NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended June 30, 2020

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

NORTHEASTERN ILLINOIS UNIVERSITY
A COMPONENT UNIT OF THE STATE OF ILLINOIS
FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2020

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Other Report Issued Under a Separate Cover

The Northeastern Illinois University's *Compliance Examination* (including the Single Audit) for the year ended June 30, 2020, has been issued under a separate cover.

NORTHEASTERN ILLINOIS UNIVERSITY
A COMPONENT UNIT OF THE STATE OF ILLINOIS
FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2020

University Officials

President	Dr. Gloria Gibson
Provost	Dr. Dennis Rome
Vice President for Finance and Administration/Treasurer (01/27/20 to Present)	Mr. Manish Kumar
Interim Vice President for Finance and Administration/Treasurer (07/08/19 to 01/31/20)	Mr. Arnold Henning
Vice President for Finance and Administration/Treasurer (07/01/19 to 07/07/19)	Vacant
Vice President for Student Affairs (01/21/20 to Present)	Dr. Terry Mena
Interim Vice President for Student Affairs (01/21/20 to 02/21/21)	Dr. Dennis Rome
Vice President for Student Affairs (07/01/19 to 01/20/20)	Dr. Daniel Lopez, Jr.
Vice President for Institutional Advancement	Ms. Liesl Downey
Vice President for Legal Affairs (01/01/21 to Present)	Vacant
Vice President for Legal Affairs (07/01/19 to 12/31/20)	Ms. Melissa Reardon Henry
Associate Vice President for Finance (02/01/20 to Present)	Ms. Ann McNabb
Associate Vice President and Chief Finance Officer/Treasurer Interim (07/01/19 to 01/31/20)	Ms. Ann McNabb
Director of Financial Affairs/Controller	Ms. Beni Ortiz
Director of Internal Audit	Ms. Rita Moore

Board of Trustees

Chair	Mr. Jim Palos
Vice Chair	Mr. George Vukotich
Secretary	Ms. Sherry Eagle
Member	Mr. Carlos Azcoitia
Member	Ms. Barbara Fumo
Member	Mr. Marvin Garcia
Member	Ms. Ann Kalayil
Member	Mr. Charles Serrano
Member	Mr. Jonathan Stein
Student Member 07/01/20 to Present	Ms. Gabriela Loredo
Student Member 07/01/19 to 06/30/20	Ms. Fatima Siddiqua

University Office

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

NORTHEASTERN ILLINOIS UNIVERSITY
A COMPONENT UNIT OF THE STATE OF ILLINOIS
FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2020

Financial Statement Report

Summary

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

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

Schedule of Findings and Questioned Costs

The auditors identified three matters involving the University's internal control over financial reporting that they considered to be a material weakness and significant deficiencies. Further, the auditors identified three noncompliance matters.

Item No.	Page	Last/First Reported	Description	Finding Type
CURRENT FINDINGS AND QUESTIONED COSTS (*GOVERNMENT AUDITING STANDARDS*)				
2020-001	74	New	Inadequate Internal Controls over Census Data	Material Weakness/ Noncompliance
2020-002*	79	2019/2017	Weaknesses over Computer Security	Significant Deficiency/ Noncompliance
2020-003*	82	2019/2019	Lack of Adequate Controls over Review of Internal Controls over Service Providers	Significant Deficiency/ Noncompliance

** Findings were not classified as Governmental Audit Standards in previous audits.*

PRIOR FINDINGS NOT REPEATED

None

Financial Statement Report, Continued

Exit Conference

The findings and recommendations appearing in this report were discussed with University personnel at an exit conference on April 23, 2021. Attending were:

Northeastern Illinois University

Dr. Gloria Gibson, President
Manish Kumar, Vice President for Finance and Administration/Treasurer
Ann McNabb, Associate Vice President for Finance
Beni Ortiz, Director of Financial Affairs/Controller
Rita Moore, Director of Internal Audit
David Rubin, Business Administrative Associate

Office of the Auditor General

Jose Roa, Manager

Roth & Company, LLP

Marites U. Sy, Partner
Emily Causon, Manager
Jannica Quintana, Senior

The responses to these recommendations were provided by Ann McNabb, Associate Vice President for Finance, in a correspondence dated April 28, 2021.

Roth&Co
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board of Trustees
Northeastern Illinois University

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Northeastern Illinois University (University), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to

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design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited University's 2019 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and discretely presented component unit of the University in our report dated December 31, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 through 17, pension and other postemployment benefits information on pages 64 through 68, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2021 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
April 28, 2021

This section of Northeastern Illinois University's (University) annual report presents management's discussion and analysis of the University's financial position and activities during the fiscal year ended June 30, 2020 with comparative information for the fiscal year ended June 30, 2019. The discussion and analysis is designed to focus on current activities and currently known facts. Please read it in conjunction with the University's financial statements and related footnote disclosures. This discussion and analysis is focused on the University. A discussion and analysis of the University's component unit can be found in the separately issued financial statements of the University's Foundation.

REPORTING ENTITY

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

USING THIS ANNUAL REPORT

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

The **Statement of Net Position** presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the University as of the end of the fiscal year using the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and whereby expenses and liabilities are recognized when a service is delivered to the University, regardless of when cash is exchanged. Net position, consisting of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one indicator of the current financial condition of the University. Except for capital assets, all other assets and liabilities are measured at a point in time using current values. Capital assets are recorded at historical cost less an allowance for depreciation.

The **Statement of Revenues, Expenses, and Changes in Net Position** presents the University's results of operations, as well as the nonoperating revenues and expenses for the fiscal year. Operating revenues are generated by providing goods and services to the various customers and constituencies of the University. Operating expenses are incurred when goods and services are provided by vendors and employees for the overall operations of the University. Nonoperating revenues and expenses include resources provided by the State of Illinois through appropriations, special funding situation, grants, payments on behalf of the University, Pell and Supplemental Educational Opportunity Grants (SEOG), Coronavirus Aid, Relief, and Economic Security (CARES) Act grant, investment income, interest on indebtness and other nonoperating transactions such State of Illinois' Monetary Award Program (MAP) and Aspirational Institutional Match Helping Illinois Grow Higher Education (AIM HIGH) grants.

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

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

FINANCIAL HIGHLIGHTS

Highlights of the University's financial position for the Fiscal Year ended June 30, 2020 are presented below:

- The University has total assets of $266 million, including current assets of $85 million and noncurrent assets of $181 million.

- The University has deferred outflows of resources of $4 million, of which $1 million relates to pension contributions and $3 million relates to other postemployment benefits (OPEB) expenses.

- The University has total liabilities of $108 million, including current liabilities of $15 million and noncurrent liabilities of $93 million.

- The University has deferred inflows of resources of $34 million, of which $30 million relates to capital assets constructed under service concession arrangement and $4 million relates to OPEB.

- The University's total net position increased by $2 million with a decrease of $3 million in net investment in capital assets, a decrease of $1 million in restricted expendable other, and an overall increase of $6 million in unrestricted net position.

- The total operating revenues of the University were $68 million, including $46 million in student tuition and fees (net of scholarship allowances), $18 million in federal, State, and nongovernmental grants and contracts, $2 million auxiliary enterprises revenues, and $2 million other operating revenues.

- The total operating expenses of the University were $175 million, of which $81 million was spent for instruction, $1 million for research, $12 million for public service, $10 million for academic support, $13 million for student services and programs, $18 million for institutional support, $16 million for operation and maintenance of plant, $9 million in scholarships and fellowships, and $7 million in auxiliary enterprises. This amount also includes $8 million in depreciation expense.

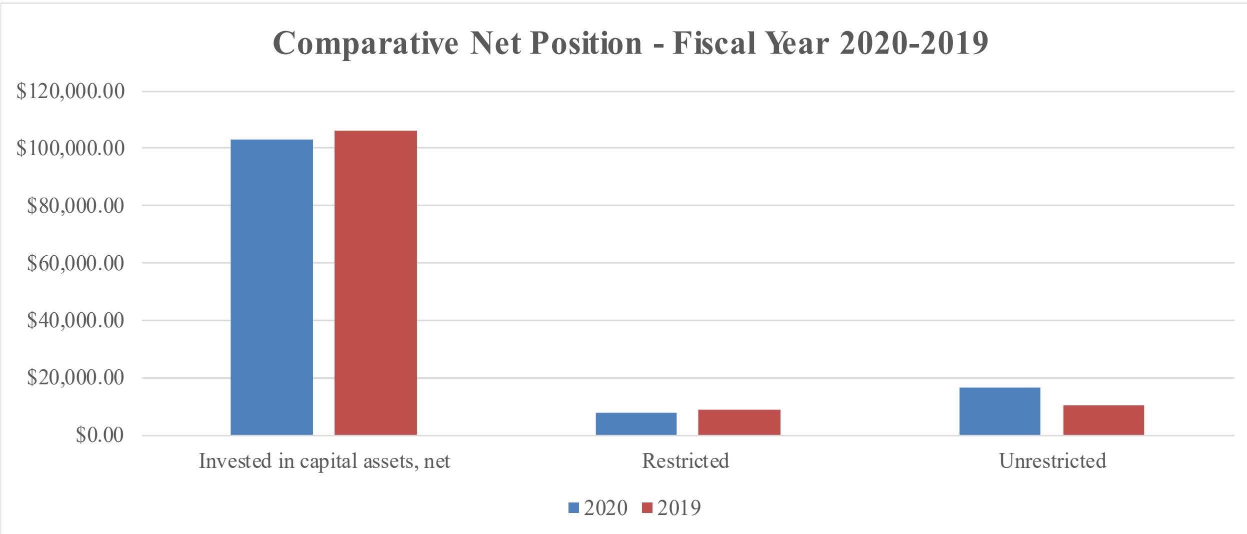
- The operating loss of $107 million of the University was partially funded by nonoperating revenues, including State's appropriations, special funding situation, State grants, and payments on behalf of the University, Pell, SEOG and CARES Act grants, investment income and other nonoperating transactions. As a result, the University incurred an income of $2 million after other revenues, expenses, gains and losses.

FINANCIAL ANALYSIS

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

Condensed Statement of Net Position
As of June 30, 2020 and 2019
(dollars in thousands)

	2020	2019	Increase (Decrease)	Percent Change
ASSETS				
Current assets	$ 85,124	$ 79,661	$ 5,463	7%
Noncurrent assets:				
Capital assets, net	178,237	183,798	(5,561)	(3%)
Other noncurrent assets	3,066	3,084	(18)	(1%)
Total noncurrent assets	181,303	186,882	(5,579)	(3%)
Total assets	266,427	266,543	(116)	(0%)
DEFERRED OUTFLOWS OF RESOURCES	3,631	2,102	1,529	73%
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	270,058	268,645	1,413	1%
LIABILITIES				
Current liabilities	14,920	14,947	(27)	(0%)
Noncurrent liabilities	93,944	92,529	1,415	2%
Total liabilities	108,864	107,476	1,388	1%
DEFERRED INFLOWS OF RESOURCES	33,979	35,691	(1,712)	(5%)
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	142,843	143,167	(324)	(0%)
NET POSITION				
Net investment in capital assets	103,290	106,185	(2,895)	(3%)
Restricted	7,587	8,787	(1,200)	(14%)
Unrestricted	16,339	10,506	5,833	56%
Total net position	$ 127,216	$ 125,478	$ 1,738	1%



Current Assets - Current assets total $85 million and consist primarily of cash and cash equivalents of $63 million, net receivables of $21 million and $1 million prepayments. Total current assets increased by $5 million from the prior year. This is primarily due to the increase of $5 million in receivables. The total increase in receivables was due to the uncollected State appropriation reimbursements as of fiscal yearend.

Noncurrent Assets - As of June 30, 2020, the University had total noncurrent assets of $181 million compared with $187 million at June 30, 2019. The net decrease of $6 million was primarily due to capital assets depreciation of $8 million and capital acquisition of $2 million

Current Liabilities - Current liabilities total $15 million and consist primarily of accounts payable and accrued liabilities of $9 million, unearned revenues from tuition of $1 million, as well as, current portion of revenue bonds, certificates of participation of $2 million, and current portion of liability for compensated absences and funds held in custody of others of $1 million and $1 million of OPEB liability.

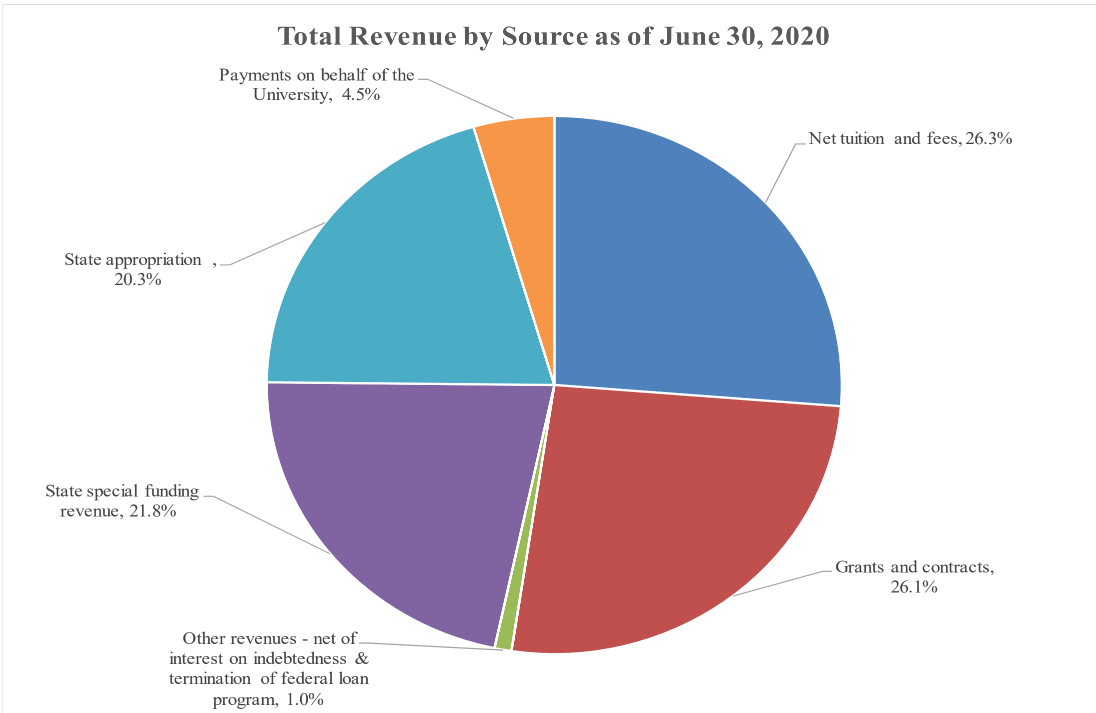
Noncurrent Liabilities - Noncurrent liabilities total $94 million and consist of long-term debt and other obligations for which the principal is due more than one year from the statement of net position date. The net increase of $1 million from prior year is primarily due to the increase in other postemployment benefits liability of $3 million, and a net offsetting decrease of $2 million consisting of revenue bonds and certificates of participation principal payments.

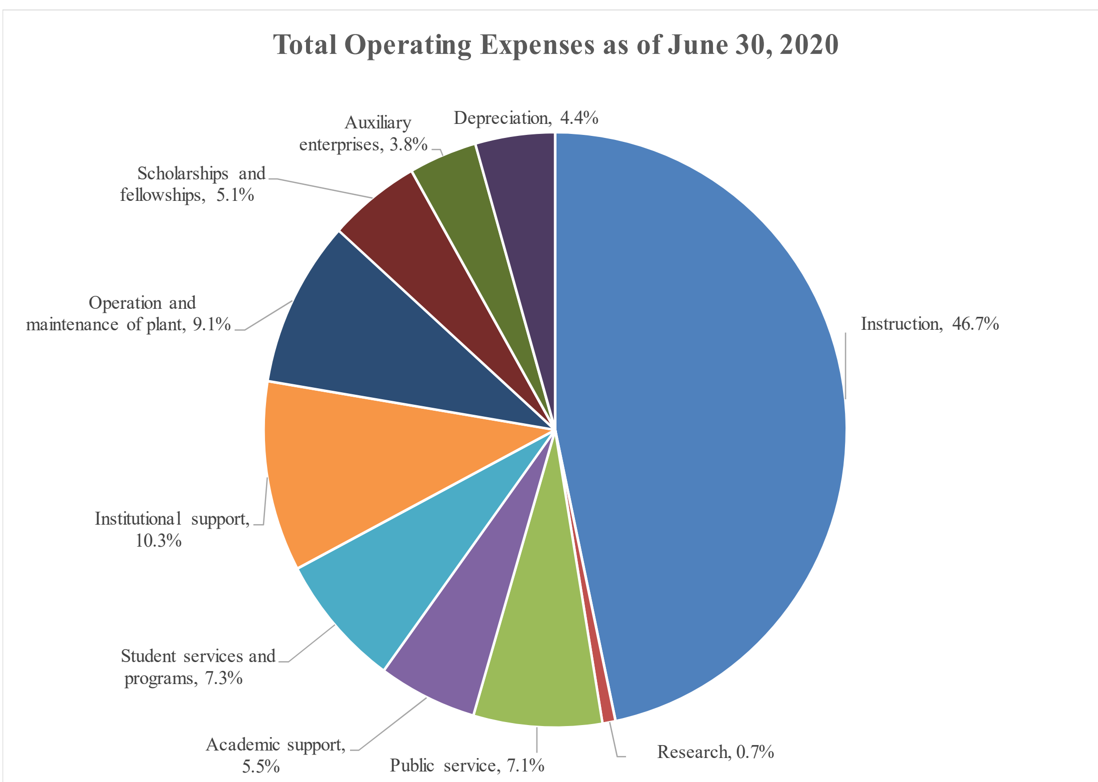
Total Net Position - Net position is divided into three major categories. The first category, net investment in capital assets, represent the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement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

The total net position increased by $2 million. This is a result of a $3 million decrease in net investment in capital assets combined with a $1 million decrease in restricted net position, as well as, a $6 million increase in unrestricted net position. The decrease in net investment in capital assets was mainly due to the depreciation of capital assets, and repayment of maturing revenue bonds and certificates of participation.

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For The Years Ended June 30, 2020 and 2019
(dollars in thousands)

	2020	2019	Increase (Decrease)	Percent Change
OPERATING REVENUES				
Student tuition and fees, net	$ 46,023	$ 47,566	$ (1,543)	(3%)
Grants and contracts	18,528	20,438	(1,910)	(9%)
Auxiliary enterprises	1,733	2,610	(877)	(34%)
Other operating revenues	1,699	2,028	(329)	(16%)
Total operating revenues	67,983	72,642	(4,659)	(6%)
OPERATING EXPENSES	174,764	167,884	6,880	4%
OPERATING LOSS	(106,781)	(95,242)	(11,539)	12%
NONOPERATING REVENUES (EXPENSES)				
State appropriations	35,567	33,873	1,694	5%
State special funding revenue	38,253	31,107	7,146	23%
Payments on behalf of the University	7,962	10,030	(2,068)	(21%)
Others, net	25,497	22,037	3,460	16%
Net nonoperating revenues	107,279	97,047	10,232	11%
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	498	1,805	(1,307)	(72%)
Loss on disposal of capital assets	(39)	(94)	55	(58%)
Capital additions provided by State of Illinois	422	156	266	170%
Other capital additions	857	857	(0)	(0%)
INCREASE IN NET POSITION	1,738	2,724	(986)	(36%)
NET POSITION, BEGINNING OF YEAR	125,478	122,754	2,724	2%
NET POSITION, END OF YEAR	$ 127,216	$ 125,478	$ 1,738	1%


Total Revenue by Source as of June 30, 2020
Payments on behalf of the University, 4.5%
Net tuition and fees, 26.3%
State appropriation, 20.3%
State special funding revenue, 21.8%
Grants and contracts, 26.1%
Other revenues - net of interest on indebtedness & termination of federal loan program, 1.0%


Total Operating Expenses as of June 30, 2020
Auxiliary enterprises, 3.8%
Depreciation, 4.4%
Scholarships and fellowships, 5.1%
Operation and maintenance of plant, 9.1%
Instruction, 46.7%
Institutional support, 10.3%
Student services and programs, 7.3%
Academic support, 5.5%
Public service, 7.1%
Research, 0.7%

Operating Revenues - Total operating revenues for Fiscal Year 2020 totaled $68 million compared to $73 million in Fiscal Year 2019. The $5 million decrease was due to the decrease in grants and $3 million of auxiliary enterprises and student tuition and fees as result of the pandemic in the operations of the University.

Operating Expenses (By Function and By Natural Classification) (amounts in thousands)

	2020	2019	Increase (Decrease)	Percent Change
Expenses by function:				
Instruction	$ 81,570	$ 77,406	$ 4,164	5%
Research	1,262	1,859	(597)	(32%)
Public service	12,467	14,173	(1,706)	(12%)
Academic support	9,571	8,866	705	8%
Student services and programs	12,717	12,383	334	3%
Institutional support	18,074	17,406	668	4%
Operation and maintenance of plant	15,825	14,782	1,043	7%
Scholarships and fellowships	8,943	6,471	2,472	38%
Auxiliary enterprises	6,608	6,687	(79)	(1%)
Depreciation	7,727	7,851	(124)	(2%)
Total operating expenses	$ 174,764	$ 167,884	$ 6,880	4%
Expenses by natural classification:				
Compensation and benefits	$ 132,624	$ 126,084	$ 6,540	5%
Supplies and services	24,939	27,087	(2,148)	(8%)
Scholarships	9,474	6,862	2,612	38%
Depreciation	7,727	7,851	(124)	(2%)
Total operating expenses	$ 174,764	$ 167,884	$ 6,880	4%

Total operating expenses in Fiscal Year 2020 increased by $7 million mainly due to the effect of the negative OPEB expenses of $15 million reported in compensation and benefits, offset by CARES Act assistance given to students reported under scholarships and fellowships on the statements of the revenues, expenses, and changes in net position.

Nonoperating Revenues (Expenses) - This consists of State appropriations, special funding situation, grants, payments on behalf of the University, Pell, SEOG and CARES Act grant revenues, State MAP and AIM HIGH programs grant, and investment income, less interest on indebtedness and termination of federal loan program. Total nonoperating revenues increased by $10 million mainly as a result of a $2 million increase in federal grants, $2 million increase in State appropriations, $7 million increase in special funding revenue, $2 million increase in State grants, as well as, a $2 million decrease in payments on behalf of the University and a $1 million termination of federal loan program.

Following are condensed statements of cash flows for the years ended June 30, 2020 and 2019 (amounts in thousands):

Condensed Statement of Cash Flows
For the Years Ended June 30, 2020 and 2019
(dollars in thousands)

	2020	2019	Increase (Decrease)	Percent Change
Net cash used in operating activities	$ (50,990)	$ (45,984)	$ (5,006)	11%
Net cash provided by noncapital financing activities	56,680	57,034	(354)	(1%)
Net cash used in capital financing activities	(6,295)	(6,257)	(38)	1%
Net cash provided by investing activities	843	1,053	(210)	(20%)
Net increase in cash and cash equivalents	238	5,846	(5,608)	(96%)
Cash and cash equivalents - beginning of year	64,210	58,364	5,846	10%
Cash and cash equivalents - end of year	$ 64,448	$ 64,210	$ 238	0%

The primary cash receipts from operating activities consist of student tuition and fees of $46 million, grants and contracts of $19 million, direct lending receipts of $18 million and auxiliary revenues of $2 million. Cash outlays consist of payments to employees of $79 million, payments for fringe benefits of $6 million, payments for scholarships and fellowships of $9 million, payments to suppliers of $25 million and direct lending disbursements of $18 million.

The State appropriation of $30 million, State MAP and AIM HIGH grants of $11 million, and Pell and SEOG grants of $13 million are the primary sources of noncapital financing activities. New this year was a $3 million federal grant related to the CARES Act resulting from the nationwide coronavirus (COVID-19) pandemic. Accounting standards require the University to reflect these sources of revenue as nonoperating even though the University's budget depends on these fundings to support its operations.

The main capital financing activities included purchases of capital assets and construction costs of $2 million and debt service payments of $4 million.

Investing activities reflect purchases, sales, and interest income earned on investments.

There was a total net cash increase of $0.2 million from Fiscal Year 2019.

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

The following summarizes the University's capital assets, accumulated depreciation, and depreciation expenses for fiscal years ended June 30, 2020 and 2019 (amounts in thousands).

	2020	2019
Capital assets	$ 312,099	$ 310,270
Accumulated depreciation	133,862	126,472
Capital assets, net	$ 178,237	$ 183,798
Depreciation expense	$ 7,727	$ 7,851

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

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

The following summarizes outstanding balances of long-term debt as of June 30, 2020 and 2019 (amounts in thousands).

	2020	2019
Revenue bonds, net	13,729	$ 14,359
Certificates of participation, net	35,925	37,776

In March 2020, S&P Global ("S&P") upgraded the credit rating on the University's outstanding University Facilities System Revenue Bonds and Certificates of Participation to "BB" with a "Stable" outlook. In April 2020, S&P changed its outlook on all Illinois public universities, including Northeastern, to "Negative."

ECONOMIC OUTLOOK

The University began to recover from the State of Illinois budget impasse with Fiscal Years 2019 and 2020 reflecting full-year appropriations after three years of reduced and delayed appropriations. The Fiscal Year 2020 State budget provided a 5% increase in support for public higher education operations. In February 2020, the Governor again proposed a 5% increase in funding to higher education for Fiscal Year 2021 contingent on the passage of the graduated-rate income tax amendment in November 2020.

After years of declining enrollment, the University experienced level new freshman student enrollments in the Fall 2019 term, and prior to the pandemic was forecasting for increased new student enrollments in Fall 2020. The University, like most public higher education institutions in the nation, has relied on tuition revenues to compensate for both declining State support and to address the need for resources to meet increasing costs, implement new and innovative academic programs, and provide needed student support services. The University has slowed the rate of tuition increases, with tuition for incoming students in Fiscal Years 2020 and 2021 increasing slightly at 2% each year.

In response to the Governor's stay-at-home order to curb the spread of the COVID-19 virus, the University shifted to remote instruction and learning, and limited on-campus operations to only those deemed essential through the Spring 2020 and Summer 2020 terms. Students received partial refunds of their Spring 2020 fees imposed to support operations suspended due to the pandemic. The University's COVID-19 Task Force planned for limited face-to-face instruction with largely remote learning and operations for Fall 2020, and the University adjusted fees imposed for remote offerings.

Significant financial events impacting future periods will likely be as follows: Ongoing impact of the COVID-19 pandemic on both the University and the State, continuing diminishing State and federal support for the University and students resulting in increasing costs to students, a shift in University resources to financial assistance programs for students with financial need, increased deferral of facilities maintenance, and financial challenges in implementing new academic programs to address student and occupational demands.

In response to these challenges and given the short-term challenges the COVID-19 pandemic has created, the University will continue to identify and implement cost-saving measures, review program offerings, and work to maximize efficiencies.

CONTACTING FINANCIAL MANAGEMENT AT THE UNIVERSITY

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

NORTHEASTERN ILLINOIS UNIVERSITY
A COMPONENT UNIT OF THE STATE OF ILLINOIS
STATEMENT OF NET POSITION
JUNE 30, 2020
(With Summarized Comparative Information as of June 30, 2019)

	2020		2019	
	University	Component Unit	University	Component Unit
ASSETS				
Current assets:				
Cash and cash equivalents	$ 60,550,323	$ 2,138,278	$ 60,268,980	$ 1,822,009
Restricted cash and cash equivalents	1,967,294		2,010,401	-
Short-term investments	-	1,546,595	-	1,396,560
Accounts receivable, net	21,427,219	-	15,864,799	-
Student loans receivable, net	274,166	-	412,395	-
Inventories	12,779	-	12,065	-
Prepaid expenses	864,167	1,206	1,057,120	6,000
Other assets	28,545	329,200	35,665	57,967
Total current assets	85,124,493	4,015,279	79,661,425	3,282,536
Noncurrent assets:				
Restricted cash and cash equivalents	1,930,678	-	1,930,678	-
Restricted investments	-	12,236,422	-	12,418,297
Assets held under split-interest agreements	-	821,944	-	868,851
Long-term portion of pledges receivable	-	146,258	-	-
Student loans receivable, net	255,062	-	272,785	-
Capital assets, net	178,237,114	-	183,798,482	-
Other assets	880,012	8,000	880,012	8,000
Total noncurrent assets	181,302,866	13,212,624	186,881,957	13,295,148
TOTAL ASSETS	266,427,359	17,227,903	266,543,382	16,577,684
DEFERRED OUTFLOWS OF RESOURCES				
Pension	1,014,234	-	981,867	-
Other postemployment benefits	2,617,250	-	1,120,061	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,631,484	-	2,101,928	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	270,058,843	17,227,903	268,645,310	16,577,684
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	8,879,847	54,508	8,756,048	12,117
Unearned revenues	1,445,435	-	1,586,695	-
Liability for compensated absences	696,503	-	750,149	-
Revenue bonds payable, net	656,286	-	631,286	-
Certificates of participation, net	1,946,802	-	1,851,802	-
Funds held in custody for others	347,332	397,942	425,562	397,512
Installment purchases payable	-	-	82,637	-
Other postemployment benefits	947,767	-	862,467	-
Obligations under split-interest agreements	-	42,946	-	41,206
Total current liabilities	14,919,972	495,396	14,946,646	450,835

See accompanying notes to the basic financial statements.

NORTHEASTERN ILLINOIS UNIVERSITY
A COMPONENT UNIT OF THE STATE OF ILLINOIS
STATEMENT OF NET POSITION
JUNE 30, 2020
(With Summarized Comparative Information as of June 30, 2019)

	2020		2019	
	University	**Component Unit**	**University**	**Component Unit**
Noncurrent liabilities:				
Liability for compensated absences	5,929,053	-	5,449,191	-
Revenue bonds payable, net	13,072,352	-	13,728,638	-
Certificates of participation, net	33,978,242	-	35,925,045	-
Federal loan contributions refundable	656,462	-	-	-
Other postemployment benefits	40,308,052	-	37,426,586	-
Obligations under split-interest agreements	-	443,445	-	474,049
Total noncurrent liabilities	93,944,161	443,445	92,529,460	474,049
TOTAL LIABILITIES	108,864,133	938,841	107,476,106	924,884
DEFERRED INFLOWS OF RESOURCES				
Concession arrangement	29,848,601	-	30,705,499	-
Other postemployment benefits	4,130,164	-	4,985,311	-
TOTAL DEFERRED INFLOWS OF RESOURCES	33,978,765	-	35,690,810	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	142,842,898	938,841	143,166,916	924,884
NET POSITION				
Net investment in capital assets	103,289,616	-	106,184,937	-
Restricted for:				
Nonexpendable:				
Scholarships and memorials	-	13,212,372	-	12,771,893
Expendable:				
Grants and contracts	1,209,504	-	1,059,530	-
Student loans	282,851	-	940,919	-
Debt service	2,284,020	-	2,180,270	-
Other	3,810,504	2,358,650	4,606,625	2,063,005
Unrestricted	16,339,450	718,040	10,506,113	817,902
TOTAL NET POSITION	$ 127,215,945	$ 16,289,062	$ 125,478,394	$ 15,652,800

See accompanying notes to the basic financial statements.

NORTHEASTERN ILLINOIS UNIVERSITY
A COMPONENT UNIT OF THE STATE OF ILLINOIS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020
(With Summarized Comparative Information for the Year Ended June 30, 2019)

	2020		2019	
	University	Component Unit	University	Component Unit
OPERATING REVENUES				
Student tuition and fees, net	$ 46,023,206	$ -	$ 47,566,399	$ -
Federal grants and contracts	15,562,952	-	17,318,218	-
State and local grants	2,183,950	-	2,182,599	-
Nongovernmental grants and contracts	780,767	-	937,385	-
Auxiliary enterprises	1,733,222	-	2,609,726	-
Other operating revenues	1,699,017	2,940,892	2,027,589	3,158,437
Total operating revenues	67,983,114	2,940,892	72,641,916	3,158,437
OPERATING EXPENSES				
Instruction	81,570,022	-	77,405,673	-
Research	1,262,348	-	1,859,514	-
Public service	12,466,860	-	14,173,057	-
Academic support	9,570,761	-	8,866,399	-
Student services and programs	12,717,099	-	12,382,743	-
Institutional support	18,074,252	-	17,405,790	-
Operation and maintenance of plant	15,824,791	-	14,781,539	-
Scholarships and fellowships	8,942,680	783,413	6,471,304	1,164,267
Auxiliary enterprises	6,607,983	-	6,686,704	-
Depreciation	7,727,300	-	7,851,025	-
Other operating expenses	-	1,380,896	-	1,290,818
Total operating expenses	174,764,096	2,164,309	167,883,748	2,455,085
Operating income (loss)	(106,780,982)	776,583	(95,241,832)	703,352
NONOPERATING REVENUES (EXPENSES)				
State appropriations	35,566,900	-	33,873,200	-
State special funding revenue	38,252,844	-	31,107,355	-
Payments on behalf of the University	7,962,000	-	10,030,000	-
Federal grants - Pell and SEOG	13,363,866	-	14,528,393	-
Federal grants - CARES Act	3,372,708	-	-	-
State grants- MAP and AIM HIGH Program	10,520,438	-	8,483,767	-
Investment income (loss)	842,734	(140,321)	1,053,590	577,469
Termination of federal loan program	(656,462)	-	-	-
Interest on indebtedness	(1,946,056)	-	(2,029,025)	-
Net nonoperating revenues (expenses)	107,278,972	(140,321)	97,047,280	577,469
Income before other revenues, expenses, gains and losses	497,990	636,262	1,805,448	1,280,821
Loss on disposal of capital assets	(39,257)	-	(94,073)	-
Capital additions provided by State of Illinois	421,920	-	156,197	-
Other capital additions	856,898	-	856,900	-
INCREASE IN NET POSITION	1,737,551	636,262	2,724,472	1,280,821
NET POSITION, BEGINNING OF YEAR	125,478,394	15,652,800	122,753,922	14,371,979
NET POSITION, END OF YEAR	$ 127,215,945	$ 16,289,062	$ 125,478,394	$ 15,652,800

See accompanying notes to the basic financial statements.

NORTHEASTERN ILLINOIS UNIVERSITY
A COMPONENT UNIT OF THE STATE OF ILLINOIS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(With Summarized Comparative Information for the Year Ended June 30, 2019)

	2020 University	2019 University
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 45,974,357	$ 48,268,986
Grants and contracts	18,899,255	21,272,573
Payments to employees	(79,353,476)	(79,175,388)
Payments for fringe benefits	(6,032,733)	(6,341,763)
Payments to suppliers	(24,637,160)	(28,533,841)
Payments for scholarships and fellowships	(9,474,266)	(6,861,769)
Loans issued to students	(52,613)	(90,312)
Collections of loans from students	208,565	256,784
Auxiliary enterprises	1,733,222	2,609,726
Student direct lending receipts	17,552,368	19,055,480
Student direct lending disbursements	(17,552,368)	(19,055,480)
Other receipts	1,745,387	2,611,236
Net cash used in operating activities	(50,989,462)	(45,983,768)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriation	29,702,474	33,896,028
Federal grants - Pell and SEOG	13,308,384	14,640,554
Federal grants - CARES Act	3,226,949	-
State grants- Monetary Award Program (MAP) and AIM HIGH Program	10,520,438	8,483,767
Agency transactions	(78,230)	13,368
Net cash provided by noncapital financing activities	56,680,015	57,033,717
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of capital assets and construction	(1,783,269)	(1,768,749)
Principal paid on capital debt and leases	(2,497,637)	(2,391,174)
Interest paid on capital debt and leases	(2,014,145)	(2,097,117)
Net cash used in capital financing activities	(6,295,051)	(6,257,040)
CASH FLOWS FROM INVESTING ACTIVITY		
Interest on investments	842,734	1,053,590
Net cash provided byinvesting activity	842,734	1,053,590
Net increase in cash and cash equivalents	238,236	5,846,499
Cash and cash equivalents - beginning of year	64,210,059	58,363,560
Cash and cash equivalents - end of year	$ 64,448,295	$ 64,210,059

See accompanying notes to the basic financial statements.

NORTHEASTERN ILLINOIS UNIVERSITY
A COMPONENT UNIT OF THE STATE OF ILLINOIS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(With Summarized Comparative Information for the Year Ended June 30, 2019)

	2020 University	2019 University
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (106,780,982)	$ (95,241,832)
Adjustments to reconcile operating loss to net cash used in operating activities:		
State special funding revenue	38,252,844	31,107,355
Payments on behalf of the University	7,962,000	10,030,000
Depreciation	7,727,300	7,851,025
Changes in assets and liabilities:		
Accounts receivable	503,247	2,081,279
Student loans receivable	155,952	166,472
Prepaid expenses and other assets	200,073	(207,335)
Inventories	(714)	1,958
Deferred outflows of resources	(1,529,556)	297,932
Accounts payable and accrued liabilities	123,799	(1,462,940)
Unearned revenues	(141,260)	26,054
Liability for compensated absences	426,216	(17,984)
Other postemployment benefits	2,966,766	(1,795,090)
Deferred inflows of resources	(855,147)	1,179,338
Net cash used in operating activities	$ (50,989,462)	$ (45,983,768)
Noncash investing, capital and noncapital activities:		
Special funding revenue	$ 38,252,844	$ 31,107,355
Payments on behalf of the University	$ 7,962,000	$ 10,030,000
Discontinued capital project	$ 39,257	$ 94,073
Capital asset acquisition through capital appropriations	$ 421,920	$ 156,197
Realized income on deferred inflows of resources from concession arrangement	$ 856,898	$ 856,900
Termination of federal loan program	$ 656,462	$ -

See accompanying notes to the basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

An audit of the Foundation's financial statements, for the fiscal year ended June 30, 2020, was conducted by an independent certified public accountant. Complete financial statements for the Foundation may be obtained by writing to the Foundation, Executive Director and Vice President for Institutional Advancement, Northeastern Illinois University, 5500 North St. Louis Ave., Chicago, Illinois 60625.

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

Basis of Accounting

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

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

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

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

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

- The statement of revenues, expenses, and changes in net position provides operating and nonoperating revenues and expenses, and displays the net income or loss from operations and total changes in net position.

- The statement of cash flows details the change in the cash and cash equivalents balance for the fiscal year and is prepared using the direct method. This statement provides information related to cash receipts and cash payments during the year. The statement also helps users evaluate the University's ability to meet financial obligations as they mature.

Notes to the Basic Financial Statements
This provides additional analysis of the University's basic financial statements.

Operating and Nonoperating Revenues

Operating revenues of the University consist of student tuition and fees, grants and contracts, student union sales and services, parking revenues, and other operating revenues. Transactions relating to capital or financing activities, noncapital financing activities, investing activities, State appropriations, State special funding, payments on behalf of the University, State Monetary Award Program (MAP) and Aspirational Institutional Match Helping Illinois Grow Higher Education (AIM HIGH) grants, Pell grant, Supplemental Educational Opportunity (SEOG) grant and Coronavirus Aid, Relief, and Economic Security (CARES) Act grant, gifts and investment income are components of nonoperating revenues. Restricted and unrestricted resources are used at the discretion of the University, within the proper guidelines. The University first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net positions are available.

Auxiliary Enterprises

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

Use of Estimates

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

Cash and Cash Equivalents

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

Investments and Marketable Securities

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

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

Restricted Assets

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

Receivables

Receivables consist mainly of charges to students for tuition and fees, auxiliary enterprise service charges, and student loans made to students from federal loan programs. Receivables also include amounts due from the federal government, State and local governments, or private sources in connection with the reimbursement of allowable expenditures made to the University's grants and contracts. Receivables are recorded net of allowance for doubtful accounts based on management's best estimate of uncollectible accounts considering type, age, collection history and other appropriate factors.

Inventories

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

Capital Assets

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

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

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

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

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

Liability for Compensated Absences

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

Unearned Revenues

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

Revenue Bonds Payable and Certificates of Participation

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

Net Position

The University's net position are classified as follows:

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

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

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

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

Deferred Inflows of Resources/Deferred Outflows of Resources

In addition to assets and liabilities, the statement of net position includes a separate section for deferred inflows or outflows of resources. Deferred inflows of resources represent increase in net position that applies to a future period. The revenue is not recognized until a future period. Deferred inflows of resources reported by the University relate to the actual investment performance of other postemployment benefits and service concession arrangement as explained in Notes 12 and 13 to the basic financial statements, respectively. Deferred outflows of resources represents consumption of net position that applies to a future period and so will not be recognized as an expense until then. Deferred outflows of resources reported by the University consist of deferral of employer pension contributions as explained in Note 11 to the basic financial statements and employer other postemployment benefit contributions made after the measurement date but before the end of the reporting period as explained in Note 12 to the basic financial statements.

Revenue Recognition

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

Tuition and fees, except for the summer term, are recognized as revenues as they are assessed. Tuition and fees are reduced by scholarship discounts and allowances of $23,680,322 for Fiscal Year 2020. The summer term tuition and fees are allocated between fiscal years based on when the revenue is earned, since the summer term begins in one fiscal year and ends in the next. The portion of summer term tuition and fees applicable to the following fiscal year is unearned. The value of tuition and fee exemptions awarded to graduate assistants, staff members and others is calculated at the applicable tuition rates. These exemptions amounted to $4,177,016 in Fiscal Year 2020.

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

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

Pensions

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

For financial reporting purposes, the State of Illinois and its public universities and community colleges are under a special funding situation. A special funding situation exists when a non-employer entity (the State) is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity (the University) and the non-employer (the State) is the only entity with a legal obligation to make contributions directly to a pension plan. The University recognizes its proportionate share of the State's pension expense relative to the University's employees as nonoperating revenue and pension expense, with the expense further allocated to the related function performed by the employees.

Other Postemployment Benefits (OPEB)

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

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

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

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

During the OPEB measurement period ended June 30, 2019, the University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $391,430 to help offset the amount the State needed to provide for retirees under the special funding situation described in the preceding paragraph.

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

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

The University had outside sources of financial assistance provided by the State on behalf of the University during the year ended June 30, 2020.

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

During the year ended June 30, 2020, total estimated group insurance contributions for the University's employees paid from the University's Income Fund and auxiliary enterprises were $8,556,075. The University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $593,906 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 $7,962,000 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 nonoperating revenues and operating expenses allocated to the related function performed by the employees within the University's financial statements for its current employees' participation in group insurance.

New Accounting Pronouncements

The University adopted the provisions of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, during the fiscal year ended June 30, 2020. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in the light of the coronavirus (COVID-19) pandemic by postponing effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later by one year or 18 months.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

2. CASH AND INVESTMENTS

The University uses the "pooled cash" method of accounting for substantially all of its operating cash and investments. The following table is a reconciliation of cash on hand, deposits and investments held by the University and Foundation as shown on the statement of net position as of June 30, 2020:

	University	Foundation
Carrying amounts of deposits	$ 8,991,064	$ 2,138,278
Carrying amounts of investments	55,453,931	14,604,961
Cash on hand	3,300	-
	$ 64,448,295	$16,743,239

	University	Foundation
Cash and cash equivalents	$ 60,550,323	$ 2,138,278
Restricted cash and cash equivalents - current	1,967,294	-
Restricted cash and cash equivalents - noncurrent	1,930,678	-
Short-term investments	-	1,546,595
Long-term investments	-	13,058,366
	$ 64,448,295	$ 16,743,239

University Deposits

The University utilizes multiple bank accounts for the various activities of the University. The book balance of such accounts was $8,991,064 at June 30, 2020, while the bank balance was $10,088,043. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2020.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The policy for reducing its exposure to this risk is to require deposits in excess of the federally insured amount to be collateralized at 100%. As of June 30, 2020, the University's deposits were covered by the Federal Deposit Insurance Corporation (FDIC) and by collateral held by the financial institution in the University's name.

University Investments

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

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

The fair value of the University investments as of June 30, 2020 is as follows:

Investments:	Fair Value	Maturity	S&P/Moody's
Illinois Funds*	$ 53,521,254	< 1 year	AAAm/ NA
U.S. Treasury Notes	1,932,677	< 1 year	AAAm/Aaa-mf
	$ 55,453,931		

*Illinois Funds are valued at amortized cost, which approximates fair value.

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

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

Investments:	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury Notes	$ 1,932,677	$ 1,932,677	$ -	$ -

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

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

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's policy for mitigating the risk is to diversify the investment portfolio so that the failure of any one issue will not place an undue financial burden on the University. As of June 30, 2020, the University does not have any investments representing 5% or more of total assets in any single issuer other than the U.S. government and investments in mutual funds, external investment pools, and other pooled investments.

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

Foundation Deposits and Investments

The fair value and valuations of the Foundation investments as of June 30, 2020 is as follows:

Investments:	Fair Value	Level 1	Level 2	Level 3
Mutual funds	$ 14,604,961	$ 14,604,961	$ -	$ -

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

The Foundation maintains its cash and certificates of deposit in several separate accounts at two different institutions. These accounts are insured by the FDIC up to $250,000 at each financial institution. As of June 30, 2020, the combined uninsured balance was $2,030,502. The Foundation has not experienced any loss in these accounts. The Foundation believes it is not exposed to any significant credit risk on its cash balance. The investment committee of the Foundation Board reviews the financial health of commercial banking institutions with which the Foundation maintains assets on an annual basis.

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

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

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

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

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

3. ACCOUNTS RECEIVABLE

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

	June 30, 2020	June 30, 2019
Student tuition and fees	$ 26,800,492	$ 25,131,935
Federal, State, and private grants and contracts	4,780,805	4,924,523
State appropriation	5,873,314	8,888
Others	1,238,735	1,290,481
Subtotal	38,693,346	31,355,827
Less allowance for doubtful accounts	(17,266,127)	(15,491,028)
Accounts receivable, net	$ 21,427,219	$ 15,864,799

4. STUDENT LOAN RECEIVABLE

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

	June 30, 2020	June 30, 2019
Perkins student loan fund*	$ 1,032,764	$ 1,234,120
Emergency student loan	74,536	74,536
Others	4,609	4,809
Subtotal	1,111,909	1,313,465
Less allowance for doubtful accounts	(582,681)	(628,285)
Student loans receivable, net	$ 529,228	$ 685,180

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

5. CAPITAL ASSETS

Details of the University's investment in capital assets at June 30, 2020 are as follows:

	Balance June 30, 2019	Additions	Transfers	Reductions	Balance June 30, 2020
Capital assets not being depreciated:					
Land and land improvements	$ 30,906,095	$ -	$ -	$ -	$ 30,906,095
Nondepreciable historical treasures and works of art	83,330	-	-	-	83,330
Construction in progress	2,469,281	1,676,985	(559,022)	39,257	3,547,987
Total capital assets not being depreciated	33,458,706	1,676,985	(559,022)	39,257	34,537,412
Capital assets being depreciated:					
Site improvements	7,614,415	-	-	-	7,614,415
Buildings and building improvements	227,873,194	17,768	559,022	-	228,449,984
Equipment	14,392,378	82,563	-	134,893	14,340,048
Library books	26,931,830	427,872	-	202,777	27,156,925
Total capital assets being depreciated	276,811,817	528,203	559,022	337,670	277,561,372
Less accumulated depreciation:					
Site improvements	6,279,619	203,766	-	-	6,483,385
Buildings and building improvements	82,645,179	6,346,523	-	-	88,991,702
Equipment	12,552,098	642,162	-	134,893	13,059,367
Library books	24,995,145	534,848	-	202,777	25,327,216
Total accumulated depreciation	126,472,041	7,727,299	-	337,670	133,861,670
Capital assets, net	$183,798,482	$ (5,522,111)	$ -	$ 39,257	$178,237,114

6. LONG-TERM DEBT AND OTHER LIABILITIES

Long-term debt and other liabilities at June 30, 2020 are as follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
Compensated absences	$ 6,199,340	$1,036,854	$ 610,638	$ 6,625,556	$ 696,503
Revenue bonds:					
Series 2014	13,875,000	-	600,000	13,275,000	625,000
Premium	484,924	-	31,286	453,638	31,286
Certificates of participation:					
Series 2010	4,595,000	-	300,000	4,295,000	330,000
Certificates of participation:					
Series 2012	25,925,000	-	610,000	25,315,000	645,000
Premium	131,494	-	5,910	125,584	5,910
Certificates of participation:					
Series 2015	6,940,000	-	905,000	6,035,000	935,000
Premium	185,353	-	30,893	154,460	30,892
Installment purchases payable	82,637	-	82,637	-	-
Federal loan contributions refundable	-	656,462	-	656,462	-
Other postemployment benefits payable	38,289,053	2,966,766	-	41,255,819	947,767
Subtotal	96,707,801	$4,660,082	$3,176,364	98,191,519	$ 4,247,358
Less current portion	(4,178,341)			(4,247,358)	
Total noncurrent liabilities	$ 92,529,460			$ 93,944,161	

7. COMPENSATED ABSENCES

It is the policy of the University to accrue vacation pay as earned. As of June 30, 2020, the accrued liability for this benefit was $5,780,222 and is reported as liability for compensated absences.

As a result of Illinois Public Act 83-976, the University is required to compensate certain employees for sick leave benefits earned after January 1, 1984. Sick leave earned by these employees after this date will accumulate without limit and are payable upon termination of employment for one-half of the unused amount. As of January 1, 1998, per 30 ILCS 105/14a, sick leave benefits earned after that date are no longer compensable upon termination of employment. All prior earned benefits will still be paid. As of June 30, 2020, the accrued liability of this benefit was $845,334 and is included in the liability for compensated absences.

8. UNIVERSITY FACILITIES SYSTEM REVENUE BONDS

Series 2014

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

The Series 2014 Bonds mature in increasing principal amounts ranging from $625,000 due on July 1, 2020 to $1,060,000 due on July 1, 2034. Interest is payable on January 1 and July 1 each year, at rates between 3.00% and 5.00%, with an average effective rate of approximately 4.047%. Future aggregate annual payments applicable to the Series 2014 Bonds at June 30, 2020 are:

Fiscal Year	Principal	Interest
2021	625,000	530,625
2022	645,000	508,350
2023	670,000	482,050
2024	695,000	454,750
2025	790,000	429,000
2026-2030	4,480,000	1,572,025
2031-2035	5,370,000	552,760
Total	$ 13,275,000	$ 4,529,560

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

Pledged Revenues and Debt Service Requirements

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

Bond Issues	Purpose	Source of Revenue Pledged	Future Net Revenues Pledged [1]	Terms of Commitment	Pledged Net Revenues to Debt Service (Current Year) [2]
Facilities System Revenue Bonds Series 2014	Construction of a multi-level parking structure	Net Revenues of the University Facilities System*, student tuition and fees	$ 17,804,560	2034	5.45%

[1] Total future principal and interest payments on debt.

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

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

9. CERTIFICATES OF PARTICIPATION

Series 2010

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

The certificates mature in increasing principal amounts ranging from $330,000 due on October 1, 2020 to $645,000 due on October 1, 2028 at rates between 5.000% and 6.000%, with an average effective rate of approximately 5.500%. Future aggregate annual payments applicable to the certificates of participation at June 30, 2020 are:

Fiscal Year	Principal	Interest
2021	330,000	230,894
2022	365,000	213,291
2023	395,000	193,569
2024	435,000	171,509
2025	470,000	146,894
2026 - 2029	2,300,000	284,622
Total	$ 4,295,000	$ 1,240,779

Series 2012

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

The certificates mature in increasing principal amounts ranging from $645,000 due on October 1, 2020 to $1,815,000 due on October 1, 2041 at rates between 3.000% and 4.100%, with an average effective rate of approximately 3.680%. Future aggregate annual payments applicable to the certificates of participation at June 30, 2020 are:

Fiscal Year	Principal	Interest
2021	645,000	946,700
2022	685,000	926,750
2023	725,000	905,238
2024	775,000	881,406
2025	815,000	855,161
2026-2030	4,780,000	3,812,173
2031-2035	6,130,000	2,795,518
2036-2040	7,255,000	1,475,203
2041-2042	3,505,000	146,268
Total	$ 25,315,000	$ 12,744,417

Series 2015

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

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

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

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

The Series 2015 Certificates mature in increasing principal amounts ranging from $935,000 due on July 1, 2020 to $1,090,000 due on July 1, 2025 at rates between 3.00% and 4.00%, with an average effective rate of approximately 3.333%. Future aggregate annual payments applicable to the certificates of participation at June 30, 2020 are:

Fiscal Year	Principal	Interest
2021	935,000	188,375
2022	955,000	160,025
2023	990,000	130,850
2024	1,020,000	100,700
2025	1,045,000	64,500
2026	1,090,000	21,800
Total	$ 6,035,000	$ 666,250

10. NORTHEASTERN ILLINOIS UNIVERSITY FOUNDATION AGREEMENT

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

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

During the fiscal year ended June 30, 2020, the University and Foundation had the following inter-entity transactions:

Northeastern Illinois University	Northeastern Illinois University Foundation: Other operating expenses (Program services)	Northeastern Illinois University Foundation: Other operating revenues (Support and program revenue)
Operating Revenues		
Student tuition and fees, net	$ 568,473	$ -
Nongovernmental grants and contracts	214,940	-
Operating Expenses		
Compensation and benefits	-	720,177
Supplies and services	-	4,513
Use of space	-	37,438
	$ 783,413	$ 762,128

11. DEFINED BENEFIT PENSION PLANS

General Information about the Pension Plan

Plan Description
The University contributes to the State Universities Retirement System of Illinois (SURS or System), a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation whereby the State of Illinois (State) makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established on July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of State universities, certain affiliated organizations, and certain other State educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State's financial reporting entity and is included in the State's Comprehensive Annual Financial Report as a pension trust fund. SURS is governed by Chapter 40, Act 5, Article 15 of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org.

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, and who do not have other eligible reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election whether to participate in either the traditional or portable benefit plans. A summary of the benefit provisions as of June 30, 2019, can be found in SURS Comprehensive Annual Financial Report's Notes to the Financial Statements.

Contributions
The State is primarily responsible for funding the System on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a statutory funding plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members within SURS to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for Fiscal Year 2019 and Fiscal Year 2020, respectively, was 12.29% and 13.02% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary, except for police officers and fire fighters who contribute 9.5% of their earnings. The contribution requirements of plan members and employers are established and may be amended by the State's General Assembly.

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

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

Net Pension Liability
The net pension liability (NPL) was measured as of June 30, 2019. At June 30, 2019, SURS reported an NPL of $28,720,071,173.

Employer 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 $495,076,586 or 1.7238%. This amount is not recognized in the University's financial statements. The NPL and total pension liability as of June 30, 2019, was determined based on the June 30, 2018 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 during Fiscal Year 2019.

Pension Expense
At June 30, 2019, SURS reported a collective net pension expense of $3,094,666,252.

Employer Proportionate Share of Pension Expense
The employer proportionate share of collective 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 during Fiscal Year 2019. As a result, the University recognized revenue and pension expense of $53,345,857 from this special funding situation during the year ended June 30, 2020.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to 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	$ 160,132,483	$ 80,170,745
Changes in assumption	773,321,300	-
Net difference between projected and actual earnings on pension plan investments	-	55,456,660
Total	$ 933,453,783	$ 135,627,405

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

Year Ending June 30	Net Deferred Outflows of Resources
2019	$ 786,021,133
2020	(11,534,848)
2021	(6,661,326)
2022	30,001,419
2023	-
Thereafter	-
Total	$ 797,826,378

University Deferral of Fiscal Year 2020 Pension Expense

The University paid $1,014,234 in federal, trust or grant contributions for the fiscal year ended June 30, 2020. These contributions were made subsequent to the pension liability date of June 30, 2019 and are recognized as deferred outflows of resources as of June 30, 2020.

Assumptions and Other Inputs

Actuarial Assumptions
The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period June 30, 2014-2017. The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP2014 White Collar, gender distinct tables with projected generational mortality and a separate mortality assumption for disabled participants.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultants and actuary. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
U.S. Equity	23%	5.25%
Private Equity	6%	8.65%
Non-U.S. Equity	19%	6.75%
Global Equity	8%	6.25%
Fixed Income	19%	1.85%
Treasury-Inflation Protected Securities	4%	1.20%
Emerging Market Debt	3%	4.00%
Real Estate REITS	4%	5.70%
Direct Real Estate	6%	4.85%
Commodities	2%	2.00%
Hedged Strategies	5%	2.85%
Opportunity Fund	1%	7.00%
Total	100%	4.80%
Inflation		2.75%
Expected Arithmetic Return		7.55%

Discount Rate

A single discount rate of 6.59% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 3.13% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at rates equal to the statutory contribution rates under SURS funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2075. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2075, and the municipal bond rate was applied to all benefit payments after that date.

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

Regarding the sensitivity of the NPL to changes in the single discount rate, the following presents the State’s NPL, calculated using a single discount rate of 6.59%, 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 5.59%	Current Single Discount Rate Assumption 6.59%	1% Increase 7.59%
$34,786,851,779	$28,720,071,173	$23,712,555,197

Additional information regarding the SURS basic financial statements including the Plan Net Position can be found in the SURS comprehensive annual financial report by accessing the website at www.SURS.org.

12. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

Funding Policy and Annual OPEB Cost
OPEB offered through SEGIP are financed through a combination of retiree premiums, SEGIP contributions pursuant to SEGIA (5 ILCS 375/11), and federal government subsidies from the Medicare Part D program. These contributions are deposited in the Health Insurance Reserve Fund, which covers both active employees and retired members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in GARS, JRS, SERS, TRS, and SURS do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. CMS' Director, on an annual basis, determines the amount of contributions necessary to fund the basic program of group benefits. The State's contributions are made primarily from the State's General Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree benefits and a separate trust has not been established for the funding of OPEB.

For Fiscal Year 2020, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $11,681 ($6,704 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $14,959 ($5,592 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

CMS' Changes in Estimates
For the measurement date of June 30, 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 ($15,093,013) during the year ended June 30, 2020. This amount was recognized by the University as nonoperating special funding situation revenue and operating expense allocated to the related function performed by the employees during the year ended June 30, 2020.

While the University is not required to record the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation, the University is required to disclose this amount. The following chart displays the proportionate share of the State's contributions related to the University's special funding situation relative to all employer contributions during the years ended June 30, 2019 and 2018 each based on the June 30, 2018 and 2017, respectively, actuarial valuation rolled forward:

Measurement Date:	June 30, 2019	June 30, 2018
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$294,227,527	$282,364,203
SEGIP total OPEB liability	$43,889,169,017	$40,093,248,494
Proportionate share of the total OPEB liability	0.6704%	0.7043%

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, 2020, was measured as of the measurement date on June 30, 2019, with an actuarial valuation as of June 30, 2018, 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 years ended June 30, 2019 and 2018, each based on the June 30, 2018 and 2017, respectively, actuarial valuation rolled forward:

Measurement Date:	June 30, 2019	June 30, 2018
University's OPEB liability	$41,255,819	$38,289,052
SEGIP total OPEB liability	$43,889,169,017	$40,093,248,494
Proportionate share of the total OPEB liability	0.0940%	0.0955%

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, 2019. As of the current year measurement date of June 30, 2019, the University's proportion declined 0.0015% from its proportion measured as of the prior year measurement date of June 30, 2018.

The University recognized OPEB expense for the year ended June 30, 2020, of $1,618,473. At June 30, 2020, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2019, from the following sources:

Deferred outflow of resources	
Difference between expected and actual experience	$ 59,224
Changes of assumptions	1,434,326
Changes in portion and differences between employer contributions and proportionate share of contribution	175,933
University contribution subsequent to measurement date	947,767
Total deferred outflow of resources	$2,617,250

Deferred inflows of resources	
Difference between expected and actual experience	$ 629,354
Changes of assumptions	2,545,815
Changes in portion and differences between employer contributions and proportionate share of contributions	954,995
Total deferred inflow of resources	$4,130,164

The amount of $947,767 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, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Total Amount Recognized of Deferred Inflows and Outflows over the Remaining Service Life of All Employees (5.138662 years)
2021	$ (1,023,099)
2022	(1,023,099)
2023	(607,005)
2024	159,339
2025	33,183
Total	$ (2,460,681)

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, 2018, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2018.

The valuation date of June 30, 2018, below was rolled forward to June 30, 2019.

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.50%
Projected Salary Increases*	2.75% - 12.25%
Discount Rate	3.13%
Healthcare Cost Trend Rate	
Medical (Pre-Medical)	8.0% grading down 0.5% in the first year to 7.5%, then grading down 0.01% in the second year to 7.39%, followed by grading down of 0.5% per year over 5 years to 4.89% in year 7
Medical (Post-Medical)	9.0% grading down 0.5% per year over 9 years to 4.5%
Dental and Vision	6.0% grading down 0.5% per year over 3 years to 4.5%
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% for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100% of the required dependent premium. Premiums for plan year 2019 and 2020 are based on atual prremiums. Premiums after 2020 were projected based on the same healthcare cost trend rates applied to per capita claim costs but excluding the additional trend rates that estimates the impact of the Excise Tax.

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

Since the last measurement date on June 30, 2019, 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 State's financial statements, which could be significant, is not known at this time.

Additionally, the demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2018, valuations for GARS, JRS, SERS, TRS, and SURS as follows:

	Retirement age experience study^	Mortality^^
GARS	July 2012 - June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational improvement scales
JRS	July 2012 - June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
SERS	July 2012 - June 2015	105% of the RP 2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015; generational mortality improvement factors were added
TRS	July 2014 - June 2017	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2017
SURS	July 2014 - June 2017	RP-2014 White Collar, gender distinct, projected using MP-2014 two dimensional mortality improvement scale, set forward one year for male and female annuitants.

^The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined. A modified experience review was completed for SERS for the 3-year period ending June 30, 2015. Changes were made to the assumptions regarding investment rate of return, projected salary increases, inflation rate, and mortality based on this review. All other assumptions remained unchanged.

^^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, 2019, 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, 2020, 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 3.62% at June 30, 2018, and 3.13% as of June 30, 2019, was used to measure the total OPEB liability.

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

The following presents the University's proportionate share of the plan's total OPEB liability measured as of June 30, 2019, calculated using a Single Discount Rate of 3.13%, 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 (4.13%) or lower (2.13%) than the current rate:

	1% Decrease (2.13%)	Current Single Discount Rate Assumption	1% Increase (4.13%)
University's proportionate share of total OPEB liability	$48,589,579	$41,255,819	$35,389,522

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

The following presents the University's proportionate share of the plan's total OPEB liability measured as of June 30, 2019, calculated using the healthcare cost trend rates as well as what the University's proportionate share of the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates. For calculating the healthcare cost trend rates assumption, the key trend rates are 8.00% in 2020 decreasing to an ultimate trend rate of 4.89% in 2027 for non-Medicare coverage, and 9.00% decreasing to an ultimate trend rate of 4.50% in 2029 for Medicare coverage. For the 1.00% decrease for calculating the healthcare cost trend rates assumption, the key trend rates are 7.00% in 2020 decreasing to an ultimate trend rate of 3.89% in 2027, for non-Medicare coverage, and 8.00% in 2020 decreasing to an ultimate trend rate of 3.50% in 2029 for Medicare coverage. For the one 1.00% increase for calculating the healthcare cost trend rates assumption, the key trend rates are 9.00% in 2020 decrease to an ultimate trend rate of 5.89% in 2027, for non-Medicare coverage, and 10.00% in 2020 decreasing to an ultimate trend rate of 5.50% in 2029 for Medicare coverage.

	1% Decrease	Healthcare Cost Trend Rates Assumption	1% Increase
University's proportionate share of total OPEB liability	$34,593,160	$41,255,819	$49,885,007

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, 2019 and 2018, each based on the June 30, 2018 and 2017, respectively, actuarial valuation rolled forward:

Measurement Date:	June 30, 2019	June 30, 2018
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$ 294,227,527	$ 282,364,203
University's OPEB liability	41,255,819	38,289,052
Total OPEB liability associated with the University	$ 335,483,346	$ 320,653,255
SEGIP total OPEB liability	$ 43,889,169,017	$ 40,093,248,494
Proportionate share of the OPEB liability associated with the University	0.7644%	0.7998%

13. SERVICE CONCESSION ARRANGEMENT FOR STUDENT HOUSING

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

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

Under the ground lease agreement executed on May 7, 2015 between the University as the Lessor and CHF as Lessee, the lease will expire 40 years after the commencement date unless otherwise extended or sooner terminated. Upon termination or expiration of the ground lease, all rights and interests of the Lessee will immediately cease and terminate and the Project, including all buildings, improvements, machinery, fixtures, equipment and all personal property belong to and be the absolute property of the University.

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

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

At June 30, 2020, the carrying amount of the student housing facility amounted to $33,406,573 and deferred inflow of resources amounted to $29,848,601. The amortization of deferred inflow of resources presented under other capital additions in the statement of revenues, expenses, and changes in net assets amounted to $856,898.

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

In Fiscal Year 2020, the fourth year of the ground lease agreement, the occupancy rate fell in fall 2019 to 40.19% and in spring 2020 to 39.25% requiring the University to make an occupancy contribution totaling to $2,251,158.

14. OPERATING EXPENSES BY NATURAL CLASSIFICATION

Details of the University's operating expenses by natural classification as June 30, 2020 are as follows:

	Compensation and Benefits	Supplies and Services	Scholarships	Depreciation	Total
Instruction	$ 77,391,164	$ 3,885,660	$ 293,198	$ -	$ 81,570,022
Research	973,516	186,979	101,853	-	1,262,348
Public service	8,733,134	3,693,476	40,250	-	12,466,860
Academic support	7,288,004	2,282,757	-	-	9,570,761
Student services and programs	9,886,190	2,734,623	96,286	-	12,717,099
Institutional support	14,664,602	3,409,650	-	-	18,074,252
Operation and maintenance of plant	11,081,345	4,743,446	-	-	15,824,791
Scholarship and fellowships	-	-	8,942,680	-	8,942,680
Auxiliary enterprises	2,605,378	4,002,605	-	-	6,607,983
Depreciation	-	-	-	7,727,300	7,727,300
Total operating expenses	$ 132,623,333	$ 24,939,196	$ 9,474,267	$ 7,727,300	$ 174,764,096

15. SEGMENT INFORMATION

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

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

The following are the condensed financial statements for the University Facility System as of and for the year ended June 30, 2020. These financial statements have been prepared to satisfy the requirements of the Revenue Bond Resolution. The financial balances and activities of the University Facilities System are included in the University financial statements.

Condensed Statement of Net Position	
Assets:	
Current assets:	
Unrestricted	$ 1,260,837
Restricted	882,000
Noncurrent assets:	
Capital assets, net	14,504,797
Restricted other noncurrent assets	2,030,060
Total assets	18,677,694
Liabilities:	
Current liabilities	1,071,668
Noncurrent liabilities	13,072,352
Total liabilities	14,144,020
Net position:	
Net investment in capital assets	875,405
Restricted - expendable:	
Capital projects	1,909,025
Debt service	600,000
Unrestricted	1,149,244
Total net position	$ 4,533,674

Condensed Statement of Revenues, Expenses, and Changes in Net Position	
Operating revenues:	
Student fees, net	$ 1,373,946
Auxiliary enterprises and others	1,489,906
Total operating revenues	2,863,852
Operating expenses:	
Depreciation	730,532
Other operating expenses	1,893,260
Total operating expenses	2,623,792
Operating income	240,060
Nonoperating revenues (expenses):	
Investment income	3,683
Interest on indebtedness	(540,000)
Net nonoperating expenses	(536,317)
Decrease in net position	(296,257)
Net position, beginning of year	4,829,931
Net position, end of year	$ 4,533,674

Condensed Statement of Cash Flows	
Net cash provided by (used in):	
Operating activities	$ 877,357
Capital financing activities	(1,171,286)
Investing activity	3,683
Net decrease in cash and cash equivalents	(290,246)
Cash and cash equivalents, beginning of year	4,270,432
Cash and cash equivalents, end of year	$ 3,980,186

16. FOUNDATION ENDOWMENT FUNDS

The Board of Directors of the Foundation have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Illinois as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

	Without Donor Restrictions	With Purpose Restrictions	Restricted in Perpetuity	Total Endowment Net Assets
Donor-restricted endowment funds	$ -	$ (211,565)	$ 13,212,372	$ 13,000,807
Quasi endowment fund	493,578	-	-	493,578
Total endowment net assets	$ 493,578	$ (211,565)	$ 13,212,372	$ 13,494,385

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Purpose Restrictions	Restricted in Perpetuity	Total Endowment Net Assets
Endowment net assets, beginning of year	$ 514,662	$ -	$ 12,771,893	$ 13,286,555
Contributions	-	-	462,939	462,939
Investment income, net of fees	86,782	296,232	-	383,014
Net realized and unrealized gains	(107,866)	(368,203)	-	(476,069)
Change in value of split interest agreement	-	-	(18,043)	(18,043)
Donor release of restriction in perpetuity	-	-	(4,417)	(4,417)
Appropriation of endowment assets for expenditure	-	(139,594)	-	(139,594)
Total endowment net assets	$ 493,578	$ (211,565)	$ 13,212,372	$ 13,494,385

17. COMMITMENTS AND CONTINGENCIES

The University is from time to time subject to various claims and legal actions related to the University or the actions of its employees. Although it is difficult to quantify the potential impact of these claims, management believes that the ultimate cost of these matters will not adversely affect the University's future financial condition or results of operations. At June 30, 2020, for potential claims and legal actions that the University management deemed probable and estimable recorded an accrual for contingent liability amounting to $1.1 million.

18. EFFECTS OF COVID-19 IN UNIVERSITY'S OPERATIONS AND THE CARES ACT

In response to the Governor's stay-at-home order to curb the spread of the COVID-19, which was declared by the World Health Organization as a public health emergency, the University shifted to a "stay-at-home" mode with remote instruction and learning, and limited on-campus operations to only those deemed essential through the spring 2020 and summer 2020 terms. In addition, University facilities were deep cleaned and sanitized with modifications and enhancements made to allow for social distancing, including signage and plexiglass installations.

Also, due to limited face-to-face instruction with largely remote learning and operations brought about by COVID-19 pandemic, the University adjusted the fees imposed to student for remote offerings and select mandatory fees to support the University's operations were suspended. Students enrolled in spring 2020 term received partial refunds of these select mandatory fees that were suspended.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security ("CARES") Act was enacted and signed into law, which assisted the University in the wake of the COVID-19 pandemic. This funding helped offset costs incurred in moving to remote instruction.

The University received funding through the Higher Education Emergency Relief (HEER) Student project amounting to $3,035,452. The HEER Student project aims to provide emergency financial aid to students for expenses related to the disruption of campus operations due to the coronavirus. As of June 30, 2020, a total of $2,786,466 HEER Student fund was distributed. The University presented this as part of scholarships and fellowships expense and the related grant revenue was presented as part of nonoperating revenue. The remainder of the HEER Student fund will be disbursed to students in Fiscal Year 2021.

The University also received funding through HEER Institution project amounting to $3,035,452. This institutional funding aims to cover costs associated with significant changes in the delivery of instruction. As of June 30, 2020, a total $586,242 of HEER Institution fund was incurred and the remainder will be used in Fiscal Year 2021.

19. SUBSEQUENT EVENTS

Due to changes in operations brought about by the COVID-19 pandemic, as well as declining enrollment, the University has reassessed certain operations and existing contracts with various vendors including its bookstore, cafeteria, student housing, and leases. The negotiations with these vendors are ongoing as of the date of the report.

REQUIRED SUPPLEMENTARY INFORMATION

NORTHEASTERN ILLINOIS UNIVERSITY
A COMPONENT UNIT OF THE STATE OF ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020

Schedule of Employer's Proportionate Share of Net Pension Liability

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

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

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020

Schedule of Pension Contributions

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

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

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

	FY 2019	FY 2018	FY 2017
Employer's Proportion of the Collective Net Other Postemployment Benefits Liability	0.0940%	0.0955%	0.0970%
Employer's Proportionate Share of the Collective Net Other Postemployment Benefits Liability	$ 41,255,819	$ 38,289,053	$ 40,084,143
Estimated Proportionate Amount of Collective Total OPEB Liability Associated With the University - State Supported Portion	294,227,527	282,364,203	457,036,341
Total OPEB Liability Associated with the University	$ 335,483,346	$ 320,653,256	$ 497,120,484
Employer Defined Benefit Covered Payroll	$ 74,395,467	$ 74,359,124	$ 73,284,189
Employer's Proportionate Share of the Collective Total OPEB Liability as a Percentage of its Covered Employee Payroll	55.45%	51.49%	54.70%

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

PENSION

Changes of Benefit Terms
There were no benefit changes recognized in the Total Pension Liability as of June 30, 2019.

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

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

OPEB

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

Factors That Affect Trends in the Amounts Reported
An actuarial valuation was performed as of June 30, 2018 with a measurement date as of June 30, 2019. The following assumptions were made:

- Mortality rates. RP-2014 White Collar, gender distinct, projected using MP-2014 two dimensional mortality improvement scale, set forward one year for male and female annuitants.
- Salary increase. Dependent upon service and participation in the respective retirement systems. Includes inflation of 2.75%, salary increase 3% - 15%.
- Healthcare Cost Trend Rate. Medical (Pre-Medicare) 8.0% grading down 0.5% in the first year to 7.5%, then grading down 0.01% in the second year to 7.42%, followed by grading down of 0.5% per year over 5 years to 4.92% in year 7; Medical (Post-Medicare) 9.0% grading down 0.5% per year over 9 years to 4.5%; Dental and vision 6.0% grading down 0.5% per year over 3 years to 4.5%.
- Retirees' share of benefit related costs. Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement.

SUPPLEMENTARY INFORMATION

NORTHEASTERN ILLINOIS UNIVERSITY
A COMPONENT UNIT OF THE STATE OF ILLINOIS
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

Table of Operating Expenses

The following table presents a breakdown of the various types of expenses which collectively comprise the University's functional operating expense accounts as of June 30, 2020.

	Compensation and Benefits										
	University's Expenses				State of Illinois' Expenses					Other	Total Operating
	Salaries[1]	Benefits[2]	OPEB[3]	Sub-Total	Benefits[2]	OPEB[3]	Pension	Sub-Total	Total	Expenses	Expenses
Educational and general:											
Instruction	$ 47,079,277	$ 1,248,459	$ 381,331	$ 48,709,067	$ 4,941,417	$ (9,367,105)	$ 33,107,785	$ 28,682,097	$ 77,391,164	$ 4,178,858	$ 81,570,022
Research	741,422	117,851	1,499	860,772	19,424	(36,820)	130,140	112,744	973,516	288,832	1,262,348
Public service	6,461,376	2,044,216	2,985	8,508,577	38,687	(73,336)	259,206	224,557	8,733,134	3,733,726	12,466,860
Academic support	4,393,712	91,637	36,773	4,522,122	476,513	(903,292)	3,192,661	2,765,882	7,288,004	2,282,757	9,570,761
Student services and programs	5,882,717	484,396	46,172	6,413,285	598,320	(1,134,194)	4,008,779	3,472,905	9,886,190	2,830,909	12,717,099
Institutional support	8,808,321	117,249	75,300	9,000,870	975,761	(1,849,682)	6,537,653	5,663,732	14,664,602	3,409,650	18,074,252
Operation and maintenance of plant	6,580,311	103,782	57,695	6,741,788	747,629	(1,417,229)	5,009,157	4,339,557	11,081,345	4,743,446	15,824,791
Scholarships and fellowships	-	-	-	-	-	-	-	-	-	8,942,680	8,942,680
Auxiliary enterprises	1,617,206	22,127	12,675	1,652,008	164,249	(311,355)	1,100,476	953,370	2,605,378	4,002,605	6,607,983
Depreciation	-	-		-	-	-	-	-	-	7,727,300	7,727,300
	$ 81,564,342	$ 4,229,717	$ 614,430	$ 86,408,489	$ 7,962,000	$ (15,093,013)	$ 53,345,857	$ 46,214,844	$ 132,623,333	$ 42,140,763	$ 174,764,096

[1] Salaries includes employer contributions for Social Security, Medicare, compensation for unemployment, and compensated sick and vacation leaves.
[2] Benefits includes certain group insurance costs, such as healthcare and life insurance. For the University, it also includes employer § 403(b) contributions.
[3] OPEB refers to other postemployment benefits. The Department of Central Management Services experienced two significant changes within its estimation process for the measurement date of June 30, 2019 as disclosed in Note 12 to the financial statements. The changes in the estimation process resulted in negative OPEB expenditures during the year ended June 30, 2020.

OTHER INFORMATION

University Facilities System Revenue Bond Funds

Insurance in Force

Insurance covers property damage to buildings, some contents, business interruptions, some electronic data processing, and more. Coverage is very broad (including all risks excepts those otherwise excluded).

Type of Coverage	Coverage in Force (a)	Deductible
Most buildings, some contents, business interuption, some electronic data processing, and builder's risk	$500,000,000	Varies depending on type of claim
Flood	$500,000,000	Varies depending on type of claim
Earthquake	$500,000,000	Varies depending on type of claim

Enrollment at the University

Term	Academic Year 2019-2020
Fall	7,423
Spring	6,763
Summer	3,776

Rates and Charges

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

In academic year 2019-2020, students enrolled at the University pay a fee of $8.25 per credit hour for the right to use the University's Student Union which is the heart of the activity program on-campus, a fee of $3.50 per credit hour for a campus improvement to support current and future long-term investments in capital facilities and technology infrastructure, and a $9 parking fee, which can be waived.

Summary of Each Fund and Account under the Bond Resolution

	Balance of Assets Reserved as of June 30, 2020	
Bond account (a)	$	625,000
Repair and replacement reserve account	$	1,789,104
Non-instructional facilities (development) reserve account	$	-
Equipment reserve account	$	149,973

Note: (a) The amounts required for the deposit in the bond account were remitted from the revenue fund account to the Trustee, U.S. Bank National Association, for payment of the bond principal and interest installments coming due July 1, 2020.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board of Trustees
Northeastern Illinois University

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the discretely presented component unit of Northeastern Illinois University (University), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and we have issued our report thereon dated April 28, 2021. Our report includes a reference to other auditors who audited the financial statements of the University's discretely presented component unit, as described in our report on University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting (internal control) or compliance and other matters of the Northeastern Illinois University Foundation audited in accordance with the Government Auditing Standards that are reported on separately by those auditors.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001 through 2020-003.

Internal Control Over Financial Reporting

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

In planning and performing our audit of the financial statements, we considered the University's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2020-002 and 2020-003 to be significant deficiencies.

University's Responses to the Findings

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

Purpose of this Report

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

SIGNED ORIGINAL ON FILE

Chicago, Illinois
April 28, 2021

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

2020-001. **FINDING** (Inadequate Internal Controls over Census Data)

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

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

We noted the University's employees are members of both the State Universities Retirement System (SURS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans.

During testing, we noted the following:

- The University had not performed an initial complete reconciliation of its census data recorded by SURS and CMS to its internal records to establish a base year of complete and accurate census data.

- After establishing a base year, the University had not developed a process to annually obtain from SURS and CMS the incremental changes recorded by SURS and CMS in their census data records and reconcile these changes back to the University's internal supporting records.

Upon due consideration and based upon the significance of these issues alone, we concluded a material weakness exists within the University's internal controls related to ensuring both SURS and CMS can provide their respective actuaries with complete and accurate census data related to the University. Even given these two exceptions, we performed detail testing and certain data analysis tests and noted the following additional exceptions:

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

2020-001. **FINDING** (Inadequate Internal Controls over Census Data) (continued)

1) Two of 80 (3%) employees tested had two events which had never been sent by the University to CMS.

2) We performed an analysis of transactions reported by the University to SURS during the census data accumulation period throughout Fiscal Year 2018, noting four of seven (57%) employees with a return from a leave of absence had the end date of the leave of absence untimely reported to SURS by the University. SURS determined the total potential impact to each of these employees' total service credit was it could be off by one-half to 6 years.

3) As of the end of the census data accumulation year on June 30, 2018, we identified eight employees where each employee's associated termination or rehire date(s) had been untimely reported to SURS. While these employees were all associated with the University at June 30, 2018, some or all of these untimely reports may have occurred at other public universities and community colleges across the State. SURS determined these errors resulted in the employees being misclassified between the active, retired, and inactive member categories within SURS. The total potential impact to each former employee's total service credit was it could be off between 0.0 and 1.75 years.

For employers where their employees participate in plans with multiple-employer and cost-sharing features, the American Institute of Certified Public Accountants' Audit and Accounting Guide: State and Local Governments (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expense, and the associated deferred inflows and deferred outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate against the risk of a plan's actuary using incomplete or inaccurate census data within similar agent multiple-employer plans, the AAG-SLG (§ 13.181 (A-27) for pensions and § 14.141 for OPEB) recommends an employer annually reconcile its active members' census data to a report from the plan of census data submitted to the plan's actuary, by comparing the current year's census data file to both the prior year's census data file and its underlying records for changes occurring during the current year.

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

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

2020-001. **FINDING** (Inadequate Internal Controls over Census Data) (continued)

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

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

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

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

2020-001. **FINDING** (Inadequate Internal Controls over Census Data) (continued)

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

University official stated the findings noted above were due to oversight of Office Human Resources staff handling reporting of benefits changes to SURS and CMS.

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

RECOMMENDATION

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

Further, we recommend the University work with SURS and CMS to develop an annual reconciliation process of its active members' census data from its underlying records to a report from each plan of census data submitted to the plan's actuary. After completing an initial full reconciliation, the University may limit the annual reconciliations to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods.

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

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

2020-001. **FINDING** (Inadequate Internal Controls over Census Data) (continued)

Finally, due to the interrelatedness of SURS, the mobility of employees to change their employers within SURS, and a specific noncompliance matter regarding whether a person is eligible to participate in SURS identified during testing at Governors State University (please see Governors State University's Fiscal Year 2020 financial audit report for more information), we recommend the University work with both SURS and Governors State University to identify employees initially hired by Governors State University with a visa defined under subparagraphs (F), (J), (M), or (Q) of Section 1101(a)(15) of Title 8 of the United States Code who had not met the Internal Revenue Service's substantial presence test and started employment on and after July 1, 1991.

UNIVERSITY'S RESPONSE

The University agrees with the recommendation.

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

2020-002. **FINDING** (Weaknesses over Computer Security)

Northeastern Illinois University (University) had computer security weaknesses.

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

- User access rights to the applications and network were not periodically reviewed. During the audit period, the University did not perform any security audits to review access of employees to systems. We noted 714 users never accessed their account, and 437 users had not accessed their account in over six months.

- Access rights were not removed in a timely manner. During our review of system access, we compared a list of separated employees noting 129 separated employees continued to have access in the Active Directory.

- Users were granted access without proper authorization. University security policy requires access to the University computing resources should only be established upon receipt of a complete and properly approved request form. During our review of enterprise application system access, we noted one of seven employees (14%) was granted access rights without an approved request form.

- A change management process to configure network devices (i.e. switches, routers and firewall) did not exist.

- Servers were not updated. We noted of the 19 servers tested, three (16%) servers had unsupported operating systems, three (16%) servers had outdated operating systems, and four (21%) servers did not have antivirus software.

- Encryption software was not installed on laptops.

- Concurrent network sessions were unlimited per user.

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

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

2020-002. **FINDING** (Weaknesses over Computer Security) (continued)

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources. Additionally, generally accepted information technology guidance requires entities to ensure proper security controls, changes and protection of applications, data, and their environment are effective.

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

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

RECOMMENDATION

We recommend the University:

- Perform a periodic review of system access rights to ensure access rights are appropriate based on job duties. In addition, the University should ensure timely deactivation of users no longer needing access.

- Develop a formal process for changes to network devices (including steps for additions, deletions, upgrades, and patches.)

- Strictly enforce the security policy to ensure access rights are granted only after receipt of a completed and properly approved request form.

- Ensure anti-virus software is running on all servers and operating systems are upgraded to ensure vendor support in case problems are encountered.

- Encrypt all laptops that could contain sensitive information.

- Establish concurrent session limits on systems.

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

2020-002. **FINDING** (Weaknesses over Computer Security) (continued)

UNIVERSITY'S RESPONSE

The University agrees with the recommendation.

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

2020-003. **FINDING** (Lack of Adequate Controls over Review of Internal Controls over Service Providers)

Northeastern Illinois University (University) did not obtain or conduct timely independent internal control reviews over service providers.

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

During testing, we noted the University had no written policies and procedures for monitoring the service providers to allow employees or departments to clearly understand their roles and responsibilities, and identify specific actions to be performed and as a result had not obtained System and Organization Controls (SOC) Reports.

Additionally, we noted the contracts between the University and the service providers did not contain a requirement for an independent review to be completed.

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

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. In addition, generally accepted information technology guidance requires entities outsourcing their IT environment or operations to obtain assurance over the entities internal controls related to the services provided. Such assurance may be obtained via System and Organization Control reports or independent reviews.

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

Without having obtained and reviewed a SOC Report or another form of independent internal control review, the University does not have assurance the service provider's internal controls are adequate. (Finding Code No. 2020-003, 2019-020)

CURRENT FINDINGS - *GOVERNMENT AUDITING STANDARDS*

2020-003. **FINDING** (Lack of Adequate Controls over Review of Internal Controls over Service Providers) (continued)

RECOMMENDATION

We recommend the University establish written policies and procedures in monitoring external service providers. If required, the University should:

- Obtain SOC reports (or perform independent reviews) of internal controls associated with outsourced systems at least annually.

- Monitor and document the operation of the complementary user entity controls relevant to the University's operations.

- Either obtain and review SOC reports for subservice organizations or perform alternative procedures to satisfy itself that the existence of the subservice organization would not impact its internal control environment.

- Document its review of the SOC reports and review all significant issues with subservice organizations to ascertain if a corrective action plan exists and when it will be implemented, any impacts to the University, and any compensating controls.

- Review contracts with service providers to ensure applicable requirements over the independent review of internal controls are included.

UNIVERSITY'S RESPONSE

The University agrees with the recommendation.