released within one year for general expenditures	588,140	1,210,931
Board designated endowment funds	(19,675,452)	(21,810,845)
Spending-rate appropriation for distribution within one year	2,111,542	1,984,183
Total financial assets unavailable within one year	(57,724,335)	(61,080,612)
Total financial assets available within one year	\$ 9,643,461	\$ 11,813,774

Of the \$588,140 of donor-restricted funds to be released within one year, \$373,258 relates to scholarship funding. In addition to financial assets available within one year, the Institute operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The Institute also has a revolving line of credit with a principal amount of up to \$7,000,000.

The Institute has board designated net assets functioning as endowment that, while the Institute does not intend to spend, the amounts could be made available for current operations, if necessary. As part of the Institute's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Investments are highly liquid with 82% of assets with redemption period of 90 days or less.

Erikson Institute**Notes to Financial Statements****Note 3. Contributions Receivable**

Contributions receivable at June 30, 2022 and 2021, are due as follows:

	2022	2021
Amounts due in less than one year	\$ 2,449,787	\$ 3,655,541
Amounts due in one to five years	338,600	529,600
	2,788,387	4,185,141
Less present value discount (annual discount rate of 3%)	(65,002)	(123,328)
	<u>\$ 2,723,385</u>	<u>\$ 4,061,813</u>

Note 4. Other Receivables

Other receivables at June 30, 2022 and 2021, are composed of the following:

	2022	2021
Student tuition fee receivables	\$ 415,073	\$ 376,684
Clinical fee and other receivables	212,542	125,173
Less allowance for uncollectible accounts	(210,800)	(203,497)
	<u>\$ 416,815</u>	<u>\$ 298,360</u>

Note 5. Investments

Investments at June 30, 2022 and 2021, are composed of the following:

	June 30, 2022		June 30, 2021	
	Fair Value	Cost	Fair Value	Cost
Short-term investments	\$ 6,915,018	\$ 6,915,018	\$ 5,557,950	\$ 5,557,950
Mutual funds:				
Fixed income	7,148,001	7,938,675	7,745,093	8,005,744
Equities	29,116,836	31,243,403	34,162,877	14,991,925
Hedge funds and other investments:				
Private equity	11,114,514	5,442,152	10,906,119	5,538,867
Absolute return	6,160,546	3,669,155	6,098,841	3,820,818
	<u>\$ 60,454,915</u>	<u>\$ 55,208,403</u>	<u>\$ 64,470,880</u>	<u>\$ 37,915,304</u>

Investment earnings of donor restricted endowments are considered restricted until appropriated and spent for their designated purpose.

Notes to Financial Statements

Note 5. Investments (Continued)

The Institute's spending policy (Note 12) considers total investment return and emphasizes the use of a rational and systematic formula to determine the portion of cumulative investment return that can be used to support operations of the current period while considering protection of endowment purchasing power over time. Amounts appropriated through applying the spending rate to the board designated and donor restricted endowments is reported on the statements of activities as investment income, under Support and Revenue. Any remaining investment income, or loss (if actual investment return for the period is less than the spending rate amount), is recorded under Other Items on the statement of activities. Such amounts for years ended June 30, 2022 and 2021, were as follows:

	2022	2021
Support and revenue	\$ 1,984,183	\$ 2,327,250
Other items	(5,031,270)	12,753,613
	<u>\$ (3,047,087)</u>	<u>\$ 15,080,863</u>

Note 6. Fair Value Measurements

The Institute follows ASC Topic, Fair Value Measurements and Disclosures, which provides the framework for measuring fair value under generally accepted accounting principles. This Topic applies to all financial instruments that are being measured and reported on a fair value basis. As defined in the Topic, 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. In determining fair value, the Institute uses various methods including market, income and cost approaches. Based on these approaches, the Institute often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Institute utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used on the valuation techniques, the Institute is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1** Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 assets primarily include listed equities, money market funds, government securities, and mutual funds. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2** Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for similar assets or liabilities. Level 2 assets primarily include less liquid and restricted equity securities, funds invested in equity securities, fixed-income, real estate securities, asset allocation and money market funds.
- Level 3** Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Notes to Financial Statements

Note 6. Fair Value Measurements (Continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Institute's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

For fiscal years 2022 and 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent with techniques used in previous years. The valuation methodologies used for instruments at fair value are described on the following page.

Investments in securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation; other securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price for which the last quoted asked price is used. The fair values of the Institute's short-term investments, including cash and cash equivalents approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization. Restricted securities and other securities for which quotations are not readily available are valued at fair value as determined by the general partner.

Hedge funds and other investments, which generally are investment partnerships, are valued at fair value based on the applicable percentage ownership of the underlying partnerships' net assets as of the measurement date, as determined by the general partner. In determining fair value, the general partner utilizes valuations provided by the underlying investment partnerships. The underlying investment partnerships value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment partnerships, which may include private placements and other securities for which prices are not readily available, are determined by the general partner or sponsor of the respective other investment partnership and may not reflect amounts that could be realized upon immediate sale, or amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of the Institute's investment partnerships generally represents the amount the Institute would expect to receive if it were to liquidate its investment in the investment partnerships excluding any redemption charges that may apply. The Institute uses net asset value (NAV) as a practical expedient for fair value.

The following table sets forth the fair value of investments in certain entities that calculate NAV per share (or its equivalent) as a practical expedient to fair value:

	June 30, 2022 Fair Value	June 30, 2021 Fair Value	2022 Unfunded Commitment	2021 Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Investment:						
Hedge funds and other investments:						
Private equity (a)	\$ 11,114,514	\$ 10,906,119	\$ 2,710,346	\$ 1,621,537	N/A	Over 1 Year
Absolute return (b)	6,102,392	6,056,794	-	-	Quarterly	60 Days
Absolute return (b)	58,154	42,047	-	-	Quarterly	Over 90 Days

(a) Represents limited partnership investments focused on achieving long-term returns through investments in a diversified portfolio of private equity limited partnerships.

(b) Includes funds of funds invested in limited partnerships and partnership investments which are primarily private investment pools with no particular industry or geographic concentration.

Erikson Institute

Notes to Financial Statements

Note 6. Fair Value Measurements (Continued)

There is no provision for redemptions during the life of the private equity funds. Distributions from each fund will be received as the underlying funds are liquidated.

Alternative investments are redeemable with the investee fund at NAV under the original terms of the subscription agreement. Due to the nature of these investments and changes in market conditions, the overall economic environment may significantly impact the NAV of the funds and, therefore, the value of the Institute's interest. It is therefore reasonably possible that, if the Institute were to sell all or a portion its market alternatives, the transaction value could be significantly different than the fair value reported as of June 30.

The Institute's valuation of the interest-rate swap agreement is based on widely-accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of the interest-rate swap agreement. This analysis reflects the contractual terms of the agreement, including the period to maturity, and uses observable market-based inputs, including LIBOR rate curves.

In January 2021, the Institute adhered to ISDA's 2020 IBOR Fallbacks Protocol. As such, upon the expected cessation of one-month LIBOR by June 2023, the floating leg of the Institute's interest rate swap will convert to the Daily Simple Secured Overnight Financing Rate (SOFR).

Certain investments that were measured at net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

The following table presents the Institute's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2022:

Description	Total	Investments Measured at Net Asset Value	Investments and Liabilities Classified in the Fair Value Hierarchy		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term investments	\$ 6,915,018	\$ -	\$ 6,915,018	\$ -	\$ -
Mutual funds:					
Fixed income	7,148,001	-	7,148,001	-	-
Equities	29,116,838	-	29,116,838	-	-
Hedge funds and other investments:					
Private equity	11,114,514	11,114,514	-	-	-
Absolute return	6,160,546	6,160,546	-	-	-
	<u>\$ 60,454,917</u>	<u>\$ 17,275,060</u>	<u>\$ 43,179,857</u>	<u>\$ -</u>	<u>\$ -</u>
Investments held for deferred compensation:					
Equity	\$ 295,585	\$ -	\$ 295,585	\$ -	\$ -
Fixed income	98,993	-	98,993	-	-
Multi-asset	10,670	-	10,670	-	-
Guaranteed	24,126	-	-	24,126	-
	<u>\$ 429,374</u>	<u>\$ -</u>	<u>\$ 405,248</u>	<u>\$ 24,126</u>	<u>\$ -</u>
Interest rate swap	<u>\$ (3,135,225)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,135,225)</u>	<u>\$ -</u>

Erikson Institute

Notes to Financial Statements

Note 6. Fair Value Measurements (Continued)

The following table presents the Institute's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2021:

Description	Total	Investments Measured at Net Asset Value	Investments and Liabilities Classified in the Fair Value Hierarchy		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term investments	\$ 5,557,950	\$ -	\$ 5,557,950	\$ -	\$ -
Mutual funds:					
Fixed income	7,745,093	-	7,745,093	-	-
Equities	34,162,877	-	34,162,877	-	-
Hedge funds and other investments:					
Private equity	10,906,119	10,906,119	-	-	-
Absolute return	6,098,841	6,098,841	-	-	-
	<u>\$ 64,470,880</u>	<u>\$ 17,004,960</u>	<u>\$ 47,465,920</u>	<u>\$ -</u>	<u>\$ -</u>
Investments held for deferred compensation:					
Equity	\$ 258,964	\$ -	\$ 258,964	\$ -	\$ -
Fixed income	80,064	-	80,064	-	-
Multi-asset	140,905	-	140,905	-	-
Guaranteed	24,465	-	-	24,465	-
	<u>\$ 504,398</u>	<u>\$ -</u>	<u>\$ 479,933</u>	<u>\$ 24,465</u>	<u>\$ -</u>
Interest rate swap	<u>\$ (6,136,055)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,136,055)</u>	<u>\$ -</u>

The Institute's investment portfolio is exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Market risk: Market risk arises primarily from changes in the market value of financial instruments. Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the Institute's overall exposure to market risk. The Institute attempts to control its exposure to market risk through various analytical monitoring techniques.

Credit risk: Credit risk arises primarily from the potential inability of counterparties to perform in accordance with the terms of a contract. The Institute's exposure to credit risk associated with counterparty nonperformance is limited to the current cost to replace all contracts in which the Institute has a gain. Exchange-traded financial instruments generally do not give rise to significant counterparty exposure due to the cash settlement procedures for daily market movements and the margin requirements of individual exchanges. The Institute seeks to mitigate its exposure to this credit risk by placing its cash with major institutions.

Concentration of credit risk: The Institute's managers currently invest with various managers and clearing brokers. In the event these counterparties do not fulfill their obligations, the Institute may be exposed to risk. This risk of default depends on the creditworthiness of the counterparty to these transactions. The Institute attempts to minimize this credit risk by monitoring the creditworthiness of the managers and clearing brokers.

Erikson Institute

Notes to Financial Statements

Note 6. Fair Value Measurements (Continued)

Alternative investments and investments in funds: The managers of underlying investment entities, in which the Institute invests, may utilize derivative instruments with off-balance-sheet risk. The Institute's exposure to risk is limited to the amount of its investment.

Note 7. Property and Equipment

Property and equipment are composed of the following at June 30, 2022 and 2021:

	2022	2021
Land	\$ 2,692,677	\$ 2,692,677
Building	27,412,507	27,308,043
Furniture and equipment	4,780,139	4,239,533
Software	835,945	665,042
Other	142,267	142,267
	<u>35,863,535</u>	<u>35,047,562</u>
Less accumulated depreciation	<u>(14,682,521)</u>	<u>(13,870,061)</u>
	<u>\$ 21,181,014</u>	<u>\$ 21,177,501</u>

Depreciation expense totaled \$812,462 and \$833,714 for fiscal years 2022 and 2021, respectively.

Note 8. Revolving Line of Credit

On April 1, 2022, the Institute entered into a revolving loan agreement providing a revolving line of credit in the aggregate principal amount of up to \$7,000,000 consisting of a committed stated principal amount of \$3,000,000 and an uncommitted stated principal amount of \$4,000,000. The revolving loan issuer holds a mortgage on the property and a security interest in certain personal property. Interest on the revolving loan is payable monthly, and the maturity date is April 1, 2024, with all outstanding principal and interest due on this date. The Institute did not utilize the revolving line of credit in fiscal 2022 and, as at June 30, 2022, there is no outstanding principal amount due.

Note 9. Long-Term Debt

On June 29, 2017, the Institute entered into a bond trust agreement with the Illinois Finance Authority to issue Illinois Finance Authority Revenue Refunding Bonds, Series 2017A and Series 2017B (used to redeem \$30,500,000 of outstanding Adjustable Rate Demand Educational Facility Revenue Bonds, Series 2007). The bonds were non-amortizing and have a term of 25 years. In connection to the issuance and purchase of the bonds, a continuing covenant agreement was entered into with the purchasers of the bonds and required the Institute to comply with certain covenants which were monitored on a quarterly and semi-annual basis. The Series 2017A and 2017B purchasers were secured creditors and, therefore, had a security interest in the property and gross revenues of the Institute. The bonds had a maturity date of November 1, 2042.

Erikson Institute

Notes to Financial Statements

Note 9. Long-Term Debt (Continued)

On April 1, 2022, the Institute entered into a bond trust agreement with the Illinois Finance Authority to issue Illinois Finance Authority Revenue Refunding Bonds, Series 2022, for \$25,635,000. The proceeds from the sale were used to refund and redeem \$16,435,000 and \$8,937,000 of all the outstanding Adjustable Rate Demand Educational Facility Revenue Bonds, Series 2017A and Series 2017B respectively, discussed above. The bonds are non-amortizing and have a term of 20 years. In connection to the issuance and purchase of the bonds, a continuing covenant agreement has been entered into with the purchaser of the bond and requires the Institute to comply with certain covenants which are monitored on a quarterly and semi-annual basis. The Series 2022 purchaser is a secured creditor and, therefore, has a security interest in the property and gross revenues of the Institute. The bonds have a maturity date of November 1, 2042, and are redeemable at such date. In connection with the issuance of the bonds and redemption of the Series 2017 bonds, \$309,809 of unamortized issuance costs have been written off.

The Institute has certain financial compliance covenants associated with the Bonds as noted above, including unrestricted cash and investments to debt ratio and interest coverage ratio. At June 30, 2022, the Institute was not in compliance with the interest coverage ratio, but received a compliance waiver.

Following is summary of the bond payable at June 30, 2022 and 2021:

	2022	2021
Illinois Finance Authority (IFA) Revenue Refunding Bonds:		
Series 2017A	\$ -	\$ 16,435,000
Series 2017B	-	8,937,000
Series 2022	25,635,000	-
Total	25,635,000	25,372,000
Less unamortized cost of issuance fees	(260,630)	(321,283)
Bonds payable per statement of financial position	\$ 25,374,370	\$ 25,050,717

The scheduled optional redemption of bonds payable is as follows:

Fiscal years ending June 30,	
2023	\$ 397,000
2024	504,000
2025	515,000
2026	525,000
2027	535,000
2028 and thereafter	23,159,000
	<u>\$ 25,635,000</u>

In order to reduce exposure to adjustable interest rates on variable rate debt, the Institute novated a 30-year interest rate swap agreement in June 2017 that expires in 2037. The agreement had the effect of fixing the rate of interest at 3.6% for the variable rate debt. The notional amount of the swap agreement is \$16,250,000. The fair value of the swap agreement is the estimated amount that the Institute would pay or receive to terminate the agreement as of the statements of financial position date, taking into account current interest rates and the current creditworthiness of the swap counterparty. As of June 30, 2022 and 2021, the fair value of the interest rate swap agreement was a liability of \$3,135,225 and \$6,136,055, respectively, and is presented on the statements of financial position as Interest rate swap agreement.

Erikson Institute

Notes to Financial Statements

Note 9. Long-Term Debt (Continued)

The Institute recorded a gain in the amount of \$3,000,830 in 2022 and loss of \$2,119,604 in 2021, for the change in the fair value of the swap agreement.

Note 10. Refundable Advance

On April 20, 2020, the Institute received loan proceeds in the amount of \$2,917,695 from a Small Business Administration (SBA) approved lender under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act, provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, utilities and interest on other debt obligations incurred before February 15, 2020, and maintains its employment and payroll levels.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months and is 100% guaranteed by the SBA. The Institute used the proceeds for purposes consistent with the PPP. In 2020, the Institute believed that its use of the loan proceeds would meet the conditions for forgiveness of the loan. As such, the Institute had accounted for the PPP loan in accordance with nonprofit accounting guidance as a conditional contribution. The initial PPP loan amount was recorded as a refundable advance liability. In June 2021, the Institute received forgiveness application approval by the lender and the SBA, and this resulted in the write-off of the refundable advance liability and recognition of government grant revenue.

Note 11. Retirement Plans

The Institute's defined contribution 403(b) retirement plan covers all employees. The Institute provides matching contributions for all employees who meet the eligibility requirement. Vesting of employer matching contributions takes place after one year of service. Under this plan, pension benefits and costs are calculated separately for each participant and are funded currently. Pension expense for the plan was \$686,385 and \$641,234 in fiscal years 2022 and 2021, respectively.

The Institute has a nonqualified 457(b) deferred compensation plan for certain employees. Contributions to the plan are invested under the direction of the individual qualified employee from the same options available for the 403(b) plan. Eligible employees made contributions of \$15,779 and \$23,021 for the fiscal years ended 2022 and 2021, respectively. At June 30, 2022 and 2021, \$429,374 and \$504,398, respectively, was accrued as a liability and set aside in a separate investment account for this benefit (reported on the statements of financial position as both an asset and a liability). The plan is intended to constitute an unfunded plan and all amounts held are assets of the employer.

Erikson Institute**Notes to Financial Statements**

Note 12. Net Assets

Net assets are available for the following purposes at June 30:

	2022	2021
Without donor restrictions:		
Undesignated	\$ (3,620,003)	\$ (4,131,025)
Board designated—funds functioning as endowment:		
Facilities	5,737,266	6,359,937
General operations	13,751,583	15,244,054
Scholarships	186,602	206,854
	19,675,451	21,810,845
Board designated—reinvestment funds	113,355	113,355
	<u>\$ 16,168,803</u>	<u>\$ 17,793,175</u>
With donor restrictions:		
Purpose restricted:		
Special projects	\$ 5,552,186	\$ 3,186,370
Program support	2,438,424	3,571,050
Scholarships	358,375	924,503
	<u>8,348,985</u>	<u>7,681,923</u>
Endowment funds:		
Endowed chairs	7,788,760	8,560,876
Program support	11,734,447	12,824,689
Scholarships	12,153,748	12,626,314
Library	722,625	771,079
	<u>32,399,580</u>	<u>34,782,958</u>
	<u>\$ 40,748,565</u>	<u>\$ 42,464,881</u>

Net assets released from restriction for satisfaction of donor and time restrictions:

	2022	2021
Special projects	\$ 3,409,091	\$ 3,048,787
Program support	1,230,068	174,228
Scholarships	784,378	514,499
	<u>\$ 5,423,537</u>	<u>\$ 3,737,514</u>

There were no assets released from restriction for capital expenditures for years ended June 30, 2022 and 2021.

Note 13. Endowment Funds

Interpretation of Relevant Law

The Institute's Board of Trustees has interpreted Uniform Prudent Management of Invested Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as restricted net assets: (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 with donor restricted net assets until those amounts are appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds:

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

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2022, funds with original gift values of \$3,570,014, fair values of \$3,418,715 and deficiencies of \$151,299 were reported in net assets with donor restrictions. At June 30, 2021, no donor-restricted endowment funds had deficiencies.

Erikson Institute

Notes to Financial Statements

Note 13. Endowment Funds (Continued)

Endowment net asset composition by type of fund as of June 30, 2022 and 2021:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated:			
Original board designated amount	\$ 16,684,111	\$ -	\$ 16,684,111
Donor restricted:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	22,089,316	22,089,316
Term endowment	-	5,868,760	5,868,760
Accumulated investment gains	2,991,340	4,441,504	7,432,844
Total	<u>\$ 19,675,451</u>	<u>\$ 32,399,580</u>	<u>\$ 52,075,031</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated:			
Original board designated amount	\$ 16,684,111	\$ -	\$ 16,684,111
Donor restricted:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	21,539,332	21,539,332
Term endowment	-	5,906,260	5,906,260
Accumulated investment gains	5,126,734	7,337,366	12,464,100
Total	<u>\$ 21,810,845</u>	<u>\$ 34,782,958</u>	<u>\$ 56,593,803</u>

The changes in endowment net assets for the Institute were as follows for the years ended June 30, 2022 and 2021:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 21,810,845	\$ 34,782,958	\$ 56,593,803
Investment income	(1,293,257)	(1,753,845)	(3,047,102)
Contributions	-	550,000	550,000
Appropriation of endowment assets for expenditure:			
Board designated	(842,136)		(842,136)
Donor restricted (time)	-	(1,142,048)	(1,142,048)
Donor restricted (purpose)	-	(37,500)	(37,500)
Endowment net assets, end of year	<u>\$ 19,675,452</u>	<u>\$ 32,399,565</u>	<u>\$ 52,075,017</u>

Erikson Institute

Notes to Financial Statements

Note 13. Endowment Funds (Continued)

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 16,273,145	\$ 25,102,132	\$ 41,375,277
Investment income	6,423,696	8,370,412	14,794,108
Contributions	-	2,500,000	2,500,000
Appropriation of endowment assets for expenditure:			
Board designated	(885,996)	-	(885,996)
Donor restricted (time)	-	(1,154,484)	(1,154,484)
Donor restricted (purpose)	-	(35,102)	(35,102)
Endowment net assets, end of year	<u>\$ 21,810,845</u>	<u>\$ 34,782,958</u>	<u>\$ 56,593,803</u>

Return Objectives and Risk Parameters

The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding. Funds functioning as endowment are only released by the Board of Trustees for spending based on organizational spending and investment policies or specifically directed spending in accordance with donor-specified uses. Endowment assets include those assets of donor-restricted funds that the Institute must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the various indices set in the investment policy, while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Institute has a policy of appropriating for distribution a percentage of its endowment fund's average fair value over the prior 12 quarters through the calendar year proceeding the fiscal year in which the distribution is planned. The policy is coordinated with its investment policy such that over the long term, its endowment will be able to maintain its purchasing power over time. The Board approved a spending rate of 4.25% for years ended June 30, 2022 and 2021.

Note 14. Related Party

Contributions from the Institute board of trustees made up approximately 32% and 8% of total contribution revenue during the years ended June 30, 2022 and 2021, respectively.

Pledges receivable from the Institute board of trustees made up approximately 21% and 6% of total pledges receivable for the years ended June 30, 2022 and 2021, respectively.

SUPPLEMENTARY INFORMATION

Financial Responsibility Ratio Supplemental Schedule

June 30, 2022

Financial Statement & Financial Statement Line Item or Footnote Disclosure	Financial Statement Line Item Amount	Amount Used for Ratio
Primary Reserve Ratio		
Expendable Net Assets		
Statement of Financial Position - Net assets without donor restrictions	Net assets without donor restrictions	\$ 16,168,803
Statement of Financial Position - Net assets with donor restrictions	Net assets with donor restrictions	40,748,565
Note 13 to the Financial Statements - Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	Net assets with donor restrictions; restricted in perpetuity	22,089,316
N/A	Annuities with donor restrictions	-
Note 13 to the Financial Statements - Term endowment	Term endowments with donor restrictions	5,868,760
N/A	Life income funds with donor restrictions	-
N/A	Secured and unsecured related party receivable	-
N/A	Unsecured related party receivable	-
Statement of Financial Position - Property and equipment, net	Property, plant and equipment, net, including construction in progress	21,181,014
Note 7 of the Financial Statements, Land and Building net of accumulated depreciation	Property, plant and equipment; pre-implementation, leases grandfathered	20,218,161
N/A	Property, plant and equipment; post-implementation - with outstanding debt for acquisition	-
Statement of Cash Flows - purchases of property and equipment for 2022, 2021 and 2020 (page 8)	Property, plant and equipment: post-implementation - without outstanding debt for acquisition	962,853
N/A	Construction in progress	-
N/A	Lease right of use assets, net	-
N/A	Lease right of use assets; pre-implementation, leases are grandfathered	-
N/A	Lease right of use assets; post-implementation	-
N/A	Intangible assets	-
N/A	Post-employment and pension liabilities	-
Statement of Financial Position - Bonds payable, net of unamortized financing fees (limited to Property and equipment, net)	Long-term debt; for long term purposes	20,218,161
N/A	Long-term debt; for long term purposes pre-implementation, debt grandfathered	-
Statement of Financial Position - Bonds payable, net of unamortized financing fees (limited to Property and equipment, net)	Long-term debt; for long term purposes post-implementation	20,218,161
N/A	Line of Credit for Construction in progress	-
N/A	Right of use asset lease obligation	-
N/A	Right of use asset lease obligation; pre-implementation, leases grandfathered	-
N/A	Right of use asset lease obligation; post-implementation	-
Total Expendable Net Assets		27,996,439

Total Expenses and Losses			
Statement of Functional Expenses - Total expenses	Total expenses without donor restrictions		23,210,021
Statement of Activities - Investment income, net plus Investment (loss) gain, net	Investment loss, net investment return appropriated for spending	1,293,257	
N/A	Other components of net periodic pension costs	-	
N/A	Change in value of split interest agreements	-	
Statement of Activities - bond issuance costs	Other losses	309,809	
N/A	Pension-related changes other than net periodic pension costs	-	
Statement of Activities - Interest rate swap fair value adjustment	Non-operating and net investment loss		1,603,066
N/A	Investment loss, net investment return appropriated for spending		1,293,257
N/A	Pension-related changes other than net periodic costs		-
Total expenses and losses			23,519,830

Equity Ratio			
Modified Net Assets			
Statement of Financial Position - Net assets without donor restrictions	Net assets without donor restrictions		16,168,803
Statement of Financial Position - Net assets with donor restrictions	Net assets with donor restrictions		40,748,565
N/A	Intangible assets		-
N/A	Secured and Unsecured related party receivable	-	
N/A	Unsecured related party receivable		-
Total modified net assets			56,917,368
Modified Assets			
Statement of Financial Position - Total assets	Total assets		89,249,782
N/A	Lease right-of-use asset; pre-implementation, leases grandfathered		-
N/A	Lease right-of-use liability; pre-implementation, leases grandfathered		-
N/A	Intangible assets		-
N/A	Secured and Unsecured related party receivable	-	
N/A	Unsecured related party receivable		-
Total modified assets			89,249,782

Net Income Ratio			
Change in Net Assets Without Donor Restrictions			
Statement of Activities - Decrease in net assets	Change in Net Assets Without Donor Restrictions; increase (decrease)		(1,624,372)
Total Revenue and Gains			
Statement of Activities - Total support and revenue	Total revenue without donor restrictions, including net assets released from restrictions	21,030,021	
Statement of Activities - Investment income, net	Net investment return appropriated for spending	842,136	
Statement of Activities - Investment income, net plus Investment (loss) gain, net	Total net investment return, including investment return appropriated for spending	-	
N/A	Change in value of split-interest agreements	-	
Statement of Activities - Interest rate swap fair value adjustment	Other gains	3,000,830	
N/A	Pension-related changes other than net periodic pension	-	
Total revenues and gains without donor restrictions			23,188,715

Erikson Institute

Reports Required by the Uniform Guidance and
Government Auditing Standards
June 30, 2022

Contents

Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	1-2
Independent auditor's report on compliance for each major federal program; report on internal control over compliance; and report on schedule of expenditures of federal awards required by the Uniform Guidance	3-5
Schedule of expenditures of federal awards	6-7
Notes to schedule of expenditures of federal awards	8
Schedule of findings and questioned costs	9-10
Summary schedule of prior audit findings	11

**Report On Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards***

Independent Auditor's Report

Board of Trustees
Erikson Institute

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Erikson Institute, which comprise the statement of financial position as of June 30, 2022, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Erikson Institute's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Erikson Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of Erikson Institute's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Erikson Institute's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM VS LLP

Chicago, Illinois
October 28, 2022

**Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

Board of Trustees
Erikson Institute

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Erikson Institute's (the Institute) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Institute's major federal programs for the year ended June 30, 2022. The Institute's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Institute complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Institute and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Institute's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Institute's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Institute's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Institute's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Institute's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Institute's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Institute's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Institute's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the Institute as of and for the year ended June 30, 2022, and have issued our report thereon dated October 28, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

RSM VS LLP

Chicago, Illinois

March 9, 2023, except for our report on the Schedule of Expenditures of Federal Awards , for which the date is October 28, 2022

Erikson Institute
**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022**

Federal Grantor/ Pass Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Student Financial Assistance Cluster (Direct):				
Federal Direct Student Loans	84.268	N/A	\$ -	\$ 5,448,461
Federal Work Study Program	84.033	N/A	-	69,000
Total Student Financial Assistance Cluster			-	5,517,461
Education Research, Development and Dissemination (Direct)	84.305A	N/A	-	49,962
Personnel Preparation in Special Education, Early Intervention and Related Services for Personnel Serving Children with Disabilities (Direct)	84.325K	N/A	-	273,833
Education Stabilization Funds (Direct):				
COVID 19- Higher Education Emergency Relief Fund-Student Aid Portion	84.425E	N/A	-	59,683
COVID 19- Higher Education Emergency Relief Fund-Institutional Portion	84.425F	N/A	-	111,794
COVID 19- Higher Education Emergency Relief Fund-Supplemental Assistance to Institutions of Higher Education (SAIHE)	84.425S	N/A	-	5,091
Total Education Stabilization Funds			-	176,568
Total U.S. Department of Education			\$ -	\$ 6,017,824
U.S. Department of Health and Human Services				
Pass-Through State of Illinois Department of Human Services				
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	FCYV05170	\$ -	\$ 134,655
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Visiting Program	93.505	2003459402	-	13,127
Every Student Succeeds Act/ Preschool Development Grants	93.434	21-4998-PD-15-016-856P-00	-	319,445
Pass-Through Chicago Department of Family and Support Services				
Head Start Cluster				
Head Start	93.600	149034	-	31,682
Head Start	93.600	182651	-	18,354
Head Start	93.600	182646	-	41,532
Total Head Start Cluster			-	91,568
Total U.S. Department of Health and Human Services			\$ -	\$ 558,795

(Continued)

Erikson Institute**Schedule of Expenditures of Federal Awards (Continued)**
Year Ended June 30, 2022

Federal Grantor/ Pass Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
National Science Foundation				
Research and Development Cluster				
Education and Human Resources (Direct):	47.076	N/A	\$ -	\$ 62,673
Total National Science Foundation			\$ -	\$ 62,673
			\$ -	\$ 6,639,292

See notes to schedule of expenditures of federal awards.

Erikson Institute

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Erikson Institute (the Institute) under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Institute, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Institute. There were no federal awards expended for non-cash assistance or insurance for the year.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3. Indirect Cost Rate

The Institute has federally-approved indirect cost rates of 40.60% for on-campus and 20% for off-campus costs.

Note 4. Federal Direct Student Loan Program

During the fiscal year ended June 30, 2022, the Institute issued new loans to students under the Federal Direct Student Loan Program (FDLP). The value of loans issued for the FDLP is based on disbursed amounts. The loan amounts issued during the year are disclosed on the Schedule. The Institute is responsible only for the performance of certain administrative duties with respect to the federally guaranteed student loan programs and, accordingly, balances and transactions relating to these loan programs are not included in the Institute's basic financial statements. Therefore, it is not practicable to determine the balance of loans outstanding made to students and former students of the Institute at June 30, 2022.

Erikson Institute

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

___ Yes X No

Significant deficiency(ies) identified?

___ Yes X No

Noncompliance material to financial statements noted?

___ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

___ Yes X No

Significant deficiency(ies) identified?

X Yes ___ No

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

X Yes ___ No

Identification of major programs:

ALN Number	Name of Federal Program or Cluster
	<u>Student Financial Assistance Cluster</u>
84.268	Federal Direct Student Loans
84.033	Federal Work Study Program

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee?

X Yes ___ No

Erikson Institute

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2022

II. Financial Statement Findings

There were no internal control deficiencies identified and no compliance findings over the financial statements for fiscal year 2022.

III. Findings and Questioned Costs for Federal Awards

Finding 2022-001: Timely Enrollment Reporting

Major Federal Program Title: United States Department of Education, Student Financial Assistance Cluster, Direct Student Loans (AL 84.268)

Criteria: 2 CFR Part 200.303(a) state that the auditee must establish and maintain effective internal control over the federal awards that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and terms and conditions of the federal award. Specific criteria for enrollment reporting are established by the U.S. Department of Education within the 2021-2022 Federal Student Aid Handbook, Chapter 3, Sharing Information with NSLDS, Federal Loan Servicers, and Guarantors, including: (1) Institutions are required to report enrollment information under the Pell grant and the Direct loan programs via the NSLDS. (2) Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer. (3) Institutions must report any enrollment status changes for students within 30 days; however, if a roster file is used, then the Institute may use the roster file to provide the update within 60 days.

Condition: The Institute failed to notify the National Student Loan Data System for three selected students' withdrawals within the required 60 days. However, it was properly determined for the students to have earned 100% of the Title IV funds.

Context: Three of 14 students tested from a population of 43 students with enrollment status changes were not reported in the required timeframe.

Cause: These had occurred during the Registration and Records Department transitions with the Senior Director of Enrollment management leaving in July. Going forward it is practice for the Institute to notify NSLDS at the time of withdrawal determination to ensure timely submission.

Effect: Noncompliance with federal regulations could result in the loss of future federal financial aid funding. In addition, not reporting enrollment status change within the required timeframe can impact an individual student's loan deferment and repayment schedule.

Questioned Costs: None

Repeat finding: No

Recommendation: We recommend that management consider the use of the ad hoc reporting option in NSLDS to prevent inadvertent late enrollment status updates for Return to Title IV Funds.

Views of Responsible Official: Management agrees with this finding. Please see corrective action plan attached.

Erikson Institute

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

I. Financial Statement Prior Audit Findings

There were no matters to report.

II. Findings and Questioned Costs for Federal Awards

There were no matters to report.

Corrective Action Plan Year Ended June 30, 2022

Finding 2022-001: Timely Enrollment Report

The Institute failed to notify the National Student Loan Data System for three selected students' withdrawals within the required 60 days. However, it was properly determined for the students to have earned 100% of the Title IV funds.

Corrective Action Plan

Management has immediately implemented the ad hoc reporting option, which includes the Associate Director of Registration and Student Records notifying the NSLDS of student withdrawals at time of withdrawal.

This policy will ensure timely reporting of withdrawals and will be included in the standard procedure process for the withdrawal of a student.

Contact Person

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Anticipated Completion Date

February 2023