NORTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois

FINANCIAL AUDIT

For the Year Ended June 30, 2022

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

NORTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended June 30, 2022

Table of Contents

	Page
University Officials	1
Financial Statement Report:	
Summary	2
Independent Auditors' Report	3
Management's Discussion and Analysis	7
Statement of Net Position	21
Statement of Revenues, Expenses, and Changes in Net Position	22
Statement of Cash Flows	23
Statement of Fiduciary Net Position	25
Statement of Changes in Fiduciary Net Position	26
Notes to the Basic Financial Statements	27
Required Supplementary Information:	
Schedule of the University's Proportionate Share of the Net Pension Liability	74
Schedule of University Contributions	74
Schedule of the University's Proportionate Share of the Collective Total OPEB Liability	75
Notes to Required Supplementary Information	76
Supplementary Information:	
Table of Operating Expenses – For the Year Ended June 30, 2022	77

NORTHERN ILLINOIS UNIVERSITY
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FINANCIAL AUDIT
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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 (July 1, 2021 through April 20, 2022)	Sarah Chinniah
Interim (from May 1, 2022 through December 15, 2022)	Dr. James Cofer
Vice President for Administration and Finance and Chief Financial Officer (from January 17, 2023)	Dr. George Middlemist
Vice President for Research and Innovation Partnerships	Gerald Blazey
Vice President and General Counsel	Bryan Perry
Vice President for Enrollment Management, Marketing and Communications	Sol Jensen
Vice President for Outreach, Engagement and Regional Development	Rena Cotsones
Vice President for University Advancement	Catherine Squires
Director of Internal Audit	Danielle Schultz

Financial Staff

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

NIU Board Members

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

Opinions

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

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

We did not audit the financial statements of the Northern Illinois University Foundation and the Northern Illinois Research Foundation. 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 Northern Illinois University Foundation and the Northern Illinois Research Foundation, is based solely on the report of the other auditors.

Basis for Opinions

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

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

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated January 25, 2023, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

CliftonLarsonAllen LLP

Oak Brook, Illinois
January 25, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Northern Illinois University (NIU, or the University) is a comprehensive public institution of higher learning with approximately 15,700 students as of Fall 2022. 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, 2022 with summarized comparative totals for the year ended June 30, 2021. This discussion is prepared by management and should be read in conjunction with the accompanying financial statements and the notes.

USING THE FINANCIAL STATEMENTS

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

The following MD&A presents condensed versions of the financial statements with comparative financial information for fiscal year 2022 in order to illustrate increases and decreases from fiscal year 2021 data. This MD&A focuses on the University, excluding the discretely presented component units, also known as University Related Organizations, or UROs. Information regarding the component units is summarized in Note 22 to the basic financial statements. The MD&A for the component units is included in their respective separately issued financial statements.

FINANCIAL HIGHLIGHTS

As a premier, student-centered, research-focused public university in the Midwest, revenues from tuition and fees, auxiliary enterprises, and sponsored programs represent approximately 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 16% of University operating revenue sources in fiscal year 2022. The most significant fiscal year 2022 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 continue to incorporate lessons learned from the COVID-19 pandemic and continue to implement the multiyear budget and financial planning efforts 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 using the accrual basis of accounting. The difference between total assets plus deferred outflows of resources, and total liabilities plus deferred inflows of resources—net position—is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured at cost with the exception of investments which are reported at fair value. Capital assets are reported at cost less accumulated depreciation.

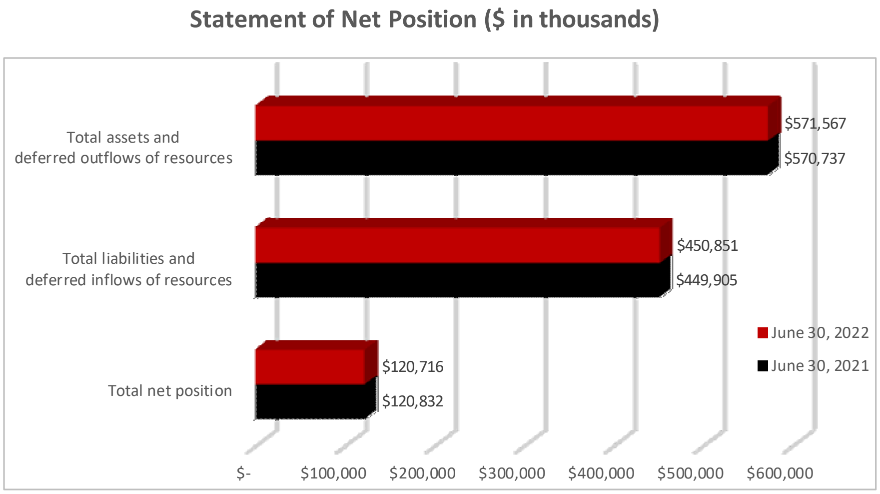
A summary comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2022, and June 30, 2021 follows:

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

	June 30, 2022	June 30, 2021	$ Change	% Change
Current assets	$ 100,907	$ 111,408	$ (10,501)	-9.4%
Noncurrent assets:				
Restricted cash and investments	78,943	56,674	22,269	39.3%
Capital assets, net	364,137	382,663	(18,526)	-4.8%
Other	17,853	16,202	1,651	10.2%
Total assets	561,840	566,947	(5,107)	-0.9%
Deferred outflows of resources	9,727	3,790	5,937	156.6%
Current liabilities	69,287	60,171	9,116	15.2%
Noncurrent liabilities	368,643	383,389	(14,746)	-3.8%
Total liabilities	437,930	443,560	(5,630)	-1.3%
Deferred inflows of resources	12,921	6,345	6,576	103.6%
Total net position	$ 120,716	$ 120,832	$ (116)	-0.1%

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following chart summarizes the University's statement of net position as of June 30, 2022 and the previous fiscal year-end:



Fiscal Year 2022 Compared to 2021

The University's net position decreased $0.1 million during fiscal year 2022, compared to a $9.0 million decrease the previous year. The State's general appropriation funding increased from $87.8 million in fiscal year 2021 to $92.2 million in fiscal year 2022. State appropriations – capital increased from $0.3 million in fiscal year 2021 to $0.8 million in fiscal year 2022 due to an increase in state funded capital projects in fiscal year 2022.

Current assets including cash and investments decreased $10.5 million (-9.4%) over prior year and was due primarily to the ongoing impacts of the COVID-19 pandemic, which resulted in a decrease in current cash and investments of $17.3 million. This decrease was offset by a $5.1 million increase in accounts receivable that was primarily due to an increase in HEERF (Higher Education Emergency Relief Funding) receivables at year-end.

Current liabilities increased $9.1 million (15.2%) at year-end due to increased accounts payable and accrued liabilities and unearned tuition and fees. Noncurrent liabilities decreased $14.7 million (-3.8%) at year-end primarily due to current year principal payments on long-term debt obligations as well as a decrease in the other post-employment benefits obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets, Net and Debt Obligations

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

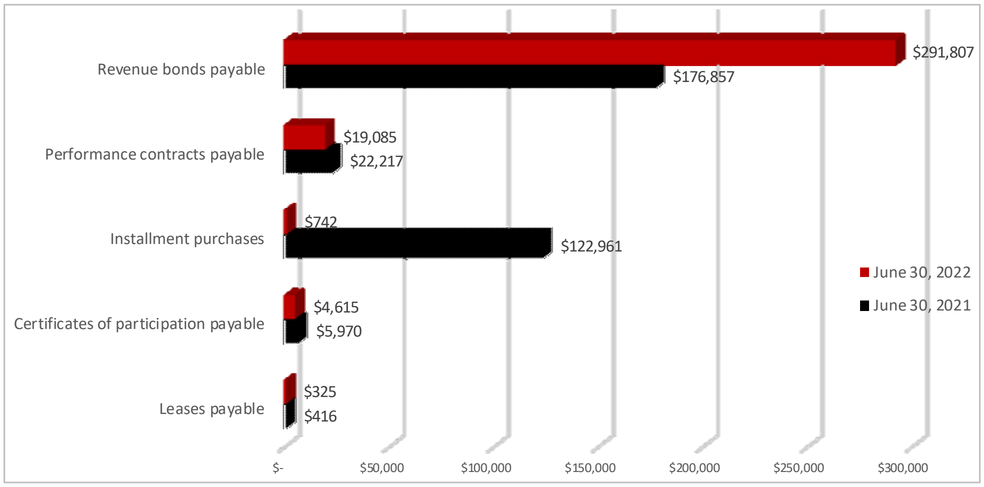
The decrease in capital assets, totaling $18.5 million (-4.8%), was primarily a result of current period depreciation exceeding current year additions. Capital asset additions totaled $8.6 million, while depreciation expense totaled $27.0 million in fiscal 2022. Significant capital additions included construction work on the music building, parking garage, electrical infrastructure, and elevators, 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. In fiscal 2022, the University issued Auxiliary Facilities Systems Revenue Bonds, Series 2021, to effectively refinance the installment purchases payable to Collegiate Housing Foundation. At June 30, 2022, bonds payable totaled $291.8 million, installment purchases totaled $0.7 million, and leases payable totaled $0.3 million. The University also has four separate performance contracts outstanding, totaling $19.1 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 $4.6 million at year-end and were used to finance the acquisition of academic and administrative facilities.

The following chart summarizes the University's bonds payable, leases payable, installment purchases payable, certificates of participation payable, and performance contracts payable outstanding as of June 30, 2022, and at the previous fiscal year-end:

MANAGEMENT'S DISCUSSION AND ANALYSIS

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



STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statement of revenue, expenses, and changes in net position presents the change in financial position of the University. A summary comparison of the University's activities for the years ended June 30, 2022, and June 30, 2021, follows:

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

	2022	2021	$ Change	% Change
Operating revenues	$ 239,561	$ 217,823	$ 21,738	10.0%
Operating expenses	554,051	557,165	(3,114)	-0.6%
Operating gain/(loss)	(314,490)	(339,342)	24,852	7.3%
Nonoperating revenues/(expenses)	313,559	327,930	(14,371)	-4.4%
Other revenues and changes in net position	815	853	(38)	-4.5%
Increase/(decrease) in net position	$ (116)	$ (10,559)	$ 10,443	98.9%

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, 2022, and changes from the previous fiscal year follows:

Summary of Revenues ($ In Thousands)

	2022	2021	$ Change	% Change
Operating revenues:				
Student tuition and fees, net	$ 99,517	$ 107,935	$ (8,418)	-7.8%
Auxiliary enterprises	75,867	48,164	27,703	57.5%
Sponsored programs	38,196	37,371	825	2.2%
Other	25,981	24,353	1,628	6.7%
Operating revenues	239,561	217,823	21,738	10.0%
Nonoperating revenues:				
State appropriations:				
General	92,217	87,823	4,394	5.0%
On-Behalf for Fringe Benefits	34,634	33,399	1,235	3.7%
Special Funding for Fringe Benefits	87,275	140,284	(53,009)	-37.8%
Pell grants	25,901	25,236	665	2.6%
Illinois MAP Grants	24,899	23,253	1,646	7.1%
Federal Supplemental Educational Opportunity Grants	1,384	1,283	101	7.9%
Federal and state grants and other contracts	44,537	28,961	15,576	53.8%
Net investment income	91	1,847	(1,756)	-95.1%
Other nonoperating	10,679	-	10,679	100.0%
Net nonoperating revenues	321,617	342,086	(20,469)	-6.0%
Other revenues:				
State appropriations - capital	780	343	437	127.4%
Gifts and contributions	269	521	(252)	-48.4%
Gain/(loss) on disposal of capital assets	(234)	(11)	(223)	2027.3%
Other revenues	815	853	(38)	-4.5%
Total revenues	$ 561,993	$ 560,762	$ 1,231	0.2%

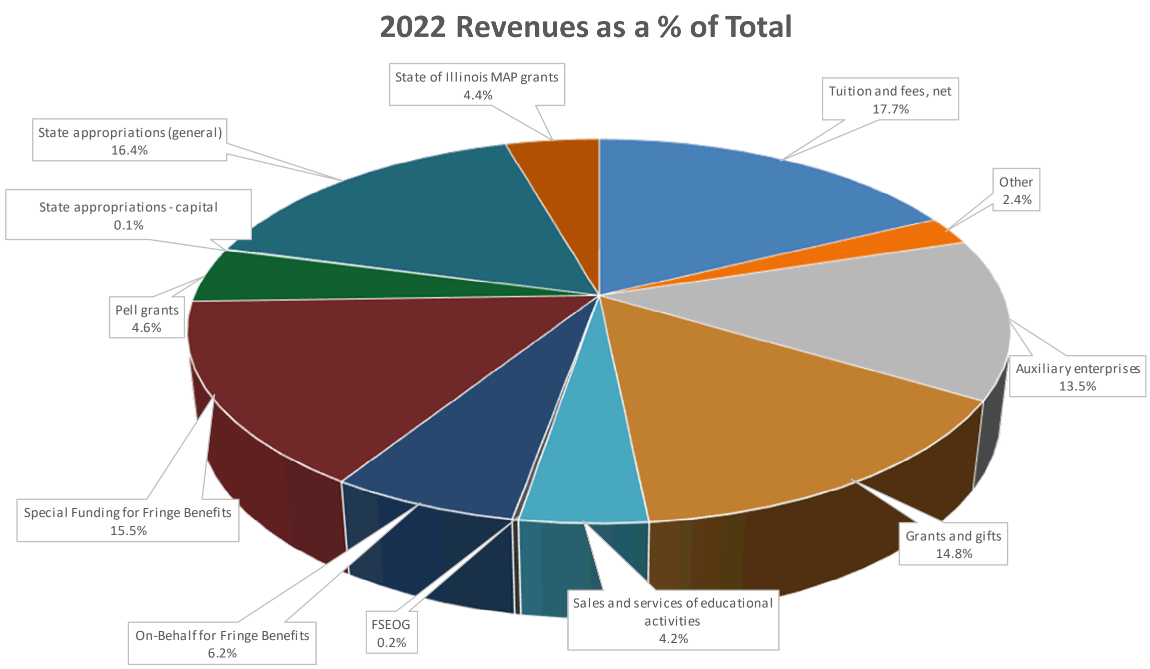
Due to the required classification of some of these significant funding sources as nonoperating revenues, operating expenses will typically exceed operating revenues for public universities, resulting in an operating loss. Nonoperating revenue sources include State appropriations, Pell grants, State 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 2022 Compared to 2021

The University's total revenues increased by $1.2 million, or 0.2%. See discussion below for explanations of significant increases and decreases in specific revenue categories.

The following is a graphic illustration of revenues by source (both operating and nonoperating), as a percentage of total revenues, which are used to fund the University's operating activities for the year ended June 30, 2022:



MANAGEMENT'S DISCUSSION AND ANALYSIS

Notable changes in revenues during fiscal year 2022 compared to 2021 included:

- Tuition and Fees, net decreased by $8.4 million in fiscal year 2022, or -7.8%, due to a decrease in enrollment and an increase in the scholarship allowance.
- Auxiliary enterprise revenues increased by $27.7 million, or 57.5%, due to a return to normal activities, including housing and dining, after the COVID-19 pandemic.
- State appropriations decreased $47.4 million, or -18.1%, during fiscal 2022 to $214.1 million. Included in this total is general appropriations which increased to $92.2 million, or 5.0%, in fiscal year 2022. 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 decreased $51.8 million, or -29.8%, in fiscal year 2022 to $121.9 million. The University does not participate in the design, selection of vendors, or implementation of either the retirement or group insurance plans for employees. The on-behalf expense is a result of the changes in the underlying state retirement and other post-employment benefit plan liabilities. These liabilities are actuarily calculated and can fluctuate drastically from year to year resulting in significant year over year changes in the on-behalf revenues.
- Federal and state grants and other contracts - nonoperating increased by $15.6 million, or 53.8%, during fiscal 2022. This was due to additional federal HEERF funding recognized in fiscal 2022 as well as funds received for AIM high scholarships.
- Other non-operating revenue increased $10.7 million and consists of revenues associated with the defeasance of the installment purchase liability and terminations of the public private partnership between the University and Collegiate Housing Foundation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Expenses

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

A comparative summary of the University's expenses (both operating and nonoperating) for the fiscal years ended June 30, 2022, and June 30, 2021, follows:

Summary of Expenses ($ In Thousands)

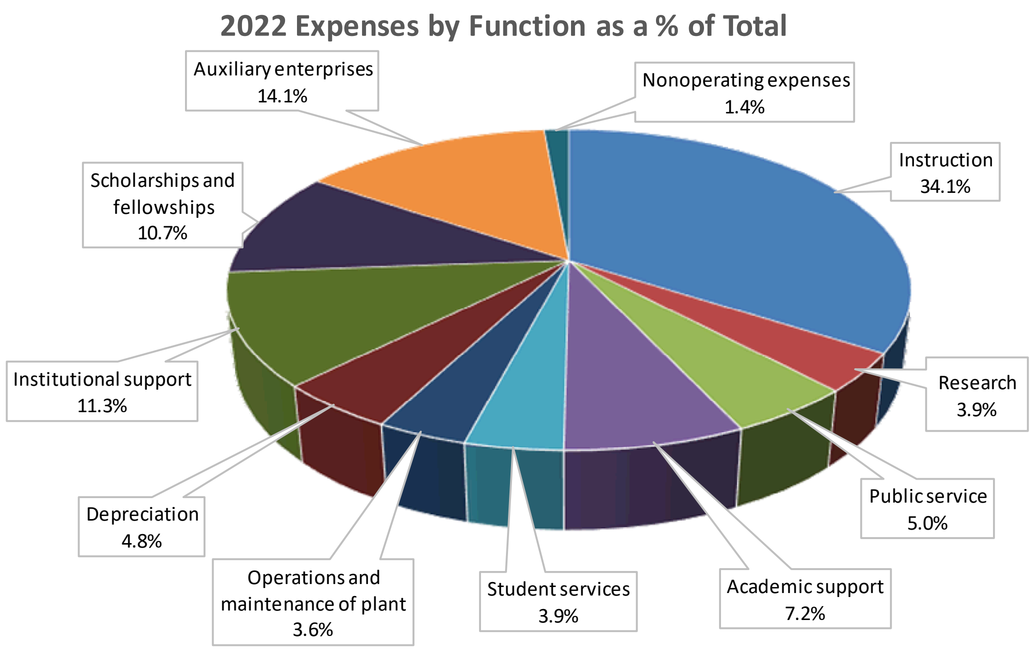
	2022	2021	$ Change	% Change
Operating expenses:				
Instruction	$ 191,834	$ 212,028	$ (20,194)	-9.5%
Research	21,545	21,022	523	2.5%
Public service	27,959	25,896	2,063	8.0%
Academic support	40,101	40,783	(682)	-1.7%
Student services	22,084	23,985	(1,901)	-7.9%
Operations and maintenance of plant	20,371	22,700	(2,329)	-10.3%
Depreciation	27,030	27,222	(192)	-0.7%
Institutional support	63,410	57,582	5,828	10.1%
Scholarships and fellowships	60,356	48,373	11,983	24.8%
Auxiliary enterprises	79,361	77,574	1,787	2.3%
Operating expenses	554,051	557,165	(3,114)	-0.6%
Nonoperating expenses:				
Nonoperating expenses	8,058	14,156	(6,098)	-43.1%
Total expenses	$ 562,109	$ 571,321	$ (9,212)	-1.6%

Fiscal Year 2022 Compared to 2021

The University's total operating expenses decreased $3.1 million to $554.1 million during the year ended June 30, 2022, a decrease of -0.6% from the prior year. This total includes fringe benefit expenses for the on-behalf payments made by the State for university employer contributions for State Employees Group Insurance Program (SEGIP) and SURS, which are recorded as both nonoperating revenues from the State and operating expenditures for staff benefits. The University's total operating expenses when factoring out the employer contributions for SEGIP and SURS increased by $48.7 million, or 12.7%, during the year ended June 30, 2022.

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, 2022:



Notable changes in expenses during fiscal year 2022 compared to 2021 included:

- Instruction, which includes expenses for academic programs including community education, decreased $20.2 million in total during fiscal 2022, or -9.5%, due primarily to an decrease in the benefit expense allocation for on-behalf contributions to SEGIP. After adjusting for on-behalf expense, instruction expense increased by $6.4 million, or 5.1%, which was primarily due to an increase in personnel services costs in fiscal 2022.
- Institutional Support, which includes expenses related to the management and long-range planning for the University, support services to faculty and staff, and community and alumni relations activities increased $5.8 million, or 10.1% in fiscal 2022 due primarily to a decrease in the benefit expense allocation for on-behalf contributions to SEGIP. After adjusting for on-behalf expense, institutional support expense increased by $10.4 million, or 27.2%, which was primarily due to an increase in personnel services costs in fiscal 2022. The University also provided incentive payments to students for providing proof of COVID-19 vaccination.
- Scholarships and fellowships increased $12.0 million, or 24.8% in fiscal 2022. This is due to an increase in HEERF student funds awarded and disbursed.
- Auxiliary enterprises, which is primarily comprised of student housing, the student union, intercollegiate athletics, recreational facilities, and parking operations, increased $1.8 million during fiscal 2022, or 2.3%, due primarily to an increase in density on campus. The University returned to normal operations in fiscal 2022 after reducing density in fiscal 2021 due to the COVID-19 pandemic.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- After adjusting for on-behalf expense, auxiliary enterprises expense increased by $10.8 million, or 22.9%, due to increase in personnel services costs, as well as, an increase in non-personnel operating expenses associated with the increased housing density on campus.
- Nonoperating expenses consist of interest expense and decreased $6.1 million in total during fiscal 2022, or -43.1%. The decrease was primarily due to savings in interest expense as a result of issuance of the auxiliary facilities system revenue bonds, series 2021, which replaced the installment purchases payable to Collegiate Housing Foundation.

STATEMENT OF CASH FLOWS

The statement of cash flows provides additional information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. A summary comparison of cash flows for the University's fiscal years ended June 30, 2022 and June 30, 2021 follows:

Condensed Statement of Cash Flows ($ In Thousands)

	2022	2021	$ Change	% Change
Net cash used in operating activities	$ (157,836)	$ (143,859)	$ (13,977)	9.7%
Net cash provided by noncapital financing activities	186,485	173,752	12,733	7.3%
Net cash used in capital and related financing activities	(23,811)	(26,707)	2,896	10.8%
Net cash provided/(used) by investing activities	(18,878)	9,509	(28,387)	-298.5%
Net increase/(decrease) in cash and cash equivalents	(14,040)	12,695	(26,735)	-210.6%
Cash and cash equivalents, beginning of year	72,585	59,890	12,695	21.2%
Cash and cash equivalents, end of year	$ 58,545	$ 72,585	$ (14,040)	-19.3%

Fiscal Year 2022 Compared to 2021

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 2022 compared to 2021 include:

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Net cash used in operating activities increased $14.0 million in fiscal 2022, or 9.7% from the previous year. While receipts from auxiliary enterprise increased $28.9 million. Receipts from student tuition and fees decreased by $11.3 million. Additionally, payments to suppliers and payments to employees increased by $10.7 million and $26.2 million, respectively. This was due to a return to more normal operations on campus coming out of the COVID-19 pandemic.
- Net cash provided by noncapital financing activities increased by $12.7 million in fiscal 2022, or 7.3%, due primarily to a decrease in cash flows from State appropriations totaling $11.9 million. In fiscal year 2020 there were appropriations receivable of $15.9 million which were received in fiscal year 2021. All fiscal year 2022 state appropriations were received during the fiscal year. Additionally, there was an increase in Federal and State grants and other contracts cash flows of $22.7 million due to additional HEERF funding received in fiscal year 2022.
- Net cash used in capital and related financing activities decreased $2.9 million in fiscal 2022, or -10.8% over the previous year. This was due to a decrease in principal and interest payments on capital debt from the previous year due to the issuance of the series 2021 auxiliary facilities system revenue bonds.
- Net cash used by investing activities increased $28.4 million in fiscal 2022, or 298.5% over the previous year. This was primarily due to an increase in net investments purchased. The University invested more funds during the year to take advantage of rising interest rates and increased investment yields.

FIDUCIARY FUNDS

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

THE UNIVERSITY'S ECONOMIC OUTLOOK

The University's economic outlook is positive. The University received its first rating upgrade in over 20 years with an affirmed positive outlook from Moody's in April 2022. The upgrade reflects positive downstream effects of a strengthened State of Illinois fiscal condition, increased support in state appropriations and monetary assistance program financial aid funding for students, and improved operating performance bolstered by federal pandemic support. In fiscal year 2022, the University issued $99.0 million of Auxiliary Facilities System Revenue Bonds. The bonds were issued to refinance $121.9 million of installment purchase

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE UNIVERSITY'S ECONOMIC OUTLOOK (Continued)

obligations and acquire New Residence Hall, a 1,000-bed capacity residential facility, and Northern View Community, a 24-unit apartment style facility for non-traditional students. The transaction resulted in a present value savings of $65.5 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. For Fall 2021, the University saw a 12% increase in new freshmen enrollment the largest year-over-year percentage increase in the freshman class in more than two decades and the fifth straight year of growth among incoming freshmen. Total enrollment for Fall 2021 saw a modest decrease of 3% from 2020 that is largely attributed to disruptions caused by the global pandemic and its impact felt by college students nationwide. The state legislature continues to demonstrate its commitment towards higher education in the State of Illinois, providing a 5% supplemental appropriation for fiscal year 2022, and designating a total of $4.0 million of federal Governor's Emergency Education Relief (GEER) funds to NIU. The University received general State appropriations of $87.8 million with an additional $4.4 million in supplemental appropriation in fiscal year 2022, and the University has an approved fiscal year 2023 general appropriation budget of $92 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 new partnerships in fiscal year 2022 that will allow for greater efficiency, effectiveness, and expertise, as well as enhance student experiences. The long-term success and sustainability of the University are contingent on moving forward with the updated Strategic Enrollment Management Plan and making critical investments in infrastructure and initiatives that support academic excellence, research and artistry, 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 addition, the University continues to see positive financial, structural, curricular, and cultural outcomes from the Strategic Action Planning framework incorporated into a number of tools used to guide internal recommendations for continuous improvement.

Sponsored funds provide direct support for the University's research, artistry, service, and instructional programs and generate indirect revenue to maintain them. External funding is influenced by many factors including faculty funding cycles, competition for federal dollars, award spending schedules, and current

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE UNIVERSITY'S ECONOMIC OUTLOOK (Continued)

funding portfolio. The University anticipates sponsored funding revenue to increase above the fiscal year 2022 levels given various strategic research development efforts across campus.

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.

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

NORTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF NET POSITION
June 30, 2022 (In Thousands)

	University	Component Units
ASSETS	2022	2022
Current assets		
Cash and cash equivalents	$ 16,097	$ 5,435
Restricted cash and cash equivalents	31,080	-
Investments	9,517	-
Accrued interest receivable	45	-
Accounts receivable, net	36,447	1,578
Appropriations receivable from state	483	-
Inventories	1,928	-
Due from component units	896	-
Other assets	4,414	1,222
Total current assets	100,907	8,235
Noncurrent assets		
Restricted cash and cash equivalents	11,368	-
Investments	-	136,705
Restricted investments and marketable securities	67,575	-
Student loans receivable - net	2,516	-
Lease receivable	330	
Due from component units	11,580	-
Other	3,427	2,892
Capital assets, net of accumulated depreciation	364,137	21,562
Total noncurrent assets	460,933	161,159
TOTAL ASSETS	**561,840**	**169,394**
DEFERRED OUTFLOWS OF RESOURCES		
Other postemployment benefits	8,241	-
Federal, trust, grant, and other contributions - pensions	1,486	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**9,727**	**-**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	48,518	1,289
Accrued compensated absences	2,306	-
Other postemployment benefits	959	-
Students' deposits	312	-
Due to NIU	-	896
Unearned tuition and fees	11,983	-
Unearned revenue and grants	5,209	-
Total current liabilities	69,287	2,185
Noncurrent liabilities		
Accounts payable and accrued liabilities	-	-
Other postemployment benefits	39,340	-
Due to NIU	-	11,580
Performance contracts payable	15,852	-
Accrued compensated absences	16,066	-
Government loan fund advances	2,975	-
Unearned revenue and grants	-	27
Revenue bonds payable	290,467	-
Installment purchase	392	
Leases payable	261	-
Notes and certificates of participation payable	3,290	-
Total noncurrent liabilities	368,643	11,607
TOTAL LIABILITIES	**437,930**	**13,792**
DEFERRED INFLOWS OF RESOURCES		
Other postemployment benefits	12,558	-
Leases	363	-
TOTAL DEFERRED INFLOWS OF RESOURCES	**12,921**	**-**
NET POSITION		
Net investment in capital assets	47,578	21,562
Restricted:		
Nonexpendable	384	60,518
Expendable	74,047	58,555
Unrestricted	(1,293)	14,967
TOTAL NET POSITION	**$ 120,716**	**$ 155,602**

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, 2022 (In Thousands)

	University 2022	Component Units 2022
REVENUES		
Operating revenues		
Tuition and fees, net	$ 99,517	$ -
Federal and state grants and other contracts	32,022	-
Private gifts, grants, and contracts	6,174	22,997
Sales and service of educational activities	23,787	-
Other sources	2,194	1,867
Auxiliary enterprises	75,867	-
Total operating revenues	239,561	24,864
EXPENSES		
Operating expenses		
Instruction	191,834	-
Research	21,545	-
Public service	27,959	-
Academic support	40,101	-
Student services	22,084	-
Operation and maintenance of plant	20,371	-
Depreciation	27,030	617
Institutional support	63,410	11,601
Scholarships and fellowships	60,356	2,756
Auxiliary enterprises	79,361	-
Total operating expenses	554,051	14,974
Net operating income/(loss)	(314,490)	9,890
NONOPERATING REVENUES (EXPENSES)		
State appropriations - general	92,217	-
On-behalf for fringe benefits	34,634	-
Special funding for fringe benefits	87,275	-
Federal and state grants and other contracts	44,537	-
Net investment income (loss)	91	(11,828)
Pell grants	25,901	-
Federal Supplemental Educational Opportunity Grant (FSEOG)	1,384	-
State of IL Monetary Award Program (MAP)	24,899	-
Other nonoperating	10,679	-
Interest expense	(8,058)	-
Net nonoperating revenues	313,559	(11,828)
Income/(loss) before other revenues, gains, or losses	(931)	(1,938)
OTHER REVENUES AND GAINS (LOSSES)		
State appropriations - capital	780	-
Gifts and contributions	269	-
Loss on disposal of capital assets	(234)	-
(DECREASE) INCREASE IN NET POSITION	(116)	(1,938)
NET POSITION, BEGINNING OF YEAR	120,832	157,540
NET POSITION, END OF YEAR	$ 120,716	$ 155,602

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, 2022 (In Thousands)

	University 2022
CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees, net	$ 103,930
Federal and state grants and other contracts	30,520
Private gifts, grants, and contracts	3,987
Sales and service of educational activities	22,370
Auxiliary enterprises	75,139
Payment to suppliers	(87,690)
Payment to employees	(248,379)
Payments for scholarships	(60,455)
Collection of loans to students and employees	(952)
Other receipts, net	3,694
Net cash used by operating activities	(157,836)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	91,753
Pell Grants	25,905
Federal Supplemental Educational Opportunity Grant (FSEOG)	1,367
State of IL Monetary Award Program (MAP)	24,899
Federal and state grants and other contracts	42,561
Net cash provided by noncapital financing activities	186,485
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(7,688)
Principal payments on capital debt	(5,955)
Interest payments on capital debt	(10,168)
Net cash used by capital and related financing activities	(23,811)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income on investments, net	82
Proceeds from sales and maturities of investments	130,240
Purchase of investments	(149,200)
Net cash used by investing activities	(18,878)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,040)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	72,585
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 58,545

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, 2022 (In Thousands)

	University	
	2022	
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating gain/(loss)	$	(314,490)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Depreciation expense - non-auxiliary enterprises		13,632
Depreciation expense - auxiliary enterprises		13,398
On behalf payments for fringe benefits		34,634
Special funding for fringe benefits		87,275
Other nonoperating revenues		2,994
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable		(2,336)
Inventories		(138)
Student loans receivable		786
Other assets		(2,641)
Deferred outflows of resources - pensions		(122)
Deferred outflows of resources - other post-employment benefits		(5,816)
Due from/to component units		(625)
Accounts payable and accrued liabilities		10,606
Accrued compensated absences		(181)
Students' deposits		(27)
Agency		-
Unearned revenue and grants		263
Other postemployment benefits		(1,623)
Deferred inflows of resources - leases		363
Deferred inflows of resources - other post-employment benefits		6,213
Net cash used by operating activities	$	(157,835)
RECONCILIATION OF CASH AN CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and cash equivalents classified as current assets	$	16,097
Restricted cash and cash equivalents classified as current assets		31,080
Restricted cash and cash equivalents classified as noncurrent assets		11,368
Total cash and cash equivalents, end of year	$	58,545
NONCASH INVESTING, CAPITAL, NONCAPITAL, AND FINANCING ACTIVITIES		
On-behalf payments for fringe benefits	$	34,634
Special funding for fringe benefit		87,275
Capital asset contribution		269
Other postemployment benefits expenses - employer portion		1,227
Unpaid state appropriation revenue		483
Cost of capital assets not being depreciated included in accounts payable		1,692
State expenses for capitalized CDB projects		780

See accompanying Notes to the Basic Financial Statements.

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2022 (In Thousands)

	Custodial Funds June 30, 2022
ASSETS	
Cash and cash equivalents	$ 4,420
Prepaid expenses	17
Total Assets	4,437
LIABILITIES	
Accounts payable and accrued liabilities	20
Total Liabilities	20
NET POSITION	
Restricted:	
Illinois Board of Examiners	4,417
Total Net Position	$ 4,417

NORTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2022 (In Thousands)

	Custodial Funds June 30, 2022
REVENUES	
Fee income	$ 755
Sales	233
Interest	16
Total Additions	1,004
DEDUCTIONS	
Personnel services	773
Rent	82
Contractual services	150
Other deductions	12
Total Deductions	1,017
Increase (decrease) in fiduciary net position	(13)
FIDUCIARY NET POSITION, BEGINNING OF YEAR	4,430
FIDUCIARY NET POSITION, END OF YEAR	$ 4,417

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity and Component Unit Disclosures

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

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, 2022.

Inventories

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

Capital Assets/Intangible Assets

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets/Intangible Assets (Continued)

Interest costs are no longer capitalized on construction projects effective as of fiscal year 2022. The assets associated with long-term leases have been capitalized. Estimated useful lives for capital assets are as follows:

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

Intangible assets represent the University's right-to-use a leased asset. These intangible assets, as defined by GASB Statement No. 87, *Leases*, are for lease contracts of nonfinancial assets including building space and equipment.

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 $6,634,000. 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, 2022, the accrued liability for this benefit was $17,141,000 and is included in accrued compensated absences on the statement of net position.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

prior earned benefits will still be paid. As of June 30, 2022, the accrued liability of this benefit was $1,231,000, and is included in accrued compensated absences on the statement of net position. The accrued compensated absences liability will be funded through future State of Illinois General Revenue Fund appropriations as the terminated employees leave the University.

Employment Contracts

Employment contracts for certain academic personnel provide for twelve monthly salary payments, although the contractual services are rendered during a nine-month period. The liability for those employees who have completed their contracted services, but have not yet received final payment, is $6,099,000 at June 30, 2022, 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 2023 rather than the unrestricted net position available at June 30, 2022.

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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Postemployment Benefits (OPEB)

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

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

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

Special Funding Situation Portion of OPEB

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

During the OPEB measurement period ended June 30, 2021, the University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Postemployment Benefits (OPEB) (Continued)

of $1,226,000 to help offset the amount the State needed to provide for retirees under the special funding situation described in the preceding paragraph.

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

University's Portion of OPEB

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

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

On-Behalf Transactions

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On-Behalf Transactions (Continued)

shall not be required to make contributions for employees who are totally compensated from each individual university's Income Fund and auxiliary enterprises. Pursuant to a long-standing State policy, the State's General Fund covers the contributions for employees who are totally compensated from each individual university's Income Fund and auxiliary enterprises. This relationship may be modified through the enactment of a Public Act by the State's highest level of decision-making authority exercised by the Governor and the General Assembly pursuant to the State's Constitution.

During the year ended June 30, 2022, total estimated group insurance contributions for the University's employees paid from the University's Income Fund and auxiliary enterprises were $37,065,000. The University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $2,431,000 to help offset the amount the State needed to provide for current employees under the situation described in the preceding paragraph. As such, the State contributed the estimated remaining balance of $34,634,000 on-behalf of the University to meet this obligation for current employees.

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

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenue (Continued)

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

Federal Student Loan Programs

The University receives proceeds from the Federal Direct Student Loan Program (FDSLP). GASB Statement No. 84 allows business-type activities to report activities that would otherwise be considered custodial funds in the Statement of Net Position and Statement of Cash Flows as an operating activity if, upon receipt, the funds are normally expected to be held for three months or less. Funds associated with the FDSLP meet this exception and are reported as such. Federal student loans received by students but not reported in operations were $71,961,000 and $76,028,000 for the fiscal years ended June 30, 2022 and 2021, respectively.

Scholarship Discount and Allowances

Student tuition and fee revenues are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position using the National Association of College and University Business Officers' Advisory Report 2000-05's alternative method calculation. Stipends and other payments made directly to students are reported as scholarship and fellowship expense. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount paid by the students (and/or third parties on the students' behalf). Certain governmental grants and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenue in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees, the University has recorded a scholarship discount and allowance. In fiscal year 2022, a scholarship allowance of $54,652,000 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Newly Implemented Accounting Pronouncements

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 implemented this Statement 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 adopted this Statement with the June 30, 2022 financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New and Pending Accounting Pronouncements (Continued)

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 adopted this Statement with the June 30, 2022, financial statements, but it was determined to have no impact.

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. The University has adopted this Statement 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 adopted this Statement with the June 30, 2022, financial statements, but it was determined to have no impact.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* The primary objectives are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The University has not yet determined the impact of this Statement. The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plan and (2) paragraph 5 of this Statement were adopted with the June 30, 2021, financial statements. All other sections were adopted with the June 30, 2022, financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New and Pending Accounting Pronouncements (Continued)

Pending Accounting Pronouncements

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

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. 96, *Subscription-Based Information Technology Arrangements.* The primary objective is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). The University has not yet determined the impact of this Statement. It is required to be adopted with the June 30, 2023, financial statements.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New and Pending Accounting Pronouncements (Continued)

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

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, 2022, cash (consisting of demand deposits and certificates of deposit), excluding cash in the fiduciary fund, with a bank balance of $50,515,000 and a carrying value of $48,692,000 was held by the University. Cash deposits in excess of Federal Deposit Insurance Corporation (FDIC) limits were insured or collateralized with securities held by the University, or its custodian in the name of the University.

At June 30, 2022, the University held $9,853,000 in a money market mutual fund, the Goldman Sachs Financial Square Government Fund. The fund values its holdings at amortized cost (2a7 like pool). Interest income is declared daily and paid monthly. This money market fund account is not covered by FDIC insurance but is rated AAAm.

NOTES TO THE BASIC FINANCIAL STATEMENTS

3. INVESTMENTS

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

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

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

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

As of June 30, 2022, 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	$ 29,873	$ -	$ 29,873	$ -
U.S. Agency Notes	9,886	-	9,886	-
	$ 39,759	$ -	$ 39,759	$ -

The investments above exclude $37,333,000 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

NOTES TO THE BASIC FINANCIAL STATEMENTS

3. INVESTMENTS (Continued)

maintains the average duration of the pool at less than 25 days. The value of the University's investment in the funds is the same as the value of the pool shares.

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

The following details the carrying value of the University's cash and investments as of June 30, 2022 ($000s):

	Total	Bank and Custodian Demand Deposit Accounts	Fair Value	Net Asset Value
Cash and cash equivalents	$ 58,545	$ 48,692	$ -	$ 9,853
Investments	77,092	-	39,759	37,333

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, 2022, the University was not subject to custodial credit risk as all of the University's investments were held in its name.

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

Investment	Total
Federal Home Loan Bank (FHLB)	$ 9,886

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

3. INVESTMENTS (Continued)

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

	Illinois Public Treasurer's Investment Pool	U.S. Treasury Notes	U.S. Agency Notes	Total
AA+	$ -	$ 29,873	$ 9,886	$ 39,759
AAAm	37,333	-	-	37,333
Total	$ 37,333	$ 29,873	$ 9,886	$ 77,092

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	$ 37,333	$ 29,873	$ 9,886	$ 77,092
Total	$ 37,333	$ 29,873	$ 9,886	$ 77,092

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.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

3. INVESTMENTS (Continued)

URO – Foundation Investments (continued)

The Foundation's investments as of June 30, 2022, consisted of the following ($000s):

U.S. Treasury securities	$ 550
Equity:	
Domestic equity - Lrg/Mid-Cap	23,536
Domestic equity - Small-Cap	6,842
International equity	22,182
Private equity	10,196
Hedged strategies	9,106
Public fixed income	32,325
Private debt	2,389
Public real assets	11,939
Private natural resources	5,732
Private real estate	3,825
Diversifying strategies	-
	128,622
Funds held in trust by others	8,967
Total	$ 137,589

The Foundation's investment return for fiscal year 2022 is comprised of the following ($000s):

Interest and dividend income	$ 3,024
Net realized and unrealized gains/(losses) on investments reported at fair value	(14,717)
Investment fees	(135)
Total	$ (11,828)

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
Hedged/alternative investments	$ 12,324	$ -
Private equity	24,163	3,963
	$ 36,487	$ 3,963

NOTES TO THE BASIC FINANCIAL STATEMENTS

3. INVESTMENTS (Continued)

URO – Foundation Investments (Continued)

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

The private equity funds class includes funds that invest in the following types of investments in the USA and outside the USA: venture capital partnerships, buyout partnerships, mezzanine/subordinated debt partnerships, restructuring/distressed debt partnerships and special situation partnerships, and real estate. These investments cannot be redeemed during the life of the partnership, which can be up to 12 years; however, they can be transferred to another eligible investor. Distributions will be received as the underlying investments of the funds are liquidated over time. The fair value of this investment has been estimated using the NAV provided by the fund manager and an adjustment determined by management for the time period between the date of the last available NAV from the investment manager and June 30, 2022.

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, 2022:

	Gross Receivables	Allowance for Uncollectible Accounts	Net Receivables
UNIVERSITY ($000s)			
Student accounts	$ 33,778	$ (22,000)	$ 11,778
Customer accounts	2,841	(849)	1,992
Grants receivable	22,635	-	22,635
Lease receivable-ST	42	-	42
	$ 59,296	$ (22,849)	$ 36,447
URO-FOUNDATION ($000s)			
Pledges receivable - gross	$ 4,523	$ -	$ 4,523
Less: Allowance for uncollectible contributions	-	(149)	(149)
Pledges receivable - net	$ 4,523	$ (149)	$ 4,374

University Student Loans Receivable

Student loans made through the Federal Perkins Loan Program comprise substantially all of student loans receivable as of June 30, 2022 totaling $2,516,000, net of allowance for uncollectible accounts of $834,000.

NOTES TO THE BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2022, is summarized as follows:

University ($000s)	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 19,281	$ -	$ (139)	$ -	$ 19,142
Construction in progress	4,024	6,076	(88)	(1,820)	8,192
Total capital assets not being depreciated	23,305	6,076	(227)	(1,820)	27,334
Tangible capital assets being depreciated:					
Land improvements	92,982	-	-	868	93,850
Leasehold improvements	431	-	-	-	431
Buildings	742,630	-	(765)	952	742,817
Equipment	190,422	2,499	(4,755)	-	188,166
Other assets	3,820	-	-	-	3,820
Total tangible capital assets being depreciated:	1,030,285	2,499	(5,520)	1,820	1,029,084
Intangible capital assets being amortized:					
Buildings	308	-	-	-	308
Other assets	203	-	-	-	203
Total intangible capital assets being amortized:	511	-	-	-	511
Less: accumulated depreciation for tangible capital assets	(670,927)	(26,963)	5,286	-	(692,604)
Less: accumulated amortization for intangible capital assets	(94)	(94)	-	-	(188)
Total tangible and intangible capital assets being depreciated and amortized, net	359,775	(24,558)	(234)	1,820	336,803
Total capital assets, net	$ 383,080	$ (18,482)	$ (461)	$ -	$ 364,137

URO-Foundation ($000s)	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 3,861	$ -	$ -	$ -	$ 3,861
Construction in progress	-	160	-	-	160
Total capital assets not being depreciated	3,861	160	-	-	4,021
Capital assets being depreciated:					
Buildings	24,676	-	-	-	24,676
Equipment	93	28	-	-	121
Total capital assets being depreciated:	24,769	28	-	-	24,797
Less: accumulated depreciation	(6,636)	(620)	-	-	(7,256)
Total capital assets being depreciated, net	18,133	(592)	-	-	17,541
Total capital assets, net	$ 21,994	$ (432)	$ -	$ -	$ 21,562

NOTES TO THE BASIC FINANCIAL STATEMENTS

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2022, are as follows ($000s):

	University	URO - Foundation
Payable to vendors/suppliers	$ 31,395	$ 1,255
Accrued payroll	7,821	-
Current portion of noncurrent liabilities:		
Accrued interest	2,990	-
Performance contracts payable	3,233	-
Revenue bonds payable	1,340	-
Installment purchases	350	-
Notes and certificates of participation payable	1,325	-
Other liabilities	64	-
Total accounts payable and accrued liabilities	$ 48,518	$ 1,255

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.

Performance contracts payable activity and outstanding balances as of and for the year ended June 30, 2022, are as follows ($000s):

NOTES TO THE BASIC FINANCIAL STATEMENTS

7. PERFORMANCE CONTRACTS PAYABLE (Continued)

Performance Contract	Beginning Balance	Issued	Retired	Ending Balance	Current Portion
Energy Infrastructure Improvement - Phase 10B	$ 5,352	$ -	$ (805)	$ 4,547	$ 838
Energy Infrastructure Improvements - Refinance	7,595	-	(1,445)	6,150	1,481
Energy Infrastructure Improvements - Phase 11	5,226	-	(535)	4,691	555
Energy Infrastructure Improvements - Phase 11A	4,044	-	(347)	3,697	359
Total	$ 22,217	$ -	$ (3,132)	$ 19,085	$ 3,233

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

Year Ending June 30,	Principal	Interest	Total
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	2,033	179	2,212
2028-2031	3,486	230	3,716
Total	$ 19,085	$ 2,191	$ 21,276

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.

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, 2022, are as follows ($000s):

Balance, beginning of year	$ 18,553
Additions/(Deductions)	(181)
Balance, end of year	18,372
Less: current portion	(2,306)
Balance, end of year, noncurrent portion	$ 16,066

Amounts reported as current are based upon historical trends. The employer portion of Medicare taxes related to accrued compensated absences is $266,000.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2022, are as follows ($000s):

Balance, beginning of year	$ 4,737
Additions/(Deductions)	472
Balance, end of year	$ 5,209

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, 2022, are as follows ($000s):

Balance, beginning of year	$ 4,593
Additions/(Deductions)	(1,618)
Balance, end of year	$ 2,975

11. REVENUE BONDS PAYABLE

Revenue bonds activity and outstanding as of and for the year ended June 30, 2022, are as follows ($000s):

Issue	Beginning Balance	Issued/ Accreted	Retired/ Defeased	Ending Balance	Current Portion	Future Revenues Pledged	Debt Service to Pledged Revenue (Current Year)
Revenue Bonds Payable - Direct Placement							
Series 2020A	$ 29,900	$ -	$ (100)	$ 29,800	$ 100	$ 36,691	0.34%
Total Revenue Bonds Payable - Direct Placement	29,900	-	(100)	29,800	100	36,691	
Revenue Bonds Payable - Other							
Series 2020B	125,315	-	(1,175)	124,140	1,240	186,090	4.81%
Series 2021	-	99,035	-	99,035	-	155,405	2.18%
Total Revenue Bonds Payable - Other	125,315	99,035	(1,175)	223,175	1,240	341,495	
Unamortized Premium - Other							
Series 2020B	21,642	-	(1,096)	20,546			
Series 2021	-	19,142	(856)	18,286			
Total Unamortized Premium - Other	21,642	19,142	(1,952)	38,832			
Total	$ 176,857	$ 118,177	$ (3,227)	$ 291,807	$ 1,340	$ 378,186	

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, 2022 was 2.0394%. The bonds mature at varying amounts through 2041. Interest payments are due semi-annually.

NOTES TO THE BASIC FINANCIAL STATEMENTS

11. REVENUE BONDS PAYABLE (Continued)

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

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

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

On July 7, 2021, the University issued $99,035,000 of Auxiliary Facilities System Revenue Bonds, Series 2021. The proceeds were used to finance a portion of the cost of acquiring the five three-story residential building and community center known as Northern View Community and the two five-story residential buildings, community center, and dining hall known as New Residence Hall and to pay the costs of issuing the Series 2021 bonds. As described in footnote 12, the University had previously entered into agreements with CHF – DeKalb, LLC to develop, finance, design, construct, and equip these facilities. The installment purchase was effectively refunded in connection with the issuance of the Auxiliary Facilities System Revenue Bonds, series 2021. As a result of the transaction, the University achieved cash flow savings of $65,501,000 and an economic gain on the refunding of $65,501,000.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

11. REVENUE BONDS PAYABLE (Continued)

Year Ending June 30,	Principal	Interest	Total
2023	$ 100	$ 607	$ 707
2024	250	604	854
2025	1,353	594	1,947
2026	1,394	566	1,960
2027	1,436	537	1,973
2028-2032	7,851	2,226	10,077
2033-2037	9,102	1,369	10,471
2038-2041	8,314	388	8,702
Total Revenue Bonds Payable - Direct Placement	$ 29,800	$ 6,891	$ 36,691

Year Ending June 30,	Principal	Interest	Total
2023	$ 1,240	$ 9,849	$ 11,089
2024	5,425	9,787	15,212
2025	4,610	9,515	14,125
2026	8,200	9,201	17,401
2027	8,615	8,787	17,402
2028-2032	50,085	36,944	87,029
2033-2037	63,185	23,858	87,043
2038-2042	67,375	9,798	77,173
2043-2044	14,440	581	15,021
Total Revenue Bonds Payable - Other	$ 223,175	$ 118,320	$ 341,495

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

12. INSTALLMENT PURCHASES

The assets recorded under installment purchase agreements have been capitalized at the present value of future installment purchase payments, measured at the inception date. These assets totaled $588,000, net of accumulated depreciation of $1,195,000, at June 30, 2022.

Installment purchase activity and outstanding principal balances as of and for the year ended June 30, 2022, are as follows ($000s):

	Beginning Balance	Additions	Payments	Ending Balance	Current Portion
IASBO Building	$ 189	$ -	$ (62)	$ 127	$ 65
CHF - DeKalb Northern View	17,583	-	(17,583)	-	-
CHF - DeKalb First Year Residence	104,337	-	(104,337)	-	-
Dell Equipment and Software	794	-	(252)	542	264
Ford Vehicles	58	37	(22)	73	21
Net Present Value	$ 122,961	$ 37	$ (122,256)	$ 742	$ 350

NOTES TO THE BASIC FINANCIAL STATEMENTS

12. INSTALLMENT PURCHASES (Continued)

Future minimum payments for the above assets under installment purchase agreements at June 30, 2022, on originally scheduled minimum payments and estimated interest are as follows ($000s):

Year Ending June 30,	Principal	Interest	Total
2023	$ 350	$ 36	$ 386
2024	362	19	381
2025	23	2	25
2026	7	-	7
Total	$ 742	$ 57	$ 799

During fiscal year 2007, the University entered an agreement with CHF – DeKalb, LLC 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 lease. The facility and offsetting installment purchase 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 installment purchase. 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 an installment purchase upon its substantial completion during fiscal year 2012, with future payments beginning in fiscal year 2014. The total installment purchase was recorded at $132,225,000. On July 7, 2021, the University issued Auxiliary Facilities Systems Revenue Bonds, Series 2021, which paid off the aforementioned installment purchase obligations in full. See Footnote 11 for additional information related to the issuance of the Auxiliary Facilities System Revenue Bonds, Series 2021 issuance.

13. CERTIFICATES OF PARTICIPATION PAYABLE

Certificates of participation and outstanding principal balances as of and for the year ended June 30, 2022, are as follows ($000s):

Issue	Beginning Balance	Issued	Retired	Ending Balance	Current Portion
Certificates of Participation:					
Series 2014 - Capital Improvement Project	$ 5,495	$ -	$ (1,260)	$ 4,235	$ 1,325
	5,495	-	(1,260)	4,235	1,325
Unamortized Debt Premium	475	-	(95)	380	
Total	$ 5,970	$ -	$ (1,355)	$ 4,615	$ 1,325

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
2023	$ 1,325	$ 178	$ 1,503
2024	1,390	110	1,500
2025	1,455	39	1,494
2026	65	1	66
Total	$ 4,235	$ 328	$ 4,563

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	$	47,578
Restricted:		
Nonexpendable		384
Expendable:		
Auxiliary Facilities System		62,467
Endowments		11,580
Unrestricted		(1,293)
Total	$	120,716

URO-Foundation ($000's):

Net investment in capital assets	$	21,562
Restricted:		
Nonexpendable		60,518
Expendable		58,554
Unrestricted		14,888
Total	$	155,522

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 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 2022, the University engaged the Foundation, under contract, to provide fundraising services. As provided by the contract agreement, the University paid $744,000 for fundraising services. Under the terms of the agreement, the University provided in-kind support in the form of personnel, office space, information technology support, and human resources services estimated at $3,694,000 during fiscal year 2022. During this year the direct and /or indirect support of the Foundation, as well as the scholarships provided by the Foundation exceeded the value provided by the University under the agreement. The University engaged the Research Foundation, under contract, to provide services to aid the University in its economic development, public service, research, and educational missions. As provided by the contract, the Research Foundation provided $225,000 of services during fiscal year 2022, of which $63,000 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 University entered into an 89-month lease with the Foundation for the rental of space in the Kenneth and Ellen Chessick Practice Center in 2013. The Kenneth and Ellen Chessick Practice Center lease has been extended through March 2023. The center features an artificial turf field with full NCAA football playing field dimensions, a four-lane sprint track, batting cages, and long jump pits. The facility serves 16 intercollegiate teams and a variety of intramural sports at NIU. The lease calls for the University to be responsible for insurance and maintenance of the building.

The University, with its discretely presented component units, are presented within the State's Annual Comprehensive Financial Report as 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 Annual Comprehensive Financial Report follows.

As of and for the year ended June 30, 2022, the University and its component units had the following inter-entity transactions ($000s):

NOTES TO THE BASIC FINANCIAL STATEMENTS

15. TRANSACTIONS WITH COMPONENT UNITS (Continued)

Northern Illinois University	NIU Foundation					Research Foundation	
	Operating Revenue	Operating Expense	Current Assets	Current Liabilities	Noncurrent Liabilities	Operating Revenue	Current Assets
Operating revenues	$ -	$ 4,408	$ -	$ -	$ -	$ -	$ -
Operating expenses	1,249	-	-	-	-	225	-
Other nonoperating revenues	-	384	-	-	-	-	-
Current assets	-	-	-	896	-	-	-
Noncurrent assets	-	-	-	-	11,580	-	-
Current liabilities	-	-	-	-	-	-	63

16. LEASES

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

The following is a summary of changes in leases payable as of and for the year ended June 30, 2022 ($000s):

	Beginning Balance	Additions	Payments	Ending Balance	Current Portion
Building - DeKalb, IL	$ 18	$ -	$ (18)	$ -	$ -
Building - Springfield, IL	11	-	(5)	6	6
Building - Rockford, IL	220	-	(37)	183	32
Tower - Lee County, IL	114	-	(14)	100	15
Tower - Freeport, IL	46	-	(10)	36	11
Tower - Ladd, IL	7	-	(7)	-	-
Net Present Value	$ 416	$ -	$ (91)	$ 325	$ 64

Future minimum lease payments for leases payable, including future interest payments at June 30, 2022, were as follows ($000s):

Year Ending June 30,	Total
2023	$ 82
2024	76
2025	76
2026	63
2027	63
2028-2032	20
Total minimum lease payments	380
Less amounts representing Interest costs	(55)
TOTAL	$ 325

16. LEASES (Continued)

The University entered into a lease arrangement on July 1, 2013, for the right-to-use building space on 7th Street in DeKalb, IL. Payments of $1,545 are due in monthly installments, through June 2022. Total intangible right-to-use assets acquired under this agreement are $35,034.

The University entered into a lease arrangement on March 1, 2019, for the right-to-use building space on College Street in Springfield, IL. Payments of $1,500 are due in quarterly installments, through July 2023. Total intangible right-to-use assets acquired under this agreement are $16,521.

The University entered into a lease arrangement on July 1, 2017, for the right-to-use building space on State Street in Rockford, IL. Payments of $4,128 are due in monthly installments, through June 2022 and payments of $3,536 are due in monthly installments, through June 2027. Total intangible right-to-use assets acquired under this agreement are $256,626.

The University entered into a lease arrangement on July 1, 2018, for the right-to-use a radio transmitting device on the Sauk Valley Broadcasting tower in Lee County, IL. Payments of $18,742 to $20,340 are due annually, through July 2027. Total intangible right-to-use assets acquired under this agreement are $133,558.

The University entered into a lease arrangement on July 1, 2019, for the right-to-use a radio transmitting device on Tower Road in Freeport, IL. Payments of $1,000 to $1,100 are due monthly through June 2025 Total intangible right-to-use assets acquired under this agreement are $54,938.

The University entered into a lease arrangement on September 1, 2012, for the right-to-use space for operating radio transmitting device on the WAJK (FM) building in Ladd, IL. Payments of $7,680 are due annually through September 2021. Total intangible right-to-use assets acquired under this agreement are $14,775.

16. LEASES (Continued)

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

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

Year Ending June 30,	Total
2023	$ 64
2024	74
2025	75
2026	77
2027	57
2028-2032	113
Total minimum lease payments	460
Less amounts representing Interest costs	(88)
Current Portion	42
Long-Term Portion	330
TOTAL	$ 372

The University entered into a lease arrangement on March 1, 2020, to lease building space on Diehl Road in Naperville, IL. Payments of $870 are due to the University in monthly installments, through June 2026. The lease agreement is noncancelable and maintains an interest rate of 6%. During the fiscal year, the University collected $10,440 and recognized a $8,791 reduction in the related deferred inflow of resource. The remaining lease receivable and offsetting deferred inflow of resource for this agreement is $37,040 and $35,166, respectfully, as of June 30, 2022.

The University entered into a lease arrangement on May 1, 2022, to lease building space on Diehl Road in Naperville, IL. Rental payments were abated for the period May 2022 to September 2022. Payments ranging from $2,725 to $3,131 are due to the University in monthly installments, beginning October 2022 and are payable through September 2027. The lease agreement is noncancelable and maintains an interest rate of 6%. During the fiscal year, the University collected $0 and recognized a $2,271 reduction in the related deferred inflow of resource. The remaining lease receivable and offsetting deferred inflow of resource for this agreement is $147,709 and $143,056, respectfully, as of June 30, 2022.

The University entered into a lease arrangement on August 1, 2021, to lease building space in Montgomery Hall at Northern Illinois University. Payments ranging from $892 to $965 are due to the University in monthly

NOTES TO THE BASIC FINANCIAL STATEMENTS

16. LEASES (Continued)

installments, through July 2026. The lease agreement is noncancelable and maintains an interest rate of 6%. During the fiscal year, the University collected $9,808 and recognized a $8,021 reduction in the related deferred inflow of resource. The remaining lease receivable and offsetting deferred inflow of resource for this agreement is $40,529 and $39,302, respectfully, as of June 30, 2022.

The University entered into a lease arrangement on June 1, 2022, to lease building space in the Health Services Building at Northern Illinois University. Payments ranging from $1,500 to $1,828 are due to the University in monthly installments, through June 2032. The lease agreement is noncancelable and maintains an interest rate of 6%. During the fiscal year, the University collected $1,500 and recognized a $0 reduction in the related deferred inflow of resource. The remaining lease receivable and offsetting deferred inflow of resource for this agreement is $146,709 and $145,739, respectfully, as of June 30, 2022.

17. RETIREMENT PLAN

Defined Benefit Pension Plans

General Information about the Pension Plan

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

Benefits Provided. A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system service. The revised plan

NOTES TO THE BASIC FINANCIAL STATEMENTS

17. RETIREMENT PLAN (Continued)

is referred to as Tier 2. New employees are allowed six months after their date of hire to make an irrevocable election whether to participate in either the traditional or portable benefit plans. A summary of the benefit provisions as of June 30, 2021 can be found in the SURS Annual Comprehensive Financial Report, Notes to the Financial Statements.

Contributions. The State is primarily responsible for funding the System on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a statutory funding plan consisting of two parts: (i) a ramp-up period from 1996 to 2010, and (ii) a period of contributions equal to a level percentage of the payroll of active members within SURS to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal year 2021 and 2022 respectively, was 12.70% and 12.32% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary except for police officers and fire fighters who contribute 9.5% of their earnings. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

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

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

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

University's Proportionate Share of Net Pension Liability. The amount of the proportionate share of the NPL to be recognized for the University is $0. The proportionate share of the State's NPL associated with the University is $1,113,509,824, or 3.9032%. The University's proportionate share changed by (0.0150%) from 3.9181% since the last measurement date of June 30, 2020. This amount is not recognized in the University's financial statements. The NPL and total pension liability as of June 30, 2021, was determined based on the June 30, 2020

NOTES TO THE BASIC FINANCIAL STATEMENTS

17. RETIREMENT PLAN (Continued)

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 2020.

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

University's Proportionate Share of Defined Benefit Pension Expense. The University's proportionate share of collective defined benefit pension expense is recognized nonoperating revenue with matching operating expense (compensation and benefits) in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS defined benefit plan during fiscal year 2020. As a result, the University recognized revenue and defined benefit pension expense of $91,429,777 from this special funding situation during the year ended June 30, 2022.

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

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

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

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

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

University Deferral of Fiscal Year 2022 Contributions

The University paid $1,452,270 in federal, trust or grant contributions for the fiscal year ended June 30, 2022. These contributions were made subsequent to the pension liability measurement date of June 30, 2021, and are recognized as deferred outflows of resources as of June 30, 2022.

Assumptions and Other Inputs

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

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

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

The long-term expected rate of return on defined benefit pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2021, these best estimates are summarized in the following table:

NOTES TO THE BASIC FINANCIAL STATEMENTS

17. RETIREMENT PLAN (Continued)

Defined Benefit Plan	Strategic Policy Allocation	Weighted Long-Term Expected Real Rate of Return
Traditional Growth		
Global Public Equity	41.00%	6.30%
Stabilized Growth		
Credit Fixed Income	14.00%	1.82%
Core Real Assets	5.00%	3.92%
Options Strategies	6.00%	4.20%
Non-Traditional Growth		
Private Equity	7.50%	10.45%
Non-Core Real Assets	2.50%	8.83%
Inflation Sensitive		
U.S. TIPS	6.00%	-0.22%
Principal Protection		
Core Fixed Income	8.00%	-0.81%
Crisis Risk Offset		
Systematic Trend Following	3.50%	3.45%
Alternative Risk Premia	3.00%	2.30%
Long Duration	3.50%	0.91%
Total	100%	4.43%
Inflation		2.25%
Expected Arithmetic Return		6.68%

Discount Rate. A single discount rate of 6.12% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 6.50% and a municipal bond rate of 1.92% (based on the Fidelity 20-Year Municipal GO AA Index as of June 30, 2021). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under SURS funding policy. 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 SURS Net Pension Liability to Changes in the Discount Rate. Regarding the sensitivity of the NPL to changes in the single discount rate, the following presents the State's NPL, calculated using a single discount rate of 6.12%, as well as what the State's NPL would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1- percentage-point higher:

17. RETIREMENT PLAN (Continued)

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

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

Defined Contribution Pension Plan

General Information about the Pension Plan

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

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

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

17. RETIREMENT PLAN (Continued)

Illinois Pension Code. The contribution requirements of plan members and employers were established and may be amended by the State's General Assembly.

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

Pension Expense Related to Defined Contribution Pensions

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

Employer Proportionate Share of Defined Contribution Pension Expense. The employer proportionate share of collective defined contribution pension expense is recognized as non-operating revenue with matching operating expenses (compensation and benefits) in the financial statements. The basis of allocation used in the proportionate share of collective defined contribution pension expense is the actual reported pensionable contributions made to the RSP during fiscal year 2021. The University's share of pensionable contributions was 4.9664%. As a result, the University recognized revenue and defined contribution pension expense of $3,788,432 from this special funding situation during the year ended June 30, 2022, of which $291,895 constituted forfeitures.

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.

18. POSTEMPLOYMENT BENEFITS (Continued)

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

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

For fiscal year 2022, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $11,363 ($6,290 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $13,619 ($5,623 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

18. POSTEMPLOYMENT BENEFITS (Continued)

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 ($7,942,779) during the year ended June 30, 2022. 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, 2022.

While the University is not required to record the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation, the University is required to disclose this amount. The following chart displays the proportionate share of the State's contributions related to the University's special funding situation relative to all employer contributions during the years ended June 30, 2021 and 2020, each based on the June 30, 2020 and 2019, respectively, actuarial valuation rolled forward:

	Measurement Date	
	June 30, 2021	June 30, 2020
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$ 727,157,988	$ 811,550,480
SEGIP total OPEB liability	34,911,897,307	42,366,626,302
Proportionate share of the total OPEB liability	2.0828%	1.9155%

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

Total OPEB liability, deferred outflows of resources, deferred inflows of resources, and expense related to OPEB: The University's total OPEB liability, as reported at June 30, 2022, was measured as of the measurement date on June 30, 2021, with an actuarial valuation as of June 30, 2020, which was rolled forward to the measurement date. The following chart displays the proportionate share of the University's contributions relative to all employer contributions during the years ended June 30, 2021 and 2020, each based on the June 30, 2020 and 2019, respectively, actuarial valuation rolled forward:

	Measurement Date	
	June 30, 2021	June 30, 2020
University's OPEB liability	$ 40,299,123	$ 41,922,501
SEGIP total OPEB liability	34,911,897,307	42,366,626,302
Proportionate share of the total OPEB liability	0.1154%	0.0990%

NOTES TO THE BASIC FINANCIAL STATEMENTS

18. POSTEMPLOYMENT BENEFITS (Continued)

The University's portion of the OPEB liability was based on the University's proportion share amount determined under the methodology described in Note 1 during the year ended June 30, 2021. As of the current year measurement date of June 30, 2021, the University's proportion increased 0.0164% from its proportion measured as of the prior year measurement date of June 30, 2020.

The University recognized OPEB expense for the year ended June 30, 2022, of ($223,632). At June 30, 2022, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2021, from the following sources:

Deferred outflows of resources		
Differences between expected and actual experience	$	294,360
Changes in assumptions		911,555
Changes in proportion and differences between employer contributions and proportionate share of contributions		6,076,697
University contributions subsequent to the measurement date		958,854
Total deferred outflows of resources	$	8,241,466

Deferred inflows of resources		
Differences between expected and actual experience	$	280,375
Changes of assumptions		11,090,922
Changes in proportion and differences between employer contributions and proportionate share of contributions		1,186,742
Total deferred inflows of resources	$	12,558,039

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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,		Total Amount Recognized of Deferred Inflows and Outflows over the Remaining Service Life of All Employees
2023	$	(2,101,610)
2024		(1,260,640)
2025		(1,254,027)
2026		(571,186)
2027		(87,964)
Total	$	(5,275,427)

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

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

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.25%
Projected Salary Increases*	2.50% - 12.25%
Discount Rate	2.45%
Healthcare Cost Trend Rate:	
Medical & Rx (Pre-Medicare & Post-Medicare)	8.00% grading down 0.25% per year over 15 years to 4.25% in year 2038. There is no additional trend rate adjustment due to the repeal of the Excise Tax.
Dental and Vision	3.75% grading up 0.25% in the first year to 4.00% through 2038.
Retirees' share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. 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 2021 and 2022 are based on actual premiums. Premiums after 2022 were projected based on the same healthcare cost trend rates applied to per capita claim costs.

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

Healthcare Cost Trend Rate:	
Medical & Rx (Pre-Medicare & Post-Medicare)	8.25% grading down 0.25% per year over 16 years to an ultimate trend of 4.25% in the year 2037. There is no additional trend rate adjustment due to the repeal of the Excise Tax.
Dental and Vision	4.00% grading up .025% in the first year to 4.25% through 2037.

* 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, 2020, 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, 2020, for Pensions. Thus, for GARS, JRS and SERS, the 2020 valuation information for pensions is presented in the FY 2021 ACFR in FN 16. For TRS and SURS, the 2020 valuation information is presented in the FY 2021 ACFR in FN 16 (the FN shows FY 2019 but is actually FY 2019 Census data rolled forward to the FY 2020 Valuation date):

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

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

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

Since the last measurement date on June 30, 2020, 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, 2021, 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

18. POSTEMPLOYMENT BENEFITS (Continued)

single discount rate of 2.45% at June 30, 2020, and 1.92% at June 30, 2021, was used to measure the total OPEB liability.

Sensitivity of total OPEB liability to changes in the single discount rate: The following presents the University's proportionate share of the total OPEB liability measured as of June 30, 2021, calculated using a Single Discount Rate of 1.92%, as well as what the University's proportionate share of the plan's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (2.92%) or lower (0.92%) than the current rate.

	1% Decrease (0.92%)	Current Single Discount Rate Assumption (1.92%)	1% Increase (2.92%)
Total OPEB liability	$ 47,592,968	$ 40,299,123	$ 34,528,155

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The following presents the plans total OPEB liability, calculated using the healthcare cost trend rates as well as what the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percent point higher or lower, than the current healthcare cost trend rates. The key trend rates are 8.00% in 2023 decreasing to an ultimate trend rate of 4.25% in 2038. A one percentage point decrease in healthcare trend rates are 7.00% in plan year-end 2023 decreasing to an ultimate trend rate of 3.25% in plan year-end 2038. A one percentage point increase in healthcare trend rates are 9.00% in plan year-end 2023 decreasing to an ultimate trend rate of 5.25% in plan year 2038:

	1% Decrease (7.00%)	Trend Rates Assumption (8.00%)	1% Increase (9.00%)
Total OPEB liability	$ 33,628,357	$ 40,299,123	$ 49,126,213

Total OPEB Liability Associated with the University, Regardless of Funding Source: The University is required to disclose all OPEB liabilities related to it, including (1) the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation the University is not required to record, and (2) the portion of OPEB liability recorded by the University for its employees paid from trust, federal, and other funds. The following chart displays the proportionate share of contributions, regardless of funding source, associated with the University's employees relative to all employer contributions during the years ended June 30, 2021 and 2020, each based on the June 30, 2020 and 2019, respectively, actuarial valuation rolled forward:

NOTES TO THE BASIC FINANCIAL STATEMENTS

18. POSTEMPLOYMENT BENEFITS (Continued)

`	Measurement Date June 30, 2021	Measurement Date June 30, 2020
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$ 727,157,988	$ 811,550,480
University's OPEB liability	40,299,123	41,922,501
Total OPEB liability associated with the University	767,457,111	853,472,981
SEGIP total OPEB liability	34,911,897,307	42,366,626,302
Proportionate share of the OPEB liability associated with the University	2.1983%	2.0145%

19. OPERATING EXPENSES BY NATURAL CLASSIFICATION

Operating expenses by natural classification for the year ended June 30, 2022, are summarized as follows ($000s):

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
University					
Instruction	$ 177,437	$ 14,397	$ -	$ -	$ 191,834
Research	17,471	4,074	-	-	21,545
Public service	23,246	4,713	-	-	27,959
Academic support	31,494	8,607	-	-	40,101
Student services	15,124	6,960	-	-	22,084
O&M	11,609	8,762	-	-	20,371
Depreciation	-		-	27,030	27,030
Inst. support	43,508	19,902	-	-	63,410
Scholarships and fellowships			60,356	-	60,356
Auxiliary enterprises	61,002	18,359	-	-	79,361
Total	$ 380,891	$ 85,774	$ 60,356	$ 27,030	$ 554,051

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 a broker to secure various excess liability insurance coverages from commercial carriers, including educators' legal and other general liability insurance. The University's liability coverages have a general $350,000 deductible per occurrence. Additionally, the University purchases property insurance coverage for replacement value of University real property and, in certain instances, contents. Settled claims have not exceeded commercial coverage limits in any of the three preceding years.

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

21. COMMITMENTS AND CONTINGENCIES

At June 30, 2022, the University had commitments on various services, products, grants, projects, and contracts for repairs and renovations of facilities of approximately $20.2 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.

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, 2022 ($000s):

	Foundation	Northern IL Research Foundation	Combined Totals
Condensed Statement of Net Position			
ASSETS:			
Current assets			
Cash and cash equivalents	$ 5,363	$ 72	$ 5,435
Accounts receivable	1,515	63	1,578
Other current assets	1,216	6	1,222
Noncurrent assets			
Capital assets, net of accumulated depreciation	21,562	-	21,562
Investments administered by NIU Foundation	136,705	-	136,705
Other noncurrent assets	2,892	-	2,892
TOTAL ASSETS	$ 169,253	$ 141	$ 169,394
LIABILITIES:			
Current liabilities			
Accounts payable and accrued liabilities	$ 1,255	$ 34	$ 1,289
Due to NIU	896	-	896
Noncurrent liabilities			
Due to NIU	11,580	-	11,580
Unearned revenue and grants	-	27	27
TOTAL LIABILITIES	$ 13,731	$ 61	$ 13,792
NET POSITION:			
Invested in capital assets	$ 21,562	$ -	$ 21,562
Restricted			
Nonexpendable	60,518	-	60,518
Expendable	58,554	1	58,555
Unrestricted	14,888	79	14,967
Total net position	155,522	80	155,602
TOTAL LIABILITIES AND NET POSITION	$ 169,253	$ 141	$ 169,394
Condensed Statement of Revenues, Expenses, and Changes in Net Position			
Operating revenues	$ 24,568	$ 296	$ 24,864
Operating expenses	14,615	359	14,974
Operating gain (loss)	9,953	(63)	9,890
Nonoperating revenue	(11,828)	-	(11,828)
Increase (decrease) in net position	(1,875)	(63)	(1,938)
Net position, beginning of year	157,397	143	157,540
Net position, end of year	$ 155,522	$ 80	$ 155,602

NOTES TO THE BASIC FINANCIAL STATEMENTS

23. HIGHER EDUCATION EMERGENCY RELIEF FUNDING

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

The following chart reflects the remaining balance of this activity at June 30, 2022, which the University intends to claim and recognize as non-operating revenue during Fiscal Year 2023 ($000's).

	Original Award		Remaining Balance	
	University's Portion	Student Aid Portion	University's Portion	Student Aid Portion
HEERF 1	$ 7,413	$ 7,413	$ -	$ -
HEERF 2	16,316	7,413	-	-
HEERF 3	21,034	21,079	3,228	3,235
HEERF 4	1,864	-	-	-
Total	$ 46,627	$ 35,905	$ 3,228	$ 3,235

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

Schedule of University Contributions

Last 10 Fiscal Years* (000's)

	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Federal, trust, grant and other contribution	$ 1,486	$ 1,365	$ 1,330	$ 1,194	$ 1,204	$ 1,163	$ 1,029	$ 963	$ 945
Contribution in relation to required contribution	1,486	1,365	1,330	1,194	1,204	1,163	1,029	963	945
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer covered payroll	$ 141,650	$ 139,257	$ 145,347	$ 142,898	$ 144,789	$ 148,710	$ 152,243	$ 154,994	$ 164,728
Contributions as a percentage of covered-employee payroll	1.05%	0.98%	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 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 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017
Proportion percentage of the collective total OPEB liability	0.12%	0.10%	0.10%	0.11%	0.12%
Proportion amount of the collective total OPEB liability	$ 40,299	$ 41,923	$ 44,030	$ 42,419	$ 49,837
Estimated proportionate amount of collective total OPEB liability associated with the University - State supported portion	727,158	811,550	921,753	893,354	1,358,810
Total	$ 767,457	$ 853,473	$ 965,783	$ 935,773	$1,408,647
Employer defined benefit covered-employee payroll	$ 139,257	$ 145,347	$ 142,898	$ 144,789	$ 148,710
Proportion of collective total OPEB liability as a percentage of covered-employee payroll	28.94%	28.84%	30.81%	29.30%	33.51%

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

REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Supplementary Information

Changes of benefit terms. There were no benefit changes recognized in the Total Pension Liability as of June 30, 2021.

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

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

Supplementary Information

SUPPLEMENTARY INFORMATION

STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY
TABLE OF OPERATING EXPENSES
For the Year Ended June 30, 2022

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	$ 110,992	$ 7,652	$ (593)	$ 118,051	$ -	$ 12,902	$ 46,484	$ 59,386	$ 177,437	$ 14,397	$ 191,834
Research	12,927	1,430	(30)	14,327	-	659	2,485	3,144	17,471	4,074	21,545
Public service	16,378	4,028	(29)	20,377	-	624	2,245	2,869	23,246	4,713	27,959
Academic support	19,600	1,021	(112)	20,509	-	2,431	8,554	10,985	31,494	8,607	40,101
Student services	9,605	675	(49)	10,231	-	1,060	3,833	4,893	15,124	6,960	22,084
Operation and maintenance of plant	7,114	144	(44)	7,214	-	962	3,433	4,395	11,609	8,762	20,371
Depreciation	-	-	-	-	-	-	-	-	-	27,030	27,030
Institutional support	27,845	927	(152)	28,620	-	3,307	11,581	14,888	43,508	19,902	63,410
Scholarships and fellowships	-	-	-	-	-	-	-	-	-	60,356	60,356
Auxiliary enterprises	38,635	1,235	(217)	39,653	-	4,746	16,603	21,349	61,002	18,359	79,361
Total	$ 243,096	$ 17,112	$ (1,226)	$ 258,982	$ -	$ 26,691	$ 95,218	$ 121,909	$ 380,891	$ 173,160	$ 554,051

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.