# NORTHERN ILLINOIS UNIVERSITY
**A Component Unit of the State of Illinois**

**FINANCIAL AUDIT**

**For the Year Ended June 30, 2023**

**Performed as Special Assistant Auditors for the Auditor General, State of Illinois**

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**NORTHERN ILLINOIS UNIVERSITY**
**A Component Unit of the State of Illinois**
**FINANCIAL AUDIT**
**For the Year Ended June 30, 2023**

## UNIVERSITY OFFICIALS

| | |
|---|---|
| President | Lisa C. Freeman |
| Executive Vice President and Provost | Beth Ingram |
| Vice President for Administration and Finance and Chief Financial Officer (from January 17, 2023) | George Middlemist |
| Vice President for Research and Innovation Partnerships | Gerald Blazey |
| Vice President and General Counsel | Bryan Perry |
| Vice President for Enrollment Management, Marketing and Communications | Sol Jensen |
| Vice President for Outreach, Engagement and Regional Development | Rena Cotsones |
| Vice President for University Advancement | Catherine Squires |
| Director of Internal Audit | Danielle Schultz |

## Financial Management

| | |
|---|---|
| Associate Vice President for Finance and Treasury | Shyree Sanan |
| Controller | Jason Askin |
| Deputy Controller | Greg Martyn |
| Financial Reporting Manager | Kathy Marshall |

## NIU Board Members

| | |
|---|---|
| Chair | Eric Wasowicz |
| Vice Chair | Rita Athas |
| Secretary | Montel Gayles |
| Trustees | Bob Pritchard<br>John R. Butler<br>Dennis Barsema<br>Veronica Herrero |
| Student Trustee | Tim Moore |

**NIU Office is located at:**
300 Altgeld Hall
DeKalb, Illinois 60115

## FINANCIAL STATEMENT REPORT

### Summary

The audit of the accompanying financial statements of Northern Illinois University (University) was performed by RSM US LLP, as special assistant auditors to the Illinois Office of the Auditor General.

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

RSM US LLP

## Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Northern Illinois University

### Report on the Audit of the Financial Statements

***Opinions***

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities, fiduciary activities, and the aggregate discretely presented component units of the Northern Illinois University (University), a component unit of the State of Illinois, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, fiduciary activities, and the aggregate discretely presented component units of the University, as of June 30, 2023, and the respective changes in 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.

We did not audit the financial statements of the Northern Illinois University Foundation and the Northern Illinois Research Foundation, which represent 100% of the assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2023. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the report of the other auditors.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of all of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

***Emphasis of Matter***
As discussed in Note 25 to the financial statements of the University, in Fiscal Year 2023, the University adopted Governmental Accounting Standards Board's Statement No. 96, *Subscription-Based Information Technology Arrangements*. The adoption of this statement resulted in the restatement of opening intangible right-to-use assets and a subscription liability. Our opinions are not modified with respect to this matter.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***
Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of the University's proportionate share of the net pension liability, the schedule of University contributions for pensions, the schedule of the University's proportionate share of the collective total OPEB liability, and the notes to the required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

***Supplementary 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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. In our opinion, the table of operating expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***
Management is responsible for the other information included in the annual report. The other information comprises the University Officials page but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***
In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2024, 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**

Schaumburg, Illinois
March 19, 2024

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### INTRODUCTION

Northern Illinois University (NIU, or the University) is a comprehensive public institution of higher learning with approximately 15,500 students as of Fall 2023. The University offers a wide range of academic programs through its colleges and schools; and through its research enterprise has state, national, and global impacts. The following discussion and analysis provides an overview of the financial position and activities of NIU for the year ended June 30, 2023 with summarized comparative totals for the year ended June 30, 2022. This discussion is prepared by management and should be read in conjunction with the accompanying financial statements and the notes.

### USING THE FINANCIAL STATEMENTS

The University's financial report includes five 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. The financial statements include the University and its discretely presented component units. The financial statements and notes, along with Management's Discussion and Analysis (MD&A), have been prepared in accordance with accounting principles generally accepted in the United States as defined by the Governmental Accounting Standards Board (GASB) for public colleges and universities. The University is a component unit of the state of Illinois and is included in the State's Annual Comprehensive Financial Report.

The following MD&A presents condensed versions of the financial statements with comparative financial information for fiscal year 2023 in order to illustrate increases and decreases from fiscal year 2022 data. This MD&A focuses on the University, excluding the discretely presented component units, also known as University Related Organizations, or UROs. Information regarding the component units is summarized in Note 23 to the basic financial statements. The MD&A for the component units is included in their respective separately issued financial statements.

### FINANCIAL HIGHLIGHTS

As a premier, student-centered, research-focused public university in the Midwest, revenues from tuition and fees, auxiliary enterprises, and sponsored programs represent approximately 88% of NIU's operating revenue; these are supplemented by sales and services of educational activities, investment income, and other non-operating revenues. NIU continues to gain global recognition as a major research university, with grants and contracts comprising 19% of University operating revenue sources in fiscal year 2023. The most significant fiscal year 2023 expense categories were those directly related to the University's academic, research, and public service missions.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The University has taken strategic measures post COVID-19 global pandemic to reallocate resources in a way that will provide the most benefit for current and future students. The University will continue to incorporate lessons learned from the COVID-19 pandemic and continue to implement its multiyear budget and financial planning efforts in support of university priorities. NIU will continue to make financial decisions that are academically responsive and fiscally responsible to ensure long-term sustainability. This will mean investing in some areas and cutting back in others. NIU's immediate and longer-term strategic goals address these challenges.

### STATEMENT OF NET POSITION

The statement of net position presents the financial position of the University as of the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the University using the accrual basis of accounting. The difference between total assets plus deferred outflows of resources, and total liabilities plus deferred inflows of resources—net position—is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured at cost with the exception of investments which are reported at fair value. Capital assets are reported at cost less accumulated depreciation.

A summary comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2023, and June 30, 2022 follows:

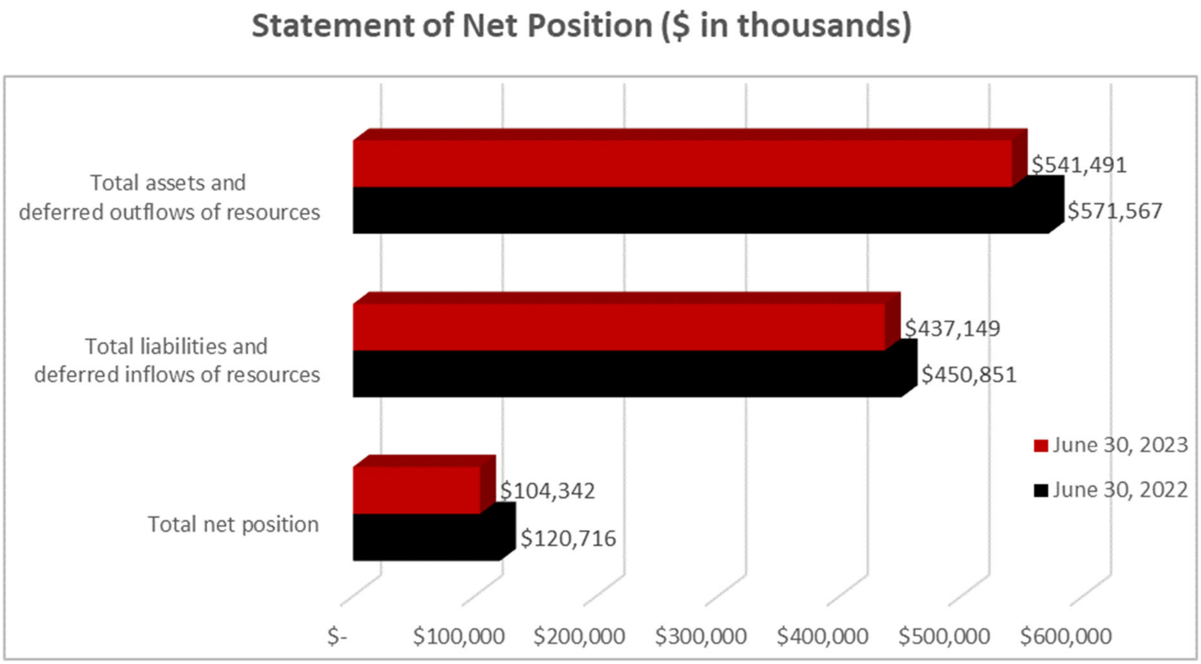
**Condensed Summary of Statement of Net Position ($ In Thousands)**

| | June 30, 2023 | June 30, 2022 | | $ Change | % Change |
|---|---|---|---|---|---|
| Current assets | $ 160,967 | $ 179,850 | * | $ (18,883) | -10.5% |
| Noncurrent assets: | | | | | |
| Capital assets, net | 351,217 | 364,137 | | (12,920) | -3.5% |
| Other | 17,167 | 17,853 | | (686) | -3.8% |
| Total assets | 529,351 | 561,840 | | (32,489) | -5.8% |
| Deferred outflows of resources | 12,140 | 9,727 | | 2,413 | 24.8% |
| Current liabilities | 73,668 | 69,287 | | 4,381 | 6.3% |
| Noncurrent liabilities | 335,415 | 368,643 | | (33,228) | -9.0% |
| Total liabilities | 409,083 | 437,930 | | (28,847) | -6.6% |
| Deferred inflows of resources | 28,066 | 12,921 | | 15,145 | 117.2% |
| Net investment in capital assets | 44,298 | 47,578 | | (3,280) | -6.9% |
| Restricted | 75,240 | 74,431 | | 809 | 1.1% |
| Unrestricted | (15,196) | (1,293) | | (13,903) | 1075.3% |
| Total net position | $ 104,342 | $ 120,716 | | $ (16,374) | -13.6% |

* Prior year amounts have been reclassified for consistency with the current year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following chart summarizes the University's statement of net position as of June 30, 2023 and the previous fiscal year-end:




### Fiscal Year 2023 Compared to 2022

The University's net position decreased $16.4 million during fiscal year 2023, compared to a $116,000 decrease the previous year. The State's general appropriation funding remained steady at $92.2 million. State appropriations – capital increased from $780,000 in fiscal year 2022 to $4.2 million in fiscal year 2023 due to an increase in state funded capital projects in fiscal year 2023. Nonoperating federal and state grants and other contracts decreased from $44.5 million in fiscal 2022 to $11.8 million in fiscal year 2023 due to the winddown of federal and state COVID-19 pandemic relief funding.

Current assets including cash and investments decreased $18.9 million (-10.5%) over prior year and was due primarily to the winddown of federal and state pandemic relief funding, which resulted in a decrease in cash and investments of $13.9 million. Additionally, accounts receivable decreased $4.3 million which was primarily due to a decrease in Higher Education Emergency Relief Funding (HEERF) receivables at year end.

Current liabilities increased $4.4 million (6.3%) at year-end due to increased accounts payable and accrued liabilities which was attributable to an increase in the current portion of long-term debt. Noncurrent liabilities decreased $33.2 million (-9.0%) at year-end primarily due to an increase in current year principal payments on long-term debt obligations as well as a decrease in the other post-employment benefits obligations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Capital Assets, Net and Debt Obligations

One of the critical factors in continuing the quality of the University's academic programs and student life is the development and renewal of its capital assets. Net investment in capital assets represent the University's capital assets less accumulated depreciation and debt obligations attributable to the acquisition, construction, or improvement of those assets.

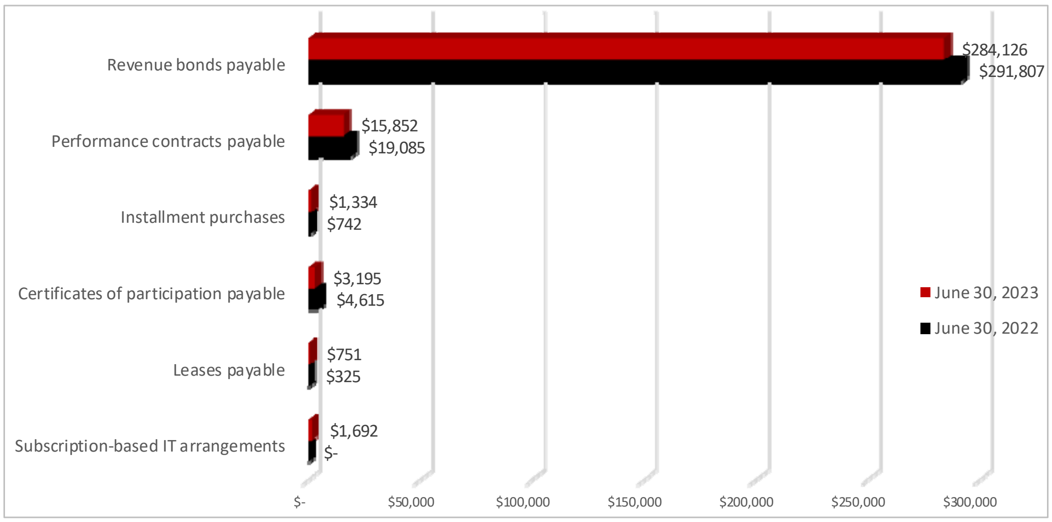
The decrease in capital assets, totaling $14.9 million (-4.7%), was primarily a result of current period depreciation exceeding current year additions. Capital asset additions totaled $13.7 million, while depreciation expense totaled $27.1 million in fiscal 2023. Significant capital additions included field turf replacement, steam tunnel infrastructure, and elevators, as well as new investments in vehicles, information technology, and other equipment. Current year capital asset additions were funded with capital appropriations, grants from the state of Illinois and federal government, debt proceeds, gifts, and unrestricted net position, which were designated for capital purposes. See Note 5 for additional information on capital assets and Note 6 for commitments.

The University's long-term debt obligations relate to the financing of capital asset additions. At June 30, 2023, bonds payable totaled $284.1 million, installment purchases totaled $1.3 million, and leases payable totaled $751,000. The University also has four separate performance contracts outstanding, totaling $15.9 million, for the upgrading of lighting and heating/air conditioning affecting approximately 70 buildings on campus. Performance guarantees are in place for each contract. Certificates of participation payable totaled $3.2 million at year-end and were used to finance the acquisition of academic and administrative facilities. In addition, the University added $1.7 million of Subscription-based IT Arrangements (SBITA) liability with the implementation of GASB 96 in fiscal 2023. See Notes 7, 11, 12, 13, 16, and 17 for additional information on long-term debt obligations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following chart summarizes the University's bonds payable, leases payable, installment purchases payable, certificates of participation payable, performance contracts payable, and SBITAs outstanding as of June 30, 2023, and at the previous fiscal year-end:

**Current and Long-term Debt Obligations ($ in thousands)**




## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statement of revenue, expenses, and changes in net position presents the change in financial position of the University. A summary comparison of the University's activities for the years ended June 30, 2023, and June 30, 2022, follows:

**Condensed Summary of Revenues, Expenses, and Changes in Net Position ($ In Thousands)**

| | 2023 | 2022 | $ Change | % Change |
|---|---|---|---|---|
| Operating revenues | $ 245,464 | $ 239,561 | $ 5,903 | 2.5% |
| Operating expenses | 467,206 | 554,051 | (86,845) | -15.7% |
| Operating gain/(loss) | (221,742) | (314,490) | 92,748 | 29.5% |
| Nonoperating revenues/(expenses) | 200,058 | 313,559 | (113,501) | -36.2% |
| Other revenues and changes in net position | 5,310 | 815 | 4,495 | 551.5% |
| Increase/(decrease) in net position | $ (16,374) | $ (116) | $ (16,258) | -14015.5% |

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Summary of Revenues

The Summary of Revenues presents the University's results of operating, nonoperating, and other revenue earned during the fiscal year. NIU, and other public universities, depend on state appropriations, gifts, and financial aid grants, which are defined by GASB as nonoperating revenues to support core operations. A summary of the University's revenues for the fiscal year ended June 30, 2023, and changes from the previous fiscal year follows:

**Summary of Revenues ($ In Thousands)**

| | 2023 | 2022 | $ Change | % Change |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Student tuition and fees, net | $ 81,956 | $ 99,517 | $ (17,561) | -17.6% |
| Auxiliary enterprises | 87,055 | 75,867 | 11,188 | 14.7% |
| Sponsored programs | 46,641 | 38,196 | 8,445 | 22.1% |
| Other | 29,812 | 25,981 | 3,831 | 14.7% |
| Operating revenues | 245,464 | 239,561 | 5,903 | 2.5% |
| Nonoperating revenues: | | | | |
| State appropriations: | | | | |
| General | 92,216 | 92,217 | (1) | 0.0% |
| On-Behalf for Fringe Benefits | 34,097 | 34,634 | (537) | -1.6% |
| Special Funding for Fringe Benefits | 1,687 | 87,275 | (85,588) | -98.1% |
| Pell grants | 26,935 | 25,901 | 1,034 | 4.0% |
| Illinois MAP Grants | 31,513 | 24,899 | 6,614 | 26.6% |
| Federal Supplemental Educational Opportunity Grants | 1,303 | 1,384 | (81) | -5.9% |
| Federal and state grants and other contracts | 11,821 | 44,537 | (32,716) | -73.5% |
| Net investment income | 5,809 | 91 | 5,718 | 6283.5% |
| Other nonoperating | - | 10,679 | (10,679) | 100.0% |
| Net nonoperating revenues | 205,381 | 321,617 | (116,236) | -36.1% |
| Other revenues: | | | | |
| State appropiations - capital | 4,171 | 780 | 3,391 | 434.7% |
| Gifts and contributions | 414 | 269 | 145 | 53.9% |
| Gain/(loss) on disposal of capital assets | 725 | (234) | 959 | -409.8% |
| Other revenues | 5,310 | 815 | 4,495 | 551.5% |
| Total revenues | $ 456,155 | $ 561,993 | $ (105,838) | -18.8% |

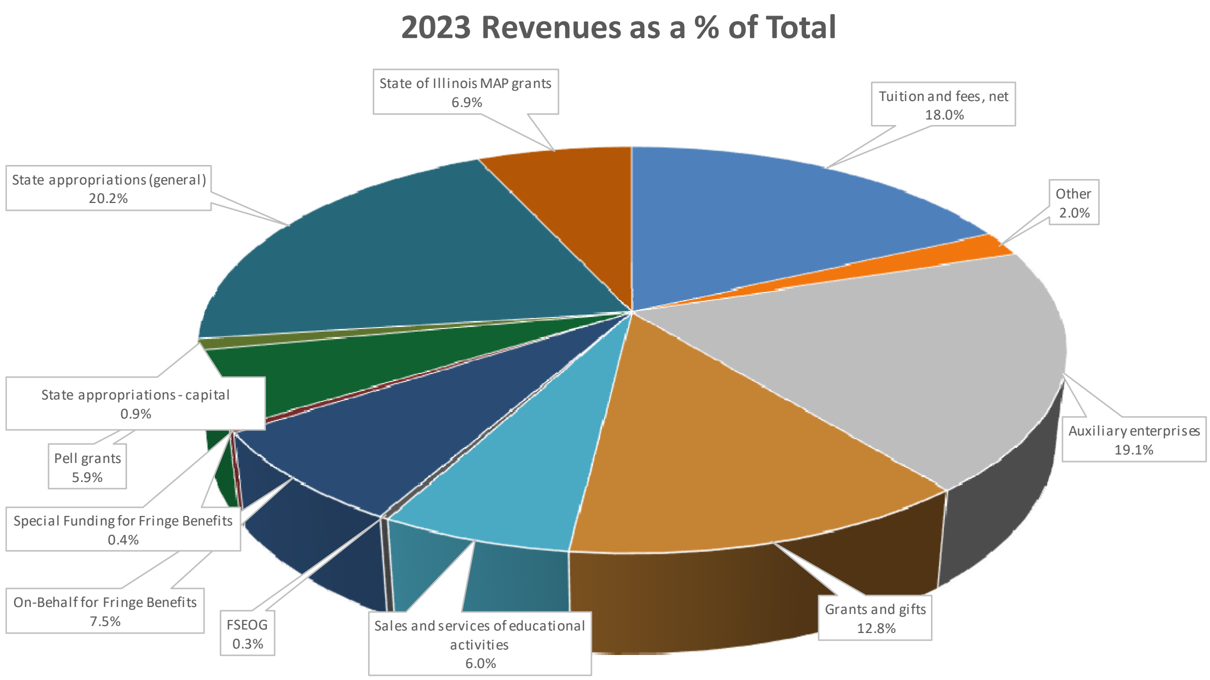
Due to the required classification of some of these significant funding sources as nonoperating revenues, operating expenses will typically exceed operating revenues for public universities, resulting in an operating loss. Nonoperating revenue sources include State appropriations, Pell grants, State of Illinois Monetary Award Program (MAP) grants, Build America bonds subsidies, Federal Supplemental Educational Opportunity Grants (FSEOG), Higher Education Emergency Relief Fund grants (HEERF), gifts, and investment income.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Fiscal Year 2023 Compared to 2022

The University's total revenues decreased by $105.8 million, or 18.8%, primarily due to decreases in the state special funding revenue and expense allocation for SURS and CMS. See discussion below for explanations of significant increases and decreases in specific revenue categories.

The following is a graphic illustration of revenues by source (both operating and nonoperating), as a percentage of total revenues, which are used to fund the University's operating activities for the year ended June 30, 2023:



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Notable changes in revenues during fiscal year 2023 compared to 2022 included:

- Tuition and Fees, net decreased by $17.6 million in fiscal year 2023, or -17.6%, due to a decrease in enrollment and an increase in the scholarship allowance.
- Federal and state grants and other contracts increased by $8.1 million in fiscal year 2023, or 25.2% due to an increase in sponsored funding primarily related to state awards.
- Auxiliary enterprise revenues increased by $11.2 million, or 14.7%, due to an increase in auxiliary occupancy headcount as well as a slight increase in room and board rates.
- State operating appropriations remained flat at $92.2 million in fiscal 2023 as a result of continued state support.
- Special funding for fringe benefits decreased $85.6 million in fiscal 2023, or 98.1% due to a decrease in supplemental state appropriations, or payments made on-behalf of the University to the Illinois Department of Central Management Services (DCMS) and the State Universities Retirement System (SURS). The University does not participate in the design, selection of vendors, or implementation of either the retirement or group insurance plans for employees. The on-behalf expense is a result of the changes in the underlying state retirement and other post-employment benefit plan liabilities. These liabilities are actuarily calculated and can fluctuate drastically from year to year resulting in significant year over year changes in the on-behalf revenues.
- Federal and state grants and other contracts - nonoperating decreased by $32.7 million, or 73.5%, during fiscal 2023. This decrease is due to the winddown of federal and state relief funding in fiscal 2023. HEERF student funds recognized totaled $19.1 million and $3.2 million in fiscal year 2022 and 2023, respectively. HEERF institutional funds recognized totaled $22.3 million and $3.2 million in fiscal year 2022 and 2023, respectively.
- Net investment income increased $5.7 million due to market conditions and increases in interest rates.
- State of IL Monetary Award Program (MAP) increased $6.6 million, or 26.6%, during fiscal year 2023 due to an increase in MAP fund awards by the Illinois Student Assistance Commission.
- Other non-operating revenue decreased $10.7 million due to a one-time defeasance of the installment purchase liability and terminations of the public private partnership between the University and Collegiate Housing Foundation which occurred during fiscal 2022.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Summary of Expenses

The summary of expenses presents the University's results of expenses incurred by functional classification during the fiscal year.

A comparative summary of the University's expenses (both operating and nonoperating) for the fiscal years ended June 30, 2023, and June 30, 2022, follows:

**Summary of Expenses ($ In Thousands)**

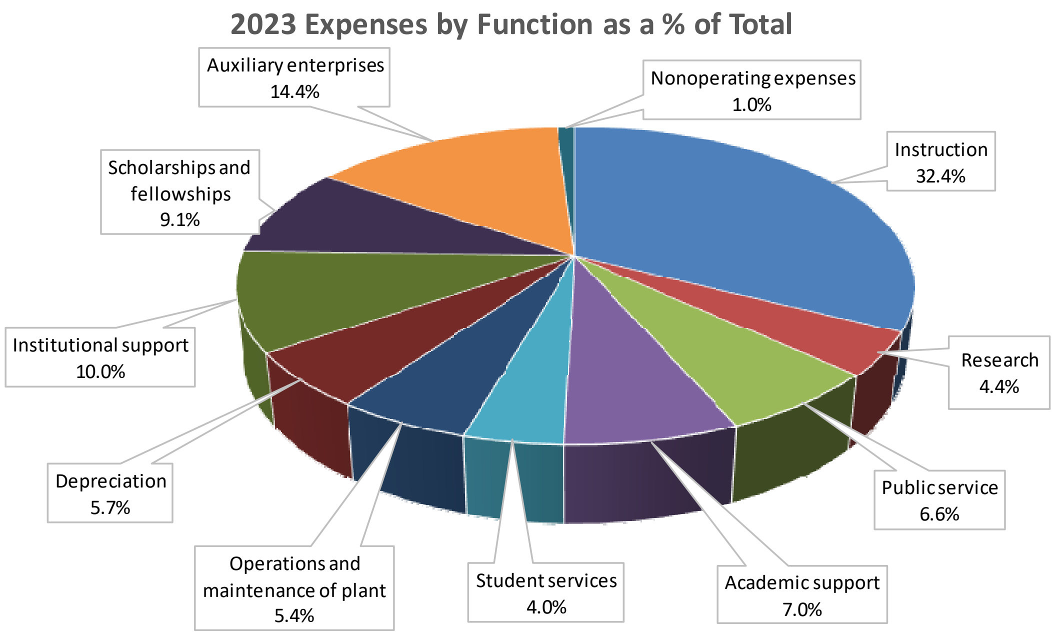
| | 2023 | 2022 | $ Change | % Change |
|---|---|---|---|---|
| Operating expenses: | | | | |
| Instruction | $ 152,866 | $ 191,834 | $ (38,968) | -20.3% |
| Research | 20,679 | 21,545 | (866) | -4.0% |
| Public service | 31,154 | 27,959 | 3,195 | 11.4% |
| Academic support | 32,867 | 40,101 | (7,234) | -18.0% |
| Student services | 18,696 | 22,084 | (3,388) | -15.3% |
| Operations and maintenance of plant | 25,600 | 20,371 | 5,229 | 25.7% |
| Depreciation | 27,135 | 27,030 | 105 | 0.4% |
| Institutional support | 47,065 | 63,410 | (16,345) | -25.8% |
| Scholarships and fellowships | 43,164 | 60,356 | (17,192) | -28.5% |
| Auxiliary enterprises | 67,980 | 79,361 | (11,381) | -14.3% |
| Operating expenses | 467,206 | 554,051 | (86,845) | -15.7% |
| Nonoperating expenses: | | | | |
| Nonoperating expenses | 5,323 | 8,058 | (2,735) | -33.9% |
| Total expenses | $ 472,529 | $ 562,109 | $ (89,580) | -15.9% |

### Fiscal Year 2023 Compared to 2022

The University's total operating expenses decreased $86.8 million to $467.2 million during the year ended June 30, 2023, a decrease of -15.7% from the prior year. This total includes fringe benefit expenses for the on-behalf payments made by the State for university employer contributions for State Employees Group Insurance Program (SEGIP) and SURS, which are recorded as both nonoperating revenues from the State and operating expenditures for staff benefits. The University's total operating expenses when factoring out the employer contributions for SEGIP and SURS decreased by $700,000, or 0.2%, during the year ended June 30, 2023.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a graphic illustration of functional expenses, as a percentage of total expenses, for the year ended June 30, 2023:




Notable changes in expenses during fiscal year 2023 compared to 2022 included:

- Instruction, which includes expenses for academic programs including community education, decreased $39.0 million in total during fiscal 2023, or -20.3%, due primarily to a decrease in the benefit expense allocation for on-behalf contributions to SEGIP. After adjusting for on-behalf expense, instruction expense increased by $2.9 million, or 2.2%, which was primarily due to an increase in personnel services costs in fiscal 2023.
- Institutional support, which includes expenses related to the management and long-range planning for the University, support services to faculty and staff, and community and alumni relations activities decreased $16.3 million, or -25.8% in fiscal 2023 due primarily to a decrease in the benefit expense allocation for on-behalf contributions to SEGIP. After adjusting for on-behalf expense, institutional support expense decreased by $5.7 million, or 11.8%, which was primarily due to an increase in COVID-19 related expenditures as a result of the winddown of HEERF funding. Fiscal 2022 expenditures included incentive payments to students to encourage COVID-19 mitigation protocol as well as PPE and other COVID-19 related expenditures from institutional HEERF funds.
- Scholarships and fellowships decreased $17.2 million, or 28.5% in fiscal 2023. This is due to a decrease in HEERF student funds awarded and disbursed.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

- Auxiliary enterprises, which is primarily comprised of student housing, the student union, intercollegiate athletics, recreational facilities, and parking operations, decreased $11.4 million during fiscal 2023, or 14.3%, due primarily to a decrease in the benefit expense allocation for on-behalf contributions to SEGIP. After adjusting for on-behalf expense, auxiliary enterprises expense increased by $3.9 million, or 6.8%, due to increase in personnel services costs, as well as, an increase in non-personnel operating expenses associated with the increased housing density on campus.

### STATEMENT OF CASH FLOWS

The statement of cash flows provides additional information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. A summary comparison of cash flows for the University's fiscal years ended June 30, 2023 and June 30, 2022 follows:

**Condensed Statement of Cash Flows ($ In Thousands)**

| | 2023 | 2022 | $ Change | % Change |
|---|---|---|---|---|
| Net cash used in operating activities | $ (169,185) | $ (157,836) | $ (11,349) | 7.2% |
| Net cash provided by noncapital financing activities | 173,287 | 186,485 | (13,198) | -7.1% |
| Net cash used in capital and related financing activities | (23,854) | (23,811) | (43) | -0.2% |
| Net cash provided/(used) by investing activities | 9,341 | (18,878) | 28,219 | -149.5% |
| Net increase/(decrease) in cash and cash equivalents | (10,411) | (14,040) | 3,629 | -25.8% |
| Cash and cash equivalents, beginning of year | 58,545 | 72,585 | (14,040) | -19.3% |
| Cash and cash equivalents, end of year | $ 48,134 | $ 58,545 | $ (10,411) | -17.8% |

### Fiscal Year 2023 Compared to 2022

Cash flows from operating activities present the net cash provided or used by the fiscal year activities of the University. Due to the categorization of operating and nonoperating revenues and expenses by GASB, cash flows from operating expenses are typically a net cash use. Major operating funding sources include student tuition and fees, governmental grants and contracts, and auxiliary enterprises revenues. Notable changes in cash flows during fiscal year 2023 compared to 2022 include:

- Net cash used in operating activities increased $11.3 million in fiscal 2023, or -7.2% from the previous year. Receipts from auxiliary enterprise increased $12.5 million due to increased housing density on campus. Additionally, receipts from federal and state grants and other contracts increased $9.4 million. Receipts from student tuition and fees decreased by $24.1 million. These increases were offset by increases in payments to suppliers and payments to employees of $18.5 million and $8.2 million

## MANAGEMENT'S DISCUSSION AND ANALYSIS

respectively. Payments to suppliers increased due to increased housing density on campus as well as a return to more normal operations on campus coming out of the COVID-19 pandemic. Payments to employees increased due to salary increments.

- Net cash provided by noncapital financing activities decreased by -$13.2 million in fiscal 2023, or -7.1%, due primarily to a decrease in cash flows from federal and state grants and other contracts totaling $20.6 million due to the winddown of HEERF federal relief funding. This was offset by an increase of $6.6 million in MAP funding received during fiscal 2023.
- Net cash provided by investing activities increased $28.2 million in fiscal 2023, or 149.5% over the previous year. This was primarily due to an increase in net investments purchased. The University invested more funds during the year to take advantage of rising interest rates and increased investment yields. In fiscal 2022, additional funds were invested to take advantage of rising interest rates and increased investment yields. In fiscal 2023, the university maintained its investments balances to continue to capture rising interest rates and investment yields and also saw an increase in in interest income on investments of $5.8 million over the prior year.

### FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government, whereby the University's role is that of a custodian. Fiduciary assets and activities are not reflected in the University's statement of net position or statement of revenues, expenses, and changes in net position. Fiduciary assets are restricted in purpose and do not represent discretionary assets of the University. Fiduciary assets are not available to support the University's own programs or activities.

### THE UNIVERSITY'S ECONOMIC OUTLOOK

Northern Illinois University's economic outlook is stable. The University received its second rating upgrade in over 20 years with a stable outlook from Moody's in May 2023. The upgrade reflects positive downstream effects of a strengthened State of Illinois fiscal condition, increased support in state appropriations and monetary assistance program financial aid funding for students, the maintenance of adequate liquidity and the prospect of improved operating performance beyond fiscal 2023.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### THE UNIVERSITY'S ECONOMIC OUTLOOK (Continued)

For Fall 2022, the University saw a 7% increase in new freshmen enrollment over the previous year, representing the sixth straight year of growth among incoming freshmen. Total enrollment for Fall 2022 saw a modest decrease of 3.6% from the year prior, which is largely attributed to disruptions caused by the global pandemic and its impact on college students nationwide. The state legislature continues to demonstrate its commitment towards higher education in the State of Illinois, providing a stable appropriation for fiscal year 2023, and designating funding to the Illinois Board of Higher Education to address student wellbeing. As part of those efforts, NIU was awarded $1 million to improve the mental and emotional health and general wellness of students. The University received a general appropriation of $92.2 million in fiscal year 2023, and the University has an approved fiscal year 2024 general appropriation budget of $98.6 million.

The University continues to take the necessary steps to implement a business model that sustains financial health; better funds appropriate levels of institutional student financial aid; enables investment in dedicated employees; and provides sufficient flexibility to respond to the rapidly changing higher education landscape. In addition, the University continues working to transform relationships into resources, forming new partnerships in fiscal year 2023 that will allow for greater efficiency, effectiveness, and expertise, as well as enhance student experiences. The long-term success and sustainability of the University are contingent on moving forward with the updated Strategic Enrollment Management Plan and making critical investments in infrastructure and initiatives that support academic excellence, research and artistry, as well as student success.

The University has initiated a new, multi-year planning and budget process which aims to: invest in key areas identified in our strategic priorities; create an academically responsive and fiscally responsible budget; and achieve fiscal sustainability as an engaged, public research university serving a diverse student body. In addition, the University continues to see positive financial, structural, curricular, and cultural outcomes from the Strategic Action Planning framework incorporated into a number of tools used to guide internal recommendations for continuous improvement.

Sponsored funds provide direct support for the University's research, artistry, service, and instructional programs and generate indirect revenue to maintain them. External funding is influenced by many factors including faculty funding cycles, competition for federal dollars, award spending schedules, and current funding portfolio. The University anticipates that strategic research development efforts across campus will lead to increases in sponsored funding at or above the fiscal 2023 level.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### THE UNIVERSITY'S ECONOMIC OUTLOOK (Continued)

Private gifts are an important source of funding for University operations. They enable capital acquisitions and construction and are a significant factor in expanding academic excellence. With the help of the Northern Illinois University Foundation, NIU continues to develop, support, and encourage a culture of giving throughout the University community, including its strong alumni base. The University is continuing to pursue supplemental sources of revenue to enhance its outstanding academic reputation. Despite expected challenges, the Northern Illinois University Board of Trustees, University management, and the campus community will be unwavering in their commitment to the mission of instruction, research, and public service. The University will be guided by its core values and will remain committed to strengthening the financial position and future sustainability of NIU.

Users of these financial statements with additional questions or requests for additional financial information should contact, Northern Illinois University, Division of Administration and Finance, 1425 W. Lincoln Hwy, DeKalb, IL 60115.

**NORTHERN ILLINOIS UNIVERSITY**
**A Component Unit of the State of Illinois**
**STATEMENT OF NET POSITION**
**June 30, 2023 (In Thousands)**

| | University 2023 | Component Units 2023 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $ 6,440 | $ 5,586 |
| Restricted cash and cash equivalents | 41,694 | - |
| Investments and marketable securities | 19,908 | - |
| Restricted investments and marketable securities | 53,667 | - |
| Accrued interest receivable | 30 | - |
| Accounts receivable, net | 32,134 | 1,700 |
| Inventories | 1,935 | - |
| Due from component units | 2,029 | - |
| Other assets | 3,130 | 1,537 |
| Total current assets | 160,967 | 8,823 |
| Noncurrent assets | | |
| Investments | - | 151,959 |
| Student loans receivable - net | 1,635 | - |
| Lease receivable | 274 | - |
| Due from component units | 12,017 | - |
| Other | 3,241 | 3,006 |
| Capital assets, net of accumulated depreciation | 351,217 | 21,396 |
| Total noncurrent assets | 368,384 | 176,361 |
| **TOTAL ASSETS** | **529,351** | **185,184** |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Other postemployment benefits | 10,401 | - |
| Federal, trust, grant, and other contributions - pensions | 1,739 | - |
| **TOTAL DEFERRED OUTFLOWS OF RESOURCES** | **12,140** | **-** |
| **LIABILITIES** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 56,062 | 1,307 |
| Accrued compensated absences | 1,595 | - |
| Other postemployment benefits | 1,099 | - |
| Students' deposits | 337 | - |
| Due to NIU | - | 2,029 |
| Unearned tuition and fees | 8,988 | - |
| Unearned revenue and grants | 5,587 | - |
| Total current liabilities | 73,668 | 3,336 |
| Noncurrent liabilities | | |
| Other postemployment benefits | 20,507 | - |
| Due to NIU | - | 12,017 |
| Performance contracts payable | 12,516 | - |
| Accrued compensated absences | 17,651 | - |
| Government loan fund advances | 2,110 | - |
| Unearned revenue and grants | - | 22 |
| Revenue bonds payable | 278,451 | - |
| Installment purchase | 759 | - |
| Leases payable | 511 | - |
| Subscription-based IT arrangements | 1,105 | - |
| Notes and certificates of participation payable | 1,805 | - |
| Total noncurrent liabilities | 335,415 | 12,039 |
| **TOTAL LIABILITIES** | **409,083** | **15,375** |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Other postemployment benefits | 27,762 | - |
| Leases | 304 | - |
| **TOTAL DEFERRED INFLOWS OF RESOURCES** | **28,066** | **-** |
| **NET POSITION** | | |
| Net investment in capital assets | 44,298 | 21,396 |
| Restricted: | | |
| Nonexpendable | 272 | 65,357 |
| Expendable | 74,968 | 65,568 |
| Unrestricted | (15,196) | 17,488 |
| **TOTAL NET POSITION** | **$ 104,342** | **$ 169,809** |

*See accompanying Notes to the Basic Financial Statements.*

## NORTHERN 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, 2023 (In Thousands)

| | University 2023 | Component Units 2023 |
|---|---|---|
| **REVENUES** | | |
| Operating revenues | | |
| Tuition and fees, net | $ 81,956 | $ - |
| Federal and state grants and other contracts | 40,097 | - |
| Private gifts, grants, and contracts | 6,544 | 19,884 |
| Sales and service of educational activities | 27,450 | - |
| Other sources | 2,362 | 1,862 |
| Auxiliary enterprises | 87,055 | - |
| Total operating revenues | 245,464 | 21,746 |
| **EXPENSES** | | |
| Operating expenses | | |
| Instruction | 152,866 | - |
| Research | 20,679 | - |
| Public service | 31,154 | - |
| Academic support | 32,867 | - |
| Student services | 18,696 | - |
| Operation and maintenance of plant | 25,600 | - |
| Depreciation | 27,135 | 627 |
| Institutional support | 47,065 | 13,626 |
| Scholarships and fellowships | 43,164 | 2,829 |
| Auxiliary enterprises | 67,980 | - |
| Total operating expenses | 467,206 | 17,082 |
| **Net operating (loss)/income** | (221,742) | 4,664 |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| State appropriations - general | 92,216 | - |
| On-behalf for fringe benefits | 34,097 | - |
| Special funding for fringe benefits | 1,687 | - |
| Federal and state grants and other contracts | 11,821 | - |
| Net investment income | 5,809 | 9,543 |
| Pell grants | 26,935 | - |
| Federal Supplemental Educational Opportunity Grant (FSEOG) | 1,303 | - |
| State of IL Monetary Award Program (MAP) | 31,513 | - |
| Interest expense | (5,323) | - |
| **Net nonoperating revenues** | 200,058 | 9,543 |
| (Loss)/income before other revenues and gains | (21,684) | 14,207 |
| **OTHER REVENUES AND GAINS** | | |
| State appropriations - capital | 4,171 | - |
| Gifts and contributions | 414 | - |
| Gain on disposal of capital assets | 725 | - |
| **(DECREASE) INCREASE IN NET POSITION** | (16,374) | 14,207 |
| **NET POSITION, BEGINNING OF YEAR** | 120,716 | 155,602 |
| **NET POSITION, END OF YEAR** | $ 104,342 | $ 169,809 |

*See accompanying Notes to the Basic Financial Statements.*

**NORTHERN ILLINOIS UNIVERSITY**
**A Component Unit of the State of Illinois**
**STATEMENT OF CASH FLOWS**
**For the Year Ended June 30, 2023 (In Thousands)**

| | University 2023 |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Student tuition and fees, net | $ 79,863 |
| Federal and state grants and other contracts | 39,913 |
| Private gifts, grants, and contracts | 3,254 |
| Sales and service of educational activities | 23,053 |
| Auxiliary enterprises | 87,649 |
| Payment to suppliers | (106,157) |
| Payment to employees | (256,538) |
| Payments for scholarships | (43,256) |
| Collection of loans to students and employees | (237) |
| Other receipts, net | 3,271 |
| Net cash used by operating activities | (169,185) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | |
| State appropriations | 92,699 |
| Pell Grants | 26,227 |
| Federal Supplemental Educational Opportunity Grant (FSEOG) | 938 |
| State of IL Monetary Award Program (MAP) | 31,513 |
| Federal and state grants and other contracts | 21,910 |
| Net cash provided by noncapital financing activities | 173,287 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| Proceeds from sale of capital assets | 2,156 |
| Purchase of capital assets | (6,961) |
| Principal payments on capital debt | (7,287) |
| Interest payments on capital debt | (11,762) |
| Net cash used by capital and related financing activities | (23,854) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Interest income on investments, net | 5,824 |
| Proceeds from sales and maturities of investments | 163,562 |
| Purchase of investments | (160,045) |
| Net cash provided by investing activities | 9,341 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | (10,411) |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR** | 58,545 |
| **CASH AND CASH EQUIVALENTS, END OF THE YEAR** | $ 48,134 |

*See accompanying Notes to the Basic Financial Statements.*

**NORTHERN ILLINOIS UNIVERSITY**
**A Component Unit of the State of Illinois**
**STATEMENT OF CASH FLOWS**
**For the Year Ended June 30, 2023 (In Thousands)**

| | University 2023 |
|---|---|
| **RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:** | |
| Operating loss | $ (221,742) |
| **ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:** | |
| Depreciation expense - non-auxiliary enterprises | 13,673 |
| Depreciation expense - auxiliary enterprises | 13,462 |
| On behalf payments for fringe benefits | 34,097 |
| Special funding for fringe benefits | 1,687 |
| Other nonoperating revenues | (131) |
| **CHANGES IN ASSETS AND LIABILITIES** | |
| Accounts receivable | (3,873) |
| Inventories | (7) |
| Student loans receivable | 881 |
| Other assets | 1,470 |
| Deferred outflows of resources - pensions | (253) |
| Deferred outflows of resources - other post-employment benefits | (2,159) |
| Due from/to component units | (1,569) |
| Accounts payable and accrued liabilities | 1,321 |
| Accrued compensated absences | 875 |
| Students' deposits | 24 |
| Unearned revenue and grants | (3,392) |
| Other postemployment benefits | (18,693) |
| Deferred inflows of resources - leases | (59) |
| Deferred inflows of resources - other post-employment benefits | 15,203 |
| Net cash used by operating activities | $ (169,185) |
| **RECONCILIATION OF CASH AN CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION** | |
| Cash and cash equivalents classified as current assets | $ 6,440 |
| Restricted cash and cash equivalents classified as current assets | 41,694 |
| Total cash and cash equivalents, end of year | $ 48,134 |
| **NONCASH INVESTING, CAPITAL, NONCAPITAL, AND FINANCING ACTIVITIES** | |
| On-behalf payments for fringe benefits | $ 34,097 |
| Special funding for fringe benefit | 1,687 |
| Capital asset contribution | 414 |
| Other postemployment benefits expenses - employer portion | 5,648 |
| Cost of capital assets not being depreciated included in accounts payable | (868) |
| Unrealized gain/(loss) | 419 |
| State expenses for capitalized CDB projects | 4,171 |

*See accompanying Notes to the Basic Financial Statements.*

# STATEMENT OF FIDUCIARY NET POSITION
June 30, 2023 (In Thousands)

| | | Custodial Funds June 30, 2023 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ | 4,555 |
| Prepaid expenses | | 17 |
| **Total Assets** | | 4,572 |
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities | | 11 |
| **Total Liabilities** | | 11 |
| **NET POSITION** | | |
| Restricted: | | |
| Illinois Board of Examiners | | 4,561 |
| **Total Net Position** | $ | 4,561 |

*See accompanying Notes to the Basic Financial Statements*

**NORTHERN ILLINOIS UNIVERSITY**
**A Component Unit of the State of Illinois**
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**
**For the Year Ended June 30, 2023 (In Thousands)**

| | Custodial Funds<br>**June 30, 2023** |
|---|---|
| **ADDITIONS** | |
| Fee income | $ 820 |
| Sales | 192 |
| Interest | 179 |
| **Total Additions** | 1,191 |
| | |
| **DEDUCTIONS** | |
| Personnel services | 793 |
| Rent | 83 |
| Contractual services | 160 |
| Other deductions | 11 |
| **Total Deductions** | 1,047 |
| **Increase in fiduciary net position** | 144 |
| | |
| **FIDUCIARY NET POSITION, BEGINNING OF YEAR** | 4,417 |
| | |
| **FIDUCIARY NET POSITION, END OF YEAR** | $ 4,561 |

*See accompanying Notes to the Basic Financial Statements*

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### Financial Reporting Entity and Component Unit Disclosures

The University is a component unit of the state of Illinois for financial reporting purposes. These financial statements include all funds and departments over which the University exercises oversight responsibility. Oversight responsibility is defined as including the following considerations: selection of governing authority, ability to significantly influence operations, accountability for fiscal matters, the scope of public services, and/or a special financing relationship. The financial balances and activities included in these financial statements are included in the State's Annual Comprehensive Financial Report.

The Northern Illinois University Foundation (Foundation) and the Northern Illinois Research Foundation (Research Foundation) are Illinois nonprofit corporations. The Foundation was established to promote and serve the interests and welfare of the University and to build relationships between alumni and the University. The Research Foundation was established to benefit and support the teaching, research, and service missions of the University. The Foundation and the Research Foundation are "University Related Organizations," as defined under the University guidelines adopted by the State of Illinois Legislative Audit Commission in 1982, as amended in 1997 and 2020, and are component units of the University for financial reporting purposes because of the significance of their operational relationships with the University. These component units are discretely presented in a separate column to emphasize that they are Illinois non-profit corporations, legally separate from the University.

The Foundation and Research Foundation follow Financial Accounting Standards Board (FASB) standards for financial statement preparation. Consequently, reclassifications have been made to reformat their financial statements to the GASB format for inclusion in the Component Unit's column of the financial statements and certain disclosures.

Complete financial statements for the Foundation may be obtained by writing to the NIU Foundation Controller, Altgeld Hall 138, Northern Illinois University, DeKalb, Illinois 60115. Financial Statements for the Research Foundation may be obtained by writing to the Northern Illinois Research Foundation President, Lowden Hall 301, DeKalb, Illinois 60115.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged in business-type activities, as defined by GASB Statement No. 35, as well as fiduciary custodial funds. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

### Cash and Investments

Cash and cash equivalents include bank accounts and investments with original maturities of ninety days or less at the time of purchase. Restricted cash and investments are for capital projects and the auxiliary facilities system at the University, funded by an external debt issuance. The University accounts for its investments and marketable securities at fair value. See Note 3 for further information on investments.

### Accounts and Loans Receivable

The University provides allowances for uncollectible accounts and loans receivable based upon management's best estimate considering type, age, collection history of receivables, and any other factors as considered appropriate. Accounts and loans receivable are reported net of allowances at June 30, 2023.

### Inventories

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

### Capital Assets/Intangible Assets

Capital assets are recorded at cost when purchased or acquisition value at the date of donation. Depreciation is calculated on a straight-line basis over the estimated useful lives (noted below) of the respective assets. The University follows the state of Illinois policy for capitalization with thresholds as follows: Infrastructure - $250,000; Land - $100,000; Land improvements - $25,000; Site improvements - $25,000; Buildings - $100,000; Building improvements - $25,000; Equipment - $5,000; Works of art, historical treasures - $5,000; and intangible assets - $10,000.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Capital Assets/Intangible Assets (Continued)

The assets associated with long-term leases have been capitalized. Estimated useful lives for capital assets are as follows:

| | Useful life (in years) | | Useful life (in years) |
|---|---|---|---|
| Site improvements | 20 | Equipment: | |
| Buildings | 40 | Computer and peripherals | 5 |
| Building improvements | 20 | Library books | 7 |
| Art work and historical treasures | 20 | Motor vehicles | 5 - 10 |
| Intangible assets | 5 | Furniture and machines | 5 - 10 |
| | | Other equipment | 5 - 10 |

Intangible assets represent the University's right-to-use a leased asset and the University's right-to-use subscription-based information technology. These intangible assets, as defined by GASB Statements No. 87, *Leases*, and No. 96, *Subscription-Based Information Technology Arrangements,* are for lease contracts of nonfinancial assets including vehicles and equipment and for subscription contracts of nonfinancial assets including software, respectively.

### Unearned Revenue

Unearned revenue includes amounts received for summer tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent fiscal year. These revenues are recognized as revenues in the fiscal year earned. The portion of summer session tuition and fees applicable to the following fiscal year are reported as unearned revenue. Unearned revenue also includes amounts received from grant and contract sponsors that have not yet been earned or for which the University has not yet met the eligibility requirements.

### Compensated Absences

It is the policy of the University to accrue vacation pay as earned. As of June 30, 2023, the accrued liability for this benefit was $18,127,000 and is included in accrued compensated absences on the statement of net position.

Accrued compensated absences includes employee earned but unused vacation and sick leave days. In accordance with Illinois Public Act 83-976, the University is required to compensate certain employees, generally civil service and administrative professionals, for sick leave benefits earned after January 1, 1984. Sick leave earned by these employees after this date will accumulate without limit and is payable upon termination of employment for one-half of the unused amount. As of January 1, 1998, per 30 ILCS 105/14a, sick leave benefits earned after that date are no longer compensable upon termination of employment. All

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Compensated Absences (Continued)

prior earned benefits will still be paid. As of June 30, 2023, the accrued liability of this benefit was $1,119,000, and is included in accrued compensated absences on the statement of net position. The accrued compensated absences liability will be funded through future State of Illinois General Revenue Fund appropriations as the terminated employees leave the University.

### Employment Contracts

Employment contracts for certain academic personnel provide for twelve monthly salary payments, although the contractual services are rendered during a nine-month period. The liability for those employees who have completed their contracted services, but have not yet received final payment, is $6,463,000 at June 30, 2023, and is recorded in the accompanying financial statements as accrued liabilities on the statement of net position. This amount will be paid from amounts specifically included in State appropriations to the University for fiscal year 2024 rather than the unrestricted net position available at June 30, 2023.

### Premiums, Discounts, and Prepaid Insurance

Bond premiums and discounts, as well as prepaid insurance costs, are deferred and amortized over the life of the bonds using the effective interest method.

### 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-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 non-operating revenue and pension expense, with the expense further allocated to the related function performed by the employees.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Other Postemployment Benefits (OPEB)

The State Employees Group Insurance Act of 1971 (SEGIA) (5 ILCS 375), as amended, authorizes the 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. 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.

During the OPEB measurement period ended June 30, 2022, the University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Other Postemployment Benefits (OPEB) (Continued)

of $1,110,000 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 non-operating 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 of 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 Transactions

The University had outside sources of financial assistance provided by the State on behalf of the University during the year ended June 30, 2023.

Substantially all active employees participate in group insurance plans provided by the State and administered by CMS, primary 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

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### On-Behalf Transactions (Continued)

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.

During the year ended June 30, 2023, total estimated group insurance contributions for the University's employees paid from the University's Income Fund and auxiliary enterprises were $36,500,000. The University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $2,403,000 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 $34,097,000 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 non-operating 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.

### Net Position

The University's resources are classified into net position categories and reported in the Statement of Net Position. These categories are defined as (a) net investment in capital assets – capital assets net of accumulated depreciation and amortization along with related outstanding debt balances attributable to the acquisition, construction, or improvement of those assets; (b) restricted nonexpendable – net position restricted by externally imposed stipulations; (c) restricted expendable – net position subject to externally imposed restrictions that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time, and (d) unrestricted – net position not subject to externally imposed stipulations but may be designated for specific purposes by action of management or the Board. The University first applies resources in restricted net position when as expense or outlay is incurred for purposes for which resources in both restricted and unrestricted net positions are available.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Classification of Revenue

The statement of revenues, expenses, and changes in net position classifies the University's fiscal year activity as operating and nonoperating. Operating revenues generally result from exchange transactions such as payments received for providing goods and services, including tuition and fees, net of scholarships and fellowships, certain grants and contracts, sales and services of educational activities, and auxiliary enterprise revenues (which are primarily comprised of student housing, the student union, intercollegiate athletics, recreational facilities, and parking operations).

Certain revenue sources that the University relies on to provide funding for operations including State appropriations, gifts, and investment income are defined by GASB Statement No. 35 as nonoperating. In addition, transactions related to capital and financing activities are components of nonoperating revenues.

Appropriations made from the State of Illinois General Revenue and Education Assistance Funds for the benefit of the University are recognized as nonoperating revenues when eligibility requirements are satisfied.

**Federal Student Loan Programs**

The University receives proceeds from the Federal Direct Student Loan Program (FDSLP). GASB Statement No. 84 allows business-type activities to report activities that would otherwise be considered custodial funds in the Statement of Net Position and Statement of Cash Flows as an operating activity if, upon receipt, the funds are normally expected to be held for three months or less. Funds associated with the FDSLP meet this exception and are reported as such. Federal student loans received by students were $68,065,000 and $71,961,000 for the fiscal years ended June 30, 2023 and 2022, respectively.

### Scholarship Discount and Allowances

Student tuition and fee revenues are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position using the National Association of College and University Business Officers' Advisory Report 2000-05's alternative method calculation. Stipends and other payments made directly to students are reported as scholarship and fellowship expense. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount paid by the students (and/or third parties on the students' behalf). Certain governmental grants and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenue in the University's financial statements. To the extent that revenues from such programs are used to

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Scholarship Discount and Allowances (Continued)

satisfy tuition and fees, the University has recorded a scholarship discount and allowance. In fiscal year 2023, a scholarship allowance of $69,235,000 is netted against student tuition and fees.

### Use of Estimates in Preparing the Financial Statements

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 amount of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Perkins Loan Program

The Federal Perkins Loan Program, enacted under the Higher Education Act of 1965, ended on September 30, 2015, but was extended with the passing of the Higher Education Extension Act (H.R. 3594) by Congress on December 18, 2015. The act extended the program through September 30, 2017 and was designed to reduce the number of new loans by introducing new eligibility requirements and prohibiting the issuance of new loans determined to be the first disbursed after this date. The act included options with respect to the Federal Perkins Revolving Loan fund administered by institutions of higher learning such as NIU. NIU was required to have a plan of action in effect by March 2018 to either assign the loan portfolio and the revolving fund to the Department of Education, or to continue the management of the Perkins loan portfolio that excludes the act of issuing new loans. Management made a determination to continue management of the loan portfolio.

Perkins Loans represent an average of $1 million dollars (1%) of the annual financial assistance for the University's students that has not been available subsequent to the 2017-2018 academic year.

### New and Pending Accounting Pronouncements

Newly Implemented Accounting Pronouncements

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The University has implemented this Statement with the June 30, 2023, financial statements, but it was determined to have no impact.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### New and Pending Accounting Pronouncements (Continued)

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.* The primary objective is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). The University has implemented this Statement with the June 30, 2023 financial statements. The University has included subscription-based IT assets and liabilities within the Statement of Net Position. See Note 25 for impact related to implementation of this pronouncement.

Pending Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following statements which are effective for periods beginning July 1, 2023, or later which may impact the University:

GASB Statement No. 99, *Omnibus 2022.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The University has not yet determined the impact of this Statement. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs were adopted with the June 30, 2023, financial statements. All other requirements are required to be adopted with the June 30, 2024, financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The University has not yet determined the impact of this Statement. It is required to be adopted with the June 30, 2024, financial statements.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### New and Pending Accounting Pronouncements (Continued)

GASB Statement No. 101, *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The University has not yet determined the impact of this Statement. It is required to be adopted with the June 30, 2025, financial statements.

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The University has not yet determined the impact of this Statement. It is required to be adopted with the June 30, 2025 financial statements.

## 2. CASH AND CASH EQUIVALENTS

The University considers highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents consist principally of cash deposits, certificates of deposit, U.S. government securities, money market accounts, and money market fund accounts (excluding the Illinois Funds investment pool).

As of June 30, 2023, cash (consisting of demand deposits and certificates of deposit), excluding cash in the fiduciary fund, with a bank balance of $39,389,000 and a carrying value of $38,295,000 was held by the University. Cash deposits in excess of Federal Deposit Insurance Corporation (FDIC) limits were insured or collateralized with securities held by the University, or its custodian in the name of the University.

At June 30, 2023, the University held $9,839,000 in a money market mutual fund, the Goldman Sachs Financial Square Government Fund. The fund values its holdings at amortized cost (2a7 like pool). Interest income is declared daily and paid monthly. This money market fund account is not covered by FDIC insurance but is rated AAAm.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### 3. INVESTMENTS

*Policy* – Investments and the investment process are governed by the Illinois Public Funds Investment Act (30 ILCS 235). The Board of Trustees maintains a formal Statement of Investment Policy, which addresses the governing provisions of the State law, as well as specifies additional guidelines for the investment process. The allowable investments, per University policy, mirror those specified in State statute. In general terms, these investments include instruments issued by the U.S. Government, federal agencies, high-grade commercial paper, bank deposits, investment pools created under the State Treasurer's Act, and selected money market mutual funds. The University prohibits foreign investments.

It is the policy of the University to manage the University's cash and investments for the use and benefit of the University in a manner that will:

A. Preserve and maintain the real purchasing power of the principal;
B. Assure an optimal flow of cash to meet university obligations; and
C. Produce a yield which, when compared to the current marketplace, would be described as acceptable by conservative investment managers, while maintaining consistency with applicable State statutes, and/or bond indentures.

*Fair value of investments* – The University categorizes its fair value measurements in accordance with the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices for identical investments in active markets, Level 2 inputs are other observable inputs, and Level 3 inputs are unobservable. The University has only Level 2 investments which are valued primarily through a multi-dimensional relational model including standard inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. There have been no significant changes in valuation techniques.

As of June 30, 2023, the University had the following recurring fair value measurements for investments ($000s):

| | Fair Value Measurements | | | |
|---|---|---|---|---|
| Investments by Level | Total | Level 1 | Level 2 | Level 3 |
| U.S. Treasury Notes | $ 19,850 | $ - | $ 19,850 | $ - |
| U.S. Agency Notes | 4,993 | - | 4,993 | - |
| | $ 24,843 | $ - | $ 24,843 | $ - |

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 3. INVESTMENTS (Continued)

The investments above exclude $48,732,000 held in the Illinois Public Treasurer's Investment Pool which are valued at amortized cost. The State Treasurer maintains the Illinois Public Treasurer's Investment Pool at amortized cost (2a7 like pool) through daily adjustment in the interest earnings. The State Treasurer also maintains the average duration of the pool at less than 25 days. The value of the University's investment in the funds is the same as the value of the pool shares.

The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. All funds deposited in the pool are classified as investments even though some could be withdrawn on a day's notice. The Illinois Funds does not have any limitations or restrictions on participant withdrawals. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provision of the Illinois Public Funds Investment Act (30 ILCS 235). The Illinois Funds are rated AAAm by Standard & Poor's.

The following details the carrying value of the University's cash and investments as of June 30, 2023 ($000s):

| | Total | Bank and Custodian Demand Deposit Accounts | Fair Value | Net Asset Value |
|---|---|---|---|---|
| Cash and cash equivalents | $ 48,134 | $ 38,295 | $ - | $ 9,839 |
| Investments | 73,575 | - | 24,843 | 48,732 |

*Custodial credit risk* – Custodial credit risk is the risk that when, in the event a financial institution or counterparty fails, the University would not be able to recover the value of investments or collateral securities that are in the possession of an outside party. As of June 30, 2023, the University was not subject to custodial credit risk as all of the University's investments were held in its name.

*Concentration of credit risk* – Concentration risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer, other than the U.S. Government. The University is considered to have a concentration of credit risk if its investments in any one single issuer, other than securities explicitly guaranteed by the U.S. government, are greater than 5% of total investments. The University's investments in federal agencies not explicitly guaranteed by the U.S. government which comprise more than 5% of investments are as follows ($000s):

| Investment | Total |
|---|---|
| Federal Home Loan Bank (FHLB) | $ 4,993 |

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 3. INVESTMENTS (Continued)

*Foreign currency risk* – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The University does not have any investments with foreign currency risk exposure.

*Credit risk* - Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. The University's policy is to invest in high-grade investments. The University's investments are summarized by current credit ratings below ($000s):

| | Illinois Public Treasurer's Investment Pool | U.S. Treasury Notes | U.S. Agency Notes | Total |
|---|---|---|---|---|
| AA+ | $ - | $ 19,850 | $ 4,993 | $ 24,843 |
| AAAm | 48,732 | - | - | 48,732 |
| Total | $ 48,732 | $ 19,850 | $ 4,993 | $ 73,575 |

*Interest rate risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The following table shows the University's investments categorized by maturity ($000s):

| Segmented Time Distribution | Illinois Public Treasurer's Investment Pool | U.S. Treasury Notes | U.S. Agency Notes | Total |
|---|---|---|---|---|
| 0 - 1 year | $ 48,732 | $ 19,850 | $ 4,993 | $ 73,575 |
| Total | $ 48,732 | $ 19,850 | $ 4,993 | $ 73,575 |

### URO – Foundation Investments

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

Endowed funds and funds initially received as expendable but acting as endowment are invested with a long-term horizon. Expendable gift funds are invested with an intermediate-term strategy based upon historical patterns of usage.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 3. INVESTMENTS (Continued)

### URO – Foundation Investments (Continued)

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

The Foundation's investments as of June 30, 2023, consisted of the following ($000s):

| | | |
|---|---|---|
| U.S. Treasury securities | $ | 302 |
| Equity: | | |
| Domestic equity - Lrg/Mid-Cap | | 27,487 |
| Domestic equity - Small-Cap | | 7,920 |
| International equity | | 24,961 |
| Private equity | | 9,620 |
| Hedged strategies | | 9,041 |
| Public fixed income | | 39,671 |
| Private debt | | 2,438 |
| Public real assets | | 11,784 |
| Private natual resources | | 5,864 |
| Private real estate | | 4,393 |
| | | 143,481 |
| Funds held in trust by others | | 9,629 |
| Total | $ | 153,110 |

The Foundation's investment return for fiscal year 2023 is comprised of the following ($000s):

| | | |
|---|---|---|
| Interest and dividend income | $ | 3,807 |
| Net realized and unrealized gains/(losses) on investments reported at fair value | | 6,219 |
| Investment fees | | (483) |
| Total | $ | 9,543 |

The Foundation's permissible investment categories include:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

## 3. INVESTMENTS (Continued)

### URO – Foundation Investments (Continued)

#### Alternative Investments

Investments in certain entities measured at fair value using the net asset value per share as a practical expedient consist of the following ($000s):

| | Fair Value | Unfunded Commitment |
|---|---|---|
| Hedged/alternative investments | $ 12,404 | $ - |
| Private equity | 24,324 | 8,906 |
| | $ 36,728 | $ 8,906 |

The hedge fund and alternative investments class includes investments in funds that invest in multiple limited partnerships with various investment strategies and long and short positions in equity securities of companies within the United States of America (USA) and outside of the USA. These funds can be redeemed daily, monthly, quarterly, annually or biannually depending on the partnership agreement, within redemption notice periods of one to four months.

The private equity funds class includes funds that invest in the following types of investments in the USA and outside the USA: venture capital partnerships, buyout partnerships, mezzanine/subordinated debt partnerships, restructuring/distressed debt partnerships and special situation partnerships, and real estate. These investments cannot be redeemed during the life of the partnership, which can be up to 12 years; however, they can be transferred to another eligible investor. Distributions will be received as the underlying investments of the funds are liquidated over time. The fair value of this investment has been estimated using the NAV provided by the fund manager and an adjustment determined by management for the time period between the date of the last available NAV from the investment manager and June 30, 2023.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 4. RECEIVABLES

### Accounts Receivable

The University and its component units report accounts receivable net of the allowance for uncollectible accounts and includes the following as of June 30, 2023:

| | Gross Receivables | Allowance for Uncollectible Accounts | Net Receivables |
|---|---|---|---|
| **UNIVERSITY ($000s)** | | | |
| Student accounts | $ 34,891 | $ (24,000) | $ 10,891 |
| Customer accounts | 3,355 | (562) | 2,793 |
| Grants receivable | 18,395 | - | 18,395 |
| Lease receivable-ST | 55 | - | 55 |
| | $ 56,696 | $ (24,562) | $ 32,134 |
| **COMPONENT UNITS ($000s)** | | | |
| Pledges receivable | $ 4,891 | $ - | $ 4,891 |
| Less: Allowance for uncollectible pledges | - | (185) | (185) |
| Pledges receivable - net* | $ 4,891 | $ (185) | $ 4,706 |

* On the Statement of Net Position, the non-current portion of this number, totaling $3,006, is classified as Other in the noncurrent asset section.

### University Student Loans Receivable

Student loans made through the Federal Perkins Loan Program comprise substantially all of student loans receivable as of June 30, 2023 totaling $1,635,000, net of allowance for uncollectible accounts of $145,000.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

# 5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023, is summarized as follows:

| **University ($000s)** | Beginning Balance, Restated* | Additions | Retirements | Transfers | Ending Balance |
|---|---|---|---|---|---|
| Capital assets not being depreciated: | | | | | |
| Land | $ 19,142 | $ - | $ - | $ - | $ 19,142 |
| Construction in progress | 8,192 | 8,848 | (41) | (5,895) | 11,104 |
| Total capital assets not being depreciated | 27,334 | 8,848 | (41) | (5,895) | 30,246 |
| Tangible capital assets being depreciated: | | | | | |
| Land improvements | 93,850 | - | - | 4,375 | 98,225 |
| Leasehold improvements | 431 | - | - | - | 431 |
| Buildings | 742,817 | - | (6,203) | 1,520 | 738,134 |
| Equipment | 188,166 | 3,879 | (9,040) | - | 183,005 |
| Other assets | 3,820 | - | - | - | 3,820 |
| Total tangible capital assets being depreciated: | 1,029,084 | 3,879 | (15,243) | 5,895 | 1,023,615 |
| Intangible capital assets being amortized: | | | | | |
| Building space | 308 | 191 | (35) | - | 464 |
| Other | 203 | 465 | (15) | - | 653 |
| Subscription-based IT arrangements | 1,956 | 359 | - | - | 2,315 |
| Total intangible capital assets being amortized: | 2,467 | 1,015 | (50) | - | 3,432 |
| Less: accumulated depreciation for tangible capital assets | | | | | |
| Land improvements | (68,988) | (2,757) | - | - | (71,745) |
| Leasehold improvements | (405) | (1) | - | - | (406) |
| Buildings | (441,967) | (19,965) | 4,788 | - | (457,144) |
| Equipment | (177,423) | (3,586) | 9,023 | - | (171,986) |
| Other assets | (3,821) | - | - | - | (3,821) |
| Total accumulated depreciation for tangible capital assets | (692,604) | (26,309) | 13,811 | - | (705,102) |
| Less: accumulated amortization for intangible capital assets | | | | | |
| Building Space | (119) | (102) | 35 | - | (186) |
| Other | (69) | (145) | 15 | - | (199) |
| Subscription-based IT arrangements | - | (589) | - | - | (589) |
| Total accumulated amortziation for intangible capital assets | (188) | (836) | 50 | - | (974) |
| Total tangible and intangible capital assets being depreciated and amortized, net | 338,759 | (22,251) | (1,432) | 5,895 | 320,971 |
| Total capital assets, net | $ 366,093 | $ (13,403) | $ (1,473) | $ - | $ 351,217 |

*Beginning balances were restated for the implementation of GASB 96, *Subscription-Based Information Technology Arrangements*.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 5. CAPITAL ASSETS (Continued)

| URO-Foundation ($000s) | Beginning Balance | Additions | Retirements | Transfers | Ending Balance |
|---|---|---|---|---|---|
| Capital assets not being depreciated: | | | | | |
| Land | $ 3,861 | $ - | $ - | $ - | $ 3,861 |
| Construction in progress | 160 | 395 | - | - | 555 |
| Total capital assets not being depreciated | 4,021 | 395 | - | - | 4,416 |
| Capital assets being depreciated: | | | | | |
| Buildings | 24,676 | - | - | - | 24,676 |
| Equipment | 121 | 66 | - | - | 187 |
| Total capital assets being depreciated: | 24,797 | 66 | - | - | 24,863 |
| Less: accumulated depreciation | (7,256) | (627) | - | - | (7,883) |
| Total capital assets being depreciated, net | 17,541 | (561) | - | - | 16,980 |
| Total capital assets, net | $ 21,562 | $ (166) | $ - | $ - | $ 21,396 |

## 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2023, are as follows ($000s):

| | University | URO - Foundation |
|---|---|---|
| Payable to vendors/suppliers | $ 33,109 | $ 1,295 |
| Accrued payroll | 8,251 | - |
| Current portion of noncurrent liabilities: | | |
| Accrued interest | 2,899 | - |
| Performance contracts payable | 3,336 | - |
| Revenue bonds payable | 5,675 | - |
| Installment purchases | 575 | - |
| Notes and certificates of participation payable | 1,390 | - |
| Leases payable | 240 | - |
| Subscription-based IT arrangements | 587 | - |
| Total accounts payable and accrued liabilities | $ 56,062 | $ 1,295 |

## 7. PERFORMANCE CONTRACTS PAYABLE

The University has entered into multiple performance contracts, in accordance with Public Act 90-0486, passed by the State Legislature in 1997. This Public Act allows State universities to negotiate multi-year contracts for the evaluation, design and implementation of facility improvement measures that will pay for themselves via guaranteed energy and/or operational savings over the life of the contract. The University is guaranteed by the provider that the annual energy and/or operational savings realized as a result of the implementation and servicing of the energy conservation measures will equal or exceed the annual expenditures for the term of the financed installation. Sufficient bonding must be posted by the provider to further protect the long-term interests of the University. The underlying expenditures in the performance contracts have been capitalized in accordance with the University capitalization policy. The performance contracts contain a provision that in the event of default, all payments due under the contracts may be declared immediately due and payable.

Performance contracts payable activity and outstanding balances as of and for the year ended June 30, 2023, are as follows ($000s):

| Performance Contract | Beginning Balance | Issued | Retired | Ending Balance | Current Portion |
|---|---|---|---|---|---|
| Energy Infrastructure Improvement - Phase 10B | $ 4,547 | $ - | $ (838) | $ 3,709 | $ 872 |
| Energy Infrastructure Improvements - Refinance | 6,150 | - | (1,481) | 4,669 | 1,518 |
| Energy Infrastructure Improvements - Phase 11 | 4,691 | - | (555) | 4,136 | 575 |
| Energy Infrastructure Improvements - Phase 11A | 3,697 | - | (359) | 3,338 | 371 |
| Total | $ 19,085 | $ - | $ (3,233) | $ 15,852 | $ 3,336 |

Future minimum payments on these performance contracts payable are ($000s):

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 3,336 | $ 501 | $ 3,837 |
| 2025 | 3,443 | 394 | 3,837 |
| 2026 | 3,554 | 283 | 3,837 |
| 2027 | 2,033 | 179 | 2,212 |
| 2028 | 1,087 | 112 | 1,199 |
| 2029-2031 | 2,399 | 118 | 2,517 |
| Total | $ 15,852 | $ 1,587 | $ 17,439 |

Interest rates range from 2.48% to 4.16%. The guaranteed savings will be recognized as a reduction of expense over the life of the contract as payments are made.

NOTES TO THE BASIC FINANCIAL STATEMENTS

## 8. ACCRUED COMPENSATED ABSENCES

Accrued compensated absences includes employee earned but unused vacation and sick leave days. The changes in balances as of and for the year ended June 30, 2023, are as follows ($000s):

| | |
|---|---|
| Balance, beginning of year | $ 18,372 |
| Additions/(Deductions) | 874 |
| Balance, end of year | 19,246 |
| Less: current portion | (1,595) |
| Balance, end of year, noncurrent portion | $ 17,651 |

Amounts reported as current are based upon historical trends. The employer portion of Medicare taxes related to accrued compensated absences is $279,000.

## 9. UNEARNED REVENUE AND GRANTS

Unearned revenue and grants represent funds received in advance on grants not expended. The change in balances as of and for the year ended June 30, 2023, are as follows ($000s):

| | |
|---|---|
| Balance, beginning of year | $ 5,209 |
| Additions/(Deductions) | 378 |
| Balance, end of year | $ 5,587 |

## 10. GOVERNMENT LOAN FUND ADVANCES

Government loan fund advances represent money received from the federal government for student loan programs. The change in balances as of and for the year ended June 30, 2023, are as follows ($000s):

| | |
|---|---|
| Balance, beginning of year | $ 2,975 |
| Additions/(Deductions) | (865) |
| Balance, end of year | $ 2,110 |

## NOTES TO THE BASIC FINANCIAL STATEMENTS

# 11. REVENUE BONDS PAYABLE

Revenue bonds activity and outstanding as of and for the year ended June 30, 2023, are as follows ($000s):

| Issue | Beginning Balance | Issued/ Accreted | Retired/ Defeased | Ending Balance | Current Portion | Future Revenues Pledged | Debt Service to Pledged Revenue (Current Year) |
|---|---|---|---|---|---|---|---|
| Revenue Bonds Payable - Direct Placement | | | | | | | |
| Series 2020A | $ 29,800 | $ - | $ (100) | $ 29,700 | $ 250 | $ 46,369 | 0.81% |
| Total Revenue Bonds Payable - Direct Placement | 29,800 | - | (100) | 29,700 | 250 | 46,369 | |
| Revenue Bonds Payable - Other | | | | | | | |
| Series 2020B | 124,140 | - | (1,240) | 122,900 | 5,425 | 179,238 | 4.91% |
| Series 2021 | 99,035 | - | - | 99,035 | - | 151,169 | 3.04% |
| Total Revenue Bonds Payable - Other | 223,175 | - | (1,240) | 221,935 | 5,425 | 330,407 | |
| Unamortized Premium - Other | | | | | | | |
| Series 2020B | 20,546 | - | (4,127) | 16,419 | | | |
| Series 2021 | 18,286 | - | (2,214) | 16,072 | | | |
| Total Unamortized Premium - Other | 38,832 | - | (6,341) | 32,491 | | | |
| Total | $ 291,807 | $ - | $ (7,681) | $ 284,126 | $ 5,675 | $ 376,776 | |

In April 2020, the University issued $30,000,000 of Auxiliary Facilities Systems Refunding Revenue Bonds (Series 2020A). The interest rate is determined by the Bank Index Rate. The Bank Index Rate is equal to the sum of (a) the applicable factor times the SOFR Index rate plus (b) the applicable margin, but in no event in excess of the maximum rate of interest permitted by law. The interest rate in effect at June 30, 2023 was 5.41%. The bonds mature at varying amounts through 2041. Interest payments are due semi-annually.

In April 2020, the University issued $126,435,000 of Auxiliary Facilities Systems Refunding Revenue Bonds (Series 2020B) with interest rates ranging from 4.00% to 5.00%. The bonds mature at varying amounts through 2041. Interest payments are due semi-annually.

In July 2021, the University issued $99,035,000 of Auxiliary Facilities System Revenue Bonds (Series 2021) with interest rates ranging from 4.00% to 5.00%. The bonds mature at varying amounts through 2044. Interest payments are due semi-annually.

The Series 2020A and Series 2020B bonds are payable from and secured by the net revenues of the System and pledged fees. The Series 2020A, Series 2020B, and Series 2021 bonds are further secured by a pledge of and lien on pledged tuition, which equaled $122,564,000 in the current year. The Series 2020A bonds contain a provision that in the event of a default the bonds shall bear interest at a floating rate equal to the default rate so long as the event of default has not been cured. All bond series are also secured by non-cancelable policies of municipal bond insurance.

## 11. REVENUE BONDS PAYABLE (Continued)

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, information related to direct borrowings and direct placements of debt are disclosed separately from other debt. Direct borrowings and direct placements have terms negotiated directly with the investor or lender and are not offered for public sale. Aggregate payments required on the bonds for the next five years and in later years are as follows ($000s):

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 250 | $ 1,603 | $ 1,853 |
| 2025 | 1,353 | 1,575 | 2,928 |
| 2026 | 1,394 | 1,501 | 2,895 |
| 2027 | 1,436 | 1,425 | 2,861 |
| 2028 | 1,479 | 1,347 | 2,826 |
| 2029-2033 | 8,086 | 5,476 | 13,562 |
| 2034-2038 | 9,375 | 3,136 | 12,511 |
| 2039-2041 | 6,327 | 606 | 6,933 |
| Total Revenue Bonds Payable - Direct Placement | $ 29,700 | $ 16,669 | $ 46,369 |

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 5,425 | $ 9,787 | $ 15,212 |
| 2025 | 4,610 | 9,515 | 14,125 |
| 2026 | 8,200 | 9,201 | 17,401 |
| 2027 | 8,615 | 8,787 | 17,402 |
| 2028 | 9,050 | 8,351 | 17,401 |
| 2029-2033 | 52,595 | 34,439 | 87,034 |
| 2034-2038 | 65,880 | 21,169 | 87,049 |
| 2039-2043 | 60,195 | 7,076 | 67,271 |
| 2044 | 7,365 | 147 | 7,512 |
| Total Revenue Bonds Payable - Other | $ 221,935 | $ 108,472 | $ 330,407 |

As a requirement of issuing certain revenue bonds, the University is subject to specific covenants, which includes the sum of net revenues, pledged fees and pledged tuition collected in each fiscal year to be at least two times the maximum annual debt service. The University monitors its compliance with these covenants.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 12. INSTALLMENT PURCHASES

The assets recorded under installment purchase agreements have been capitalized at the present value of future installment purchase payments, measured at the inception date. These assets totaled $1,686,000, net of accumulated depreciation of $1,402,000, at June 30, 2023.

Installment purchase activity and outstanding principal balances as of and for the year ended June 30, 2023, are as follows ($000s):

| | Beginning Balance | Additions | Payments | Ending Balance | Current Portion |
|---|---|---|---|---|---|
| IASBO Building | $ 127 | $ - | $ (65) | $ 62 | $ 62 |
| Dell Equipment and Software | 542 | - | (264) | 278 | 278 |
| Ford Vehicles | 73 | - | (21) | 52 | 22 |
| HP Supercomputer | - | 1,186 | (244) | 942 | 213 |
| Net Present Value | $ 742 | $ 1,186 | $ (594) | $ 1,334 | $ 575 |

Future minimum payments for the above assets under installment purchase agreements at June 30, 2023, on originally scheduled minimum payments and estimated interest are as follows ($000s):

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 575 | $ 49 | $ 624 |
| 2025 | 244 | 26 | 270 |
| 2026 | 235 | 17 | 252 |
| 2027 | 235 | 9 | 244 |
| 2028 | 45 | 2 | 47 |
| Total | $ 1,334 | $ 103 | $ 1,437 |

## 13. CERTIFICATES OF PARTICIPATION PAYABLE

Certificates of participation and outstanding principal balances as of and for the year ended June 30, 2023, are as follows ($000s):

| Issue | Beginning Balance | Issued | Retired | Ending Balance | Current Portion |
|---|---|---|---|---|---|
| Certificates of Participation: | | | | | |
| Series 2014 - Capital Improvement Project | $ 4,235 | $ - | $ (1,325) | $ 2,910 | $ 1,390 |
| | 4,235 | - | (1,325) | 2,910 | 1,390 |
| Unamortized Debt Premium | 380 | - | (95) | 285 | |
| Total | $ 4,615 | $ - | $ (1,420) | $ 3,195 | $ 1,390 |

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 13. CERTIFICATES OF PARTICIPATION PAYABLE (Continued)

Series 2014 – Capital Improvement Project: On April 22, 2014, the University issued a Certificate of Participation (COP) in the amount of $11,975,000 at a premium of $1,140,000. The proceeds were used to refinance a 113,000 square foot facility located on the campus of and for use of Northern Illinois University by redeeming all of the Illinois Development Finance Authority Lease Revenue Bonds (Northern Illinois Naperville Project) Series 1999 in the amount of $11,630,000 and prepaying an Installment Payment Contract between the Board and Energy Systems Group, LLC in the amount of $1,182,000. This resulted in approximate savings of $916,000 in future debt service payments on the old debt. The Series 2014 COP is payable through installments commencing in 2015, for a period of eleven years. The interest rate is 4%-5%. The Series 2014 COP contains a provision that in the event of default, the outstanding principal and any accrued interest may become immediately due and payable.

Future minimum payments on these certificates of participation payable are ($000s):

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 1,390 | $ 110 | $ 1,500 |
| 2025 | 1,455 | 39 | 1,494 |
| 2026 | 65 | 1 | 66 |
| Total | $ 2,910 | $ 150 | $ 3,060 |

NOTES TO THE BASIC FINANCIAL STATEMENTS

## 14. NET POSITION

The University's net position is classified for accounting and reporting purposes into one of three categories according to the nature of the restrictions, if any, imposed on usage. University policy is to apply restricted resources first when an expense or outlay is incurred for purposes for which both restricted and unrestricted resources are available. The following tables include detail of the net position balances for the University and the URO-Foundation:

**University Net Position ($000's):**

| | |
|---|---|
| Net investment in capital assets | $ 44,298 |
| Restricted: | |
| Nonexpendable | 272 |
| Expendable: | |
| Auxiliary Facilities System | 62,951 |
| Endowments | 12,017 |
| Unrestricted | (15,196) |
| Total | $ 104,342 |

**URO-Foundation ($000's):**

| | |
|---|---|
| Net investment in capital assets | $ 21,396 |
| Restricted: | |
| Nonexpendable | 65,357 |
| Expendable | 65,567 |
| Unrestricted | 17,404 |
| Total | $ 169,724 |

Net investment in capital assets represents 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.

Restricted-nonexpendable net position represents endowment funds, where the donor has provided a gift for which the principal must remain invested in perpetuity and only the income may be utilized to support the restricted purpose the donor indicated. It also includes the University's capital contributions to the Perkins Loan Program fund.

Restricted-expendable net position represents resources with legal or contractual obligations to spend in accordance with restrictions imposed by external third parties.

The unrestricted classification is not subject to externally imposed stipulations; however, substantially all of the University's unrestricted funds have been designated for various academic, research and public service programs and initiatives, as well as capital projects. Additionally, legislative restrictions exist on these funds as outlined in the University Guidelines 1982, as amended in 1997.

## 15. TRANSACTIONS WITH COMPONENT UNITS

During fiscal year 2023, the University engaged the Foundation, under contract, to provide fundraising services. As provided by the contract agreement, the University paid $744,000 for fundraising services. Under the terms of the agreement, the University provided in-kind support in the form of personnel, office space, information technology support, and human resources services estimated at $3,989,000 during fiscal year 2023. During this year the direct and /or indirect support of the Foundation, as well as the scholarships provided by the Foundation exceeded the value provided by the University under the agreement. The University engaged the Research Foundation, under contract, to provide services to aid the University in its economic development, public service, research, and educational missions. As provided by the contract, the Research Foundation provided $216,000 of services during fiscal year 2023, of which $62,000 was payable from the University at year-end.

The University entered into a 10-year lease with the Foundation for the rental of space in the Jeffrey and Kimberly Yordon Center in 2007. The Yordon Center lease has been extended through March 2024. The building houses state of the art strength and conditioning facilities, academic and tutoring support, coaches' offices, locker rooms, and medical treatment and rehabilitation services. The lease calls for the University to be responsible for insurance and maintenance of the building.

The University entered into an 89-month lease with the Foundation for the rental of space in the Kenneth and Ellen Chessick Practice Center in 2013. The Kenneth and Ellen Chessick Practice Center lease has been extended through March 2024. The center features an artificial turf field with full NCAA football playing field dimensions, a four-lane sprint track, batting cages, and long jump pits. The facility serves 16 intercollegiate teams and a variety of intramural sports at NIU. The lease calls for the University to be responsible for insurance and maintenance of the building.

The University, with its discretely presented component units, are presented within the State's Annual Comprehensive Financial Report as one discretely presented component unit. As the transactions and balances between the University and its UROs are not eliminated as presented in the statement of net position and statement of revenues, expenses, and changes in net position, additional disclosure identifying the eliminating entries necessary for presentation in the State's Annual Comprehensive Financial Report follows.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 15. TRANSACTIONS WITH COMPONENT UNITS (Continued)

As of and for the year ended June 30, 2023, the University and its component units had the following inter-entity transactions ($000s):

| Northern Illinois University | NIU Foundation | | | | | Research Foundation | |
|---|---|---|---|---|---|---|---|
| | Operating Revenue | Operating Expense | Current Assets | Current Liabilities | Noncurrent Liabilities | Operating Revenue | Current Assets |
| Operating revenues | $ - | $ 4,462 | $ - | $ - | $ - | $ - | $ - |
| Operating expenses | 1,840 | - | - | - | - | 218 | - |
| Other nonoperating revenues | - | 1,991 | - | - | - | - | - |
| Current assets | - | - | - | 2,029 | - | - | - |
| Noncurrent assets | - | - | - | - | 12,017 | - | - |
| Current liabilities | - | - | - | - | - | - | 62 |

## 16. LEASES

In accordance with GASB Statement No. 87, *Leases*, the University's lessee activity is as follows:

The following is a summary of changes in leases payable, net, as of and for the year ended June 30, 2023 ($000s):

| | Beginning Balance | Additions | Payments | Ending Balance | Current Portion |
|---|---|---|---|---|---|
| Building - Chicago, IL | $ - | $ 180 | $ (52) | $ 128 | $ 61 |
| Building - Springfield, IL | 6 | 6 | (6) | 6 | 6 |
| Building - Rockford, IL | 183 | - | (32) | 151 | 34 |
| Equipment - Laundry | - | 454 | (98) | 356 | 112 |
| Tower - Lee County, IL | 100 | - | (15) | 85 | 15 |
| Tower - Freeport, IL | 36 | - | (11) | 25 | 12 |
| Net Present Value | $ 325 | $ 640 | $ (214) | $ 751 | $ 240 |

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 16. LEASES (Continued)

Future minimum lease payments for leases payable, including future interest payments at June 30, 2023, were as follows ($000s):

| Year Ending June 30, | Total |
|---|---|
| 2024 | $ 280 |
| 2025 | 275 |
| 2026 | 193 |
| 2027 | 63 |
| 2028 | 20 |
| Total minimum lease payments | 831 |
| Less amounts representing Interest costs | (80) |
| TOTAL | $ 751 |

The University entered into a lease arrangement on July 5, 2022, for the right-to-use building space on Madison Street in Chicago, IL. Payments of $5,465 to $5,770 are due in monthly installments, through June 2025. Total intangible right-to-use assets acquired under this agreement are $185,429.

The University entered into a lease arrangement on March 1, 2019, for the right-to-use building space on College Street in Springfield, IL. Payments of $1,500 are due in quarterly installments, through July 2024. Total intangible right-to-use assets acquired under this agreement are $22,351.

The University entered into a lease arrangement on July 1, 2017, for the right-to-use building space on State Street in Rockford, IL. Payments of $4,128 are due in monthly installments, through June 2022 and payments of $3,536 are due in monthly installments, through June 2027. Total intangible right-to-use assets acquired under this agreement are $256,619.

The University entered into a lease arrangement on July 1, 2022, for the right-to-use laundry equipment. Payments of $10,855 are due monthly, through June 2026. Total intangible right-to-use assets acquired under this agreement are $464,416.

The University entered into a lease arrangement on July 1, 2018, for the right-to-use a radio transmitting device on the Sauk Valley Broadcasting tower in Lee County, IL. Payments of $18,742 to $20,340 are due annually, through July 2027. Total intangible right-to-use assets acquired under this agreement are $132,878.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 16. LEASES (Continued)

The University entered into a lease arrangement on July 1, 2019, for the right-to-use a radio transmitting device on Tower Road in Freeport, IL. Payments of $1,000 to $1,100 are due monthly through June 2025. Total intangible right-to-use assets acquired under this agreement are $54,937.

In accordance with GASB Statement No. 87, *Leases*, the University's lessor activity is as follows:

The following table represents expected future minimum collections the University will receive under lessor lease arrangements:

| Year Ending June 30, | Total |
|---|---|
| 2023 | $ 74 |
| 2024 | 75 |
| 2025 | 77 |
| 2026 | 57 |
| 2027 | 29 |
| 2028-2032 | 84 |
| Total minimum lease payments | 396 |
| Less amounts representing Interest costs | (66) |
| Current Portion | 55 |
| Long-Term Portion | 274 |
| TOTAL | $ 329 |

The University entered into a lease arrangement on March 1, 2020, to lease building space on Diehl Road in Naperville, IL. Payments of $870 are due to the University in monthly installments, through June 2026. The lease agreement is non-cancelable and maintains an interest rate of 6%. During the fiscal year, the University collected $10,440 and recognized a $8,791 reduction in the related deferred inflow of resource. The remaining lease receivable and offsetting deferred inflow of resource for this agreement is $28,592 and $26,374, respectively, as of June 30, 2023.

The University entered into a lease arrangement on May 1, 2022, to lease building space on Diehl Road in Naperville, IL. Rental payments were abated for the period May 2022 to September 2022. Payments ranging from $2,725 to $3,131 are due to the University in monthly installments, beginning October 2022 and are payable through September 2027. The lease agreement is non-cancelable and maintains an interest rate of 6%. During the fiscal year, the University collected $24,685 and recognized a $27,240 reduction in the related deferred inflow of resource. The remaining lease receivable and offsetting deferred inflow of resource for this agreement is $132,273 and $115,772, respectively, as of June 30, 2023.

## 16. LEASES (Continued)

The University entered into a lease arrangement on August 1, 2021, to lease building space in Montgomery Hall at Northern Illinois University. Payments ranging from $892 to $965 are due to the University in monthly installments, through July 2026. The lease agreement is non-cancelable and maintains an interest rate of 6%. During the fiscal year, the University collected $10,896 and recognized a $9,624 reduction in the related deferred inflow of resources. The remaining lease receivable and offsetting deferred inflow of resource for this agreement is $31,828 and $29,673, respectively, as of June 30, 2023.

The University entered into a lease arrangement on June 1, 2022, to lease building space in the Health Services Building at Northern Illinois University. Payments ranging from $1,500 to $1,828 are due to the University in monthly installments, through June 2032. The lease agreement is non-cancelable and maintains an interest rate of 6%. During the fiscal year, the University collected $18,030 and recognized a $14,816 reduction in the related deferred inflow of resource. The remaining lease receivable and offsetting deferred inflow of resource for this agreement is $137,220 and $132,152, respectively, as of June 30, 2023.

## 17. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

In accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, the District's SBITA activity for the year ended June 30, 2023, is as follows (000s):

| | Beginning Balance, Restated* | Additions | Payments | Ending Balance | Current Portion |
|---|---|---|---|---|---|
| SBITA - Learning Data | $ 62 | $ - | $ (20) | $ 42 | $ 21 |
| SBITA - Online Learning | 1,357 | - | (305) | 1,052 | 327 |
| SBITA -Adobe | 311 | - | (150) | 161 | 161 |
| SBITA - Mobile Campus | 169 | - | (37) | 132 | 40 |
| SBITA - Ticketing Software | - | 310 | (40) | 270 | 23 |
| SBITA - Training Platform | - | 49 | (14) | 35 | 15 |
| Net Present Value | $ 1,899 | $ 359 | $ (566) | $ 1,692 | $ 587 |

* Beginning balances were restated for the implementation of GASB 96, *Subscription-Based Information Technology Arrangements.*

As of May 2017, the University entered into a SBITA with a vendor for collecting learning data. The arrangement is for eight years through June 30, 2025. At June 30, 2023, the University reported a corresponding SBITA asset and liability in the amounts of $38,301 and $42,069, respectively. Principal reduction of $20,109 was reported for the year ended June 30, 2023.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 17. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (Continued)

As of August 2021, the University entered into a SIBTA with a vendor for its online learning platform. The arrangement is for five years through August 8, 2026. At June 30, 2023, the University reported a corresponding SBITA asset and liability in the amounts of $1,052,001 and $1,052,246, respectively. Principal reduction of $304,596 was reported for the year ended June 30, 2023.

As of August 2021, the University entered into a SIBTA with a vendor for its Adobe software suite. The arrangement is for three years through August 23, 2024. At June 30, 2023, the University reported a corresponding SBITA asset and liability in the amounts of $183,518 and $160,063, respectively. Principal reduction of $150,757 was reported for the year ended June 30, 2023.

As of October 2017, the University entered into a SBITA with a vendor for its mobile campus application software. The arrangement is for seven years through October 13, 2024, with a 2-year renewal option through October 13, 2026. At June 30, 2023, the University reported a corresponding SBITA asset and liability in the amounts of $125,637 and $131,931, respectively. Principal reduction of $37,202 was reported for the year ended June 30, 2023.

As of July 2022, the University entered into a SBITA with a vendor for its ticketing software. The arrangement is for ten years through June 30, 2032. At June 30, 2023, the University reported a corresponding SBITA asset and liability in the amounts of $279,023 and $270,026, respectively. Principal reduction of $40,000 was reported for the year ended June 30, 2023.

As of May 2023, the University entered into a SBITA with a vendor for its video-based skills training platform. The arrangement is for three years through May 15, 2026. At June 30, 2023, the University reported a corresponding SBITA asset and liability in the amounts of $47,009 and 35,575, respectively. Principal reduction of $13,500 was reported for the year ended June 30, 2023.

NOTES TO THE BASIC FINANCIAL STATEMENTS

## 17. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (Continued)

Obligations under SBITA payable, including future interest payments at June 30, 2023, were as follows ($000s):

| Year Ending June 30, | Principal | Interest |
|---|---|---|
| 2024 | $ 587 | $ 99 |
| 2025 | 460 | 65 |
| 2026 | 449 | 38 |
| 2027 | 28 | 12 |
| 2028 | 30 | 10 |
| 2029-2033 | 138 | 22 |
| Total minimum lease payments | $ 1,692 | $ 246 |

## 18. RETIREMENT PLAN

### Defined Benefit Pension Plans

### General Information about the Pension Plan

*Plan Description.* The University contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State of Illinois (State) makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of state universities and community colleges, 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 (ACFR) 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.

*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 reciprocal system service. The revised plan is referred to as Tier 2. New employees are allowed six months after their date of hire to make an irrevocable

## 18. RETIREMENT PLAN (Continued)

election whether to participate in either the traditional or portable benefit plans. A summary of the benefit provisions as of June 30, 2023 can be found in the financial section of SURS ACFR.

*Contributions*. The State is primarily responsible for funding SURS 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 2022 and 2023, respectively, was 12.32% and 12.83% 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 Illinois 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% 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 Defined Benefit Pensions

*Net Pension Liability.* The net pension liability (NPL) was measured as of June 30, 2022. At June 30, 2022, SURS defined benefit plan reported a NPL of $29,078,053,857.

*University's Proportionate Share of Net Pension Liability.* The amount of the proportionate share of the NPL to be recognized for the University is $0. The proportionate share of the State's NPL associated with the University is $1,088,843,429, or 3.7446%. The University's proportionate share changed by (0.1586%) from 3.9032% since the last measurement date of June 30, 2021. This amount is not recognized in the University's financial statements. The NPL and total pension liability as of June 30, 2022, were determined based on the June 30, 2021 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS defined benefit plan during fiscal year 2021.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 18. RETIREMENT PLAN (Continued)

*Defined Benefit Pension Expense.* For the year ended June 30, 2022, SURS defined benefit plan reported a collective net pension expense of $1,903,314,699.

*University's Proportionate Share of Defined Benefit Pension Expense.* The University's proportionate share of collective defined benefit 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 pension expense is the actual reported pensionable contributions made to SURS defined benefit plan during fiscal year 2021. As a result, the University recognized revenue and defined benefit pension expense of $71,270,647 from this special funding situation during the year ended June 30, 2023.

*Deferred Outflows and Deferred Inflows of Resources Related to Defined Benefit Pensions.* Deferred outflows of resources are the consumption of net position by SURS that is applicable to future reporting periods. Conversely, deferred inflows of resources are the acquisition of net position by SURS that is applicable to future reporting periods.

SURS Collective Deferred Outflows and Deferred Inflows of Resources by sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $ 31,973,496 | $ 28,674,599 |
| Change in assumptions | 279,362,441 | 982,954,268 |
| Net difference between projected and actual earnings on pension plan investments | 31,628,935 | - |
| Total | $ 342,964,872 | $ 1,011,628,867 |

## 18. RETIREMENT PLAN (Continued)

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/(Inflows) of Resources |
|---|---|
| 2023 | $ (332,941,204) |
| 2024 | (528,966,820) |
| 2025 | (249,290,775) |
| 2026 | 442,534,804 |
| 2027 | - |
| Thereafter | - |
| Total | $ (668,663,995) |

### University Deferral of Fiscal Year 2023 Contributions

The University paid $1,679,233 in federal, trust or grant contributions to SURS defined benefit pension plan during the fiscal year ended June 30, 2023. These contributions were made subsequent to the pension liability measurement date of June 30, 2022, and are recognized as deferred outflows of resources as of June 30, 2023.

### Assumptions and Other Inputs

*Actuarial assumptions*. The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from June 30, 2017, through June 30, 2020. The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.25% |
| Salary increases | 3.00% to 12.75%, including inflation |
| Investment rate of return | 6.50% |

Mortality rates were based on the Pub-2010 employee and retiree gender distinct tables with projected generational mortality and a separate mortality assumption for disabled participants.

The long-term expected rate of return on defined benefit 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

## 18. RETIREMENT PLAN (Continued)

return by the target asset allocation percentage 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 consultant(s) and actuary. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2022, these best estimates are summarized in the following table:

| Defined Benefit Plan | Strategic Policy Allocation | Weighted Long-Term Expected Real Rate of Return |
|---|---|---|
| **Traditional Growth** | | |
| Global Public Equity | 38.00% | 7.62% |
| **Stabalized Growth** | | |
| Public Credit Fixed Income | 9.00% | 4.20% |
| Credit Real Assets | 4.50% | 4.98% |
| Options Strategies | 2.50% | 4.91% |
| Private Credit | 1.00% | 7.45% |
| **Non-Traditional Growth** | | |
| Private Equity | 10.50% | 11.91% |
| Non-Core Real Assets | 2.50% | 9.43% |
| **Inflation Sensitive** | | |
| U.S. TIPS | 5.00% | 1.23% |
| **Principal Protection** | | |
| Core Fixed Income | 8.00% | 1.79% |
| **Crisis Risk Offset** | | |
| Systematic Trend Following | 10.00% | 4.33% |
| Alternative Risk Premia | 5.00% | 3.59% |
| Long Duration | 4.00% | 2.16% |
| Total | 100% | 6.08% |
| Inflation | | 2.25% |
| Expected Arithmetic Return | | 8.33% |

*Discount Rate*. A single discount rate of 6.39% 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 6.50% and a municipal bond rate of 3.69% (based on the Fidelity 20-Year Municipal GO AA Index as of June 30, 2022). 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 the current contribution rate and that employer 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 contributions were sufficient to finance the benefit payments through the year 2076. As a result, the long- term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2076, and the municipal bond rate was applied to all benefit payments after that date.

## 18. RETIREMENT PLAN (Continued)

*Sensitivity of 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 6.39%, 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 5.39% | Current Single Discount Rate Assumpton 6.39% | 1% Increase 7.39% |
|---|---|---|
| $35,261,802,968 | $29,078,053,857 | $23,928,731,076 |

Additional information regarding the SURS basic financial statements including the plan's net position can be found in the SURS Annual Comprehensive Financial Report by accessing the website at www.SURS.org.

### Defined Contribution Pension Plan

### General Information about the 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 a 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 and community colleges, 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. 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, 2022, can be found in SURS' Annual Comprehensive Financial Report – Notes to the Financial Statements.

## 18. RETIREMENT PLAN (Continued)

*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's earnings paid from the "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 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, 2022, the State's contributions to the RSP on behalf of individual employers totaled $89,770,940. Of this amount, $80,902,699 was funded via an appropriation from the State and $8,868,241 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 non-operating revenue with matching operating expenses (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 2022. The University's share of pensionable contributions was 5.2087%. As a result, the University recognized revenue and defined contribution pension expense of $4,675,936 from this special funding situation during the year ended June 30, 2023, of which $461,924 constituted forfeitures.

## 19. 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 18.

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 the Act. 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. The Act 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 other postemployment benefit 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. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State 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. The Director of Central Management Services 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 State's General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

For fiscal year 2023, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $12,636 ($6,990 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $14,646 ($5,882 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

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 19. POSTEMPLOYMENT BENEFITS (Continued)

the current benefits to retirees.

*CMS' Changes in Estimates*. For the measurement date of June 30, 2018, 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 ($74,260,101) during the year ended June 30, 2023. This amount was recognized by the University as non-operating special funding situation revenue and operating expense allocated to the related function performed by the employees during the year ended June 30, 2023.

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 year ended June 30, 2022, based on the June 30, 2021actuarial valuation rolled forward:

| | Measurement Date June 30, 2022 |
|---|---|
| State of Illinois' OPEB liability related to the University under the Special Funding Situation | $ 381,730,515 |
| SEGIP total OPEB liability | 17,080,208,026 |
| Proportionate share of the total OPEB liability | 2.2349% |

**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, 2023, was measured as of the measurement date on June 30, 2022, with an actuarial valuation as of June 30, 2021, 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, 2022, based on the June 30, 2021 actuarial valuation rolled forward:

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 19. POSTEMPLOYMENT BENEFITS (Continued)

| | Measurement Date June 30, 2022 |
|---|---|
| University's OPEB liability | $ 21,606,463 |
| SEGIP total OPEB liability | 17,080,208,026 |
| Proportionate share of the total OPEB liability | 0.1265% |

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, 2022. As of the current year measurement date of June 30, 2022, the University's proportion increased 0.0111% from its proportion measured as of the prior year measurement date of June 30, 2021.

The University recognized OPEB expense for the year ended June 30, 2023, of ($4,042,904). At June 30, 2023, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2022, from the following sources:

| | | |
|---|---|---|
| **Deferred outflows of resources** | | |
| Differences between expected and actual experience | $ | 221,030 |
| Changes in assumptions | | 533,332 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | | 8,547,708 |
| University contributions subsequent to the measurement date | | 1,098,747 |
| **Total deferred outflows of resources** | $ | 10,400,817 |

| | | |
|---|---|---|
| **Deferred inflows of resources** | | |
| Differences between expected and actual experience | $ | 5,908,289 |
| Changes of assumptions | | 21,163,875 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | | 689,473 |
| **Total deferred inflows of resources** | $ | 27,761,637 |

The amounts reported as deferred outflows of resources related to OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 19. POSTEMPLOYMENT BENEFITS (Continued)

| Year Ending June 30, | Total Amount Recognized of Deferred Inflows and Outflows over the Remaining Service Life of All Employees |
|---|---|
| 2024 | $ (4,888,311) |
| 2025 | (4,911,834) |
| 2026 | (4,178,914) |
| 2027 | (3,537,879) |
| 2028 | (942,630) |
| Total | $ (18,459,568) |

*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, 2021 for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2021.

## 19. POSTEMPLOYMENT BENEFITS (Continued)

The valuation date of June 30, 2021, below was rolled forward to June 30, 2022:

| | |
|---|---|
| **Valuation Date** | June 30, 2021 |
| **Measurement Date** | June 30, 2022 |
| **Actuarial Cost Method** | Entry Age Normal |
| **Actuarial assumption:** | |
| **Inflation Rate** | 2.25% |
| **Projected Salary Increases*** | 2.50% - 12.75% |
| **Healthcare Cost Trend Rate:** | |
| Medical and RX | |
| Pre-Medicare - QCHP** | Trend rates start at 8.00% in 2024, decreasing by 0.25% per year to an ultimate trend rate of 4.25% in year 2039. |
| Post-Medicare - MAPD*** | Trend rates are 0.00% in years 2024 to 2028, 19.42% from 2029 to 2033, then 5.77% in 2034 decreasing ratably to an ultimate trend rate of 4.25% in 2039. |
| **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 2022 and 2023 are based on actual premiums. Premiums after 2023 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:

| | |
|---|---|
| **Healthcare Cost Trend Rate:** | |
| Medical & Rx (Pre-Medicare & Post-Medicare) | 1.8% grading up 6.20% in the first year to 8.00%, then grading down 0.25% per year to an ultimate trend of 4.25% in year 2038. There is no additional trend rate adjustment due to the repeal of the Excise Tax. |
| Medical & Rx (Post-Medicare) | -7.56% grading up 15.56% in the first year to 8.00%, then grading down 0.25% per year to an ultimate trend of 4.25% in year 2038. |
| Dental and Vision | 3.75%grading up 0.25% in the first year to 4.00% through 2038. |

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

**Quality Care Health Plan

***Medicare Advantage Prescription Drug

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 19. POSTEMPLOYMENT BENEFITS (Continued)

Since the last measurement date on June 30, 2021, the State has not made any significant changes to the benefit terms affecting the measurement of the collective total OPEB liability. On December 20, 2019, the *Further Consolidated Appropriations Act, 2020* (Public Law 116-94) was signed into law repealing the federal excise taxes of 40% on total employer premium spending in excess of specified dollar amounts, also known as the "Cadillac Tax." The impact of this repeal to the University's financial statements, which could be significant, is not known at this time.

Additionally, the demographic assumptions used in the OPEB valuation are identical to those used in the June 30, 2021, for GARS, JRS, SERS, TRS, and SURS as follows:

| | Retirement age experience study^ | Mortality^^ |
|---|---|---|
| **GARS** | July 2018 - June 2021 | Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 99% for males and females, and the MP-2018 two dimensional generational mortality improvement scales. |
| **JRS** | July 2018 - June 2021 | Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 102% for males and 98% for females and the MP-2018 two dimensional generational mortality improvement scales. |
| **SERS** | July 2018 - June 2021 | 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 |
| **TRS** | July 2017 - June 2020 | Pub-2010 adjusted for TRS experience for future mortality improvements on a fully generational basis using projection table MP-2020 |
| **SURS** | July 2017 - June 2020 | Rates based on Pub-2010 Healthy Retiree Mortality tables and the most recent MP-2020 projection scale. Teachers table was used for Academic members and General Employees table |

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

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

Since the last measurement date on June 30, 2021, the State has not made any significant changes to the benefit terms affecting the measurement of the collective total OPEB liability. Further, no changes have occurred since the measurement date and the University's fiscal year end on June 30, 2022, that are expected to have a significant impact on the University's proportionate share of the total collective OPEB liability.

*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 3.69% at June 30, 2022 was used to measure the total OPEB liability.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 19. POSTEMPLOYMENT BENEFITS (Continued)

*Sensitivity of total OPEB liability to changes in the single discount rate:* The following presents the University's proportionate share of the total OPEB liability measured as of June 30, 2022, calculated using a Single Discount Rate of 3.69%, 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 (4.69%) or lower (2.69%) than the current rate.

| | 1% Decrease (2.69%) | Current Single Discount Rate Assumption (3.69%) | 1% Increase (4.69%) |
|---|---|---|---|
| Total OPEB liability | $ 23,838,300 | $ 21,606,463 | $ 19,191,060 |

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate.* The following presents the plans total OPEB liability, calculated using the healthcare cost trend rates as well as what the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percent point higher or lower, than the current healthcare cost trend rates. The key trend rates are 8.00% in 2024 decreasing to an ultimate trend rate of 4.25% in 2039. A one percentage point decrease in healthcare trend rates are 7.00% in plan year end 2024 decreasing to an ultimate trend rate of 3.25% in plan year end 2039. A one percentage point increase in healthcare trend rates are 9.00% in plan year end 2024 decreasing to an ultimate trend rate of 5.25% in plan year 2039:

| | 1% Decrease** (7.00%) | Healthcare Cost Trend Rates (8.00%) | 1% Increase*** (9.00%) |
|---|---|---|---|
| Total OPEB liability | $ 18,706,877 | $ 21,606,463 | $ 24,545,277 |

* Current healthcare trend rates - Pre-Medicare per capita costs: 6.08% in 2023, 8.00% in 2024, decreasing by 0.25% per year to an ultimate rate of 4.25% in 2039. Post-Medicare per capita costs: 2.78% in 2023, 0.00% in 2024 to 2028, 19.42% from 2029 to 2033, 5.77% in 2034 decreasing ratably to an ultimate trend rate of 4.25% in 2039.

** One percentage point decrease in current healthcare trend rates - Pre-Medicare per capita costs: 5.08% in 2023, 7.00% in 2024, decreasing by 0.25% per year to an ultimate rate of 3.25% in 2039. Post-Medicare per capita costs: 1.78% in 2023, 0.00% in 2024 to 2028, 18.42% from 2029 to 2033, 4.77% in 2034 decreasing ratably to an ultimate trend rate of 3.25% in 2039.

*** One percentage point increase in current healthcare trend rates - Pre-Medicare per capita costs: 7.08% in 2023, 9.00% in 2024, decreasing by 0.25% per year to an ultimate rate of 5.25% in 2039. Post-Medicare per capita costs: 3.78% in 2023, 1.00% in 2024 to 2028, 20.42% from 2029 to 2033, 6.77% in 2034 decreasing ratably to an ultimate trend rate of 5.25% in 2039.

NOTES TO THE BASIC FINANCIAL STATEMENTS

## 19. POSTEMPLOYMENT BENEFITS (Continued)

*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 years ended June 30, 2022, based on the June 30, 2021 actuarial valuation rolled forward:

| | Measurement Date June 30, 2022 |
|---|---|
| State of Illinois' OPEB liability related to the University under the Special Funding Situation | $ 381,730,515 |
| University's OPEB liability | 21,606,463 |
| Total OPEB liability associated with the University | 403,336,978 |
| SEGIP total OPEB liability | 17,080,208,026 |
| Proportionate share of the OPEB liability associated with the University | 2.3614% |

## 20. OPERATING EXPENSES BY NATURAL CLASSIFICATION

Operating expenses by natural classification for the year ended June 30, 2023, are summarized as follows ($000s):

| | Compensation and Benefits | Supplies and Services | Scholarships and Fellowships | Depreciation | Total |
|---|---|---|---|---|---|
| **University** | | | | | |
| Instruction | $ 135,310 | $ 17,556 | $ - | $ - | $ 152,866 |
| Research | 16,512 | 4,167 | - | - | 20,679 |
| Public service | 23,604 | 7,550 | - | - | 31,154 |
| Academic support | 24,827 | 8,040 | - | - | 32,867 |
| Student services | 11,787 | 6,909 | - | - | 18,696 |
| O&M | 8,218 | 17,382 | - | - | 25,600 |
| Depreciation | - | - | - | 27,135 | 27,135 |
| Inst. support | 32,443 | 14,622 | - | - | 47,065 |
| Scholarships and fellowships | - | - | 43,164 | - | 43,164 |
| Auxiliary enterprises | 47,532 | 20,448 | - | - | 67,980 |
| Total | $ 300,233 | $ 96,674 | $ 43,164 | $ 27,135 | $ 467,206 |

## 21. INSURANCE

The University participates in an insurance cooperative as part of the Illinois Public Higher Education Cooperative (IPHEC). Through IPHEC, the University has contracted with a broker to secure various excess liability insurance coverages from commercial carriers, including educators' legal and other general liability insurance. The University's liability coverages have a general $350,000 deductible per occurrence. Additionally, the University purchases property insurance coverage for replacement value of University real property and, in certain instances, contents. Settled claims have not exceeded commercial coverage limits in any of the three preceding years.

The University is afforded coverage by the State for general liability, automobile liability, workers' compensation, employers' liability, and employee indemnity by a number of State of Illinois Self-Insured Plans administered by the Illinois Department of Central Management Services. Contract and tort claims are also subject to the Illinois Court of Claims Act, under which proven claims may be satisfied by appropriations by the General Assembly to the Secretary of State.

## 22. COMMITMENTS AND CONTINGENCIES

At June 30, 2023, the University had commitments on various services, products, grants, projects, and contracts for repairs and renovations of facilities of approximately $27.1 million.

### Grants and Contracts

The University receives monies from federal and state government agencies under grants and contracts for research and other activities. The costs, both direct and indirect, charged to these grants and contracts are subject to audit and disallowance by the granting agency. The University administration believes that any disallowance or adjustment would not have a material effect on the University's financial position.

### Legal Actions

Although the University is a defendant in various lawsuits, most of the actions are personnel or administrative in nature, and the University's legal exposure is either limited or virtually non-existent. University officials are of the opinion, based upon the advice of legal counsel, that any ultimate liability which could result from such litigation would not have a material adverse effect on the University's financial position or its future operations.

NOTES TO THE BASIC FINANCIAL STATEMENTS

## 23. UNIVERSITY RELATED ORGANIZATIONS

The University's financial statements include the activity of the University Related Organizations (UROs) which represent the University's discretely presented component units. Below are condensed financial statements by organization as of and for the year ended June 30, 2023 ($000s):

| | Foundation | Northern IL Research Foundation | Combined Totals |
|---|---|---|---|
| **Condensed Statement of Net Position** | | | |
| **ASSETS:** | | | |
| Current assets | | | |
| Cash and cash equivalents | $ 5,533 | $ 53 | $ 5,586 |
| Accounts receivable | 1,638 | 62 | 1,700 |
| Other current assets | 1,533 | 4 | 1,537 |
| Noncurrent assets | | | |
| Capital assets, net of accumulated depreciation | 21,396 | - | 21,396 |
| Investments administered by NIU Foundation | 151,959 | - | 151,959 |
| Other noncurrent assets | 3,006 | - | 3,006 |
| TOTAL ASSETS | $ 185,065 | $ 119 | $ 185,184 |
| **LIABILITIES:** | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | $ 1,295 | $ 12 | $ 1,307 |
| Due to NIU | 2,029 | - | 2,029 |
| Noncurrent liabilities | | | |
| Due to NIU | 12,017 | - | 12,017 |
| Unearned revenue and grants | - | 22 | 22 |
| TOTAL LIABILITIES | $ 15,341 | $ 34 | $ 15,375 |
| **NET POSITION:** | | | |
| Invested in capital assets | $ 21,396 | $ - | $ 21,396 |
| Restricted | | | |
| Nonexpendable | 65,357 | - | 65,357 |
| Expendable | 65,567 | 1 | 65,568 |
| Unrestricted | 17,404 | 84 | 17,488 |
| Total net position | 169,724 | 85 | 169,809 |
| TOTAL LIABILITIES AND NET POSITION | $ 185,065 | $ 119 | $ 185,184 |
| **Condensed Statement of Revenues, Expenses, and Changes in Net Position** | | | |
| Operating revenues | $ 21,451 | $ 295 | $ 21,746 |
| Operating expenses | 16,792 | 290 | 17,082 |
| Operating gain (loss) | 4,659 | 5 | 4,664 |
| Nonoperating revenue | 9,543 | - | 9,543 |
| Increase (decrease) in net position | 14,202 | 5 | 14,207 |
| Net position, beginning of year | 155,522 | 80 | 155,602 |
| Net position, end of year | $ 169,724 | $ 85 | $ 169,809 |

## 24. HIGHER EDUCATION EMERGENCY RELIEF FUNDING

The University has received four separate awards (consisting of an initial award and three supplemental awards) from the Higher Education Emergency Relief Fund as part of the federal government's response to the COVID-19 pandemic. The University's period of availability for using these federal funds expired on June 30, 2023.

The University has fully expended these awards as of June 30, 2023 as detailed below ($000's).

| | Original Award | | Remaining Balance | |
|---|---|---|---|---|
| | University's Portion | Student Aid Portion | University's Portion | Student Aid Portion |
| HEERF 1 | $ 7,413 | $ 7,413 | $ - | $ - |
| HEERF 2 | 16,316 | 7,413 | - | - |
| HEERF 3 | 21,034 | 21,079 | - | - |
| HEERF 4 | 1,864 | - | - | - |
| **Total** | $ 46,627 | $ 35,905 | $ - | $ - |

## 25. RESTATEMENT

The adoption of GASB 96, *Subscription-Based Information Technology Arrangements*, on July 1, 2022, resulted in a restatement of beginning capital assets, net of amortization, in the amount of $1,956, as well as the addition of the beginning balance for corresponding subscription-based liabilities in the amount of $1,899, with the immaterial difference reducing fiscal year 2023 expenses. The adoption of this standard had no effect on the University's beginning net position.

## 26. SUBSEQUENT EVENT

On September 18, 2023, the NIU Foundation's executive committee and, on September 21, 2023, the University's board of trustees each voted to transfer ownership of two buildings, the Yordon Center and the Chessick Practice Center, to the University from the NIU Foundation at no cost, subject to an agreed-upon transfer agreement. The net book value of the two buildings was approximately $16,700,000 at June 30, 2023.

# Required Supplementary Information

## REQUIRED SUPPLEMENTARY INFORMATION

# Schedule of the University's Proportionate Share of the Net Pension Liability

### State Universities Retirement System

### Last 10 Fiscal Years* (000's)

| | Fiscal Year 2022 | Fiscal Year 2021 | Fiscal Year 2020 | Fiscal Year 2019 | Fiscal Year 2018 | Fiscal Year 2017 | Fiscal Year 2016 | Fiscal Year 2015 | Fiscal Year 2014 |
|---|---|---|---|---|---|---|---|---|---|
| (a) Proportion percentage of the collective net pension liability | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| (b) Proportion amount of the collective net pension liability | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| (c) Portion of nonemployer contributing entities' total proportion of collective net pension liability associated with employer | $ 1,088,843 | $ 1,113,510 | $ 1,199,705 | $ 1,137,286 | $ 1,115,729 | $ 1,075,201 | $ 1,096,228 | $ 1,016,084 | $ 994,334 |
| Total (b) + (c) | $ 1,088,843 | $ 1,113,510 | $ 1,199,705 | $ 1,137,286 | $ 1,115,729 | $ 1,075,201 | $ 1,096,228 | $ 1,016,084 | $ 994,334 |
| Employer defined benefit covered-employee payroll | $ 141,650 | $ 139,257 | $ 145,347 | $ 142,898 | $ 144,789 | $ 148,710 | $ 152,243 | $ 154,994 | $ 164,728 |
| Proportion of collective net pension liability associated with employer as a percentage of covered-employee payroll | 769% | 800% | 825% | 796% | 771% | 723% | 720% | 656% | 604% |
| SURS plan net position as a percentage of total pension liability | 43.65% | 45.45% | 39.05% | 40.71% | 41.72% | 42.04% | 39.57% | 42.37% | 44.39% |

*Note: The University implemented GASB Statement No. 685 in fiscal year 2018. The schedule is intended to show information for previous 10 years. The information above comprises the information available.

## REQUIRED SUPPLEMENTARY INFORMATION

### Schedule of University Contributions for Pensions

### Last 10 Fiscal Years (000's)

| | Fiscal Year 2023 | Fiscal Year 2022 | Fiscal Year 2021 | Fiscal Year 2020 | Fiscal Year 2019 | Fiscal Year 2018 | Fiscal Year 2017 | Fiscal Year 2016 | Fiscal Year 2015 | Fiscal Year 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Federal, trust, grant and other contribution | $ 1,739 | $ 1,486 | $ 1,365 | $ 1,330 | $ 1,194 | $ 1,204 | $ 1,163 | $ 1,029 | $ 963 | $ 945 |
| Contribution in relation to required contribution | 1,739 | 1,486 | 1,365 | 1,330 | 1,194 | 1,204 | 1,163 | 1,029 | 963 | 945 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Employer covered payroll | $ 148,732 | $ 141,650 | $ 139,257 | $ 145,347 | $ 142,898 | $ 144,789 | $ 148,710 | $ 152,243 | $ 154,994 | $ 164,728 |
| Contributions as a percentage of covered-employee payroll | 1.17% | 1.05% | 0.98% | 0.92% | 0.84% | 0.83% | 0.78% | 0.68% | 0.62% | 0.57% |

## Schedule of the University's Proportionate Share of the Collective Total OPEB Liability

### Benefit Liability State Employees Group Insurance Program

### Last 10 Fiscal Years* (000's)

| | Fiscal Year 2022 | Fiscal Year 2021 | Fiscal Year 2020 | Fiscal Year 2019 | Fiscal Year 2018 | Fiscal Year 2017 |
|---|---|---|---|---|---|---|
| Proportion percentage of the collective total OPEB liability | 0.13% | 0.12% | 0.10% | 0.10% | 0.11% | 0.12% |
| Proportion amount of the collective total OPEB liability | $ 21,606 | $ 40,299 | $ 41,923 | $ 44,030 | $ 42,419 | $ 49,837 |
| Estimated proportionate amount of collective total OPEB liability associated with the University - State supported portion | 381,731 | 727,158 | 811,550 | 921,753 | 893,354 | 1,358,810 |
| Total | $ 403,337 | $ 767,457 | $ 853,473 | $ 965,783 | $ 935,773 | $1,408,647 |
| Employer defined benefit covered-employee payroll | $ 141,650 | $ 139,257 | $ 145,347 | $ 142,898 | $ 144,789 | $ 148,710 |
| Proportion of collective total OPEB liability as a percentage of covered-employee payroll | 15.25% | 28.94% | 28.84% | 30.81% | 29.30% | 33.51% |

*Note: The University implemented GASB Statement No. 75 in fiscal year 2018. The schedule is intended to show information for previous 10 years. The information above comprises the information available.

## REQUIRED SUPPLEMENTARY INFORMATION

## Notes to Required Supplementary Information

*Changes of benefit terms.* There were no benefit changes recognized in the Total Pension Liability as of June 30, 2022.

*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, 2017 to June 30, 2020, was performed in Spring 2021, resulting in the adoption of new assumptions as of June 30, 2021. These assumptions are listed below and remained the same for the June 30, 2022, actuarial valuation:

- *Salary increase*. Change in the overall assumed salary increase rates, ranging from 3.00% to 12.75% based on years of service, while maintaining the underlying wage inflation rate of 2.25%.
- *Investment Return*. Decrease the investment return assumption to 6.50%. This reflects decreasing the assumed real rate of return of 4.25% and maintaining the underlying assumed price inflation of 2.25%.
- *Effective rate of interest*. Decrease the long-term assumption for the effective rate of interest for crediting the money purchase accounts to 6.50%.
- *Normal retirement rates*. Establish separate rates for members in academic positions and non-academic positions to reflect that retirement rates for academic positions are lower than for non-academic positions.
- *Early retirement rates*. Establish separate rates for members in academic positions and non-academic positions to reflect that retirement rates for academic positions are lower than for non-academic positions.
- *Turnover rates*. Change rates to produce slightly lower expected turnover for most members, while maintaining pattern of decreasing termination rates as years of service increase.
- *Mortality rates*. Change from the RP-2014 to the Pub-2010 mortality tables to reflect the latter's higher applicability to public pensions. Update the projection scale from the MP-2017 to the MP-2020 scale.
- *Disability rates*. Establish separate rates for members in academic positions and non-academic positions and maintain separate rates for males and females.
- *Plan Election*. Change plan election assumptions to 75% Tier 2 and 25% Retirement Saving Plan (RSP) for non-academic members. Change plan election assumptions to 55% Tier 2 and 45% RSP for academic members.

# Supplementary Information

## SUPPLEMENTARY INFORMATION

STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY
TABLE OF OPERATING EXPENSES
For the Year Ended June 30, 2023

The following table presents a break-down of the various types of expenses which collectively comprise the University's functional operating expense accounts ($000's):

| | Compensation and Benefits | | | | | | | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Northern Illinois University's Expenses | | | | State of Illinois' Expenses | | | | | Other | Operating |
| | Salaries[1] | Benefits[2] | OPEB[3] | Sub-Total | Benefits[2] | OPEB[3] | Pension | Sub-Total | Total | Expenses | Expenses |
| Educational and general: | | | | | | | | | | | |
| Instruction | $ 112,607 | $ 7,918 | $ (2,730) | $ 117,795 | $ - | $ (19,409) | $ 36,924 | $ 17,515 | $ 135,310 | $ 17,556 | $ 152,866 |
| Research | 14,212 | 1,413 | (149) | 15,476 | - | (1,070) | 2,106 | 1,036 | 16,512 | 4,167 | 20,679 |
| Public service | 18,471 | 4,325 | (141) | 22,655 | - | (1,008) | 1,957 | 949 | 23,604 | 7,550 | 31,154 |
| Academic support | 21,016 | 1,153 | (530) | 21,639 | - | (3,779) | 6,967 | 3,188 | 24,827 | 8,040 | 32,867 |
| Student services | 9,811 | 687 | (218) | 10,280 | - | (1,551) | 3,058 | 1,507 | 11,787 | 6,909 | 18,696 |
| Operation and maintenance of plant | 6,985 | 157 | (196) | 6,946 | - | (1,386) | 2,658 | 1,272 | 8,218 | 17,382 | 25,600 |
| Depreciation | - | - | - | - | - | - | - | - | - | 27,135 | 27,135 |
| Institutional support | 27,975 | 880 | (703) | 28,152 | - | (5,005) | 9,296 | 4,291 | 32,443 | 14,622 | 47,065 |
| Scholarships and fellowships | - | - | - | - | - | - | - | - | - | 43,164 | 43,164 |
| Auxiliary enterprises | 41,156 | 1,331 | (981) | 41,506 | - | (6,955) | 12,981 | 6,026 | 47,532 | 20,448 | 67,980 |
| Total | $ 252,233 | $ 17,864 | $ (5,648) | $ 264,449 | $ - | $ (40,163) | $ 75,947 | $ 35,784 | $ 300,233 | $ 166,973 | $ 467,206 |

[1] Salaries includes employer contributions for Social Security, Medicare, and unemployment.

[2] Benefits includes certain group insurance costs, such as healthcare and life insurance.

[3] OPEB refers to other postemployment benefits.