

**Northeastern  
Illinois University**

A COMPONENT UNIT OF THE  
STATE OF ILLINOIS

---

**FINANCIAL AUDIT**

FOR THE YEAR ENDED  
JUNE 30, 2021

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PERFORMED AS SPECIAL  
ASSISTANT AUDITORS FOR THE  
AUDITOR GENERAL,  
STATE OF ILLINOIS

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**FINANCIAL AUDIT**  
**For the Year Ended June 30, 2021**

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**NORTHEASTERN ILLINOIS UNIVERSITY**  
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**FINANCIAL AUDIT**  
**For the Year Ended June 30, 2021**

**UNIVERSITY OFFICIALS**

President	Dr. Gloria Gibson
Provost	Dr. Dennis Rome
Vice President for Finance and Administration/Treasurer	Mr. Manish Kumar
Vice President for Student Affairs (02/21/21 to Present)	Dr. Terry Mena
Interim Vice President for Student Affairs (01/21/20 to 02/21/21)	Dr. Dennis Rome
Vice President for Institutional Advancement	Ms. Liesl Downey
General Counsel (09/20/21 to Present)	Mr. G. A. Finch
Vice President for Legal Affairs (01/01/21 to 09/19/21)	Vacant
Vice President for Legal Affairs (07/01/20 to 12/31/20)	Ms. Melissa Reardon Henry
Associate Vice President for Finance (02/01/20 to 04/30/21)	Ms. Ann McNabb
Executive Director for Finance and Administration (05/01/21 to Present)	Ms. Beni Ortiz
Director of Financial Affairs/Controller (11/20/21 to Present)	Vacant
Interim Director of Financial Affairs/Controller (05/01/21 to 11/19/21)	Mr. Olegario Flores
Director of Financial Affairs/Controller (07/01/20 to 04/30/21)	Ms. Beni Ortiz
Director of Internal Audit	Ms. Rita Moore

**BOARD OF TRUSTEES**

Chair	Mr. Jim Palos
Vice Chair	Ms. Sherry Eagle
Secretary	Mr. Jonathan Stein
Member	Mr. Carlos Azcoitia
Member	Mr. Marvin Garcia
Member	Ms. Ann Kalayil
Member	Mr. Charles Serrano
Member	Vacant
Member	Vacant
Student Member (10/07/21 to Present)	Mr. Javonti Mordican
Student Member (07/07/21 to 10/06/21)	Vacant
Student Member (07/01/20 to 06/30/21)	Ms. Gabriela Loredó

**UNIVERSITY OFFICE**

Northeastern Illinois University's primary administrative office is located at 5500 N. St. Louis Avenue, Chicago, Illinois 60625.

**NORTHEASTERN ILLINOIS UNIVERSITY**  
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**For the Year Ended June 30, 2021**

**FINANCIAL STATEMENT REPORT**

**SUMMARY**

The audit of the accompanying financial statements of the Northeastern Illinois University (University) was performed by Roth & Company, LLP.

Based on their audit, the auditors expressed an unmodified opinion on the University's basic financial statements.

**SUMMARY OF FINDINGS**

<b>Number of</b>	<b><u>Current Report</u></b>	<b><u>Prior Report</u></b>
Findings	3	3
Repeated Findings	3	2
Prior Recommendations Implemented or Not Repeated	0	2

**SCHEDULE OF FINDINGS**

<b><u>Item No.</u></b>	<b><u>Page</u></b>	<b><u>Last/First Reported</u></b>	<b><u>Description</u></b>	<b><u>Finding Type</u></b>
<b>Current Findings</b>				
2021-001	81	2020/2020	Inadequate Internal Controls over Census Data	Material Weakness/ Noncompliance
2021-002	86	2020/2017	Weaknesses over Computer Security	Significant Deficiency/ Noncompliance
2021-003	88	2020/2019	Lack of Adequate Controls over Review of Internal Controls over Service Providers	Significant Deficiency/ Noncompliance

**Prior Findings Not Repeated**

None

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**For the Year Ended June 30, 2021**

**EXIT CONFERENCE**

The University waived an exit conference in a correspondence from Beni Ortiz, Executive Director for Finance and Administration, on April 8, 2022. The responses to the recommendations were provided by Beni Ortiz, Executive Director for Finance and Administration, in a correspondence dated April 27, 2022.



## **INDEPENDENT AUDITOR'S REPORT**

Honorable Frank J. Mautino  
Auditor General  
State of Illinois  
and

The Board of Trustees  
Northeastern Illinois University

### **Report on the Financial Statements**

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities, fiduciary activities, and the discretely presented component unit of the Northeastern Illinois University (University), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those statements were audited by other auditors whose report have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of other auditors. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Northeastern Illinois University Foundation where the audit was not performed in accordance with *Government Auditing Standards*), a component unit of the University, were not audited in accordance with *Government Auditing Standards*.

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

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, fiduciary activities, and the discretely presented component unit of the University, as of June 30, 2021, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

Further, as discussed in Note 1 to the financial statements, in Fiscal Year 2021, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. The implementation of this statement resulted in a restatement of the Fiduciary's net position of \$697,519. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8-18, the Schedule of Employer's Proportionate Share of Net Pension Liability on page 70, the Schedule of Pension Contributions on page 71, the Schedule of Employer's Proportionate Share of Net Other Postemployment Benefits Liability on page 72, and the Notes to the Required Supplementary Information on pages 73-74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards



generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements.

The Table of Operating Expenses (accompanying supplementary information) and University Facilities System Revenue Bond Funds, Insurance in Force, Enrollment at the University, Rates and Charges, and Summary of Each Fund and Account Under the Bond Resolution (accompanying other information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2022, on our consideration of the University'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 University'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 University's internal control over financial reporting and compliance.

**SIGNED ORIGINAL ON FILE**

Chicago, Illinois  
May 9, 2022



**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Year Ended June 30, 2021**

This section of Northeastern Illinois University's (University) annual report presents management's discussion and analysis of the University's financial position and activities during the fiscal year ended June 30, 2021 with comparative information for the fiscal year ended June 30, 2020. The discussion and analysis is designed to focus on current activities and currently known facts. Please read it in conjunction with the University's financial statements and related footnote disclosures. This discussion and analysis is focused on the University. A discussion and analysis of the University's Component Unit can be found in the separately issued financial statements of the University's Foundation.

### **REPORTING ENTITY**

The University is an institution of higher education and is considered to be a component unit of the State of Illinois. Accordingly, the University's financial statements are included in the State of Illinois' annual comprehensive financial report as a discrete component unit. The State of Illinois' Annual Comprehensive Financial Report may be obtained by writing to the State Comptroller Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois 62704-1871 or accessing its website at [www.illinoiscomptroller.gov](http://www.illinoiscomptroller.gov).

### **USING THIS ANNUAL REPORT**

The University's annual report contains the financial statements: The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; the Statement of Cash Flows; the Statement of Fiduciary Net Position; and the Statement of Changes in Fiduciary Net Position. These financial statements are prepared in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) which establish standards for external financial reporting and provide a consolidated perspective of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, and cash flows. For comparison purposes, comparative data is provided for the prior year.

### **Proprietary Funds**

These funds used to show the activities that operate more like those of business-type enterprises. These funds charges tuition and other fees for services provided to students and others. The proprietary fund financial statements include:

The **Statement of Net Position** presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the University as of the end of the fiscal year using the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and whereby expenses and liabilities are recognized when a service is delivered to the University, regardless of when cash is exchanged. Net position, consisting of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one indicator of the current financial condition of the University. Except for

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Year Ended June 30, 2021**

capital assets, all other assets and liabilities are measured at a point in time using current values. Capital assets are recorded at historical cost less an allowance for depreciation.

The **Statement of Revenues, Expenses, and Changes in Net Position** present the University's results of operations, as well as the nonoperating revenues and expenses for the fiscal year. Operating revenues are generated by providing goods and services to the various customers and constituencies of the University. Operating expenses are incurred when goods and services are provided by vendors and employees for the overall operations of the University. Nonoperating revenues and expenses include resources provided by the State of Illinois' through appropriations, special funding situation, grants, and payments on behalf of the University, federal grants, investment income, interest on indebtedness and other nonoperating transactions.

The **Statement of Cash Flows** presents the receipt and use of cash and cash equivalents in the University's operating, financing, and investing activities during the fiscal year and provides a view of the University's ability to meet financial obligations as they mature.

#### **Fiduciary Funds**

These funds present custodial funds which are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, or other governmental units, and/or other funds. The financial statement for fiduciary funds includes the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. The University's fiduciary funds include the following:

- Private Scholarships and Others - This is attributable for the student activities, clubs, scholarship funds or other groups with funds typically generated from donations, fees or other fundraising activities.
- Housing Facility - This is attributable to the rental payment collected by the University under the concession agreement in Note 13.
- Meal Plan - This refers to the meal plan that allows students to deposit money onto their identification cards and use such to pay for food and drink at three campus locations.

The **Notes to the Basic Financial Statements** are a crucial component of the report. The notes include important background and financial information that may not be reflected in the basic financial statements including details of the University's accounting policies, cash and cash equivalents, receivables, capital assets, long-term debt, other liabilities and other financial information.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Year Ended June 30, 2021**

**FINANCIAL HIGHLIGHTS**

Highlights of the University's financial position for the fiscal year ended June 30, 2021 are presented below:

- The University has total assets of \$280 million, including current assets of \$103 million and noncurrent assets of \$177 million.
- The University has deferred outflows of resources of \$3 million, of which \$1 million relates to pension contributions and \$2 million relates to other postemployment benefits (OPEB).
- The University has total liabilities of \$101 million, including current liabilities of \$16 million and noncurrent liabilities of \$85 million.
- The University has deferred inflows of resources of \$37 million, of which \$29 million relates to capital assets constructed under service concession arrangement and \$8 million relates to OPEB.
- The University's total net position increased by \$17 million with a decrease of \$2 million in net investment in capital assets and an overall increase of \$19 million in unrestricted net position.
- The total operating revenues of the University were \$64 million, including \$45 million in student tuition and fees (net of scholarship allowances), \$16 million in federal, state, and nongovernmental grants and contracts, \$2 million auxiliary enterprises revenues, and \$1 million other operating revenues.
- The total operating expenses of the University were \$191 million, of which \$95 million was spent for instruction, \$1 million for research, \$10 million for public service, \$11 million for academic support, \$13 million for student services and programs, \$24 million for institutional support, \$16 million for operation and maintenance of plant, \$9 million in scholarships and fellowships, and \$6 million in auxiliary enterprises. This amount also includes \$6 million in depreciation expense.
- The operating loss of \$127 million of the University was partially funded by nonoperating revenues, including State's appropriations, special funding situation, grants, and payments on behalf of the University, Pell and SEOG grants, Higher Education Emergency Relief Funds (HEERF) and Governor's Emergency Education Fund (GEERF), investment income, return of federal loan program and other nonoperating transactions. As a result, the University had an income of \$17 million after other revenues, expenses, gains and losses.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Year Ended June 30, 2021**

**FINANCIAL ANALYSIS**

Following are condensed financial statements. Certain significant items are discussed in further detail following each respective statement.

**Condensed Statement of Net Position**  
**As of June 30, 2021 and 2020**  
**(dollars in thousands)**

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>ASSETS</b>				
Current assets	\$ 102,952	\$ 84,777 *	\$ 18,175	21%
Noncurrent assets:				
Capital assets, net	173,666	178,237	(4,571)	(3%)
Other noncurrent assets	2,915	3,066	(151)	(5%)
Total noncurrent assets	<u>176,581</u>	<u>181,303</u>	<u>(4,722)</u>	<u>(3%)</u>
Total assets	<u>279,533</u>	<u>266,080</u>	<u>13,453</u>	<u>5%</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>2,827</u>	<u>3,631</u>	<u>(804)</u>	<u>(22%)</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>282,360</u>	<u>269,711</u>	<u>12,649</u>	<u>5%</u>
<b>LIABILITIES</b>				
Current liabilities	15,772	14,573 *	1,199	8%
Noncurrent liabilities	85,222	93,944	(8,722)	(9%)
Total liabilities	<u>100,994</u>	<u>108,517</u>	<u>(7,523)</u>	<u>(7%)</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>36,893</u>	<u>33,979</u>	<u>2,914</u>	<u>9%</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>137,887</u>	<u>142,496</u>	<u>(4,609)</u>	<u>(3%)</u>
<b>NET POSITION</b>				
Net investment in capital assets	101,467	103,290	(1,823)	(2%)
Restricted	7,549	7,587	(38)	(1%)
Unrestricted	35,457	16,339	19,118	117%
Total net position	<u>\$ 144,473</u>	<u>\$ 127,216</u>	<u>\$ 17,257</u>	<u>14%</u>

\* Effective for the year ending June 30, 2021, the University implemented GASB Statement No. 84, *Fiduciary Activities*, which requires the University to identify fiduciary activities that meet the criteria and report fiduciary funds in the basic financial statements. These balances were different from prior year financial statement report due to the fiduciary activities account balances that are now presented in a separate statement of fiduciary net position in accordance with GASB Statement No. 84.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Year Ended June 30, 2021**

**Current Assets** - Current assets total \$103 million and consists primarily of cash and cash equivalents of \$81 million, net receivables of \$21 million and prepayments of \$1 million. Total current assets increased by \$18 million from the prior year. This is primarily due to the increase of \$18 million in cash and cash equivalents brought about by state appropriations that were received close to fiscal yearend. The current assets of the University of \$103 million were sufficient to cover the current liabilities of \$16 million.

**Noncurrent Assets** - As of June 30, 2021, the University had total noncurrent assets of \$177 million compared with \$181 million at June 30, 2020. The net decrease of \$4 million was primarily due to capital assets depreciation of \$6 million and capital acquisition of \$2 million.

**Current Liabilities** - Current liabilities total \$16 million and consist primarily of accounts payable and accrued liabilities of \$10 million, unearned revenues from tuition of \$2 million, as well as, current portion of revenue bonds, certificates of participation of \$2 million, and current portion of liability for compensated absences of \$1 million and \$1 million of OPEB liability.

**Noncurrent Liabilities** - Noncurrent liabilities total \$85 million and consist of long-term debt and other obligations for which the principal is due more than one year from the statement of net position date. The net decrease of \$9 million from prior year is primarily due to the decrease in other postemployment benefits liability of \$6 million, and a net offsetting decrease of \$3 million consisting of revenue bonds and certificates of participation.

**Total Net Position** - Net position is divided into three major categories. The first category, net investment in capital assets, represent the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The second category, restricted net position, reports net positions that are owned by the University, but the use or purpose of the funds is restricted by an external source or entity. The third category is unrestricted net position, which is available to be used for any lawful purpose of the University.

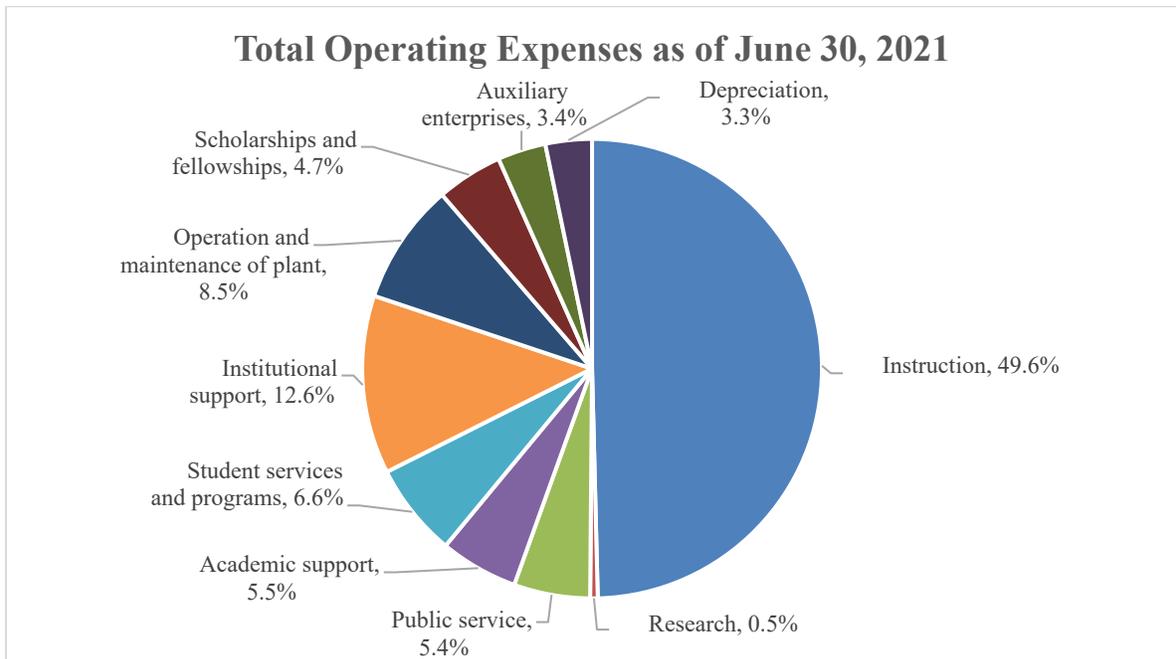
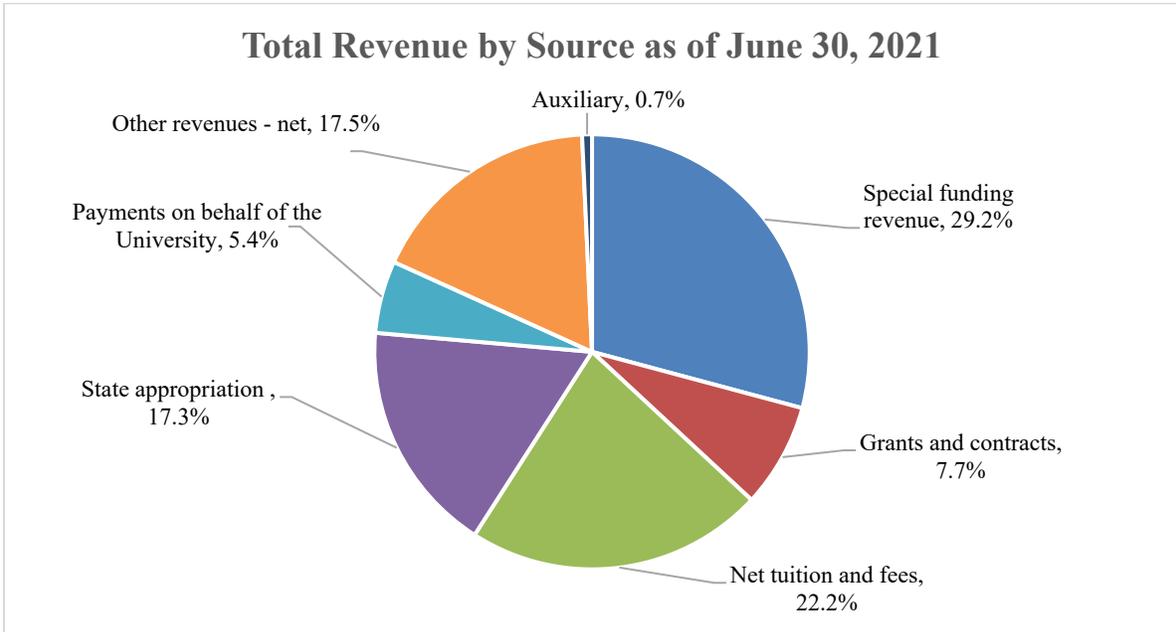
The total net position increased by \$17 million. This is a result of a \$2 million decrease in net investment in capital assets, as well as, a \$19 million increase in unrestricted net position. The decrease in net investment in capital assets was mainly due to the depreciation of capital assets, and repayment of maturing revenue bonds and certificates of participation. The increase in unrestricted net position is mainly due to increase in the University's proportionate share in the State's special funding and payment on behalf of the University for pension and OPEB, grants received through the Federal's HEERF and GEERF, and restatement due to errors in the allocation of OPEB amounts related to the State Employees Group Insurance Program (SEGIP).

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**Condensed Statement of Revenues, Expenses, and Changes in Net Position**  
**For The Years Ended June 30, 2021 and 2020**  
**(dollars in thousands)**

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>OPERATING REVENUES</b>				
Student tuition and fees, net	\$ 45,510	\$ 46,023	\$ (513)	(1%)
Grants and contracts	15,917	18,528	(2,611)	(14%)
Auxiliary enterprises	1,516	1,733	(217)	(13%)
Other operating revenues	766	1,699	(933)	(55%)
Total operating revenues	<u>63,709</u>	<u>67,983</u>	<u>(4,274)</u>	<u>(6%)</u>
<b>OPERATING EXPENSES</b>	<u>190,733</u>	<u>174,764</u>	<u>15,969</u>	<u>9%</u>
<b>OPERATING LOSS</b>	<u>(127,024)</u>	<u>(106,781)</u>	<u>(20,243)</u>	<u>19%</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State appropriations	35,567	35,567	-	0%
State special funding situation	59,913	38,253	21,660	57%
Payments on-behalf of the University	11,060	7,962	3,098	39%
Others, net	35,147	25,497	9,650	38%
Net nonoperating revenues	<u>141,687</u>	<u>107,279</u>	<u>34,408</u>	<u>32%</u>
<b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES</b>	<u>14,663</u>	<u>498</u>	<u>14,165</u>	<u>2844%</u>
Loss on disposal/cancelled capital assets	-	(39)	39	(100%)
Capital additions provided by State of Illinois	1,023	422	601	142%
Other capital additions	857	857	-	0%
<b>INCREASE IN NET POSITION</b>	<u>16,543</u>	<u>1,738</u>	<u>14,805</u>	<u>852%</u>
<b>NET POSITION, BEGINNING OF YEAR</b>				
Net position, beginning of year, as previously reported	127,216	125,478	1,738	1%
Prior period adjustments	714	-	714	100%
Net position, beginning of year, as restated	<u>127,930</u>	<u>125,478</u>	<u>2,452</u>	<u>2%</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 144,473</u>	<u>\$ 127,216</u>	<u>\$ 17,257</u>	<u>14%</u>

**NORTHEASTERN ILLINOIS UNIVERSITY**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Year Ended June 30, 2021**



**Operating Revenues** - Total operating revenues for Fiscal Year 2021 totaled \$64 million compared to \$68 million in Fiscal Year 2020. The \$4 million decrease was due to the decrease in grants of \$3 million, and student tuition and fees and other operating revenues of \$1 million as a result of the effects of the pandemic in the operations of the University.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Year Ended June 30, 2021**

**Operating Expenses (By Functions and By Natural Classification)** (amounts in thousands)

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Expenses by function:				
Instruction	\$ 94,618	\$ 81,570	\$ 13,048	16%
Research	995	1,262	(267)	(21%)
Public service	10,240	12,467	(2,227)	(18%)
Academic support	10,500	9,571	929	10%
Student services and programs	12,541	12,717	(176)	(1%)
Institutional support	23,968	18,074	5,894	33%
Operation and maintenance of plant	16,279	15,825	454	3%
Scholarships and fellowships	8,885	8,943	(58)	(1%)
Auxiliary enterprises	6,471	6,608	(137)	(2%)
Depreciation	6,236	7,727	(1,491)	(19%)
Total operating expenses	<u>\$ 190,733</u>	<u>\$ 174,764</u>	<u>\$ 15,969</u>	<u>9%</u>
Expenses by natural classification:				
Compensation and benefits	\$ 151,625	\$ 132,624	\$ 19,001	14%
Supplies and services	23,605	24,939	(1,334)	(5%)
Scholarships	9,267	9,474	(207)	(2%)
Depreciation	6,236	7,727	(1,491)	(19%)
Total operating expenses	<u>\$ 190,733</u>	<u>\$ 174,764</u>	<u>\$ 15,969</u>	<u>9%</u>

Total operating expenses in Fiscal Year 2021 increased by \$16 million mainly due to a \$23 million increase in benefits from the proportionate share of the University in the State's pension and OPEB coupled with an offsetting combined \$7 million decrease in compensation of \$4 million, depreciation of \$1.4 million, and winding down of the Gaining Early Awareness and Readiness for Undergraduate program of \$1.6 million.

**Nonoperating Revenues (Expenses)** - This consists of State appropriations, special funding situation, grants, and payments on behalf of the University, Pell, SEOG, HEER Funds and GEER Fund revenues, and investment income. Total nonoperating revenues increased by \$34 million mainly as a result of a \$21 million increase in special funding revenue, \$3 million increase in payments on behalf of the university, \$10 million increase in federal grants, and \$1 million increase in return of federal loan grant coupled by a \$1 million decreased in investment income.

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Year Ended June 30, 2021**

Following are condensed statements of cash flows for the years ended June 30, 2021 and 2020 (amounts in thousands):

**Condensed Statement of Cash Flows**  
**For the Years Ended June 30, 2021 and 2020**  
**(dollars in thousands)**

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Net cash used in operating activities	\$ (53,865)	\$ (50,912) *	\$ (2,953)	6%
Net cash provided by noncapital financing activities	77,181	56,680	20,501	36%
Net cash used in capital financing activities	(5,109)	(6,295)	1,186	(19%)
Net cash provided by investing activities	55	843	(788)	(93%)
Net increase in cash and cash equivalents	18,262	316	17,946	5679%
Cash and cash equivalents - beginning of year	64,101	63,785 *	316	0%
Cash and cash equivalents - end of year	<u>\$ 82,363</u>	<u>\$ 64,101</u>	<u>\$ 18,262</u>	<u>28%</u>

\* Effective for the year ending June 30, 2021, the University implemented GASB Statement No. 84, *Fiduciary Activities*, which requires the University to identify fiduciary activities that meet the criteria and report fiduciary funds in the basic financial statements. These balances were different from prior year financial statement report due to the fiduciary activities account balances that are now presented in a separate statement of fiduciary net position in accordance with GASB Statement No. 84.

The primary cash receipts from operating activities consist of student tuition and fees of \$44 million, grants and contracts of \$13 million, direct lending receipts of \$15 million and auxiliary revenues of \$2 million. Cash outlays consist of payments to employees of \$75 million, payments for fringe benefits of \$6 million, payments for scholarships and fellowships of \$9 million, payments to suppliers of \$23 million and direct lending disbursements of \$15 million.

The State appropriation of \$41 million, State MAP and AIM HIGH grants of \$10 million and Federal Pell and SEOG grants of \$12 million are the primary sources of noncapital financing activities. This fiscal year, an additional \$14 million Federal grant related to the HEER Funds and GEER Fund received by the University resulting from the nationwide coronavirus (COVID-19) pandemic.

The main capital financing activities included purchases of capital assets and construction costs of \$1 million and debt service payments of \$4 million.

There was a total net cash increase of \$18 million from Fiscal Year 2020.

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Year Ended June 30, 2021**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

The University's capital assets include land, land improvements, buildings and building improvements, equipment, library books and construction in progress.

The following summarized the University's capital assets, accumulated depreciation, and depreciation expenses for the fiscal year June 30, 2021 and 2020 (amounts in thousands).

	<u>2021</u>	<u>2020</u>
Capital assets	\$ 313,396	\$ 312,099
Accumulated depreciation	<u>139,730</u>	<u>133,862</u>
Capital assets, net	<u>\$ 173,666</u>	<u>\$ 178,237</u>
Depreciation expense	<u>\$ 6,236</u>	<u>\$ 7,727</u>

Capital assets funding includes revenue bonds, certificates of participation, State capital appropriations and internal funds. These funding sources are used for the construction of the University's parking facilities, energy conserving improvements, and other academic facilities.

Capital assets also includes student housing facility which was developed, financed and constructed in accordance with the development agreement with the American Campus Communities and ground lease agreement with the CHF-Cook, LLC.

The University primarily uses revenue bonds and certificates of participation to fund construction projects.

The following summarizes a table of long-term debt, including current principal, for fiscal years ended June 30, 2021 and 2020 (amounts in thousands).

	<u>2021</u>	<u>2020</u>
Revenue bonds, net	\$ 13,072	\$ 13,729
Certificates of participation, net	33,978	35,925

In May 2021, S&P Global ("S&P") upgraded the credit rating on the University's outstanding University Facilities System Revenue Bonds and Certificates of Participation to "BB" with a "Stable" outlook. Additionally, the S&P changed its outlook on all Illinois public universities, including Northeastern, from "Negative."

In August 2021, Moody's Investors Service affirmed the University's rating on its rated Certificates of Participation at "B2" and revised its outlook from "Negative" to "Stable."

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Year Ended June 30, 2021**

## **ECONOMIC OUTLOOK**

In June 2020, the Governor signed the Fiscal Year 2021 budget that provided level support for public education operations. For the University, the approved Fiscal Year 2021 appropriation amounted to \$35.6 million equal to the amount received in Fiscal Year 2020.

The University experienced declining government support (Federal and State) and increasing costs over the years. This will likely continue in the future periods. The University, like most higher education institutions, has increased its tuition and fees to compensate for both declining government support and to address the need for resources to meet increasing costs, implement new and innovative academic programs, and provide needed student support services. Decrease in federal funding means lower financial aid grant funding to allow students with less financial resources to attend college. In response to this, the University is allocating a portion of operating funds for institutional need-based student aid programs. Reduction in federal spending will also reduce available funding that has been used at the University for student support services (e.g. veterans and transfer students) and certain facility renovations. This will result in increased deferral of facilities maintenance, and financial challenges in implementing new academic programs to address student needs.

A further complication is pension funding. Discussions continue at the State level on options to address the pension challenges, and the State began shifting pension obligations to the University in Fiscal Year 2018. The solution to the State's underfunded pension system will have some financial effect on the University as well.

## **CONTACTING FINANCIAL MANAGEMENT AT NEIU**

This financial report is designed to provide interested parties with a general overview of Northeastern Illinois University finances and to show the University's stewardship and accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Manish Kumar, Vice President/CFO, and Beni Ortiz, Interim Executive Director of Finance and Administration; both located at 5500 North St. Louis Avenue, Chicago, Illinois 60625.

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**STATEMENT OF NET POSITION**  
**June 30, 2021**

	<b>University</b>	<b>Component Unit</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 78,463,391	\$ 3,507,259
Restricted cash and cash equivalents	1,968,996	-
Short-term investments	-	5,364,429
Accounts receivable, net	20,808,905	-
Student loans receivable, net	308,723	-
Pledges receivable	-	278,452
Inventories	11,746	-
Prepaid expenses	1,363,396	2,575
Other assets	26,842	-
Total current assets	102,951,999	9,152,715
Noncurrent assets:		
Restricted cash and cash equivalents	1,930,678	-
Restricted investments	-	12,705,271
Assets held under split-interest agreements	-	1,025,776
Long-term portion of pledges receivable	-	18,554
Student loans receivable, net	104,952	-
Capital assets, net	173,665,642	-
Other assets	880,012	8,000
Total noncurrent assets	176,581,284	13,757,601
<b>TOTAL ASSETS</b>	<b>279,533,283</b>	<b>22,910,316</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension	958,972	-
Other postemployment benefits	1,868,008	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,826,980</b>	<b>-</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>282,360,263</b>	<b>22,910,316</b>

See accompanying notes to the basic financial statements.

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**STATEMENT OF NET POSITION**  
**June 30, 2021**

	<b>University</b>	<b>Component Unit</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	10,267,690	41,034
Unearned revenues	1,393,906	-
Liability for compensated absences	687,731	-
Revenue bonds payable, net	676,286	-
Certificates of participation, net	2,041,802	-
Funds held in custody for others	-	400,111
Other postemployment benefits	704,557	-
Obligations under split-interest agreements	-	49,466
Total current liabilities	15,771,972	490,611
Noncurrent liabilities:		
Liability for compensated absences	5,875,285	-
Revenue bonds payable, net	12,396,066	-
Certificates of participation, net	31,936,442	-
Federal loan contributions refundable	448,888	-
Other postemployment benefits	34,565,569	-
Obligations under split-interest agreements	-	543,881
Total noncurrent liabilities	85,222,250	543,881
<b>TOTAL LIABILITIES</b>	<b>100,994,222</b>	<b>1,034,492</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Concession arrangement	28,991,703	-
Other postemployment benefits	7,901,377	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>36,893,080</b>	<b>-</b>
 <b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>		
	<b>137,887,302</b>	<b>1,034,492</b>
 <b>NET POSITION</b>		
Net investment in capital assets	101,467,335	-
Restricted for:		
Nonexpendable:		
Scholarships and memorials	-	13,778,578
Expendable:		
Grants and contracts	1,075,457	-
Student loans	249,707	-
Debt service	2,380,270	-
Other	3,843,463	7,078,019
Unrestricted	35,456,729	1,019,227
<b>TOTAL NET POSITION</b>	<b>\$ 144,472,961</b>	<b>\$ 21,875,824</b>

See accompanying notes to the basic financial statements.

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Year Ended June 30, 2021**

	<u>University</u>	<u>Component Unit</u>
<b>OPERATING REVENUES</b>		
Student tuition and fees, net	\$ 45,509,753	\$ -
Federal grants and contracts	13,152,335	-
State and local grants	1,842,869	-
Nongovernmental grants and contracts	921,660	-
Auxiliary enterprises	1,516,347	-
Other operating revenues	766,406	3,145,751
Total operating revenues	<u>63,709,370</u>	<u>3,145,751</u>
<b>OPERATING EXPENSES</b>		
Instruction	94,618,236	-
Research	995,441	-
Public service	10,240,187	-
Academic support	10,499,545	-
Student services and programs	12,541,366	-
Institutional support	23,968,132	-
Operation and maintenance of plant	16,278,587	-
Scholarships and fellowships	8,884,990	700,546
Auxiliary enterprises	6,471,130	-
Depreciation	6,235,815	-
Other operating expenses	-	1,133,603
Total operating expenses	<u>190,733,429</u>	<u>1,834,149</u>
Operating income (loss)	(127,024,059)	1,311,602
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	35,566,900	-
State special funding revenue	59,913,296	-
Payments on behalf of the University	11,060,000	-
Federal grants - Pell and SEOG	12,406,131	-
Federal grants - HEERF and GEERF	14,157,060	-
State grants- MAP and AIM HIGH Program	10,185,221	-
Investment income	55,530	4,275,160
Return of federal loan program	207,574	-
Interest on indebtedness	(1,864,232)	-
Net nonoperating revenues	<u>141,687,480</u>	<u>4,275,160</u>
Income before other revenues, expenses, gains and losses	14,663,421	5,586,762
Capital additions provided by State of Illinois	1,022,637	-
Other capital additions	856,898	-
<b>NET INCREASE IN NET POSITION</b>	<u>16,542,956</u>	<u>5,586,762</u>
<b>NET POSITION, BEGINNING OF YEAR</b>		
Net position, beginning of year, as previously reported	127,215,945	16,289,062
Prior period adjustments	714,060	-
Net position, beginning of year, as restated	<u>127,930,005</u>	<u>16,289,062</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 144,472,961</u>	<u>\$ 21,875,824</u>

See accompanying notes to the basic financial statements.

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2021**

	<b>University</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student tuition and fees	\$ 43,618,639
Grants and contracts	13,473,681
Payments to employees	(75,262,308)
Payments for fringe benefits	(6,100,221)
Payments to suppliers	(22,763,647)
Payments for scholarships and fellowships	(9,266,951)
Loans issued to students	(12,479)
Collections of loans from students	128,032
Auxiliary enterprises	1,516,347
Student direct lending receipts	15,236,319
Student direct lending disbursements	(15,236,319)
Other receipts	803,431
Net cash used in operating activities	(53,865,476)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State appropriation	41,272,137
Federal grants - Pell and SEOG	12,012,578
Federal grants - HEERF and GEERF	13,711,136
State grants - MAP and AIM HIGH Program	10,185,221
Net cash provided by noncapital financing activities	77,181,072
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Purchases of capital assets and construction	(641,706)
Principal paid on capital debt and leases	(2,535,000)
Interest paid on capital debt and leases	(1,932,318)
Net cash used in capital financing activities	(5,109,024)
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>	
Interest on investments	55,530
Net cash provided by investing activity	55,530
Net increase in cash and cash equivalents	18,262,102
Cash and cash equivalents - beginning of year	64,100,963
Cash and cash equivalents - end of year	\$ 82,363,065

See accompanying notes to the basic financial statements.

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2021**

	<b>University</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (127,024,059)
Adjustments to reconcile operating loss to net cash used in operating activities:	
State special funding revenue	59,913,296
Payments on behalf of the University	11,060,000
Depreciation	6,235,815
Changes in assets and liabilities:	
Accounts receivable	(4,247,446)
Student loans receivable	115,553
Prepaid expenses and other assets	(497,526)
Inventories	1,033
Deferred outflows of resources	804,504
Accounts payable and accrued liabilities	1,387,843
Unearned revenues	(51,529)
Liability for compensated absences	(62,540)
Other postemployment benefits	(5,271,633)
Deferred inflows of resources	3,771,213
<b>Net cash used in operating activities</b>	<b>\$ (53,865,476)</b>
<b>Noncash investing, capital, and noncapital activities:</b>	
Special funding revenue	\$ 59,913,296
Payments on behalf of the University	\$ 11,060,000
Capital asset acquisition through capital appropriations	\$ 1,022,637
Realized income on deferred inflows of resources from concession arrangement	\$ 856,898

See accompanying notes to the basic financial statements.

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2021**

	<b>Custodial Funds</b>
<b>ASSETS</b>	
Cash and cash equivalent	\$ 449,193
Receivables	505,811
<b>TOTAL ASSETS</b>	955,004
 <b>LIABILITIES</b>	
Accounts payable and accrued liabilities	3,778
<b>TOTAL LIABILITIES</b>	3,778
 <b>NET POSITION</b>	
Restricted for:	
Individuals, organizations, and other governments	951,226
<b>TOTAL NET POSITION</b>	\$ 951,226

See accompanying notes to the basic financial statements.

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**For the Year Ended June 30, 2021**

	<b>Custodial Funds</b>
<b>ADDITIONS</b>	
Receipts from individuals, organizations, and other governments	\$ 966,627
Rent collections	1,482,073
Total additions	2,448,700
<b>DEDUCTIONS</b>	
Beneficiary payments to individuals	885,072
Supplies and other services	1,309,921
Total deductions	2,194,993
<b>NET INCREASE IN FIDUCIARY NET POSITION</b>	253,707
<b>NET POSITION, BEGINNING OF YEAR</b>	
Net position, beginning of year, as previously reported	-
Effect due to change in accounting principles	697,519
Net position, beginning of year, as restated	697,519
<b>NET POSITION, END OF YEAR</b>	\$ 951,226

See accompanying notes to the basic financial statements.

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed by Northeastern Illinois University (University or NEIU) are presented below to assist the reader in evaluating the financial statements and accompanying notes.

**Reporting Entity**

Northeastern Illinois University, an agency of the State of Illinois, with a primary focus on postsecondary instruction, research and public service, is located in Chicago, Illinois. The governing body of the University is the Board of Trustees of Northeastern Illinois University, created in January 1996 as a result of legislation to reorganize governance of state public universities. Northeastern Illinois University is the oversight unit, which includes all applicable funds, departments and entities for which the University is considered financially accountable and over which the University exercises oversight responsibility. Oversight responsibility is defined to include, but is not limited to, the following considerations: financial interdependency, designation of management, ability to significantly influence operations, accountability for fiscal matters, the scope of an organization's public service, and/or special financing relationships. As required by generally accepted accounting principles, these financial statements present the financial position and financial activities of the University and its component unit, Northeastern Illinois University Foundation (Foundation).

The Foundation is a University Related Organization as defined under University Guidelines adapted by the State of Illinois Legislative Audit Commission in 1982 and amended September 1997. The Foundation was formed for the purpose of providing fund raising and other assistance to the University, to supplement the resources that are available to the University, and to support the University's instructional, research, and public service activities. In this capacity, the Foundation solicits, receives, holds, and administers gifts for the benefit of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources and income thereon the Foundation holds and invests are restricted to the activities of the University by the donors. Because resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is presented in the University's financial statements. The Foundation is a private nonprofit organization that reports under accounting standards promulgated by the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and other accounting rules are different from the revenue recognition criteria and accounting rules promulgated by Governmental Accounting Standards Board (GASB) that the University follows. Except for reclassifying the Foundation's FASB presentation into the University GASB presentation, no modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

An audit of the Foundation's financial statements, for the fiscal year ended June 30, 2021, was conducted by an independent certified public accountant. Complete financial statements for the Foundation may be obtained by writing to the Foundation, Executive Director and Vice President for Institutional Advancement, Northeastern Illinois University, 5500 North St. Louis Ave., Chicago, Illinois 60625.

The University is a component unit of the State of Illinois for financial reporting purposes. The financial balances and activities included in these financial statements are, therefore, also included in the State of Illinois' annual comprehensive financial report.

**Basis of Accounting**

The financial statements of the University are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred. All significant intra-agency transactions have been eliminated.

***Proprietary Funds***

The financial statements are prepared in accordance with GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, and follow the special purpose governments engaged only in "business-type" activities requirements, which requires the following components of the University's financial statements:

***Management's Discussion and Analysis***

This provides an objective analysis of the University's financial activities based on facts, decisions, and conditions.

***Basic financial statements including a Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows***

- The statement of net position details current assets/liabilities and noncurrent assets/liabilities and deferred inflows of resources/deferred outflows of resources. In general, current assets are those that are available to satisfy current liabilities. Current liabilities are those that will be paid within one year of the date of the statement of net position. Other assets and liabilities due beyond one year are noncurrent. Deferred inflows of resources and deferred outflows of resources represent an increase or decrease in net position that applies to a future period. The University will not recognize the related revenue or expense until the future event occurs. Net position is divided into three major categories: 1) Net investment in capital assets, 2) Restricted, and 3) Unrestricted.

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

- The statement of revenues, expenses, and changes in net position provides operating and nonoperating revenues and expenses and displays the net income or loss from operations and total changes in net position.
- The statement of cash flows details the change in the cash and cash equivalents balance for the fiscal year and is prepared using the direct method. This statement provides information related to cash receipts and cash payments during the year. The statement also helps users evaluate the University's ability to meet financial obligations as they mature.

***Fiduciary Activities***

The University reports fiduciary funds which are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, or other governmental units, and/or other funds. The University's fiduciary funds are custodial funds that are used to report fiduciary activities that are not required to be reported in another fiduciary fund type and include the following:

- Private scholarships and others – This is attributable for the student activities, clubs, scholarship funds or other groups with funds typically generated from donations, fees or other fundraising activities.
- Housing Facility – This is attributable to the rental payment collected by the University under the concession agreement in Note 14.
- Meal Plan – This refers to the Goldie Bucks meal plan. This meal plan allows students to deposit money onto their identification cards and use such to pay for food and drink at three campus locations.

***Notes to the Basic Financial Statements***

This provides additional analysis of the University's basic financial statements.

**Operating and Nonoperating Revenues**

Operating revenues of the University consist of student tuition and fees, grants and contracts, student union sales and services, parking revenues, and other operating revenues. Transactions relating to capital or financing activities, noncapital financing activities, investing activities, State appropriations, State special funding, payments on behalf of the University, State Monetary Award Program (MAP) and Aspirational Institutional Match Helping Illinois Grow Higher Education (AIM HIGH) grants, Pell grant, Supplemental Educational Opportunity grant (SEOG), Higher Education Emergency Relief Fund (HEERF), Governor's Emergency Education Relief Fund (GEERF), gifts, and investment income are components of nonoperating revenues. Restricted and unrestricted resources are used at the discretion of the University, within the proper

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

guidelines. The University first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net positions are available.

**Auxiliary Enterprises**

The auxiliary enterprises are primarily composed of the student union, childcare, and parking operations.

**Use of Estimates**

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

**Cash and Cash Equivalents**

Cash and cash equivalents include bank accounts and investments with original maturities of 90 days or less at the time of purchase, primarily U.S. Treasury bills and money market funds.

**Investments and Marketable Securities**

The University accounts for its investments and marketable securities at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

For the joint investing activity of the University, interest and dividends on investments are allocated to the funds which participated in the investment purchase according to the fund's appropriate share of the total investment.

**Restricted Assets**

Restricted assets consist of cash and investments that are externally restricted by outside sources and are classified as current or noncurrent in the statement of net position.

**Receivables**

Receivables consist mainly of charges to students for tuition and fees, auxiliary enterprise service charges, and student loans made to students from federal loan programs. Receivables also include amounts due from the federal government, State and local governments, or private sources in connection with the reimbursement of allowable expenditures made to the University's

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

grants and contracts. Receivables are recorded net of allowance for doubtful accounts based on management's best estimate of uncollectible accounts considering type, age, collection history and other appropriate factors.

**Inventories**

Inventories are carried at the lower of cost (determined by the first-in and first-out, or average cost method depending on the nature of the inventory item) or market.

**Capital Assets**

Capital assets reported in the statement of net position are recorded at actual cost at the time of acquisition, or acquisition value at the date of donation. The University follows the capitalization policy established by the Comptroller of the State of Illinois as follows:

Classification	Capitalized Threshold	Estimated Useful Life (in years)
Land	\$ 100,000	Indefinite
Land improvements	25,000	Indefinite
Site improvements	25,000	5-50
Buildings	100,000	50
Building improvements	25,000	10-45
Equipment	5,000	3-25
Non-depreciable historical treasures/works of art	5,000	Indefinite
Software/license fees	50,000	5
Library books*	5,000	7

*\*Library books consist of a large number of items with modest values reported on a composite basis.*

The student housing facility is depreciated over the remaining term of the Ground Lease agreement of 38 years and 9 months.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. There is no depreciation recorded for capitalized assets during the first year.

**Liability for Compensated Absences**

Liability for compensated absences includes earned but unused vacation and sick leave days valued at the current rate of pay.

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**Unearned Revenues**

Unearned revenues include amounts received for tuition and fees prior to the end of the fiscal year but related to the subsequent accounting period.

**Revenue Bonds Payable and Certificates of Participation**

Revenue bonds payable and certificates of participation (COP) are stated at face value net of unamortized discounts and premiums.

**Net Position**

The University's net position are classified as follows:

Net investment in capital assets - represents the University's total investment in capital assets net of accumulated depreciation, reduced by outstanding obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted - expendable - includes resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted - nonexpendable - consists of endowment and similar type funds in which donors or outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted - represents sources derived from student tuition and fees, State appropriations, and sales and services provided by educational departments and certain auxiliary enterprises. These resources are used for educational and general operations of the University and may be used at the discretion of the governing board to meet current expenses for any purpose.

**Deferred Inflows of Resources/Deferred Outflows of Resources**

In addition to assets and liabilities, the statement of net position includes a separate section for deferred inflows or outflows of resources. Deferred inflows of resources represent increase in net position that applies to a future period. The revenue is not recognized until a future period. Deferred inflows of resources reported by the University relate to the actual investment performance of other postemployment benefits and service concession arrangement as explained in Notes 13 and 14 to the basic financial statements, respectively. Deferred outflows of resources represent consumption of net position that applies to a future period and so will not be

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recognized as an expense until then. Deferred outflows of resources reported by the University consist of deferral of employer pension contributions as explained in Note 11 to the basic financial statements and employer other postemployment benefit contributions made after the measurement date but before the end of the reporting period as explained in Note 13 to the basic financial statements.

**Revenue Recognition**

Appropriations made from the State of Illinois General Revenue, Capital Development and Education Assistance Funds for the benefit of the University are recognized as nonoperating revenues to the extent expended, limited to available appropriations.

Tuition and fees, except for the summer term, are recognized as revenues as they are assessed. Tuition and fees are reduced by scholarship discounts and allowances of \$23,460,730 for Fiscal Year 2021. The summer term tuition and fees are allocated between fiscal years based on when the revenue is earned, since the summer term begins in one fiscal year and ends in the next. The portion of summer term tuition and fees applicable to the following fiscal year is unearned. The value of tuition and fee exemptions awarded to graduate assistants, staff members and others is calculated at the applicable tuition rates. These exemptions amounted to \$3,624,130 in Fiscal Year 2021.

Restricted funds which are received or receivable from external sources are recognized as revenues to the extent of related expenses or satisfaction of eligibility requirements on the accrual basis. This is based on the terms of the agreement. Advances are classified as unearned revenues.

The University relies on certain revenue sources to provide funding for operations, including State appropriations, State special funding, payments on behalf of the University, State MAP and AIM HIGH grants, Pell grant, SEOG, HEERF and GEERF, gifts, and investment income, are recognized as nonoperating revenues as defined by GASB Statement No. 35. In addition, transactions related to capital and financing activities are components of nonoperating revenues.

**Pensions**

For the purpose of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the plan net position of the State Universities Retirement System (SURS) and additions to/deductions from SURS' plan net position have been determined on the same basis as they are reported by SURS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For financial reporting purposes, the State of Illinois and its public universities and community colleges are under a special funding situation. A special funding situation exists when a non-

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employer entity (the State) is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity (the University) and the non-employer (the State) is the only entity with a legal obligation to make contributions directly to a pension plan. The University recognizes its proportionate share of the State's pension expense relative to the University's employees as nonoperating revenue and pension expense, with the expense further allocated to the related function performed by the employees.

**Other Postemployment Benefits (OPEB)**

The State Employees Group Insurance Act of 1971 (SEGIA) (5 ILCS 375), as amended, authorizes the State Employees Group Insurance Program (SEGIP), which includes activity for both active employees and retirees, to provide health, dental, vision and life insurance benefits as a single-employer defined benefit OPEB plan not administered as a trust. Substantially all State and university component unit employees become eligible for these OPEB plan benefits when they become annuitants of one of the State sponsored pension plans. The Department of Central Management Services (CMS) administers these benefits for the annuitants with the assistance of the public retirement systems sponsored by the State, including the General Assembly Retirement System (GARS), Judges Retirement System (JRS), State Employees Retirement System (SERS), Teachers' Retirement System (TRS), and SURS.

In order to fund SEGIP's pay-as-you-go obligations for both current employees and retirees, SEGIA (5 ILCS 375/11) requires contributions based upon total employee compensation paid from any State fund or university component unit, except the university component units shall not be required to make contributions for employees who are totally compensated from each individual university's Income Fund and auxiliary enterprises. Pursuant to a long-standing State policy, the State's General Fund covers the contributions for employees who are totally compensated from each individual university's Income Fund and auxiliary enterprises. This relationship may be modified through the enactment of a Public Act by the State's highest level of decision-making authority exercised by the Governor and the General Assembly pursuant to the State's Constitution.

Given the preceding environment, the University has two separate components of OPEB administered within SEGIP. The (1) State of Illinois and its public universities are under a special funding situation for employees paid from the University's Income Fund or auxiliary enterprises, while (2) the University is responsible for OPEB employer contributions for employees paid from trust, federal, and other funds.

*Special Funding Situation Portion of OPEB*

A special funding situation exists when a non-employer entity (the State) is legally responsible for making contributions directly to an OPEB plan that is used to provide OPEB to the employees of another entity (the University) and the non-employer (the State) is the only entity with a legal obligation to make contributions directly to an OPEB plan.

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During the OPEB measurement period ended June 30, 2020, the University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of \$479,095 to help offset the amount the State needed to provide for retirees under the special funding situation described in the preceding paragraph.

The University recognizes the proportionate share of the State's OPEB expense relative to the University's employees as nonoperating revenue and OPEB expense, with the expense further allocated to the related function performed by the employees.

*University's Portion of OPEB*

The University reports a liability, expense allocated to the related function performed by the employees, and related deferred inflows and outflows of resources for OPEB based on the University's proportionate share of amounts paid to SEGIP pursuant to SEGIA for its employees paid from trust, federal, and other funds compared to the collective amounts paid to SEGIP pursuant to SEGIA. The collective amounts paid to SEGIP pursuant to SEGIA includes (1) payments from State agencies for State employees, (2) the amount calculated by CMS to represent the amount paid by the General Fund related to the special funding situation, (3) the total voluntary appropriation repayment from all the universities, and (4) the total of all payments from the universities for employees paid from trust, federal, and other funds. This methodology has been determined by the State to be the best estimate of how future OPEB payments will be determined.

Deferred inflows and outflows of resources are recognized in OPEB expense at the beginning of the current period, using a systematic and rational method over a closed period, equal to the average expected remaining service lives of all employees, either active or inactive, provided with OPEB through SEGIP, determined as of the beginning of the measurement period.

**On-behalf Payments**

The University had outside sources of financial assistance provided by the State on behalf of the University during the year ended June 30, 2021.

Substantially all active employees participate in group insurance plans provided by the State and administered by CMS, primarily providing healthcare benefits. In order to fund SEGIP's pay-as-you-go obligations for both current employees and retirees, SEGIA (5 ILCS 375/11) requires contributions based upon total employee compensation paid from any State fund or university component unit, except the university component units shall not be required to make contributions for employees who are totally compensated from each individual university's Income Fund and auxiliary enterprises. Pursuant to a long-standing State policy, the State's General Fund covers the contributions for employees who are totally compensated from each individual university's Income Fund and auxiliary enterprises. This relationship may be modified through the enactment of a Public Act by the State's highest level of decision-making authority exercised by the Governor and the General Assembly pursuant to the State's Constitution.

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During the year ended June 30, 2021, total estimated group insurance contributions for the University’s employees paid from the University’s Income Fund and auxiliary enterprises were \$11,717,628. The University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of \$701,635 to help offset the amount the State needed to provide for current employees under the situation described in the preceding paragraph. As such, the State contributed the estimated remaining balance of \$11,015,993 on-behalf of the University to meet this obligation for current employees.

As the University is not legally responsible to pay for the on-behalf support provided by the State, the University recognizes nonoperating revenues and operating expenses allocated to the related function performed by the employees within the University’s financial statements for its current employees’ participation in group insurance.

**New Accounting Pronouncements**

During the year ended June 30, 2021, the University adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this Statement resulted in changing the presentation of the financial statements by including accruals and ending net position for custodial funds not previously required.

**2. CASH AND INVESTMENTS**

The University uses the “pooled cash” method of accounting for substantially all of its operating cash and investments. The following table is a reconciliation of cash on hand, deposits and investments held by the University and Foundation as shown on the statement of net position as of June 30, 2021:

	University	Foundation
Carrying amounts of deposits	\$ 7,386,528	\$ 3,507,259
Carrying amounts of investments	75,422,430	19,095,476
Cash on hand	3,300	-
	\$ 82,812,258	\$ 22,602,735

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	University	Foundation
Cash and cash equivalents	\$ 78,912,584	\$ 3,507,259
Restricted cash and cash equivalents - current	1,968,996	-
Restricted cash and cash equivalents - noncurrent	1,930,678	-
Short-term investments	-	5,364,429
Long-term investments	-	13,731,047
	\$ 82,812,258	\$ 22,602,735

The University's cash and cash equivalents includes \$449,193 pertaining to the fiduciary funds.

### **University Deposits**

The University utilizes multiple bank accounts for the various activities of the University. The book balance of such accounts was \$7,386,528 at June 30, 2021, while the bank balance was \$8,808,046. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2021.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The policy for reducing its exposure to this risk is to require deposits in excess of the federally insured amount to be collateralized at 100%. As of June 30, 2021, the University's deposits were covered by the Federal Deposit Insurance Corporation (FDIC) and by collateral held by the financial institution in the University's name.

### **University Investments**

The University's established investment policy follows the State of Illinois Public Funds Investment Act and the covenants provided from the University's bond issuance activities, which authorize the University to purchase certain obligations of the U. S. Treasury, federal agencies and instrumentalities; certificates of deposit and time deposits covered by federal depository insurance; commercial paper of U.S. corporations with assets exceeding \$500,000,000, if such paper is rated at the highest classification established by at least two standard rating services; money market funds; and the Illinois Funds.

The University has pooled its investments, except for certain funds that are required by bond resolution to be in separate accounts. Investments are stated at fair value. Net income from investments of pooled funds is allocated and credited to the original sources of the funds or is remitted to the University's Income Fund.

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The fair value of the University investments as of June 30, 2021 is as follows:

Investments:	Fair Value	Maturity	S&P/Moody's	Fitch's
Illinois Fund*	\$ 73,473,294	< 1 year	-	AAAmmf
U.S. Treasury Notes	<u>1,949,136</u>	< 1 year	AAAm/Aaa-mf	-
	<u>\$ 75,422,430</u>			

The fair value of the investments is further categorized by levels depending on the type of inputs used for their valuation.

- Level 1 - Unadjusted quoted prices for identical assets in active markets that are accessible at the date of measurement.
- Level 2 - Quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the assets.
- Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (that is, the inputs are supported by little or no market activity).

Investments:	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury Notes	<u>\$ 1,949,136</u>	<u>\$ 1,949,136</u>	<u>\$ -</u>	<u>\$ -</u>

*Interest rate risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, when the maturity of an investment is longer, its fair value susceptibility to changes in market interest rates is greater. The University's policy for reducing its exposure to the risk is to structure the University's portfolio so that securities mature to meet the University's cash requirements for ongoing operations. Also, the investment returns are evaluated and tracked monthly against appropriate performance benchmarks and reported quarterly to the Vice President for Finance and Administration/ Board Treasurer.

*Credit risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy for managing its exposure to the risk is to limit investments to those allowable by the Illinois Public Funds Investment Act.

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*Concentration of credit risk* is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The University’s policy for mitigating the risk is to diversify the investment portfolio so that the failure of any one issue will not place an undue financial burden on the University. As of June 30, 2021, the University does not have any investments representing 5% or more of total assets in any single issuer other than the U.S. government and investments in mutual funds, external investment pools, and other pooled investments.

*Custodial credit risk* for investments is the risk that, in the event of a failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University minimizes its custodial credit risk by establishing limitations on the types of investments held with qualifying institutions. Investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The University, therefore, has no custodial credit risk in its investment portfolio.

**Foundation Deposits and Investments**

The fair value and valuations of the Foundation investments as of June 30, 2021 is as follows:

Investments:	Fair Value	Level 1	Level 2	Level 3
Mutual funds	\$ 19,095,476	\$ 19,095,476	\$ -	\$ -

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

The Foundation maintains its cash and certificates of deposit in several separate accounts at two different institutions. These accounts are insured by the FDIC up to \$250,000 at each financial institution. As of June 30, 2021, the combined uninsured balance was \$3,295,015. The Foundation has not experienced any loss in these accounts. The Foundation believes it is not exposed to any significant credit risk on its cash balance. The investment committee of the Foundation Board reviews the financial health of commercial banking institutions with which the Foundation maintains assets on an annual basis.

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

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

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

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

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

**3. ACCOUNTS RECEIVABLE**

Details of the University's accounts receivable are as follows:

Student tuition and fees	\$ 30,084,203
Federal, State, and private grants and contracts	8,058,513
State appropriation	168,077
Others	1,207,784
Subtotal	<u>39,518,577</u>
Less allowance for doubtful accounts	<u>(18,709,672)</u>
Accounts receivable, net	<u><u>\$ 20,808,905</u></u>

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**4. STUDENT LOANS RECEIVABLE**

Details of the University's student loans receivable are as follows:

Perkins student loan fund*	\$ 921,817
Emergency student loan	74,536
Others	<u>3,724</u>
Subtotal	1,000,077
Less allowance for doubtful accounts	<u>(586,402)</u>
Student loans receivable, net	<u><u>\$ 413,675</u></u>

\* Perkins loan program expired on September 30, 2017. The University recorded a long-term liability to recognize the federal contribution to the program that will be paid back as the loans are paid off.

**5. CAPITAL ASSETS**

Details of the University's investment in capital assets at June 30, 2021 are as follows:

	Balance June 30, 2020	Additions	Transfers	Reductions	Balance June 30, 2021
Capital assets not being depreciated:					
Land and land improvements	\$ 30,906,095	\$ -	\$ -	\$ -	\$ 30,906,095
Nondepreciable historical treasures and works of art	83,330	-	-	-	83,330
Construction in progress	<u>3,547,987</u>	<u>1,251,483</u>	<u>-</u>	<u>-</u>	<u>4,799,470</u>
Total capital assets not being depreciated	<u>34,537,412</u>	<u>1,251,483</u>	<u>-</u>	<u>-</u>	<u>35,788,895</u>
Capital assets being depreciated:					
Site improvements	7,614,415	-	-	-	7,614,415
Buildings and building improvements	228,449,984	-	-	-	228,449,984
Equipment	14,340,048	207,453	-	150,302	14,397,199
Library books	<u>27,156,925</u>	<u>205,407</u>	<u>-</u>	<u>217,362</u>	<u>27,144,970</u>
Total capital assets being depreciated	<u>277,561,372</u>	<u>412,860</u>	<u>-</u>	<u>367,664</u>	<u>277,606,568</u>
Less accumulated depreciation:					
Site improvements	6,483,385	182,747	-	-	6,666,132
Buildings and building improvements	88,991,702	4,985,223	-	-	93,976,925
Equipment	13,059,367	579,025	-	150,302	13,488,090
Library books	<u>25,327,216</u>	<u>488,820</u>	<u>-</u>	<u>217,362</u>	<u>25,598,674</u>
Total accumulated depreciation	<u>133,861,670</u>	<u>6,235,815</u>	<u>-</u>	<u>367,664</u>	<u>139,729,821</u>
Capital assets, net	<u><u>\$ 178,237,114</u></u>	<u><u>\$ (4,571,472)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 173,665,642</u></u>

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**6. LONG-TERM DEBT AND OTHER LIABILITIES**

Long-term debt and other liabilities at June 30, 2021 are as follows:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
Compensated absences	\$ 6,625,556	\$ 798,276	\$ 860,816	\$ 6,563,016	\$ 687,731
Revenue bonds:					
Series 2014	13,275,000	-	625,000	12,650,000	645,000
Premium	453,638	-	31,286	422,352	31,286
Certificates of participation:					
Series 2010	4,295,000	-	330,000	3,965,000	365,000
Certificates of participation:					
Series 2012	25,315,000	-	645,000	24,670,000	685,000
Premium	125,584	-	5,909	119,675	5,910
Certificates of participation:					
Series 2015	6,035,000	-	935,000	5,100,000	955,000
Premium	154,460	-	30,891	123,569	30,892
Federal loan contributions refundable	656,462	-	207,574	448,888	-
Other postemployment benefits payable	41,255,819	-	5,985,693	35,270,126	704,557
Subtotal	98,191,519	<u>\$ 798,276</u>	<u>\$9,657,169</u>	89,332,626	<u>\$ 4,110,376</u>
Less current portion	<u>(4,247,358)</u>			<u>(4,110,376)</u>	
Total noncurrent liabilities	<u>\$ 93,944,161</u>			<u>\$ 85,222,250</u>	

**7. COMPENSATED ABSENCES**

It is the policy of the University to accrue vacation pay as earned. As of June 30, 2021, the accrued liability for this benefit was \$6,563,016 and is reported as liability for compensated absences.

As a result of Public Act 83-976, the University is required to compensate certain employees for sick leave benefits earned after January 1, 1984. Sick leave earned by these employees after this date will accumulate without limit and are payable upon termination of employment for one-half of the unused amount. As of January 1, 1998, based on the State Finance Act (30 ILCS 105/14a), sick leave benefits earned after that date are no longer compensable upon termination of employment. All prior earned benefits will still be paid. As of June 30, 2021, the

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accrued liability of this benefit was \$690,345 and is included in the liability for compensated absences.

**8. UNIVERSITY FACILITIES SYSTEM REVENUE BONDS**

**Series 2014**

The University Facilities System Revenue Bond Series 2014-1 in the amount of \$4,520,000 and Series 2014-2 in the amount of \$10,640,000 with an aggregate amount of \$15,160,000 were issued in December 2014 to provide funds to refund all of the outstanding University Facilities System Revenue Bonds Series 2004 and to pay the necessary issuance costs. The bonds are fully registered and are special, limited obligations of the Board of Trustees of Northeastern Illinois University (Board) and are not obligations of the State of Illinois. The bonds are only payable from and secured by the net revenues of the University Facilities System (System), Student Union, and fees (subject to the extent necessary to the prior payment of operating and maintenance expenses of the System) and the Bond Reserve Account.

The Series 2014 Bonds mature in increasing principal amounts ranging from \$645,000 due on July 1, 2021 to \$1,060,000 due on July 1, 2034. Interest is payable on January 1 and July 1 each year, at rates between 3.00% and 5.00%, with an average effective rate of approximately 4.121%. Future aggregate annual payments applicable to the Series 2014 Bonds at June 30, 2021 are:

Fiscal Year	Principal	Interest
2022	\$ 645,000	\$ 508,350
2023	670,000	482,050
2024	695,000	454,750
2025	790,000	429,000
2026	815,000	396,775
2027-2031	4,680,000	1,371,950
2032-2035	4,355,000	356,060
Total	\$ 12,650,000	\$ 3,998,935

The Series 2014-1 Bonds are not subject to optional redemption prior to maturity. The Series 2014-2 Bonds maturing on or after July 1, 2025 are subject to redemption on any date on or after January 1, 2025, at the option of the Board, in whole or in part at any time, and if in part, in the maturities designated by the Board and within a single maturity in integral multiples of \$5,000 in such manner as the Registrar may deem fair and appropriate, at a redemption price of par (100%), plus accrued interest to the date fixed for redemption.

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**Pledged Revenues and Debt Service Requirements**

The University has pledged specific revenues, net of specified operating expenses, to repay the principal and interest of revenue bonds. The following is a schedule of the pledged revenues and related debt:

<u>Bond Issues</u>	<u>Purpose</u>	<u>Source of Revenue Pledged</u>	<u>Future Net Revenues Pledged <sup>(1)</sup></u>	<u>Terms of Commitment</u>	<u>Pledged Net Revenues to Debt Service (Current Year) <sup>(2)</sup></u>
		Net Revenues of the			
Facilities System Revenue Bonds Series 2014	Construction of a multi-level parking structure	University Facilities System*, student tuition and fees	\$16,648,935	2034	9.36%

(1) Total future principal and interest payments on debt.

(2) Current year pledged net operating revenues (disregarding depreciation) versus total future debt service.

\*The University Facilities System consists of the Student Union, all parking facilities, the University's vending facilities, the University bookstore, and any equipment or improvements pertaining thereto.

**9. CERTIFICATES OF PARTICIPATION**

**Series 2010**

On September 1, 2010, the University issued Certificates of Participation Series 2010, in the amount of \$6,060,000 to finance the acquisition of energy conserving improvements at the University. The American Recovery and Reinvestment Act of 2009 permits the Board of Trustees of Northeastern Illinois University (Board) to issue taxable obligations referred to as "Build America Bonds" to finance capital expenditures for which it could issue tax-exempt obligations, and to elect to receive payments from the federal government equal to 35% of the corresponding interest payable on such taxable obligations. The Board is obligated to make installment payments on an annual basis either from funds derived from State appropriations or from legally available non-appropriated funds. The Board's obligation to pay installment payments is subject to termination 60 days after the Board certifies to U.S. Bank National Association (Trustee) that: 1) the General Assembly of the State has made a determination not to appropriate requested funds necessary to make the installment payments from State-appropriated funds, and 2) the Board has determined that there are not sufficient legally available non-appropriated funds to pay the installment payments. The certificates maturing on and after October 1, 2021 are subject to redemption on any date on or after October 1, 2020 at the price of 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption,

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in whole or in part, and if in part, by lot. Such redemption shall be at the option of the Board, upon at least 35 days prior written notice from the Board to the Trustee.

The certificates mature in increasing principal amounts ranging from \$365,000 due on October 1, 2021 to \$645,000 due on October 1, 2028 at rates between 5.125% and 6.000%, with an average effective rate of approximately 5.563%. Future aggregate annual payments applicable to the certificates of participation at June 30, 2021 are:

Fiscal Year	Principal	Interest
2022	\$ 365,000	\$ 213,291
2023	395,000	193,569
2024	435,000	171,509
2025	470,000	146,894
2026	510,000	119,625
2027 - 2029	1,790,000	164,997
Total	\$ 3,965,000	\$ 1,009,885

**Series 2012**

On November 1, 2012, the University issued Certificates of Participation Series 2012, in the amount of \$28,500,000 to finance the acquisition and construction of a new academic facility (“El Centro”). The Board of Trustees of Northeastern Illinois University (Board) is obligated to make installment payments on an annual basis either from funds derived from State appropriations or from legally available non-appropriated funds. The Board’s obligation to pay installment payments is subject to termination 60 days after the Board certifies to U.S. Bank National Association (Trustee) that: 1) the General Assembly of the State has made a determination not to appropriate requested funds necessary to make the installment payments from State-appropriated funds, and 2) the Board has determined that there are not sufficient legally available non-appropriated funds to pay the installment payments. The certificates maturing on and after October 1, 2023 are subject to redemption on any date on or after October 1, 2022 at the price of 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, in whole or in part, and if in part, by lot. Such redemption shall be at the option of the Board, upon at least 35 days prior written notice from the Board to the Trustee.

The certificates mature in increasing principal amounts ranging from \$685,000 due on October 1, 2021 to \$1,815,000 due on October 1, 2041 at rates between 3.000% and 4.100%, with an average effective rate of approximately 3.712%. Future aggregate annual payments applicable to the certificates of participation at June 30, 2021 are:

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<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 685,000	\$ 926,750
2023	725,000	905,238
2024	775,000	881,406
2025	815,000	855,161
2026	865,000	826,805
2027-2031	5,050,000	3,636,492
2032-2036	6,370,000	2,552,394
2037-2041	7,570,000	1,176,263
2042	1,815,000	37,208
Total	<u>\$ 24,670,000</u>	<u>\$ 11,797,717</u>

**Series 2015**

On July 21, 2015, the University issued University Capital Improvement Project Certificates of Participation Series 2015 (Series 2015 Certificates), in the amount of \$9,510,000 to advance refund all of the outstanding Certificates of Participation Series 2006 and to pay the costs of issuing the Series 2015 Certificates. The Series 2015 Certificates are payable on a parity basis, solely from (i) an undivided interest in payments (the “Installment Payments”) to be made by the Board of Trustees of Northeastern Illinois University (Board) under an Installment Purchase Contract with U.S. Bank National Association (Trustee), and (ii) certain funds and accounts held under the Indenture.

The Installment Payments will be payable both from State appropriated funds and from budgeted legally available funds of the Board derived from sources other than appropriations on an annual basis. The term of the Purchase Contract will expire on July 1, 2025 unless earlier terminated in accordance with the Indenture.

The Series 2015 Certificates are subject to redemption, in whole, at the price of 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, on any date on which the Purchase Contract is terminated by the Board because (i) an Event of Non-appropriation has occurred, (ii) the Board has determined that there are not sufficient Legally Available Non-appropriated Funds to pay the portion of the Installment Payments coming due during the then-current fiscal year, and (iii) the Board has exercised its option to prepay the Series 2015 Certificates. The Series 2015 Certificates are not otherwise subject to redemption prior to maturity.

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The Series 2015 Certificates maturing on July 1, 2023 and July 1, 2025 are subject to mandatory redemption prior to maturity through the application of sinking fund payments, in integral multiples of \$5,000 selected by lot by the Trustee, at a redemption price equal to 100% of the principal amount plus accrued interest to date fixed for redemption.

The Series 2015 Certificates mature in increasing principal amounts ranging from \$955,000 due on July 1, 2021 to \$1,090,000 due on July 1, 2025 at rates between 3.00% and 4.00%, with an average effective rate of approximately 3.400%. Future aggregate annual payments applicable to the certificates of participation at June 30, 2021 are:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 955,000	\$ 160,025
2023	990,000	130,850
2024	1,020,000	100,700
2025	1,045,000	64,500
2026	<u>1,090,000</u>	<u>21,800</u>
Total	<u>\$ 5,100,000</u>	<u>\$ 477,875</u>

**10. NORTHEASTERN ILLINOIS UNIVERSITY FOUNDATION AGREEMENT**

The Northeastern Illinois University Foundation (Foundation) is a separate non-profit organization incorporated in the State of Illinois and a University Related Organization under the University Guidelines, 1982 (amended 1997). Its mission is to advance the interests and welfare of the University. The direction and management of the affairs of the Foundation and the control and disposition of its assets are vested in the Board of Directors of the Foundation. The University has no liability with regard to the Foundation's liabilities. The majority of endowments supporting University scholarships and other University programs are owned by the Foundation; therefore, it would be misleading to exclude the Foundation's financial reports.

On September 15, 2016, the University entered into a memorandum of understanding (MOU) with the Foundation. The MOU supersedes the Master Contract between the University and the Foundation approved by the University Board of Trustees on September 22, 2005. Under the terms of the MOU, in serving as the official private gift-procurement arm of the University, the Foundation, in partnership with the University, develops fundraising programs and makes known the opportunities where private support can assist in fulfilling the University's goals. The Foundation undertakes responsibilities for planning, coordinating, and implementing fundraising activities on behalf of the University. The Foundation is dedicated to assisting the University in the building of an endowment and in addressing, through financial support, the long-term academic, research, service goals and other priorities of the University. In turn, the University will furnish certain services necessary to the operation of the Foundation. The contract may be cancelled upon 90 days written notice by either party.

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During the fiscal year ended June 30, 2021, the University and Foundation had the following inter-entity transactions:

	Foundation	
University	Other operating expenses (Program services)	Other operating revenues (Support and program revenue)
<u>Operating Revenues</u>		
Student tuition and fees, net	\$ 251,663	\$ -
Nongovernmental grants and contracts	448,883	-
<u>Operating Expenses</u>		
Compensation and benefits	-	742,777
Supplies and services	-	4,621
Use of space	-	36,647
	\$ 700,546	\$ 784,045

## 11. DEFINED BENEFIT PENSION PLAN

### General Information about the Pension Plan

#### *Plan Description*

The University contributes to the State Universities Retirement System of Illinois (SURS or System), a cost-sharing, multiple-employer defined benefit pension 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 on 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's financial reporting entity and is included in the State's Annual Comprehensive Financial Report as a pension trust fund. SURS is governed by Chapter 40, Act 5, Article 15 of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at [www.SURS.org](http://www.SURS.org).

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*Benefits Provided*

A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election whether to participate in either the traditional or portable benefit plans. A summary of the benefit provisions as of June 30, 2020, can be found in SURS Annual Comprehensive Financial Report's Notes to the Financial Statements.

*Contributions*

The State is primarily responsible for funding the System on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a statutory funding plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members within SURS to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for Fiscal Year 2020 and Fiscal Year 2021, respectively, was 13.02% and 12.70% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary, except for police officers and fire fighters who contribute 9.5% of their earnings. The contribution requirements of plan members and employers are established and may be amended by the State's General Assembly.

Participating employers make contributions toward separately financed specific liabilities under Section 15-139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of "affected annuitants" or specific return to work annuitants), Section 15-155(g) (relating to contributions payable due to earning increases exceeding 6.0% during the final rate of earnings period), and Section 15-155(j-5) (relating to contributions payable due to earnings exceeding the salary set for the Governor).

**Pension Liabilities, Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions**

*Net Pension Liability*

The net pension liability (NPL) was measured as of June 30, 2020. At June 30, 2020, SURS reported an NPL of \$30,619,504,321.



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SURS Collective Deferred Outflows and Deferred Inflows of Resources by Year to be recognized in Future Pension Expenses:

Year Ending June 30,	Net Deferred Outflows of Resources
2021	\$ 435,271,667
2022	346,428,171
2023	183,483,935
2024	153,482,517
2025	-
Thereafter	-
Total	\$ 1,118,666,290

**University’s Deferral of Fiscal Year 2021 Pension Contributions**

The University paid \$958,973 in federal, trust or grant contributions for the fiscal year ended June 30, 2021. These contributions were made subsequent to the pension liability date of June 30, 2020, and are recognized as deferred outflows of resources as of June 30, 2021.

**Assumptions and Other Inputs**

*Actuarial Assumptions*

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period June 30, 2014, through June 30, 2017. The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	3.25 to 12.25 percent, including inflation
Investment rate of return	6.75 percent beginning with the actuarial valuation as of June 30, 2018

Mortality rates were based on the RP-2014 White Collar, gender distinct tables with projected generational mortality and a separate mortality assumption for disabled participants.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage

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and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultants and actuary. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2020, these best estimates are summarized in the following table:

Defined Benefit Plan	Strategic Policy Allocation	Weighted Average Long-Term Expected Real Rate of Return
<b>Traditional Growth</b>		
Global Public Equity	44.0%	6.67%
<b>Stabilized Growth</b>		
Credit Fixed Income	14.0%	2.39%
Core Real Assets	5.0%	4.14%
Options Strategies	6.0%	4.44%
<b>Non-Traditional Growth</b>		
Private Equity	8.0%	9.66%
Non-Core Real Assets	3.0%	8.70%
<b>Inflation Sensitive</b>		
U.S. TIPS	6.0%	0.13%
<b>Principal Protection</b>		
Core Fixed Income	8.0%	-0.45%
<b>Crisis Risk Offset</b>		
Systematic Trend Following	2.1%	2.16%
Alternative Risk Premia	1.8%	1.60%
Long Duration	2.1%	0.86%
<b>Total</b>	<b>100.0%</b>	<b>4.84%</b>
<b>Inflation</b>		<b>2.25%</b>
<b>Expected arithmetic return</b>		<b>7.09%</b>

*Discount Rate*

A single discount rate of 6.49% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 2.45% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at rates equal to the statutory contribution rates under SURS funding policy. Based on these assumptions, the pension plan's fiduciary net position and future

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contributions were sufficient to finance the benefit payments through the year 2075. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2075, and the municipal bond rate was applied to all benefit payments after that date.

*Sensitivity of the SURS Net Pension Liability to Changes in the Discount Rate*

Regarding the sensitivity of the NPL to changes in the single discount rate, the following presents the State’s NPL, calculated using a single discount rate of 6.49%, as well as what the State’s NPL would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
5.49%	6.49%	7.49%
\$36,893,469,884	\$30,619,504,321	\$25,441,837,592

Additional information regarding the SURS basic financial statements including the Plan Net Position can be found in the SURS Annual Comprehensive Financial Report by accessing the website at [www.SURS.org](http://www.SURS.org).

**12. DEFINED CONTRIBUTION PENSION PLAN**

*Plan Description*

The University contributes to the Retirement Savings Plan (RSP) administered by the State Universities Retirement System (SURS), a cost-sharing multiple-employer defined contribution pension plan with special funding situation whereby the State of Illinois (State) makes substantially all 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 governed by Chapter 40, Act 5, Article 15 of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at [www.SURS.org](http://www.SURS.org). The RSP and its benefit terms were established and may be amended by the State’s General Assembly.

*Benefits Provided*

A defined contribution pension plan, originally called the Self-Managed Plan, was added to SURS benefit offerings as a result of Public Act 90-0448 enacted effective January 1, 1998. The plan was renamed the RSP effective September 1, 2020, after an extensive plan redesign. New employees are allowed six months after their date of hire to make an irrevocable election whether to participate in either the traditional or portable defined benefit pension plans or the RSP. A summary of the benefit provisions as of June 30, 2020, can be found in SURS Annual

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*Contributions*

All employees who have elected to participate in the RSP are required to contribute 8.0% of their annual covered earnings. Section 15-158.2(h) of the Illinois Pension Code provides for an employer contribution to the RSP of 7.6% of employee earnings. The State is primarily responsible for contributing to the RSP on behalf of the individual employers. Employers are required to make the 7.6% contribution for employee earnings paid from “trust, federal, and other funds” as described in Section 15-155(b) of the Illinois Pension Code. The contribution requirements of plan members and employers were established and may be amended by the State’s General Assembly.

*Forfeitures*

Employees are not vested in employer contributions to the RSP until they have attained five years of service credit. Should an employee leave SURS-covered employment with less than five years of service credit, the portion of the employee’s RSP account designated as employer contributions is forfeited. Employees who later return to SURS-covered employment will have these forfeited employer contributions reinstated to their account, so long as the employee’s own contributions remain in the account. Forfeited employer contributions are managed by SURS and are used both to reinstate previously forfeited contributions and to fund a portion of the State’s contributions on behalf of the individual employers. The vesting and forfeiture provisions of the RSP were established and may be amended by the State’s General Assembly.

**Pension Expense Related to Defined Contribution Pensions**

*Defined Contribution Pension Expense*

For the year ended June 30, 2020, the State’s contributions to the RSP on behalf of individual employers totaled \$74,418,691. Of this amount, \$68,874,215 was funded via an appropriation from the State and \$5,544,476 was funded from previously forfeited contributions.

*Employer Proportionate Share of Defined Contribution Pension Expense*

The employer proportionate share of collective defined contribution pension expense is recognized as nonoperating revenue with matching operating expense (compensation and benefits) in the financial statements. The basis of allocation used in the proportionate share of collective defined contribution pension expense is the actual reported pensionable contributions made to the RSP during Fiscal Year 2020. The University’s share of pensionable contributions was 1.3290%. As a result, the University recognized revenue and defined contribution pension expense of \$988,998 from this special funding situation during the year ended June 30, 2021, of which \$73,684 constituted forfeitures.

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**13. OTHER POSTEMPLOYMENT BENEFITS**

*Plan Description*

SEGIA, as amended, authorizes SEGIP to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the University's full-time employees are members of SEGIP. Members receiving monthly benefits from the GARS, JRS, SERS, TRS, and SURS are eligible for these OPEB. The eligibility provisions for SURS are defined within Note 11.

CMS administers OPEB for annuitants with the assistance of GARS, JRS, SERS, TRS, and SURS. The State recognizes SEGIP as a single-employer defined benefit plan, which does not issue a stand-alone financial report.

*Benefits Provided*

The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State's and the university component units' employees in accordance with limitations established in SEGIA. Therefore, the benefits provided and contribution amounts are subject to periodic change. Coverage through SEGIP becomes secondary to Medicare after Medicare eligibility has been reached. Members must enroll in Medicare Parts A and B to receive the subsidized SEGIP premium available to Medicare eligible participants. SEGIA requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time, the benefit amount becomes \$5,000.

*Funding Policy and Annual OPEB Cost*

OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions, and federal government subsidies from the Medicare Part D program. State contributions are deposited in the Health Insurance Reserve Fund, which covers both active employees and retired members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in GARS, JRS, SERS, TRS, and SURS do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. CMS' Director shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health benefits and a separate trust has not been established for the funding of OPEB.

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For Fiscal Year 2021, the annual cost of the basic program of group health, dental, and vision benefits before the State’s contribution was \$12,261 (\$6,910 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and \$15,224 (\$6,449 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

*CMS’ Changes in Estimates*

For the measurement date of June 30, 2019, CMS experienced two significant changes within its estimation process. The OPEB for both the special funding situation and the portion of OPEB where the University is responsible for employer contributions were both significantly impacted by (1) the University’s number of participants in SEGIP and (2) the average cost per employee within SEGIP. CMS made changes to its estimation methodology that resulted in significant differences within its estimates which represent an outcome of estimation uncertainty that, as time has passed and new sources of better data have become available, continued to be refined to achieve a more representative reflection of the actual outcome of the estimate in future periods. As such, this change in estimate was amortized for subsequent recognition in the University’s OPEB expense over a period of approximately five years, which began in Fiscal Year 2019.

*Special Funding Situation Portion of OPEB*

The proportionate share of the State’s OPEB expense relative to the University’s employees totaled \$2,520,856 during the year ended June 30, 2021. This amount was recognized by the University as nonoperating special funding situation revenue and operating expense allocated to the related function performed by the employees during the year ended June 30, 2021.

While the University is not required to record the portion of the State’s OPEB liability related to the University’s employees resulting from the special funding situation, the University is required to disclose this amount. The following chart displays the proportionate share of the State’s contributions related to the University’s special funding situation relative to all employer contributions during the years ended June 30, 2020 based on the June 30, 2019 actuarial valuation rolled forward:

Measurement Date:	June 30, 2020
State of Illinois’ OPEB liability related to the University under the Special Funding Situation	\$ 256,956,231
SEGIP total OPEB liability	\$ 42,366,626,302
Proportionate share of the total OPEB liability	0.6065%

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**University's Portion of OPEB and Disclosures Related to SEGIP Generally**

*Total OPEB Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and Expense Related to OPEB*

The University's total OPEB liability, as reported at June 30, 2021, was measured as of the measurement date on June 30, 2020, with an actuarial valuation as of June 30, 2019, which was rolled forward to the measurement date. The following chart displays the proportionate share of the University's contributions relative to all employer contributions during the year ended June 30, 2020 based on the June 30, 2019 actuarial valuation rolled forward:

Measurement Date:	June 30, 2020
University's OPEB liability	\$ 35,270,126
SEGIP total OPEB liability	\$ 42,366,626,302
Proportionate share of the total OPEB liability	0.0832%

The University's portion of the OPEB liability was based on the University's proportion share amount determined under the methodology described in Note 1 during the year ended June 30, 2020. As of the current year measurement date of June 30, 2020, the University's proportion declined 0.0108% from its proportion measured as of the prior year measurement date of June 30, 2019.

The University recognized OPEB benefit for the year ended June 30, 2021, of \$19,939. At June 30, 2021, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2020, from the following sources:

<b>Deferred outflow of resources</b>	
Difference between expected and actual experience	\$ 199,595
Changes in portion and differences between employer contributions and proportionate share of contribution	963,856
University contribution subsequent to measurement date	704,557
Total deferred outflow of resources	<b>\$1,868,008</b>
<b>Deferred inflows of resources</b>	
Difference between expected and actual experience	\$ 379,794
Changes of assumptions	3,541,991
Changes in portion and differences between employer contributions and proportionate share of contributions	3,979,592
Total deferred inflow of resources	<b>\$7,901,377</b>

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The amount of \$704,557 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Net Deferred Inflows over the Remaining Service Life of All Employees
2022	\$ (2,219,038)
2023	(1,815,431)
2024	(1,208,916)
2025	(1,319,913)
2026	(174,628)
Total	\$ (6,737,926)

*Actuarial Methods and Assumptions*

The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on GARS, JRS, SERS, TRS, and SURS active, inactive, and retiree data as of June 30, 2019, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2019.

The valuation date of June 30, 2019, below was rolled forward to June 30, 2020.

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.25%
Projected Salary Increases*	2.50% - 12.25%
Healthcare Cost Trend Rate	
Medical & Rx (Pre-Medicare & Post-Medicare)	8.25% grading down 0.25% per year over 16 years to 4.25% in year 2037. There is no additional trend rate adjustment due to the repeal of the Excise Tax.
Dental and Vision	4.00% grading up to 0.25% in the first year to 4.25% through 2037.

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Retirees' share of benefit related costs Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2020 and 2021 are based on actual premiums. Premiums after 2021 were projected based on the same healthcare cost trend rates applied to per capita claim costs.

Note: The above actuarial assumptions were used to calculate the OPEB liability as of the current year measurement date and are consistent with the actuarial assumptions used to calculate the OPEB liability as of the prior year measurement date except for the following:

Inflation Rate	2.50%
Projected Salary Increases*	2.75% - 12.25%
Healthcare Cost Trend Rate:	
Medical and Rx (Pre-Medicare)	8.00% grading down 0.50% in the first year to 7.50%, then grading down 0.11% in the second year to 7.39%, followed by grading of 0.50% per year over 5 years to 4.89% in year 7
Medical and Rx (Post-Medicare)	9.00% grading down 0.50% per year over 9 years to 4.50%
Dental and Vision	6.00% grading down 0.50% per year over 3 years to 4.50%

\* Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed.

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The demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2019, valuations for GARS, JRS, SERS, TRS, and SURS as follows:

	Retirement age experience study <sup>^</sup>	Mortality <sup>^^</sup>
GARS	July 2015 - June 2018	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 99% for males and females and generational mortality improvements using MP-2018 two-dimensional mortality improvement scales
JRS	July 2015 - June 2018	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 102% for males and 98% for females and generational mortality improvements using MP-2018 two-dimensional mortality improvement scales
SERS	July 2015 - June 2018	Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2018 generational mortality improvement factors were updated to projection scale MP-2018
TRS	July 2014 - June 2017	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2017
SURS	July 2014 - June 2017	RP-2014 White Collar, gender distinct, projected using MP-2014 two dimensional mortality improvement scale, set forward one year for male and female annuitants

<sup>^</sup>The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined.

<sup>^^</sup>Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.

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*Discount Rate*

Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 3.13% at June 30, 2019, and 2.45% as of June 30, 2020, was used to measure the total OPEB liability.

*Sensitivity of Total OPEB Liability to Changes in the Single Discount Rate*

The following presents the University's proportionate share of the plan's total OPEB liability measured as of June 30, 2020, calculated using a Single Discount Rate of 2.45%, as well as what the University's proportionate share of the plan's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (3.45%) or lower (2.45%) than the current rate:

	1% Decrease (1.45%)	Current Single Discount Rate Assumption (2.45%)	1% Increase (3.45%)
University's proportionate share of total OPEB liability	\$41,516,093	\$35,270,126	\$30,288,746

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate*

The following presents the University's proportionate share of the plan's total OPEB liability measured as of June 30, 2020, calculated using the healthcare cost trend rates as well as what the University's proportionate share of the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates. For calculating the healthcare cost trend rates assumption, the key trend rates are 8.25% in 2021 decreasing to an ultimate trend rate of 4.25% in 2037. For the 1.00% decrease for calculating the healthcare cost trend rates assumption, the key trend rates are 7.25% in 2021 decreasing to an ultimate trend rate of 3.25% in 2037. For the one 1.00% increase for calculating the healthcare cost trend rates assumption, the key trend rates are 9.25% in 2021 decrease to an ultimate trend rate of 5.25% in 2037.

	1% Decrease	Healthcare Cost Trend Rates Assumption	1% Increase
University's proportionate share of total OPEB liability	\$29,526,325	\$35,270,126	\$42,801,797

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*Total OPEB Liability Associated with the University, Regardless of Funding Source*

The University is required to disclose all OPEB liabilities related to it, including (1) the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation the University is not required to record and (2) the portion of OPEB liability recorded by the University for its employees paid from trust, federal, and other funds. The following chart displays the proportionate share of contributions, regardless of funding source, associated with the University's employees relative to all employer contributions during the year ended June 30, 2020 based on the June 30, 2019 actuarial valuation rolled forward:

Measurement Date:	June 30, 2020
State of Illinois' OPEB liability related to the	
University under the Special Funding Situation	\$ 256,956,231
University's OPEB liability	35,270,126
Total OPEB liability associated with the University	\$ 292,226,357
SEGIP total OPEB liability	\$ 42,366,626,302
Proportionate share of the OPEB liability associated with the University	0.6898%

**14. SERVICE CONCESSION ARRANGEMENTS FOR STUDENT HOUSING**

In August 13, 2014, the University awarded the design, development, and management of the University student housing facility project (Project) to the American Campus Communities (ACC) as a concession arrangement in accordance with the Illinois Procurement Code (30 ILCS 500/53-25). The concession arrangement is structured as a ground lease enabling the Project to be financed through bonds issued by the Illinois Finance Authority consistent with the Procurement Code. All net available cash flow of the Project will be paid to the University as rent under the ground lease.

In conjunction with the award to ACC, Collegiate Housing Foundation (CHF), a 501(c)(3) organization, was identified as the entity to be the ground lessee under the ground lease. In accordance with the ground lease agreement, CHF entered into a development agreement with ACC as developer for the planning, construction, equipping and furnishing of the Project. In addition, CHF entered into a management agreement with ACC to manage the operation of completed Project.

Under the ground lease agreement executed on May 7, 2015 between the University as the Lessor and CHF as Lessee, the lease will expire 40 years after the commencement date unless otherwise extended or sooner terminated. Upon termination or expiration of the ground lease, all rights and interests of the Lessee will immediately cease and terminate and the

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Project, including all buildings, improvements, machinery, fixtures, equipment and all personal property belong to and be the absolute property of the University.

The Trust Indenture contains significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum bond overages. Per the Trust Indenture, after all requirements outlined in Article V are met, the Regions Bank (Trustee) shall transfer all amounts in the Surplus Fund to the University as payment of rent due under the Ground Lease.

Construction of the student housing facility started in May 2015 and opened for occupancy in fall of 2016. The University reported this transaction as a service concession arrangement effective Fiscal Year 2017 under the provisions of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The University recorded the student housing facility included under building and building improvement at acquisition value of \$36,433,432, inclusive of the capitalized portion of the upfront equity contributed by the University of \$3,228,618. A corresponding deferred inflow of resources of \$33,204,784 is recognized and amortized over the remaining term of the ground lease agreement.

At June 30, 2021, the carrying amount of the student housing facility amounted to \$32,503,693 and deferred inflow of resources amounted to \$28,991,703. The amortization of deferred inflow of resources presented under Other Capital Additions in the statement of revenues, expenses, and changes in net assets amounted to \$856,898.

In addition, the University has agreed to provide ongoing support to the Project, through an Occupancy Contribution Commitment, such that if the Project is not projected to achieve a Fixed Charges Coverage Ratio (FCCR) of at least 1.0:1.0, the University shall fund, as needed, an amount (the Occupancy Contribution Amount) sufficient to cause the Project to achieve a FCCR of not less than 1.0:1.0.

In Fiscal Year 2021, the fifth year of the ground lease agreement, the occupancy rate fell in fall 2020 to 39.49% and in spring 2021 to 32.24% requiring the University to make an occupancy contribution totaling to \$2,365,594.

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**15. OPERATING EXPENSES BY NATURAL CLASSIFICATION**

Details of the University's operating expenses by natural classification as June 30, 2021 are as follows:

	Compensation and Benefits	Supplies and Services	Scholarships	Depreciation	Total
Instruction	\$ 88,723,272	\$ 5,665,724	\$ 229,240	\$ -	\$ 94,618,236
Research	851,517	92,047	51,877	-	995,441
Public service	7,928,571	2,220,737	90,879	-	10,240,187
Academic support	8,563,259	1,933,701	2,585	-	10,499,545
Student services and programs	10,441,667	2,092,315	7,384	-	12,541,366
Institutional support	19,498,050	4,470,082		-	23,968,132
Operation and maintenance of plant	12,614,505	3,664,082		-	16,278,587
Scholarship and fellowships	-		8,884,990	-	8,884,990
Auxiliary enterprises	3,004,409	3,466,721	-	-	6,471,130
Depreciation	-	-	-	6,235,815	6,235,815
Total operating expenses	<u>\$ 151,625,250</u>	<u>\$ 23,605,409</u>	<u>\$ 9,266,955</u>	<u>\$ 6,235,815</u>	<u>\$ 190,733,429</u>

**16. SEGMENT INFORMATION**

A segment is an identifiable activity for which one or more revenue bonds or other revenue backed debt instruments are outstanding. A segment has a specific, identifiable revenue stream pledged in support of the revenue bonds and has related expenses, gains and losses, assets and liabilities that can be identified.

The University Facilities System was created in July 1973. It consists of buildings such as student union, multi-level parking and other structures, that have been constructed and improved with funding provided from the issuance of revenue bonds. Its revenues mainly include student union fees, parking user fees and parking violation fines, campus improvement fees, and commission from vending operations and concession fees from bookstore operations. Its operating expenses mainly include personnel costs, repairs, maintenance and other contractual services, and depreciation.

The following are the condensed financial statements for the University Facility System as of and for the year ended June 30, 2021. These financial statements have been prepared to satisfy the requirements of the Revenue Bond Resolution. The financial balances and activities of the University Facilities System are included in the University financial statements.

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**Condensed Statement of Net Position**

Assets:

Current assets:

Unrestricted	\$ 1,639,157
Restricted	882,000

Noncurrent assets:

Capital assets, net	13,780,213
Restricted other noncurrent assets	2,030,060

Total assets	<u>18,331,430</u>
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Liabilities:

Current liabilities	1,088,426
Noncurrent liabilities	12,396,066

Total liabilities	<u>13,484,492</u>
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Net position:

Net investment in capital assets	1,475,405
Restricted - expendable:	
Capital projects	1,909,025
Debt service	625,000
Unrestricted	837,508

Total net position	<u>\$ 4,846,938</u>
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**Condensed Statement of Revenues, Expenses,  
and Changes in Net Position**

Operating revenues:	
Student fees, net	\$ 1,760,686
Auxiliary enterprises and others	1,393,430
Total operating revenues	<u>3,154,116</u>
Operating expenses:	
Depreciation	724,584
Other operating expenses	1,595,223
Total operating expenses	<u>2,319,807</u>
Operating income	834,309
Nonoperating revenues (expenses):	
Investment income	205
Interest on indebtedness	(521,250)
Net nonoperating expenses	<u>(521,045)</u>
Increase in net position	313,264
Net position, beginning of year	4,533,674
Net position, end of year	<u>\$ 4,846,938</u>

**Condensed Statement of Cash Flows**

Net cash provided by (used in):	
Operating activities	\$ 1,422,083
Capital financing activities	(1,177,536)
Investing activity	205
Net increase in cash and cash equivalents	244,752
Cash and cash equivalents, beginning of year	3,980,186
Cash and cash equivalents, end of year	<u>\$ 4,224,938</u>

**17. FOUNDATION ENDOWMENT FUNDS**

The Board of Directors of the Foundation have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Illinois as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the 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

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accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- a. The duration and preservation of the fund;
- b. The purposes of the Foundation and the donor-restricted endowment fund;
- c. General economic conditions;
- d. The possible effect of inflation and deflation;
- e. The expected total return from income and the appreciation of investments;
- f. Other resources of the Foundation; and
- g. The investment policies of the Foundation.

The donors to the various endowment funds of the Foundation allow that on occasion, the value of the respective funds may drop below historical value due to the realized and unrealized investment losses with the expectation that all efforts are made to restore historical value when market conditions improve and that, in accordance with policy, no distributions may be made from the funds in order to allow for this restoration.

Endowment net asset composition by type of funds of June 30, 2021 is as follows:

	Without Donor Restrictions	With Purpose Restrictions	Restricted in Perpetuity	Total Endowment Net Assets
Donor-restricted endowment funds	\$ -	\$ 3,534,298	\$ 13,778,578	\$ 17,312,876
Quasi endowment fund	652,034	-	-	652,034
Total endowment net assets	<u>\$ 652,034</u>	<u>\$ 3,534,298</u>	<u>\$ 13,778,578</u>	<u>\$ 17,964,910</u>

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Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Purpose Restrictions	Restricted in Perpetuity	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 493,578	\$ (211,565)	\$ 13,212,372	\$ 13,494,385
Contributions	-	-	474,879	474,879
Investment income, net of fees	14,687	376,268	-	390,955
Net realized and unrealized gains	136,769	3,503,947	-	3,640,716
Change in value of split interest agreement	-	-	96,876	96,876
Donor release of restriction in perpetuity	-	-	(5,549)	(5,549)
Transfers	24,000	-	-	24,000
Appropriation of endowment assets for expenditure	(17,000)	(134,352)	-	(151,352)
Total endowment net assets, end of year	<u>\$ 652,034</u>	<u>\$ 3,534,298</u>	<u>\$ 13,778,578</u>	<u>\$ 17,964,910</u>

## 18. COMMITMENT AND CONTINGENCIES

The University is from time to time subject to various claims and legal actions related to the University or the actions of its employees. Although it is difficult to quantify the potential impact of these claims, management believes that the ultimate cost of these matters will not adversely affect the University's future financial condition or results of operations. The University has booked a \$915 thousand contingent liability for various claims and legal actions against the University.

## 19. EDUCATION STABILIZATION FUND

### *Higher Education Emergency Relief Fund (HEERF)*

The University received three separate awards (consisting of an initial award and two supplemental awards) from the HEERF as part of the federal government's response to the COVID-19 pandemic. The awards received by the University under HEERF is divided into three portions: an institutional portion, a student aid portion, and a minority-serving institutions (MSI) portion. The University's period of availability for using the institutional portion and student aid portion is until May 20, 2022 but can be extended for up to one additional year. The University's period of availability for using the MSI portion is until March 4, 2022 but can be extended for up to one additional year.

Under the HEERF-institutional portion and HEERF-student aid portion, the following chart reflects the remaining balance of this activity at June 30, 2021, which the University intends to claim and recognize as nonoperating revenue during Fiscal Year 2022.

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	<b>Original Award</b>		<b>Remaining Balance as of June 30, 2021</b>	
	University's Portion	Student Aid Portion	University's Portion	Student Aid Portion
HEERF 1	\$ 3,035,452	\$ 3,035,452	\$ -	\$ -
HEERF 2	8,135,033	3,035,452	3,320,337	-
HEERF 3	9,764,900	9,842,947	9,764,900	9,842,947
Total	<u>\$ 20,935,385</u>	<u>\$ 15,913,851</u>	<u>\$ 13,085,237</u>	<u>\$ 9,842,947</u>

The University received a total of \$15,913,851 in HEERF-student aid portion funding to provide emergency financial aid grants to students for expenses related to the disruption of campus operations due to the coronavirus. In Fiscal Year 2021, the University recognized nonoperating revenue amounting to \$248,986 and \$3,035,452 from HEERF 1 and HEERF 2, respectively. In Fiscal Year 2020, the University recognized nonoperating revenue amounting to \$2,786,466 from HEERF 1.

The University also received \$20,935,385 in the HEERF-institutional (University) portion to cover costs associated with significant changes in the delivery of instruction. In Fiscal Year 2021, the University recognized nonoperating revenue amounting to \$2,449,210 and \$4,814,696 from HEERF 1 and HEERF 2, respectively. In Fiscal Year 2020, the University recognized nonoperating revenue amounting to \$586,242 from HEERF 1.

The University received a total of \$2,372,430 MSI funding to defray costs associated with the coronavirus of eligible minority serving institutions. In Fiscal Year 2021, the University recognized nonoperating revenue amounting to \$2,212,357.

***Governor's Emergency Education Relief Fund***

The University received two separate awards (consisting of an initial award and a supplemental award) from the federal government, through Illinois Board of Higher Education, as part of the government response to the COVID-19 pandemic. The University's period of availability for using these funds is set to expire on September 30, 2022 but can be extended for up to one additional year. The University received a total of \$3,915,593 to cover costs associated with the coronavirus. The University liquidated costs and recognized nonoperating revenue amounting to \$1,396,359 in Fiscal Year 2021 in the statement of revenues, expenses and changes in net position. The University intends to claim and recognize as nonoperating revenue the remaining balance during Fiscal Year 2022.

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**20. RESTATEMENT OF NET POSITION**

Effective for the year ending June 30, 2021, the University implemented GASB Statement No. 84, *Fiduciary Activities*, which requires the University to identify fiduciary activities that meet the criteria and report fiduciary funds in the basic financial statements.

The implementation of this Statement resulted in the University presenting a statement of fiduciary net position and a statement of changes in fiduciary net position. The change in accounting principle, resulted in a restatement of the beginning net position of the fiduciary funds of \$697,519 as of June 30, 2021.

In addition, the auditors of the Department of Central Management Services State Employees Group Insurance Program (SEGIP) identified errors in the SEGIP's other postemployment (OPEB) activity resulting in errors in the allocation of OPEB to various State agencies and universities. The error resulted in a restatement of the University's beginning net position of \$714,060 as of June 30, 2021.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
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**Schedule of Employer's Proportionate Share of Net Pension Liability (Unaudited)**

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
(a) Proportion Percentage of the Collective Net Pension Liability	0%	0%	0%	0%	0%	0%	0%
(b) Proportion Amount of the Collective Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(c) Portion of Nonemployer Contribution Entities' Total Proportion of Collective Net Pension Liability associated with Employer	\$ 513,327,723	\$ 495,076,587	\$ 481,512,171	\$ 449,716,040	\$ 456,612,715	\$ 415,299,735	\$ 390,904,472
Total (b) + (c)	<u>\$ 513,327,723</u>	<u>\$ 495,076,587</u>	<u>\$ 481,512,171</u>	<u>\$ 449,716,040</u>	<u>\$ 456,612,715</u>	<u>\$ 415,299,735</u>	<u>\$ 390,904,472</u>
Employer Defined Benefit Covered Payroll	\$ 62,232,478	\$ 62,265,032	\$ 62,540,169	\$ 62,293,222	\$ 63,473,858	\$ 63,636,133	\$ 65,041,857
Proportion of Collective Net Pension Liability associated with Employer as a percentage of Defined Benefit Covered Payroll	824.86%	795.11%	769.92%	721.93%	719.37%	652.62%	601.00%
SURS Plan Net Position as a Percentage of Total Pension Liability	39.05%	40.71%	41.27%	42.04%	39.57%	42.37%	44.39%

Note: The System implemented GASB Statement No. 68 in Fiscal Year 2015. The information above is presented for as many years as available. The Schedule is intended to show information for 10 years.

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**Schedule of Contributions for Pensions (Unaudited)**

	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Federal, Trust, Grant and Other contribution	\$ 958,973	\$ 1,014,234	\$ 981,867	\$ 1,070,239	\$ 1,005,214	\$ 993,039	\$ 891,325	\$ 893,135
Contribution in relation to required contribution	\$ 958,973	\$ 1,014,234	\$ 981,867	\$ 1,070,239	\$ 1,005,214	\$ 993,039	\$ 891,325	\$ 893,135
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer Covered Payroll	\$ 7,871,791	\$ 8,665,466	\$ 9,095,400	\$ 10,024,895	\$ 10,465,666	\$ 9,495,538	\$ 8,073,594	\$ 10,013,144
Contributions as a percentage of covered payroll	12.18%	11.70%	10.80%	10.67%	9.60%	10.46%	11.04%	8.92%

Note: The System implemented GASB Statement No. 68 in Fiscal Year 2015. The information above is presented for as many years as available. The Schedule is intended to show information for 10 years.

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**Schedule of Employer's Proportionate Share of Net Other Postemployment Benefits (OPEB) Liability (Unaudited)**

	FY 2020	FY 2019	FY 2018	FY 2017
Employer's Proportion of the Collective Net Other Postemployment Benefits Liability	0.0843%	0.0940%	0.0955%	0.0970%
Employer's Proportionate Share of the Collective Net Other Postemployment Benefits Liability	\$ 35,270,128	\$ 41,255,819	\$ 38,289,053	\$ 40,084,143
Estimated Proportionate Amount of Collective Total OPEB Liability Associated With the University - State Supported Portion	<u>256,956,231</u>	<u>294,227,527</u>	<u>282,364,203</u>	<u>457,036,341</u>
Total OPEB Liability Associated with the University	<u>\$ 292,226,359</u>	<u>\$ 335,483,346</u>	<u>\$ 320,653,256</u>	<u>\$ 497,120,484</u>
Employer Defined Benefit Covered Payroll	\$ 76,335,155	\$ 74,395,467	\$ 74,359,124	\$ 73,284,189
Employer's Proportionate Share of the Collective Total OPEB Liability as a Percentage of its Covered Payroll	46.20%	51.49%	51.49%	54.70%

Note 1: The University implemented GASB Statement No. 75 in Fiscal Year 2018. The information above is presented for as many years as available. The Schedule is intended to show information for 10 years.

Note 2: The effect of prior period adjustment on other postemployment benefits made in the basic financial statements in Fiscal Year 2021 were not reflected in this schedule due to limited information available to restate information from measurement date of Fiscal Year 2017 to Fiscal Year 2019.

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**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
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**PENSION**

The pension schedules are presented to illustrate the requirements of the governmental accounting standards board's Statement No. 68 to show information for 10 years. However, until full 10-year trend is complied, the Northeastern Illinois University will only present available information measured in accordance with the requirements of the Statement No. 68.

*Changes of Benefit Terms*

There were no benefit changes recognized in the Total Pension Liability as of June 30, 2020.

*Changes of Assumptions*

In accordance with *Illinois Compiled Statutes*, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest, and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2014 to June 30, 2017 was performed in February 2018, resulting in the adoption of new assumptions as of June 30, 2018.

- Salary increase. Decrease in the overall assumed salary increase rates, ranging from 3.25 percent to 12.25 percent based on years of service, with underlying wage inflation of 2.25 percent.
- Investment return. Decrease the investment return assumption to 6.75 percent. This reflects maintaining an assumed real rate of return of 4.50 percent and decreasing the underlying assumed price inflation to 2.25 percent
- Effective rate of interest. Decrease the long-term assumption for the effective rate of interest for crediting the money purchase accounts to 6.75 percent (effective July 2, 2019).
- Normal retirement rates. A slight increase in the retirement rate at age 50. No change to the rates for ages 60-61, 67-74 and 80+, but slight decrease in rates at all other ages. A rate of 50 percent if the member has 40 or more years of service and is younger than age 80.
- Early retirement rates. Decrease in rates for all Tier 1 early retirement eligibility ages (55-59).
- Turnover rates. Change rates to produce lower expected turnover for members with less than 10 years of service and higher turnover for members with more than 10 years of service.
- Mortality rates. Maintain the RP-2014 mortality tables with projected generational mortality improvement. Update the projection scale from the MP-2014 to the MP-2017 scale.
- Disability rates. Decrease current rates to reflect those certain members who receive disability benefits do not receive the benefits on a long-term basis.

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**June 30, 2021**

**OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

*Payment of Benefits*

No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the fund of OPEB. State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis.

*Factors That Affect Trends in the Amounts Reported*

An actuarial valuation was performed as of June 30, 2019 with a measurement date as of June 30, 2020. The following assumptions were made:

- Mortality rates. RP-2014 White Collar, gender distinct, projected using MP-2014 two-dimensional mortality improvement scale, set forward one year for male and female annuitants.
- Salary increases. Dependent upon service and participation in the respective retirement systems. Includes inflation of 2.25%, salary increase 2.50% - 12.25%.
- Healthcare Cost Trend Rate. Medical (Pre-Medicare) 8.25% grading down 0.25% per year over 16 years to 4.25% in year 2037; Medical (Post-Medicare) 8.25% grading down 0.25% per year over 16 years to 4.25% in year 2037; Dental and vision 4.0% grading up to 0.25% in the first year to 4.25% in 2037.
- Retirees' share of benefit related costs. Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement.

**SUPPLEMENTARY INFORMATION**

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**SUPPLEMENTARY INFORMATION**  
**June 30, 2021**

**Table of Operating Expenses (Unaudited)**

The following table presents a breakdown of the various types of expenses which collectively comprise the University's functional operating expense accounts for the fiscal year ended June 30, 2021.

	Compensation and Benefits										Total Operating Expenses
	University's Expenses					State of Illinois' Expenses					
	Salaries <sup>1</sup>	Benefits <sup>2</sup>	OPEB <sup>3</sup>	Sub-Total	Benefits <sup>2</sup>	OPEB <sup>3</sup>	Pension	Sub-Total	Total	Other Expenses	
Educational and general:											
Instruction	\$ 43,861,204	\$3,041,744	\$(452,826)	\$ 46,450,122	\$ 6,667,208	\$ 1,519,627	\$ 34,086,315	\$ 42,273,150	\$ 88,723,272	\$ 5,894,964	\$ 94,618,236
Research	622,402	123,449	(1,144)	744,707	16,846	3,840	86,124	106,810	851,517	143,924	995,441
Public service	5,667,420	2,141,068	(1,300)	7,807,188	19,144	4,363	97,876	121,383	7,928,571	2,311,616	10,240,187
Academic support	4,251,812	205,984	(44,454)	4,413,342	654,514	149,180	3,346,223	4,149,917	8,563,259	1,936,286	10,499,545
Student services and programs	5,055,478	575,233	(52,093)	5,578,618	766,987	174,816	3,921,246	4,863,049	10,441,667	2,099,699	12,541,366
Institutional support	8,234,900	492,757	(116,621)	8,611,036	1,717,071	391,364	8,778,579	10,887,014	19,498,050	4,470,082	23,968,132
Operation and maintenance of plant	6,164,090	268,675	(66,935)	6,365,830	985,524	224,626	5,038,525	6,248,675	12,614,505	3,664,082	16,278,587
Scholarships and fellowships	-	-	-	-	-	-	-	-	-	8,884,990	8,884,990
Auxiliary enterprises	1,453,305	91,445	(15,805)	1,528,945	232,706	53,040	1,189,718	1,475,464	3,004,409	3,466,721	6,471,130
Depreciation	-	-	-	-	-	-	-	-	-	6,235,815	6,235,815
	\$ 75,310,611	\$ 6,940,355	\$(751,178)	\$ 81,499,788	\$ 11,060,000	\$ 2,520,856	\$ 56,544,606	\$ 70,125,462	\$ 151,625,250	\$ 39,108,179	\$ 190,733,429

- <sup>1</sup> Salaries includes employer contributions for Social Security, Medicare, and unemployment.
- <sup>2</sup> Benefits includes certain group insurance costs, such as healthcare and life insurance. For the University, it also includes employer § 403(b) contributions.
- <sup>3</sup> OPEB refers to other postemployment benefits.

## **OTHER INFORMATION**

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**OTHER INFORMATION (UNAUDITED)**  
**For the Year Ended June 30, 2021**

**University Facilities System Revenue Bond Funds (Unaudited)**

**Insurance in Force (Unaudited)**

<u>Type of Coverage</u>	<u>Coverage in Force (a)</u>	<u>Deductible</u>
Perils except earthquake and flood	\$1,000,000,000	\$50,000
Earthquake	\$100,000,000	\$50,000
Flood	\$100,000,000	\$50,000

**Enrollment at the University (Unaudited)**

<u>Term</u>	<u>Academic Year 2020-2021</u>
Fall	7,119
Spring	6,617
Summer	3,556

**Rates and Charges (Unaudited)**

The Board of Trustees is responsible for establishing rates and charges for the use of the University's Student Union and Facilities System. This income is pledged for payment of the University's Student Union operating expenses, and making reserve deposits and bond payments in accordance with the bond indenture.

In academic year 2020-2021, students enrolled at the University pay a fee of \$9.25 per credit hour for the right to use the University's Student Union which is the heart of the activity program on-campus, a fee of \$5 per credit hour for a campus improvement to support current and future long-term investments in capital facilities and technology infrastructure, and a \$10 parking fee, which can be waived.

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**OTHER INFORMATION (UNAUDITED)**  
**For the Year Ended June 30, 2021**

**Summary of Each Fund and Account under the Bond Resolution (Unaudited)**

	Balance of Assets Reserved as of June 30, 2021
	<hr/>
Bond account (a)	\$ 645,000
Repair and replacement reserve account	\$ 1,839,104
Non-instructional facilities (development) reserve account	\$ -
Equipment reserve account	\$ 149,973

Notes:

- (a) The amounts required for the deposit in the bond account were remitted from the revenue fund account to the Trustee, U.S. Bank National Association, for payment of the bond principal and interest installments coming due July 1, 2021.



**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 GOVERNMENT AUDITING STANDARDS**

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

and

The Board of Trustees  
Northeastern Illinois University

As Special Assistant Auditors for the Auditor General, 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 business-type activities, fiduciary activities, and the discretely presented component unit of Northeastern Illinois University (University), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and we have issued our report thereon dated May 9, 2022. Our report includes a reference to other auditors who audited the financial statements of the University's discretely presented component unit, as described in our report on University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting (internal control) or compliance and other matters of the Northeastern Illinois University Foundation audited in accordance with the *Government Auditing Standards*, a component unit of the University, that are reported on separately by those auditors.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the University'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 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2021-001 through 2021-003.

### ***Internal Control Over Financial Reporting***

Management of the University is responsible for establishing and maintaining effective internal control over financial reporting (internal control).

In planning and performing our audit of the financial statements, we considered the University's internal control to determine the 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 the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings 2021-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings as items 2021-002 and 2021-003 to be significant deficiencies.

### ***University's Responses to the Findings***

The University's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The University's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.



***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.

**SIGNED ORIGINAL ON FILE**

Chicago, Illinois  
May 9, 2022



**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**SCHEDULE OF FINDINGS**  
**For the Year Ended June 30, 2021**

**CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS***

2021-001. **FINDING** (Inadequate Internal Controls over Census Data)

Northeastern Illinois University (University) did not have adequate internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or OPEB plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuation (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the University's employees are members of both the State Universities Retirement System (SURS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Finally, CMS' actuaries use census data for employees of the State's public universities provided by SURS along with census data for the other participating members which is provided by the State's four other pension plans to prepare the projection of the OPEB plan's liabilities.

During testing, we noted the following:

- The University had not performed an initial complete reconciliation of its census data recorded by SURS to its internal records to establish a base year of complete and accurate census data.
- After establishing a base year, the University had not developed a process to annually obtain from SURS the incremental changes recorded by SURS in their census data records and reconcile these changes back to the University's internal supporting records.

Based on information we obtained while performing our audit, we learned these deficiencies are pervasive across the public universities participating in SURS and across the State's agencies participating in one of the other four State pension plans, the State Employees' Retirement System

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**SCHEDULE OF FINDINGS**  
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**CURRENT FINDINGS - GOVERNMENT AUDITING STANDARDS**

2021-001. **FINDING** (Inadequate Internal Controls over Census Data) (continued)

of Illinois. These conditions significantly increase the risk there could be errors at one or more employers within the plans, and these errors could have a significant impact on SURS' and CMS' measurement of pension and OPEB liabilities, respectively.

In addition, we noted errors within CMS' allocation of OPEB-related balances across the State's funds, public universities, and the Illinois State Toll Highway Authority related to a failure by CMS to account for a separately financed specific OPEB liability for certain groups of employees at one component unit of the State. The impact of these errors resulted in the University restating its beginning net position by \$714,060 as of July 1, 2020.

Based upon the significance of these issues alone, we concluded a material weakness exists within the University's internal controls related to ensuring both SURS and CMS can provide their respective actuaries with complete and accurate census data related to the University's active employees. Even given these exceptions, we performed detail testing of a sample of employees and certain data analysis tests of the total population of the University's census data transactions reported to SURS and noted the following:

- Based on our analysis of transactions reported by the University to SURS during the census data accumulation period throughout Fiscal Year 2019, we noted one employee's status had been incorrectly reported as termination to SURS. SURS determined the total potential impact of the employee's total service credit could be off by 120 days.
- As of the end of the census data accumulation year on June 30, 2019, we identified six employees where each employee's associated termination had been untimely reported to SURS. While these employees were all associated with the University at June 30, 2019, some or all of these untimely reports may have occurred at other public universities and community colleges across the State. SURS determined these errors resulted in the employees being misclassified between the active, retired, and inactive member categories within SURS. The total potential impact to each former employee's total service credit could be off between 0.0 and 1.75 years.

For employers where their employees participate in plans with multiple-employer and cost-sharing features, the American Institute of Certified Public Accountants' *Audit and Accounting Guide: State and Local Governments* (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expense, and the associated deferred inflows and deferred outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate against the risk of a plan's

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**SCHEDULE OF FINDINGS**  
**For the Year Ended June 30, 2021**

**CURRENT FINDINGS - GOVERNMENT AUDITING STANDARDS**

2021-001. **FINDING** (Inadequate Internal Controls over Census Data) (continued)

actuary using incomplete or inaccurate census data within similar agent multiple-employer plans, the AAG-SLG (§ 13.181 (A-27) for pensions and § 14.141 for OPEB) recommends an employer annually reconcile its active members' census data to a report from the plan of census data submitted to the plan's actuary, by comparing the current year's census data file to both the prior year's census data file and its underlying records for changes occurring during the current year.

Additionally, eligibility criteria for participation in SURS under the Illinois Pension Code (Code) (40 ILCS 5/15-134(a)) states any person who is an employee of the University becomes a participant in SURS. Under the Code (40 ILCS 5/15-107), an employee is a person who works for the University in a secretarial, mechanical, labor, clerical, educational, administrative, or other staff position which is either (a) permanent and continuous or (b) for a period of four months or an academic term, whichever is less, who is:

- 1) not a student employed on a less than full-time temporary basis;
- 2) not receiving a retirement or disability annuity from SURS;
- 3) not on military leave;
- 4) not eligible to participate in the Federal Civil Service Retirement System,
- 5) not currently on a leave of absence without pay more than 60 days after the termination of SURS' disability benefits;
- 6) not paid from funds received under the Federal Comprehensive Employment and Training Act as a public service employment program participant hired on or after July 1, 1979;
- 7) not a patient in a hospital or home;
- 8) not an employee compensated solely on a fee basis where such income would net earnings from self-employment;
- 9) not providing military courses pursuant to a federally-funded contract where the University has filed a written notice with SURS electing to exclude these persons from the definition of an employee;
- 10) currently on lay-off status of not more than 120 days after the lay-off date;
- 11) not on an absence without pay of more than 30 days; and,
- 12) a nonresident alien on a visa defined under subparagraphs (F), (J), (M), or (Q) of Section 1101(a)(15) of Title 8 of the United States Code who (1) has met the Internal Revenue Service's substantial presence test and (2) became an employee on and after July 1, 1991.

Further, for CMS' OPEB plan, we noted participation in OPEB is derivative of an employee's eligibility to participate in SURS, as members of SURS participate in OPEB as annuitants under the State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375/3(b)).

**NORTHEASTERN ILLINOIS UNIVERSITY**  
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**SCHEDULE OF FINDINGS**  
**For the Year Ended June 30, 2021**

**CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS***

2021-001. **FINDING** (Inadequate Internal Controls over Census Data) (continued)

In addition, the Illinois Pension Code (40 ILCS 5/15-157) requires the University to, at a minimum, withhold contributions of each employee's total compensation of 8% (9.5% for firefighters or police officers) for their participation in SURS, unless further contributions by the employee would either exceed the maximum retirement annuity in the Code (40 ILCS 5/15-136(c)) or the Tier 2 earnings limitation within the Code (40 ILCS 5/15-111(b)), and remit these amounts to SURS. Further, the Code (40 ILCS 5/15-155(b)) requires the University remit employer contributions to SURS reflecting the accruing normal costs of an employee paid from federal or trust funds. Additionally, the Act (5 ILCS 375/10) requires active employees to make contributions as set by CMS and the Act (5 ILCS 375/11) requires employer contributions by the University for all employees not totally compensated from its Income Fund, local auxiliary funds, and the Agricultural Premium Fund.

Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports.

University official stated the findings noted above were due to staffing constraints.

Failure to ensure complete and accurate census data was reported to SURS could result in a material misstatement of the University's financial statements and reduced the overall accuracy of pension/OPEB-related liabilities, deferred inflows and outflows of resources, and expense recorded by the State, the State's agencies, and other public universities and community colleges across the State. In addition, failure to reconcile active members' census data reported to and held by SURS to the University's internal records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of the University's pension and OPEB balances, which could result in a material misstatement of these amounts. Finally, the allocation error involving one component unit in the OPEB plan resulted in misstatements within each employer's allocation, which resulted in a restatement at the University. (Finding Code No. 2021-001, 2020-001)

**RECOMMENDATION**

We recommend the University implement controls to ensure census data events are timely and accurately reported to SURS.

**NORTHEASTERN ILLINOIS UNIVERSITY**  
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**SCHEDULE OF FINDINGS**  
**For the Year Ended June 30, 2021**

**CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS***

2021-001. **FINDING** (Inadequate Internal Controls over Census Data) (continued)

Further, we recommend the University work with SURS to annually reconcile its active members' census data from its underlying records to a report of census data submitted to SURS' actuary and CMS' actuary. After completing an initial full reconciliation, the University may limit the annual reconciliations to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods. Any errors identified during this process should be promptly corrected by either the University or SURS, with the impact of these errors communicated to both SURS' actuary and CMS' actuary.

Finally, we recommend the University work with SURS and CMS to identify and address any unremitted or erroneously remitted employee and, if applicable, employer contributions related to these events.

**UNIVERSITY'S RESPONSE**

The University agrees with the audit finding and will implement correction action plan with all responsible parties.

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**SCHEDULE OF FINDINGS**  
**For the Year Ended June 30, 2021**

**CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS***

2021-002. **FINDING** (Weaknesses over Computer Security)

Northeastern Illinois University (University) had computer security weaknesses.

The University had invested in computer hardware and systems and had established several critical, confidential, or financially sensitive systems for use in meeting its mission. However, the University did not safeguard their computing environment. During testing, we noted:

- User access rights to the applications and network were not periodically reviewed.
- Access rights were not timely terminated.
- Users were granted excessive access rights.
- A change management process to configure network devices had not been developed.
- The infrastructure was not properly secured.
- Physical security weaknesses.
- Encryption software was not installed on certain University laptops.
- Weak password settings.

This finding was first reported in Fiscal Year 2017. In subsequent years, the University has been unsuccessful in implementing appropriate procedures to improve its controls over computer security.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Access Control section, requires the appropriateness of access rights, implementation of strong password settings, periodic review of access rights and installation of device encryption mechanism; Configuration Management section, requires the development of change and configuration management policy; System and Services Acquisition section, requires a properly secured infrastructure; System and Information Integrity section, requires the implementation of security protection mechanisms; and Physical and Environmental Protection section, requires adequate physical security.

**NORTHEASTERN ILLINOIS UNIVERSITY**  
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**SCHEDULE OF FINDINGS**  
**For the Year Ended June 30, 2021**

**CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS***

2021-002. **FINDING** (Weaknesses over Computer Security) (continued)

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

University officials stated the issues were due to staffing constraints and competing priorities.

Failure to have adequate security over computing resources increases the risk of unauthorized access to the computing environment. Failure to control and safeguard confidential and sensitive information could result in unauthorized disclosure and inappropriate use of personal information. (Finding Code No. 2021-002, 2020-002, 2019-018, 2018-021, 2017-018)

**RECOMMENDATION**

We recommend the University:

- Perform a periodic review of system access rights to ensure access rights are appropriate and based on job requirements. In addition, the University should ensure timely deactivation of users no longer needing access.
- Develop a formal change management process for changes to network devices.
- Ensure security of the infrastructure.
- Ensure adequate physical security.
- Ensure required laptops are encrypted.
- Ensure strong password settings.

**UNIVERSITY'S RESPONSE**

The University agrees with the audit finding and will implement correction action plan with all responsible parties.

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**SCHEDULE OF FINDINGS**  
**For the Year Ended June 30, 2021**

**CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS***

2021-003. **FINDING** (Lack of Adequate Controls over Review of Internal Controls over Service Providers)

Northeastern Illinois University (University) did not document independent internal control reviews over service providers.

The University entered into agreements with various service providers to assist with significant processes such as (1) receipts processing for online credit card payments, (2) disbursement processing of purchasing card, (3) handling of Perkins student loans, (4) tracking of property and equipment, and (5) hosting its Enterprise Application System.

We requested the University to provide a population of service providers. In response to this request, the University provided a listing of service providers. However, our testing noted the listing contained all vendors of the University Technology Services. In addition, we identified service providers from testing that were not on the list. Due to this deficiency, we were unable to conclude the University's records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 330, AU-C § 530, and AT-C § 205.35) to test the University's controls over service providers.

Even given the population limitation, we selected five service providers from the listing provided by the University. During our testing, we noted the University had not:

- Documented its review of the System and Organization Control (SOC) report for the five (100%) service providers tested;
- Monitored and documented the operation of the Complementary User Entity Controls (CUECs) relevant to the University's operations for the five (100%) service providers tested;
- Obtained and reviewed SOC reports for subservice organizations or performed alternative procedures to determine the impact on its internal control for the five (100%) service providers tested;
- Ensured a requirement for an independent review to be completed within the contract between the University and service provider for the five (100%) service providers tested;
- Established a regular review process to monitor specified performance measures, problems encountered, and compliance with contractual terms with the service providers; and

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**SCHEDULE OF FINDINGS**  
**For the Year Ended June 30, 2021**

**CURRENT FINDINGS - GOVERNMENT AUDITING STANDARDS**

2021-003. **FINDING** (Lack of Adequate Controls over Review of Internal Controls over Service Providers) (continued)

- Established policy and procedures to ensure information assets and resources at the service provider were adequately protected from unauthorized or accidental disclosure, modification, or destruction. One of five (20%) service providers' agreements did not outline and document the security, availability, confidentiality, and privacy controls.

The University is responsible for the design, implementation, and maintenance of internal controls related to information systems and operations to ensure resources and data are adequately protected from unauthorized or accidental disclosure, modifications, or destruction. This responsibility is not limited due to the process being outsourced.

This finding was first reported in Fiscal Year 2019. In subsequent years, the University has been unsuccessful in implementing adequate controls and procedures to ensure appropriate security structure is established at the service providers.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Maintenance and System and Service Acquisition sections, requires entities outsourcing their IT environment or operations to obtain assurance over the entities internal controls related to the services provided. Such assurance may be obtained via System and Organization Control reports or independent reviews.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

University officials stated the above issues were due to competing priorities.

Without maintaining a complete list of service providers and proper documentation of its review of the SOC report and CUECs relevant to the University, the University does not have assurance the service provider's internal controls are adequate. Failure to include a requirement in the contracts with service providers for independent review and monitor specified performance, problems encountered, and compliance with contractual terms may result in obligations and services not met and not timely detected and corrected. (Finding Code No. 2021-003, 2020-003, 2019-020)

**NORTHEASTERN ILLINOIS UNIVERSITY**  
**A Component Unit of the State of Illinois**  
**SCHEDULE OF FINDINGS**  
**For the Year Ended June 30, 2021**

**CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS***

2021-003. **FINDING** (Lack of Adequate Controls over Review of Internal Controls over Service Providers) (continued)

**RECOMMENDATION**

We recommend the University strengthen its controls in identifying and documenting all service providers. Further, we recommend the University:

- Obtain and document its review of SOC reports or conduct independent internal control reviews at least annually.
- Monitor and document the operation of the CUECs relevant to the University's operations.
- Either obtain and review SOC reports for subservice organizations or perform alternative procedures to satisfy itself that the existence of the subservice organization would not impact its internal control environment.
- Document its review of the SOC reports and review all significant issues with subservice organizations to ascertain if a corrective actions plan exists and when it will be implemented, any impacts to the University, and any compensating controls.
- Review contracts with service providers to ensure applicable requirements over the independent review of internal controls are included.
- Establish a regular review process to monitor specified performance measures, problems encountered, and compliance with contractual terms with the service providers.

**UNIVERSITY'S RESPONSE**

The University agrees with the audit finding and will implement correction action plan with all responsible parties.