NORTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois

FINANCIAL AUDIT

For the Year Ended June 30, 2020

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

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UNIVERSITY OFFICIALS

President	Dr. Lisa C. Freeman
Executive Vice President and Provost	Beth Ingram
Vice President for Administration and Finance and Chief Financial Officer	Sarah Chinniah
Associate Vice President for Finance and Treasury	Shyree Sanan
Vice President for Research and Innovation Partnerships	Gerald Blazey
Vice President and General Counsel	Bryan Perry
Vice President for Enrollment Management, Marketing and Communications	Sol Jensen
Vice President for Outreach, Engagement and Regional Development	Anne C. Kaplan
Vice President for University Advancement	Catherine Squires
Director of Internal Audit	Danielle Schultz

Financial Staff

Controller	Jason Askin
Deputy Controller	Greg Martyn
Financial Reporting Manager	Kathy Marshall

NIU Board Members

Chair	Dennis L. Barsema
Vice Chair	Eric Wasowicz
Secretary	Robert W. Pritchard
Trustees	Rita Athas John R. Butler Montel Gayles Veronica Herrero
Student Trustee	Aidan Shields

NIU Office is located at:

300 Altgeld Hall

DeKalb, Illinois 60115

FINANCIAL STATEMENT REPORT

Summary

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

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

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Honorable Frank J. Mautino
Auditor General, State of Illinois
and
Board of Trustees
Northern Illinois University

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

The financial statements of the Northern Illinois University Foundation, the Northern Illinois University Alumni Association, and the Northern Illinois Research Foundation (discretely presented component units) were not audited in accordance with *Government Auditing Standards*.

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

Honorable Frank J. Mautino
Auditor General, State of Illinois
and
Board of Trustees
Northern Illinois University

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

Opinions

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

Other Matters

Report on Summarized Comparative Information

We have previously audited the University's June 30, 2019 financial statements, and we and the reports of the other auditors expressed unmodified audit opinions on the respective financial statements of the business-type activities and aggregate discretely presented component units of the University in our report dated December 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information such as the management's discussion and analysis on pages 6-18, the schedule of the university's proportionate share of the net pension liability and the schedule of university contributions on page 67, the schedule of the university's proportionate share of the collective total OPEB liability on page 68, and the related notes to required supplementary information on page 69, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Honorable Frank J. Mautino
Auditor General, State of Illinois
and
Board of Trustees
Northern Illinois University

The table of operating expenses for fiscal year 2020 on page 70 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the information is fairly stated and in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated May 11, 2021 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

CliftonLarsonAllen LLP

Oak Brook, Illinois
May 11, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Northern Illinois University (NIU, or the University) is a comprehensive public institution of higher learning with approximately 17,000 students as of Fall 2020. The University offers a wide range of academic programs through its colleges and schools; and through its research enterprise has Illinois, national, and global impacts. The following discussion and analysis provides an overview of the financial position and activities of NIU for the year ended June 30, 2020 with summarized comparative totals for the year ended June 30, 2019. This discussion is prepared by management and should be read in conjunction with the accompanying financial statements and the notes.

USING THE FINANCIAL STATEMENTS

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

The following MD&A presents condensed versions of the financial statements with comparative financial information for fiscal year 2020 in order to illustrate increases and decreases from fiscal year 2019 data. This MD&A focuses on the University, excluding the discretely presented component units. Information regarding the component units is summarized in Note 22 to the basic financial statements. The MD&A for the component units is included in their separately issued financial statements.

FINANCIAL HIGHLIGHTS

As a premier, student-centered, research-focused public university in the Midwest, revenues from tuition and fees, auxiliary enterprises, and sponsored programs represent approximately 89% of NIU's operating revenue; these are supplemented by sales and services of educational activities, investment income, and other non-operating revenues. NIU continues to gain global recognition as a major research university, with grants and contracts comprising 13% of University operating revenue sources in fiscal year 2020. The most significant fiscal year 2020 expense categories were those directly related to the University's academic, research, and public service missions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The COVID-19 global pandemic has presented university leadership with mounting uncertainties, while adversely impacting the University's financial position. The University will incorporate lessons learned from the COVID-19 pandemic and continue to implement the multiyear budget and financial planning processes in support of university priorities. NIU will continue to make financial decisions that both protect strategic priorities and provide for long-term sustainability. This will mean investing in some areas and cutting back in others. NIU's immediate and longer-term strategic goals address these challenges.

STATEMENT OF NET POSITION

The statement of net position presents the financial position of the University as of the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the University. The difference between total assets plus deferred outflows of resources, and total liabilities plus deferred inflows of resources—net position—is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values.

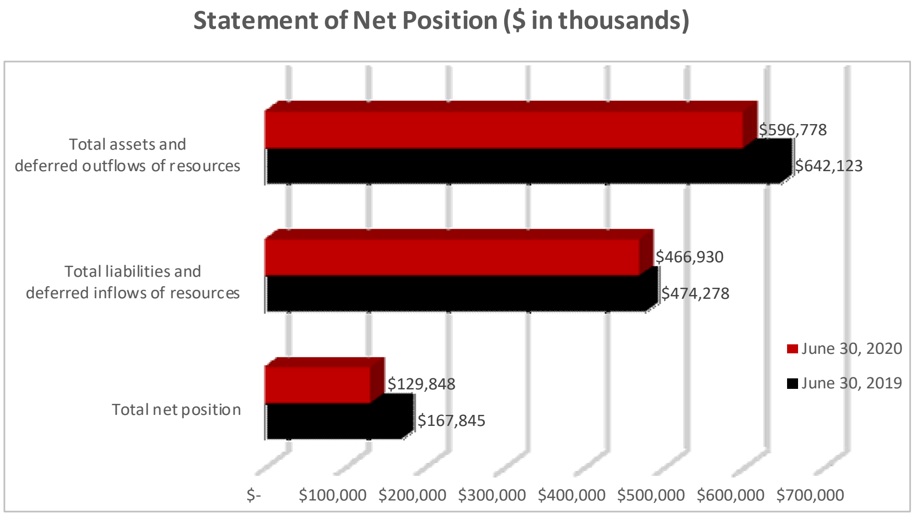
A summary comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2020, and June 30, 2019 follows:

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

	June 30, 2020	June 30, 2019	$ Change	% Change
Current assets	$ 125,813	$ 137,383	$ (11,570)	-8.4%
Noncurrent assets:				
Restricted cash and investments	43,404	63,000	(19,596)	-31.1%
Capital assets, net	405,906	419,634	(13,728)	-3.3%
Other	14,519	15,050	(531)	-3.5%
Total assets	589,642	635,067	(45,425)	-7.2%
Deferred outflows of resources	7,136	7,056	80	1.1%
Current liabilities	61,826	69,699	(7,873)	-11.3%
Noncurrent liabilities	396,004	394,270	1,734	0.4%
Total liabilities	457,830	463,969	(6,139)	-1.3%
Deferred inflows of resources	9,100	10,309	(1,209)	-11.7%
Total net position	$ 129,848	$ 167,845	$ (37,997)	-22.6%

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following chart summarizes the University's statement of net position as of June 30, 2020 and the previous fiscal year-end:



Fiscal Year 2020 Compared to 2019

The University's net position decreased $38.0 million (-22.6%) during fiscal year 2020, compared to a $24.4 million decrease the previous year. The Unrestricted Net Position decreased $18.9 million (-255.9%) in fiscal year 2020, primarily as a result of the unforeseen impacts of the global COVID-19 pandemic, which resulted in lost operating revenues and additional unbudgeted expenditures. The State's general appropriation funding increased from $83.6 million in fiscal year 2019 to $87.8 million in fiscal year 2020. State appropriations – capital decreased from $1.7 million in fiscal year 2019 to $1.1 million in fiscal year 2020 due to fewer large state funded capital projects in fiscal year 2020.

Current assets including cash and investments decreased $11.6 million (-8.4%) over prior year and was due primarily to the unforeseen impacts of the COVID-19 pandemic, which resulted in lost revenues and unbudgeted expenses during the second half of fiscal year 2020.

Current liabilities decreased $7.9 million (-11.3%) at year-end due to lower accounts payable and accrued liabilities as a result of fewer construction projects at year-end combined with a pullback in spending as a result of the impacts of the COVID-19 pandemic. Noncurrent liabilities increased $1.7 million (0.4%) at year-end primarily due to a decrease in the noncurrent portion of bonds payable of $15.9 million, offset by an increase in the noncurrent portion of the unamortized bond premium of $21.1 million, as a result of a refunding bond issuance during fiscal year 2020. The bond refunding is discussed in greater detail in the Debt Obligations section of the MD&A and in Note 11. This net increase was offset by decreases as a result of principal payments made to paydown other long-term debt obligations.

Capital Assets, Net and Debt Obligations

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

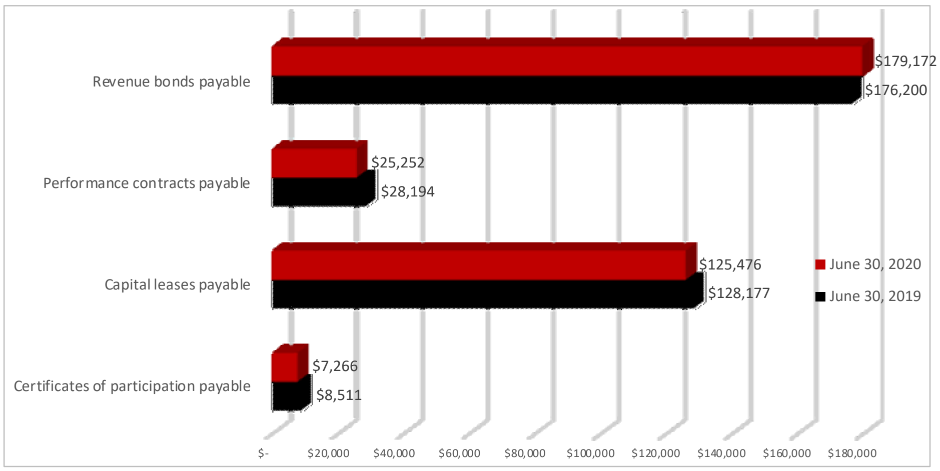
The decrease in capital assets, totaling $13.7 million (-3.3%), was primarily a result of current period depreciation exceeding current year additions. Capital asset additions totaled $14.9 million, while depreciation expense totaled $28.4 million in fiscal 2020. Significant capital additions included construction work on the renovation of the Holmes Student Center, Neptune complex upgrades, DeKalb campus electrical infrastructure upgrades as well as new investments in equipment, including information technology. Current year capital asset additions were funded with capital appropriations, grants from the state of Illinois and federal government, debt proceeds, gifts, and unrestricted net position, which were designated for capital purposes.

The University's long-term debt obligations relate to the financing of capital asset additions. On April 1, 2020, the University issued Auxiliary Facilities Systems Refunding Revenue Bonds, Series 2020A and Series 2020B to refund the remaining outstanding balance of the Auxiliary Facilities Systems Revenue Bonds, Series 2010 and Series 2011 as well as to pay for issuance costs associated with the refunding. As a result of the refunding, the University achieved cash flow savings of $52.1 million and an economic gain on the refunding of $43.1 million. At June 30, 2020, bonds payable totaled $179.2 million. Capitalized leases payable, which are considered installment purchases, totaled $125.5 million. No new capital leases were entered into during fiscal year 2020. The University also has four separate performance contracts outstanding, totaling $25.3 million, for the upgrading of lighting and heating/air conditioning affecting approximately 70 buildings on campus. Performance guarantees are in place for each contract. Certificates of participation payable totaled $7.3 million at year-end and were used to finance the acquisition of academic and administrative facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following chart summarizes the University's bonds payable, capital leases payable, certificates of participation payable, and performance contracts payable outstanding as of June 30, 2020 and at the previous fiscal year-end:

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



STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statement of revenue, expenses, and changes in net position presents the change in financial position of the University. A summary comparison of the University's activities for the year ended June 30, 2020, and June 30, 2019 follows:

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

	2020	2019	$ Change	% Change
Operating revenues	$ 241,169	$ 266,668	$ (25,499)	-9.6%
Operating expenses	515,382	494,989	20,393	4.1%
Operating gain/(loss)	(274,213)	(228,321)	(45,892)	-20.1%
Nonoperating revenues/(expenses)	234,793	202,254	32,539	16.1%
Other revenues and changes in net position	1,423	1,660	(237)	-14.3%
Increase/(decrease) in net position	$ (37,997)	$ (24,407)	$ (13,590)	-55.7%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Revenues

The Summary of Revenues presents the University's results of operating, nonoperating, and other revenue earned during the fiscal year. NIU, and other public universities, depend on state appropriations, gifts, and financial aid grants, which are defined by GASB as nonoperating revenues to support core operations. A summary of the University's revenues for the fiscal year ended June 30, 2020, and changes from the previous fiscal year follows:

Summary of Revenues ($ In Thousands)

	2020	2019	$ Change	% Change
Operating revenues:				
Student tuition and fees, net	$ 115,965	$ 117,278	$ (1,313)	-1.1%
Auxiliary enterprises	66,334	86,650	(20,316)	-23.4%
Sponsored programs	32,239	32,503	(264)	-0.8%
Other	26,631	30,237	(3,606)	-11.9%
Operating revenues	241,169	266,668	(25,499)	-9.6%
Nonoperating revenues:				
State appropriations:				
General	87,825	83,647	4,178	5.0%
On-Behalf for Fringe Benefits	25,062	31,679	(6,617)	-20.9%
Special Funding for Fringe Benefits	75,461	53,736	21,725	40.4%
Pell grants	25,344	25,526	(182)	-0.7%
Illinois MAP Grants	22,377	20,923	1,454	6.9%
Build America bonds subsidies	2,509	3,316	(807)	-24.3%
Federal Supplemental Educational Opportunity Grants	853	837	16	1.9%
Federal and state grants and other contracts	12,911	-	12,911	100.0%
Net investment income	2,386	4,856	(2,470)	-50.9%
Net nonoperating revenues	254,728	224,520	30,208	13.5%
Other revenues:				
State appropiations - capital	1,120	1,652	(532)	-32.2%
Gifts and contributions	342	285	57	20.0%
Gain/(loss) on disposal of capital assets	(39)	(277)	238	-85.9%
Other revenues	1,423	1,660	(237)	-14.3%
Total revenues	$ 497,320	$ 492,848	$ 4,472	0.9%

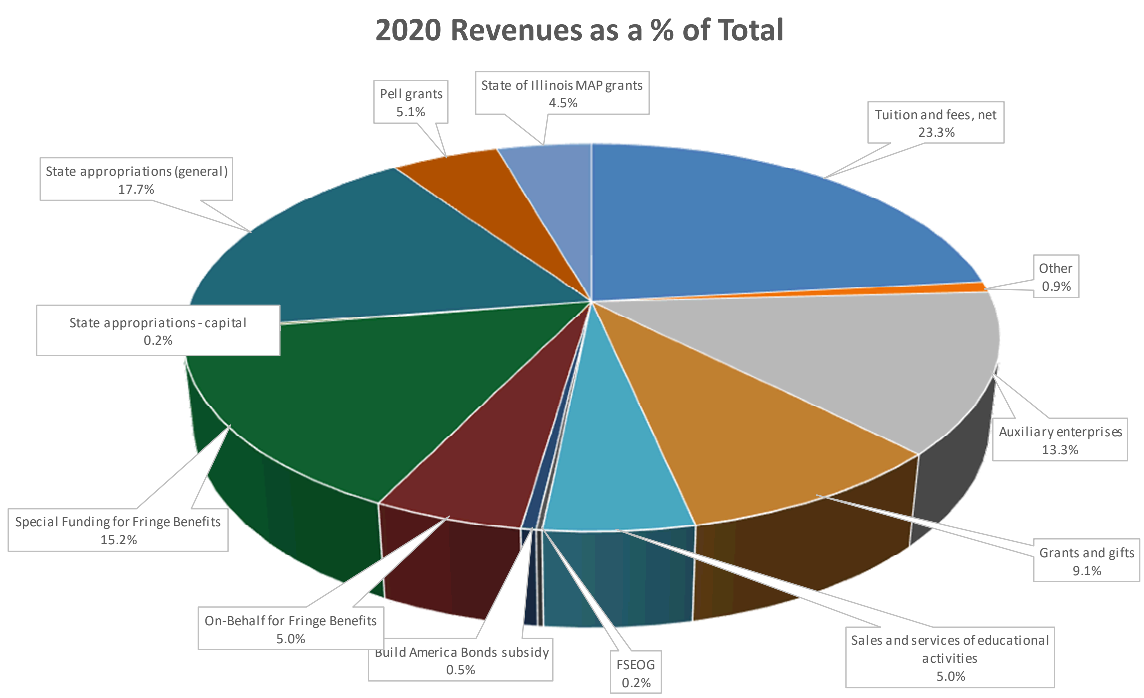
Due to the required classification of some of these significant funding sources as nonoperating revenues, operating expenses will typically exceed operating revenues for public universities, resulting in an operating loss. Nonoperating revenue sources include State appropriations, Pell grants, State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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year 2020 Compared to 2019

The University's total revenues increased by $4.5 million, or 0.9%. Revenues increased primarily due to an increase in special funding for fringe benefits and on-behalf for fringe benefits of $15.1 million, and an increase in nonoperating grant revenues of $12.9 million, of which $11.0 million was related to the Higher Education Emergency Relief Fund (HEERF) grants in response to the COVID-19 pandemic. These revenue increases were offset by decreases in operating revenues of $25.5 million, which was primarily due to a decrease in Auxiliary revenues of $20.3 million primarily attributable to lost revenues related to the COVID-19 pandemic. Lost revenues arose from room and board refunds, parking refunds, and other services that could not be provided as a result of the pandemic.

The following is a graphic illustration of revenues by source (both operating and nonoperating), as a percentage of total revenues, which are used to fund the University's operating activities for the year ended June 30, 2020:



MANAGEMENT'S DISCUSSION AND ANALYSIS

Notable changes in revenues during fiscal year 2020 compared to 2019 included:

- Tuition and Fees, net decreased by $1.3 million in fiscal year 2020, or -1.1%, due to a decrease in enrollment.
- Auxiliary enterprise revenues decreased by $20.3 million, or -23.4%, primarily due to the impacts of the COVID-19 pandemic and corresponding lost revenues.
- Other operating revenue decreased by $3.6 million, or -11.9%. Other operating revenues consist primarily of sales and service of educational activities which were negatively impacted by the impacts of the COVID-19 pandemic.
- State appropriations increased $19.3 million, or 11.4%, during fiscal 2020 to $188.3 million. Included in this total is general appropriations which increased $4.2 million, or 5.0%, in fiscal year 2020 to $87.8 million, and supplemental State appropriations, or payments made on-behalf of the University to the Illinois Department of Central Management Services (DCMS) and the State Universities Retirement System (SURS), which increased $15.1 million, or 17.7%, in fiscal year 2020 to $100.5 million. The University does not participate in the design, selection of vendors, or implementation of either the retirement or group insurance plans for employees. Accordingly, attempts to control the rising trend of national healthcare costs is dependent upon DCMS' annual negotiations with the State's American Federation of State, County and Municipal Employees (AFSCME) union on premiums and other costs.
- Federal and state grants and other contracts - nonoperating increased by $12.9 million. This was due to federal funds received from HEERF as part of the CARES Act as well as funds received for AIM high scholarships.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Expenses

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

A comparative summary of the University's expenses (both operating and nonoperating) for the fiscal year ended June 30, 2020, and June 30, 2019 follows:

Summary of Expenses ($ In Thousands)

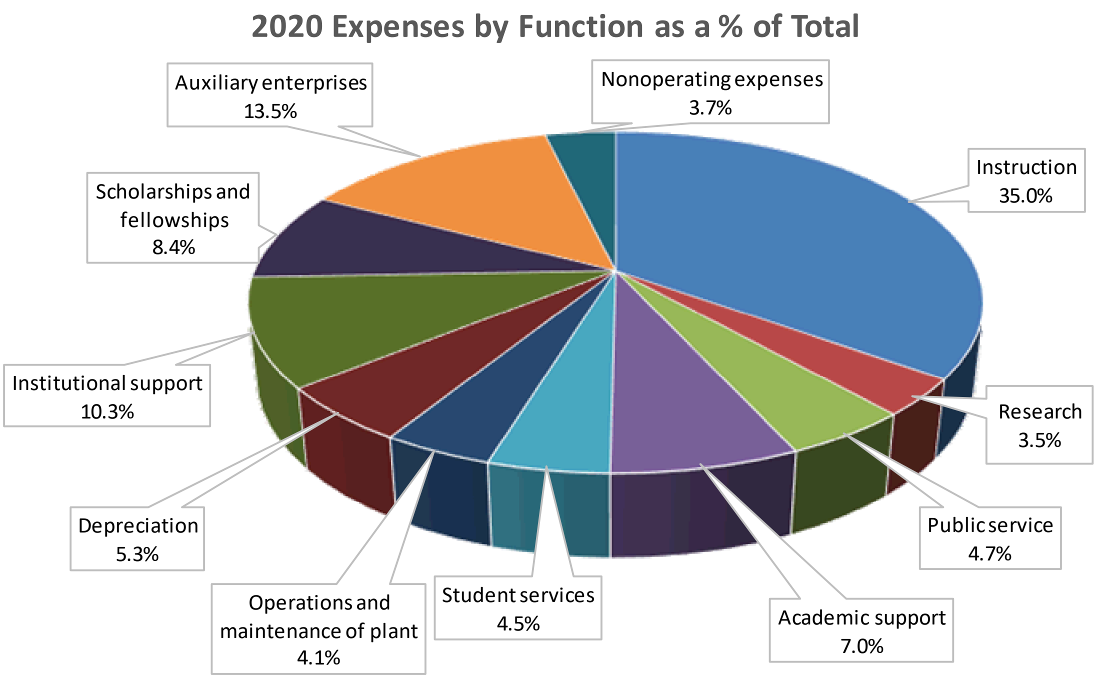
	2020	2019	$ Change	% Change
Operating expenses:				
Instruction	$ 187,566	$ 174,691	$ 12,875	7.4%
Research	18,915	18,097	818	4.5%
Public service	24,951	25,329	(378)	-1.5%
Academic support	37,572	36,560	1,012	2.8%
Student services	24,023	26,060	(2,037)	-7.8%
Operations and maintenance of plant	21,772	28,036	(6,264)	-22.3%
Depreciation	28,365	28,232	133	0.5%
Institutional support	55,169	57,480	(2,311)	-4.0%
Scholarships and fellowships	44,783	32,733	12,050	36.8%
Auxiliary enterprises	72,266	67,771	4,495	6.6%
Operating expenses	515,382	494,989	20,393	4.1%
Nonoperating expenses:				
Nonoperating expenses	19,935	22,266	(2,331)	-10.5%
Total expenses	$ 535,317	$ 517,255	$ 18,062	3.5%

Fiscal Year 2020 Compared to 2019

The University's total operating expenses increased $20.4 million to $515.4 million during the year ended June 30, 2020, an increase of 4.1% over the prior year. This total includes benefit expenses for the on-behalf payments made by the State for university employer contributions for State Employees Group Insurance Program (SEGIP) and SURS, which are recorded as both nonoperating revenues from the State and operating expenditures for staff benefits. The University's total operating expenses when factoring out the employer contributions for SEGIP and SURS increased by $5.3 million, or 1.3% during the year ended June 30, 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a graphic illustration of functional expenses, as a percentage of total expenses, for the year ended June 30, 2020:



Notable changes in expenses during fiscal year 2020 compared to 2019 included:

- Instruction, which includes expenses for academic programs including community education, increased $12.9 million in total during fiscal 2020, or 7.4%, due primarily to an increase in the benefit expense allocation for on-behalf contributions to SEGIP.
- Scholarship and fellowships increased by $12.0 million during fiscal year 2020, or 36.8%, due primarily to two new student aid programs implemented during the year. The HEERF grants, which totaled $5.5 million, were disbursed as part of a Federal award to assist students impacted by the COVID-19 pandemic, and the AIM HIGH scholarship program, which totaled $4.1 million, and were partially funded by the State of Illinois to increase enrollment of Illinois students in Illinois public universities.
- Operations and maintenance of plant decreased $6.3 million in total during fiscal 2020, or -22.3%, as a result of a pullback in spending for maintenance projects as a result of the COVID-19 pandemic.
- Student Services decreased $2.0 million in total during fiscal 2020, or -7.8%. The decrease was primarily due to cost savings associated with a new busing contract and partnership with the City of DeKalb.
- Nonoperating expenses consist of interest expense and decreased $2.3 million in total during fiscal 2020, or -10.5%. The decrease was primarily due to savings in interest expense as a result of the bond

refunding in April 2020.

STATEMENT OF CASH FLOWS

The statement of cash flows provides additional information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. A summary comparison of cash flows for the University's fiscal year 2020 and fiscal year 2019 activities follows:

Condensed Statement of Cash Flows ($ In Thousands)

	2020	2019	$ Change	% Change
Net cash used in operating activities	$ (147,415)	$ (107,975)	$ (39,440)	-36.5%
Net cash provided by noncapital financing activities	135,652	132,460	3,192	2.4%
Net cash used in capital and related financing activities	(39,050)	(41,239)	2,189	5.3%
Net cash provided by investing activities	44,656	14,604	30,052	205.8%
Net decrease in cash and cash equivalents	(6,157)	(2,150)	(4,007)	186.4%
Cash and cash equivalents, beginning of year	66,047	68,197	(2,150)	-3.2%
Cash and cash equivalents, end of year	$ 59,890	$ 66,047	$ (6,157)	-9.3%

Fiscal Year 2020 Compared to 2019

Cash flows from operating activities present the net cash provided or used by the fiscal year activities of the University. Due to the categorization of operating and nonoperating revenues and expenses by GASB, cash flows from operating expenses are typically a net cash use. Major operating funding sources include student tuition and fees, governmental grants and contracts, and auxiliary enterprises revenues. Notable changes in cash flows during fiscal year 2020 compared to 2019 include:

- Net cash used in operating activities increased $39.4 million in fiscal 2020, or -36.5%, due primarily to decreases in receipts from auxiliary enterprise revenues and sales and service of educational activities of $38.1 million and $6.5 million, respectively. Receipts from student tuition and fees increased by $17.4 million. Payments for scholarships increased $11.7 million.
- Net cash provided by noncapital financing activities increased by $3.2 million in fiscal 2020, or 2.4%, due primarily to an increase in Federal and State grants and other contracts of $15.2 million offset by a decrease in cash flows from State appropriations totaling $12.7 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Net cash used in capital and related financing activities decreased $2.2 million in fiscal 2020, or 5.3%, as cash requirements for both the purchases of capital assets and principal payments on capital debt increased over the previous year.
- Net cash provided by investing activities increased $30.1 million in fiscal 2020, or 205.8% over the previous year, primarily due to an increase in the proceeds from sales and maturities of investments in fiscal 2020.

THE UNIVERSITY'S ECONOMIC OUTLOOK

The University's economic outlook remains stable despite the financial impact the COVID-19 global pandemic has had on its current financial resources. In fiscal year 2020, the University successfully refinanced $175 million of tax-exempt revenue bonds resulting in present value savings of $43 million. The University outperformed expectations of national enrollment modeling and saw a 1% increase in total enrollment for Fall 2020. Driving that growth is a freshman class up 8%, and a 6% improvement in retention of first-year students. In addition, the state legislature continues to demonstrate its commitment towards higher education in the State of Illinois, holding appropriations for fiscal year 2021 flat and designating $2.9 million of federal Governor's Emergency Education Relief (GEER) funds to NIU. The University received general State appropriations of $87.8 million in fiscal year 2020, and the University has an approved fiscal year 2021 general appropriation budget of $87.8 million. The University continues to take the necessary steps to implement a business model that sustains financial health, better funds appropriate levels of institutional student financial aid, enables investment in dedicated employees, and provides sufficient flexibility to respond to the rapidly changing higher education landscape. In addition, the University continues working to cultivate relationships into resources, forming several new partnerships in fiscal year 2020 that will allow for greater efficiency, effectiveness, and expertise, as well as enhance student experiences. The long-term success and sustainability of the University are contingent on moving forward with the Strategic Enrollment Management Plan and making critical investments in infrastructure and initiatives that support academic excellence, research and artistry, and student success.

The University has initiated a new, multi-year planning and budget process with the goals of investing in key areas identified in our strategic priorities, creating an academically responsive and fiscally responsible budget, and achieving fiscal sustainability as an engaged, public research university serving a diverse student body. In

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE UNIVERSITY'S ECONOMIC OUTLOOK (Continued)

addition, the University continues to see positive financial, structural, curricular, and cultural outcomes from the Program Prioritization framework incorporated into a number of tools used to guide internal recommendations for continuous improvement.

Sponsored funds provide direct support for the University's research, artistry, service, and instructional programs and generate indirect revenue to maintain them. External funding is influenced by many factors including faculty funding cycles, competition for federal dollars, award spending schedules, and current funding portfolio. The University anticipates direct and indirect sponsored funding revenue to increase above the fiscal year 2020 levels, and strategic efforts across campus continue to increase direct funding and indirect recovery.

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

NORTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF NET POSITION
For the Year Ended June 30, 2020 (In Thousands)
(With Summarized Comparative Information for 2019)

	University		Component Units	
ASSETS	2020	2019	2020	2019
Current assets				
Cash and cash equivalents	$ 3,125	$ 7,941	$ 5,702	$ 2,958
Restricted cash and cash equivalents	44,124	43,537	-	-
Investments	34,976	58,550	-	-
Accrued interest receivable	87	1,115	-	-
Accounts receivable, net	22,551	21,237	1,315	1,063
Appropriations receivable from state	15,887	549	-	-
Inventories	1,844	1,772	-	-
Due from component units	1,261	1,075	-	-
Other assets	1,958	1,607	1,023	211
Total current assets	125,813	137,383	8,040	4,232
Noncurrent assets				
Restricted cash and cash equivalents	12,641	14,569	-	-
Investments	-	-	101,273	110,927
Restricted investments and marketable securities	30,763	48,431	1,271	1,422
Student loans receivable - net	4,386	5,649	-	-
Due from component units	8,084	8,100	-	-
Other	2,049	1,301	1,466	2,039
Capital assets, net of accumulated depreciation	405,906	419,634	22,636	23,229
Total noncurrent assets	463,829	497,684	126,646	137,617
TOTAL ASSETS	**589,642**	**635,067**	**134,686**	**141,849**
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on bond refunding	-	598	-	-
Other postemployment benefits	5,806	5,264	-	-
Federal, trust, grant, and other contributions - pensions	1,330	1,194	-	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**7,136**	**7,056**	**-**	**-**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	37,421	46,809	1,307	1,237
Accrued compensated absences	1,476	2,185	-	-
Other postemployment benefits	1,126	931	-	-
Students' deposits	335	335	-	-
Due to NIU	-	-	1,126	942
Due to component unit	135	133	-	-
Agency	6,084	6,098	-	-
Unearned tuition and fees	10,276	11,194	-	-
Unearned revenue and grants	4,973	2,014	-	-
Total current liabilities	61,826	69,699	2,433	2,179
Noncurrent liabilities				
Accounts payable and accrued liabilities	3,108	3,249	-	-
Other postemployment benefits	43,378	41,488	-	-
Due to NIU	-	-	8,084	8,100
Performance contracts payable	22,217	25,252	-	-
Accrued compensated absences	16,372	13,241	-	-
Government loan fund advances	5,464	6,650	-	-
Unearned revenue and grants	-	-	37	-
Revenue bonds payable	176,857	171,648	-	393
Leases payable	122,638	125,476	-	-
Notes and certificates of participation payable	5,970	7,266	-	-
Total noncurrent liabilities	396,004	394,270	8,121	8,493
TOTAL LIABILITIES	**457,830**	**463,969**	**10,554**	**10,672**
DEFERRED INFLOWS OF RESOURCES				
Other postemployment benefits	9,100	10,309	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	**9,100**	**10,309**	**-**	**-**
NET POSITION				
Net investment in capital assets	70,027	92,049	22,195	22,470
Restricted:				
Nonexpendable	-	506	55,786	54,888
Expendable	86,065	82,664	33,860	40,471
Unrestricted	(26,244)	(7,374)	12,291	13,348
TOTAL NET POSITION	**$ 129,848**	**$ 167,845**	**$ 124,132**	**$ 131,177**

See accompanying Notes to the Basic Financial Statements.

NORTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2020 (In Thousands)
(With Summarized Comparative Information for 2019)

	University		Component Units	
REVENUES	2020	2019	2020	2019
Operating revenues				
Tuition and fees, net	$ 115,965	$ 117,278	$ -	$ -
Federal and state grants and other contracts	27,143	25,795	-	-
Private gifts, grants, and contracts	5,096	6,708	7,151	9,866
Sales and service of educational activities	24,787	28,539	27	68
Other sources	1,844	1,698	2,699	2,963
Auxiliary enterprises	66,334	86,650	-	-
Total operating revenues	241,169	266,668	9,877	12,897
EXPENSES				
Operating expenses				
Instruction	187,566	174,691	-	-
Research	18,915	18,097	-	-
Public service	24,951	25,329	-	-
Academic support	37,572	36,560	-	-
Student services	24,023	26,060	-	-
Operation and maintenance of plant	21,772	28,036	-	-
Depreciation	28,365	28,232	651	658
Institutional support	55,169	57,480	9,401	10,393
Scholarships and fellowships	44,783	32,733	2,993	3,373
Auxiliary enterprises	72,266	67,771	-	-
Total operating expenses	515,382	494,989	13,045	14,424
Net operating income/(loss)	(274,213)	(228,321)	(3,168)	(1,527)
NONOPERATING REVENUES (EXPENSES)				
State appropriations - general	87,825	83,647	-	-
On-Behalf for Fringe Benefits	25,062	31,679	-	-
Special Funding for Fringe Benefits	75,461	53,736	-	-
Build America Bonds subsidy	2,509	3,316	-	-
Federal and state grants and other contracts	12,911	-	-	-
Net Investment income	2,386	4,856	(4,166)	4,139
Expendable gifts and other	-	-	289	302
Pell grants	25,344	25,526	-	-
Federal Supplemental Educational Opportunity Grant (FSEOG)	853	837	-	-
State of IL Monetary Award Program (MAP)	22,377	20,923	-	-
Interest expense	(19,935)	(22,266)	-	-
Net nonoperating revenues	234,793	202,254	(3,877)	4,441
Income/(loss) before other revenues, gains, or losses	(39,420)	(26,067)	(7,045)	2,914
OTHER REVENUES AND GAINS (LOSSES)				
State appropriations - capital	1,120	1,652	-	-
Gifts and contributions	342	285	-	-
Loss on disposal of capital assets	(39)	(277)	-	-
(DECREASE) INCREASE IN NET POSITION	(37,997)	(24,407)	(7,045)	2,914
NET POSITION, BEGINNING OF YEAR	167,845	192,252	131,177	129,652
Restatement for University & UROs	-	-	-	(1,389)
NET POSITION, BEGINNING OF YEAR, AS RESTATED	167,845	192,252	131,177	128,263
NET POSITION, END OF YEAR	$ 129,848	$ 167,845	$ 124,132	$ 131,177

See accompanying Notes to the Basic Financial Statements.

NORTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020 (In Thousands)
(With Summarized Comparative Information for 2019)

	University	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees, net	$ 125,209	$ 107,814
Federal and state grants and other contracts	27,293	27,250
Private gifts, grants, and contracts	3,883	3,295
Sales and service of educational activities	19,632	26,151
Auxiliary enterprises	61,287	99,427
Payment to suppliers	(94,004)	(103,114)
Payment to employees	(235,792)	(227,488)
Payments for scholarships	(57,806)	(46,123)
Collection of loans to students and employees	(328)	948
Other receipts, net	3,211	3,865
Net cash used by operating activities	(147,415)	(107,975)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	72,487	85,194
Pell Grants	24,765	25,506
Federal Supplemental Educational Opportunity Grant (FSEOG)	853	837
State of IL Monetary Award Program (MAP)	22,377	20,923
Federal and state grants and other contracts	15,170	-
Net cash provided by noncapital financing activities	135,652	132,460
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(12,778)	(11,334)
Principal payments on capital debt	(12,628)	(10,502)
Interest payments on capital debt	(16,153)	(22,719)
Build America Bond Subsidy	2,509	3,316
Net cash provided by capital and related financing activities	(39,050)	(41,239)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income on investments, net	3,414	4,698
Proceeds from sales and maturities of investments	146,002	90,484
Purchase of investments	(104,760)	(80,578)
Net cash provided by investing activities	44,656	14,604
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,157)	(2,150)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	66,047	68,197
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 59,890	$ 66,047

See accompanying Notes to the Basic Financial Statements.

NORTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020 (In Thousands)
(With Summarized Comparative Information for 2019)

	University	
	2020	2019
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating gain/(loss)	$ (274,213)	$ (228,321)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Depreciation expense - non-auxiliary enterprises	14,655	13,970
Depreciation expense - auxiliary enterprises	13,710	14,262
On behalf payments for fringe benefits	25,062	31,679
Special funding for fringe benefits	75,461	53,736
Other nonoperating expense	2,761	-
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable	(157)	1,811
Inventories	(72)	(24)
Student loans receivable	1,263	1,414
Other assets	(502)	569
Deferred outflows of resources - pensions	(136)	10
Deferred outflows of resources - other post-employment benefits	(542)	1,432
Due from/to component units	(169)	(1,959)
Accounts payable and accrued liabilities	(7,022)	4,452
Accrued compensated absences	2,422	285
Students' deposits	-	19
Agency	(14)	861
Unearned revenue and grants	(797)	(330)
Other postemployment benefits	2,085	(7,418)
Deferred inflows of resources - other post-employment benefits	(1,210)	5,577
Net cash used by operating activities	$ (147,415)	$ (107,975)
NONCASH INVESTING, CAPITAL, NONCAPITAL, AND FINANCING ACTIVITIES		
On-behalf payments for fringe benefits	$ 25,062	$ 31,679
Special funding for fringe benefit	75,461	$ 53,736
Capital asset contribution	342	285
Other postemployment benefits expenses - employer portion	(1,459)	(522)
Unpaid state appropriation revenue	15,887	549
Capitalized interest	436	266
Cost of capital assets not being depreciated included in accounts payable	206	257
Unrealized gain/(loss)	(172)	377
State expenses for capitalized CDB projects	1,120	1,652

See accompanying Notes to the Basic Financial Statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity and Component Unit Disclosures

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

Restricted Cash and Investments

Restricted cash and investments are for capital projects and the auxiliary facilities system at the University, funded by an external debt issuance. The University accounts for its investments and marketable securities at fair value.

Accounts and Loans Receivable

The University provides allowances for uncollectible accounts and loans receivable based upon management's best estimate considering type, age, collection history of receivables, and any other factors as considered appropriate. Accounts and loans receivable are reported net of allowances at June 30, 2020.

Inventories

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

Capital Assets

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Capitalization of interest ceases when the project is substantially complete. Interest costs capitalized on construction projects were $436,000 in fiscal year 2020. The assets associated with long-term leases have been capitalized. Estimated Useful lives for capital assets are as follows:

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

Unearned Revenue

Unearned revenue includes amounts received for Summer tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. These revenues are recognized as revenues in the fiscal year earned. The portion of Summer session tuition and fees applicable to the following fiscal year are reported as unearned revenue and totals $8,245,000. Unearned revenue also includes amounts received from grant and contract sponsors that have not yet been earned or for which the University has not yet met the eligibility requirements.

Compensated Absences

It is the policy of the University to accrue vacation pay as earned. As of June 30, 2020, the accrued liability for this benefit was $16,204,000 and is included in accrued compensated absences on the statement of net position.

Accrued compensated absences includes employee earned but unused vacation and sick leave days. In accordance with Illinois Public Act 83-976, the University is required to compensate certain employees, generally civil service and administrative professionals, for sick leave benefits earned after January 1, 1984. Sick leave earned by these employees after this date will accumulate without limit and is payable upon termination of employment for one-half of the unused amount. As of January 1, 1998, per 30 ILCS 105/14a, sick leave benefits earned after that date are no longer compensable upon termination of employment. All prior earned benefits will still be paid. As of June 30, 2020, the accrued liability of this benefit was $1,644,000,

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

and is included in accrued compensated absences on the statement of net position. The accrued compensated absences liability will be funded through future State of Illinois General Revenue Fund appropriations as the terminated employees leave the University.

Voluntary Retirement Incentive Plan

All University employees who met the eligibility requirements of the State Universities Retirement System (SURS) were given the option to participate in a voluntary retirement incentive program during the year ended June 30, 2020. A total of 97 employees accepted the voluntary retirement incentive during the year ended June 30, 2020. The liability for those employees who have elected to participate in the voluntary retirement incentive program as of June 30, 2020, but have not yet received final payment, was $1,099,000 at June 30, 2020, and is recorded in the accompanying financial statements as accrued liabilities on the statement of net position. The total costs associated with the voluntary retirement incentive program were $1,939,000 for the year ended June 30, 2020.

Employment Contracts

Employment contracts for certain academic personnel provide for twelve monthly salary payments, although the contractual services are rendered during a nine-month period. The liability for those employees who have completed their contracted services, but have not yet received final payment, is $5,616,000 at June 30, 2020, and is recorded in the accompanying financial statements as accrued liabilities on the statement of net position. This amount will be paid from amounts specifically included in State appropriations to the University for fiscal year 2021 rather than the unrestricted net position available at June 30, 2020.

Premiums, Discounts, and Prepaid Insurance

Bond premiums and discounts, as well as prepaid insurance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the interest method.

Pensions

For the purpose of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the plan net position of the State Universities Retirement System (SURS) and additions to/deductions from SURS' plan net position have been determined on the same

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions (Continued)

basis as they are reported by SURS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Other Postemployment Benefits (OPEB)

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Postemployment Benefits (OPEB) (Continued)

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

Special Funding Situation Portion of OPEB

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

During the OPEB measurement period ended June 30, 2019, the University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $1,291,757 to help offset the amount the State needed to provide for retirees under the special funding situation described in the preceding paragraph.

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

University's Portion of OPEB

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Postemployment Benefits (OPEB) (Continued)

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

On-Behalf Transactions

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

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

During the year ended June 30, 2020, total estimated group insurance contributions for the University's employees paid from the University's Income Fund and auxiliary enterprises were $27,021,929. The University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $1,959,944 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 $25,061,985 on-behalf of the University to meet this obligation for current employees.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenue

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

Certain revenue sources that the University relies on to provide funding for operations including State appropriations, gifts, and investment income are defined by GASB Statement No. 35 as nonoperating. In addition, transactions related to capital and financing activities are components of nonoperating revenues. Appropriations made from the State of Illinois General Revenue and Education Assistance Funds for the benefit of the University are recognized as nonoperating revenues when eligibility requirements are satisfied.

Scholarship Discount and Allowances

Student tuition and fee revenues are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position using the National Association of College and University Business Officers' Advisory Report 2000-05's alternative method calculation. Stipends and other payments made directly to students are reported as scholarship and fellowship expense. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount paid by the students (and/or third parties on the students' behalf). Certain governmental grants and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenue in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees, the University has recorded a scholarship discount and allowance. In fiscal year 2020, a scholarship allowance of $48,480,000 is netted against student tuition and fees.

Use of Estimates in Preparing the Financial Statements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summarized Comparative Information

The basic financial statements include prior year comparative information, which has been derived from the University's 2019 financial statements. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2019.

Perkins Loan Program

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

Perkins Loans represent an average of $1 million dollars (1%) of the annual financial assistance for the University's students that has not been available subsequent to the 2017-2018 academic year. However, management's continued commitment to the students is to identify pathways to make the cost of education affordable that is inclusive of tuition and fee pricing and other sources of student financial assistance funding.

New and Pending Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following statements which are effective for periods beginning July 1, 2019, or later which may impact the university:

GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The University has not yet determined the impact of this Statement. The timeline has been extended and it is now required to be adopted with the June 30, 2021, financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New and Pending Accounting Pronouncements (Continued)

GASB Statement No. 87, *Leases.* The objective of this Statement is to improve accounting and financial reporting for leases by governments. This Statement 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 the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The University has not yet determined the impact of this Statement. The timeline has been extended and it is now required to be adopted with the June 30, 2022, financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The University has not yet determined the impact of this Statement. The timeline has been extended and it is now required to be adopted with the June 30, 2022 financial statements.

GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61.* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The University has not yet determined the impact of this Statement. The timeline has been extended and it is now required to be adopted with the June 30, 2021, financial statements.

GASB Statement No. 91, *Conduit Debt Obligations.* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The University has not yet determined the impact of this Statement. It is required to be adopted with the June 30, 2022, financial statements.

GASB Statement No. 92, *Omnibus 2020.* The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New and Pending Accounting Pronouncements (Continued)

The University has not yet determined the impact of this Statement. It is required to be adopted with the June 30, 2022, financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates.* The primary objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The University has not yet determined the impact of this Statement. It is required to be adopted with the June 30, 2022, financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The University has not yet determined the impact of this Statement. It is required to be adopted with the June 30, 2023, financial statements.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The requirements of this Statement are effective immediately.

2. CASH AND CASH EQUIVALENTS

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

As of June 30, 2020, cash (consisting of demand deposits and certificates of deposit) with a bank balance of $51,186,000 and a carrying value of $48,763,000 was held by the University. Cash deposits in excess of (FDIC) limits were insured or collateralized with securities held by the University, or its custodian in the name of the University.

At June 30, 2020, the University held $11,127,000 in a money market mutual fund, the Goldman Sachs Financial Square Government Fund. The fund values its holdings at amortized cost (2a7 like pool). Interest income is

NOTES TO THE BASIC FINANCIAL STATEMENTS

2. CASH AND CASH EQUIVALENTS (Continued)

declared daily and paid monthly. This money market fund account is not covered by Federal Deposit Insurance Corporation (FDIC) insurance but is rated AAAm.

3. INVESTMENTS

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

3. INVESTMENTS (Continued)

As of June 30, 2020, the University had the following recurring fair value measurements for investments ($000s):

	Fair Value Measurements			
Investments by Level	Total	Level 1	Level 2	Level 3
U.S. Treasury Notes	$ 15,079	$ -	$ 15,079	$ -
U.S. Agency Notes	10,032	-	10,032	-
	$ 25,111	$ -	$ 25,111	$ -

The investments above exclude $40,628,000 held in the Illinois Public Treasurer's Investment Pool which are valued at amortized cost. The State Treasurer maintains the Illinois Public Treasurer's Investment Pool at amortized cost (2a7 like pool) through daily adjustment in the interest earnings. The State Treasurer also maintains the average duration of the pool at less than 25 days. The value of the University's investment in the funds is the same as the value of the pool shares.

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

The following details the carrying value of the University's cash and investments as of June 30, 20 ($000s):

	Total	Bank and Custodian Demand Deposit Accounts	Fair Value	Net Asset Value
Cash and cash equivalents	$ 59,890	$ 48,763	$ -	$ 11,127
Investments	65,739	-	25,111	40,628

Custodial credit risk – Custodial credit risk is the risk that when, in the event a financial institution or counterparty fails, the University would not be able to recover the value of investments or collateral securities that are in the possession of an outside party. As of June 30, 2020, the University was not subject to custodial credit risk as all of the University's investments were held in its name.

Concentration of credit risk – Concentration risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer, other than the U.S. Government. The University is considered to have a

NOTES TO THE BASIC FINANCIAL STATEMENTS

3. INVESTMENTS (Continued)

concentration of credit risk if its investments in any one single issuer, other than securities explicitly guaranteed by the U.S. government, are greater than 5% of total investments. The University's investments in federal agencies not explicitly guaranteed by the U.S. government which comprise more than 5% of investments are as follows ($000s):

Investment	Total
Federal Home Loan Bank (FHLB)	$ 10,032

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

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

	Illinois Public Treasurer's Investment Pool	U.S. Treasury Notes	U.S. Agency Notes	Total
AAA	$ -	$ 15,079	$ -	$ 15,079
AA+	-	-	10,032	10,032
AAAm	40,628	-	-	40,628
Total	$ 40,628	$ 15,079	$ 10,032	$ 65,739

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

Segmented Time Distribution	Illinois Public Treasurer's Investment Pool	U.S. Treasury Notes	U.S. Agency Notes	Total
0 - 1 year	$ 40,628	$ 15,079	$ 10,032	$ 65,739
Total	$ 40,628	$ 15,079	$ 10,032	$ 65,739

URO – Foundation Investments

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

3. INVESTMENTS (Continued)

URO – Foundation Investments (Continued)

The policy indicates the intended use for funds and determines how they will be invested. There are two primary investment strategies that are executed in different investment pools. Endowed funds and funds initially received as expendable but acting as endowment are invested with a long-term horizon. Based upon historical patterns of usage, expendable gift funds are invested with an intermediate-term strategy.

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

The Foundation's investments as of June 30, 2020, consisted of the following ($000s):

U.S. Treasuries	$	935
Equity		
Domestic Equity - Lrg/Mid-Cap		14,753
Domestic Equity - Small-Cap		3,790
International Developed		18,351
Private Equity		4,914
Hedged Strategies		8,638
Public Fixed Income		29,769
Private Debt		396
Real Assets		6,683
Private Natual Resources		3,770
Private Real Estate		2,492
Diversifying Strategy Mutual Funds		7,441
Cash Surrender Value of Life Insurance		20
		101,952
Funds Held in Trust by Others		1,894
Total	$	103,846

The Foundation's investment return for fiscal year 2020 is comprised of the following ($000s):

Interest and dividend income	$	2,663
Net realized and unrealized gains/(losses) on investments reported at fair value		(6,389)
Net realized gains/(losses) on other investments		-
Investment fees		(324)
Total	$	(4,050)

NOTES TO THE BASIC FINANCIAL STATEMENTS

3. INVESTMENTS (Continued)

URO – Foundation Investments (Continued)

The Foundation's permissible investment categories include:

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

Alternative Investments

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

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Hedged/alternative investments (A)	$ 14,717	$ -	(A)	(A)
Private equity (B)	14,306	7,256	(B)	(B)
	$ 29,023	$ 7,256		

(A) The partnerships in this category consist of funds that invest in multiple limited partnerships with various investment strategies and long and short positions in equity securities of companies within the United States of America (USA) and outside of the USA. These funds can be redeemed daily, monthly, quarterly, annually, or bi-annually depending on the partnership agreement within redemption notice periods of one to four months.

(B) The partnerships in this category consist of funds that invest in the following types of investments in the USA and outside of the USA: venture capital partnerships, buy-out partnerships, mezzanine/subordinated debt partnerships, restructuring/distressed debt partnerships and special situation partnerships, and real estate. These investments cannot be redeemed during the life of the partnership, which can be up to 12 years; however, they can be transferred to another eligible investor. Distributions will be received as the underlying investments of the funds are liquidated over time. The fair value of this investment has been estimated using the NAV provided by the fund manager and an adjustment determined by management for the time period between the date of the last available NAV from the investment manager and June 30, 2020.

NOTES TO THE BASIC FINANCIAL STATEMENTS

4. RECEIVABLES

Accounts Receivable

The University and its component units report accounts receivable net of the allowance for uncollectible accounts and includes the following as of June 30, 2020:

	Gross Receivables	Allowance for Uncollectible Accounts	Net Receivables
UNIVERSITY ($000s)			
Student accounts	$ 33,521	$ (22,800)	$ 10,721
Customer accounts	2,035	(500)	1,535
Grants receivable	10,295	-	10,295
	$ 45,851	$ (23,300)	$ 22,551
URO-FOUNDATION ($000s)			
Gift pledges receivable	$ 3,033	$ -	$ 3,033
Less: Allowance for doubtful pledges	-	(369)	(369)
Total gift pledges outstanding, net	$ 3,033	$ (369)	$ 2,664

University Student Loans Receivable

Student loans made through the Federal Perkins Loan Program comprise substantially all of student loans receivable as of June 30, 2020 totaling $4,386,000, net of allowance for uncollectible accounts of $756,000.

NOTES TO THE BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 is summarized as follows:

University ($000s)	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 19,281	$ -	$ -	$ -	$ 19,281
Construction in progress	19,058	12,399	(197)	(23,752)	7,508
Total capital assets not being depreciated	38,339	12,399	(197)	(23,752)	26,789
Capital assets being depreciated:					
Land improvements	92,211	-	-	587	92,798
Leasehold improvements	431	-	-	-	431
Buildings	714,033	-	-	23,165	737,198
Equipment	190,902	2,474	(2,147)	-	191,229
Other assets	3,820	-	-	-	3,820
Total capital assets being depreciated:	1,001,397	2,474	(2,147)	23,752	1,025,476
Less: accumulated depreciation	(620,102)	(28,365)	2,108	-	(646,359)
Total capital assets being depreciated, net	381,295	(25,891)	(39)	23,752	379,117
Total capital assets, net	$ 419,634	$ (13,492)	$ (236)	$ -	$ 405,906

URO-Foundation ($000s)	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 3,861	$ -	$ -	$ -	$ 3,861
Construction in progress	-	58	-	-	58
Total capital assets not being depreciated	3,861	58	-	-	3,919
Capital assets being depreciated:					
Buildings	24,598	-	-	-	24,598
Equipment	93	-	-	-	93
Total capital assets being depreciated:	24,691	-	-	-	24,691
Less: accumulated depreciation	(5,399)	(620)	-	-	(6,019)
Total capital assets being depreciated, net	19,292	(620)	-	-	18,672
Total capital assets, net	$ 23,153	$ (562)	$ -	$ -	$ 22,591

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2020 are as follows ($000s):

	University	URO - Foundation
Payable to vendors/suppliers	$ 15,290	$ 489
Accrued payroll	8,290	-
Current portion of noncurrent liabilities:		
Accrued interest	4,216	-
Performance contracts payable	3,035	-
Revenue bonds payable	2,315	441
Leases payable	2,838	-
Notes and certificates of participation payable	1,296	-
Other liabilities	141	-
Total current accounts payable and accrued liabilities	37,421	930
Noncurrent accounts payable and accrued liabilities	3,108	-
Total accounts payable and accrued liabilities	$ 40,529	$ 930

7. PERFORMANCE CONTRACTS PAYABLE

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

7. PERFORMANCE CONTRACTS PAYABLE (Continued)

Performance contracts payable activity and outstanding balances as of and for the year ended June 30, 2020 are as follows ($000s):

Performance Contract	Beginning Balance	Issued	Retired	Ending Balance	Current Portion
Energy Infrastructure Improvement - Phase 10B	$ 6,870	$ -	$ (744)	$ 6,126	$ 774
Energy Infrastructure Improvements - Refinance	10,380	-	(1,375)	9,005	1,409
Energy Infrastructure Improvements - Phase 11	6,240	-	(498)	5,742	516
Energy Infrastructure Improvements - Phase 11A	4,704	-	(325)	4,379	336
Total	$ 28,194	$ -	$ (2,942)	$ 25,252	$ 3,035

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

Year Ending June 30,	Principal	Interest	Total
2021	3,035	801	3,836
2022	3,132	704	3,836
2023	3,233	604	3,837
2024	3,336	501	3,837
2025	3,443	394	3,837
2026	3,554	283	3,837
2027-2031	5,519	409	5,928
Total	$ 25,252	$ 3,696	$ 28,948

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

8. ACCRUED COMPENSATED ABSENCES

Accrued compensated absences includes employee earned but unused vacation and sick leave days. The changes in balances as of and for the year ended June 30, 2020 are as follows ($000s):

Balance, beginning of year	$	15,426
Additions/(Deductions)		2,422
Balance, end of year		17,848
Less: current portion		(1,476)
Balance, end of year, noncurrent portion	$	16,372

Amounts reported as current are based upon historical trends. The employer portion of Medicare taxes related to accrued compensated absences is $259,000.

9. UNEARNED REVENUE AND GRANTS

Unearned revenue and grants represent funds received in advance on grants not expended. The change in balances as of and for the year ended June 30, 2020 are as follows ($000s):

Balance, beginning of year	$	2,014
Additions/(Deductions)		2,959
Balance, end of year	$	4,973

10. GOVERNMENT LOAN FUND ADVANCES

Government loan fund advances represents money received from the federal government for student loan programs. The change in balances as of and for the year ended June 30, 2020 are as follows ($000s):

Balance, beginning of year	$	6,650
Additions/(Deductions)		(1,186)
Balance, end of year	$	5,464

NOTES TO THE BASIC FINANCIAL STATEMENTS

11. REVENUE BONDS PAYABLE

Revenue bonds activity and outstanding as of and for the year ended June 30, 2020 are as follows ($000s):

Issue	Beginning Balance	Issued/ Accreted	Retired/ Defeased	Ending Balance	Current Portion	Future Revenues Pledged	Debt Service to Pledged Revenue (Current Year)
Revenue Bonds Payable - Direct Placement							
Series 2020A	$ -	$ 30,000	$ -	$ 30,000	$ 100	$ 35,283	N/A
Total Revenue Bonds Payable - Direct Placement	-	30,000	-	30,000	100	35,283	
Revenue Bonds Payable - Other							
Series 2010	$ 126,025	$ -	$ (126,025)	$ -	$ -	$ -	6.74%
Series 2011	49,525	-	(49,525)	-	-	-	4.71%
Series 2020B	-	126,435	-	126,435	1,120	199,784	N/A
Total Revenue Bonds Payable - Other	175,550	126,435	(175,550)	126,435	1,120	199,784	
Unamortized Premium - Other							
Series 2011	$ 650	$ -	$ (650)	$ -	$ -	N/A	
Series 2020B		23,011	(274)	22,737	1,095	N/A	
Total Unamortized Premium - Other	650	23,011	(924)	22,737	1,095	N/A	
Total	$ 176,200	$ 179,446	$ (176,474)	$ 179,172	$ 2,315	$ 235,067	
URO-Foundation	$ 759	$ -	$ (318)	$ 441	$ 441	$ -	

In December 2010, the University issued $126,025,000 of taxable Auxiliary Facilities Systems Revenue Bonds (Series 2010) under the Build America Program. Taxable interest rates range from 7.75% to 8.15%, with the University receiving an amount up to 35% of the interest expense back from the U.S. Treasury. The bonds mature at varying amounts from 2028 through 2041. Interest payments are due semi-annually.

In January 2011, the University issued $67,135,000 of Auxiliary Facilities System Revenue Bonds (Series 2011). Stated interest rates range from 3.0% to 5.50%. The bonds mature at varying amounts from 2012 through 2028. Interest payments are due semi-annually.

In April 2020, the University issued $30,000,000 of Auxiliary Facilities Systems Refunding Revenue Bonds (Series 2020A). The interest rate is determined by the Bank Index Rate. The Bank Index Rate is equal to the sum of (a) the applicable factor times the one-month LIBOR rate plus (b) the applicable margin, but in no event in excess of the maximum rate of interest permitted by law. The interest rate in effect at June 30, 2020 was 1.3281% The bonds mature at varying amounts from 2021 through 2041. Interest payments are due semi-annually.

In April 2020, the University issued $126,435,000 of Auxiliary Facilities Systems Refunding Revenue Bonds (Series 2020B) with interest rates ranging from 4.00% to 5.00%. The bonds mature at varying amounts from 2021 through 2041. Interest payments are due semi-annually.

NOTES TO THE BASIC FINANCIAL STATEMENTS

11. REVENUE BONDS PAYABLE (Continued)

The Series 2020A and Series 2020B bonds are payable from and secured by the net revenues of the System and pledged fees. The Series 2020A and Series 2020B bonds are further secured by a pledge of and lien on pledged tuition, which equaled $125,844,000 in the current year. The Series 2020A bonds contain a provision that in the event of a default the bonds shall bear interest at a floating rate equal to the default rate so long as the event of default has not been cured. All bond series are also secured by non-cancelable policies of municipal bond insurance.

On April 1, 2020, the University issued Auxiliary Facilities Systems Refunding Revenue Bonds, Series 2020A and Series 2020B to refund the remaining outstanding balance of the Auxiliary Facilities Systems Revenue Bonds, Series 2010 and Series 2011. As a result of the refunding, the University achieved cash flow savings of $52,131,000 and an economic gain on the refunding of $43,101,000.

In accordance with GASB Statement 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, information related to direct borrowings and direct placements of debt are disclosed separately from other debt. Direct borrowings and direct placements have terms negotiated directly with the investor or lender and are not offered for public sale. Aggregate payments required on the bonds for the next five years and in later years are as follows ($000s):

University

Year Ending June 30,	Principal	Interest	Total
2021	$ 100	$ 398	$ 498
2022	100	397	497
2023	100	395	495
2024	250	394	644
2025	1,353	387	1,740
2026-2030	7,401	1,650	9,051
2031-2035	8,579	1,125	9,704
2036-2040	9,945	515	10,460
2041	2,172	22	2,194
Total Revenue Bonds Payable - Direct Placement	$ 30,000	$ 5,283	$ 35,283

Year Ending June 30,	Principal	Interest	Total
2021	$ 1,120	$ 5,727	$ 6,847
2022	1,175	5,671	6,846
2023	1,240	5,613	6,853
2024	5,425	5,551	10,976
2025	4,610	5,279	9,889
2026-2030	26,765	22,699	49,464
2031-2035	34,180	15,302	49,482
2036-2040	42,395	7,126	49,521
2041	9,525	381	9,906
Total Revenue Bonds Payable - Other	$126,435	$73,349	$199,784

NOTES TO THE BASIC FINANCIAL STATEMENTS

11. REVENUE BONDS PAYABLE (Continued)

URO-Foundation

Year Ending June 30,	Principal	Interest	Total
2021	$ 441	$ 6	$ 447
Total	$ 441	$ 6	$ 447

As a requirement of issuing certain revenue bonds, the University is subject to specific covenants. The University monitors its compliance with these covenants.

12. CAPITALIZED LEASES

Certain leases, in which the University's governing board is the lessee, are considered to be equivalent to installment purchases for accounting presentation. The assets recorded under these leases have been capitalized at the present value of future lease payments, measured at lease inception date. These assets totaled $104,944,000, net of accumulated depreciation of $29,506,000, at June 30, 2020.

Capital leases activity and outstanding principal balances as of and for the year ended June 30, 2020 are as follows ($000s):

	Beginning Balance	Additions	Payments	Ending Balance	Current Portion
IASBO Building	$ 303	$ -	$ (56)	$ 247	$ 59
CHF - DeKalb Northern View	18,224	-	(312)	17,912	328
CHF - DeKalb First Year Residence	108,136	-	(1,853)	106,283	1,947
Dell Equipment and Software	1,514	-	(480)	1,034	504
Net Present Value	$ 128,177	$ -	$ (2,701)	$ 125,476	$ 2,838

NOTES TO THE BASIC FINANCIAL STATEMENTS

12. CAPITALIZED LEASES (Continued)

Future minimum lease payments for the above assets under capital leases at June 30, 2020 on originally scheduled minimum payments and estimated interest are as follows ($000s):

Year Ending June 30,	Principal	Interest	Total
2021	$ 2,838	$ 8,462	$ 11,300
2022	2,986	8,318	11,304
2023	2,595	8,150	10,745
2024	2,752	7,989	10,741
2025	2,855	7,818	10,673
2026-2030	17,375	35,994	53,369
2031-2035	24,150	29,227	53,377
2036-2040	33,665	19,715	53,380
2041-2044	36,260	6,439	42,699
Total	$ 125,476	$ 132,112	$ 257,588

During fiscal year 2007, the University entered an agreement with CHF – DeKalb, L.L.C. to develop, finance, design, construct, equip, and operate an approximately 240 bed student housing facility. The Northern View Community opened in Fall 2007, replacing the existing University Family Apartments. The facility is owned by CHF, but managed by NIU Housing and Residential Services. The agreement required no capital outlay from the University, but accounting principles generally accepted in the United States of America require the University to report the transaction as a capital lease. The facility and offsetting capital lease were recorded at $19,400,000. In fiscal year 2011, the University entered into another agreement with CHF, with two separate components. The first was to refinance the existing Northern View capital lease. The second was to build and equip New Residence Hall, an approximately 1,008 bed student housing facility consisting of two five-story residential buildings and a community center and dining hall. New Residence Hall was recorded as an asset and as a capital lease upon its substantial completion during fiscal year 2012, with future payments beginning in fiscal year 2014. The total capital lease was recorded at $132,225,000.

NOTES TO THE BASIC FINANCIAL STATEMENTS

13. CERTIFICATES OF PARTICIPATION PAYABLE

Certificates of participation and outstanding principal balances as of June 30, 2020 are as follows ($000s):

Issue	Beginning Balance	Issued	Retired	Ending Balance	Current Portion
Certificates of Participation:					
Series 2014 - Capital Improvement Project	$ 7,845	$ -	$ (1,150)	$ 6,695	$ 1,200
	7,845	-	(1,150)	6,695	1,200
Unamortized Debt Premium	666	-	(95)	571	96
Total	$ 8,511	$ -	$ (1,245)	$ 7,266	$ 1,296

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

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

Year Ending June 30,	Principal	Interest	Total
2021	$ 1,200	$ 304	$ 1,504
2022	1,260	243	1,503
2023	1,325	178	1,503
2024	1,390	110	1,500
2025	1,455	39	1,494
2026	65	1	66
Total	$ 6,695	$ 875	$ 7,570

NOTES TO THE BASIC FINANCIAL STATEMENTS

14. NET POSITION

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

University Net Position ($000's):

Net investment in capital assets	$	70,027
Restricted:		
Nonexpendable		-
Expendable:		
Auxiliary Facilities System		77,981
Endowments		8,084
Unrestricted		(26,244)
Total	$	129,848

URO-Foundation ($000's):

Net investment in capital assets	$	22,150
Restricted:		
Nonexpendable		55,707
Expendable		33,538
Unrestricted		10,041
Total	$	121,436

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.

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

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

The unrestricted classification is not subject to externally imposed stipulations; however, substantially all of the University's unrestricted funds have been designated for various academic, research and public service

14. NET POSITION (Continued)

programs and initiatives, as well as capital projects. Additionally, legislative restrictions exist on these funds as outlined in the University Guidelines 1982, as amended in 1997.

15. TRANSACTIONS WITH COMPONENT UNITS

During fiscal year 2020, the University engaged the Foundation, under contract, to provide fundraising services. As provided by the contract agreement, the University paid $744,000 for fundraising services. Additionally, the University provided services to the Foundation valued at $709,000. As required by the contract, the Foundation fully repaid the University for the services provided, using funds considered unrestricted. The University engaged the Research Foundation, under contract, to provide services to aid the University in its economic development, public service, research, and educational missions. As provided by the contract, the Research Foundation provided $153,000 of services during fiscal year 2020, of which $40,000 was payable from the University at year-end.

The University entered into a 10-year lease with the Foundation for the rental of space in the Jeffrey and Kimberly Yordon Center in 2007. The Yordon Center lease has been extended through March 2023. The building houses state of the art strength and conditioning facilities, academic and tutoring support, coaches' offices, locker rooms, and medical treatment and rehabilitation services. The lease calls for the University to be responsible for insurance and maintenance of the building. The lease amount is included in the Operating Leases disclosure (Footnote 16).

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

15. TRANSACTIONS WITH COMPONENT UNITS (Continued)

As of and for the year ended June 30, 2020, the University and its component units had the following inter-entity transactions ($000s):

Northern Illinois University	NIU Foundation					Alumni Association	Research Foundation	
	Operating Revenue	Operating Expense	Current Assets	Current Liabilities	Noncurrent Liabilities		Operating Revenue	Current Assets
Operating revenues	$ -	$ 3,533	$ -	$ -	$ -	$ -	$ -	$ -
Operating expenses	1,573	-	-	-	-	-	153	-
Other nonoperating revenues	-	349	-	-	-	-	-	-
Current assets	-	-	-	1,126	-	-	-	-
Noncurrent assets	-	-	-	-	8,084	-	-	-
Current liabilities	-	-	-	-	-	-	-	40

16. OPERATING LEASES

The University leases various buildings under operating lease agreements. Total rental expense under these agreements for the year ended June 30, 2020 was $700,000.

Future minimum lease payments are as follows ($000s):

Year Ending June 30,	Amount
2021	$ 706
2022	213
2023	69
2024	2
Total	$ 990

17. RETIREMENT PLAN

General Information about the Pension Plan

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

17. RETIREMENT PLAN (Continued)

SURS is considered a component unit of the state of Illinois' financial reporting entity and is included in the State's Financial Reports 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 six months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2019 can be found in the System's comprehensive annual financial report, 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 of the System to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal year 2019 and 2020 respectively, was 12.29% and 13.02% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary except for police officers and fire fighters who contribute 9.5% of their earnings. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

Participating employers make contributions toward separately financed specific liabilities under Section 15-139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of "affected annuitants" or specific return to work annuitants) and Section 15-155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period), and Section 15-155(j-5) (relating to contributions payable due to earnings exceeding the salary set for the Governor).

NOTES TO THE BASIC FINANCIAL STATEMENTS

17. RETIREMENT PLAN (Continued)

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

Net Pension Liability. The net pension liability (NPL) was measured as of June 30, 2019. At June 30, 2019, SURS reported a net pension liability (NPL) of $28,720,071,000.

University's Proportionate Share of Net Pension Liability. The amount of the proportionate share of the net pension liability to be recognized for the University is $0. The proportionate share of the State's net pension liability associated with the University is $1,137,286,000 or 3.9599%. This amount should not be recognized in the financial statement. The net pension liability and total pension liability as of June 30, 2019 was determined based on the June 30, 2018 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during fiscal year 2019.

Pension Expense. At June 30, 2019, SURS reported a collective net pension expense of $3,094,666,000.

University's Proportionate Share of Pension Expense. The University's proportionate share of collective pension expense should be recognized similarly to on- behalf payments as both revenue and matching expenditure in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS during fiscal year 2019. As a result, the University recognized revenue and pension expense of $122,546,000 from this special funding situation during the year ended June 30, 2020.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. Deferred outflows of resources are the consumption of net position by the system that is applicable to future reporting periods.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

17. RETIREMENT PLAN (Continued)

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

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

University Deferral of Fiscal Year 2020 Pension Expense

The University paid $1,308,875 in federal, trust or grant contributions for the fiscal year ended June 30, 2020. These contributions were made subsequent to the pension liability date of June 30, 2019, and are recognized as Deferred Outflows of Resources as of June 30, 2020.

Assumptions and Other Inputs

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

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

Mortality rates were based on the RP2014 Combined Mortality Table with projected generational mortality and a separate mortality assumption for disabled participants.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

17. RETIREMENT PLAN (Continued)

and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2019, these best estimates are summarized in the following table:

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

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

Sensitivity of the System's Net Pension Liability to Changes in the Discount Rate. Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 6.59%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1- percentage-point higher:

NOTES TO THE BASIC FINANCIAL STATEMENTS

17. RETIREMENT PLAN (Continued)

1% Decrease 5.59%	Current Single Discount Rate Assumpton 6.59%	1% Increase 7.59%
$34,786,851,779	$28,720,071,173	$23,712,555,197

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

18. 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 17.

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

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

Funding policy and annual other postemployment benefit cost. OPEB offered through SEGIP are financed through a combination of retiree premiums, SEGIP contributions pursuant to the Act, and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retired members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in GARS, JRS, SERS, TRS and SURS do not contribute toward health and vision benefits. For annuitants who retired on or after January

NOTES TO THE BASIC FINANCIAL STATEMENTS

18. POSTEMPLOYMENT BENEFITS (Continued)

1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. The Director of Central Management Services shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the State's General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

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

CMS' Changes in Estimates. For the measurement date of June 30, 2018, CMS experienced two significant changes within its estimation process. The OPEB for both the special funding situation and the portion of OPEB where the University is responsible for employer contributions were both significantly impacted by (1) the University's number of participants in SEGIP and (2) the average cost per employee within SEGIP. CMS made changes to its estimation methodology that resulted in significant differences within its estimates which represent an outcome of estimation uncertainty that, as time has passed and new sources of better data have become available, continued to be refined to achieve a more representative reflection of the actual outcome of the estimate in future periods. As such, this change in estimate was amortized for subsequent recognition in the University's OPEB expense over a period of approximately five years, which began in Fiscal Year 2019.

Special Funding Situation Portion of OPEB: The proportionate share of the State's OPEB expense relative to the University's employees totaled ($47,085,501) during the year ended June 30, 2020. This amount was recognized by the University as non-operating special funding situation revenue and operating expense allocated to the related function performed by the employees during the year ended June 30, 2020.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

18. POSTEMPLOYMENT BENEFITS (Continued)

Measurement Date	June 30, 2019	June 30, 2018
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$ 931,998,667	$ 893,354,014
SEGIP total OPEB liability	43,889,169,017	40,093,248,494
Proportionate share of the total OPEB liability	2.1235%	2.2282%

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

Total OPEB liability, deferred outflows of resources, deferred inflows of resources, and expense related to OPEB: The University's total OPEB liability, as reported at June 30, 2020, was measured as of the measurement date on June 30, 2019, with an actuarial valuation as of June 30, 2018, which was rolled forward to the measurement date. The following chart displays the proportionate share of the University's contributions relative to all employer contributions during the years ended June 30, 2019 and 2018, each based on the June 30, 2018 and 2017, respectively, actuarial valuation rolled forward:

Measurement Date	June 30, 2019	June 30, 2018
University's OPEB liability	$44,503,617	$42,418,657
SEGIP total OPEB liability	43,889,169,017	40,093,248,494
Proportionate share of the total OPEB liability	0.1014%	0.1058%

The University's portion of the OPEB liability was based on the University's proportion share amount determined under the methodology described in Note 1 during the year ended June 30, 2019. As of the current year measurement date of June 30, 2019, the University's proportion declined 0.0044% from its proportion measured as of the prior year measurement date of June 30, 2018.

NOTES TO THE BASIC FINANCIAL STATEMENTS

18. POSTEMPLOYMENT BENEFITS (Continued)

The University recognized OPEB expense for the year ended June 30, 2020, of $1,519,607. At June 30, 2020, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2019, from the following sources:

Deferred outflows of resources		
Differences between expected and actual experience	$	63,886
Changes in assumptions		1,547,241
Changes in proportion and differences between employer contributions and proportionate share of contributions		3,069,061
University contributions subsequent to the measurement date		1,125,702
Total deferred outflows of resources	$	5,805,890
Deferred inflows of resources		
Differences between expected and actual experience	$	678,899
Changes of assumptions		2,746,230
Changes in proportion and differences between employer contributions and proportionate share of contributions		5,674,720
Total deferred inflows of resources	$	9,099,849

The amounts reported as deferred outflows of resources related to OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Total Amount Recognized of Deferred Inflows and Outflows over the Remaining Service Life of All Employees	
2021	$	(1,329,915)
2022		(1,329,915)
2023		(1,529,616)
2024		(230,862)
2025		647
Total	$	(4,419,661)

NOTES TO THE BASIC FINANCIAL STATEMENTS

18. POSTEMPLOYMENT BENEFITS (Continued)

Actuarial methods and assumptions: The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on GARS, JRS, SERS, TRS, and SURS active, inactive, and retiree data as of June 30, 2018, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2018.

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

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.50%
Projected Salary Increases*	2.75% - 12.25%
Discount Rate	3.13%
Healthcare Cost Trend Rate:	
Medical (Pre-Medicare)	8.0 % grading down 0.5% in the first year to 7.5%, then grading down 0.11% in the second year to 7.39%, followed by grading down of 0.5% per year over 5 years to 4.89% in year 7
Medical (Post-Medicare)	9.0% grading down 0.5% per year over 9 years to 4.5%
Dental and Vision	6.0% grading down 0.5% per year over 3 years to 4.5%
Retirees' share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2019 and 2020 are based on actual premiums. Premiums after 2020 were projected based on the same healthcare cost trend rates applied to per capita claim costs but excluding the additional trend rate that estimates the impact of the Excise Tax.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

18. POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

Since the last measurement date on June 30, 2019, the State has not made any significant changes to the benefit terms affecting the measurement of the collective total OPEB liability. Further, no changes have occurred since the measurement date and the University's fiscal year end on June 30, 2020, that are expected to have a significant impact on the University's proportionate share of the total collective OPEB liability.

Discount rate. Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 3.62% at June 30, 2018, and 3.13% at June 30, 2019, was used to measure the total OPEB

NOTES TO THE BASIC FINANCIAL STATEMENTS

18. POSTEMPLOYMENT BENEFITS (Continued)

liability.

Sensitivity of total OPEB liability to changes in the single discount rate: The following presents the University's proportionate share of the total OPEB liability measured as of June 30, 2019, calculated using a Single Discount Rate of 3.13%, as well as what the University's proportionate share of the plan's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (4.13%) or lower (2.13%) than the current rate.

	1% Decrease (2.13%)	Current Single Discount Rate Assumption (3.13%)	1% Increase (4.13%)
Total OPEB liability	$ 52,414,716	$ 44,503,617	$ 38,175,505

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The following presents the University's proportionate share of the total OPEB liability measured as of June 30, 2019, calculated using the healthcare cost trend rates, as well as what the University's proportionate share of the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates (amounts in table expressed in thousands). For calculating the healthcare trend rates assumption, the key trend rates are 8.0% in 2020 decreasing to an ultimate trend rate of 4.9% in 2027, for non-Medicare coverage, and 9.0% decreasing to an ultimate trend rate of 4.5% in 2029 for Medicare coverage. For the 1% decrease for calculating the healthcare cost trend rates assumption, the key trend rates are 7.00% in 2020 decreasing to an ultimate trend rate of 3.9% in 2027, for non-Medicare coverage, and 8.0% in 2020 decreasing to an ultimate trend rate of 4.5% in 2029 for Medicare coverage. For the 1% increase for calculating the healthcare cost trend rates assumption, the key trend rates are 9.00% in 2020 decreasing to an ultimate trend rate of 5.9% in 2027, for non-Medicare coverage, and 9.00% in 2020 decreasing to an ultimate trend rate of 5.5% in 2029 for Medicare coverage.

	1% Decrease (7.00%)	Healthcare Cost Trend Rates Assumption (8.00%)	1% Increase (9.00%)
Total OPEB liability	$ 37,316,451	$ 44,503,617	$ 53,812,124

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,

NOTES TO THE BASIC FINANCIAL STATEMENTS

18. POSTEMPLOYMENT BENEFITS (Continued)

and (2) the portion of OPEB liability recorded by the University for its employees paid from trust, federal, and other funds. The following chart displays the proportionate share of contributions, regardless of funding source, associated with the University's employees relative to all employer contributions during the years ended June 30, 2019 and 2018, each based on the June 30, 2018 and 2017, respectively, actuarial valuation rolled forward:

Measurement Date	June 30, 2019	June 30, 2018
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$ 931,998,667	$ 893,354,014
University's OPEB liability	44,503,617	42,418,657
Total OPEB liability associated with the University	976,502,284	935,772,671
SEGIP total OPEB liability	43,889,169,017	40,093,248,494
Proportionate share of the OPEB liability associated with the University	2.2250%	2.3340%

19. OPERATING EXPENSES BY NATURAL CLASSIFICATION

Operating expenses by natural classification for the year ended June 30, 2020 are summarized as follows ($000s):

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
University					
Instruction	$ 172,218	$ 15,348	$ -	$ -	$ 187,566
Research	15,941	2,974	-	-	18,915
Public service	20,109	4,842	-	-	24,951
Academic support	30,090	7,482	-	-	37,572
Student services	17,183	6,840	-	-	24,023
O&M	10,833	10,939	-	-	21,772
Depreciation	-	-	-	28,365	28,365
Inst. support	36,679	18,490	-	-	55,169
Scholarships and fellowships	-	-	44,783	-	44,783
Auxiliary enterprises	60,300	11,966	-	-	72,266
Total	$ 363,353	$ 78,881	$ 44,783	$ 28,365	$ 515,382

20. INSURANCE

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

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

21. COMMITMENTS AND CONTINGENCIES

At June 30, 2020, the University had commitments on various services, products, grants, projects, and contracts for repairs and renovations of facilities of approximately $15.6 million.

Grants and Contracts

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

Legal Actions

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

22. UNIVERSITY RELATED ORGANIZATIONS

The University's financial statements include the activity of the University Related Organizations (UROs) which represent the University's discretely presented component units. Below are condensed financial statements by organization as of and for the year ended June 30, 2020 ($000s):

	Foundation	Alumni Association	Northern IL Research Foundation	Eliminations	Combined Totals
Condensed Statement of Net Position					
ASSETS:					
Current assets					
Cash and cash equivalents	$ 5,448	$ 138	$ 254	$ (138)	$ 5,702
Accounts receivable	1,199	-	116	-	1,315
Other current assets	785	230	8	-	1,023
Noncurrent assets					
Capital assets, net of accumulated depreciation	22,591	-	45	-	22,636
Investments administered by NIU Foundation	102,544	2,319	-	(2,319)	102,544
Other noncurrent assets	1,466	-	-	-	1,466
TOTAL ASSETS	$ 134,033	$ 2,687	$ 423	$ (2,457)	$ 134,686
LIABILITIES:					
Current liabilities					
Accounts payable and accrued liabilities	$ 930	$ 330	$ 47	$ -	$ 1,307
Due to NIU	1,126	-	-	-	1,126
Noncurrent liabilities					
Deposits held for NIU Alumni Association	2,457	-	-	(2,457)	-
Deposits held for NIU	8,084	-	-	-	8,084
Unearned revenue and grants	-	-	37	-	37
TOTAL LIABILITIES	$ 12,597	$ 330	$ 84	$ (2,457)	$ 10,554
NET POSITION:					
Invested in capital assets	$ 22,150	$ -	$ 45	$ -	$ 22,195
Restricted					
Nonexpendable	55,707	79	-	-	55,786
Expendable	33,538	286	36	-	33,860
Unrestricted	10,041	1,992	258	-	12,291
Total net position	121,436	2,357	339	-	124,132
TOTAL LIABILITIES AND NET POSITION	$ 134,033	$ 2,687	$ 423	$ (2,457)	$ 134,686
Condensed Statement of Revenues, Expenses, and Changes in Net Position					
Operating revenues	$ 8,137	$ 998	$ 742	$ -	$ 9,877
Operating expenses	10,710	1,450	885	-	13,045
Operating gain (loss)	(2,573)	(452)	(143)	-	(3,168)
Nonoperating revenue	(4,050)	173	-	-	(3,877)
Increase (decrease) in net position	(6,623)	(279)	(143)	-	(7,045)
Net position, beginning of year	128,059	2,636	482	-	131,177
Restatement	-	-	-	-	-
Net position, beginning of year, as restated	128,059	2,636	482	-	131,177
Net position, end of year	$ 121,436	$ 2,357	$ 339	$ -	$ 124,132

NOTES TO THE BASIC FINANCIAL STATEMENTS

23. SUBSEQUENT EVENTS

Effective as of July 1, 2020, the Foundation and the Association merged into a single corporation, resulting in the Foundation being the surviving organization of the merger.

Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION

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

State Universities Retirement System

Last 10 Fiscal Years* (000's)

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
(a) Proportion percentage of the collective net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(b) Proportion amount of the collective net pension liability	$ -	$ -	$ -	$ -	$ -	$ -
(c) Portion of nonemployer contributing entities' total proportion of collective net pension liability associated with employer	$ 1,137,286	$ 1,115,729	$ 1,075,201	$ 1,096,228	$ 1,016,084	$ 994,334
Total (b) + (c)	$ 1,137,286	$ 1,115,729	$ 1,075,201	$ 1,096,228	$ 1,016,084	$ 994,334
Employer defined benefit covered-employee payroll	$ 142,898	$ 144,789	$ 148,710	$ 152,243	$ 154,994	$ 164,728
Proportion of collective net pension liability associated with employer as a percentage of covered-employee payroll	796%	771%	723%	720%	656%	604%
SURS plan net position as a percentage of total pension liability	40.71%	41.72%	42.04%	39.57%	42.37%	44.39%

Schedule of University Contributions

Last 10 Fiscal Years* (000's)

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

*Note: The University implemented GASB Statement No. 68 in fiscal year 2015. The schedule is intended to show information for previous 10 years. The information above comprises the information as was available.

REQUIRED SUPPLEMENTARY INFORMATION

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

Benefit Liability State Employees Group Insurance Program

Last 10 Fiscal Years* (000's)

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017
Proportion percentage of the collective total OPEB liability	0.10%	0.11%	0.12%
Proportion amount of the collective total OPEB liability	$ 44,504	$ 42,419	$ 49,837
Estimated proportionate amount of collective total OPEB liability associated with the University - State supported portion	931,999	893,354	1,358,810
Total	$ 976,503	$ 935,773	$ 1,408,647
Employer defined benefit covered-employee payroll	$ 142,898	$ 144,789	$ 148,710
Proportion of collective total OPEB liability as a percentage of covered-employee payroll	31.14%	29.30%	33.51%

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

REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Supplementary Information

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

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

- *Salary increase*. Decrease in the overall assumed salary increase rates, ranging from 3.25% to 12.25% based on years of service, with underlying wage inflation of 2.25%.
- *Investment Return*. Decrease the investment return assumption to 6.75%. This reflects maintaining an assumed real rate of return of 4.50% and decreasing the underlying assumed price inflation to 2.25%.
- *Effective rate of interest*. Decrease the long-term assumption for the ERI for crediting the money purchase accounts to 6.75% (effective July 2, 2019).
- *Normal retirement rates*. A slight increase in retirement rate at age 50. No change to the rates for ages 60-61, 67-74 and 80+, but a slight decrease in rates at all other ages. A rate of 50% 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 that certain members who receive disability benefits do not receive the benefits on a long-term basis.

Supplementary Information

SUPPLEMENTARY INFORMATION

STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY
TABLE OF OPERATING EXPENSES
For the Year Ended June 30, 2020

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

	Compensation and Benefits										Total
	Northern Illinois University's Expenses				State of Illinois' Expenses					Other	Operating
	Salaries[1]	Benefits[2]	OPEB[3]	Sub-Total	Benefits[2]	OPEB[3]	Pension	Sub-Total	Total	Expenses	Expenses
Educational and general:											
Instruction	$ 111,898	$ 10,481	$ 160	$ 122,539	$ -	$ (10,563)	$ 60,242	$ 49,679	$ 172,218	$ 15,348	$ 187,566
Research	11,823	1,580	8	13,411	-	(543)	3,073	2,530	15,941	2,974	18,915
Public service	14,511	3,179	8	17,698	-	(507)	2,918	2,411	20,109	4,842	24,951
Academic support	19,859	961	32	20,852	-	(2,095)	11,333	9,238	30,090	7,482	37,572
Student services	11,632	971	15	12,618	-	(971)	5,536	4,565	17,183	6,840	24,023
Operation and maintenance of plant	7,157	175	12	7,344	-	(779)	4,268	3,489	10,833	10,939	21,772
Depreciation	-	-	-	-	-	-	-	-	-	28,365	28,365
Institutional support	24,482	970	40	25,492	-	(2,603)	13,790	11,187	36,679	18,490	55,169
Scholarships and fellowships	-	-	-	-	-	-	-	-	-	44,783	44,783
Auxiliary enterprises	41,397	1,419	60	42,876	-	(3,963)	21,387	17,424	60,300	11,966	72,266
Total	$ 242,759	$ 19,736	$ 335	$ 262,830	$ -	$ (22,024)	$ 122,547	$ 100,523	$ 363,353	$ 152,029	$ 515,382

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

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

[3] OPEB refers to other postemployment benefits.