NORTHEASTERN ILLINOIS UNIVERSITY

A Component Unit of the State of Illinois

FINANCIAL AUDIT

For the Year Ended June 30, 2023

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

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2023

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Other Reports Issued Under a Separate Cover

The Northeastern Illinois University's *Federal Single Audit* and *State Compliance Examination* for the year ended June 30, 2023, will be issued under separate covers.

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

University Officials

President (06/01/18 to 06/30/23)	Dr. Gloria Gibson
Interim President (07/01/23 to Present)	Dr. Katrina Bell-Jordan
Vice President for Finance and Administration/Treasurer	Mr. Manish Kumar
University General Counsel (09/20/21 to 10/03/23)	Mr. G.A. Finch
University General Counsel (10/04/23 to Present)	Vacant
Director of Internal Audit (09/11/17 to 01/06/23)	Ms. Rita Moore
Director of Internal Audit (01/07/23 to 09/17/23)	Vacant
Director of Internal Audit (09/18/23 to Present)	Ms. Chrystal Temples

Board Officers

Chair (Member expiration 01/16/23)	Mr. Jim Palos
Chair (Member since 01/17/23, 03/06/23 to 01/29/24)	Mr. Jose Rico
Chair (elected 02/15/24)	Mr. J. Todd Phillips
Vice Chair (Member expiration 01/16/23)	Ms. Sherry Eagle
Vice Chair (Member since 05/16/19, elected 03/06/23)	Mr. Marvin Garcia
Secretary (Member expiration 01/16/23)	Mr. Jonathan Stein
Secretary (Member since 01/31/23, 03/06/23-02/14/24)	Mr. J. Todd Phillips
Secretary (elected 02/15/24)	Ms. Anna Meresidis

Board Members

Member (10/04/06 to 01/16/23)	Mr. Jim Palos
Member (01/17/23 to 01/29/24)	Mr. Jose Rico
Member (10/04/06 to 01/16/23)	Mr. Carlos Azcoitia
Member (01/17/23 to 01/30/23)	Vacant
Member (Appointed 01/31/23)	Dr. Paula Wolff
Member (02/27/17 to 01/16/23)	Ms. Sherry Eagle
Member (01/17/23 to 03/15/23)	Vacant
Member (Appointed 03/16/23)	Ms. Betty Fleurimond
Member (03/28/11 to 01/30/23)	Mr. Jonathon Stein
Member (Appointed 01/31/23)	Mr. J. Todd Phillips
Member (05/16/19 to 01/31/23)	Mr. Charles Serrano
Member (02/01/23 to 08/06/23)	Vacant
Member (Appointed 08/07/23)	Mr. Anna Meresidis
Member	Mr. Marvin Garcia
Member	Ms. Anna Kalayil
Member (07/01/22 to 03/15/23)	Vacant
Member (Appointed 03/16/23)	Ms. Michelle Morales
Member (07/01/22 to 05/21/23)	Vacant

Board Members
(Continued)

Member (Appointed 05/22/23)	Mr. Jorge Leon
Member (01/30/24 to present)	Vacant
Student Member (07/01/22 to 06/30/23)	Ms. Shyrice Howell
Student Member (07/01/23 to 06/30/24)	Mr. Edwin Medina

University Office

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

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

FINANCIAL STATEMENT REPORT

SUMMARY

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

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

SUMMARY OF FINDINGS

Number of	Current Report	Prior Report
Findings	6	4
Repeated Findings	4	3
Prior Recommendations Implemented or Not Repeated	0	0

SCHEDULE OF FINDINGS

Item No.	Page	Last/First Reported	Description	Finding Type
			Current Findings	
2023-001	88	2022/2020	Inadequate Internal Controls over Census Data	Material Weakness/ Noncompliance
2023-002	91	2022/2022	Lack of Adequate Controls over Year End Reports and Reconciliations	Material Weakness/ Noncompliance
2023-003	93	New	Noncompliance with Fiscal Control and Internal Audit Act	Material Weakness/ Noncompliance
2023-004	95	2022/2019	Lack of Adequate Controls over Review of Internal Controls over Service Providers	Significant Deficiency/ Noncompliance
2023-005	97	2022/2017	Weaknesses in Computer Security	Significant Deficiency/ Noncompliance
2023-006	99	New	Lack of Adequate Change Management Controls	Significant Deficiency/ Noncompliance

Prior Findings Not Repeated - None

EXIT CONFERENCE

The University waived an exit conference in email correspondence from Chrystal Temples, Director of Internal Audit on March 4, 2024. The responses to the recommendations were provided by Chrystal Temples, Director of Internal Audit in a correspondence dated March 11, 2024.

Plante & Moran, PLLC
Suite 300
750 Trade Centre Way
Portage, MI 49002
Tel: 269.567.4500
Fax: 269.567.4501
plantemoran.com

INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Northeastern Illinois University

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, fiduciary activities and the discretely presented component unit of the University as of June 30, 2023, and the respective changes in its financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Northeastern Illinois University Foundation (Foundation), which represents 100% and 100% percent, respectively, of the assets and revenues of the Foundation as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Northeastern Illinois University Foundation, is based solely on the report of the other auditor.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Honorable Frank J. Mautino
Auditor General
State of Illinois

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Board of Trustees
Northeastern Illinois University

Emphasis of Matter

As discussed in Notes 1, 5 and 6 to the financial statements, in Fiscal Year 2023, the University adopted new accounting guidance for reporting subscription-based information technology arrangements which increased the assets and liabilities of the University. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional 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.

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Northeastern Illinois University

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 10-18, the Schedule of Northeastern Illinois University's Proportionate Share of the Net Pension Liability on page 74, the Schedule of Northeastern Illinois University's Pension Contributions on page 75, the Schedule of Northeastern Illinois University's Proportionate Share of Net Other Postemployment Benefits (OPEB) liability on page 76 and the related notes on pages 77-80, 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.

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Northeastern Illinois University

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Table of Operating Expenses on page 82 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Table of Operating Expenses is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in this report. The other information comprises the University Officials on pages 1-2 and data required by the University Facilities Revenue Bond Funds on pages 84-85 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Northeastern Illinois University

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2024, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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

Portage, Michigan
March 15, 2024

This section of Northeastern Illinois University's (University) annual report presents management's discussion and analysis of the University's financial position and activities during the Fiscal Year ended June 30, 2023 with comparative information for the fiscal year ended June 30, 2022. The discussion and analysis is designed to focus on current activities and currently known facts. Please read it in conjunction with the University's financial statements and related footnote disclosures. This discussion and analysis is focused on the University.

REPORTING ENTITY

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

USING THIS ANNUAL REPORT

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

FINANCIAL HIGHLIGHTS

In Fiscal Year 2023, The University adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which requires recognition of assets and liabilities for subscription contracts that previously were recognized as expenses. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, a government is required to recognize a subscription liability and an intangible right-to-use subscription asset. In accordance with this statement, effective July 1, 2022, the University recognized a right to use asset and related subscription liability of approximately $3 million.

FINANCIAL ANALYSIS

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

Condensed Statement of Net Position
As of June 30, 2023 and 2022
(dollars in thousands)

	2023	2022	Increase (Decrease)	Percent Change
ASSETS				
Current assets	$ 108,784	$ 106,071	$ 2,713	3%
Noncurrent assets:				
Capital assets, net	172,122	169,339	2,783	2%
Other noncurrent assets	2,356	2,311	45	2%
Total noncurrent assets	174,478	171,650	2,828	2%
Total assets	283,262	277,721	5,541	2%
DEFERRED OUTFLOWS OF RESOURCES	1,322	1,949	(627)	(32%)
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	284,584	279,670	4,914	2%
LIABILITIES				
Current liabilities	27,960	21,573	6,387	30%
Noncurrent liabilities	53,770	73,079	(19,309)	(26%)
Total liabilities	81,730	94,652	(12,922)	(14%)
DEFERRED INFLOWS OF RESOURCES	50,070	40,736	9,334	23%
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	131,800	135,388	(3,588)	(3%)
NET POSITION				
Net investment in capital assets	102,718	99,990	2,728	3%
Restricted	5,870	7,680	(1,810)	(24%)
Unrestricted	44,196	36,612	7,584	21%
Total net position	$ 152,784	$ 144,282	$ 8,502	6%

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

Current Assets - Current assets total $109 million and consists primarily of cash and cash equivalents of $85 million and net receivables of $22 million. Total current assets increased by $3 million from the prior year. This is primarily due to the increase of $3 million in cash and cash equivalents brought by state appropriations that were received close to fiscal year end. The current assets of the University of $109 million were sufficient to cover the current liabilities of $28 million.

Noncurrent Assets - As of June 30, 2023, the University had total noncurrent assets of $174 million consisting mostly of capital assets.

Current Liabilities - Current liabilities total $28 million and consist primarily of accounts payable and accrued liabilities of $18 million, unearned revenues from tuition of $4 million, as well as, current portion of revenue bonds and certificates of participation of $3 million, and current portion of liability for compensated absences of $1 million, current portion of subscription liability of $1 million and OPEB liability of $1 million.

Noncurrent Liabilities - Noncurrent liabilities total $54 million and consist of long-term debt and other obligations for which the principal is due more than one year from the statement of net position date. The net decrease of $19 million from prior year is primarily due to the decrease in other postemployment benefits liability of $17 million.

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

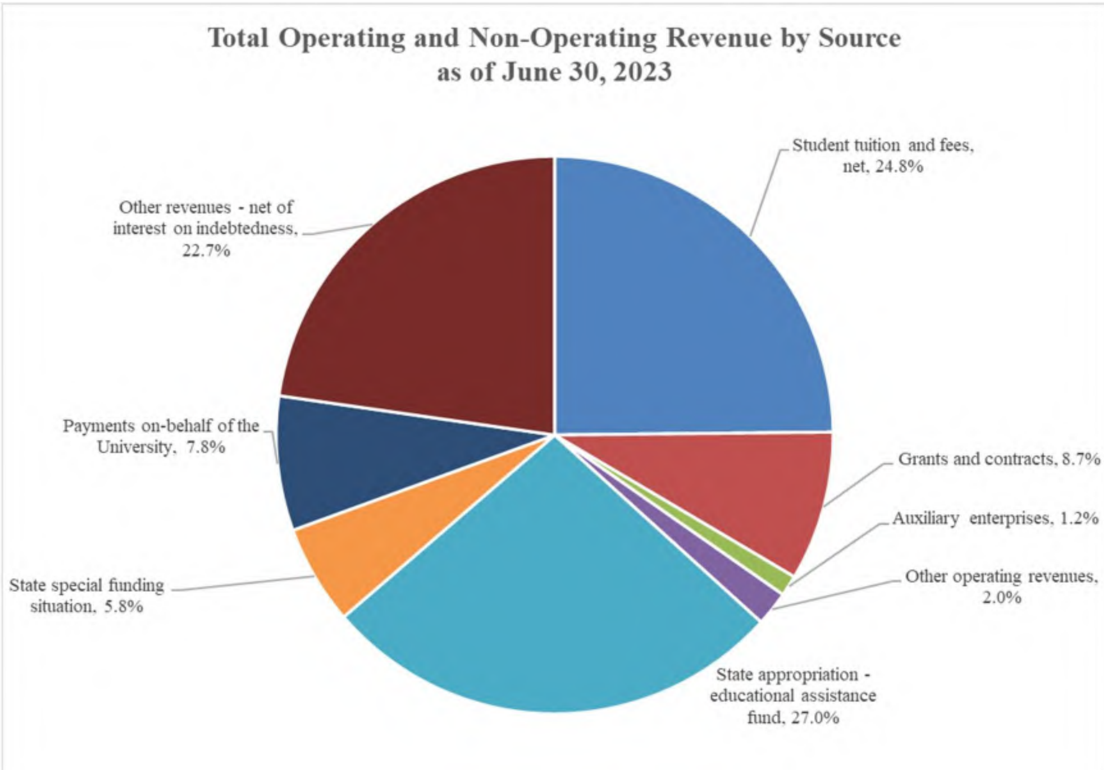
The total net position has changed during the year by $9 million. This is a result of a $8 million increase in unrestricted net position which was netted against a $2 million decrease in restricted net position. The increase in unrestricted net position is mainly due to changes in assumption in other postemployment benefits.

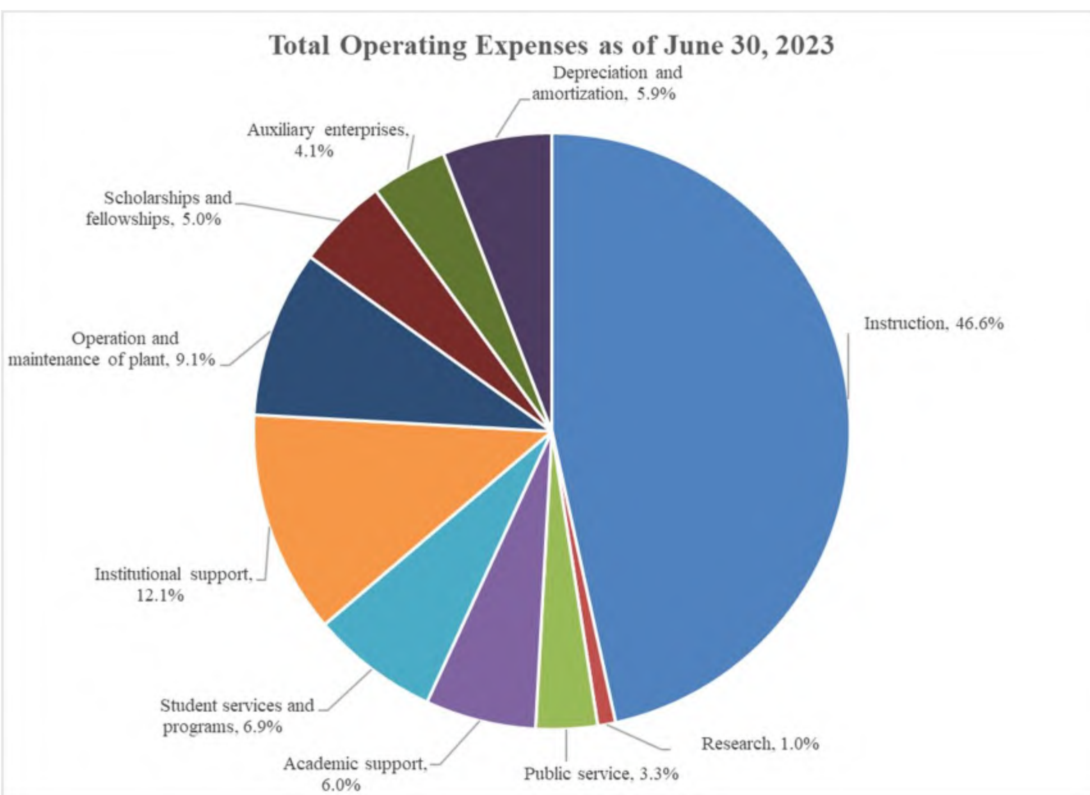
NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2023

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For The Years Ended June 30, 2023 and 2022
(dollars in thousands)

	2023	2022	Increase (Decrease)	Percent Change
OPERATING REVENUES				
Student tuition and fees, net	$ 34,384	$ 39,666	$ (5,282)	(13%)
Grants and contracts	12,002	12,263	(261)	(2%)
Auxiliary enterprises	1,682	1,679	3	0%
Other operating revenues	2,780	1,867	913	49%
Total operating revenues	50,848	55,475	(4,627)	(8%)
OPERATING EXPENSES	133,823	181,517	(47,694)	(26%)
OPERATING LOSS	(82,975)	(126,042)	43,067	(34%)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	37,345	37,345	-	0%
State special funding situation	7,996	37,462	(29,466)	(79%)
Payments on-behalf of the University	10,808	11,222	(414)	(4%)
Others, net	31,490	38,568	(7,078)	(18%)
Net nonoperating revenues	87,639	124,597	(36,958)	(30%)
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	4,664	(1,445)	6,109	(423%)
Capital additions provided by State of Illinois	2,982	397	2,585	651%
Other capital additions	856	857	(1)	(0%)
INCREASE (DECREASE) IN NET POSITION	8,502	(191)	8,693	(4551%)
NET POSITION, BEGINNING OF YEAR	144,282	144,473	(191)	(0%)
NET POSITION, END OF YEAR	$ 152,784	$ 144,282	$ 8,502	6%

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2023





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

Operating Revenues - Total operating revenues for Fiscal Year 2023 totaled $51 million. The $5 million decrease was due to the decrease in student tuition and fees of $6 million as a result of declining enrollment which was offset against the increase other operating revenue of $1 million as a result of the effects of the pandemic in the operations of the University

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

	2023	2022	Increase (Decrease)	Percent Change
Expenses by function:				
Instruction	$ 62,317	$ 83,793	$ (21,476)	(26%)
Research	1,296	1,368	(72)	(5%)
Public service	4,472	5,754	(1,282)	(22%)
Academic support	8,031	10,336	(2,305)	(22%)
Student services and programs	9,235	12,444	(3,209)	(26%)
Institutional support	16,194	24,259	(8,065)	(33%)
Operation and maintenance of plant	12,139	16,088	(3,949)	(25%)
Scholarships and fellowships, research and others	6,695	15,033	(8,338)	(55%)
Auxiliary enterprises	5,514	6,455	(941)	(15%)
Depreciation and amortization	7,930	5,985	1,945	32%
Total operating expenses	$ 133,823	$ 181,515	$ (47,692)	(26%)
Expenses by natural classification:				
Compensation and benefits	$ 92,194	$ 125,516	$ (33,322)	(27%)
Supplies and services	26,532	33,861	(7,329)	(22%)
Scholarships	7,167	16,155	(8,988)	(56%)
Depreciation and amortization	7,930	5,985	1,945	32%
Total operating expenses	$ 133,823	$ 181,517	$ (47,694)	(26%)

Total operating expenses in Fiscal Year 2023 decreased by $48 million mainly due to a $29 million decrease in benefits from the proportionate share of the University in the State's pension and OPEB.

Nonoperating Revenues (Expenses) - This consists of State appropriations, special funding situation, payments on behalf of the University, state grants, federal grant's Pell, HEERF and GEER, termination of federal loan program and investment income, less interest on indebtedness. Total nonoperating revenues decreased by $35 million mainly due to a $29 million decrease in benefits from the proportionate share of the University in the State's pension and OPEB.

Following are condensed statements of cash flows for the year ended June 30, 2023 and 2022 (amount in thousands):

Condensed Statement of Cash Flows
For the Years Ended June 30, 2023 and 2022
(dollars in thousands)

	2023	2022	Increase (Decrease)	Percent Change
Net cash used in operating activities	$ (59,822)	$ (67,947)	$ 8,125	(12%)
Net cash provided by noncapital financing activities	67,182	77,130	(9,948)	(13%)
Net cash used in capital financing activities	(9,586)	(5,750)	(3,836)	67%
Net cash provided by investing activities	3,049	203	2,846	1402%
Net increase in cash and cash equivalents	823	3,636	(2,813)	(77%)
Cash and cash equivalents - beginning of year	85,999	82,363	3,636	4%
Cash and cash equivalents - end of year	$ 86,822	$ 85,999	$ 823	1%

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

The primary cash receipts from operating activities consist of student tuition and fees of $35 million, grants and contracts of $11 million, direct lending receipts of $13 million and other revenues of $4 million. Cash outlays consist of payments to employees of $74 million, payments for fringe benefits of $5 million, payments for scholarships and fellowships of $7 million, payments to suppliers of $33 million and direct lending disbursements of $13 million.

The State appropriation of $38 million, State MAP and AIM HIGH grants of $13 million and Federal Pell, HEERF and GEER grants of $17 million are the primary sources of noncapital financing activities.

The main capital financing activities included purchases of capital assets and construction costs of $5 million and debt service payments of $5 million. Investing activities reflect purchases, sales, and interest income earned on investments resulting in a total net cash increase of $3 million from Fiscal Year 2022

CAPITAL ASSETS AND DEBT ADMINISTRATION

The University's capital assets include land, land improvements, buildings and building improvements, equipment, library books, subscription-based IT arrangements (SBITAs), and construction in progress.

The following summarized a table of capital assets, accumulated depreciation and amortization, and depreciation and amortization expense for the fiscal year June 30, 2023 and 2022.

	2023	2022
Capital assets	$ 325,705	$ 314,175
Accumulated depreciation and amortization	153,583	144,837
Capital assets, net	$ 172,122	$ 169,338
Depreciation expense	$ 5,839	$ 5,985
Amortization expense	$ 3,149	$ -

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

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

The University primarily uses revenue bonds and certificates of participation to fund construction projects.

The following summarizes a table of long-term debt, including current principal, for fiscal years ended June 30, 2023 and 2022.

	2023	2022
Revenue bonds, net	$ 11,695	$ 13,072
Certificates of participation, net	29,789	33,978

In May 2022, S&P Global upgraded the credit rating on the University's outstanding University Facilities System Revenue Bonds and Certificates of Participation to "BB+" with a "Stable" outlook.

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

ECONOMIC OUTLOOK

In April 2023, the Governor signed the Fiscal Year 2024 budget that provided level support for public education operations. For the University, the approved Fiscal Year 2024 appropriation amounted to $39.7 million that called for a 7% increase from the amount received in Fiscal Year 2023.

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

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

CONTACTING FINANCIAL MANAGEMENT AT NEIU

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

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF NET POSITION
JUNE 30, 2023

	University	Component Unit
ASSETS		
Current assets:		
Cash and cash equivalents	$ 82,730,141	$ 2,136,107
Restricted cash and cash equivalents	2,011,040	-
Short-term investments	-	3,840,032
Accounts receivable, net	21,935,020	-
Student loans receivable, net	121,008	-
Pledges receivables	-	124,000
Inventories	12,580	-
Prepaid expenses	1,957,828	-
Other assets	16,035	-
Total current assets	108,783,652	6,100,139
Noncurrent assets:		
Cash and cash equivalents	-	646,635
Restricted cash and cash equivalents	2,080,678	-
Restricted investments	-	13,748,519
Assets held under split-interest agreements	-	915,527
Long-term portion of pledges receivable	-	424,150
Student loans receivable, net	55,840	-
Capital assets, net	172,122,021	-
Other assets	220,003	8,000
Total noncurrent assets	174,478,542	15,742,831
TOTAL ASSETS	283,262,194	21,842,970
Pension	618,964	-
Other postemployment benefits	703,501	-
DEFERRED OUTFLOWS OF RESOURCES	1,322,465	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	284,584,659	21,842,970

See accompanying notes to the basic financial statements.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF NET POSITION
JUNE 30, 2023

	University	Component Unit
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	10,002,912	8,675
Accrued payroll and related benefits	8,407,755	-
Unearned revenues	3,780,827	-
Subscription liabilities	1,528,929	-
Liability for compensated absences	964,130	-
Revenue bonds payable, net	695,000	-
Certificates of participation, net	2,230,000	-
Funds held in custody for others	-	12,600
Other post-employment benefits	350,472	-
Obligations under split-interest agreements	-	43,636
Total current liabilities	27,960,025	64,911
Noncurrent liabilities:		
Subscription liabilities, net	1,136,938	
Liability for compensated absences	4,160,517	-
Revenue bonds payable, net	10,999,780	-
Certificates of participation, net	27,559,639	-
Perkins Federal cash contribution	151,878	-
Other post-employment benefits	9,761,011	-
Obligations under split-interest agreements	-	446,513
Total noncurrent liabilities	53,769,763	446,513
TOTAL LIABILITIES	81,729,788	511,424
Concession arrangement	27,277,908	-
Other post-employment benefits	22,792,502	-
DEFERRED INFLOWS OF RESOURCES	50,070,410	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	131,800,198	511,424
NET POSITION		
Net investment in capital assets	102,717,603	-
Restricted for:		
Nonexpendable		
Scholarships and memorials	-	14,820,532
Expendable		
Grants and contracts	364,023	-
Student loans	227,804	-
Debt service	2,615,270	-
Other	2,663,102	5,534,507
Unrestricted	44,196,659	976,507
TOTAL NET POSITION	$ 152,784,461	$ 21,331,546

See accompanying notes to the basic financial statements.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	University	Component Unit
OPERATING REVENUES		
Student tuition and fees, net	$ 34,383,661	$ -
Federal grants and contracts	7,838,612	-
State and local grants	2,871,736	-
Nongovernmental grants and contracts	1,292,461	-
Auxiliary enterprises	1,682,154	-
Other operating revenues	2,779,938	2,891,972
Total operating revenues	50,848,562	2,891,972
OPERATING EXPENSES		
Instruction	62,317,130	-
Research	1,296,020	-
Public service	4,471,927	-
Academic support	8,030,778	-
Student services and programs	9,235,554	-
Institutional support	16,193,646	-
Operation and maintenance of plant	12,139,581	-
Scholarships and fellowships	6,694,917	1,831,523
Auxiliary enterprises	5,513,894	-
Depreciation and amortization	7,929,862	-
Other operating expenses	-	1,508,037
Total operating expenses	133,823,309	3,339,560
Operating income (loss)	(82,974,747)	(447,588)
NONOPERATING REVENUES (EXPENSES)		
State appropriation	37,345,300	-
Special funding revenue	7,995,690	-
Payments on behalf of the University	10,808,000	-
Federal grants - Pell	11,453,370	-
Federal grants - Education Stabilization Fund	5,444,432	-
State grants - Monetary Award Program (MAP) & AIM HIGH	13,215,538	-
Investment income	3,049,285	1,682,678
Interest on indebtedness	(1,672,653)	-
Net non-operating revenues	87,638,962	1,682,678
Income (loss) before other revenues, expenses, gains and losses	4,664,215	1,235,090
Gain (loss) on disposal of capital assets	(1,228)	-
Capital additions provided by State of Illinois	2,982,925	-
Other capital additions	856,898	-
INCREASE (DECREASE) IN NET POSITION	8,502,810	1,235,090
NET POSITION, BEGINNING OF YEAR	144,281,651	20,096,456
NET POSITION, END OF YEAR	$ 152,784,461	$ 21,331,546

See accompanying notes to the basic financial statements.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	$ 35,306,065
Grants and contracts	11,042,260
Payments to employees	(73,874,158)
Payments for fringe benefits	(4,957,591)
Payments to suppliers	(24,452,467)
Payments for scholarships and fellowships	(7,167,225)
Loans issued to students	(793,469)
Collections of loans from students	950,851
Auxiliary enterprises	1,682,154
Student direct lending receipts	12,177,718
Student direct lending disbursements	(12,177,718)
Other receipts	2,441,592
Net cash used in operating activities	(59,821,988)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriation	37,316,022
Federal Grants - Pell	11,039,324
Federal Grants - Education Stabilization Fund	5,610,902
State Grants - Monetary Award Program (MAP & AIM HIGH)	13,215,538
Net cash provided by noncapital financing activities	67,181,786
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchases of capital assets and construction	(5,065,595)
Principal paid on capital debt	(2,780,000)
Interest paid on capital debt	(1,740,741)
Net cash used in capital financing activities	(9,586,336)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	3,049,285
Net cash provided by investing activities	3,049,285
Net increase in cash and cash equivalents	822,747
Cash and cash equivalents - beginning of year	85,999,112
Cash and cash equivalents - end of year	$ 86,821,859

See accompanying notes to the basic financial statements.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	University
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (82,974,747)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Special funding revenue	7,995,690
Payments on behalf of the University	10,808,000
Depreciation and amortization	7,929,862
Changes in assets, liabilities and deferred inflows and outflows of resources:	
Accounts receivable	(353,702)
Student loans receivable	157,382
Prepaid expenses and other assets	(1,460,860)
Inventories	(1,561)
Deferred outflows of resources	626,807
Accounts payable and accrued expenses	3,757,899
Accrued payroll and related benefits	969,565
Unearned revenues	92,149
Liability for compensated absences	(229,000)
Perkins Federal cash contribution	(208,151)
Other postemployment benefits	(17,122,313)
Deferred inflows of resources	10,190,992
Net cash used in operating activities	$ (59,821,988)
Noncash operating and capital financing activities:	
Special funding revenue	$ 7,995,690
On-behalf payments for fringe benefits	$ 10,808,000
Capital asset acquisition via capital appropriations	$ 2,982,925
Subscription-based IT arrangements right to use asset	$ 2,966,779
Subscription-based IT arrangement liabilities	$ 2,966,779
Realized deferred inflows of resources from concession arrangement	$ 856,898

See accompanying notes to the basic financial statements.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023

ASSETS		
Cash and cash equivalent	$	827,712
Receivables		1,298,306
TOTAL ASSETS		2,126,018
LIABILITIES		
Accounts payable and accrued liabilities		1,072
TOTAL LIABILITIES		1,072
NET POSITION		
Restricted for:		
Individuals, organizations, and other governments		2,124,946
TOTAL NET POSITION	$	2,124,946

See accompanying notes to the basic financial statements.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

ADDITIONS		
Receipts from individuals, organizations, and other governments	$	971,566
Rent collections		3,874,015
Total additions		4,845,581
DEDUCTIONS		
Beneficiary payments to individuals		948,207
Supplies and other services		3,371,341
Total deductions		4,319,548
NET INCREASE IN FIDUCIARY NET POSITION		526,033
NET POSITION, BEGINNING OF YEAR		1,598,913
NET POSITION, END OF YEAR	$	2,124,946

See accompanying notes to the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

The Foundation is a University Related Organization as defined under University Guidelines adapted by the State of Illinois Legislative Audit Commission in 1982 and amended 1997, 2020, and 2023. The Foundation was formed for the purpose of providing fund raising and other assistance to the University, to supplement the resources that are available to the University, and to support the University's instructional, research, and public service activities. In this capacity, the Foundation solicits, receives, holds, and administers gifts for the benefit of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources and income thereon the Foundation holds and invests are restricted to the activities of the University by the donors. Because resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is presented in the University's financial statements. The Foundation is a private nonprofit organization that reports under accounting standards promulgated by the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and other accounting rules are different from the revenue recognition criteria and accounting rules promulgated by Governmental Accounting Standards Board (GASB) that the University follows. Except for reclassifying the Foundation's FASB presentation into the University GASB presentation, no modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

An audit of the Foundation's financial statements, for the fiscal year ended June 30, 2023, was conducted by an independent certified public accountant. Complete financial statements for the Foundation may be obtained by writing to the Foundation, Executive Director and Vice President for Institutional Advancement, Northeastern Illinois University, 5500 North St. Louis Ave., Chicago, Illinois 60625.

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

Basis of Accounting

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

Proprietary Funds

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

Management's Discussion and Analysis

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

- Housing Facility – This is attributable to the rental payment collected by the University under the concession agreement in Note 15.

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

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

Operating and Nonoperating Revenues

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Auxiliary Enterprises

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

Use of Estimates

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

Cash and Cash Equivalents

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

Investments and Marketable Securities

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

For the joint investing activity of the University, interest and dividends on investments are allocated to the funds which participated in the investment purchase according to the fund's appropriate share of the total investment. Investments are reported at fair value. The fair value is determined to be the amount, usually quoted market prices, at which financial instruments could be exchanged in a current transaction between willing partners.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

For the year ended June 30, 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemptions gates. Also, certain money market investments and non-negotiable certificates of deposit with redemption terms that do not consider market rates are carried at amortized cost.

Restricted Assets

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

Receivables

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

Inventories

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

Capital Assets

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification	Capitalized Threshold	Estimated Useful Life (in years)
Land	$ 100,000	Indefinite
Land improvements	25,000	Indefinite
Site improvements	25,000	5-50
Buildings	100,000	50
Building improvements	25,000	10-45
Equipment	5,000	3-25
Non-depreciable historical treasures/works of art	5,000	Indefinite
Software/license fees	50,000	5
Subscription-Based Information Technology Arrangements (based on term)	25,000	3-6
Library books*	5,000	7

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

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

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

Amortization of Subscription-Based Information Technology Arrangements is computed using the straight-line method over the shorter of the subscription term or the estimated useful lives of the underlying IT assets. Amortization begins at the beginning of the subscription term.

Liability for Compensated Absences

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

Unearned Revenues

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

Revenue Bonds Payable and Certificates of Participation

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

The University's net position are classified as follows:

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

> Restricted - expendable - includes resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
>
> Restricted - nonexpendable - consists of endowment and similar type funds in which donors or outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.
>
> Unrestricted - represents sources derived from student tuition and fees, State appropriations, and sales and services provided by educational departments and certain auxiliary enterprises. These resources are used for educational and general operations of the University and may be used at the discretion of the governing board to meet current expenses for any purpose.

Deferred Inflows of Resources/Deferred Outflows of Resources

In addition to assets and liabilities, the statement of net position includes a separate section for deferred inflows or outflows of resources. Deferred inflows of resources represent increase in net position that applies to a future period. The revenue is not recognized until a future period. Deferred inflows of resources reported by the University relate to the other postemployment benefits and service concession arrangement as explained in Notes 14 and 15 to the basic financial statements, respectively. Deferred outflows of resources represent consumption of net position that applies to a future period and so will not be recognized as an expense until then. Deferred outflows of resources reported by the University consist of deferral of employer pension contributions as explained in Note 12 to the basic financial statements and employer other postemployment benefit contributions made after the measurement date but before the end of the reporting period as explained in Note 14 to the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

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

Tuition and fees, except for the summer term, are recognized as revenues as they are assessed. Tuition and fees were reduced by scholarship discounts and allowances of $25,355,813 for Fiscal Year 2023. Scholarship discounts and allowances are the difference between the charge for tuition and fees, and the amount paid by students or by third parties on the students' behalf. The summer term tuition and fees are allocated between fiscal years based on when the revenue is earned, since the summer term begins in one fiscal year and ends in the next. The portion of summer term tuition and fees applicable to the following fiscal year is unearned. The value of tuition and fee exemptions awarded to graduate assistants, staff members, and others is calculated at the applicable tuition rates. These exemptions amounted to $4,253,928 in Fiscal Year 2023.

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

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

Pensions

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

For financial reporting purposes, the State of Illinois and its public universities and community colleges are under a special funding situation. A special funding situation exists when a non-employer entity (the State) is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity (the University) and the

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

non-employer (the State) is the only entity with a legal obligation to make contributions directly to a pension plan. The University recognizes its proportionate share of the State's pension expense relative to the University's employees as nonoperating revenue and pension expense, with the expense further allocated to the related function performed by the employees.

Other Postemployment Benefits (OPEB)

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During the OPEB measurement period ended June 30, 2022, the University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $336,367 to help offset the amount the State needed to provide for retirees under the special funding situation described in the preceding paragraph.

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

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

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

On-behalf Payments

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

of a Public Act by the State's highest level of decision-making authority exercised by the Governor and the General Assembly pursuant to the State's Constitution.

During the year ended June 30, 2023, total estimated group insurance contributions for the University's employees paid from the University's Income Fund and auxiliary enterprises were $11,718,202. The University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $910,202 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 $10,808,000 on-behalf of the University to meet this obligation for current employees.

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

Adoption of New Accounting Standards

During the current year, the University adopted GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which establishes definitions of PPPs and APAs, and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. There was no accounting impact as a result of the adoption.

During the current year, the University adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which increases the usefulness of the financial statements by requiring recognition of certain SBITA assets and liabilities that previously were classified as operating expenses effective July 1, 2022. This Statement establishes a single model for SBITA accounting based on the foundational principle that SBITAs are the right to use an underlying information technology asset. Under this Statement, the University is required to recognize an intangible right-to-use subscription asset and a corresponding subscription liability as explained in Notes 5 and 6. The University recorded a right to use asset and related subscription liability of $2,966,779 at July 1, 2022.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements

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

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

NOTE 2 - CASH AND INVESTMENTS

The University uses the "pooled cash" method of accounting for substantially all of its operating cash and investments. The following table is a reconciliation of cash on hand, deposits and investments held by the University and Foundation as shown on the statement of net position as of June 30, 2023:

	University	Foundation
Carrying amounts of deposits	$ 10,153,951	$ 2,782,742
Carrying amounts of investments	77,492,420	18,504,078
Cash on hand	3,200	-
	$ 87,649,571	$ 21,286,820

	University	Foundation
Cash and cash equivalents - current and noncurrent	$ 83,557,853	$ 2,782,742
Restricted cash and cash equivalents - current	2,011,040	-
Restricted cash and cash equivalents - noncurrent	2,080,678	-
Short-term investments	-	3,840,032
Long-term investments	-	14,664,046
	$ 87,649,571	$ 21,286,820

The University's cash and cash equivalents includes $827,712 pertaining to the fiduciary funds.

NOTE 2 - CASH AND INVESTMENTS (continued)

University Deposits

The University utilizes multiple bank accounts for the various activities of the University. The book balance of such accounts was $12,167,717 at June 30, 2023, while the bank balance was $13,747,951. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2023.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The policy for reducing its exposure to this risk is to require deposits in excess of the federally insured amount to be collateralized at 100%. As of June 30, 2023, the University's deposits were covered by the Federal Deposit Insurance Corporation (FDIC) and by collateral held by the financial institution in the University's name except for $489,055.

University Investments

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

The University has pooled its investments, except for certain funds that are required by bond resolution to be in separate accounts. Investments are stated at fair value. Net income from investments of pooled funds is allocated and credited to the original sources of the funds or is remitted to the University's Income Fund. The investment with the Public Treasurer's Investment Pool-State Treasurer's Office is at amortized cost, which is the same value as the pool shares. State statutes require the Illinois Funds to comply with the Illinois Public Funds Investment Act (30 ILCS 235). The Illinois Funds is not registered with the Securities Exchange Commission as an investment company, but has adopted GASB Statement No. 79, *Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants*, which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost.

For the year ended June 30, 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemptions gates. Also, certain money market investments and non-negotiable certificates of deposit with redemption terms that do not consider market rates are carried at amortized cost.

NOTE 2 - CASH AND INVESTMENTS (continued)

The fair value of the University investments as of June 30, 2023 is as follows:

Investments:	Fair Value	Maturity	S&P/Moody's
Illinois Fund*	$ 75,483,425	< 1 year	AAAmmf
U.S. Treasury Reserve Pool	2,008,995	< 1 year	AAAm/Aaa-mf
	$ 77,492,420		

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

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

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

Investments:	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury Reserve Pool	$ 2,008,995	$ -	$ 2,008,995	$ -

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

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

NOTE 2 - CASH AND INVESTMENTS (continued)

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's policy for mitigating the risk is to diversify the investment portfolio so that the failure of any one issue will not place an undue financial burden on the University. As of June 30, 2023, the University does not have any investments representing 5% or more of total assets in any single issuer other than the U.S. government and investments in mutual funds, external investment pools, and other pooled investments.

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

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

Foundation Deposits and Investments

The fair value and valuations of the Foundation investments as of June 30, 2023 is as follows:

Investments:	Fair Value	Level 1	Level 2	Level 3
Mutual funds	$ 18,504,078	$ 18,504,078	$ -	$ -

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

The Foundation maintains its cash and certificates of deposit in several separate accounts at two different institutions. These accounts are insured by the FDIC up to $250,000 at each financial institution. As of June 30, 2023, the combined uninsured balance was $2,622,252. The Foundation has not experienced any loss in these accounts. The Foundation believes it is not exposed to any significant credit risk on its cash balance. The investment committee of the Foundation Board reviews the financial health of commercial banking institutions with which the Foundation maintains assets on an annual basis.

NOTE 2 - CASH AND INVESTMENTS (continued)

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

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

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

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

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

NOTE 3 - ACCOUNTS RECEIVABLE

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

	June 30, 2023
Student tuition and fees	$ 29,549,901
Federal, State, and private grants and contracts	9,354,399
State Appropriation	38,103
Others	1,444,860
Subtotal	40,387,263
Less allowance for doubtful accounts	(18,452,243)
Accounts receivable, net	$ 21,935,020

NOTE 3 - ACCOUNTS RECEIVABLE (continued)

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

	June 30, 2023
Student housing	$ 1,298,306

NOTE 4 - STUDENT LOANS RECEIVABLE

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

	June 30, 2023
Perkins student loan fund*	$ 263,794
Emergency student loan	58,016
Others	8,367
Subtotal	330,177
Less allowance for doubtful accounts	(153,329)
Student loans receivable, net	$ 176,848

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

NOTE 5 - CAPITAL ASSETS

Details of the University's investment in capital assets at June 30, 2023 are as follows:

	Balance June 30, 2022	Additions	Transfers	Reductions	Balance June 30, 2023
Capital assets not being depreciated:					
Land and land improvements	$ 30,906,095	$ -	$ 945,766	$ -	$ 31,851,861
Nondepreciable historical treasures and works of art	83,330	-	-	-	83,330
Construction in progress	5,063,101	3,336,251	(945,766)	-	7,453,586
Total capital assets not being depreciated	36,052,526	3,336,251	-	-	39,388,777
Capital assets being depreciated:					
Site improvements	7,614,415	-	-	-	7,614,415
Buildings and building improvements	228,785,342	270,984	-	-	229,056,326
Equipment and Software	14,225,331	1,557,637	-	97,772	15,685,196
Library books	27,497,776	245,578	-	144,518	27,598,836
Total capital assets being depreciated	278,122,864	2,074,199	-	242,290	279,954,773
Capital assets being amortized:					
Subscription-Based Information Technology Arrangements	-	6,361,482	-	-	6,361,482
Total capital assets being amortized	-	6,361,482	-	-	6,361,482
Less accumulated depreciation:					
Site improvements	6,844,186	152,350	-	-	6,996,536
Buildings and building improvements	98,962,148	4,768,614	-	-	103,730,762
Equipment and Software	13,210,341	492,458	-	96,544	13,606,255
Library books	25,819,991	425,313	-	144,518	26,100,786
Total accumulated depreciation	144,836,666	5,838,735	-	241,062	150,434,339
Less accumulated amortization:					
Subscription-Based Information Technology Arrangements	-	3,148,672	-	-	3,148,672
Total accumulated amortization	-	3,148,672	-	-	3,148,672
Capital assets, net	$169,338,724	$ 2,784,525	$ -	$ 1,228	$172,122,021

NOTE 6 - SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The University obtains the right to use vendor's information technology software through various long-term contracts. The University recognizes a subscription liability and an intangible right-of-use subscription asset. At the commencement of a subscription, the University initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscriptions payments made. The subscription asset is amortized on a straight-line method over the shorter of the subscription term or the estimated useful lives of the underlying information technology software. Key estimates and judgments related to subscriptions include how the University determines the discount rate it uses to discount the expected subscription payments to present value and the subscription term.

Subscription asset activity of the University is presented in Note 5. Future principal and interest payment requirements related to the University's subscription liability at June 30, 2023 are as follows:

Fiscal Year	Principal	Interest
2024	$ 1,528,929	$ 136,000
2025	728,520	75,176
2026	291,839	34,366
2027	116,579	97,895
Total	$ 2,665,867	$ 343,437

NOTE 7 - LONG-TERM DEBT AND OTHER LIABILITIES

Long-term debt and other liabilities at June 30, 2023 are as follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Subscription liabilities	$ -	$3,834,173	$ 1,168,306	$ 2,665,867	$ 1,528,929
Compensated absences	5,353,647	356,974	585,974	5,124,647	964,130
Direct Placements of Revenue bonds:					
Series 2014	12,005,000	-	670,000	11,335,000	695,000
Premium	391,066	-	31,286	359,780	-
Direct Placements of Certificates of participation:					
Series 2010	3,600,000	-	395,000	3,205,000	435,000
Series 2012	23,985,000	-	725,000	23,260,000	775,000
Premium	113,763	-	5,910	107,853	-
Series 2015	4,145,000	-	990,000	3,155,000	1,020,000
Premium	92,677	-	30,891	61,786	-
Federal loan contributions refundable	360,029	-	208,151	151,878	-
Other postemployment benefits payable	27,233,796	-	17,122,313	10,111,483	350,472
Subtotal	77,279,978	$4,191,147	$21,932,831	59,538,294	$ 5,768,531
Less current portion	(4,201,233)			(5,768,531)	
Total noncurrent liabilities	$ 73,078,745			$ 53,769,763	

NOTE 8 - COMPENSATED ABSENCES

It is the policy of the University to accrue vacation pay as earned. As of June 30, 2023, the accrued liability for this benefit was $4,596,359 and is reported as liability for compensated absences.

As a result of Public Act 83-976, the University is required to compensate certain employees for sick leave benefits earned after January 1, 1984. Sick leave earned by these employees after this date will accumulate without limit and are payable upon termination of employment for one-half of the unused amount. As of January 1, 1998, based on the State Finance Act (30 ILCS 105/14a), sick leave benefits earned after that date are no longer compensable upon termination of employment. All prior earned benefits will still be paid. As of June 30, 2023, the accrued liability of this benefit was $528,288 and is included in the liability for compensated absences.

NOTE 9 - UNIVERSITY FACILITIES SYSTEM REVENUE BONDS

Series 2014

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

The Series 2014 Bonds mature in increasing principal amounts ranging from $695,000 due on July 1, 2023 to $1,060,000 due on July 1, 2034. Interest is payable on January 1 and July 1 each year, at rates between 3.50% and 5.00%, with an average effective rate of approximately 4.142%. Future aggregate annual payments applicable to the Series 2014 Bonds at June 30, 2023 are:

Fiscal Year	Principal	Interest
2024	$ 695,000	$ 454,750
2025	790,000	429,000
2026	815,000	396,775
2027	855,000	355,025
2028	895,000	311,275
2029-2033	5,085,000	973,150
2034-2035	2,200,000	88,560
Total	$ 11,335,000	$ 3,008,535

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

NOTE 9 - UNIVERSITY FACILITIES SYSTEM REVENUE BONDS (continued)

Pledged Revenues and Debt Service Requirements

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

Bond Issues	Purpose	Source of Revenue Pledged	Future Net Revenues Pledged (1)	Terms of Commitment	Pledged Net Revenues to Debt Service (Current Year) (2)
Facilities System Revenue Bonds Series 2014	Construction of a multi-level parking structure	Net Revenues of the University Facilities System*, student tuition and fees	$ 14,343,535	2034	8.85%

(1) Total future principal and interest payments on debt.

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

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

NOTE 10 - CERTIFICATES OF PARTICIPATION

Series 2010

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

NOTE 10 - CERTIFICATES OF PARTICIPATION (continued)

The certificates mature in increasing principal amounts ranging from $435,000 due on October 1, 2023 to $645,000 due on October 1, 2028 at rates between 5.375% and 6.000%, with an average effective rate of approximately 5.688%.

Series 2012

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

The certificates mature in increasing principal amounts ranging from $775,000 due on October 1, 2023 to $1,815,000 due on October 1, 2041 at rates between 3.000% and 4.100%, with an average effective rate of approximately 3.782%.

Series 2015

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

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

NOTE 10 - CERTIFICATES OF PARTICIPATION (continued)

The Series 2015 Certificates are subject to redemption, in whole, at the price of 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, on any date on which the Purchase Contract is terminated by the Board because (i) an Event of Non- appropriation has occurred, (ii) the Board has determined that there are not sufficient Legally Available Non-appropriated Funds to pay the portion of the Installment Payments coming due during the then-current fiscal year, and (iii) the Board has exercised its option to prepay the Series 2015 Certificates. The Series 2015 Certificates are not otherwise subject to redemption prior to maturity. The Series 2015 Certificates maturing on July 1, 2023 and July 1, 2025 are subject to mandatory redemption prior to maturity through the application of sinking fund payments, in integral multiples of $5,000 selected by lot by the Trustee, at a redemption price equal to 100% of the principal amount plus accrued interest to date fixed for redemption.

The Series 2015 Certificates mature in increasing principal amounts ranging from $1,020,000 due on July 1, 2023 to $1,090,000 due on July 1, 2025 at rates between 3.00% and 4.00%, with an average effective rate of approximately 3.500%.

Future aggregate annual payments applicable to the certificates of participation at June 30, 2023 are:

Fiscal Year	Principal	Interest
2024	2,230,000	1,153,616
2025	2,330,000	1,066,555
2026	2,465,000	968,230
2027	1,425,000	886,257
2028	1,510,000	821,641
2029-2033	6,305,000	3,262,720
2034-2038	6,745,000	2,034,765
2039-2042	6,610,000	561,970
Total	$ 29,620,000	$ 10,755,753

NOTE 11 - NORTHEASTERN ILLINOIS UNIVERSITY FOUNDATION AGREEMENT

The Northeastern Illinois University Foundation (Foundation) is a separate non-profit organization incorporated in the State of Illinois and a University Related Organization under the University Guidelines, 1982 (amended 1997). Its mission is to advance the interests and welfare of the

NOTE 11 - NORTHEASTERN ILLINOIS UNIVERSITY FOUNDATION AGREEMENT (continued)

University. The direction and management of the affairs of the Foundation and the control and disposition of its assets are vested in the Board of Directors of the Foundation. The University has no liability with regard to the Foundation's liabilities. The majority of endowments supporting University scholarships and other University programs are owned by the Foundation; therefore, it would be misleading to exclude the Foundation's financial reports.

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

During the fiscal year ended June 30, 2023, the University and Foundation had the following inter-entity transactions:

	Northeastern Illinois University Foundation	
Northeastern Illinois University	Other operating expenses (Program services)	Other operating revenues (Support and program revenue)
Operating Revenues		
Student tuition and fees, net	$ 997,172	$ -
Nongovernmental grants and contracts	834,351	-
Operating Expenses		
Compensation and benefits	-	616,949
Supplies and services	-	4,907
Use of space	-	37,206
	$ 1,831,523	$ 659,062

NOTE 12 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

Benefits Provided
A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. Tier 1 of the traditional and portable plan refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election whether to participate in either the traditional or portable benefit plans. A summary of the benefit provisions as of June 30, 2022, can be found in the Financial Section of SURS ACFR.

Contributions
The State of Illinois is primarily responsible for funding the System on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a statutory funding plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members within SURS to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for Fiscal Year 2023 was 12.83% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are

NOTE 12 - DEFINED BENEFIT PENSION PLAN (continued)

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

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

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

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

Employer Proportionate Share of Net Pension Liability
The amount of the proportionate share of the NPL to be recognized for the University is $0. The proportionate share of the State's NPL associated with the University is $467,507,063 or 1.6078%. The University proportionate share changed by (0.0688%) from 1.6765% since the last measurement date on June 30, 2021. This amount is not recognized in the University's financial statements. The NPL and total pension liability as of June 30, 2022, was determined based on the June 30, 2021, actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS defined benefit plan during fiscal year 2021.

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

Employer Proportionate Share of Defined Benefit Pension Expense
The University's proportionate share of collective pension expense is recognized as nonoperating revenue with matching operating expense (compensation and benefits) in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS during Fiscal Year 2021. As a result, the University recognized revenue and pension expense of $30,600,847 from this special funding situation during the year ended June 30, 2023.

NOTE 12 - DEFINED BENEFIT PENSION PLAN (continued)

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

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

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

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

Year Ending June 30	Net Deferred Outflows of Resources
2023	$ (332,941,204)
2024	(528,966,820)
2025	(249,290,775)
2026	442,534,804
2027	-
Thereafter	-
Total	$ (668,663,995)

NOTE 12 - DEFINED BENEFIT PENSION PLAN (continued)

University's Deferral of Fiscal Year 2023 Pension Contributions

The University paid $618,964 in federal, trust or grant contributions to SURS defined benefit pension plan during the year ended June 30, 2023. These contributions were made subsequent to the pension liability measurement date of June 30, 2022 and are recognized as deferred outflows of resources as of June 30, 2023.

Assumptions and Other Inputs

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

Inflation	2.25 percent
Salary increases	3.00 to 12.75 percent, including inflation
Investment rate	6.50 percent

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

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

NOTE 12 - DEFINED BENEFIT PENSION PLAN (continued)

For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Traditional Growth		
Global Public Equity	38.0%	7.62%
Stabilized Growth		
Public Credit Fixed Income	9.0%	4.20%
Credit Real Assets	4.5%	4.98%
Options Strategies	2.5%	4.91%
Private Credit	1.0%	7.45%
Non-Traditional Growth		
Private Equity	10.5%	11.91%
Non-Core Real Assets	2.5%	9.43%
Inflation Sensitive		
U.S. TIPS	5.0%	1.23%
Principal Protection		
Core Fixed Income	8.0%	1.79%
Crisis Risk Offset		
Systematic Trend Following	10.0%	4.33%
Alternative Risk Premia	5.0%	3.59%
Long Duration	4.0%	2.16%
Total	**100.0%**	**6.08%**
Inflation		**2.25%**
Expected arithmetic return		**8.33%**

Discount Rate

A single discount rate of 6.39% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 6.50% and a municipal bond rate of 3.69% (based on the Fidelity 20-Year Municipal GO AA Index as of June 30, 2022). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under SURS funding policy.

NOTE 12 - DEFINED BENEFIT PENSION PLAN (continued)

Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2076. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2076, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the SURS Net Pension Liability to Changes in the Discount Rate
Regarding the sensitivity of the NPL to changes in the single discount rate, the following presents the State's NPL, calculated using a single discount rate of 6.39%, as well as what the State's NPL would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 5.39	Current Single Discount Rate Assumption 6.39%	1% Increase 7.39%
$35,261,802,968	$29,078,053,857	$23,928,731,076

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

NOTE 13 - DEFINED CONTRIBUTION PENSION PLAN

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

NOTE 13 - DEFINED CONTRIBUTION PENSION PLAN (continued)

Benefits Provided

A defined contribution pension plan, originally called the Self-Managed Plan, was added to SURS benefit offerings as a result of Public Act 90-0448 enacted effective January 1, 1998. The plan was renamed the RSP effective September 1, 2020, after an extensive plan redesign. New employees are allowed six months after their date of hire to make an irrevocable election whether to participate in either the traditional or portable defined benefit pension plans or the RSP. A summary of the benefit provisions as of June 30, 2022, can be found in SURS Annual Comprehensive Financial Report – Notes to the Financial Statements.

Contributions

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

Forfeitures

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

Pension Expense Related to Defined Contribution Pensions

Defined Contribution Pension Expense

For the year ended June 30, 2022, the State's contributions to the RSP on behalf of individual employers totaled $89,770,940. Of this amount, $80,902,699 was funded via an appropriation from the State and $8,868,241 was funded from previously forfeited contributions.

NOTE 13 - DEFINED CONTRIBUTION PENSION PLAN (continued)

Employer Proportionate Share of Defined Contribution Pension Expense
The University's proportionate share of collective defined contribution pension expense is recognized as nonoperating revenue with matching operating expense (compensation and benefits) in the financial statements. The basis of allocation used in the proportionate share of collective defined contribution pension expense is the actual reported pensionable contributions made to the RSP during Fiscal Year 2022. The University's share of pensionable contributions was 1.1294%. As a result, the University recognized revenue and defined contribution pension expense of $1,013,843 from this special funding situation during the year ended June 30, 2023, of which $100,155 constituted forfeitures.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description
SEGIA, as amended, authorizes SEGIP to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the University's full-time employees are members of SEGIP. Members receiving monthly benefits from the GARS, JRS, SERS, TRS, and SURS are eligible for these OPEB. The eligibility provisions for SURS are defined within Note 12.

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

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

Funding Policy and Annual OPEB Cost
OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions pursuant to SEGIA (5 ILCS 375/11), and federal government subsidies from the Medicare Part D program. THE contributions are deposited in the Health Insurance Reserve Fund, which covers both active employees and retired members. Annuitants may be required to contribute towards health and vision benefits.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (continued)

All annuitants are required to pay for dental benefits regardless of retirement date. CMS' Director shall, on an annual basis, determines the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health benefits and a separate trust has not been established for the funding of OPEB.

For Fiscal Year 2023, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $12,636 ($6,990 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $14,646 ($5,882 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

Special Funding Situation Portion of OPEB

The proportionate share of the State's OPEB expense relative to the University's employees totaled ($23,619,038) during the year ended June 30, 2023. This amount was recognized by the University as nonoperating special funding situation revenue and operating expense allocated to the related function performed by the employees during the year ended June 30, 2023.

While the University is not required to record the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation, the University is required to disclose this amount. The following chart displays the proportionate share of the State's contributions related to the University's special funding situation relative to all employer contributions during the years ended June 30, 2022 based on the June 30, 2021 actuarial valuation rolled forward:

Measurement Date:	June 30, 2022
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$ 121,261,323
SEGIP total OPEB liability	$ 17,080,208,026
Proportionate share of the total OPEB liability	0.7100%

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Total OPEB Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and Expense Related to OPEB

The University's total OPEB liability, as reported at June 30, 2023, was measured as of the measurement date on June 30, 2022, with an actuarial valuation as of June 30, 2021, which was rolled forward to the measurement date. The following chart displays the proportionate share of the University's contributions relative to all employer contributions during the year ended June 30, 2022 based on the June 30, 2021 actuarial valuation rolled forward:

Measurement Date:	June 30, 2022
University's OPEB liability	$ 10,111,483
SEGIP total OPEB liability	$ 17,080,208,026
Proportionate share of the total OPEB liability	0.0592%

The University's portion of the OPEB liability was based on the University's proportionate share amount determined under the methodology described in Note 1 during the year ended June 30, 2022. As of the current year measurement date of June 30, 2022, the University's proportion decreased 0.0188% from its proportion measured as of the prior year measurement date of June 30, 2021.

The University recognized OPEB expense (recovery) for the year ended June 30, 2023, of ($5,783,520). At June 30, 2023, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2022, from the following sources:

Deferred outflow of resources	
Difference between expected and actual experience	$ 103,438
Changes in portion and differences between employer contributions and proportionate share of contribution	249,591
University contribution subsequent to measurement date	350,472
Total deferred outflow of resources	$ 703,501

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Deferred inflows of resources	
Difference between expected and actual experience	$ 2,764,986
Changes of assumptions	9,904,359
Changes in portion and differences between employer contributions and proportionate share of contributions	10,123,157
Total deferred inflow of resources	$ 22,792,502

The amount of $350,472 reported as deferred outflows of resources related to OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Total Amount Recognized of Deferred Inflows and Outflows over the Remaining Service Life of All Employees (5.276000 years)
2024	$ (6,179,155)
2025	(6,224,678)
2026	(5,188,199)
2027	(3,857,713)
2028	(989,728)
Total	$ (22,439,473)

Actuarial Methods and Assumptions
The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on GARS, JRS, SERS, TRS, and SURS active, inactive, and retiree data as of June 30, 2021, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2021.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.25%
Projected Salary Increases*	2.50% - 12.75%
Discount Rate	3.69%
Healthcare Cost Trend Rate	
Medical and RX	
Pre-Medicare - QCHP**	Trend rates start at 8.00% in 2024, decreasing by 0.25% per year to an ultimate trend rate of 4.25% in year 2039.
Post-Medicare - MAPD***	Trend rates are 0.00% in years 2024 to 2028, 19.42% from 2029 to 2033, then 5.77% in 2034 decreasing ratably to an ultimate trend rate of 4.25% in 2039.
Retirees' share of benefit related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2022 and 2023 are based on actual premiums. Premiums after 2023 were projected based on the same healthcare cost trend rates applied to per capita claim costs.

*Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed.
** Quality Care Health Plan
*** Medicare Advantage Prescription Drug

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

^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.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Discount Rate
Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 3.69% as of June 30, 2022 was used to measure the total OPEB liability.

Sensitivity of Total OPEB Liability to Changes in the Single Discount Rate
The following presents the University’s proportionate share of the plan’s total OPEB liability measured at June 30,2022, calculated using a Single Discount Rate of 3.69%, as well as what the University’s proportionate share of the plan’s total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (4.69%) or lower (2.69%) than the current rate:

	1% Decrease (2.69%)	Current Single Discount Rate Assumption (3.69%)	1% Increase (4.69%)
Total OPEB liability	$11,155,947	$10,111,483	$8,981,112

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate
The following presents the University's proportionate share of the plan's total OPEB liability measured as of June 30, 2022, calculated using the healthcare cost trend rates as well as what the University's proportionate share of the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower than the current healthcare cost trend rates. For calculating the healthcare cost trend rates assumption, the key trend rates are 8% in 2024 decreasing to an ultimate trend rate of 4.25% in 2039 for both non-Medicare and Medicare coverage. For the 1% decrease in calculating the healthcare cost trend rates assumption, the key trend rates are 7% in plan year 2024 decreasing to an ultimate trend rate of 3.25% in plan year 2039 for both non-Medicare and Medicare coverage. For the 1% increase in calculating the healthcare cost trend rates assumption, the key trend rates are 9% in plan year 2024 decreasing to an ultimate trend rate of 5.25% in plan year end 2039 for both non-Medicare and Medicare coverage.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (continued)

	1% Decrease**	Healthcare Cost Trend Rates Assumption*	1% Increase***
Total OPEB liability	$8,754,523	$10,111,483	$11,486,801

Total OPEB Liability Associated with the University, Regardless of Funding Source
The University is required to disclose all OPEB liabilities related to it, including (1) the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation the University is not required to record and (2) the portion of OPEB liability recorded by the University for its employees paid from trust, federal, and other funds. The following chart displays the proportionate share of contributions, regardless of funding source, associated with the University's employees relative to all employer contributions during the year ended June 30, 2022 based on the June 30, 2021 actuarial valuation rolled forward:

Measurement Date:	June 30, 2022
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$ 121,261,323
University's OPEB liability	10,111,483
Total OPEB liability associated with the University	$ 131,372,806
SEGIP total OPEB liability	$ 17,080,208,026
Proportionate share of the OPEB liability associated with the University	0.7692%

NOTE 15 - SERVICE CONCESSION ARRANGEMENTS FOR STUDENT HOUSING

In August 13, 2014, the University awarded the design, development, and management of the University student housing facility project (Project) to the American Campus Communities (ACC) as a concession arrangement in accordance with the Illinois Procurement Code (30 ILCS 500/53-25). The concession arrangement is structured as a ground lease enabling the Project to be financed through bonds issued by the Illinois Finance Authority consistent with the Procurement Code. All net available cash flow of the Project will be paid to the University as rent under the ground lease. In conjunction with the award to ACC, Collegiate Housing Foundation (CHF), a 501(c)(3) organization, was identified as the entity to be the ground lessee under the ground lease.

NOTE 15 - SERVICE CONCESSION ARRANGEMENTS FOR STUDENT HOUSING (continued)

In accordance with the ground lease agreement, CHF entered into a development agreement with ACC as developer for the planning, construction, equipping and furnishing of the Project. In addition, CHF entered into a management agreement with ACC to manage the operation of completed Project.

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

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

Construction of the student housing facility started in May 2015 and opened for occupancy in fall of 2016. The University reported this transaction as a service concession arrangement effective Fiscal Year 2017. The University recorded the student housing facility included under building and building improvement at acquisition value of $36,433,432, inclusive of the capitalized portion of the upfront equity contributed by the University of $3,228,618. A corresponding deferred inflow of resources of $33,204,784 is recognized and amortized over the remaining term of the ground lease agreement.

At June 30, 2023, the carrying amount of the student housing facility amounted to $30,697,932 and deferred inflow of resources amounted to $27,277,908. The amortization of deferred inflow of resources presented under Other Capital Additions in the statement of revenues, expenses, and changes in net assets amounted to $856,898.

NOTE 16 - OPERATING EXPENSES BY NATURAL CLASSIFICATION

Details of the University's operating expenses by natural classification as June 30, 2023 are as follows:

	Compensation and Benefits	Supplies and Services	Scholarships	Depreciation and Amortization	Total
Instruction	$ 56,289,202	$ 5,632,148	$ 395,780	$ -	$ 62,317,130
Research	955,733	327,893	12,394	-	1,296,020
Public service	3,088,448	1,351,730	31,749	-	4,471,927
Academic support	5,616,999	2,413,029	750	-	8,030,778
Student services and programs	6,697,550	2,506,369	31,635	-	9,235,554
Institutional support	10,293,625	5,900,021	-	-	16,193,646
Operation and maintenance of plant	7,757,849	4,381,732	-	-	12,139,581
Scholarship and fellowships	-	-	6,694,917	-	6,694,917
Auxiliary enterprises	1,494,718	4,019,176	-	-	5,513,894
Depreciation and amortization	-	-	-	7,929,862	7,929,862
Total operating expenses	$ 92,194,124	$ 26,532,098	$ 7,167,225	$ 7,929,862	$ 133,823,309

NOTE 17 - SEGMENT INFORMATION

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

The University Facilities System was created in July 1973. It consists of buildings such as student union, multi-level parking and other structures, that have been constructed and improved with funding provided from the issuance of revenue bonds. Its revenues mainly include student union fees, parking user fees and parking violation fines, campus improvement fees, and commission from vending operations and concession fees from bookstore operations. Its operating expenses mainly include personnel costs, repairs, maintenance and other contractual services, and depreciation. The following are the condensed financial statements for the University Facility System as of and for the year ended June 30, 2023. These financial statements have been prepared to satisfy the requirements of the Revenue Bond Resolution. The financial balances and activities of the University Facilities System are included in the University financial statements.

Condensed Statement of Net Position

Assets:	
Current assets:	
Unrestricted	$ 1,008,667
Restricted	882,000
Noncurrent assets:	
Capital assets, net	12,419,128
Restricted other noncurrent assets	2,030,060
Total assets	16,339,855
Liabilities:	
Current liabilities	1,012,347
Noncurrent liabilities	10,999,780
Total liabilities	12,012,127
Net position:	
Net investment in capital assets	2,131,691
Restricted - expendable:	
Capital projects	1,959,025
Debt service	645,000
Unrestricted (Deficit)	(407,988)
Total net position	$ 4,327,728

NOTE 17 - SEGMENT INFORMATION (continued)

Condensed Statement of Revenues, Expenses, and Changes in Net Position

Operating revenues:		
Student fees, net	$	1,683,420
Auxiliary enterprises and others		862,427
Total operating revenues		2,545,847
Operating expenses:		
Depreciation		684,288
Other operating expenses		1,276,379
Total operating expenses		1,960,667
Operating income		585,180
Nonoperating revenues (expenses):		
Investment income		4,767
Loss on disposal of capital assets		(715)
Interest on indebtedness		(468,650)
Net nonoperating expenses		(464,598)
Increase in net position		120,582
Net position, beginning of year		4,207,146
Net position, end of year	$	4,327,728

Condensed Statement of Cash Flows

Net cash provided by (used in):		
Operating activities	$	1,275,656
Capital financing activities		(1,206,377)
Investing activity		4,767
Net decrease in cash and cash equivalents		74,046
Cash and cash equivalents, beginning of year		3,607,644
Cash and cash equivalents, end of year	$	3,681,690

NOTE 18 - FOUNDATION ENDOWMENT FUNDS

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

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

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

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

Endowment net asset composition by type of funds of June 30, 2023 is as follows:

	Without Donor Restrictions	With Purpose Restrictions	Restricted in Perpetuity	Total Endowment Net Assets
Donor-restricted endowment funds	$ -	$ 1,923,548	$ 14,820,532	$ 16,744,080
Quasi endowment fund	497,767	-	-	497,767
Total endowment net assets	$ 497,767	$ 1,923,548	$ 14,820,532	$ 17,241,847

NOTE 18 - FOUNDATION ENDOWMENT FUNDS (continued)

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Purpose Restrictions	Restricted in Perpetuity	Total Endowment Net Assets
Endowment net assets, beginning of year	$ 453,183	$ 778,757	$ 14,331,844	$ 15,563,784
Contributions	-	-	438,487	438,487
Investment income, net of fees	11,353	396,305	-	407,658
Net realized and unrealized gains	35,191	1,228,416	-	1,263,607
Change in value of split interest agreement	-	-	50,201	50,201
Transfers	(1,960)	(105,774)	-	(107,734)
Appropriation of endowment assets for expenditure	-	(374,156)	-	(374,156)
Total endowment net assets	$ 497,767	$ 1,923,548	$ 14,820,532	$ 17,241,847

NOTE 19 - COMMITMENT AND CONTINGENCIES

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

NOTE 20 - EDUCATION STABILIZATION FUND

Higher Education Emergency Relief Fund (HEERF)

The University received three separate awards (consisting of an initial award and two supplemental awards) from the HEERF as part of the federal government's response to the COVID-19 pandemic. The awards received by the University under HEERF is divided into three portions: an institutional portion, a student aid portion, and a minority-serving institutions (MSI) portion. The University's period of availability for using the institutional portion and student aid portion was until May 20, 2023, but the University received an extension for up to one additional year. The University fully spent the MSI portion in prior fiscal years.

NOTE 20 - EDUCATION STABILIZATION FUND (continued)

Under the HEERF-institutional portion and HEERF-student aid portion, the following chart reflects the remaining balance of this activity at June 30, 2023, which the University intends to claim and recognize as nonoperating revenue during Fiscal Year 2024.

	Original Award		Remaining Balance	
	University's Portion	Student Aid Portion	University's Portion	Student Aid Portion
HEERF 1	$ 3,035,452	$ 3,035,452	$ -	$ -
HEERF 2	8,135,033	3,035,452	-	-
HEERF 3	9,764,900	9,842,947	2,031,381	-
TOTAL	**$ 20,935,385**	**$ 15,913,851**	**$ 2,031,381**	**$ -**

Governor's Emergency Education Relief Fund (GEER)

The University received three separate awards (GEER I Formula, GEER Competitive and GEER II Formula) from the federal government, through Illinois Board of Higher Education, as part of the government response to the COVID-19 pandemic. The University's period of availability for using these funds is set to expire on September 30, 2023 but can be extended for up to one additional year. The University liquidated costs and recognized nonoperating revenue amounting to $712,607 in Fiscal Year 2023 in the statement of revenues, expenses and changes in net position. The following chart reflects the remaining balance of this activity at June 30, 2023. The University intends to claim and recognize as nonoperating revenue the remaining balance during Fiscal Year 2024.

	Original Award	Remaining Balance
GEER I Formula	$ 3,459,306	$ -
GEER Competitive	456,286	-
GEER II Formula	700,856	121,157
TOTAL	**$ 4,616,448**	**$ 121,157**

REQUIRED SUPPLEMENTARY INFORMATION

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
For the Year Ended June 30, 2023

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

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
(a) Proportion Percentage of the Collective Net Pension Liability	0%	0%	0%	0%	0%	0%	0%	0%	0%
(b) Proportion Amount of the Collective Net Pension Liability	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
(c) Portion of Nonemployer Contribution Entities' Total Proportion of Collective Net Pension Liability associated with Employer	$ 390,904,472	$ 415,299,735	$ 456,612,715	$ 449,716,040	$ 481,512,171	$ 495,076,587	$ 513,327,723	$ 478,289,618	$ 467,507,063
Total (b) + (c)	$ 390,904,472	$ 415,299,735	$ 456,612,715	$ 449,716,040	$ 481,512,171	$ 495,076,587	$ 513,327,723	$ 478,289,618	$ 467,507,063
Employer Defined Benefit Covered Payroll	$ 65,041,857	$ 63,636,133	$ 63,473,858	$ 62,293,222	$ 62,540,169	$ 62,265,032	$ 62,232,478	$ 59,843,541	$ 58,416,942
Proportion of Collective Net Pension Liability associated with Employer as a percentage of Defined Benefit Covered Payroll	601.00%	652.62%	719.37%	721.93%	769.92%	795.11%	824.86%	799.23%	800.29%
SURS Plan Net Position as a Percentage of Total Pension Liability	44.39%	42.37%	39.57%	42.04%	41.27%	40.71%	39.05%	45.45%	43.65%

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

Northeastern Illinois University's Schedule of Contributions for Pensions

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Federal, Trust, Grant and Other contribution	$ 893,135	$ 891,325	$ 993,039	$ 1,005,214	$ 1,070,239	$ 981,867	$ 1,014,234	$ 958,973	$ 685,443	$ 618,964
Contribution in relation to required contribution	$ 893,135	$ 891,325	$ 993,039	$ 1,005,214	$ 1,070,239	$ 981,867	$ 1,014,234	$ 958,973	$ 685,443	$ 618,964
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer Covered-Employee Payroll	$ 10,013,144	$ 8,073,594	$ 9,495,538	$ 10,465,666	$ 10,024,895	$ 9,095,400	$ 8,665,466	$ 7,871,791	$ 5,992,260	$ 4,163,558
Contributions as a percentage of covered payroll	8.92%	11.04%	10.46%	9.60%	10.67%	10.80%	11.70%	12.18%	11.44%	14.87%

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

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
For the Year Ended June 30, 2023

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

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Employer's Proportion of the Collective Net Other Postemployment Benefits Liability	9.7000%	9.5500%	9.4000%	8.4300%	7.9000%	5.9200%
Employer's Proportionate Share of the Collective Net Other Postemployment Benefits Liability	$ 40,084,143	$ 38,289,053	$ 41,255,819	$ 35,270,128	$ 27,233,796	$ 10,111,483
Estimated Proportionate Amount of Collective Total OPEB Liability Associated With the University - State Supported Portion	457,036,341	282,364,203	294,227,527	256,956,231	239,868,756	121,261,323
Total OPEB Liability Associated with the University	$ 497,120,484	$ 320,653,256	$ 335,483,346	$ 292,226,359	$ 267,102,552	$ 131,372,806
Employer Defined Benefit Covered Payroll	$ 73,284,189	$ 74,359,124	$ 74,395,467	$ 76,335,155	$ 78,514,335	$ 75,677,603
Employer's Proportionate Share of the Collective Total OPEB Liability as a Percentage of its Covered Employee Payroll	54.70%	51.49%	51.49%	46.20%	34.69%	13.36%

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

PENSION

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

Changes of Benefit Terms
There were no benefit changes recognized in the Total Pension Liability as of June 30, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014.

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

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

PENSION (continued)

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

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

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

PENSION (continued)

Changes of Assumptions for Fiscal Year 2014
In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest, and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2010 to June 30, 2014 was performed in February 2015, resulting in the adoption of new assumptions as of June 30, 2015.

- Mortality rates. Change from the RP 2000 Mortality table projected to 2017, sex distinct, to the RP-2014 mortality tables with projected generational mortality improvement. Change to a separate mortality assumption for disabled participants.
- Salary increase. Change assumption to service-based rates, ranging from 3.75 percent to 15.00 percent based on years of service, with underlying wage inflation of 3.75 percent.
- Normal retirement rates. Change to retirement rates at ages younger than 60, age 66, and ages 70-79 to reflect observed experiences.
- Early retirement rates. Change to a slight increase in the rates at ages 55 and 56.
- Turnover rates. Change to produce lower expected turnover for members with less than 10 years of service and higher turnover for members with more than 10 years of service than the currently assumed rates.
- Disability rates. Decrease rates and have separate rates for males and females to reflect observed experience.
- Dependent assumption. Maintain the current assumption on marital status that varies by age and sex and the assumption that males are three years older than their spouses.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

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

- Discount rate: from 1.92% to 3.69% for fiscal year 2022.
- Healthcare Cost Trend Rate. Medical (Pre-Medicare) 8.00% in 2023 grading down 0.25% per year to 4.25% in year 2038; Medical (Post-Medicare) 8.00% in 2023 grading down 0.25% per year to 4.25% in year 2038; Dental and vision 4.0% in 2023 to 2038.

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

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

- Discount rate: from 2.45% to 1.92% for fiscal year 2021.
- Healthcare Cost Trend Rate. Medical (Pre-Medicare) 8.25% grading down 0.25% per year over 16 years to 4.25% in year 2037; Medical (Post-Medicare) 8.25% grading down 0.25% per year over 16 years to 4.25% in year 2037; Dental and vision 4.0% grading up to 0.25% in the first year to 4.25% in 2037.

Factors That Affect Trends in the Amounts Reported in Fiscal Year 2020
An actuarial valuation was performed as of June 30, 2018 with a measurement date as of June 30, 2019. The following assumptions were made:

- Discount rate: from 3.13% to 2.45% for fiscal year 2020.
- Healthcare Cost Trend Rate. Medical (Pre-Medicare) 8.0% grading down 0.5% in the first year to 7.5%, then grading down 0.01% in the second year to 7.42%, followed by 9.0% grading down 0.5% per year over 5 years to 4.92% in year 7; Medical (Post-Medicare) 9.0% grading down 0.5% per year over 9 years to 4.5%; Dental and vision 6.0% grading down to 0.5% per year over 3 years to 4.5%.

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

- Discount rate: from 3.62% to 3.13% for fiscal year 2019; from 3.56% to 3.62% for fiscal year 2018, and from 2.85% to 3.56% for fiscal year 2017.
- Mortality rates. RP-2014 White Collar, gender distinct, projected using MP-2014 two-dimensional mortality improvement scale, set forward one year for male and female annuitants.
- Salary increases. Dependent upon service and participation in the respective retirement systems. Includes inflation of 2.75%, salary increase 3% - 15%.
- Healthcare Cost Trend Rate. Medical (Pre-Medicare) 8.0% grading down 0.5% in the first year to 7.5%, then grading down 0.01% in the second year to 7.42%, followed by 9.0% grading down 0.5% per year over 5 years to 4.92% in year 7; Medical (Post-Medicare) 9.0% grading down 0.5% per year over 9 years to 4.5%; Dental and vision 6.0% grading down to 0.5% per year over 3 years to 4.5%.

SUPPLEMENTARY INFORMATION

Table of Operating Expenses

The following table presents a breakdown of the various types of expenses which collectively comprise the University's functional operating expense accounts for the fiscal year ended June 30, 2023.

	Compensation and Benefits										Total
	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	$ 46,094,112	$ 2,322,541	$ (4,034,180)	$ 44,382,473	$ 6,843,739	$ (14,955,798)	$ 20,018,788	$ 11,906,729	$ 56,289,202	$ 6,027,928	$ 62,317,130
Research	785,822	138,919	(15,881)	908,860	26,942	(58,877)	78,808	46,873	955,733	340,287	1,296,020
Public service	2,351,199	700,411	(18,877)	3,032,733	32,024	(69,983)	93,674	55,715	3,088,448	1,383,479	4,471,927
Academic support	4,648,712	168,355	(409,916)	4,407,151	695,397	(1,519,669)	2,034,120	1,209,848	5,616,999	2,413,779	8,030,778
Student services and programs	5,375,641	447,267	(448,200)	5,374,708	760,344	(1,661,600)	2,224,098	1,322,842	6,697,550	2,538,004	9,235,554
Institutional support	8,423,414	412,042	(747,221)	8,088,235	1,267,616	(2,770,153)	3,707,927	2,205,390	10,293,625	5,900,021	16,193,646
Operation and maintenance of plant	6,402,379	196,818	(593,756)	6,005,441	1,007,270	(2,201,214)	2,946,352	1,752,408	7,757,849	4,381,732	12,139,581
Scholarships and fellowships	-	-	-	-	-	-	-	-	-	6,694,917	6,694,917
Auxiliary enterprises	1,239,078	54,717	(102,962)	1,190,833	174,668	(381,706)	510,923	303,885	1,494,718	4,019,176	5,513,894
Depreciation and amortization	-	-	-	-	-	-	-	-	-	7,929,862	7,929,862
Totals	$ 75,320,357	$ 4,441,070	$ (6,370,993)	$ 73,390,434	$ 10,808,000	$ (23,619,000)	$ 31,614,690	$ 18,803,690	$ 92,194,124	$ 41,629,185	$ 133,823,309

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

2 Benefits includes certain group insurance costs, such as healthcare and life insurance. For the University, it also includes employer § 403(b) contributions.

3 OPEB refers to other postemployment benefits.

OTHER INFORMATION

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
OTHER INFORMATION (UNAUDITED)
For the Year Ended June 30, 2023

University Facilities System Revenue Bond Funds

Insurance in Force

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

Enrollment at the University

Term	Academic Year 2022-2023
Fall	5,576
Spring	5,320
Summer	2,595

Rates and Charges

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

In academic year 2022-2023, students enrolled at the University pay a fee of $9.80 per credit hour for the right to use the University's Student Union which is the heart of the activity program on-campus, a fee of $6 per credit hour for a campus improvement to support current and future long-term investments in capital facilities and technology infrastructure, and a $10 parking fee, which can be waived.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
OTHER INFORMATION (UNAUDITED)
For the Year Ended June 30, 2023

Summary of Each Fund and Account under the Bond Resolution

	Balance of Assets Reserved as of June 30, 2023	
Bond account (a)	$	929,327
Repair and replacement reserve account	$	1,930,704
Equipment reserve account	$	149,973

Notes:

(a) The amounts required for the deposit in the bond account were remitted from the revenue fund account to the Trustee, U.S. Bank National Association, for payment of the bond principal and interest installments coming due July 1, 2023.

Plante & Moran, PLLC
Suite 300
750 Trade Centre Way
Portage, MI 49002
Tel: 269.567.4500
Fax: 269.567.4501
plantemoran.com

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Northeastern Illinois University

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, fiduciary activities, and the discretely presented component unit of Northeastern Illinois University (University), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and we have issued our report thereon dated March 15, 2024. Our report includes a reference to other auditors who audited the financial statements of the Northeastern Illinois University Foundation as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings as items 2023-001 through 2023-006 we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2023-001, 2023-002, and 2023-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2023-004, 2023-005, 2023-006 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2023-001 through 2023-006.

The University's Response to the Findings

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

Purpose of this Report

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

SIGNED ORIGINAL ON FILE

Plante & Moran, PLLC
Portage, Michigan
March 15, 2024

2023-001. FINDING – Inadequate Internal Controls over Census Data

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

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

The University's employees are members of the State Universities Retirement System (SURS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple- employer plans. Additionally, CMS' actuary uses census data for employees of the State's public universities provided by SURS, along with census data for the other participating members provided by the State's four other pensions plans, to prepare their projection of the liabilities of CMS' plan. Finally, SURS' actuary and CMS' actuary used census data transmitted by the University during Fiscal Year 2021 to project pension and OPEB-related balances and activity at the plans during Fiscal Year 2022, which is incorporated into the University's Fiscal Year 2023 financial statements.

During testing, the auditors noted the following:

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

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

- During the cut-off testing of data transmitted by the University to SURS, the auditors noted 1 instance of an active employee becoming inactive and 1 instance of an inactive employee becoming active were reported to SURS after the close of the fiscal year in which the event occurred. There was also 1 instance previously reported that still impacted the June 30, 2021 census data.

2023-001. FINDING – Inadequate Internal Controls over Census Data (Continued)

The auditors provided SURS' actuary and CMS' actuary with the exceptions we identified during our testing, along with the results of census data testing at the State Employees Retirement System of Illinois, and determined the net effect of these errors, along with the errors of other plan participants, was immaterial to SURS' and CMS' pension and OPEB-related balances and activity at the plans during Fiscal Year 2022.

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

Additionally, eligibility criteria for participation in SURS under the Illinois Pension Code (Code) (40 ILCS 5/15-134(a)) states any person who is an employee of the University becomes a participant in SURS. Under the Code (40 ILCS 5/15-107), an employee is any member of the educational, administrative, secretarial, clerical, mechanical, labor, or other staff of an employer whose employment in a position in which services are expected to be rendered on a continuous basis for at least four months or an academic term, whichever is less:

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

In addition, the Code (40 ILCS 5/15-157) requires the University to, at a minimum, withhold contributions of each employee's total compensation of 8% (9.5% for firefighters or police officers) for their participation in SURS, unless further contributions by the employee would either exceed the maximum retirement annuity in the Code (40 ILCS 5/15-136(c)) or the Tier 2 earnings limitation within the Code (40 ILCS 5/15-111(b)), and remit these amounts to SURS. Further, the

2023-001. FINDING – Inadequate Internal Controls over Census Data (Continued)

Code (40 ILCS 5/15-155(b)) requires the University remit employer contributions to SURS reflecting the accruing normal costs of an employee paid from federal or trust funds.

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

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

Failure to ensure complete and accurate census data was reported to SURS reduces the overall reliability of pension and OPEB-related balances and activity reported in the University's financial statements, the financial statements of other employers within both plans, and the State of Illinois' Annual Comprehensive Financial Report. Further, failure to report all eligible employees to SURS may result in employees not receiving the pension and OPEB benefits they are entitled to receive under the Code and the Act. (Finding Code No. 2023-001, 2022-001, 2021-001, 2020-001)

RECOMMENDATION

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

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

UNIVERSITY RESPONSE

The University agrees with the recommendation.

2023-002 FINDING - Lack of Adequate Controls Over Year-end Reviews and Reconciliations

The Northeastern Illinois University (University) did not timely complete and did not have adequate reviews of its year-end reconciliations.

During our testing we noted the following:

1. We found multiple invoices with improper cutoff between Fiscal Year 2023 and Fiscal Year 2024, including items that were recorded in 2024 that should have been recorded in 2023 and vice versa.

   We noted (a) one Fiscal Year payment for 4 invoices totaling $310,443 which should have been accrued for in Fiscal Year 2023, (b) one invoice totaling $100,950 which should have been accrued for in Fiscal Year 2023, and (c) one vendor with 3 invoices totaling $15,000 which should have been accrued for in Fiscal Year 2024 but were accrued for in Fiscal Year 2023.

2. When University went live on April 16, 2023 with their new Payroll and Human Resources system there were conversion issues with how the activity was calculated and recorded in the University's general ledger. Several corrections had to be made to both employee pay and amounts posted into the University's general ledger. Due to the inability to get accurate data from the new system, the University recorded estimates for deferred faculty pay and accrued sick and vacation as of June 30, 2023, based on historical trend information and recorded an additional liability of $483,130. The University also recorded an entry in late October for retroactive pay of $1,245,337 that was paid in July 2023 for Fiscal Year 2023.

3. The University did not timely reconcile federal and state grant receivables and revenue. Once reconciled in October 2023, the University recorded a receivable of $1,502,692, federal grant revenues of $2,029,994, and a net reduction of state grant and other grant revenues by $527,757.

4. The University did not complete a final analysis and recording of subscription-based information technology arrangements (SBITAs) (effective for FY23) until November 2023. The amounts recorded increased assets by $3,326,049, liabilities (current and noncurrent) by $3,009,333, as well as impacted several expense accounts including rent expense and amortization.

2023-002 FINDING - Lack of Adequate Controls Over Year-end Reviews and Reconciliations (Continued)

Per Governmental Accounting Standards Board (GASB) Statement 62, certain aspects of the Financial Accounting Standards Board (FASB) and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure statements and guidance provide clarity on the treatment of most exchange expense transactions, in which they are required to be accounted for in the year of good or services being provided. As such, the University should accrue for any and all items identified through its initial closing period that relate to the fiscal year, in such fiscal year.

Per Governmental Accounting Standards Board (GASB) Statement 96 – *Subscription-Based Information Technology Arrangements (SBITAs),* are defined and establishes when a contract results in a right-to-use subscription asset and a corresponding subscription liability. The standard also provides the capitalization/amortization criteria for the asset.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system of internal fiscal and administrative controls to provide assurance that expenditures and transfers of assets are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports.

University officials indicated that the lack of timely and accurate year end reviews and reconciliations was due to lack of resources and oversight during a labor-intensive Payroll and Human Resource System implementation.

Failure to maintain adequate internal controls over year-end reconciliations and reports could result in incorrect financial reporting. (Finding Code No. 2023-002, 2022-004)

RECOMMENDATION

We recommend the University strengthen its internal controls by performing timely and accurate reconciliations throughout the year, as well as, at year end. In addition, we recommend the University closely monitor allocation of resources based on priorities to ensure there are sustained internal controls on a consistent basis.

UNIVERSITY RESPONSE

The University agrees with the recommendation.

2023-003 FINDING - Noncompliance with the Fiscal Control and Internal Auditing Act

Northeastern Illinois University (University) did not comply with the Fiscal Control and Internal Auditing Act (FCIAA).

During testing of the University's Fiscal Year 2023 internal auditing activities, we noted the following:

1. The Internal Auditor did not conduct any audits of major systems of internal accounting and administrative control;
2. The Internal Auditor did not conduct reviews of the design of two major new software systems before their installations;
3. The Internal Auditor position was vacant from January 7, 2023 through September 17, 2023; and
4. The University President did not provide a certification by May 1, 2023 that the University's systems of internal fiscal and administrative controls did or did not fully comply with the requirements of the FCIAA.

FCIAA (30 ILCS 10/2003(a)) requires the University's internal auditing program to include audits of major systems of internal accounting and administrative control conducted on a periodic basis so that all major systems are reviewed at least once every two years. FCIAA also requires reviews of the design of major new electronic data processing systems and major modifications of those systems before their installation to ensure the systems provide for adequate audit trails and accountability.

FCIAA (30 ILCS 10/3003) requires the University's chief executive officer, by May 1 of each year, to prepare and transmit to the Auditor General a certification that the systems of internal fiscal and administrative controls of the State agency fully comply or do not fully comply with the requirements of this act. If the systems do not fully comply with the requirements of this Act, the certification shall include a report describing any material weaknesses in the systems of internal fiscal and administrative controls and the plans and schedule for correcting the weaknesses, or a statement of the reasons why the weaknesses cannot be corrected.

University officials stated upper management asked the internal auditor to be heavily involved in the implementation of the fixed asset database system project which delayed the audits of major systems of internal accounting and administrative control conducted on a periodic basis. This resulted in no internal audits during FY23. In addition, the internal audit position was vacant from the period January 7, 2023 through September 17, 2023 resulting in no one on staff to review the new purchasing software and payroll/HR systems that were implemented during FY23. Due to a lack of internal audit staff, there was no preparation of the certification of the systems of internal fiscal and administrative controls of the University for the President to certify by May 1, 2023.

Lack of timely audits of major systems, proper internal audit staffing, and review of the design of new software system implementations inhibits the University's ability in monitoring the effectiveness of its system of internal controls and results in noncompliance with the Act.

2023-003 FINDING - Noncompliance with the Fiscal Control and Internal Auditing Act (Continued)

Failing to submit the annual certification is noncompliance with the Act. (Finding Code No. 2023-003)

RECOMMENDATION

We recommend the University ensure audits of major systems of internal accounting and administrative controls and new major software systems are completed as required activities in accordance with the FCIAA. We also recommend the Internal Auditor complete a post implementation review of both major system implementations.

UNIVERSITY'S RESPONSE

The University agrees with the recommendation.

2023-004 FINDING – Lack of Adequate Controls over Review of Internal Controls over Service Providers

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

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

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

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

- Established a documented and comprehensive policy or procedures to guide vendor's due diligence when onboarding third-party service provider.
- Established documented policies and procedures to monitor performance and contractual compliance of service providers.
- Mapped the Comprehensive User Entity Controls (CUECs) noted in service providers' to existing internal controls at the University.

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

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

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

2023-004 **FINDING – Lack of Adequate Controls over Review of Internal Controls over Service Providers (Continued)**

accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

University management indicated the conditions noted were due to the complexities of implementing, coordinating, and executing a University wide program.

Without maintaining a complete list of service providers and proper documentation of its review of the CUECs relevant to the University, the University does not have assurance the service provider's internal controls are adequate. Failure to include a requirement in the contracts with service providers for independent review and monitoring specified performance, problems encountered, and compliance with contractual terms may result in obligations and services not being met and not timely detected and corrected. (Finding Code No. 2023-004, 2022-003, 2021-003, 2020-003, 2019-020)

RECOMMENDATION

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

- Continue to obtain and document its review of SOC reports (including subservice organizations) or conduct independent internal control reviews at least annually.
- Establish a regular review process to monitor specified performance measures, problems encountered, and compliance with contractual terms with the service providers.
- Monitor and document the operation of the CUECs relevant to the University's operations.

UNIVERSITY RESPONSE

The University agrees with the recommendation.

2023-005 FINDING – Weaknesses in Computer Security

Northeastern Illinois University (University) has not adequately safeguarded their computing environment.

During our review, we noted the following;

- There are no defined frequency requirements for User Access Reviews in the University's Account Management Policy.
- 22 of 179 servers (12%) and 112 of 2,091 (5%) workstations (including laptops) contained outdated and unsupported operating systems.
- 3 of 10 (30%) new Banner users tested did not have documented access approvals prior to being granted Banner access.
- 7 of 7 (100%) terminated Banner users tested were still active in the Banner system after their termination.
- We were unable to obtain documentation that user access listings sent to University divisions and departments were reviewed and/or updated within Banner.
- We noted 6 of 25 users (24%) tested had unnecessary Enterprise Service Management Procurement (ESM) access per supervisors' responses. We also noted one terminated user had active ESM access.
- We were unable to obtain access validation response for 5 of 20 (25%) Banner users tested.

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

The *Framework for Improving Critical Infrastructure Cybersecurity* and the *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Access Control section, requires entities to develop access provisioning policies and establish controls to ensure authorized users only have needed access.

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

University officials stated staffing constraints, turnover and competing priorities resulted in a lack of awareness of importance of responding timely to user access reviews, as well as adding and terminating employees from the systems in a timely manner.

2023-005 FINDING – Weaknesses in Computer Security (Continued)

Failure to have adequate security over computing resources increases the risk of unauthorized access to the computing environment. (Finding Code No. 2023-005, 2022-002, 2021-002, 2020-002, 2019-018, 2018-021, 2017-018).

RECOMMENDATION

We recommend the University perform and document a periodic review of system access rights to ensure access rights are appropriate and based on job requirements. We also recommend the University to periodically upgrade or decommission unsupported systems as necessary.

UNIVERSITY RESPONSE

The University agrees with the recommendation.

2023-006 Finding: Lack of Adequate Change Management Controls

Northeastern Illinois University (University) did not have adequate Change Management Controls.

The University currently does not have or enforce adequate change management controls for its key systems. Additionally, the University does not have adequate change monitoring controls to validate that all implemented changes were approved.

During our review, we noted the following:

- The University was unable to provide a complete and accurate report of changes to Banner. Due to this condition, we were unable to conclude the University's population records were sufficiently precise and detailed the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C Sec. 500.08 and AT-C Sec. 205.36). Even given the population limitations noted above, which hindered our ability to conclude whether the population was completed, we performed testing of the information provided.
- The University did not have defined change categories in the population of changes. Population of (Banner and Workday) changes does not include emergency change categorization and/or we could not determine whether there were emergency changes that occurred during the examination period.
- 3 of 5 (60%) tested changes made in Banner did not follow the University's change management policy/requirements.
- For 30 of 30 (100%) changes made in Workday tested, documentation was not available to evidence the change management process. In addition, Workday functional configuration changes did not follow the University's change control management policy/requirements.
- The University does not have a formal requirement for post implementation review of all changes including emergency changes.
- In the Banner system, access to develop changes and access to implement changes is not adequately segregated.

The *Framework for Improving Critical Infrastructure Cybersecurity* and the *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Information Protection Processes section, requires entities to develop Security policies (that address purpose, scope, roles, responsibilities, management commitment, and coordination among organizational entities), processes, and procedures are maintained and used to manage protection of information systems and assets.

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

2023-006 Finding: Lack of Adequate Change Management Controls (Continued)

University management stated exceptions were due to staffing constraints, along with system implementations.

Without adequate change management procedures, there is a greater risk of unauthorized, improper, or erroneous changes to computer systems. The lack of separation of duties in the computer environment increases the risk that the confidentiality, integrity, and availability of data will be compromised. (Finding Code No. 2023-006).

RECOMMENDATION

We recommend the University:

- Implement tools, appropriate logging workflows, or processes which would be used to generate a complete and accurate system report of all changes made to Banner including to define and classify all changes into their appropriate types.
- Design, document and enforce all changes go through the change control processes with exceptions to the documented processes being defined.
- Implement a tool, workflows, or appropriate processes to segregate access to change development and access to change implementation.
- Implement a defined periodic change review process to validate that all implemented changes were appropriately approved and implemented.

UNIVERSITY RESPONSE

The University agrees with the recommendation.