NORTHEASTERN ILLINOIS UNIVERSITY

A Component Unit of the State of Illinois

FINANCIAL AUDIT

For the Year Ended June 30, 2022

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, 2022

TABLE OF CONTENTS **Page(s)**

Other Reports Issued Under a Separate Cover

The Northeastern Illinois University's *Federal Single Audit* and *State Compliance Examination* for the year ended June 30, 2022, will be issued under separate covers.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2022

University Officials

President	Dr. Gloria Gibson
Provost (07/01/21 to 07/04/22)	Dr. Dennis Rome
Interim Provost and Vice President for Academic Affairs (07/05/22 to Present)	Dr. Andrea Evans
Vice President for Finance and Administration/Treasurer	Mr. Manish Kumar
Vice President for Student Affairs	Dr. Terry Mena
Vice President for Institutional Advancement	Ms. Liesl Downey
Vice President for Legal Affairs (01/01/21 to 09/19/21)	Vacant
Vice President for Legal Affairs (09/20/21 to Present)	Mr. G.A. Finch
Executive Director for Finance and Administration	Ms. Beni Ortiz
Interim Director of Financial Affairs/Controller (05/01/21 to 11/19/21)	Mr. Olegario Flores
Director of Financial Affairs/Controller (11/20/21 to 01/23/22)	Vacant
Director of Financial Affairs/Controller (01/24/22 to 03/19/22)	Mr. Patrick Alforque
Director of Financial Affairs/Controller (03/20/22 to 05/22/22)	Vacant
Director of Financial Affairs/Controller (05/23/22 to Present)	Ms. Jannica Rae Quintana
Director of Internal Audit (09/11/17 to 01/06/23)	Ms. Rita Moore
Director of Internal Audit (01/07/23 to Present)	Vacant

Board of Trustees

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, 2022

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of Northeastern Illinois University (University) was performed by Plante & Moran PLLC.

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

SUMMARY OF FINDINGS

Number of	Current Report	Prior Report
Findings	4	3
Repeated Findings	3	3
Prior Recommendations Implemented or Not Repeated	0	0

SCHEDULE OF FINDINGS

Item No.	Page	Last/First Reported	Description	Finding Type
			Current Findings	
2022-001	87	2021/2020	Inadequate Internal Controls over Census Data	Material Weakness/ Noncompliance
2022-002	90	2021/2017	Weaknesses over Computer Security	Significant Deficiency/ Noncompliance
2022-003	92	2021/2019	Lack of Adequate Controls over Review of Internal Controls over Service Providers	Significant Deficiency/ Noncompliance
2022-004	94	New	Lack of Adequate Reviews over year end reports and reconciliations	Significant Deficiency/ Noncompliance

Prior Findings Not Repeated

None

EXIT CONFERENCE

The University waived an exit conference in a correspondence from Beni Ortiz, Executive Director for Finance and Administration, on March 3, 2023. The responses to the recommendations were provided by Beni Ortiz, Executive Director for Finance and Administration, in a correspondence dated March 3, 2023.

Plante & Moran, PLLC
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Portage, MI 49002
Tel: 269.567.4500
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Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Northeastern Illinois University

Report on the Audit of the Financial Statements

Opinions

As Special Assistant Auditors for the Auditor General we have audited the accompanying financial statements of the business-type activities, fiduciary activities and the discretely presented component unit of the Northeastern Illinois University (University) a component unit of the State of Illinois, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, fiduciary activities and the discretely presented component unit of the University as of June 30, 2022 and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component unit, Northeastern Illinois University Foundation, which represents 100 percent of the assets and revenues of the discretely presented component unit as of and for the year ended June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors in accordance with auditing standards generally accepted in the United States of America (GAAS), whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Northeastern Illinois University Foundation is based solely on the report of the other auditor.

Basis for Opinion

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Northeastern Illinois University

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Northeastern Illinois University

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8-16, the Schedule of Northeastern Illinois University's Proportionate Share of the Net Pension Liability on page 72, the Schedule of Northeastern Illinois University's Pension Contributions on page 73, the Schedule of Northeastern Illinois University's Proportionate Share of Net Other Postemployment Benefits (OPEB) liability on page 74 and the related notes on pages 75-79 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Table of Operating Expenses on page 81 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the table of operating expenses is fairly stated in all material respects in relation to the basic financial statements as a whole.

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Northeastern Illinois University

Other Information

Management is responsible for the other information included in this report. The other information comprises the University Officials on page 1 and data required by the University Facilities Revenue Bond Funds on pages 83-84. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2023 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, 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.

Original Signature on File

Plante & Moran, PLLC

Portage, Michigan
March 8, 2023

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022 with comparative information for the fiscal year ended June 30, 2021. 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.

REPORTING ENTITY

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

USING THIS ANNUAL REPORT

The University's annual report contains five financial statements: The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; the Statement of Cash Flows; the Statement of Fiduciary Net Position; and the Statement of Changes in Fiduciary Net Position. 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.

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, 2022 and 2021
(dollars in thousands)

	2022	2021	Increase (Decrease)	Percent Change
ASSETS				
Current assets	$ 106,071	$ 102,952	$ 3,119	3%
Noncurrent assets:				
Capital assets, net	169,339	173,666	(4,327)	(2%)
Other noncurrent assets	2,311	2,915	(604)	(21%)
Total noncurrent assets	171,650	176,581	(4,931)	(3%)
Total assets	277,721	279,533	(1,812)	(1%)
DEFERRED OUTFLOWS OF RESOURCES	1,949	2,827	(878)	(31%)
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	279,670	282,360	(2,690)	(1%)
LIABILITIES				
Current liabilities	21,573	15,772	5,801	37%
Noncurrent liabilities	73,079	85,222	(12,143)	(14%)
Total liabilities	94,652	100,994	(6,342)	(6%)
DEFERRED INFLOWS OF RESOURCES	40,736	36,893	3,843	10%
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	135,388	137,887	(2,499)	(2%)
NET POSITION				
Net investment in capital assets	99,990	101,467	(1,477)	(1%)
Restricted	7,680	7,549	131	2%
Unrestricted	36,612	35,457	1,155	3%
Total net position	$ 144,282	$ 144,473	$ (191)	(0%)

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities, both current and noncurrent, and all deferred outflows and inflows of resources, using the accrual basis of accounting.

Current Assets - Current assets total $106 million and consists primarily of cash and cash equivalents of $84 million and net receivables of $22 million. Total current assets increased by $3 million from the prior year. This is primarily due to the increase of $3 million in cash and cash equivalents brought by state appropriations that were received close to fiscal year end. The current assets of the University of $106 million were sufficient to cover the current liabilities of $22 million.

Noncurrent Assets - As of June 30, 2022, the University had total noncurrent assets of $172 million compared with $177 million at June 30, 2021. The net decrease of $5 million was primarily due to capital assets depreciation of $6 million and capital acquisition of $2 million.

Current Liabilities - Current liabilities total $22 million and consist primarily of accounts payable and accrued liabilities of $14 million, unearned revenues from tuition of $4 million, as well as, current portion of revenue bonds and certificates of participation of $3 million, and current portion of liability for compensated absences and OPEB liability of $1 million.

Noncurrent Liabilities - Noncurrent liabilities total $73 million and consist of long-term debt and other obligations for which the principal is due more than one year from the statement of net position date. The net decrease of $12 million from prior year is primarily due to the decrease in other postemployment benefits liability of $8 million.

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

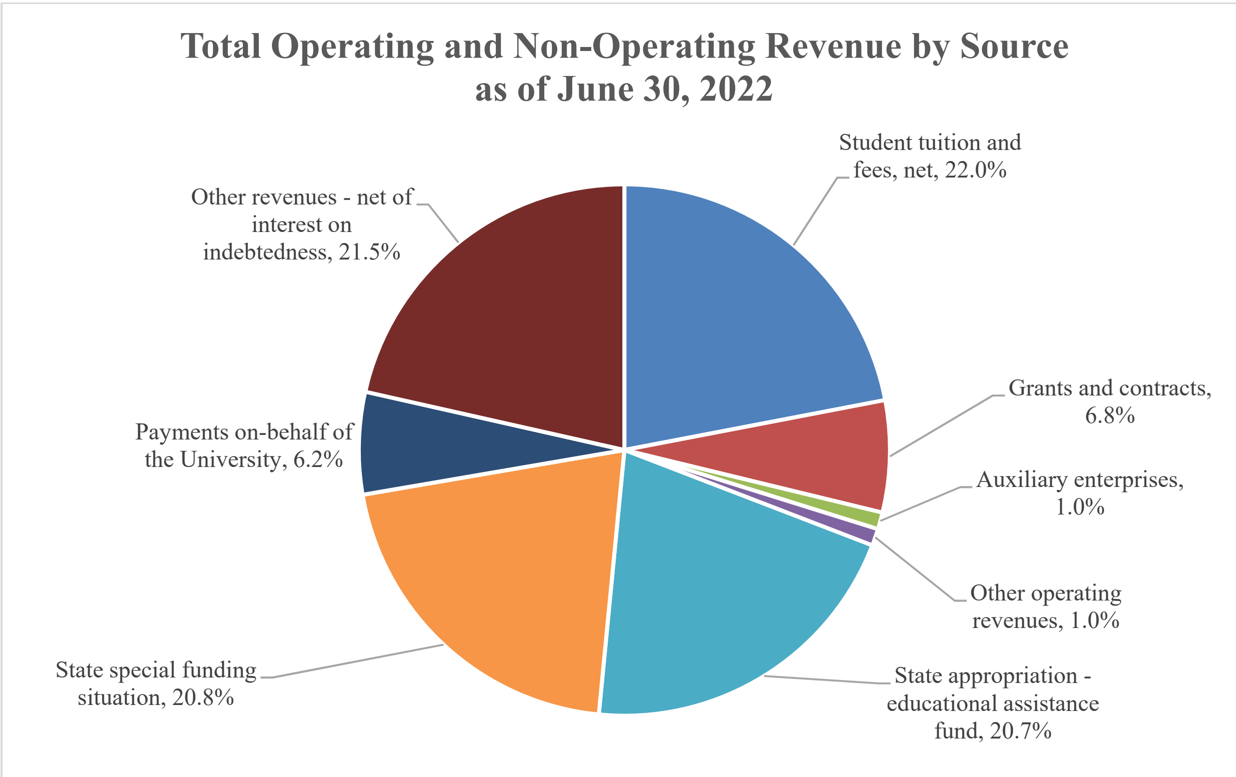
The total net position has not changed during the year. This is a result of a $1 million decrease in net investment in capital assets which was netted against a $19 million increase in unrestricted net position. The decrease in net investment in capital assets was mainly due to the depreciation of capital assets, and repayment of maturing revenue bonds and certificates of participation. The increase in unrestricted net position is mainly due to increase in the grants received through HEERF and GEERF.

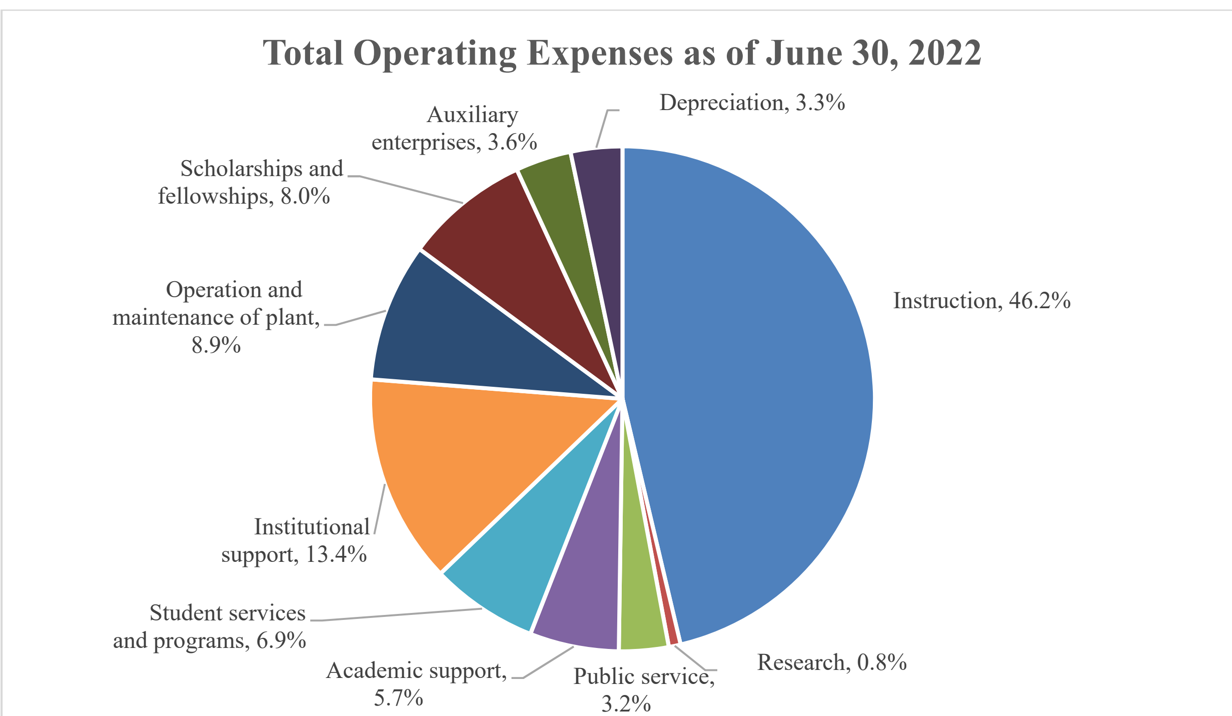
Condensed Statement of Revenues, Expenses, and Changes in Net Position
For The Years Ended June 30, 2022 and 2021
(dollars in thousands)

	2022	2021	Increase (Decrease)	Percent Change
OPERATING REVENUES				
Student tuition and fees, net	$ 39,666	$ 45,510	$ (5,844)	(13%)
Grants and contracts	12,263	15,917	(3,654)	(23%)
Auxiliary enterprises	1,679	1,516	163	11%
Other operating revenues	1,867	766	1,101	144%
Total operating revenues	55,475	63,709	(8,234)	(13%)
OPERATING EXPENSES	181,517	190,733	(9,216)	(5%)
OPERATING LOSS	(126,042)	(127,024)	982	(1%)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	37,345	35,567	1,778	5%
State special funding situation	37,462	59,913	(22,451)	(37%)
Payments on-behalf of the University	11,222	11,060	162	1%
Others, net	38,568	35,147	3,421	10%
Net nonoperating revenues	124,597	141,687	(17,090)	(12%)
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	(1,445)	14,663	(16,108)	(110%)
Capital additions provided by State of Illinois	397	1,023	(626)	(61%)
Other capital additions	857	857	-	0%
(DECREASE) INCREASE IN NET POSITION	(191)	16,543	(16,734)	(101%)
NET POSITION, BEGINNING OF YEAR				
Net position, beginning of year, as previously reported	144,473	127,216	17,257	14%
Prior year adjustments	-	714	(714)	(100%)
Net position, beginning of year, as restated	144,473	127,930	16,543	13%
NET POSITION, END OF YEAR	$ 144,282	$ 144,473	$ (191)	(0%)

Prior year adjustments is due to the errors identified by the auditors of the Department of Central Management Services State Employees Group Insurance Program (SEGIP) in the SEGIP's other postemployment (OPEB). The error resulted in a restatement of the University's beginning net position of $714,060 as of June 30, 2021.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022





The Statement of Revenues, Expenses and Changes in Net Position presents the results of the University's revenue and expense activity categorized as operating or nonoperating. All revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

Operating Revenues - Total operating revenues for Fiscal Year 2022 totaled $55 million compared to $64 million in Fiscal Year 2021. The $9 million decrease was due to the decrease in student tuition and fees of $6 million as a result of declining enrollment and net decrease in grants and contracts and other operating revenue of $3 million as a result of the effects of the pandemic in the operations of the University.

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

	2022	2021	Increase (Decrease)	Percent Change
Expenses by function:				
Instruction	$ 83,793	$ 94,618	$ (10,825)	(11%)
Research	1,368	995	373	37%
Public service	5,754	10,240	(4,486)	(44%)
Academic support	10,336	10,500	(164)	(2%)
Student services and programs	12,444	12,541	(97)	(1%)
Institutional support	24,259	23,968	291	1%
Operation and maintenance of plant	16,088	16,279	(191)	(1%)
Scholarships and fellowships, research and others	15,033	8,885	6,148	69%
Auxiliary enterprises	6,457	6,471	(14)	(0%)
Depreciation	5,985	6,236	(251)	(4%)
Total operating expenses	$ 181,517	$ 190,733	$ (9,216)	(5%)
Expenses by natural classification:				
Compensation and benefits	$ 125,516	$ 151,625	$ (26,109)	(17%)
Supplies and services	33,861	23,605	10,256	43%
Scholarships	16,155	9,267	6,888	74%
Depreciation	5,985	6,236	(251)	(4%)
Total operating expenses	$ 181,517	$ 190,733	$ (9,216)	(5%)

Total operating expenses in Fiscal Year 2022 decreased by $9 million mainly due to a $23 million decrease in benefits from the proportionate share of the University in the State's pension and OPEB and $3 million decrease in compensation coupled with an offsetting combined $17 million increase due to additional scholarships provided to students by $7 million mostly due to HEERF and additional expenses of $10 million for university and technological infrastructures.

Nonoperating Revenues (Expenses) - This consists of State appropriations, special funding situation, payments on behalf of the University, state grants, federal grant's Pell, SEOG, HEERF and GEERF, termination of federal loan program and investment income, less interest on indebtedness. Total nonoperating revenues decreased by $16 million mainly as a result of $23 million decrease in benefits from the proportionate share of the University in the State's pension and OPEB, $1 million increase in state appropriations and $6 million increase in grants.

Following are condensed statements of cash flows for the year ended June 30, 2022 and 2021 (amount in thousands):

Condensed Statement of Cash Flows
For the Years Ended June 30, 2022 and 2021
(dollars in thousands)

	2022	2021	Increase (Decrease)	Percent Change
Net cash used in operating activities	$ (67,947)	$ (53,865)	$ (14,082)	26%
Net cash provided by noncapital financing activities	77,130	77,181	(51)	(0%)
Net cash used in capital financing activities	(5,750)	(5,109)	(641)	13%
Net cash provided by investing activities	203	55	148	269%
Net increase in cash and cash equivalents	3,636	18,262	(14,626)	(80%)
Cash and cash equivalents - beginning of year	82,363	64,101	18,262	28%
Cash and cash equivalents - end of year	$ 85,999	$ 82,363	$ 3,636	4%

The Statement of Cash Flows provides additional information about the University's sources and uses of cash during the fiscal year. This statement helps users assess the University's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

The primary cash receipts from operating activities consist of student tuition and fees of $41 million, grants and contracts of $13 million, direct lending receipts of $13 million and other revenues of $4 million. Cash outlays consist of payments to employees of $72 million, payments for fringe benefits of $5 million, payments for scholarships and fellowships of $16 million, payments to suppliers of $33 million and direct lending disbursements of $13 million.

The State appropriation of $38 million, State MAP and AIM HIGH grants of $10 million and Federal Pell, SEOG, HEERF and GEERF grants of $29 million are the primary sources of noncapital financing activities.

The main capital financing activities included purchases of capital assets and construction costs of $1 million and debt service payments of $4 million. Investing activities reflect purchases, sales, and interest income earned on investments resulting in a total net cash increase of $4 million from Fiscal Year 2021.

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

The following summarized a table of capital assets, accumulated depreciation, and depreciation expenses for the Fiscal Year June 30, 2022 and 2021.

	2022	2021
Capital assets	$ 314,175	$ 313,396
Accumulated depreciation	144,837	139,730
Capital assets, net	$ 169,338	$ 173,666
Depreciation expense	$ 5,985	$ 6,236

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

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

The University primarily uses revenue bonds and certificates of participation to fund construction projects. The following summarizes a table of long-term debt, including current principal, for fiscal years ended June 30, 2022 and 2021.

	2022	2021
Revenue bonds, net	12,396	$ 13,072
Certificates of participation, net	31,937	33,978

In May 2022, S&P Global 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 2022, Moody's Investors Service upgraded NEIU's issuer rating from "Ba2" to "Ba1" and upgraded the rating assigned to the University's outstanding COPs from "Ba3" to "Ba2"; both outlooks were "Stable."

ECONOMIC OUTLOOK

In June 2022, the Governor signed the Fiscal Year 2023 budget that provided level support for public education operations. For the University, the approved Fiscal Year 2023 appropriation amounted to $37.4 million equal to the amount received in Fiscal Year 2022.

The University experienced declining government support (Federal grants and State grants while State appropriations have been consistent in the last 3 years) and increasing costs over the years. This will likely continue in the future periods. The University, like most higher education institutions, has increased its tuition and fees to compensate for both declining government support and to address the need for resources to meet increasing costs, implement new and innovative academic programs, and provide needed student support services. Decrease in federal funding means lower financial aid grant funding to allow students with less financial resources to attend college. In response to this, the University is allocating a portion of operating funds for institutional need-based student aid programs. Reduction in federal spending will also reduce available funding that has been used at the University for student support services (e.g. veterans and transfer students) and certain facility renovations. This will result in increased deferral of facilities maintenance, and financial challenges in implementing new academic programs to address student needs.

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

CONTACTING FINANCIAL MANAGEMENT AT NEIU

This financial report is designed to provide interested parties with a general overview of Northeastern Illinois University finances and to show the University's stewardship and accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Manish Kumar, Vice President/CFO, Beni Ortiz, Executive Director of Finance and Administration, or Jannica Rae Quintana, 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, 2022

	University	Component Unit
ASSETS		
Current assets:		
Cash and cash equivalents	$ 82,070,493	$ 3,296,302
Restricted cash and cash equivalents	1,997,941	-
Short-term investments	-	2,349,902
Accounts receivable, net	21,304,464	-
Student loans receivable, net	261,636	-
Pledges receivables	-	174,000
Inventories	11,019	-
Prepaid expenses	403,755	1,112
Other assets	21,247	-
Total current assets	106,070,555	5,821,316
Noncurrent assets:		
Cash and cash equivalents	-	641,198
Restricted cash and cash equivalents	1,930,678	-
Restricted investments	-	13,315,469
Assets held under split-interest agreements	-	852,216
Long-term portion of pledges receivable	-	27,150
Student loans receivable, net	72,594	-
Capital assets, net	169,338,724	-
Other assets	308,004	8,000
Total noncurrent assets	171,650,000	14,844,033
TOTAL ASSETS	277,720,555	20,665,349
Pension	685,443	-
Other postemployment benefits	1,263,829	-
DEFERRED OUTFLOWS OF RESOURCES	1,949,272	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	279,669,827	20,665,349

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, 2022

	University	Component Unit
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	13,683,203	26,488
Unearned revenues	3,688,678	-
Liability for compensated absences	972,351	-
Revenue bonds payable, net	670,000	-
Certificates of participation, net	2,110,000	-
Funds held in custody for others	-	65,366
Other post-employment benefits	448,882	-
Obligations under split-interest agreements	-	59,155
Total current liabilities	21,573,114	151,009
Noncurrent liabilities:		
Liability for compensated absences	4,381,296	-
Revenue bonds payable, net	11,726,066	-
Certificates of participation, net	29,826,441	-
Perkins Federal cash contribution	360,029	-
Other post-employment benefits	26,784,914	-
Obligations under split-interest agreements	-	417,884
Total noncurrent liabilities	73,078,746	417,884
TOTAL LIABILITIES	94,651,860	568,893
Concession arrangement	28,134,806	-
Other post-employment benefits	12,601,510	-
DEFERRED INFLOWS OF RESOURCES	40,736,316	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	135,388,176	568,893
NET POSITION		
Net investment in capital assets	99,989,892	-
Restricted for:		
Nonexpendable		
Scholarships and memorials	-	14,331,844
Expendable		
Grants and contracts	1,045,166	-
Student loans	248,431	-
Debt service	2,492,770	-
Other	3,893,463	4,690,087
Unrestricted	36,611,929	1,074,525
TOTAL NET POSITION	$ 144,281,651	$ 20,096,456

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, 2022

	University	Component Unit
OPERATING REVENUES		
Student tuition and fees, net	$ 39,665,684	$ -
Federal grants and contracts	8,758,621	-
State and local grants	2,000,819	-
Nongovernmental grants and contracts	1,503,501	-
Auxiliary enterprises	1,679,411	-
Other operating revenues	1,866,673	3,653,633
Total operating revenues	55,474,709	3,653,633
OPERATING EXPENSES		
Instruction	83,792,968	-
Research	1,367,674	-
Public service	5,754,434	-
Academic support	10,336,375	-
Student services and programs	12,444,233	-
Institutional support	24,259,066	-
Operation and maintenance of plant	16,088,462	-
Scholarships and fellowships	15,033,229	1,497,332
Auxiliary enterprises	6,455,474	-
Depreciation	5,985,057	-
Other operating expenses	-	1,358,580
Total operating expenses	181,516,972	2,855,912
Operating income (loss)	(126,042,263)	797,721
NONOPERATING REVENUES (EXPENSES)		
State appropriation	37,345,300	-
Special Funding Revenue	37,461,766	-
Payments on behalf of the University	11,222,000	-
Federal grants - Pell & SEOG	11,350,292	-
Federal grants - Education Stabilization Fund	18,352,246	-
State grants - Monetary Award Program (MAP) & AIM HIGH	10,343,963	-
Investment income	203,728	(2,577,089)
Termination of federal loan program	88,859	-
Interest on indebtedness	(1,771,377)	-
Net non-operating revenues	124,596,777	(2,577,089)
Income (loss) before other revenues, expenses, gains and losses	(1,445,486)	(1,779,368)
Capital additions provided by State of Illinois	397,278	-
Other capital additions	856,898	-
INCREASE (DECREASE) IN NET POSITION	(191,310)	(1,779,368)
NET POSITION, BEGINNING OF YEAR	144,472,961	21,875,824
NET POSITION, END OF YEAR	$ 144,281,651	$ 20,096,456

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, 2022

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	$ 41,083,284
Grants and contracts	12,892,124
Payments to employees	(72,225,170)
Payments for fringe benefits	(4,797,879)
Payments to suppliers	(32,962,318)
Payments for scholarships and fellowships	(16,154,759)
Loans issued to students	(58,302)
Collections of loans from students	137,747
Auxiliary enterprises	1,679,411
Student direct lending receipts	13,442,144
Student direct lending disbursements	(13,442,144)
Other receipts	2,458,946
Net cash used in operating activities	(67,946,916)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriation	37,504,552
Federal Grants - Pell and SEOG	12,051,911
Federal Grants - Education Stabilization Fund	17,229,136
State Grants - Monetary Award Program (MAP & AIM HIGH)	10,343,963
Net cash provided by noncapital financing activities	77,129,562
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchases of capital assets and construction	(1,260,861)
Principal paid on capital debt and leases	(2,650,000)
Interest paid on capital debt and leases	(1,839,466)
Net cash used in capital financing activities	(5,750,327)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	203,728
Net cash provided by investing activities	203,728
Net increase in cash and cash equivalents	3,636,047
Cash and cash equivalents - beginning of year	82,363,065
Cash and cash equivalents - end of year	$ 85,999,112

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, 2022

	University
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (126,042,263)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Special Funding Revenue	37,461,766
Payments on behalf of the University	11,222,000
Depreciation	5,985,057
Changes in assets, liabilities and deferred inflows and outflows of resources:	
Accounts receivable	2,407,407
Student loans receivable	79,445
Prepaid expenses and other assets	1,537,244
Inventories	727
Deferred outflows of resources	877,708
Accounts payable and accrued liabilities	3,415,513
Unearned revenues	2,294,772
Liability for compensated absences	(1,209,369)
Other postemployment benefits	(8,036,330)
Deferred inflows of resources	4,700,133
Net cash used in operating activities	$ (65,306,190)
Noncash operating and capital financing activities:	
Special Funding Revenue	$ 37,461,766
On-behalf payments for fringe benefits	$ 11,222,000
Capital asset acquisition via capital appropriations	$ 397,278
Realized deferred inflows of resources from concession arrangement	$ 856,898

See accompanying notes to the basic financial statements.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2022

ASSETS		
Cash and cash equivalent	$	768,633
Receivables		830,280
TOTAL ASSETS		1,598,913
LIABILITIES		
Accounts payable and accrued liabilities		-
TOTAL LIABILITIES		-
NET POSITION		
Restricted for:		
Individuals, organizations, and other governments		1,598,913
TOTAL NET POSITION	$	1,598,913

See accompanying notes to the basic financial statements.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

ADDITIONS	
Receipts from individuals, organizations, and other governments	$ 785,208
Rent collections	2,660,632
Total additions	3,445,840
DEDUCTIONS	
Beneficiary payments to individuals	656,038
Supplies and other services	2,142,115
Total deductions	2,798,153
NET INCREASE IN FIDUCIARY NET POSITION	647,687
NET POSITION, BEGINNING OF YEAR	951,226
NET POSITION, END OF YEAR	$ 1,598,913

See accompanying notes to the basic financial statements.

NOTE 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

An audit of the Foundation's financial statements, for the fiscal year ended June 30, 2022, was conducted by an independent certified public accountant. Complete financial statements for the Foundation may be obtained by writing to the Foundation, Executive Director and Vice President for Institutional Advancement, Northeastern Illinois University, 5500 North St. Louis Ave., Chicago, Illinois 60625.

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

Basis of Accounting

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

Proprietary Funds

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

Management's Discussion and Analysis

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

- Private scholarships and others – This is attributable for the student activities, clubs, scholarship funds, or other groups with funds typically generated from donations, fees or other fundraising activities.

- Housing Facility – This is attributable to the rental payment collected by the University under the concession agreement in Note 14.

- Meal Plan – This refers to the Goldie Bucks meal plan. This meal plan allows students to deposit money onto their identification cards and use such to pay for food and drink at three campus locations.

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

Operating and Nonoperating Revenues

Operating revenues of the University consist of student tuition and fees, grants and contracts, student union sales and services, parking revenues, and other operating revenues. Transactions relating to capital or financing activities, noncapital financing activities, investing activities, State appropriations, State special funding, payments on behalf of the University, State Monetary Award Program (MAP) and Aspirational Institutional Match Helping Illinois Grow Higher Education (AIM HIGH) grants, Pell grant, Supplemental Educational Opportunity grant

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(SEOG), Higher Education Emergency Relief Fund (HEERF), Governor's Emergency Education Relief Fund (GEERF), gifts, and investment income are components of nonoperating revenues. Restricted and unrestricted resources are used at the discretion of the University, within the proper guidelines. The University first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net positions are available.

Auxiliary Enterprises

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

Use of Estimates

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

Cash and Cash Equivalents

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

Investments and Marketable Securities

The University accounts for its investments and marketable securities at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application*.

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. Investments are reported at fair value. The fair value is determined to be the amount, usually quoted market prices, at which financial instruments could be exchanged in a current transaction between willing partners.

The investment with the Public Treasurer's Investment Pool-State Treasurer's Office is at amortized cost, which is the same value as the pool shares. State statutes require the Illinois Funds

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

to comply with the Illinois Public Funds Investment Act (30 ILCS 235). The Illinois Funds is not registered with the Securities Exchange Commission as an investment company, but has adopted GASB Statement No. 79*, Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants*, which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost.

For the year ended June 30, 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemptions gates. Also, certain money market investments and non-negotiable certificates of deposit with redemption terms that do not consider market rates are carried at amortized cost.

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:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 other postemployment benefits and service concession arrangement as explained in Notes 13 and 14 to the basic financial statements, respectively. Deferred outflows of resources represent consumption of net position that applies to a future period and so will not be recognized as an expense until then. Deferred outflows of resources reported by the University consist of deferral of employer pension contributions as explained in Note 11 to the basic financial statements and employer other postemployment benefit contributions made after the measurement date but before the end of the reporting period as explained in Note 13 to the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 were reduced by scholarship discounts and allowances of $23,886,379 for Fiscal Year 2022. Scholarship discounts and allowances are the difference between the charge for tuition and fees, and the amount paid by students or by third parties on the students' behalf. The summer term tuition and fees are allocated between fiscal years based on when the revenue is earned, since the summer term begins in one fiscal year and ends in the next. The portion of summer term tuition and fees applicable to the following fiscal year is unearned. The value of tuition and fee exemptions awarded to graduate assistants, staff members, and others is calculated at the applicable tuition rates. These exemptions amounted to $3,814,017 in Fiscal Year 2022.

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

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

Pensions

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During the OPEB measurement period ended June 30, 2021, the University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $371,227 to help offset the amount the State needed to provide for retirees under the special funding situation described in the preceding paragraph. The University recognizes the proportionate share of the State's OPEB expense relative to the University's employees as nonoperating revenue and OPEB expense, with the expense further allocated to the related function performed by the employees.

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

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

On-behalf Payments

The University had outside sources of financial assistance provided by the State on behalf of the University during the year ended June 30, 2022.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2022, total estimated group insurance contributions for the University's employees paid from the University's Income Fund and auxiliary enterprises were $11,774,205. The University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $552,205 to help offset the amount the State needed to provide for current employees under the situation described in the preceding paragraph. As such, the State contributed the estimated remaining balance of $11,222,000 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.

Adoption of New Accounting Standards

During the current year, the University adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. There was no accounting impact as a result of the adoption.

During the current year, the University adopted GASB Statement No. 87, *Leases*, which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of each contract. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. There was no accounting impact as a result of the adoption.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements

The Governmental Accounting Standards Board has issued the following statements which are effective for periods beginning July 1, 2022, or later which may impact the University:

Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements (PPPs and APAs)*, the statement establishes definitions of PPPs and APAs, and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. The statement is effective for fiscal years beginning after June 15, 2022. The impact on the University is being reviewed.

Statement No. 96 – *Subscription-Based Information Technology Arrangements (SBITAs)*, the statement defines a SBITA, establishes that a SBITA results in a right-to-use subscription—an intangible asset—and a corresponding subscription liability, and provides the capitalization criteria for the intangible asset. The statement is effective for fiscal years beginning after June 15, 2022. The impact on the University is being reviewed.

Statement No. 101 – *Compensated Absences*, enhances information needs of financial statement users by updating the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. The statement is effective for fiscal years beginning after December 15, 2023. The impact on the University is being reviewed.

NOTE 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, 2022:

	University	Foundation
Carrying amounts of deposits	$ 9,808,009	$ 3,937,500
Carrying amounts of investments	76,956,536	16,517,587
Cash on hand	3,200	-
	$ 86,767,745	$ 20,455,087

	University	Foundation
Cash and cash equivalents	$ 82,839,126	$ 3,937,500
Restricted cash and cash equivalents - current	1,997,941	-
Restricted cash and cash equivalents - noncurrent	1,930,678	-
Short-term investments	-	2,349,902
Long-term investments	-	14,167,685
	$ 86,767,745	$ 20,455,087

The University's cash and cash equivalents includes $768,633 pertaining to the fiduciary funds.

University Deposits

The University utilizes multiple bank accounts for the various activities of the University. The book balance of such accounts was $11,789,985 at June 30, 2022, while the bank balance was $13,516,833. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2022.

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, 2022, 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.

NOTE 2 - CASH AND INVESTMENTS (continued)

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 investment with the Public Treasurer's Investment Pool-State Treasurer's Office is at amortized cost, which is the same value as the pool shares. State statutes require the Illinois Funds to comply with the Illinois Public Funds Investment Act (30 ILCS 235). The Illinois Funds is not registered with the Securities Exchange Commission as an investment company, but has adopted GASB Statement No. 79, *Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants*, which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost.

For the year ended June 30, 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemptions gates. Also, certain money market investments and non-negotiable certificates of deposit with redemption terms that do not consider market rates are carried at amortized cost.

The fair value of the University investments as of June 30, 2022 is as follows:

Investments:	Fair Value	Maturity	S&P/Moody's
Illinois Fund*	$ 74,974,560	< 1 year	AAAmmf
U.S. Treasury Notes	1,981,976	< 1 year	AAAm/Aaa-mf
	$ 76,956,536		

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

NOTE 2 - CASH AND INVESTMENTS (continued)

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	$ 1,981,976	$ -	$ 1,981,976	$ -

Interest rate risk: 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: 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, 2022, 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.

NOTE 2 - CASH AND INVESTMENTS (continued)

Custodial credit risk: 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.

Foreign currency risk: The University does not hold any foreign investments.

Foundation Deposits and Investments

The fair value and valuations of the Foundation investments as of June 30, 2022 is as follows:

Investments:	Fair Value	Level 1	Level 2	Level 3
Mutual funds	$ 16,517,587	$ 16,517,587	$ -	$ -

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, 2022, the combined uninsured balance was $3,896,601. 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.

NOTE 2 - CASH AND INVESTMENTS (continued)

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.

NOTE 3 - ACCOUNTS RECEIVABLE

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

	June 30, 2022	June 30, 2021
Student tuition and fees	$ 31,416,765	$ 30,084,203
Federal, State, and private grants and contracts	7,936,350	8,058,513
State Appropriation	8,825	168,077
Others	1,219,942	1,207,784
Subtotal	40,581,882	39,518,577
Less allowance for doubtful accounts	(19,277,419)	(18,709,672)
Accounts receivable, net	$ 21,304,463	$ 20,808,905

NOTE 3 - ACCOUNTS RECEIVABLE (continued)

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

	June 30, 2022
Student housing	$ 820,154
Others	10,126
Accounts receivable	$ 830,280

NOTE 4 - STUDENT LOANS RECEIVABLE

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

Perkins student loan fund*	$ 784,418
Emergency student loan	68,422
Others	6,552
Subtotal	859,392
Less allowance for doubtful accounts	(525,162)
Student loans receivable, net	$ 334,230

* 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.

NOTE 5 - CAPITAL ASSETS

Details of the University's investment in capital assets at June 30, 2022 are as follows:

	Balance June 30, 2021	Additions	Transfers	Reductions	Balance June 30, 2022
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	4,799,470	650,515	(211,806)	175,078	5,063,101
Total capital assets not being depreciated	35,788,895	650,515	(211,806)	175,078	36,052,526
Capital assets being depreciated:					
Site improvements	7,614,415	-	-	-	7,614,415
Buildings and building improvements	228,449,984	123,552	211,806	-	228,785,342
Equipment	14,397,199	535,107		706,975	14,225,331
Library books	27,144,970	524,044		171,238	27,497,776
Total capital assets being depreciated	277,606,568	1,182,703	211,806	878,213	278,122,864
Less accumulated depreciation:					
Site improvements	6,666,132	178,054	-	-	6,844,186
Buildings and building improvements	93,976,925	4,985,223	-	-	98,962,148
Equipment	13,488,090	429,225	-	706,974	13,210,341
Library books	25,598,674	392,555	-	171,238	25,819,991
Total accumulated depreciation	139,729,821	5,985,057	-	878,212	144,836,666
Capital assets, net	$173,665,642	$ (4,151,839)	$ -	$ 175,079	$169,338,724

NOTE 6 - LONG-TERM DEBT AND OTHER LIABILITIES

Long-term debt and other liabilities at June 30, 2022 are as follows:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Compensated absences	$ 6,563,016	$ 236,231	$ 1,445,600	$ 5,353,647	$ 972,351
Direct Placements of Revenue bonds:					
Series 2014	12,650,000	-	645,000	12,005,000	670,000
Premium	422,352	-	31,286	391,066	-
Direct Placements of Certificates of participation:					
Series 2010	3,965,000	-	365,000	3,600,000	395,000
Series 2012	24,670,000	-	685,000	23,985,000	725,000
Premium	119,675	-	5,911	113,764	-
Series 2015	5,100,000	-	955,000	4,145,000	990,000
Premium	123,569	-	30,892	92,677	-
Federal loan contributions refundable	448,888	-	88,859	360,029	-
Other postemployment benefits payable	35,270,126	-	8,036,330	27,233,796	448,882
Subtotal	89,332,626	$ 236,231	$ 12,288,878	77,279,979	$ 4,201,233
Less current portion	(4,110,376)			(4,201,233)	
Total noncurrent liabilities	$ 85,222,250			$ 73,078,746	

NOTE 7 - COMPENSATED ABSENCES

It is the policy of the University to accrue vacation pay as earned. As of June 30, 2022, the accrued liability for this benefit was $4,801,752 and is reported as liability for compensated absences.

As a result of Public Act 83-976, the University is required to compensate certain employees for sick leave benefits earned after January 1, 1984. Sick leave earned by these employees after this date will accumulate without limit and are payable upon termination of employment for one-half of the unused amount. As of January 1, 1998, based on the State Finance Act (30 ILCS 105/14a), sick leave benefits earned after that date are no longer compensable upon termination of employment. All prior earned benefits will still be paid. As of June 30, 2022, the accrued liability of this benefit was $551,895 and is included in the liability for compensated absences.

NOTE 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 $670,000 due on July 1, 2022 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 4.131%. Future aggregate annual payments applicable to the Series 2014 Bonds at June 30, 2022 are:

Fiscal Year	Principal	Interest
2023	$ 670,000	$ 482,050
2024	695,000	454,750
2025	790,000	429,000
2026	815,000	396,775
2027	855,000	355,025
2028-2032	4,880,000	1,172,225
2033-2035	3,300,000	200,760
Total	$ 12,005,000	$ 3,490,585

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.

NOTE 8 - UNIVERSITY FACILITIES SYSTEM REVENUE BONDS (continued)

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	$ 15,495,585	2034	4.99%

(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.

NOTE 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.

NOTE 9 - CERTIFICATES OF PARTICIPATION (continued)

The certificates mature in increasing principal amounts ranging from $395,000 due on October 1, 2022 to $645,000 due on October 1, 2028 at rates between 5.250% and 6.000%, with an average effective rate of approximately 5.625%.

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 $725,000 due on October 1, 2022 to $1,815,000 due on October 1, 2041 at rates between 3.000% and 4.100%, with an average effective rate of approximately 3.748%.

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.

NOTE 9 - CERTIFICATES OF PARTICIPATION (continued)

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 $990,000 due on July 1, 2022 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, 2022 are:

Fiscal Year	Principal	Interest
2023	$ 2,110,000	$ 1,229,656
2024	2,230,000	1,153,616
2025	2,330,000	1,066,555
2026	2,465,000	968,230
2027	1,425,000	886,257
2028-2032	6,590,000	3,522,750
2033-2037	6,545,000	2,298,376
2038-2042	8,035,000	859,970
Total	$ 31,730,000	$ 11,985,410

NOTE 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

NOTE 10 - NORTHEASTERN ILLINOIS UNIVERSITY FOUNDATION AGREEMENT (continued)

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, 2022, the University and Foundation had the following inter-entity transactions:

	Northeastern Illinois University Foundation	
Northeastern Illinois University	Other operating expenses (Program services)	Other operating revenues (Support and program revenue)
Operating Revenues		
Student tuition and fees, net	$ 754,626	$ -
Nongovernmental grants and contracts	742,706	-
Operating Expenses		
Compensation and benefits	-	626,526
Supplies and services	-	4,436
Use of space	-	34,560
	$ 1,497,332	$ 665,522

NOTE 11 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

Benefits Provided
A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election whether to participate in either the traditional or portable benefit plans. A summary of the benefit provisions as of June 30, 2021, can be found in SURS Annual Comprehensive Financial Report's Notes to the Financial Statements.

Contributions
The State of Illinois 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 2021 and Fiscal Year 2022, respectively, was 12.70% and 12.32% 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

NOTE 11 - DEFINED BENEFIT PENSION PLAN (continued)

required to contribute 8.0% of their annual covered salary, except for police officers and fire fighters who contribute 9.5% of their earnings. The contribution requirements of plan members and employers are established and may be amended by the State's General Assembly.

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

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

Net Pension Liability
The net pension liability (NPL) was measured as of June 30, 2021. At June 30, 2021, SURS defined benefit plan reported an NPL of $28,528,477,079.

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 $478,289,618 or 1.6765%. The University proportionate share did not change since the last measurement date on June 30, 2020. This amount is not recognized in the University's financial statements. The NPL and total pension liability as of June 30, 2021, was determined based on the June 30, 2020, actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS defined benefit plan during fiscal year 2020.

Defined Pension Expense
For the year ending June 30, 2021, SURS defined benefit plan reported a collective net pension expense of $2,342,460,058.

Employer Proportionate Share of Defined Benefit 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 2020. As a result, the University recognized revenue and pension expense of $39,272,139 from this special funding situation during the year ended June 30, 2022.

NOTE 11 - DEFINED BENEFIT PENSION PLAN (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Defined Benefit Pensions

Deferred outflows of resources are the consumption of net position by SURS that is applicable to future reporting periods. Conversely, deferred inflows of resources are the acquisition of net position by SURS that is applicable to future reporting periods.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 113,467,689	$ -
Changes in assumption	776,968,084	-
Net difference between projected and actual earnings on pension plan investments	-	2,283,514,660
Total	$ 890,435,773	$ 2,283,514,660

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
2022	$ 34,095,451
2023	(197,005,703)
2024	(538,343,058)
2025	(691,825,577)
2026	-
Thereafter	-
Total	$ (1,393,078,887)

NOTE 11 - DEFINED BENEFIT PENSION PLAN (continued)

University's Deferral of Fiscal Year 2021 Pension Contributions

The University paid $685,443 in federal, trust or grant contributions to SURS defined benefit pension plan during the year ended June 30, 2022. These contributions were made subsequent to the pension liability measurement date of June 30, 2021 and are recognized as deferred outflows of resources as of June 30, 2022.

Assumptions and Other Inputs

Actuarial Assumptions
The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period June 30, 2017, through June 30, 2020. The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	3.00 to 12.75 percent, including inflation
Investment rate of return	6.50 percent beginning with the actuarial valuation as of June 30, 2021

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLAN (continued)

For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2021, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Traditional Growth		
Global Public Equity	41.0%	6.30%
Stabilized Growth		
Credit Fixed Income	14.0%	1.82%
Core Real Assets	5.0%	3.92%
Options Strategies	6.0%	4.20%
Non-Traditional Growth		
Private Equity	7.5%	10.45%
Non-Core Real Assets	2.5%	8.83%
Inflation Sensitive		
U.S. TIPS	6.0%	-0.22%
Principal Protection		
Core Fixed Income	8.0%	-0.81%
Crisis Risk Offset		
Systematic Trend Following	3.5%	3.45%
Alternative Risk Premia	3.0%	2.30%
Long Duration	3.5%	0.91%
Total	**100.0%**	**4.43%**
Inflation		**2.25%**
Expected arithmetic return		**6.68%**

Discount Rate
A single discount rate of 6.12% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 6.50% and a municipal bond rate of 1.92% (based on the Fidelity 20-Year Municipal GO AA Index as of June 30, 2021). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under SURS funding policy.

NOTE 11 - DEFINED BENEFIT PENSION PLAN (continued)

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 6.12%, 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 5.12	Current Single Discount Rate Assumption 6.12%	1% Increase 7.12%
$35,000,704,353	$28,528,477,079	$23,155,085,730

Additional information regarding the SURS basic financial statements including the Plan Net Position can be found in the SURS Annual Comprehensive Financial Report by accessing the website at www.SURS.org.

NOTE 12 - DEFINED CONTRIBUTION PENSION PLAN

Plan Description
The University contributes to the Retirement Savings Plan (RSP) administered by the State Universities Retirement System (SURS), a cost-sharing multiple-employer defined contribution pension plan with special funding situation whereby the State of Illinois (State) makes substantially all required contributions on behalf of the participating employers. SURS was established July 21, 1941, to provide retirement annuities and other benefits for staff members and employees of state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is governed by Chapter 40, Act 5, Article 15 of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org. The RSP and its benefit terms were established and may be amended by the State's General Assembly.

NOTE 12 - DEFINED CONTRIBUTION PENSION PLAN (continued)

Benefits Provided
A defined contribution pension plan, originally called the Self-Managed Plan, was added to SURS benefit offerings as a result of Public Act 90-0448 enacted effective January 1, 1998. The plan was renamed the RSP effective September 1, 2020, after an extensive plan redesign. New employees are allowed six months after their date of hire to make an irrevocable election whether to participate in either the traditional or portable defined benefit pension plans or the RSP. A summary of the benefit provisions as of June 30, 2021, can be found in SURS Annual Comprehensive Financial Report – Notes to the Financial Statements.

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

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

Pension Expense Related to Defined Contribution Pensions

Defined Contribution Pension Expense
For the year ended June 30, 2021, the State's contributions to the RSP on behalf of individual employers totaled $76,280,832. Of this amount, $70,403,460 was funded via an appropriation from the State and $5,877,372 was funded from previously forfeited contributions.

NOTE 12 - DEFINED CONTRIBUTION PENSION PLAN (continued)

Employer Proportionate Share of Defined Contribution Pension Expense
The employer proportionate share of collective defined contribution pension expense is recognized as nonoperating revenue with matching operating expense (compensation and benefits) in the financial statements. The basis of allocation used in the proportionate share of collective defined contribution pension expense is the actual reported pensionable contributions made to the RSP during Fiscal Year 2021. The University's share of pensionable contributions was 1.1400%. As a result, the University recognized revenue and defined contribution pension expense of $869,627 from this special funding situation during the year ended June 30, 2022, of which $67,004 constituted forfeitures.

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

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

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

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

Funding Policy and Annual OPEB Cost
OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions, and federal government subsidies from the Medicare Part D program. State contributions are deposited in the Health Insurance Reserve Fund, which covers both active employees and retired members. Annuitants may be required to contribute towards health and

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (continued)

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

For Fiscal Year 2022, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $11,363 ($6,290 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $13,619 ($5,623 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.

Special Funding Situation Portion of OPEB

The proportionate share of the State's OPEB expense relative to the University's employees totaled ($2,680,108) during the year ended June 30, 2022. 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, 2022.

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, 2021 based on the June 30, 2019 actuarial valuation rolled forward:

Measurement Date:	June 30, 2021
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$ 239,868,756
SEGIP total OPEB liability	$ 34,911,897,307
Proportionate share of the total OPEB liability	0.6871%

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (continued)

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, 2022, was measured as of the measurement date on June 30, 2021, with an actuarial valuation as of June 30, 2020, which was rolled forward to the measurement date. The following chart displays the proportionate share of the University's contributions relative to all employer contributions during the year ended June 30, 2021 based on the June 30, 2019 actuarial valuation rolled forward:

Measurement Date:	June 30, 2021
University's OPEB liability	$ 27,233,796
SEGIP total OPEB liability	$ 34,911,897,307
Proportionate share of the total OPEB liability	0.0780%

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, 2021. As of the current year measurement date of June 30, 2021, the University's proportion declined 0.0052% from its proportion measured as of the prior year measurement date of June 30, 2020.

The University recognized OPEB expense for the year ended June 30, 2022, of ($2,253,164). At June 30, 2022, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2021, from the following sources:

Deferred outflow of resources	
Difference between expected and actual experience	$ 198,926
Changes in portion and differences between employer contributions and proportionate share of contribution	616,021
University contribution subsequent to measurement date	448,882
Total deferred outflow of resources	$ 1,263,829

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Deferred inflows of resources	
Difference between expected and actual experience	$ 189,475
Changes of assumptions	7,495,148
Changes in portion and differences between employer contributions and proportionate share of contributions	4,916,887
Total deferred inflow of resources	$ 12,601,510

The amount of $448,882 reported as deferred outflows of resources related to OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Total Amount Recognized of Deferred Inflows and Outflows over the Remaining Service Life of All Employees (5.187947 years)
2023	$ (3,522,286)
2024	(2,953,965)
2025	(3,050,689)
2026	(1,929,123)
2027	(330,500)
Total	$ (11,786,563)

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, 2020, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2020.

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (continued)

The valuation date of June 30, 2020, below was rolled forward to June 30, 2021.

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal, used to measure the Total OPEB Liability
Inflation Rate	2.25%
Projected Salary Increases*	3.25% - 12.25%
Discount Rate	1.92%
Healthcare Cost Trend Rate	
Medical (Pre- and Post -Medical)	8.00% to 0.25% per year over 15 years to 4.25% in year 2038. The Excise Tax has been repealed and no longer affects the trend rates.
Dental and Vision	3.75% grading up 0.25% pin the first year 4.00%
Retirees' share of benefit related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2021 and 2022 are based on actual premiums. Premiums after 2022 were projected based on the same healthcare cost trend rates applied to per capita claim costs.

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (continued)

The demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2020, valuations for GARS, JRS, SERS, TRS, and SURS as follows:

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

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

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

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (continued)

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 1.92% as of June 30, 2021 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, 2021, calculated using a Single Discount Rate of 1.92%, 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 (2.92%) or lower (0.92%) than the current rate:

	1% Decrease (0.92%)	Current Single Discount Rate Assumption (1.92%)	1% Increase (2.92%)
Total OPEB liability	$32,162,913	$27,233,796	$23,333,826

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, 2021, 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 2023 decreasing to an ultimate trend rate of 4.25% in 2038. For the 1.00% decrease for calculating the healthcare cost trend rates assumption, the key trend rates are 7.00% in 2023 decreasing to an ultimate trend rate of 3.25% in 2038. For the one 1.00% increase for calculating the healthcare cost trend rates assumption, the key trend rates are 9.00% in 2023 decrease to an ultimate trend rate of 5.25% in 2038.

	1% Decrease	Healthcare Cost Trend Rates Assumption	1% Increase
Total OPEB liability	$22,725,750	$27,233,796	$33,199,067

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Total OPEB Liability Associated with the University, Regardless of Funding Source
The University is required to disclose all OPEB liabilities related to it, including (1) the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation the University is not required to record and (2) the portion of OPEB liability recorded by the University for its employees paid from trust, federal, and other funds. The following chart displays the proportionate share of contributions, regardless of funding source, associated with the University's employees relative to all employer contributions during the year ended June 30, 2021 based on the June 30, 2019 actuarial valuation rolled forward:

Measurement Date:	June 30, 2021
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$ 239,868,756
University's OPEB liability	27,233,796
Total OPEB liability associated with the University	$ 267,102,552
SEGIP total OPEB liability	$ 34,911,897,307
Proportionate share of the OPEB liability associated with the University	0.7651%

NOTE 14 - SERVICE CONCESSION ARRANGEMENTS FOR STUDENT HOUSING

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

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

NOTE 14 - SERVICE CONCESSION ARRANGEMENTS FOR STUDENT HOUSING (continued)

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 are met, the Regions Bank (Trustee) shall transfer all amounts in the Surplus Fund to the University as payment of rent due under the Ground Lease.

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

At June 30, 2022, the carrying amount of the student housing facility amounted to $31,646,795 and deferred inflow of resources amounted to $28,134,806. 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.

NOTE 15 - OPERATING EXPENSES BY NATURAL CLASSIFICATION

Details of the University's operating expenses by natural classification as June 30, 2022 are as follows:

	Compensation and Benefits	Supplies and Services	Scholarships	Depreciation	Total
Instruction	$ 76,248,431	$ 7,273,697	$ 270,840	$ -	$ 83,792,968
Research	1,045,510	253,128	69,036	-	1,367,674
Public service	4,380,670	1,362,093	11,671	-	5,754,434
Academic support	7,097,552	3,238,823	-	-	10,336,375
Student services and programs	8,627,071	3,047,177	769,985	-	12,444,233
Institutional support	15,890,060	8,369,006	-	-	24,259,066
Operation and maintenance of plant	9,963,325	6,125,137	-	-	16,088,462
Scholarship and fellowships	-	-	15,033,229	-	15,033,229
Auxiliary enterprises	2,263,601	4,191,873	-	-	6,455,474
Depreciation	-	-	-	5,985,057	5,985,057
Total operating expenses	$ 125,516,220	$ 33,860,934	$ 16,154,761	$ 5,985,057	$ 181,516,972

NOTE 16 - SEGMENT INFORMATION

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

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

The following are the condensed financial statements for the University Facility System as of and for the year ended June 30, 2022. 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.

NOTE 16 - SEGMENT INFORMATION (continued)

Condensed Statement of Net Position

Assets:	
Current assets:	
Unrestricted	$ 989,418
Restricted	882,000
Noncurrent assets:	
Capital assets, net	13,067,690
Restricted other noncurrent assets	2,030,060
Total assets	16,969,168
Liabilities:	
Current liabilities	1,035,956
Noncurrent liabilities	11,726,066
Total liabilities	12,762,022
Net position:	
Net investment in capital assets	2,131,691
Restricted - expendable:	
Capital projects	1,959,025
Debt service	645,000
Unrestricted	(528,570)
Total net position	$ 4,207,146

NOTE 16 - SEGMENT INFORMATION (continued)

Condensed Statement of Revenues, Expenses, and Changes in Net Position	
Operating revenues:	
Student fees, net	$ 1,290,472
Auxiliary enterprises and others	885,432
Total operating revenues	2,175,904
Operating expenses:	
Depreciation	712,523
Other operating expenses	1,401,351
Total operating expenses	2,113,874
Operating income	62,030
Nonoperating revenues (expenses):	
Investment income	69
Interest on indebtedness	(495,450)
Net nonoperating expenses	(495,381)
Decrease in net position	(433,351)
Net position, beginning of year	4,640,497
Net position, end of year	$ 4,207,146

Condensed Statement of Cash Flows	
Net cash provided by (used in):	
Operating activities	$ 760,813
Capital financing activities	(1,171,736)
Investing activity	69
Net decrease in cash and cash equivalents	(410,854)
Cash and cash equivalents, beginning of year	4,018,498
Cash and cash equivalents, end of year	$ 3,607,644

NOTE 17 - FOUNDATION ENDOWMENT FUNDS

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

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

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

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

Endowment net asset composition by type of funds of June 30, 2022 is as follows:

	Without Donor Restrictions	With Purpose Restrictions	Restricted in Perpetuity	Total Endowment Net Assets
Donor-restricted endowment funds	$ -	$ 778,757	$14,331,844	$15,110,601
Quasi endowment fund	453,183	-	-	453,183
Total endowment net assets	$ 453,183	$ 778,757	$14,331,844	$15,563,784

NOTE 17 - FOUNDATION ENDOWMENT FUNDS (continued)

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	Without Donor Restrictions	With Purpose Restrictions	Restricted in Perpetuity	Total Endowment Net Assets
Endowment net assets, beginning of year	$ 652,034	$ 3,534,298	$13,778,578	$17,964,910
Contributions	-	-	609,170	609,170
Investment income, net of fees	18,002	553,015	-	571,017
Net realized and unrealized gains	(99,417)	(3,054,064)	-	(3,153,481)
Change in value of split interest agreement	-	-	(57,252)	(57,252)
Transfers	(110,975)	(1,348)	1,348	(110,975)
Appropriation of endowment assets for expenditure	(6,461)	(253,144)	-	(259,605)
Total endowment net assets	$ 453,183	$ 778,757	$14,331,844	$15,563,784

NOTE 18 - COMMITMENT AND CONTINGENCIES

The University is from time to time subject to various claims and legal actions related to the University or the actions of its employees. Although it is difficult to quantify the potential impact of these claims, management believes that the ultimate cost of these matters will not adversely affect the University's future financial condition or results of operations. The University has booked a $915,000 contingent liability for various claims and legal actions against the University.

NOTE 19 - EDUCATION STABILIZATION FUND

Higher Education Emergency Relief Fund (HEERF)

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

NOTE 19 - EDUCATION STABILIZATION FUND (continued)

Under the HEERF-institutional portion and HEERF-student aid portion, the following chart reflects the remaining balance of this activity at June 30, 2022, which the University intends to claim and recognize as nonoperating revenue during Fiscal Year 2023.

	Original Award		Remaining Balance	
	University's Portion	Student Aid Portion	University's Portion	Student Aid Portion
HEERF 1	$ 3,035,452	$ 3,035,452	$ -	$ -
HEERF 2	8,135,033	3,035,452	-	-
HEERF 3	9,764,900	9,842,947	6,591,850	56,544
TOTAL	**$ 20,935,385**	**$ 15,913,851**	**$ 6,591,850**	**$ 56,544**

Governor's Emergency Education Relief Fund

The University received two separate awards (consisting of an initial award and a supplemental award) from the federal government, through Illinois Board of Higher Education, as part of the government response to the COVID-19 pandemic. The University's period of availability for using these funds is set to expire on September 30, 2022 but can be extended for up to one additional year. The University received a total of $3,915,593 in Fiscal Year 2021 and $700,856 in Fiscal Year 2022 to cover costs associated with the coronavirus. The University liquidated costs and recognized nonoperating revenue amounting to $2,387,047 in Fiscal Year 2022 in the statement of revenues, expenses and changes in net position. The University intends to claim and recognize as nonoperating revenue the remaining balance during Fiscal Year 2023.

REQUIRED SUPPLEMENTARY INFORMATION

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
June 30, 2022

Schedule of Northeastern Illinois University's Proportionate Share of Net Pension Liability

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
(a) Proportion Percentage of the Collective Net Pension Liability	0%	0%	0%	0%	0%	0%	0%	0%
(b) Proportion Amount of the Collective Net Pension Liability	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
(c) Portion of Nonemployer Contribution Entities' Total Proportion of Collective Net Pension Liability associated with Employer	$ 390,904,472	$ 415,299,735	$ 456,612,715	$ 449,716,040	$ 481,512,171	$ 495,076,587	$ 513,327,723	$ 478,289,618
Total (b) + (c)	$ 390,904,472	$ 415,299,735	$ 456,612,715	$ 449,716,040	$ 481,512,171	$ 495,076,587	$ 513,327,723	$ 478,289,618
Employer Defined Benefit Covered Payroll	$ 65,041,857	$ 63,636,133	$ 63,473,858	$ 62,293,222	$ 62,540,169	$ 62,265,032	$ 62,232,478	$ 59,843,541
Proportion of Collective Net Pension Liability associated with Employer as a percentage of Defined Benefit Covered Payroll	601.00%	652.62%	719.37%	721.93%	769.92%	795.11%	824.86%	799.23%
SURS Plan Net Position as a Percentage of Total Pension Liability	44.39%	42.37%	39.57%	42.04%	41.27%	40.71%	39.05%	45.45%

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.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
June 30, 2022

Northeastern Illinois University's Schedule of Contributions for Pensions

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Federal, Trust, Grant and Other contribution	$ 893,135	$ 891,325	$ 993,039	$ 1,005,214	$ 1,070,239	$ 981,867	$1,014,234	$ 958,973	$ 685,443
Contribution in relation to required contribution	$ 893,135	$ 891,325	$ 993,039	$ 1,005,214	$ 1,070,239	$ 981,867	$1,014,234	$ 958,973	$ 685,443
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer Covered-Employee Payroll	$10,013,144	$8,073,594	$9,495,538	$10,465,666	$10,024,895	$9,095,400	$8,665,466	$7,871,791	$5,992,260
Contributions as a percentage of covered payroll	8.92%	11.04%	10.46%	9.60%	10.67%	10.80%	11.70%	12.18%	11.44%

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.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
June 30, 2022

Schedule of Northeastern Illinois University's Proportionate Share of Net Other Postemployment Benefits (OPEB) Liability

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Employer's Proportion of the Collective Net Other Postemployment Benefits Liability	9.7000%	9.5500%	9.4000%	8.4300%	7.9000%
Employer's Proportionate Share of the Collective Net Other Postemployment Benefits Liability	$ 40,084,143	$ 38,289,053	$ 41,255,819	$ 35,270,128	$ 27,233,796
Estimated Proportionate Amount of Collective Total OPEB Liability Associated With the University - State Supported Portion	457,036,341	282,364,203	294,227,527	256,956,231	239,868,756
Total OPEB Liability Associated with the University	$ 497,120,484	$ 320,653,256	$ 335,483,346	$ 292,226,359	$ 267,102,552
Employer Defined Benefit Covered Payroll	$ 73,284,189	$ 74,359,124	$ 74,395,467	$ 76,335,155	$ 78,514,335
Employer's Proportionate Share of the Collective Total OPEB Liability as a Percentage of its Covered Employee Payroll	54.70%	51.49%	51.49%	46.20%	34.69%

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

PENSION

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

Changes of Benefit Terms
There were no benefit changes recognized in the Total Pension Liability as of June 30, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014.

Changes of Assumptions for Fiscal Year 2022
In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest, and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2017 to June 30, 2020 was performed in Spring 2021, resulting in the adoption of new assumptions as of June 30, 2021.

- Salary increase. Change in the overall assumed salary increase rates, ranging from 3.00 percent to 12.75 percent based on years of service, while maintaining the underlying wage inflation rate of 2.25 percent.
- Investment return. Decrease the investment return assumption to 6.50 percent. This reflects decreasing the assumed real rate of return to 4.25 percent and maintaining the underlying assumed price inflation of 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 6.50 percent.
- Normal retirement rates. Establish separate rates for members in academic positions and nonacademic positions to reflect that retirement rates for academic positions are lower than for nonacademic positions.
- Early retirement rates. Establish separate rates for members in academic positions and nonacademic positions to reflect that retirement rates for academic positions are lower than for nonacademic positions.
- Turnover rates. Change rates to produce slightly lower expected turnover for most members, while maintaining pattern of decreasing termination rates as years of service increase.
- Mortality rates. Change from the RP-2014 to the Pub-2010 mortality tables to reflect the latter's higher applicability to public pensions. Update the projection scale from the MP-2017 to the MP-2020 scale.
- Disability rates. Establish separate rates for members in academic positions and non-academic positions and maintain separate rates for males and females.

PENSION (continued)

- Plan election. Change plan election assumptions to 75 percent Tier 2 and 25 percent Retirement Savings Plan (RSP) for non-academic members. Change plan election assumptions to 55 percent Tier 2 and 45 percent Retirement Savings Plan (RSP) for academic members.

Changes of Assumptions for Fiscal Year 2020
In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest, and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2014 to June 30, 2017 was performed in February 2018, resulting in the adoption of new assumptions as of June 30, 2018.

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

PENSION (continued)

Changes of Assumptions for Fiscal Year 2014
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, 2010 to June 30, 2014 was performed in February 2015, resulting in the adoption of new assumptions as of June 30, 2015.

- Mortality rates. Change from the RP 2000 Mortality table projected to 2017, sex distinct, to the RP-2014 mortality tables with projected generational mortality improvement. Change to a separate mortality assumption for disabled participants.
- Salary increase. Change assumption to service-based rates, ranging from 3.75 percent to 15.00 percent based on years of service, with underlying wage inflation of 3.75 percent.
- Normal retirement rates. Change to retirement rates at ages younger than 60, age 66, and ages 70-79 to reflect observed experiences.
- Early retirement rates. Change to a slight increase in the rates at ages 55 and 56.
- 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 than the currently assumed rates.
- Disability rates. Decrease rates and have separate rates for males and females to reflect observed experience.
- Dependent assumption. Maintain the current assumption on marital status that varies by age and sex and the assumption that males are three years older than their spouses.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

Factors That Affect Trends in the Amounts Reported in Fiscal Year 2022
An actuarial valuation was performed as of June 30, 2020 with a measurement date as of June 30, 2021. The following assumptions were made:

- Mortality rates. RP-2014 White Collar, gender distinct, projected using MP-2014 two-dimensional mortality improvement scale, set forward one year for male and female annuitants.
- Salary increases. Dependent upon service and participation in the respective retirement systems. Includes inflation of 2.25%, salary increase 2.50% - 12.25%.

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

- Healthcare Cost Trend Rate. Medical (Pre-Medicare) 8.00% in 2023 grading down 0.25% per year to 4.25% in year 2038; Medical (Post-Medicare) 8.00% in 2023 grading down 0.25% per year to 4.25% in year 2038; Dental and vision 4.0% in 2023 to 2038.
- 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.

Factors That Affect Trends in the Amounts Reported in Fiscal Year 2021
An actuarial valuation was performed as of June 30, 2019 with a measurement date as of June 30, 2020. The following assumptions were made:

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

Factors That Affect Trends in the Amounts Reported in Fiscal Year 2020
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 increases. 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 9.0% grading down 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 to 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.

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Factors That Affect Trends in the Amounts Reported in Fiscal Year 2019
An actuarial valuation was performed as of June 30, 2017 for the years ending June 30, 2010 to June 30, 2014, with a measurement date as of June 30, 2018. The following assumptions were made:

- Mortality rates. RP-2014 White Collar, gender distinct, projected using MP-2014 two-dimensional mortality improvement scale, set forward one year for male and female annuitants.
- Salary increases. Dependent upon service and participation in the respective retirement systems. Includes inflation of 2.75%, 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 9.0% grading down 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 to 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
June 30, 2022

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 for the fiscal year ended June 30, 2022.

	Compensation and Benefits										
	University's Expenses				State of Illinois' Expenses						Total
	Salaries[1]	Benefits[2]	OPEB[3]	Sub-Total	Benefits[2]	OPEB[3]	Pension	Sub-Total	Total	Other Expenses	Operating Expenses
Educational and general:											
Instruction	$ 45,667,373	$ 2,119,517	$ (1,692,154)	$ 46,094,736	$ 6,950,669	$ (1,659,935)	$ 24,862,961	$ 30,153,695	$ 76,248,431	$ 7,544,537	$ 83,792,968
Research	815,242	147,533	(4,919)	957,856	20,205	(4,825)	72,274	87,654	1,045,510	322,164	1,367,674
Public service	3,203,063	1,097,190	(4,781)	4,295,472	19,639	(4,690)	70,249	85,198	4,380,670	1,373,764	5,754,434
Academic support	4,256,088	160,122	(159,417)	4,256,793	654,818	(156,381)	2,342,322	2,840,759	7,097,552	3,238,823	10,336,375
Student services and programs	5,106,764	508,384	(179,071)	5,436,077	735,550	(175,662)	2,631,106	3,190,994	8,627,071	3,817,162	12,444,233
Institutional support	8,546,952	632,871	(398,951)	8,780,872	1,638,725	(391,355)	5,861,818	7,109,188	15,890,060	8,369,006	24,259,066
Operation and maintenance of plant	5,686,959	190,321	(242,932)	5,634,348	997,864	(238,307)	3,569,420	4,328,977	9,963,325	6,125,137	16,088,462
Scholarships and fellowships	-	-	-	-	-	-	-	-	-	15,033,229	15,033,229
Auxiliary enterprises	1,374,969	51,124	(49,793)	1,376,300	204,530	(48,845)	731,616	887,301	2,263,601	4,191,873	6,455,474
Depreciation	-	-	-	-	-	-	-	-	-	5,985,057	5,985,057
	$ 74,657,410	$ 4,907,062	$ (2,732,018)	$ 76,832,454	$ 11,222,000	$ (2,680,000)	$ 40,141,766	$ 48,683,766	$ 125,516,220	$ 56,000,752	$ 181,516,972

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

OTHER INFORMATION

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
OTHER INFORMATION (UNAUDITED)
For the Year Ended June 30, 2022

University Facilities System Revenue Bond Funds

Insurance in Force

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

Enrollment at the University

Term	Academic Year 2021-2022
Fall	6,440
Spring	5,762
Summer	2,845

Rates and Charges

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

In academic year 2021-2022, students enrolled at the University pay a fee of $9.25 per credit hour for the right to use the University's Student Union which is the heart of the activity program on-campus, a fee of $6 per credit hour for a campus improvement to support current and future long-term investments in capital facilities and technology infrastructure, and a $10 parking fee, which can be waived.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
OTHER INFORMATION (UNAUDITED)
For the Year Ended June 30, 2022

Summary of Each Fund and Account under the Bond Resolution

	Balance of Assets Reserved as of June 30, 2022	
Bond account (a)	$	917,725
Repair and replacement reserve account	$	1,780,704
Equipment reserve account	$	149,973

Notes:

(a) The amounts required for the deposit in the bond account were remitted from the revenue fund account to the Trustee, U.S. Bank National Association, for payment of the bond principal and interest installments coming due July 1, 2022.

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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

Board of Trustees
Northeastern Illinois University

As Special Assistant Auditors for the Auditor General, we have audited, 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, financial statements of the business-type activities, fiduciary activities, and the discretely presented component unit of Northeastern Illinois University (the "University"), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated March 8, 2023.

Our report includes a reference to other auditors who audited the financial statements of the Northeastern Illinois University Foundation (the "Foundation") as described in our report on the University's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and, accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Foundation or instances of reportable noncompliance that are reported on separately by those auditors who audited the financial statements of the Foundation.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified 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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Northeastern Illinois University

combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item 2022-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2022-002, 2022-003, and 2022-004 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 as items 2022-001 through 2022-004.

The University's Response to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the findings identified in our audit and described in the accompanying Schedule of Findings. The University's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Original Signature on File

Plante & Moran, PLLC

Portage, Michigan
March 8, 2023

2022-001 FINDING - Inadequate Internal Controls over Census Data

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

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

We noted the University's employees are members of 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. Additionally, CMS' actuary uses census data for employees of the State's public universities provided by SURS, along with census data for the other participating members provided by the State's four other pensions plans, to prepare their projection of the liabilities of CMS' plan. Finally, SURS' actuary and CMS' actuary used census data transmitted by the University during Fiscal Year 2020 to project pension and OPEB-related balances and activity at the plans during Fiscal Year 2021, which is incorporated into the University's Fiscal Year 2022 financial statements.

During testing, we noted the following:

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

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

- During our cut-off testing of data transmitted by the University to SURS, we noted 24 instances of an active employee becoming inactive and 2 instances of an active employee becoming retired were reported to SURS after the close of the fiscal year in which the event occurred. There was also 1 instance previously reported that impacted the June 30, 2020 census data.

We provided SURS' actuary and CMS' actuary with the exceptions we identified during our testing, along with the results of census data testing at the State Employees Retirement System of Illinois, and determined the net effect of these errors, along with the errors of other plan participants, was immaterial to SURS' and CMS' pension and OPEB-related balances and activity at the plans during Fiscal Year 2021.

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

2022-001 FINDING - Inadequate Internal Controls over Census Data (continued)

applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over the State's resources.

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

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

In addition, the 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.

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)).

University officials indicated the base year reconciliation process was not established until Fiscal Year 2021, which is currently being performed by University staff. In addition, they indicated the late reported events were due to the difficulty in timely reporting events which occur near the end of the fiscal year to SURS. Finally, they indicated the one instructor was not reported to SURS due to oversight.

2022-001 FINDING - Inadequate Internal Controls over Census Data (continued)

Failure to ensure complete and accurate census data was reported to SURS reduces the overall reliability of pension and OPEB-related balances and activity reported in the University's financial statements, the financial statements of other employers within both plans, and the State of Illinois' Annual Comprehensive Financial Report. Further, failure to report all eligible employees to SURS may result in employees not receiving the pension and OPEB benefits they are entitled to receive under the Code and the Act. (Finding Code No. 2022-001, 2021-001, 2020-001)

RECOMMENDATION

We recommend the University continue to work with SURS to complete the base year reconciliation of Fiscal Year 2021 active members' census data from its underlying records to a report of census data submitted to SURS' actuary and CMS' actuary. After completing an initial full reconciliation, the University may limit the annual reconciliations to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods. Any errors identified during this process should be promptly corrected by either the University or SURS, with the impact of these errors communicated to both SURS' actuary and CMS' actuary.

Further, we recommend the University ensure all events occurring within a census data accumulation year are timely reported to SURS so these events can be incorporated into the census data provided to SURS' actuary and CMS' actuary.

Finally, we recommend the University ensure all eligible employees are reported to SURS, along with any required employee and employer contributions.

UNIVERSITY RESPONSE

The University agrees with the recommendation.

2022-002 FINDING – Weaknesses over Computer Security

Northeastern Illinois University (University) did not safeguard their computing environment. 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, during testing, we noted:

- User access rights to the applications and network were not periodically reviewed.
- Users were granted excessive access rights.
- 26 of 188 servers (14%) and 201 of 942 (21%) of workstations contained outdated and unsupported operating systems.
- Encryption software was not installed on all laptops.
- A change management process had not been implemented for changes to applications and the IT environment.

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

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Access Control section, requires entities to review access to their applications and data on a periodic basis. Additionally, the Configuration Management section, requires entities to maintain up-to-date configurations on all devices and develop a change management process. Further, the System and Communications Protection section, requires entities to maintain security over all devices and transmissions, utilizing encryption.

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

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

Failure to have adequate security over computing resources increases the risk of unauthorized access to the computing environment. Failure to control and safeguard confidential and sensitive information could result in unauthorized disclosure and inappropriate use of personal information. (Finding Code No. 2022-002, 2021-002, 2020-002, 2019-018, 2018-021, 2017-018)

RECOMMENDATION

We recommend the University:

- Perform a periodic review of system access rights to ensure access rights are appropriate and based on job requirements.
- Develop a roadmap to upgrade or decommission unsupported systems.
- Ensure all laptops are encrypted.
- Develop a formal change management process for changes to applications and IT infrastructure.

2022-002 FINDING – Weaknesses over Computer Security (continued)

UNIVERSITY RESPONSE

The University agrees with the recommendation.

2022-003 FINDING – Lack of Adequate Controls over Review of Internal Controls over Service Providers

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

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

We requested the University to provide a population of service providers. In response to this request, the University provided a listing of service providers. However, our testing noted the listing contained all vendors of the University Technology Services. In addition, we identified service providers from testing that were not on the list. Due to this deficiency, we were unable to conclude the University's records were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 330, AU-C § 530, and AT-C § 205.36) to test the University's controls over service providers.

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

- Monitored and documented the operation of the Complementary User Entity Controls (CUECs) relevant to the University's operations for the seven (100%) service providers.

- Established a regular review process to monitor specified performance measures, problems encountered, and compliance with contractual terms with the service providers.

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

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

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

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

2022-003 FINDING – Lack of Adequate Controls over Review of Internal Controls over Service Providers (continued)

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

Without maintaining a complete list of service providers and proper documentation of its review of the CUECs relevant to the University, the University does not have assurance the service provider's internal controls are adequate. Failure to include a requirement in the contracts with service providers for independent review and monitor specified performance, problems encountered, and compliance with contractual terms may result in obligations and services not met and not timely detected and corrected. (Finding Code No. 2022-003, 2021-003, 2020-003, 2019-020)

RECOMMENDATION

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

- Continue to obtain and document its review of SOC reports (including subservice organizations) or conduct independent internal control reviews at least annually.

- Monitor and document the operation of the CUECs relevant to the University's operations.

- Establish a regular review process to monitor specified performance measures, problems encountered, and compliance with contractual terms with the service providers.

UNIVERSITY RESPONSE

The University agrees with the recommendation.

2022-004 FINDING - Lack of Adequate Review of Year-end Reconciliations and Reports

The Northeastern Illinois University (University) did not have an adequate review of its year-end reconciliations and reports.

During our testing we noted the following:

1. We tested four invoices to validate if the assets were capitalized in accordance with the University's policy. We identified one asset within the fixed asset system which was expensed but should have been capitalized within the University's general ledger. Additional testing was completed and three additional items were expensed that should have been capitalized. The University passed on adjusting the immaterial error.

   Governmental Accounting Standards Board (GASB) Statement 34, paragraph 18, states that capital assets should be reported at historical cost. Paragraph 21 in the Statement states that capital assets should be depreciation over their estimated useful lives unless they are inexhaustible.

2. We noted the University had exclusive access to a gas line since inception of an agreement in 2015 when a deposit of $880,012 was recorded as other assets. The asset should have been amortized over the term of the agreement of 10 years. The University made a $572,008 journal entry to book the cumulative accumulated amortization reducing the asset to the correct balance as of June 20, 2022.

   GASB Statement 51, paragraph 16, states that the useful life of an intangible asset that arises from contractual or other legal rights should not exceed the period to which the service capacity of the assets is limited by contractual or legal provisions.

3. We found multiple invoices with improper cutoff between Fiscal Year 2022 and Fiscal Year 2023. When discussed with the University, we noted the University tracks accounts payable through its final audit closing date subsequent to year end, at which point a final evaluation of the unrecorded accounts payable is made and any adjustments recorded. Based on our testing, we noted:
   a. One invoice totaling $151,970 which should have been accrued for in Fiscal Year 2022 but was not identified as part of the above process;
   b. Two invoices totaling $24,036 accrued for as part of the above process that related to Fiscal Year 2023; and,
   c. Additional invoices of approximately $315,000 identified by the University's General Accounting team as relating to Fiscal Year 2022 as part of the above process but not recorded due to their individual insignificance.

   The University passed on adjusting the immaterial error.

2022-004 FINDING - Lack of Adequate Review of Year-end Reconciliations and Reports (continued)

GASB Statement 62, paragraph 34, states that accounts payable (as part of current liabilities) is intended to include obligations for items that have entered the operating cycle, such as payables incurred in the acquisition of materials and supplies to be used in providing services.

4. We found that the calculation of unearned revenue for summer sessions improperly recognized only a portion of unearned revenue based on cash payments and did not properly recognize the appropriate amount of unearned revenue and accounts receivable for amounts owed by students based on gross tuition and fee revenue. The University made a journal entry recording additional accounts receivable and unearned revenue totaling $2.6 million which had no impact on the change in net position as of June 30, 2022.

   GASB 62, paragraph 23, states revenue from exchange transactions generally should be recognized when an exchange, in the ordinary course of operations, is effected unless the circumstances are such that the collection of the exchange price is not reasonably assured. In addition, GASB Implementation Guide 2015-1, Q7.72.13 states that revenues should be recognized during the period earned.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires Stage agencies to establish and maintain a system or systems of internal fiscal and administrative controls to provide assurance that expenditures and transfers of assets are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports. Good internal controls require the University to sufficiently review capital asset additions activity during the year to allow for the identification and correction of errors.

University management stated these misstatements were due to insufficient reviews during the evaluation of year end reports and account reconciliations, and secondary reviews of the procedures were not performed at a detailed level to detect the errors. The University believed that gas line contract was enforceable for the whole amount through 2025 and the contract is currently undergoing legal review. The University is currently transitioning to a new database for inventory of fixed assets that was not complete for the year ended June 30, 2022 which caused the lack of adequate review over expenditures.

Failure to maintain adequate internal controls over year-end reconciliations and reports could result in incorrect financial reporting. (Finding Code No. 2022-004)

2022-004 FINDING - Lack of Adequate Review of Year-end Reconciliations and Reports (continued)

RECOMMENDATION

We recommend the University strengthen its internal controls related to financial reporting of assets and liabilities. We specifically recommend accounting staff perform an independent secondary review of capital additions and prepaid asset amortization to ensure items agree to supporting documentation and are properly recorded. The University should also perform an independent secondary review of recorded and unrecorded liabilities at year end to ensure all obligations of the University are recorded within the accounting period in which the liability is incurred. The University should also ensure the summer session student receivables and unearned tuition is properly recognized on the statement of net position, specifically as it relates to sessions that cross over the University's year end of June 30.

UNIVERSITY RESPONSE

The University agrees with the recommendation.