STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY

FINANCIAL AUDIT
For the Year Ended June 30, 2019

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

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2019

Table of Contents **Page(s)**

Table of Contents	Page(s)
University Officials	1
Financial Statement Report	
Summary	2
Independent Auditor's Report	3-5
Management's Discussion and Analysis (Unaudited)	6-15
Basic Financial Statements	
Statement of Net Position	16-17
Statement of Revenues, Expenses, and Changes in Net Position	18
Statement of Cash Flows	19-20
Notes to the Basic Financial Statements	21-61
Required Supplementary Information (Unaudited)	
Schedule of Employer's Proportionate Share of Net Pension Liability (Unaudited)	62
Schedule of Contributions - Pension (Unaudited)	62
Schedule of Employer's Proportionate Share of Net Other Postemployment Benefits Liability (OPEB) (Unaudited)	63
Notes to the Required Supplementary Information (Unaudited)	64-65
Supplementary Information	
Operating Expenses by Function in Fiscal Year 2019	66
Other Information (Unaudited)	
University Facilities System Revenue Bond Funds (Unaudited)	
Insurance in Force (Unaudited)	67
Enrollment at the University (Unaudited)	68
Rates and Charges (Unaudited)	68
Summary of Each Fund and Account under the Bond Resolution (Unaudited)	68
Operating Expenses by Function in Fiscal Year 2018 (Unaudited)	69
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	70-71
Schedule of Finding	
Prior Findings Not Repeated	72

Other Report Issued Under a Separate Cover

The Northeastern Illinois University's *Compliance Examination* (including the Single Audit) for the year ended June 30, 2019, has been issued under a separate cover.

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2019

University Officials

President	Dr. Gloria Gibson
Provost	
(from June 17, 2019 to present)	Dr. Dennis Rome
Acting (from October 1, 2017 to June 16, 2019)	Dr. Wamucii Njogu
Vice President for Finance and Administration/Treasurer	
Interim (from July 8, 2019 to present)	Dr. Arnold Henning
(from August 18, 2018 to July 7, 2019)	Vacant
Interim (from June 1, 2018 to August 17, 2018)	Mr. Craig Duetsch
Vice President for Student Affairs	Dr. Daniel Lopez, Jr.
Vice President for Institutional Advancement	Ms. Liesl Downey
Vice President for Legal Affairs	Ms. Melissa Reardon Henry
Director of Financial Affairs/Controller	Ms. Beni Ortiz
Director of Internal Audit	Ms. Rita Moore
Associate Vice President and Chief Finance Officer	
Interim (from August 17, 2018 to present)	Ms. Ann McNabb

University offices are located at: 5500 North St. Louis Avenue
Chicago, Illinois 60625

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2019

Financial Statement Report

Summary

The audit of the accompanying financial statements of the Northeastern Illinois University (University) was performed by E.C. Ortiz and Co., LLP.

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

Exit Conference

The University opted not to have an exit conference in an electronic mail by Ms. Ann McNabb, Interim Associate Vice President and Chief Finance Officer.

E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board of Trustees
Northeastern Illinois University

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Northeastern Illinois University (University), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

815 W. VAN BUREN STREET, SUITE 500, CHICAGO, IL 60607 tel: (312) 876-1900 fax: (312) 876-1911

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited University's 2018 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and discretely presented component unit of the University in our report dated January 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 15, pension and other postemployment benefits information on pages 62 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

In addition, the other information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2019 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
December 31, 2019

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019 with comparative information for the fiscal year ended June 30, 2018. The discussion and analysis is designed to focus on current activities and currently known facts. Please read it in conjunction with the University's financial statements and related footnote disclosures. This discussion and analysis is focused on the University. A discussion and analysis of the University's component unit can be found in the separately issued financial statements of the University's Foundation.

REPORTING ENTITY

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

USING THIS ANNUAL REPORT

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

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

The **Statement of Revenues, Expenses, and Changes in Net Position** presents the University's results of operations, as well as the nonoperating revenues and expenses for the fiscal year. Operating revenues are generated by providing goods and services to the various customers and constituencies of the University. Operating expenses are incurred when goods and services are provided by vendors and employees for the overall operations of the University. Nonoperating revenues and expenses include resources provided by the State of Illinois' through appropriations, special funding situation, grants, and payments on behalf of the University, Pell and Supplemental Educational Opportunity Grants (SEOG), investment income, interest on indebtness and other nonoperating transactions.

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

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

FINANCIAL HIGHLIGHTS

Highlights of the University's financial position for the fiscal year ended June 30, 2019 are presented below:

- The University has total assets of $267 million, including current assets of $80 million and noncurrent assets of $187 million.

- The University has deferred outflows of resources of $2 million, of which $1 million relates to pension contributions and $1 million relates to other postemployment benefits (OPEB) expenses.

- The University has total liabilities of $107 million, including current liabilities of $15 million and noncurrent liabilities of $92 million.

- The University has deferred inflows of resources of $36 million, of which $31 million relates to capital assets constructed under service concession arrangement and $5 million relates to OPEB.

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

- The total operating revenues of the University were $73 million, including $48 million in student tuition and fees (net of scholarship allowances), $20 million in federal, State, and nongovernmental grants and contracts, $3 million auxiliary enterprises revenues, and $2 million other operating revenues.

- The total operating expenses of the University were $168 million, of which $77 million was spent for instruction.

- The operating loss of $95 million of the University was partially funded by nonoperating revenues, including State's appropriations, special funding situation, grants, and payments on-behalf of the University, Pell and SEOG grants, investment income and other nonoperating transactions. As a result, the University incurred an income of $3 million after other revenues, expenses, gains and losses. This amount includes $8 million in depreciation expense.

FINANCIAL ANALYSIS

Following are condensed statements of net position at June 30, 2019 and 2018 (amounts in thousands).

	2019	2018	Increase (Decrease)	Percent Change
ASSETS				
Current assets	$ 79,661	$ 75,741	$ 3,920	5%
Noncurrent assets:				
Capital assets, net	183,798	189,819	(6,021)	(3%)
Other noncurrent assets	3,084	3,334	(250)	(7%)
Total noncurrent assets	186,882	193,153	(6,271)	(3%)
Total assets	266,543	268,894	(2,351)	(1%)
DEFERRED OUTFLOWS OF RESOURCES	2,102	2,400	(298)	(12%)
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	268,645	271,294	(2,649)	(1%)
LIABILITIES				
Current liabilities	14,947	16,504	(1,557)	(9%)
Noncurrent liabilities	92,529	96,668	(4,139)	(4%)
Total liabilities	107,476	113,172	(5,696)	(5%)
DEFERRED INFLOWS OF RESOURCES	35,691	35,368	323	1%
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	143,167	148,540	(5,373)	(4%)
NET POSITION				
Net investment in capital assets	106,185	109,652	(3,467)	(3%)
Restricted	8,787	8,565	222	3%
Unrestricted	10,506	4,537	5,969	132%
Total net position	$125,478	$122,754	$ 2,724	2%

Current Assets - Current assets total \$80 million and consist primarily of cash and cash equivalents of \$62 million and net receivables of \$16 million. Total current assets increased by \$4 million from the prior year. This is primarily due to the increase in cash and cash equivalents of \$6 million and a decrease of \$2 million in receivables. The total increase in cash and cash equivalents was primarily due to higher collections resulting from increased collection efforts on receivables and the effect of cost cutting measures implemented across all expenses.

Noncurrent Assets - As of June 30, 2019, the University had total noncurrent assets of \$187 million compared with \$193 million at June 30, 2018. The net decrease of \$6 million was primarily due to the net effect of capital assets depreciation of \$8 million and capital acquisition of \$2 million.

Deferred Outflows of Resources - As of June 30, 2019, the University had a total of deferred outflows of resources \$2 million. The decrease of \$0.3 million was primarily due to change in other postemployment benefits.

Current Liabilities - As of June 30, 2019, the University had total current liabilities of \$15 million compared with \$17 million at June 30, 2018. The net decrease of \$2 million was due to higher accruals in prior year. In Fiscal Year 2018, the University accrued relocation costs of a tenant in relation to the University's student housing expansion project, accrual of legal fees for an accident that occurred in prior year, and accrual of various expenses relating to a winding down of a program under GEAR UP.

Noncurrent Liabilities - Noncurrent liabilities total \$92 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 \$4 million from prior year was primarily due to the decrease in actuarially determined postemployment benefits liability of \$2 million and principal repayments of revenue bonds and certificates of participation of \$2 million.

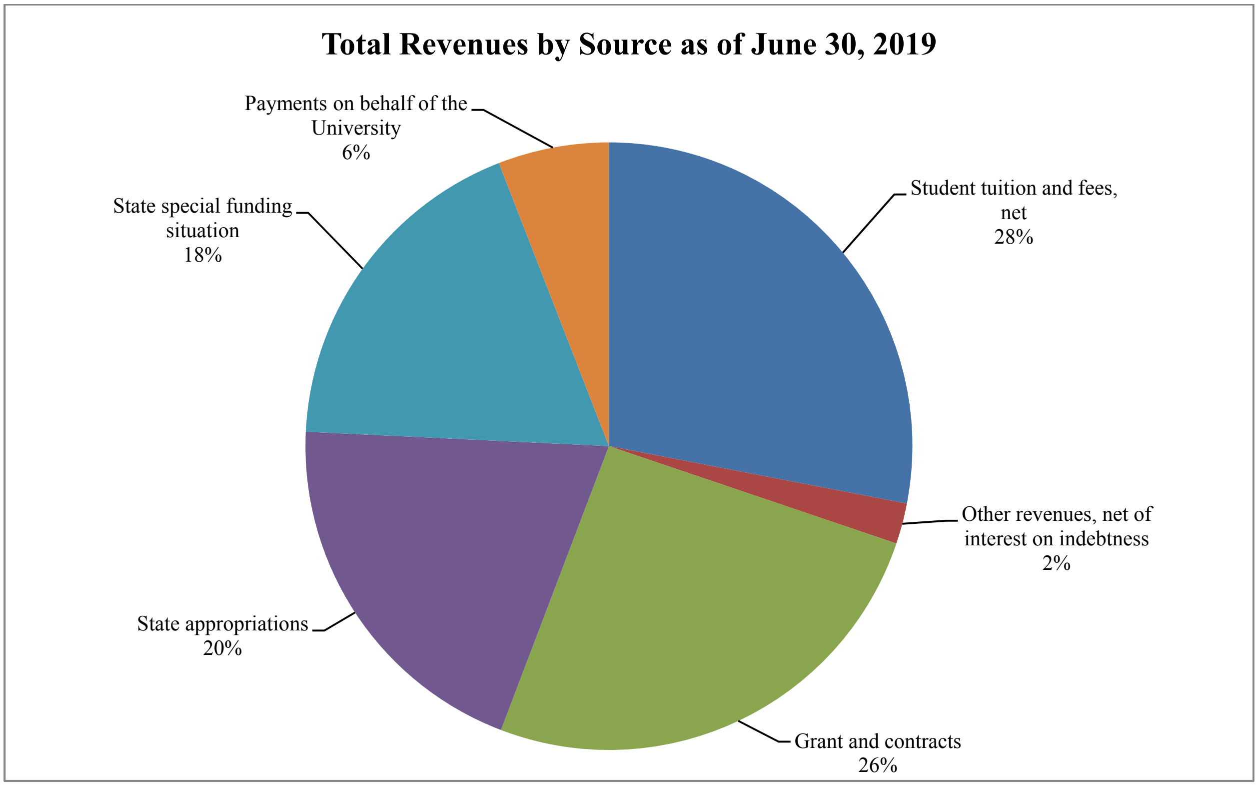
Deferred Inflows of Resources - As of June 30, 2019, the University had a total of deferred inflows of resources \$36 million. The increase of \$0.3 million was primarily due to recognition of revenue on concession arrangement and changes in other postemployment benefits.

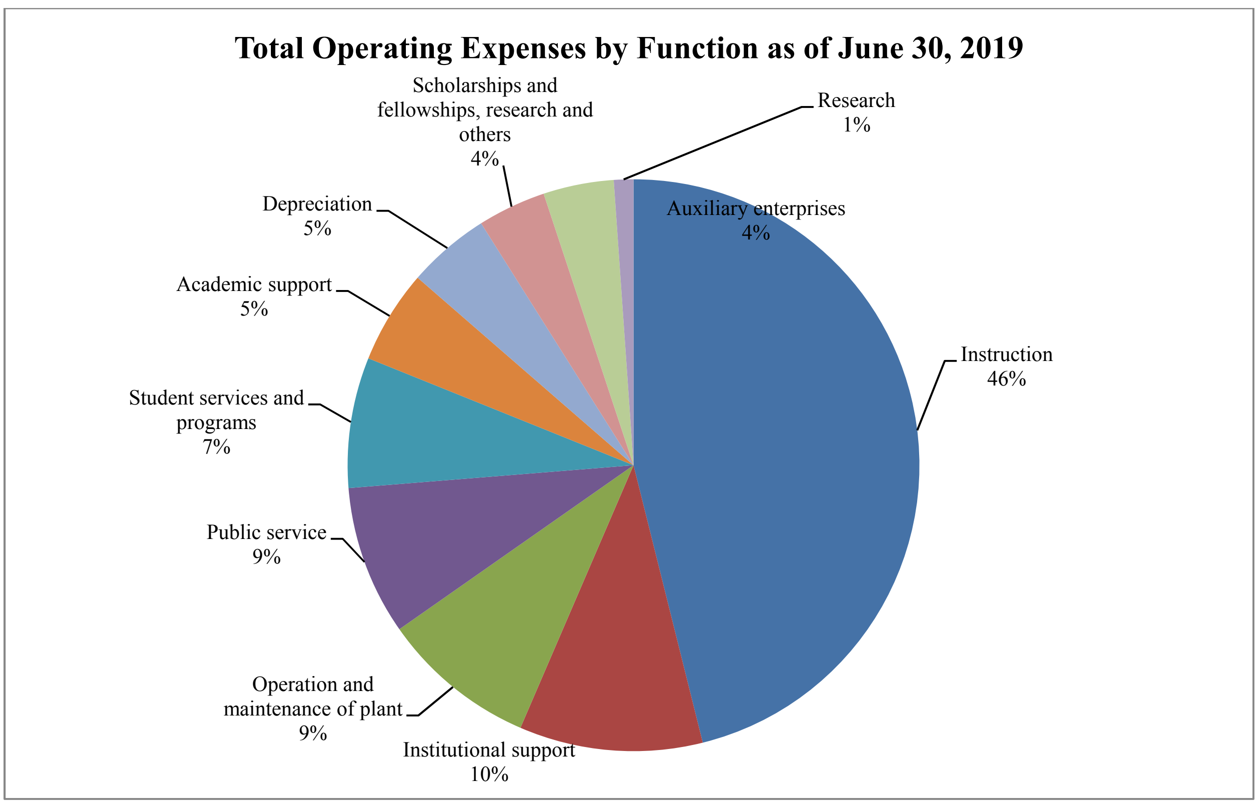
Total Net Position - Net position is divided into three major categories. The first category, net investment in capital assets, represent the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement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

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

Following are condensed statements of revenues, expenses, and changes in net position for the fiscal year ended June 30, 2019 and 2018 (amounts in thousands).

	2019	2018	Increase (Decrease)	Percent Change
OPERATING REVENUES				
Student tuition and fees, net	$ 47,566	$ 51,427	$ (3,861)	(8%)
Grants and contracts	20,438	24,495	(4,057)	(17%)
Auxiliary enterprises	2,610	2,784	(174)	(6%)
Other operating revenues	2,028	2,137	(109)	(5%)
Total operating revenues	72,642	80,843	(8,201)	(10%)
OPERATING EXPENSES	167,884	194,406	(26,522)	(14%)
OPERATING LOSS	(95,242)	(113,563)	18,321	(16%)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	33,873	50,546	(16,673)	(33%)
State special funding situation	31,107	56,575	(25,468)	(45%)
Payments on-behalf of the University	10,030	7,357	2,673	36%
Others, net	22,037	31,117	(9,080)	(29%)
Net nonoperating revenues	97,047	145,595	(48,548)	(33%)
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	1,805	32,032	(30,227)	(94%)
Loss on disposal/cancelled capital assets	(94)	(1,596)	1,502	(94%)
Capital additions provided by State of Illinois	156	787	(631)	(80%)
Other capital additions	857	857	-	0%
INCREASE IN NET POSITION	2,724	32,080	(29,356)	(92%)
NET POSITION, BEGINNING OF YEAR				
Net position, beginning of year, as previously reported	122,754	131,478	(8,724)	(7%)
Cumulative effect of change in accounting principle	-	(40,804)	40,804	(100%)
Net position, beginning of year, as restated	122,754	90,674	32,080	35%
NET POSITION, END OF YEAR	$125,478	$122,754	$ 2,724	2%


Total Revenues by Source as of June 30, 2019
Payments on behalf of the University 6%
Student tuition and fees, net 28%
State special funding situation 18%
Other revenues, net of interest on indebtness 2%
State appropriations 20%
Grant and contracts 26%


Total Operating Expenses by Function as of June 30, 2019
Scholarships and fellowships, research and others 4%
Research 1%
Depreciation 5%
Auxiliary enterprises 4%
Academic support 5%
Instruction 46%
Student services and programs 7%
Public service 9%
Operation and maintenance of plant 9%
Institutional support 10%

Operating Revenues - Total operating revenues for Fiscal Year 2019 totaled $73 million compared to $81 million in Fiscal Year 2018. The $8 million decrease is a result of a decrease in student tuition and fees of $4 million due to a decrease in enrollment as well as $4 million decrease in federal grants and contracts mainly due to the GEAR UP award that received a no cost extension in Fiscal Year 2019 with no additional funding.

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

	2019	2018	Increase (Decrease)	Percent Change
Expenses by function:				
Instruction	$ 77,406	$ 94,693	$ (17,287)	(18%)
Research	1,859	2,231	(372)	(17%)
Public service	14,173	18,025	(3,852)	(21%)
Academic support	8,866	9,644	(778)	(8%)
Student services and programs	12,383	14,585	(2,202)	(15%)
Institutional support	17,406	19,102	(1,696)	(9%)
Operation and maintenance of plant	14,782	15,849	(1,067)	(7%)
Scholarships and fellowships, research and others	6,471	7,017	(546)	(8%)
Auxiliary enterprises	6,687	5,371	1,316	25%
Depreciation	7,851	7,889	(38)	(0%)
Total operating expenses	$167,884	$194,406	$ (26,522)	(14%)
Expenses by natural classification:				
Compensation and benefits	$126,084	$153,478	$ (27,394)	(18%)
Supplies and services	27,087	25,623	1,464	6%
Scholarships	6,862	7,416	(554)	(7%)
Depreciation	7,851	7,889	(38)	(0%)
Total operating expenses	$167,884	$194,406	$ (26,522)	(14%)

Total operating expenses in Fiscal Year 2019 decreased by $27 million mainly due to the effect of the negative OPEB expenses of $16 million reported in compensation and benefits and allocated to the various functional expense categories.

Nonoperating Revenues (Expenses) - This consists of State appropriations, special funding situation, grants, and payments on behalf of the University, Pell and SEOG grant revenues, and investment income, less interest on indebtedness. Total nonoperating revenues decreased by $49 million mainly due to the lag in State appropriations where the University received $17 million of Fiscal Year 2017 and $33 million of Fiscal Year 2018 appropriations in Fiscal Year 2018.

Following are condensed statements of cash flows for the years ended June 30, 2019 and 2018 (amounts in thousands):

	2019	2018	Increase (Decrease)	Percent Change
Net cash used in operating activities	$ (45,984)	$ (43,678)	$ (2,306)	5%
Net cash provided by noncapital financing activities	57,034	82,512	(25,478)	(31%)
Net cash used in capital financing activities	(6,257)	(5,385)	(872)	16%
Net cash provided by investing activities	1,053	472	581	123%
Net increase in cash and cash equivalents	5,846	33,921	(28,075)	(83%)
Cash and cash equivalents - beginning of year	58,364	24,443	33,921	139%
Cash and cash equivalents - end of year	$ 64,210	$ 58,364	$ 5,846	10%

The primary cash receipts from operating activities consist of student tuition and fees of $48 million, grants and contracts of $21 million, direct lending receipts of $19 million and auxiliary revenues of $3 million. Cash outlays consist of payments to employees of $79 million, payments for fringe benefits of $6 million, payments to suppliers of $29 million, payments for scholarship and fellowship of $7 million and direct lending disbursements of $19 million.

The State appropriation of $34 million, State Monetary Award Program of $8 million and Federal Pell and SEOG grants of $15 million are the primary sources of noncapital financing activities. Accounting standards require the University to reflect these sources of revenue as nonoperating even though the University's budget depends on these findings to support its operations.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

The following summarizes the University's capital assets, accumulated depreciation, and depreciation expenses for fiscal years June 30, 2019 and 2018 (amounts in thousands).

	2019	2018
Capital assets	$ 310,270	$ 308,775
Accumulated depreciation	126,472	118,956
Capital assets, net	$ 183,798	$ 189,819
Depreciation expense	$ 7,851	$ 7,889

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

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

The following summarizes outstanding balances of long-term debt as of June 30, 2019 and 2018 (amounts in thousands).

	2019	2018
Revenue bonds, net	$ 14,359	$ 14,976
Certificates of participation, net	37,776	39,538

As of July 2017, S&P Global Ratings rated the University's Revenue Facilities System Revenue Bonds and Certificates of Participation as "B+" with a stable outlook. As of May 2019, Moody's Investor Service rated the Northeastern Illinois University's Revenue Facilities System Revenue Bonds and Certificates of Participation as "B3" with a stable outlook.

ECONOMIC OUTLOOK

In June 2019, the Governor signed the Fiscal Year 2020 budget bill that provides a 5% increase in support for public higher education operations. For the University, the approved Fiscal Year 2020 appropriation amounted to $35.6 million, an increase of 5%, or $1.7 million from the Fiscal Year 2019 appropriation.

The University experienced declining government support (federal and State) 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 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 (e.g., science lab 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 UNIVERSITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of 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 Associate Vice President and Chief Finance Officer or Beni Ortiz, Director of Financial Affairs/Controller; all located at 5500 North St. Louis Avenue, Chicago, Illinois 60625.

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
STATEMENT OF NET POSITION

	JUNE 30,			
	2019		(Comparative totals only) 2018	
	University	Component Unit	University	Component Unit
ASSETS				
Current assets:				
Cash and cash equivalents	$ 60,268,980	$ 1,822,009	$ 54,340,252	$ 1,470,200
Restricted cash and cash equivalents	2,010,401	-	1,989,955	-
Short-term investments	-	1,396,560	-	1,034,235
Accounts receivable, net	15,864,799	-	18,081,067	-
Student loans receivable, net	412,395	-	446,708	-
Inventories	12,065	-	14,023	-
Prepaid expenses	1,057,120	6,000	836,513	-
Other assets	35,665	57,967	32,550	521,521
Total current assets	79,661,425	3,282,536	75,741,068	3,025,956
Noncurrent assets:				
Restricted cash and cash equivalents	1,930,678	-	2,033,353	-
Restricted investments	-	12,418,297	-	11,479,608
Assets held under split-interest agreements	-	868,851	-	878,179
Student loans receivable, net	272,785	-	404,944	-
Capital assets, net	183,798,482	-	189,818,634	-
Other assets	880,012	8,000	896,399	8,000
Total noncurrent assets	186,881,957	13,295,148	193,153,330	12,365,787
TOTAL ASSETS	266,543,382	16,577,684	268,894,398	15,391,743
DEFERRED OUTFLOWS OF RESOURCES				
Pension	981,867	-	1,070,239	-
Other postemployment benefits	1,120,061	-	1,329,621	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,101,928	-	2,399,860	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	268,645,310	16,577,684	271,294,258	15,391,743
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	8,756,048	12,117	10,218,988	17,353
Unearned revenues	1,586,695	-	1,560,641	-
Liability for compensated absences	750,149	-	856,205	-
Revenue bonds payable, net	631,286	-	616,286	-
Certificates of participation, net	1,851,802	-	1,761,802	-
Funds held in custody for others	425,562	397,512	412,194	397,318
Installment purchases payable	82,637	-	81,174	-
Other postemployment benefits	862,467	-	997,132	-
Obligations under split-interest agreements	-	41,206	-	46,804
Total current liabilities	14,946,646	450,835	16,504,422	461,475
Noncurrent liabilities:				
Liability for compensated absences	5,449,191	-	5,361,119	-
Revenue bonds payable, net	13,728,638	-	14,359,924	-
Certificates of participation, net	35,925,045	-	37,776,851	-
Installment purchases payable	-	-	82,637	-
Other postemployment benefits	37,426,586	-	39,087,011	-
Obligations under split-interest agreements	-	474,049	-	558,289
Total noncurrent liabilities	92,529,460	474,049	96,667,542	558,289
TOTAL LIABILITIES	107,476,106	924,884	113,171,964	1,019,764

See accompanying notes to the basic financial statements.

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
STATEMENT OF NET POSITION

	JUNE 30,			
	2019		(Comparative totals only) 2018	
	University	Component Unit	University	Component Unit
DEFERRED INFLOWS OF RESOURCES				
Concession arrangement	30,705,499	-	31,562,396	-
Other postemployment benefits	4,985,311	-	3,805,976	-
TOTAL DEFERRED INFLOWS OF RESOURCES	35,690,810	-	35,368,372	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	143,166,916	924,884	148,540,336	1,019,764
NET POSITION				
Net investment in capital assets	106,184,937	-	109,651,520	-
Restricted for:				
Nonexpendable:				
Scholarships and memorials	-	12,771,893	-	11,752,694
Expendable:				
Grants and contracts	1,059,530	-	1,161,866	-
Student loans	940,919	-	921,013	-
Debt service	2,180,270	-	2,090,269	-
Other	4,606,625	2,063,005	4,392,432	1,837,641
Unrestricted	10,506,113	817,902	4,536,822	781,644
TOTAL NET POSITION	$ 125,478,394	$ 15,652,800	$ 122,753,922	$ 14,371,979

See accompanying notes to the basic financial statements.

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	FOR THE YEAR ENDED JUNE 30,			
			(Comparative totals only)	
	2019		2018	
	University	Component Unit	University	Component Unit
OPERATING REVENUES				
Student tuition and fees, net	$ 47,566,399	$ -	$ 51,427,127	$ -
Federal grants and contracts	17,318,218	-	20,802,088	-
State and local grants	2,182,599	-	2,568,703	-
Nongovernmental grants and contracts	937,385	-	1,123,850	-
Auxiliary enterprises	2,609,726	-	2,784,179	-
Other operating revenues	2,027,589	3,158,437	2,136,585	3,144,507
Total operating revenues	72,641,916	3,158,437	80,842,532	3,144,507
OPERATING EXPENSES				
Instruction	77,405,673	-	94,692,935	-
Research	1,859,514	-	2,231,263	-
Public service	14,173,057	-	18,025,320	-
Academic support	8,866,399	-	9,644,253	-
Student services and programs	12,382,743	-	14,585,087	-
Institutional support	17,405,790	-	19,101,490	-
Operation and maintenance of plant	14,781,539	-	15,849,261	-
Scholarships and fellowships	6,471,304	1,164,267	7,016,472	1,028,222
Auxiliary enterprises	6,686,704	-	5,371,124	-
Depreciation	7,851,025	-	7,888,645	-
Other operating expenses	-	1,290,818	-	959,278
Total operating expenses	167,883,748	2,455,085	194,405,850	1,987,500
Operating income (loss)	(95,241,832)	703,352	(113,563,318)	1,157,007
NONOPERATING REVENUES (EXPENSES)				
State appropriations	33,873,200	-	50,545,800	-
State special funding situation	31,107,355	-	56,574,592	-
Payments on-behalf of the University	10,030,000	-	7,357,000	-
Federal grants - Pell and SEOG	14,528,393	-	15,731,793	-
State grants - Monetary Award Program (MAP)	8,483,767	-	17,021,541	-
Investment income	1,053,590	577,469	471,840	584,438
Interest on indebtedness	(2,029,025)	-	(2,107,522)	-
Net nonoperating revenues	97,047,280	577,469	145,595,044	584,438
Income before other revenues, expenses, gains and losses	1,805,448	1,280,821	32,031,726	1,741,445
Loss on disposal/cancellation of capital assets	(94,073)	-	(1,595,573)	-
Capital additions provided by State of Illinois	156,197	-	787,404	-
Other capital additions	856,900	-	856,898	-
INCREASE IN NET POSITION	2,724,472	1,280,821	32,080,455	1,741,445
NET POSITION, BEGINNING OF YEAR				
Net positon, beginning of year, as previously reported	122,753,922	14,371,979	131,477,968	12,279,358
Cumulative effect of change in accounting principle	-	-	(40,804,501)	-
Prior period adjustments	-	-	-	351,176
Net positon, beginning of year, as restated	122,753,922	14,371,979	90,673,467	12,630,534
NET POSITION, END OF YEAR	$ 125,478,394	$ 15,652,800	$ 122,753,922	$ 14,371,979

See accompanying notes to the basic financial statements.

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
STATEMENT OF CASH FLOWS

	FOR THE YEAR ENDED JUNE 30,	
	2019	2018
	University	University
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 48,268,986	$ 48,002,382
Grants and contracts	21,272,573	23,323,243
Payments to employees	(79,175,388)	(79,446,063)
Payments for fringe benefits	(6,341,763)	(8,663,810)
Payments to suppliers	(28,533,841)	(24,565,564)
Payments for scholarships and fellowships	(6,861,769)	(7,416,278)
Loans issued to students	(90,312)	(89,929)
Collections of loans from students	256,784	244,797
Auxiliary enterprises	2,609,726	2,784,179
Student direct lending receipts	19,055,480	20,829,891
Student direct lending disbursements	(19,055,480)	(20,829,891)
Other receipts	2,611,236	2,149,404
Net cash used in operating activities	(45,983,768)	(43,677,639)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriation	33,896,028	50,514,084
Federal grants - Pell and SEOG	14,640,554	15,011,256
State grants - Monetary Award Program (MAP)	8,483,767	17,021,541
Agency transactions	13,368	(34,956)
Net cash provided by noncapital financing activities	57,033,717	82,511,925
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of capital assets and construction	(1,768,749)	(1,247,440)
Proceeds from disposal of capital assets	-	2,596
Principal paid on capital debt and leases	(2,391,174)	(1,964,735)
Interest paid on capital debt and leases	(2,097,117)	(2,175,606)
Net cash used in capital financing activities	(6,257,040)	(5,385,185)
CASH FLOWS FROM INVESTING ACTIVITY		
Interest on investments	1,053,590	471,840
Net cash provided by investing activity	1,053,590	471,840
Net increase in cash and cash equivalents	5,846,499	33,920,941
Cash and cash equivalents - beginning of year	58,363,560	24,442,619
Cash and cash equivalents - end of year	$ 64,210,059	$ 58,363,560

See accompanying notes to the basic financial statements.

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
STATEMENT OF CASH FLOWS

	FOR THE YEAR ENDED JUNE 30,	
	2019	2018
	University	University
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (95,241,832)	$ (113,563,318)
Adjustments to reconcile operating loss to net cash used in operating activities:		
State special funding	31,107,355	56,574,592
Payments on behalf of the University	10,030,000	7,357,000
Depreciation	7,851,025	7,888,645
Changes in assets and liabilities:		
Accounts receivable	2,081,279	(4,890,683)
Student loans receivable	166,472	154,868
Prepaid expenses and other assets	(207,335)	239,336
Inventories	1,958	(1,649)
Deferred outflows of resources	297,932	(396,267)
Accounts payable and accrued liabilities	(1,462,940)	1,029,526
Unearned revenues	26,054	304,076
Liability for compensated absences	(17,984)	(461,004)
Other postemployment benefits	(1,795,090)	(1,718,737)
Deferred inflows of resources	1,179,338	3,805,976
Net cash used in operating activities	$ (45,983,768)	$ (43,677,639)
Noncash operating and capital financing activities:		
State special funding	$ 31,107,355	$ 56,574,592
Payments on-behalf of the University	$ 10,030,000	$ 7,357,000
Discontinued capital project	$ 94,073	$ 1,596,538
Capital asset acquisition through capital appropriations	$ 156,197	$ 787,404
Realized income from deferred concession arrangement	$ 856,900	$ 856,898

See accompanying notes to the basic financial statements.

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

An audit of the Foundation's financial statements, for the fiscal year ended June 30, 2019, was conducted by an independent certified public accountant. Complete financial statements for the Foundation may be obtained by writing to the Foundation, Executive Director and Vice President for Institutional Advancement, Northeastern Illinois University, 5500 North St. Louis Ave., Chicago, Illinois 60625.

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

Basis of Accounting

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

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

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

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

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

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

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

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

Operating and Nonoperating Revenues

Operating revenues of the University consist of student tuition and fees, grants and contracts, student union sales and services, parking revenues, and other operating revenues. Transactions relating to capital or financing activities, noncapital financing activities, investing activities, State appropriations, Pell and Supplemental Educational Opportunity Grants (SEOG), State Monetary Award Program (MAP) grants and payments of the State for retirement and health care costs are components of nonoperating revenue. Restricted and unrestricted resources are used at the discretion of the University, within the proper guidelines. The University first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net positions are available.

Auxiliary Enterprises

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

Use of Estimates

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

Cash and Cash Equivalents

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

Investments and Marketable Securities

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

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

Restricted Assets

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

Receivables

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

Inventories

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

Capital Assets

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

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

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

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

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

Liability for Compensated Absences

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

Unearned Revenues

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

Revenue Bonds Payable and Certificates of Participation

Revenue Bonds and Certificates of Participation (COP) are stated at face value net of unamortized discounts and premiums.

Net Position

The University's net position are classified as follows:

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

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

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

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

Deferred Inflows of Resources/ Deferred Outflows of Resources

In addition to assets and liabilities, the statement of net position includes a separate section for deferred inflows or outflows of resources. Deferred inflows of resources represent increase in net position that applies to a future period. The revenue is not recognized until a future period. Deferred inflows of resources reported by the University relate to a service concession arrangement and actual investment performance of other postemployment benefits as explained in Notes 15 and 13 to the basic financial statements, respectively. Deferred outflows of resources represents consumption of net position that applies to a future period and so will not be recognized as an expense until then. Deferred outflows of resources reported by the University consist of deferral of employer pension contributions as explained in Note 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 13 to the basic financial statements.

Revenue Recognition

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

Tuition and fees, except for the summer term, are recognized as revenues as they are assessed. Tuition and fees are reduced by scholarship discounts and allowances of $22,481,780 for Fiscal Year 2019. 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 $4,340,182 in Fiscal Year 2019.

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, payments on-behalf of the University, State MAP grants, federal Pell and SEOG grants, gifts, and investment income, are recognized as nonoperating as defined by GASB Statement No. 35. In addition, transactions related to capital and financing activities are components of nonoperating revenues

Pensions

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

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

Other Postemployment Benefits (OPEB)

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

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

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

Special Funding Situation Portion of OPEB

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

During the OPEB measurement period ended June 30, 2018, the University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $482,314 to help offset the amount the State needed to provide for retirees under the special funding situation described in the preceding paragraph.

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

University's Portion of OPEB

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

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

On-behalf Transactions

The University had outside sources of financial assistance provided by the State on behalf of the University during the year ended June 30, 2019.

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

During the year ended June 30, 2019, total estimated group insurance contributions for the University's employees paid from the University's Income Fund and auxiliary enterprises were $10,711,570. The University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $681,570 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 $10,030,000 on-behalf of the University to meet this obligation for current employees.

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

New Accounting Pronouncements

The University adopted the provisions of GASB Statements No. 83, *Certain Asset Retirement Obligations*, and No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, during the fiscal year ended June 30, 2019. GASB Statements No. 83 and No. 88 have no impact on the University's current financial statements.

In addition, the University will be required to implement GASB Statements No. 84, *Fiduciary Activities*, and No. 90, *Majority Equity Interest*, in Fiscal Year 2020, GASB Statements No. 87, *Leases*, and No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, in Fiscal Year 2021, and GASB Statement No. 91, *Conduit Debt Obligations*, in Fiscal Year 2022. The University has not yet evaluated the impact of adopting future pronouncements on its financial statements.

Reclassifications

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

2. CASH AND INVESTMENTS

The University uses the "pooled cash" method of accounting for substantially all of its operating cash and investments. The following table is a reconciliation of cash on hand, deposits and investments held by the University and Foundation as shown on the statement of net position as of June 30, 2019:

	University	Foundation
Carrying amounts of deposits	$14,046,241	$ 1,822,009
Carrying amounts of investments	50,160,518	14,683,708
Cash on hand	3,300	-
	$64,210,059	$16,505,717

	University	Foundation
Cash and cash equivalents	$ 60,268,980	$ 1,822,009
Restricted cash and cash equivalents - current	2,010,401	-
Restricted cash and cash equivalents - noncurrent	1,930,678	-
Short-term investments	-	1,396,560
Long-term investments	-	13,287,148
	$ 64,210,059	$ 16,505,717

University Deposits

The University utilizes multiple bank accounts for the various activities of the University. The book balance of such accounts was $14,046,241 at June 30, 2019, while the bank balance was $15,503,494. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2019.

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, 2019, the University's deposits were covered by the Federal Deposit Insurance Corporation (FDIC) and by collateral held by the financial institution in the University's name.

University Investments

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

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

The fair value of the University investments as of June 30, 2019 is as follows:

Investments:	Fair Value	Maturity	S&P/Moody's
Illinois Fund*	$ 48,223,002	< 1 year	AAAm
U.S. Treasury Notes	1,937,516	< 1 year	AAAm/Aaa-mf
	$ 50,160,518		

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

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

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

Investments:	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury Notes	$ 1,937,516	$ 1,937,516	$ -	$ -

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

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

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's policy for mitigating the risk is to diversify the investment portfolio so that the failure of any one issue will not place an undue financial burden on the University. As of June 30, 2019, the University does not have any investments representing 5% or more of total assets in any single issuer other than the U.S. government and investments in mutual funds, external investment pools, and other pooled investments.

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

Foundation Deposits and Investments

The fair value and valuations of the Foundation investments as of June 30, 2019 is as follows:

Investments:	Fair Value	Level 1	Level 2	Level 3
Mutual funds	$ 14,683,708	$ 54,044	$ 14,629,664	$ -

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 in several separate accounts at three different institutions. These accounts are insured by the FDIC up to $250,000 at each financial institution. As of June 30, 2019, the combined uninsured balance was $1,673,404. 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.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation's investment policy limits investments in corporate securities rated "Baa" or higher. Credit quality ratings are not required for U.S. government securities that are explicitly guaranteed by the U.S. government.

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. As a means of limiting its exposure to fair value losses arising from rising interest rates, as a long-term guideline, the Foundation's investments are allocated between equity investments and 20% fixed-income securities. Interest rate risk is managed according to the purpose of the investments and the projected timeframe for the use of these assets.

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

3. ACCOUNTS RECEIVABLE

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

	June 30, 2019	June 30, 2018
Student tuition and fees	$ 25,131,935	$ 23,278,829
Federal, State, and private grants and contracts	4,924,523	6,735,807
Others	1,299,369	1,354,144
Subtotal	31,355,827	31,368,780
Less allowance for doubtful accounts	(15,491,028)	(13,287,713)
Accounts receivable, net	$ 15,864,799	$ 18,081,067

4. STUDENT LOANS RECEIVABLE

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

	June 30, 2019	June 30, 2018
Perkins student loan fund	$ 1,234,120	$ 1,446,154
Emergency student loan	74,536	72,616
Others	4,809	1,472
Subtotal	1,313,465	1,520,242
Less allowance for doubtful accounts	(628,285)	(668,590)
Student loans receivable, net	$ 685,180	$ 851,652

5. CAPITAL ASSETS

Details of the University's investment in capital assets at June 30, 2019 are as follows:

	Balance June 30, 2018	Additions	Transfers	Reductions	Balance June 30, 2019
Capital assets not being depreciated:					
Land and land improvements	$ 30,906,095	$ -	$ -	$ -	$ 30,906,095
Nondepreciable historical treasures and works of art	83,330	-	-	-	83,330
Construction in progress	2,614,644	1,440,018	(1,492,003)	93,378	2,469,281
Total capital assets not being depreciated	33,604,069	1,440,018	(1,492,003)	93,378	33,458,706
Capital assets being depreciated:					
Site improvements	7,614,415	-	-	-	7,614,415
Buildings and building improvements	226,369,635	11,556	1,492,003	-	227,873,194
Equipment	14,520,970	198,082	-	326,674	14,392,378
Library books	26,666,323	275,291	-	9,784	26,931,830
Total capital assets being depreciated	275,171,343	484,929	1,492,003	336,458	276,811,817
Less accumulated depreciation:					
Site improvements	6,063,833	215,786	-	-	6,279,619
Buildings and building improvements	76,335,875	6,309,304	-	-	82,645,179
Equipment	12,137,806	740,270	-	325,978	12,552,098
Library books	24,419,264	585,665	-	9,784	24,995,145
Total accumulated depreciation	118,956,778	7,851,025	-	335,762	126,472,041
Capital assets, net	$189,818,634	$ (5,926,078)	$ -	$ 94,074	$183,798,482

6. LONG-TERM DEBT AND OTHER LIABILITIES

Long-term debt and other liabilities at June 30, 2019 are as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Compensated absences	$ 6,217,324	$ 573,758	$ 591,742	$ 6,199,340	$ 750,149
Revenue bonds:					
Series 2014	14,460,000	-	585,000	13,875,000	600,000
Premium	516,210	-	31,286	484,924	31,286
Certificates of participation:					
Series 2010	4,870,000	-	275,000	4,595,000	300,000
Certificates of participation:					
Series 2012	26,500,000	-	575,000	25,925,000	610,000
Premium	137,404	-	5,910	131,494	5,910
Certificates of participation:					
Series 2015	7,815,000	-	875,000	6,940,000	905,000
Premium	216,249	-	30,896	185,353	30,892
Installment purchases payable	163,811	-	81,174	82,637	82,637
Other postemployment benefits payable	40,084,143	-	1,795,090	38,289,053	862,467
Subtotal	100,980,141	$ 573,758	$4,846,098	96,707,801	$ 4,178,341
Less current portion	(4,312,599)			(4,178,341)	
Total noncurrent liabilities	$ 96,667,542			$ 92,529,460	

7. COMPENSATED ABSENCES

It is the policy of the University to accrue vacation pay as earned. As of June 30, 2019, the accrued liability for this benefit was $5,118,329 and is reported as liability for compensated absences.

As a result of Illinois Public Act 83-976, the University is required to compensate certain employees for sick leave benefits earned after January 1, 1984. Sick leave earned by these employees after this date will accumulate without limit and are payable upon termination of employment for one-half of the unused amount. As of January 1, 1998, per 30 ILCS 105/14a, sick leave benefits earned after that date are no longer compensable upon termination of employment. All prior earned benefits will still be paid. As of June 30, 2019, the accrued liability of this benefit was $1,081,011 and is included in the liability for compensated absences.

8. UNIVERSITY FACILITIES SYSTEM REVENUE BONDS

Series 2014

The University Facilities System Revenue Bond Series 2014-1 in the amount of $4,520,000 and Series 2014-2 in the amount of $10,640,000 with an aggregate amount of $15,160,000 were issued in December 2014 to provide funds to refund all of the outstanding University Facilities System Revenue Bonds Series 2004 and to pay the necessary issuance costs. The bonds are fully registered and are special, limited obligations of the Board of Trustees of Northeastern Illinois University (Board) and are not obligations of the State of Illinois. The bonds are only payable from and secured by the net revenues of the University Facilities System, 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 $600,000 due on July 1, 2019 to $1,060,000 due on July 1, 2034. Interest is payable on January 1 and July 1 each year, at rates between 3.00% and 5.00%, with an average effective rate of approximately 4.044%. Future aggregate annual payments applicable to the Series 2014 Bonds at June 30, 2019 are:

Fiscal Year	Principal	Interest
2020	$ 600,000	$ 552,000
2021	625,000	530,625
2022	645,000	508,350
2023	670,000	482,050
2024	695,000	454,750
2025 - 2029	4,295,000	1,764,525
2030 - 2034	5,285,000	767,530
2035	1,060,000	21,730
Total	$ 13,875,000	$ 5,081,560

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

Pledged Revenues and Debt Service Requirements

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

Bond Issues	Purpose	Source of Revenue Pledged	Future Net Revenues Pledged (1)	Terms of Commitment	Pledged Net Revenues to Debt Service (Current Year) (2)
Facilities System Revenue Bonds Series 2014	Construction of a multi-level parking structure	Net Revenues of the University Facilities System*, student tuition and fees	$ 18,956,560	2034	4.51%

(1)Total future principal and interest payments on debt.
(2)Current year pledged net operating revenues (disregarding depreciation) versus total future debt service.
*The University Facilities System consists of the Student Union, all parking facilities, the University's vending facilities, the University bookstore, and any equipment or improvements pertaining thereto.

9. CERTIFICATES OF PARTICIPATION

Series 2010

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

The certificates mature in increasing principal amounts ranging from $300,000 due on October 1, 2019 to $645,000 due on October 1, 2028 at rates between 4.750% and 6.000%, with an average effective rate of approximately 5.425%. Future aggregate annual payments applicable to the certificates of participation at June 30, 2019 are:

Fiscal Year	Principal	Interest
2020	$ 300,000	$ 246,269
2021	330,000	230,894
2022	365,000	213,291
2023	395,000	193,569
2024	435,000	171,509
2025 - 2029	2,770,000	431,516
Total	$ 4,595,000	$ 1,487,048

Series 2012

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

The certificates mature in increasing principal amounts ranging from $610,000 due on October 1, 2019 to $1,815,000 due on October 1, 2041 at rates between 3.000% and 4.100%, with an average effective rate of approximately 3.650%. Future aggregate annual payments applicable to the certificates of participation at June 30, 2019 are:

Fiscal Year	Principal	Interest
2020	$ 610,000	$ 965,525
2021	645,000	946,700
2022	685,000	926,750
2023	725,000	905,238
2024	775,000	881,406
2025 - 2029	4,505,000	3,975,037
2030 - 2034	5,895,000	3,025,815
2035 - 2039	6,985,000	1,760,800
2040 - 2042	5,100,000	322,670
Total	$ 25,925,000	$ 13,709,941

Series 2015

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

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

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

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

The Series 2015 Certificates mature in increasing principal amounts ranging from $905,000 due on July 1, 2019 to $1,090,000 due on July 1, 2025 at rates between 3.00% and 4.00%, with an average effective rate of approximately 3.286%. Future aggregate annual payments applicable to the certificates of participation at June 30, 2019 are:

Fiscal Year	Principal	Interest
2020	$ 905,000	$ 215,975
2021	935,000	188,375
2022	955,000	160,025
2023	990,000	130,850
2024	1,020,000	100,700
2025 - 2026	2,135,000	86,300
Total	$ 6,940,000	$ 882,225

10. INSTALLMENT PURCHASES PAYABLE

The Board of Trustees of Northeastern Illinois University entered into an agreement dated June 24, 2015, with Bank of America Public Capital Corporation to lease and acquire certain copier equipment with an imputed interest rate of 1.8024%. As provided for in the agreement, title to the equipment was vested to the University upon the delivery and acceptance of the equipment, as such the University accounted for this transaction as an installment purchase. Future maturities at June 30, 2019 are as follows:

Fiscal Year	Principal	Interest
2020	$ 82,637	$ 1,489

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 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 year ended June 30, 2019, 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	$ 461,484	$ -
Nongovernmental grants and contracts	602,207	-
Operating Expenses		
Compensation and benefits	-	651,180
Supplies and services	-	4,595
Use of space	-	32,964
	$ 1,063,691	$ 688,739

12. DEFINED BENEFIT PENSION PLANS

General Information about the Pension Plan

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

Benefits Provided
A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible Illinois reciprocal system services. The revised plan is referred to as Tier 2. New employees are allowed 6 months after their date of hire to make an irrevocable election. A summary of the benefit provisions as of June 30, 2018 can be found in the System's comprehensive annual financial report (CAFR) Notes to the Financial Statements.

Contributions
The State of Illinois is primarily responsible for funding the System on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of the System to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for Fiscal Year 2018 and Fiscal Year 2019, respectively, was 12.46% and 12.29% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or

interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary except for police officers and fire fighters who contribute 9.5% of their earnings. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

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

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

Net Pension Liability
The net pension liability (NPL) was measured as of June 30, 2018. At June 30, 2018, SURS reported an NPL of $27,494,556,682.

Employer Proportionate Share of Net Pension Liability
The amount of the proportionate share of the net pension liability to be recognized for the University is $0. The proportionate share of the State's net pension liability associated with the University is $481,512,171 or 1.7513%. This amount should not recognized in the University's financial statements. The net pension liability and total pension liability as of June 30, 2018, was determined based on the June 30, 2017 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during Fiscal Year 2018.

Pension Expense
At June 30, 2018, SURS reported a collective net pension expense of $2,685,322,700.

Employer Proportionate Share of Pension Expense
The University 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 2018. As a result, the University recognized nonoperating revenue and pension expense of $47,028,056 from this special funding situation during the fiscal year ended June 30, 2019.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 65,521,614	$ 181,032,053
Changes in assumption	1,286,257,095	123,218,306
Net difference between projected and actual earnings on pension plan investments	26,810,634	-
Total	$ 1,378,589,343	$ 304,250,359

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

Year Ending June 30	Net Deferred Outflows of Resources
2019	$ 763,171,084
2020	540,443,042
2021	(192,612,398)
2022	(36,662,744)
2023	-
Thereafter	-
Total	$ 1,074,338,984

Employer Deferral of Fiscal Year 2019 Pension Expense

The University paid $981,867 in federal, trust or grant contributions for the fiscal year ended June 30, 2019. These contributions were made subsequent to the pension liability date of June 30, 2018 and are recognized as deferred outflows of resources as of June 30, 2019.

Assumptions and Other Inputs

Actuarial Assumptions
The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period June 30, 2014 - 2017. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2014 Combined Mortality Table with projected generational mortality and a separate mortality assumption for disabled participants.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). For each major asset class that is included in the pension plan target asset allocation as of June 30, 2018, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
U.S. Equity	23%	5.00%
Private Equity	6%	8.50%
Non-U.S. Equity	19%	6.45%
Global Equity	8%	6.00%
Fixed Income	19%	1.50%
Treasury-Inflation Protected Securities	4%	0.75%
Emerging Market Debt	3%	3.65%
Real Estate REITS	4%	5.45%
Direct Real Estate	6%	4.75%
Commodities	2%	2.00%
Hedged Strategies	5%	2.85%
Opportunity Fund	1%	7.00%
Total	100%	4.55%
Inflation		2.75%
Expected Arithmetic Return		7.30%

Discount Rate

A single discount rate of 6.65% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 3.62% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under the System's funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2075. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2075, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the System's Net Pension Liability to Changes in the Discount Rate
Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 6.65%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 5.65%	Current Single Discount Rate Assumption 6.65%	1% Increase 7.65%
$33,352,188,584	$27,494,556,682	$22,650,651,520

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

13. OTHER POSTEMPLOYMENT BENEFITS

Plan Description
SEGIA, as amended, authorizes SEGIP to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the University's full-time employees are members of SEGIP. Members receiving monthly benefits from the GARS, JRS, SERS, TRS, and SURS are eligible for these OPEB. The eligibility provisions for SURS are defined within Note 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, SEGIP contributions pursuant to SEGIA (5 ILCS 375/11), and Federal government subsidies from the Medicare Part D program. These contributions are deposited in the Health Insurance Reserve Fund, which covers both active employees and retired members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in GARS, JRS, SERS, TRS, and SURS do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. CMS' Director, on an annual basis, determines the amount of contributions necessary to fund the basic program of group benefits. The State's contributions are made primarily from the State's General Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree benefits and a separate trust has not been established for the funding of OPEB.

For Fiscal Year 2019, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $11,269 ($6,699 if Medicare eligible) per member if the annuitant chose benefits provided by a health maintenance organization and $13,824 ($4,984 if Medicare eligible) per member if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

CMS' Changes in Estimates

For the measurement date of June 30, 2018, CMS experienced two significant changes within its estimation process. The OPEB for both the special funding situation and the portion of OPEB where the University is responsible for employer contributions are both significantly impacted by (1) the University's number of participants in SEGIP and (2) the average cost per employee within SEGIP. CMS made changes to its estimation methodology that resulted in significant differences within its estimates which represent an outcome of estimation uncertainty that, as time has passed and new sources of better data have become available, continued to be refined to achieve a more representative reflection of the actual outcome of the estimate in future periods. As such, the University experienced a significant decrease in its own OPEB liability and expense and in the non-operating revenue and operating expenses recognized from the special funding situation.

Special Funding Situation Portion of OPEB

The proportionate share of the State's OPEB expense relative to the University's employees totaled ($15,920,701) during the year ended June 30, 2019. This amount was recognized by the University as non-operating special funding situation revenue and operating expense allocated to the related function performed by the employees during the year ended June 30, 2019.

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, 2018 and 2017 each based on the June 30, 2017 and 2016, respectively, actuarial valuation rolled forward:

Measurement Date:	June 30, 2018	June 30, 2017
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$282,364,203	$457,036,341
SEGIP total OPEB liability	$40,093,248,494	$41,323,858,855
Proportionate share of the total OPEB liability	0.7043%	1.1060%

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, 2019, was measured as of the measurement date on June 30, 2018, with an actuarial valuation as of June 30, 2017, which was rolled forward to the measurement date. The following chart displays the proportionate share of the University's contributions relative to all employer contributions during the years ended June 30, 2018 and 2017, each based on the June 30, 2017 and 2016, respectively, actuarial valuation rolled forward:

Measurement Date:	June 30, 2018	June 30, 2017
University's OPEB liability	$38,289,053	$40,084,143
SEGIP total OPEB liability	$40,093,248,494	$41,323,858,855
Proportionate share of the total OPEB liability	0.0955%	0.0970%

The University's portion of the OPEB liability was based on the University's proportion share amount determined under the methodology described in Note 1 during the year ended June 30, 2018. As of the current year measurement date of June 30, 2018, the University's proportion declined 0.0015% from its proportion measured as of the prior year measurement date of June 30, 2017.

The University recognized OPEB expense for the year ended June 30, 2019, of $1,420,870. At June 30, 2019, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2018, from the following sources:

Deferred outflow of resources	
Difference between expected and actual experience	$ 9,807
Changes in portion and differences between employer contributions and proportionate share of contribution	247,787
University contribution subsequent to measurement date	862,467
Total deferred outflow of resources	$1,120,061

Deferred inflows of resources	
Difference between expected and actual experience	$ 843,113
Changes of assumptions	3,595,725
Changes in portion and differences between employer contributions and proportionate share of contributions	546,473
Total deferred inflow of resources	$4,985,311

The amount of $862,467 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, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Total Amount Recognized of Deferred Inflows and Outflows over the Remaining Service Life of All Employees (5.138662 years)
2020	$ (1,270,345)
2021	(1,270,345)
2022	(1,270,345)
2023	(846,978)
2024	(69,704)
Total	$ (4,727,717)

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, 2017, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2017.

The valuation date of June 30, 2017, below was rolled forward to June 30, 2018.

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.75%
Projected Salary Increases*	3.00% - 15.00%
Discount Rate	3.62%
Healthcare Cost Trend Rate	
Medical (Pre-Medical)	8.0% grading down 0.5% in the first year to 7.5%, then grading down 0.01% in the second year to 7.42%, followed by grading down of 0.5% per year over 5 years to 4.92% in year 7
Medical (Post-Medical)	9.0% grading down 0.5% per year over 9 years to 4.5%
Dental and Vision	6.0% grading down 0.5% per year over 3 years to 4.5%
Retirees' share of benefit related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5% for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100% of the required dependent premium. Premiums for plan year 2018 and 2019 are based on actual premiums. Premiums after 2018 were projected based on the same healthcare cost trend rates applied to per capita claim costs but excluding the additional trend rates that estimates the impact of the Excise Tax.

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

Additionally, the demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2017, valuations for GARS, JRS, SERS, TRS, and SURS as follows:

	Retirement age experience study^	Mortality^^
GARS	July 2012 - June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational improvement scales
JRS	July 2012 - June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
SERS	July 2009 - June 2013	105% of the RP 2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015; generational mortality improvement factors were added
TRS	July 2014 - June 2017	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2014
SURS	July 2014 - June 2017	RP-2014 White Collar, gender distinct, projected using MP-2014 two dimensional mortality improvement scale, set forward one year for male and female annuitants.

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

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

Since the last measurement date on June 30, 2018, the State has not made any significant changes to the benefit terms affecting the measurement of the collective total OPEB liability. Further, no changes have occurred since the measurement date and the University's fiscal year end on June 30, 2019, that are expected to have a significant impact on the University's proportionate share of the total collective OPEB liability.

Discount rate

Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 3.56% at June 30, 2017, and 3.62% as of June 30, 2018, was used to measure the total OPEB liability.

Sensitivity of total OPEB liability to changes in the single discount rate

The following presents the University's proportionate share of the plan's total OPEB liability measured as of June 30, 2018, calculated using a Single Discount Rate of 3.62%, 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 (4.62%) or lower (2.62%) than the current rate:

	1% Decrease (2.62%)	Current Single Discount Rate Assumption (3.62%)	1% Increase (4.62%)
Total OPEB liability	$44,889,244	$38,289,052	$33,050,589

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, 2018, 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 2019 decreasing to an ultimate trend rate of 4.92% in 2026 for non-Medicare coverage, and 9.0% decreasing to an ultimate trend rate of 4.5% in 2028 for Medicare coverage. For the 1% decrease for calculating the healthcare cost trend rates assumption, the key trend rates are 7.00% in 2019 decreasing to an ultimate trend rate of 3.92% in 2026, for non-Medicare coverage, and 8.00% in 2019 decreasing to an ultimate trend rate of 3.50% in 2028 for Medicare coverage. For the 1% increase for calculating the healthcare cost trend rates assumption, the key trend rates are 9.00% in 2019 decreasing to an ultimate trend rate of 5.92% in 2026, for non-Medicare coverage, and 10.00% in 2019 decreasing to an ultimate trend rate of 5.50% in 2028 for Medicare coverage.

	1% Decrease	Healthcare Cost Trend Rates Assumption	1% Increase
Total OPEB liability	$32,339,287	$38,289,052	$46,018,673

Total OPEB Liability Associated with the University, Regardless of Funding Source

The University is required to disclose all OPEB liabilities related to it, including (1) the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation the University is not required to record and (2) the portion of OPEB liability recorded by the University for its employees paid from trust, federal, and other funds. The following chart displays the proportionate share of contributions, regardless of funding source, associated with the University's employees relative to all employer contributions during the years ended June 30, 2018 and 2017, each based on the June 30, 2017 and 2016, respectively, actuarial valuation rolled forward:

Measurement Date:	June 30, 2018	June 30, 2017
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$ 282,364,203	$ 457,036,341
University's OPEB liability	38,289,053	40,084,143
Total OPEB liability associated with the University	$ 320,653,256	$ 497,120,484
SEGIP total OPEB liability	$ 40,093,248,494	$ 41,323,858,855
Proportionate share of the OPEB liability associated with the University	0.7998%	1.2030%

14. OPERATING LEASES

The University leases various buildings and equipment under operating lease agreements. Total rental expense for the year ended June 30, 2019 under these agreements was $420,787. Minimum lease payments for the years ending June 30 are:

Fiscal Year	Amount
2020	$ 355,481
2021	325,381
2022	305,593
2023	305,593
Total	$ 1,292,048

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 30 ILCS 500/53-25 of the Illinois Procurement Code. The concession arrangement is structured as a ground lease enabling the Project to be financed through bonds issued by the Illinois Finance Authority consistent with the Procurement Code.

In conjunction with the award to ACC, Collegiate Housing Foundation (CHF-Cook, LLC), a 501(c)(3) organization, was identified as the entity to be the ground lessee under the ground lease. In accordance with the ground lease agreement, CHF-Cook, LLC entered into a development agreement with ACC as developer for the planning, construction, equipping and furnishing of the Project. In addition, CHF-Cook, LLC 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-Cook, LLC, as Lessee, the lease will expire 40 years after the commencement date unless otherwise extended or sooner terminated. Upon termination or expiration of the ground lease, all rights and interests of the Lessee will immediately cease and terminate and the Project, including all buildings, improvements, machinery, fixtures, equipment and all personal property belong to and be the absolute property of the University.

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

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

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

In Fiscal Year 2019, the third year of the ground lease agreement, fall 2018 occupancy fell requiring the University to make an occupancy contribution of $676,644 in October 2018. Spring 2019 occupancy levels also required the University to make an occupancy contribution of an additional $1,253,873 in March 2019.

At June 30, 2019, the carrying amount of the student housing facility amounted to $34,627,640 and deferred inflow of resources amounted to $30,705,499. 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.

16. OPERATING EXPENSES BY NATURAL CLASSIFICATION

Details of the University's operating expenses by natural classification as June 30, 2019 are as follows:

	Compensation and Benefits	Supplies and Services	Scholarships	Depreciation	Total
Instruction	$ 72,486,410	$ 4,708,026	$ 211,237	$ -	$ 77,405,673
Research	1,200,222	520,028	139,264	-	1,859,514
Public service	9,942,484	4,203,355	27,218	-	14,173,057
Academic support	6,293,897	2,572,502	-	-	8,866,399
Student services and programs	9,287,050	3,082,947	12,746	-	12,382,743
Institutional support	13,945,812	3,459,978	-	-	17,405,790
Operation and maintenance of plant	10,241,943	4,539,596	-	-	14,781,539
Scholarship and fellowships	-	-	6,471,304	-	6,471,304
Auxiliary enterprises	2,686,276	4,000,428	-	-	6,686,704
Depreciation	-	-	-	7,851,025	7,851,025
Total operating expenses	$ 126,084,094	$ 27,086,860	$ 6,861,769	$ 7,851,025	$ 167,883,748

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 year ended June 30, 2019. 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	$ 1,650,921
Restricted	882,000
Noncurrent assets:	
Capital assets, net	15,235,329
Restricted other noncurrent assets	2,030,060
Total assets	19,798,310
Liabilities:	
Current liabilities	1,239,741
Noncurrent liabilities	13,728,638
Total liabilities	14,968,379
Net position:	
Net investment in capital assets	875,405
Restricted - expendable:	
Capital projects	1,909,025
Debt service	600,000
Unrestricted	1,445,501
Total net position	$ 4,829,931

Condensed Statement of Revenues, Expenses, and Changes in Net Position	
Operating revenues:	
Student fees, net	$ 1,564,132
Auxiliary enterprises and others	1,698,400
Total operating revenues	3,262,532
Operating expenses:	
Depreciation	745,208
Other operating expenses	2,407,187
Total operating expenses	3,152,395
Operating income	110,137
Nonoperating revenues (expenses):	
Investment income	3,519
Interest on indebtedness	(564,000)
Net nonoperating expenses	(560,481)
Decrease in net position	(450,344)
Net position, beginning of year	5,280,275
Net position, end of year	$ 4,829,931

Condensed Statement of Cash Flows	
Net cash provided by (used in):	
Operating activities	$ 946,231
Capital financing activities	(1,160,700)
Investing activity	3,519
Net decrease in cash and cash equivalents	(210,950)
Cash and cash equivalents, beginning of year	4,481,382
Cash and cash equivalents, end of year	$ 4,270,432

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 fund as of June 30, 2019 is as follows:

	Without Donor Restrictions	With Purpose Restrictions	Restricted in Perpetuity	Total Endowment Net Assets
Donor-restricted endowment funds	$ -	$ -	$ 12,771,893	$ 12,771,893
Quasi endowment fund	514,662	-	-	514,662
Total endowment net assets	$ 514,662	$ -	$ 12,771,893	$ 13,286,555

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	Without Donor Restrictions	With Purpose Restrictions	Restricted in Perpetuity	Total Endowment Net Assets
Endowment net assets, beginning of year	$ 496,225	$ -	$ 11,752,694	$ 12,248,919
Contributions	-	-	762,529	762,529
Investment income, net of fees	17,948	258,577	206,537	483,062
Net realized and unrealized gains	489	7,040	5,623	13,152
Change in value of split interest agreement	-	-	80,510	80,510
Appropriation of endowment assets for expenditure	-	265,617	-	265,617
Total endowment net assets	$ 514,662	$ 531,234	$ 12,807,893	$ 13,853,789

19. COMMITMENTS AND CONTINGENCIES

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

20. SUBSEQUENT EVENTS

In fall 2019, the University student housing facility occupancy remained low and the University made its required occupancy contribution of $965,438 in October 2019.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019

Schedule of Employer's Proportionate Share of Net Pension Liability

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
(a) Proportion Percentage of the Collective Net Pension Liability	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
Total (b) + (c)	$ 390,904,472	$ 415,299,735	$ 456,612,715	$ 449,716,040	$ 481,512,171
Employer Defined Benefit Covered Payroll	$ 65,041,857	$ 63,636,133	$ 63,473,858	$ 62,293,222	$ 62,540,169
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%
SURS Plan Net Position as a Percentage of Total Pension Liability	44.39%	42.37%	39.57%	42.04%	41.27%

Schedule of Contributions – Pension

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Federal, Trust, Grant and Other contribution	$ 893,135	$ 891,325	$ 993,039	$ 1,005,214	$ 1,070,239	$ 981,867
Contribution in relation to required contribution	$ 893,135	$ 891,325	$ 993,039	$ 1,005,214	$ 1,070,239	$ 981,867
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
Contributions as a percentage of covered payroll	8.92%	11.04%	10.46%	9.60%	10.67%	10.80%

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

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019

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

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

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

PENSION

Changes of Benefit Terms
There were no benefit changes recognized in the Total Pension Liability as of June 30, 2018.

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

- Salary increase. Decrease in the overall assumed salary increase rates, ranging from 3.25 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 ERI 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 a 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 rate for all Tier 1 early retirement eligibility ages (55-59)
- Turnover rates. Change rates to produce lower expected turnover for members with less than 10 years of service and higher turnover for members with more than 10 years of service.
- Mortality rates. Maintain the RP-2014 mortality tables with projected generational mortality improvement. Update the projection scale from the MP-2014 to the MP-2017 scale.
- Disability rates. Decrease current rates to reflect that certain members who receive disability benefits do not receive the benefits on a long-term basis.

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
An actuarial valuation was performed as of June 30, 2017, for the years ending June 30, 2010 to June 30, 2014, with a measurement date as of June 30, 2018. The following assumptions were made:

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

SUPPLEMENTARY INFORMATION

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
SUPPLEMENTARY INFORMATION - OPERATING EXPENSES BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2019

The following table presents a breakdown of the various types of expenses which collectively comprise the University’s functional operating expense accounts.

	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	$46,295,845	$1,040,838	$(250,808)	$47,085,875	$ 6,193,090	$ (9,830,344)	$29,037,789	$25,400,535	$ 72,486,410	$ 4,919,263	$ 77,405,673
Research	937,317	129,504	(1,330)	1,065,491	32,850	(52,143)	154,024	134,731	1,200,222	659,292	1,859,514
Public service	7,403,780	2,433,204	(1,052)	9,835,932	25,979	(41,237)	121,810	106,552	9,942,484	4,230,573	14,173,057
Academic support	3,989,945	119,000	(21,790)	4,087,155	538,042	(854,038)	2,522,738	2,206,742	6,293,897	2,572,502	8,866,399
Student services and programs	5,853,829	483,988	(29,372)	6,308,445	725,275	(1,151,234)	3,404,564	2,978,605	9,287,050	3,095,693	12,382,743
Institutional support	8,050,427	248,902	(56,310)	8,243,019	1,390,440	(2,207,056)	6,519,409	5,702,793	13,945,812	3,459,978	17,405,790
Operation and maintenance of plant	6,448,959	105,971	(36,808)	6,518,122	908,893	(1,442,693)	4,257,621	3,723,821	10,241,943	4,539,596	14,781,539
Scholarships and fellowships	-	-	-	-	-	-	-	-	-	6,471,304	6,471,304
Auxiliary enterprises	1,788,387	23,038	(8,725)	1,802,700	215,431	(341,956)	1,010,101	883,576	2,686,276	4,000,428	6,686,704
Depreciation	-	-	-	-	-	-	-	-	-	7,851,025	7,851,025
	$80,768,489	$4,584,445	$(406,195)	$84,946,739	$10,030,000	$(15,920,701)	$47,028,056	$41,137,355	$126,084,094	$41,799,654	$167,883,748

[1] Salaries includes employer contributions for Social Security, Medicare, compensation for unemployment, and compensated sick and vacation leaves.
[2] Benefits includes certain group insurance costs, such as healthcare and life insurance. For the University, it also includes employer § 403(b) contributions.
[3] OPEB refers to other postemployment benefits. The Department of Central Management Services experienced two significant changes within its estimation process for the measurement date of June 30, 2018 as disclosed in Note 13 to the financial statements. The changes in the estimation process resulted in negative OPEB expenditures during the year ended June 30, 2019.

OTHER INFORMATION

University Facilities System Revenue Bond Funds

Insurance in Force

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

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

Insurance companies: Lexington Insurance Co. (AIG), Zurich American Insurance Company

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
OTHER INFORMATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019

Enrollment at the University

Term	Academic Year 2018-2019
Fall	8,103
Spring	7,226
Summer	3,655

Rates and Charges

The Board of Trustees of Northeastern Illinois University is responsible for establishing rates and charges for the use of the University's S
tudent 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 2018-2019, students enrolled at the University pay a fee of $8.25 per credit hour for the right to use the University's Student Union which is the heart of the activity program on-campus, a fee of $3.50 per credit hour for a campus improvement to support current and future long-term investments in capital facilities and technology infrastructure, and a $9 parking fee, which can be waived.

Summary of Each Fund and Account under the Bond Resolution

	Balance of Assets Reserved as of June 30, 2019
Bond account (a)	$600,000
Repair and replacement reserve account	$1,759,052
Non-instructional facilities (development) reserve account	$0
Equipment reserve account	$149,973

Notes:

(a) The amounts required for deposit in the bond account were remitted from the revenue fund account to the Trustee for payment of the bond principal and interest installments due July 1, 2019.

STATE OF ILLINOIS
NORTHEASTERN ILLINOIS UNIVERSITY
OTHER INFORMATION - OPERATING EXPENSES BY FUNCTION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

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

	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	$ 45,883,349	$ 2,385,894	$ 1,328,096	$ 49,597,339	$ 4,765,951	$ 9,062,239	$ 27,179,412	$ 41,007,602	$ 90,604,941	$ 4,087,994	$ 94,692,935
Research	954,305	140,099	6,700	1,101,104	24,042	45,716	137,080	206,838	1,307,942	923,321	2,231,263
Public service	8,779,194	2,580,540	16,241	11,375,975	58,282	110,820	326,127	495,229	11,871,204	6,154,116	18,025,320
Academic support	3,926,315	187,739	113,097	4,227,151	405,856	771,718	2,314,005	3,491,579	7,718,730	1,925,523	9,644,253
Student services and programs	5,745,923	602,351	151,025	6,499,299	541,985	1,030,559	3,093,149	4,665,693	11,164,992	3,420,095	14,585,087
Institutional support	7,660,416	313,300	233,096	8,206,812	724,334	1,377,287	4,769,206	6,870,827	15,077,639	4,023,851	19,101,490
Operation and maintenance of plant	6,050,157	298,589	182,833	6,531,579	656,084	1,247,513	3,737,680	5,641,277	12,172,856	3,676,405	15,849,261
Scholarships and fellowships	-	-	-	-	-	-	-	-	-	7,016,472	7,016,472
Auxiliary enterprises	1,879,022	78,329	50,289	2,007,640	180,466	343,148	1,028,933	1,552,547	3,560,187	1,810,937	5,371,124
Depreciation	-	-	-	-	-	-	-	-	-	7,888,645	7,888,645
	$ 80,878,681	$ 6,586,841	$ 2,081,377	$ 89,546,899	$ 7,357,000	$ 13,989,000	$ 42,585,592	$ 63,931,592	$ 153,478,491	$ 40,927,359	$ 194,405,850

[1] Salaries includes employer contributions for Social Security, Medicare, compensation for unemployment, and compensated sick and vacation leaves.
[2] Benefits includes certain group insurance costs, such as healthcare and life insurance. For the University, it also includes employer § 403(b) contributions.
[3] OPEB refers to other postemployment benefits.

E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

The Board of Trustees
Northeastern Illinois University

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Northeastern Illinois University (University) and its discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 31, 2019. Our report includes a reference to other auditors who audited the financial statements of the University's discretely presented component unit, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting (internal control) or compliance and other matters that are reported on separately by those auditors.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

815 W. VAN BUREN STREET, SUITE 500, CHICAGO, IL 60607 tel: (312) 876-1900 fax: (312) 876-1911

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the above paragraphs of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Chicago, Illinois
December 31, 2019

Prior Findings Not Repeated - *Government Auditing Standards*

A. **FINDING** (Inadequate Controls over Student Receivables and Tuition Billings)

During the prior audit, Northeastern Illinois University (University) did not establish and implement adequate internal controls over receivables and tuition billings resulting in student accounts with credit balances and incorrect tuition rates billed to students.

During the current audit, our sample testing indicated the University billed students with the applicable tuition rates during the academic year and ensured student accounts were properly classified in the financial statements. (Finding Code No. 2018-001)