

NORTHEASTERN ILLINOIS UNIVERSITY

A Component Unit of the State of Illinois

FINANCIAL AUDIT

For the Year Ended June 30, 2024

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

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2024

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The Northeastern Illinois University's <i>Federal Single Audit</i> and <i>State Compliance Examination</i> for the year ended June 30, 2024, will be issued under separate covers.	

NORTHEASTERN ILLINOIS UNIVERSITY
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FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2024

University Officials

President (08/01/24 to Present)	Dr. Katrina Bell-Jordan
Interim President (07/01/23 to 07/31/24)	Dr. Katrina Bell-Jordan
Vice President for Finance and Administration/Treasurer (03/17/25 to Present)	Ms. Beni Ortiz
Interim Vice President for Finance and Administration/Treasurer (04/01/24 to 03/16/25)	Ms. Beni Ortiz
Vice President for Finance and Administration/Treasurer (1/27/20 to 03/31/24)	Mr. Manish Kumar
University General Counsel (10/04/23 to Present)	Vacant
University General Counsel (09/20/21 to 10/03/23)	Mr. G.A. Finch
Director of Internal Audit (09/18/23 to Present)	Ms. Chrystal Temples
Director of Internal Audit (01/07/23 to 09/17/23)	Vacant
Director of Internal Audit (9/17/17 to 01/06/23)	Ms. Rita Moore

Board Officers

Chair (Member since 01/31/23, elected 02/15/24)	Mr. J. Todd Phillips
Chair (Member since 01/17/23, 03/06/23 to 01/29/24)	Mr. Jose Rico
Vice Chair (Member since 03/16/23, elected 05/28/24)	Ms. Michelle Morales
Vice Chair (Member since 01/17/23, elected 03/06/23)	Mr. Marvin Garcia
Secretary (Member since 08/07/23, elected 02/15/24)	Ms. Anna Meresidis
Secretary (Member since 01/31/23, elected 03/06/23)	Mr. J. Todd Phillips

Board Members

Member (Appointed 10/18/24)	Mr. Carlos Garcia
Member (10/08/24 to 10/17/24)	Vacant
Member (05/06/19 to 10/07/24)	Mr. Marvin Garcia
Member (01/30/24 to present)	Vacant
Member (01/17/23 to 01/29/24)	Mr. Jose Rico
Member (Appointed 08/07/23)	Ms. Anna Meresidis
Member (02/01/23 to 08/06/23)	Vacant
Member (Appointed 05/22/23)	Mr. Jorge Leon
Member (Appointed 03/16/23)	Ms. Betty Fleurimond
Member (Appointed 03/16/23)	Ms. Michelle Morales
Member (Appointed 01/31/23)	Dr. Paula Wolff
Member (Appointed 01/31/23)	Mr. J. Todd Phillips
Member (Appointed 05/06/19)	Dr. Ann Kalayil
Student Member (07/01/23 to 06/30/24)	Mr. Edwin Medina
Student Member (07/01/24 to 06/30/25)	Ms. Itzel Linares

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2024

University Office

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

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended June 30, 2024

FINANCIAL STATEMENT REPORT

SUMMARY

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

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

SUMMARY OF FINDINGS

Number of	<u>Current Report</u>	<u>Prior Report</u>
Findings	5	6
Repeated Findings	5	4
Prior Recommendations Implemented or Not Repeated	1	0

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2024-001	89	2023/2020	Inadequate Internal Controls over Census Data	Material Weakness/ Noncompliance
2024-002	92	2023/2022	Noncompliance with Fiscal Control and Internal Audit Act	Material Weakness/ Noncompliance
2024-003	94	2023/2019	Lack of Adequate Controls over Review of Internal Controls over Service Providers	Significant Deficiency/ Noncompliance
2024-004	96	2023/2017	Weaknesses in Computer Security	Significant Deficiency/ Noncompliance
2024-005	98	2023/2023	Lack of Adequate Change Management Controls	Significant Deficiency/ Noncompliance

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended June 30, 2024

Prior Findings Not Repeated

A	99	2023/2022	Lack of Adequate Controls over Year End Reports and Reconciliations
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EXIT CONFERENCE

The University waived an exit conference in email correspondence from Chrystal Temples, Director of Internal Audit on March 16, 2025. The responses to the recommendations were provided by Chrystal Temples, Director of Internal Audit in a correspondence dated March 16, 2025.

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Northeastern Illinois University

Report on the Audit of the Financial Statements

Opinions

As Special Assistant Auditors for the Auditor General we have audited the accompanying financial statements of the business-type activities, fiduciary activities, and the discretely presented component unit of Northeastern Illinois University (University), a component unit of the State of Illinois, as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise Northeastern Illinois University's basic financial statements, as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, fiduciary activities, and the discretely presented component unit of the University as of June 30, 2024, and the respective changes in its financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Northeastern Illinois University Foundation (Foundation), which represents 100 percent of the assets and revenues of the discretely presented component unit as of and for the year ended June 30, 2024, and the respective changes in financial position, and were applicable, cash flows thereof for the year then ended. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Northeastern Illinois University Foundation, is based solely on the report of the other auditor.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Northeastern Illinois University

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

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Board of Trustees
Northeastern Illinois University

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Northeastern Illinois University's Proportionate Share of the Net Pension Liability, the Schedule of Northeastern Illinois University's Pension Contributions, and the Schedule of Northeastern Illinois University's Proportionate Share of Net Other Postemployment Benefits (OPEB) liability and the related notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Northeastern Illinois University

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2025 on our consideration of Northeastern Illinois University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northeastern Illinois 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 Northeastern Illinois University's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Grand Rapids, Michigan

March 19, 2025

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024

This section of Northeastern Illinois University's (University) annual report presents management's discussion and analysis of the University's financial position and activities during the Fiscal Year ended June 30, 2024 with comparative information for the fiscal year ended June 30, 2023. The discussion and analysis is designed to focus on current activities and currently known facts. Please read it in conjunction with the University's financial statements and related footnote disclosures. This discussion and analysis is focused on the University.

REPORTING ENTITY

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

USING THIS ANNUAL REPORT

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

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024

FINANCIAL ANALYSIS

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

Condensed Statement of Net Position
As of June 30, 2024 and 2023
(dollars in thousands)

	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
ASSETS				
Current assets	\$ 106,205	\$ 108,784	\$ (2,579)	(2%)
Noncurrent assets:				
Capital assets, net	175,730	172,122	3,608	2%
Other noncurrent assets	2,258	2,356	(98)	(4%)
Total noncurrent assets	177,988	174,478	3,510	2%
Total assets	284,193	283,262	931	0%
DEFERRED OUTFLOWS OF RESOURCES	905	1,322	(417)	(32%)
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	285,098	284,584	514	0%
LIABILITIES				
Current liabilities	25,444	27,960	(2,516)	(9%)
Noncurrent liabilities	48,566	53,770	(5,204)	(10%)
Total liabilities	74,010	81,730	(7,720)	(9%)
DEFERRED INFLOWS OF RESOURCES	45,034	50,070	(5,036)	(10%)
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	119,044	131,800	(12,756)	(10%)
NET POSITION				
Net investment in capital assets	110,319	102,718	7,601	7%
Restricted	6,007	5,870	137	2%
Unrestricted	49,728	44,196	5,532	13%
Total net position	\$ 166,054	\$ 152,784	\$ 13,270	9%

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024

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

Current Assets - Current assets total \$106 million and consists primarily of cash and cash equivalents of \$87 million and net receivables of \$15 million. Total current assets decreased by \$3 million from the prior year. This is primarily due to the decrease in Accounts Receivable. The current assets of the University of \$106 million were sufficient to cover the current liabilities of \$25 million.

Noncurrent Assets - As of June 30, 2024, the University had total noncurrent assets of \$178 million.

Current Liabilities - Current liabilities total \$25 million and consist primarily of accounts payable and accrued liabilities of \$15 million, unearned revenues from tuition of \$5 million, as well as, current portion of revenue bonds and certificates of participation of \$3 million, and current portion of liability for compensated absences of \$1 million, current portion of subscription liability of \$1 million.

Noncurrent Liabilities - Noncurrent liabilities total \$49 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 \$5 million from prior year is primarily due to the decrease in other postemployment benefits liability of \$2 million.

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

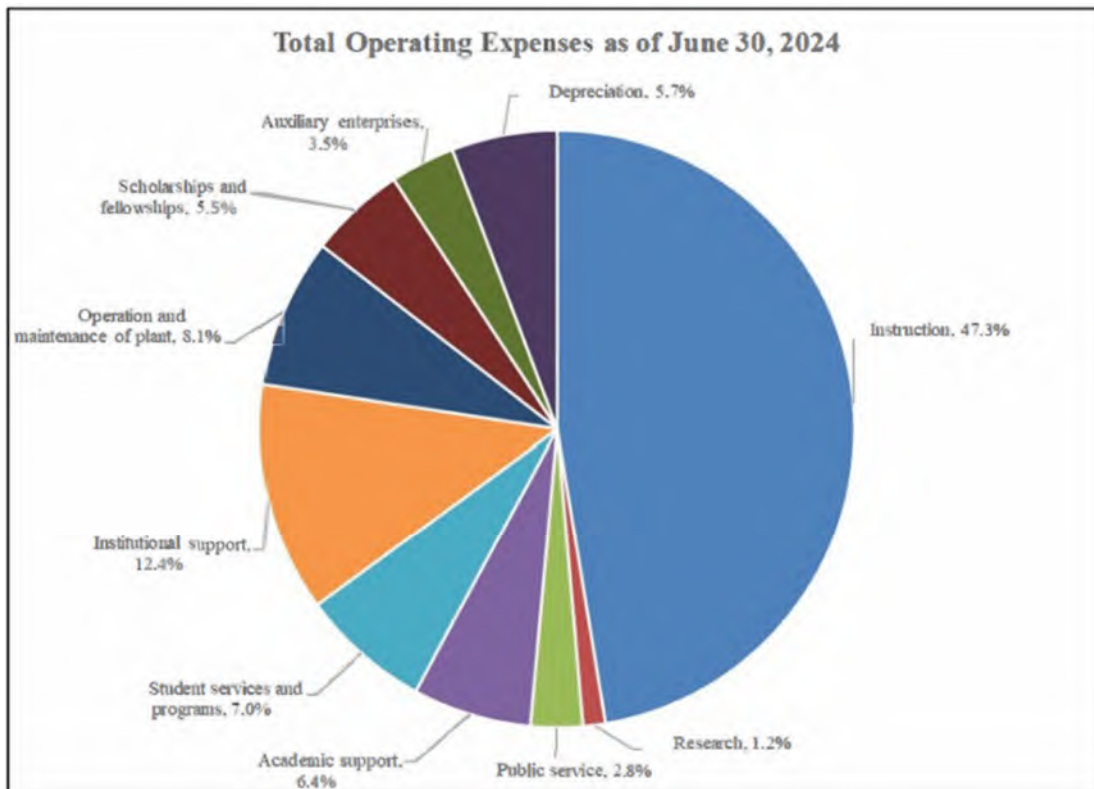
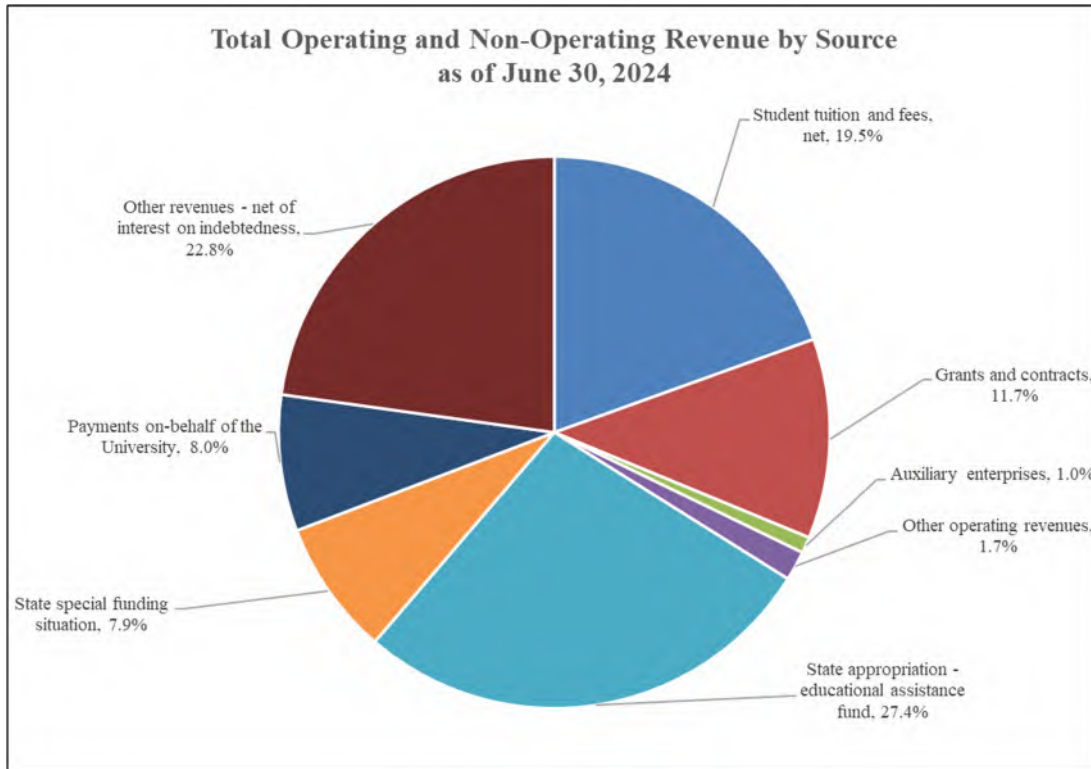
The total net position has changed during the year by \$13 million. This is a result of a \$8 million increase in net investment in capital assets and a \$6 million increased in unrestricted net position. The increase in net investment in capital assets was mainly due to many new or ongoing projects/improvements. The increase in unrestricted net position is mainly due to changes in assumption in other postemployment benefits and increase in investment income due to change in interest rates.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For The Years Ended June 30, 2024 and 2023
(dollars in thousands)

	2024	2023	Increase (Decrease)	Percent Change
OPERATING REVENUES				
Student tuition and fees, net	\$ 28,477	\$ 34,384	\$ (5,907)	(17%)
Grants and contracts	17,098	12,002	5,096	42%
Auxiliary enterprises	1,400	1,682	(282)	(17%)
Other operating revenues	2,533	2,780	(247)	(9%)
Total operating revenues	<u>49,508</u>	<u>50,848</u>	<u>(1,340)</u>	<u>(3%)</u>
OPERATING EXPENSES	<u>141,072</u>	<u>133,823</u>	<u>7,249</u>	<u>5%</u>
OPERATING LOSS	<u>(91,564)</u>	<u>(82,975)</u>	<u>(8,589)</u>	<u>10%</u>
NONOPERATING REVENUES (EXPENSES)				
State appropriations	39,960	37,345	2,615	7%
State special funding situation	11,570	7,996	3,574	45%
Payments on-behalf of the University	11,653	10,808	845	8%
Others, net	<u>33,278</u>	<u>31,490</u>	<u>1,788</u>	<u>6%</u>
Net nonoperating revenues	<u>96,461</u>	<u>87,639</u>	<u>8,822</u>	<u>10%</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	4,897	4,664	233	5%
Loss on disposal/cancelled capital assets	(57)	-	(57)	0%
Capital additions provided by State of Illinois	7,574	2,982	4,592	154%
Other capital additions	<u>856</u>	<u>856</u>	<u>-</u>	<u>0%</u>
(DECREASE) INCREASE IN NET POSITION	<u>13,270</u>	<u>8,502</u>	<u>4,768</u>	<u>56%</u>
NET POSITION, BEGINNING OF YEAR	152,784	144,282	8,502	6%
NET POSITION, END OF YEAR	<u>\$ 166,054</u>	<u>\$ 152,784</u>	<u>\$ 13,270</u>	<u>9%</u>

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024



NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024

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

Operating Revenues - Total operating revenues for Fiscal Year 2024 totaled \$50 million. The \$1 million decrease was due to the decrease in student tuition and fees of \$6 million as a result of declining enrollment which was offset against the increase in grants and contracts of \$5 million.

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

	2024	2023	Increase (Decrease)	Percent Change
Expenses by function:				
Instruction	\$ 66,667	\$ 62,317	\$ 4,350	7%
Research	1,713	1,296	417	32%
Public service	3,973	4,472	(499)	(11%)
Academic support	9,082	8,031	1,051	13%
Student services and programs	9,917	9,235	682	7%
Institutional support	17,468	16,194	1,274	8%
Operation and maintenance of plant	11,434	12,139	(705)	(6%)
Scholarships and fellowships, research and others	7,791	6,695	1,096	16%
Auxiliary enterprises	4,956	5,514	(558)	(10%)
Depreciation	8,071	7,930	141	2%
Total operating expenses	<u>\$ 141,072</u>	<u>\$ 133,823</u>	<u>\$ 7,249</u>	<u>5%</u>
Expenses by natural classification:				
Compensation and benefits	\$ 98,767	\$ 92,194	\$ 6,573	7%
Supplies and services	25,316	26,532	(1,216)	(5%)
Scholarships	8,918	7,167	1,751	24%
Depreciation	8,071	7,930	141	2%
Total operating expenses	<u>\$ 141,072</u>	<u>\$ 133,823</u>	<u>\$ 7,249</u>	<u>5%</u>

Total operating expenses in Fiscal Year 2024 increased by \$7 million mainly due to a \$7 million increase in benefits from the proportionate share of the University in the State's pension and OPEB.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024

Nonoperating Revenues (Expenses) - This consists of State appropriations, special funding situation, payments on behalf of the University, state grants, federal grant's Pell, SEOG, HEERF and GEERF, termination of federal loan program and investment income, less interest on indebtedness. Total nonoperating revenues increased by \$9 million mainly as a result of \$3 million increase in state appropriation, \$4 million increase in State special funding, and \$2 million increase in investment income.

Following are condensed statements of cash flows for the year ended June 30, 2024 and 2023 (amount in thousands):

Condensed Statement of Cash Flows
For the Years Ended June 30, 2024 and 2023
(dollars in thousands)

	2024	2023	Increase (Decrease)	Percent Change
Net cash used in operating activities	\$ (63,502)	\$ (59,822)	\$ (3,680)	6%
Net cash provided by noncapital financing activities	72,434	67,182	5,252	8%
Net cash used in capital financing activities	(9,296)	(9,586)	290	(3%)
Net cash provided by investing activities	4,642	3,049	1,593	52%
Net increase in cash and cash equivalents	4,278	823	3,455	420%
Cash and cash equivalents - beginning of year	86,822	85,999	823	1%
Cash and cash equivalents - end of year	<u>\$ 91,100</u>	<u>\$ 86,822</u>	<u>\$ 4,278</u>	<u>5%</u>

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

The primary cash receipts from operating activities consist of student tuition and fees of \$32 million, grants and contracts of \$20 million, direct lending receipts of \$11 million and other revenues of \$4 million. Cash outlays consist of payments to employees of \$78 million, payments for fringe benefits of \$4 million, payments for scholarships and fellowships of \$9 million, payments to suppliers of \$29 million and direct lending disbursements of \$11 million.

The State appropriation of \$40 million, State MAP and AIM HIGH grants of \$16 million and Federal Pell, SEOG, HEERF and GEERF grants of \$16 million are the primary sources of noncapital financing activities.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024

The main capital financing activities included purchases of capital assets and construction costs of \$5 million and debt service payments of \$5 million. Investing activities reflect purchases, sales, and interest income earned on investments resulting in a total net cash increase of \$2 million from Fiscal Year 2023.

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

The following summarized a table of capital assets, accumulated depreciation, and depreciation expenses for the fiscal year June 30, 2024 and 2023.

	2024	2023
Capital assets	\$ 336,890	\$ 325,705
Accumulated depreciation	161,160	153,583
Capital assets, net	<u>\$ 175,730</u>	<u>\$ 172,122</u>
Depreciation expense	<u>\$ 5,759</u>	<u>\$ 5,839</u>
Amortization expense	<u>\$ 2,311</u>	<u>\$ 3,149</u>

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

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

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

The following summarizes a table of long-term debt, including current principal, for fiscal years ended June 30, 2024 and 2023.

	2024	2023
Revenue bonds, net	\$ 10,968	\$ 11,695
Certificates of participation, net	27,522	29,789

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024

ECONOMIC OUTLOOK

As announced to the University on May 29th, 2024 from President Katrina Bell-Jordan, the Illinois General Assembly approved Senate Bill 251, Senate Amendment 3, a \$53.1 billion state budget for Fiscal Year 2025. The budget included a 2 percent increase for public universities, an increase to the state Monetary Award Program (MAP), continued funding of other higher education programs, including the AIM HIGH scholarship, Mental Health Early Action on Campus Act (MHEAC), and Early Childhood Access Consortium for Equity Scholarship Program (ECACE), and new funding for Veterans & National Guard Grants. For the fiscal year 2025, Northeastern Illinois University's total appropriation of \$170,303,287 includes \$40,758,700 for operations; \$500,000 for the Afghan Refugee Transition Tuition Program; and \$129,044,587 of capital reappropriations for different projects, including deferred maintenance and construction of the new Education Building.

The uncertainty surrounding the new or revised policies of the federal administration has raised concerns about potential economic volatility, which could impact federal financial aid to students and federal grants. Discussions continue at the State level on options to address the pension challenges, and the State began shifting pension obligations to the University in Fiscal Year 2018. The solution to the State's underfunded pension system will have some financial effect on the University as well.

CONTACTING FINANCIAL MANAGEMENT AT NEIU

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

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF NET POSITION
JUNE 30, 2024

	<u>University</u>	<u>Component Unit</u>
ASSETS		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 86,906,809	\$ 1,913,557
Restricted cash and cash equivalents	2,106,374	-
Short-term investments	-	5,276,004
Accounts receivable, net	15,029,406	-
Student loans receivable, net	91,305	-
Pledges receivables	-	217,723
Inventories	7,228	-
Prepaid expenses	2,051,510	73,500
Other assets	12,740	-
<i>Total current assets</i>	<u>106,205,372</u>	<u>7,480,784</u>
<i>Noncurrent assets:</i>		
Cash and cash equivalents	-	662,790
Restricted cash and cash equivalents	2,087,315	-
Restricted investments	-	14,961,160
Assets held under split-interest agreements	-	1,001,927
Long-term portion of pledges receivable	-	380,150
Student loans receivable, net	37,548	-
Capital assets, net	175,729,535	-
Other assets	132,002	8,000
<i>Total noncurrent assets</i>	<u>177,986,400</u>	<u>17,014,027</u>
TOTAL ASSETS	<u>284,191,772</u>	<u>24,494,811</u>
 Pension	 534,110	 -
Other postemployment benefits	371,055	-
DEFERRED OUTFLOWS OF RESOURCES	<u>905,165</u>	<u>-</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u>285,096,937</u>	 <u>24,494,811</u>

See accompanying notes to the basic financial statements.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF NET POSITION
JUNE 30, 2024

	<u>University</u>	<u>Component Unit</u>
LIABILITIES		
<i>Current liabilities:</i>		
Accounts payable and accrued liabilities	15,273,859	1,116
Unearned revenues	4,910,994	-
Subscription liabilities	1,034,839	-
Liability for compensated absences	894,175	-
Revenue bonds payable, net	790,000	-
Certificates of participation, net	2,330,000	-
Funds held in custody for others	-	11,102
Other post-employment benefits	209,777	-
Obligations under split-interest agreements	-	49,849
<i>Total current liabilities</i>	<u>25,443,644</u>	<u>62,067</u>
<i>Noncurrent liabilities:</i>		
Subscription liabilities, net	1,057,753	-
Liability for compensated absences	4,345,681	-
Revenue bonds payable, net	10,178,494	-
Certificates of participation, net	25,192,837	-
Perkins Federal cash contribution	130,194	-
Other post-employment benefits	7,660,972	-
Obligations under split-interest agreements	-	472,215
<i>Total noncurrent liabilities</i>	<u>48,565,931</u>	<u>472,215</u>
TOTAL LIABILITIES	<u>74,009,575</u>	<u>534,282</u>
Concession arrangement	26,421,010	-
Other post-employment benefits	18,612,826	-
DEFERRED INFLOWS OF RESOURCES	<u>45,033,836</u>	<u>-</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>119,043,411</u>	<u>534,282</u>
NET POSITION		
Net investment in capital assets	110,318,469	-
Restricted for:		
Nonexpendable		
Scholarships and memorials	-	15,441,023
Expendable		
Grants and contracts	454,209	-
Student loans	201,586	-
Debt service	2,791,518	-
Other	2,560,036	7,541,141
Unrestricted	49,727,708	978,365
TOTAL NET POSITION	<u>\$ 166,053,526</u>	<u>\$ 23,960,529</u>

See accompanying notes to the basic financial statements.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

	University	Component Unit
OPERATING REVENUES		
Student tuition and fees, net	\$ 28,476,900	\$ -
Federal grants and contracts	10,120,901	-
State and local grants	5,490,660	-
Nongovernmental grants and contracts	1,486,779	-
Auxiliary enterprises	1,399,369	-
Other operating revenues	2,532,907	2,935,885
<i>Total operating revenues</i>	<u>49,507,516</u>	<u>2,935,885</u>
OPERATING EXPENSES		
Instruction	66,666,720	-
Research	1,713,343	-
Public service	3,973,389	-
Academic support	9,081,955	-
Student services and programs	9,917,390	-
Institutional support	17,466,943	-
Operation and maintenance of plant	11,433,716	-
Scholarships and fellowships	7,791,041	1,017,097
Auxiliary enterprises	4,956,372	-
Depreciation and amortization	8,070,683	-
Other operating expenses	-	1,772,190
<i>Total operating expenses</i>	<u>141,071,552</u>	<u>2,789,287</u>
<i>Operating income (loss)</i>	(91,564,036)	146,598
NONOPERATING REVENUES (EXPENSES)		
State appropriation	39,959,500	-
Special funding revenue	11,569,932	-
Payments on behalf of the University	11,653,000	-
Federal grants - Pell & SEOG	12,186,160	-
Federal grants - Education Stabilization Fund	2,151,511	-
State grants - Monetary Award Program (MAP) & AIM HIGH	15,865,065	-
Investment income	4,641,819	2,482,385
Interest on indebtedness	(1,567,023)	-
<i>Net non-operating revenues</i>	<u>96,459,964</u>	<u>2,482,385</u>
<i>Income (loss) before other revenues, expenses, gains and losses</i>	4,895,928	2,628,983
Gain (loss) on disposal of capital assets	(56,792)	-
Capital additions provided by State of Illinois	7,573,031	-
Other capital additions	856,898	-
INCREASE (DECREASE) IN NET POSITION	<u>13,269,065</u>	<u>2,628,983</u>
NET POSITION, BEGINNING OF YEAR	152,784,461	21,331,546
NET POSITION, BEGINNING OF YEAR AS RESTATED	<u>\$ 152,784,461</u>	<u>\$ 21,331,546</u>
NET POSITION, END OF YEAR	<u>\$ 166,053,526</u>	<u>\$ 23,960,529</u>

See accompanying notes to the basic financial statements.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

	<u>University</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	\$ 31,623,188
Grants and contracts	19,852,403
Payments to employees	(77,481,633)
Payments for fringe benefits	(3,820,550)
Payments to suppliers	(28,670,902)
Payments for scholarships and fellowships	(8,917,890)
Loans issued to students	(19,353)
Collections of loans from students	67,348
Auxiliary enterprises	1,399,369
Student direct lending receipts	10,983,085
Student direct lending disbursements	(10,983,085)
Other receipts	2,466,057
Net cash used in operating activities	<u>(63,501,963)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriation	39,990,695
Federal Grants - Pell and SEOG	13,048,607
Federal Grants - Education Stabilization Fund	3,529,760
State Grants - Monetary Award Program (MAP & AIM HIGH)	15,865,065
Net cash provided by noncapital financing activities	<u>72,434,127</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchases of capital assets and construction	(4,735,233)
Principal paid on capital debt and leases	(2,925,000)
Interest paid on capital debt and leases	(1,635,111)
Net cash used in capital financing activities	<u>(9,295,344)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	-
Interest on investments	4,641,819
Net cash provided by investing activities	<u>4,641,819</u>
Net increase in cash and cash equivalents	4,278,639
Cash and cash equivalents - beginning of year	86,821,859
Cash and cash equivalents - end of year	<u>\$ 91,100,498</u>

See accompanying notes to the basic financial statements.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

	<u>University</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (91,564,036)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Special funding revenue	11,569,932
Payments on behalf of the University	11,653,000
Depreciation and amortization	8,070,683
Changes in assets, liabilities and deferred inflows and outflows of resources:	
Accounts receivable - operating	4,633,723
Student loans receivable	47,995
Prepaid expenses and other assets	(2,386)
Inventories	5,352
Deferred outflows of resources	417,300
Accounts payable and accrued liabilities	(3,136,808)
Unearned revenues	1,130,167
Liability for compensated absences	115,209
Perkins Federal cash contribution	(21,684)
Other postemployment benefits	(2,240,734)
Deferred inflows of resources - OPEB	(4,179,676)
Net cash used in operating activities	<u>\$ (63,501,963)</u>
Noncash operating and capital financing activities:	
Special funding revenue	<u>\$ 11,569,932</u>
On-behalf payments for fringe benefits	<u>\$ 11,653,000</u>
Capital asset acquisition via capital appropriations	<u>\$ 7,573,031</u>
Subscription-based IT arrangements right to use asset	<u>\$ 1,329,939</u>
Subscription-based IT arrangements liabilities	<u>\$ 1,329,939</u>
Realized deferred inflows of resources from concession arrangement	<u>\$ 856,898</u>

See accompanying notes to the basic financial statements.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2024

ASSETS

Cash and cash equivalent	\$ 981,235
Receivables	1,570,439
TOTAL ASSETS	<u>2,551,674</u>

LIABILITIES

Accounts payable and accrued liabilities	866
TOTAL LIABILITIES	<u>866</u>

NET POSITION

Restricted for:	
Individuals, organizations, and other governments	2,550,808
TOTAL NET POSITION	<u><u>\$ 2,550,808</u></u>

See accompanying notes to the basic financial statements.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

ADDITIONS

Receipts from individuals, organizations, and other governments	\$ 893,291
Rent collections	<u>3,567,016</u>
Total additions	<u>4,460,307</u>

DEDUCTIONS

Beneficiary payments to individuals	869,374
Supplies and other services	<u>3,165,071</u>
Total deductions	<u>4,034,445</u>

NET INCREASE IN FIDUCIARY NET POSITION	<u>425,862</u>
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NET POSITION, BEGINNING OF YEAR	<u>2,124,946</u>
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NET POSITION, END OF YEAR	<u><u>\$ 2,550,808</u></u>
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See accompanying notes to the basic financial statements.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

An audit of the Foundation's financial statements, for the fiscal year ended June 30, 2024, was conducted by an independent certified public accountant. Complete financial statements for the Foundation may be obtained by writing to the Foundation, Executive Director and Vice President for Institutional Advancement, Northeastern Illinois University, 5500 North St. Louis Ave., Chicago, Illinois 60625.

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

Basis of Accounting

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

Proprietary Funds

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

Management's Discussion and Analysis

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

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

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

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- The statement of revenues, expenses, and changes in net position provides operating and nonoperating revenues and expenses and displays the net income or loss from operations and total changes in net position.
- The statement of cash flows details the change in the cash and cash equivalents balance for the fiscal year and is prepared using the direct method. This statement provides information related to cash receipts and cash payments during the year. The statement also helps users evaluate the University's ability to meet financial obligations as they mature.

Fiduciary Activities

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

- Private scholarships and others – This is attributable for the student activities, clubs, scholarship funds, or other groups with funds typically generated from donations, fees or other fundraising activities.
- Housing Facility – This is attributable to the rental payment collected by the University under the concession agreement in Note 15.
- Meal Plan – This refers to the Goldie Bucks meal plan. This meal plan allows students to deposit money onto their identification cards and use such to pay for food and drink at three campus locations.

Notes to the Basic Financial Statements

This provides additional analysis of the University's basic financial statements.

Operating and Nonoperating Revenues

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

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Auxiliary Enterprises

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

Use of Estimates

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

Cash and Cash Equivalents

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

Investments and Marketable Securities

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

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

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

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

For the year ended June 30, 2024, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemptions gates. Also, certain money market investments and non-negotiable certificates of deposit with redemption terms that do not consider market rates are carried at amortized cost.

Restricted Assets

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

Receivables

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

Inventories

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

Capital Assets

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

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification	Capitalized Threshold	Estimated Useful Life (in years)
Land	\$ 100,000	Indefinite
Land improvements	25,000	Indefinite
Site improvements	25,000	5-50
Buildings	100,000	50
Building improvements	25,000	10-45
Equipment	5,000	3-25
Non-depreciable historical treasures/works of art	5,000	Indefinite
Software/license fees	50,000	5
Subscription-Based Information Technology Arrangements (SBITA)	25,000	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 term of the Ground Lease agreement of 38 years and 9 months.

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

Amortization of SBITA is computed using the straight-line method over the shorter of the subscription term or the estimated useful lives of the underlying Information Technology assets. Amortization begin at the year of the subscription term.

Liability for Compensated Absences

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

Unearned Revenues

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

Revenue Bonds Payable and Certificates of Participation

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

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

The University's net position are classified as follows:

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

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

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

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

Deferred Inflows of Resources/Deferred Outflows of Resources

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

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

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

Tuition and fees, except for the summer term, are recognized as revenues as they are assessed. Tuition and fees were reduced by scholarship discounts and allowances of \$29,091,220 for Fiscal Year 2024. Scholarship discounts and allowances are the difference between the charge for tuition and fees, and the amount paid by students or by third parties on the students' behalf. The summer term tuition and fees are allocated between fiscal years based on when the revenue is earned, since the summer term begins in one fiscal year and ends in the next. The portion of summer term tuition and fees applicable to the following fiscal year is unearned. The value of tuition and fee exemptions awarded to graduate assistants, staff members, and others is calculated at the applicable tuition rates. These exemptions amounted to \$4,154,542 in Fiscal Year 2024.

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

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

Pensions

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

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

NORTHEASTERN ILLINOIS UNIVERSITY
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Other Postemployment Benefits (OPEB)

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

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

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

Special Funding Situation Portion of OPEB

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

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During the OPEB measurement period ended June 30, 2023, the University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of \$344,626 to help offset the amount the State needed to provide for retirees under the special funding situation described in the preceding paragraph. The University recognizes the proportionate share of the State's OPEB expense relative to the University's employees as nonoperating revenue and OPEB expense, with the expense further allocated to the related function performed by the employees.

University's Portion of OPEB

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

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

On-behalf Payments

The University had outside sources of financial assistance provided by the State on behalf of the University during the year ended June 30, 2024.

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

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

During the year ended June 30, 2024, total estimated group insurance contributions for the University's employees paid from the University's Income Fund and auxiliary enterprises were \$12,417,048. The University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of \$764,048 to help offset the amount the State needed to provide for current employees under the situation described in the preceding paragraph. As such, the State contributed the estimated remaining balance of \$11,653,000 on-behalf of the University to meet this obligation for current employees.

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

New Accounting Pronouncements

The Governmental Accounting Standards Board has issued the following statements which are effective for periods beginning July 1, 2024, or later which may impact the University:

The University expects to implement GASB Statement No. 101, Compensated Absences, and 102, Certain Risk Disclosures, during fiscal year 2025. GASB has also issued Statement No. 103, Financial Reporting Model Improvements, and Statement No. 104, Disclosure of Certain Capital Assets, which will be effective in fiscal year 2026. The University is reviewing the effects of these pronouncements on its financial statements.

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NOTE 2 - CASH AND INVESTMENTS

The University uses the “pooled cash” method of accounting for substantially all of its operating cash and investments. The following table is a reconciliation of cash on hand, deposits and investments held by the University and Foundation as shown on the statement of net position as of June 30, 2024:

	University	Foundation
Carrying amounts of deposits	\$ 10,881,034	\$ 2,576,347
Carrying amounts of investments	80,216,564	21,239,091
Cash on hand	2,900	-
	<u>\$ 91,100,498</u>	<u>\$ 23,815,438</u>

	University	Foundation
Cash and cash equivalents	\$ 86,906,809	\$ 2,576,347
Restricted cash and cash equivalents - current	2,106,374	-
Restricted cash and cash equivalents - noncurrent	2,087,315	-
Short-term investments	-	5,276,004
Long-term investments	-	15,963,087
	<u>\$ 91,100,498</u>	<u>\$ 23,815,438</u>

University Deposits

The University utilizes multiple bank accounts for the various activities of the University. The book balance of such accounts was \$13,963,393 at June 30, 2024, while the bank balance was \$16,070,957. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2024.

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, 2024, 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.

NORTHEASTERN ILLINOIS UNIVERSITY
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June 30, 2024

NOTE 2 - CASH AND INVESTMENTS (continued)

University Investments

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

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

For the year ended June 30, 2024, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemptions gates. Also, certain money market investments and non-negotiable certificates of deposit with redemption terms that do not consider market rates are carried at amortized cost.

The fair value of the University investments as of June 30, 2024 is as follows:

Investments:	Fair Value	Maturity	S&P/Moody's
Illinois Fund*	\$ 78,115,440	< 1 year	AAAmmf
U.S. Treasury Notes	2,101,124	< 1 year	AAAm/Aaa-mf
	<u>\$ 80,216,564</u>		

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

NORTHEASTERN ILLINOIS UNIVERSITY
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June 30, 2024

NOTE 2 - CASH AND INVESTMENTS (continued)

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

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

Investments:	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury Notes	\$ 2,101,124	\$ -	\$ 2,101,124	\$ -

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

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

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's policy for mitigating the risk is to diversify the investment portfolio so that the failure of any one issue will not place an undue financial burden on the University. As of June 30, 2024, 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.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
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NOTE 2 - CASH AND INVESTMENTS (continued)

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

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

Foundation Deposits and Investments

The fair value and valuations of the Foundation investments as of June 30, 2024 is as follows:

Investments:	Fair Value	Level 1	Level 2	Level 3
Mutual funds	\$ 21,239,091	\$ 21,239,091	\$ -	\$ -

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

The Foundation maintains its cash and certificates of deposit in several separate accounts at two different institutions. These accounts are insured by the FDIC up to \$250,000 at each financial institution. As of June 30, 2024, the combined uninsured balance was \$2,378,913. The Foundation has not experienced any loss in these accounts. The Foundation believes it is not exposed to any significant credit risk on its cash balance. The investment committee of the Foundation Board reviews the financial health of commercial banking institutions with which the Foundation maintains assets on an annual basis.

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

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

NORTHEASTERN ILLINOIS UNIVERSITY
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NOTE 2 - CASH AND INVESTMENTS (continued)

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

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

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

NOTE 3 - ACCOUNTS RECEIVABLE

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

	<u>June 30, 2024</u>
Student tuition and fees	\$ 28,896,764
Federal, State, and private grants and contracts	5,486,652
State Appropriation	6,908
Others	1,598,895
Subtotal	<u>35,989,219</u>
Less allowance for doubtful accounts	<u>(20,959,813)</u>
Accounts receivable, net	<u><u>\$ 15,029,406</u></u>

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 3 - ACCOUNTS RECEIVABLE (continued)

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

	June 30, 2024
Student housing	\$ 1,538,823
Others	31,616
Receivable	<u>\$ 1,570,439</u>

NOTE 4 - STUDENT LOANS RECEIVABLE

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

	June 30, 2024
Perkins student loan fund*	\$ 201,273
Emergency student loan	56,023
Others	4,243
Subtotal	<u>261,539</u>
Less allowance for doubtful accounts	<u>(132,686)</u>
Student loans receivable, net	<u>\$ 128,853</u>

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

NORTHEASTERN ILLINOIS UNIVERSITY
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NOTE 5 - CAPITAL ASSETS

Details of the University's investment in capital assets at June 30, 2024 are as follows:

	Balance June 30, 2023	Additions	Transfers	Reductions	Balance June 30, 2024
Capital assets not being depreciated:					
Land and land improvements	\$ 31,851,861	\$ -	\$ -	\$ -	\$ 31,851,861
Nondepreciable historical treasures and works of art	83,330	-	-	-	83,330
Construction in progress	7,453,586	9,407,028	(1,342,385)	-	15,518,229
Total capital assets not being depreciated	39,388,777	9,407,028	(1,342,385)	-	47,453,420
Capital assets being depreciated:					
Site improvements	7,614,415	-	-	-	7,614,415
Buildings and building improvements	229,056,326	-	1,342,385	-	230,398,711
Equipment and Software	15,685,197	635,338	-	228,820	16,091,715
Library books	27,598,836	292,532	-	250,505	27,640,863
Total capital assets being depreciated	279,954,774	927,870	1,342,385	479,325	281,745,704
Capital assets being amortized:					
Subscription-Based Information Technology Arrangements	6,361,482	1,400,089	-	70,992	7,690,579
Total capital assets being depreciated	6,361,482	1,400,089	-	70,992	7,690,579
Less accumulated depreciation:					
Site improvements	6,996,536	152,350	-	-	7,148,886
Buildings and building improvements	103,730,762	4,671,616	-	-	108,402,378
Equipment and Software	13,569,584	528,010	-	207,524	13,890,070
Library books	26,137,458	407,339	-	250,505	26,294,292
Total accumulated depreciation	150,434,340	5,759,315	-	458,029	155,735,626
Less accumulated amortization:					
Subscription-Based Information Technology Arrangements	3,148,672	2,311,366	-	35,496	5,424,542
Total accumulated amortization	3,148,672	2,311,366	-	35,496	5,424,542
Capital assets, net	\$ 172,122,021	\$ 3,664,306	\$ -	\$ 56,792	\$ 175,729,535

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NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

**NOTE 6 - SUBSCRIPTION-BASED INFORMATION TECHNOLOGY
ARRANGEMENTS**

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

Subscription asset activity of the University is presented in Note 5. Future principal and interest payment requirements related to the University's subscription liability at June 30, 2024 are as follows:

Fiscal Year	Principal	Interest
2025	\$ 1,034,839	\$ 103,797
2026	570,757	58,924
2027	371,359	27,858
2028	115,637	4,625
Total	\$ 2,092,592	\$ 195,204

NORTHEASTERN ILLINOIS UNIVERSITY
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NOTE 7 - LONG-TERM DEBT AND OTHER LIABILITIES

Long-term debt and other liabilities at June 30, 2024 are as follows:

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Amounts Due Within One Year
Subscription liabilities	\$ 2,665,867	\$ 1,329,939	\$ 1,903,214	\$ 2,092,592	\$ 1,034,839
Compensated absences	5,124,647	775,452	660,243	5,239,856	894,175
Direct Placements of Revenue bonds:					
Series 2014	11,335,000	-	695,000	10,640,000	790,000
Premium	359,780	-	31,286	328,494	-
Direct Placements of Certificates of participation:					
Series 2010	3,205,000	-	435,000	2,770,000	470,000
Series 2012	23,260,000	-	775,000	22,485,000	815,000
Premium	107,853	-	5,910	101,943	-
Series 2015	3,155,000	-	1,020,000	2,135,000	1,045,000
Premium	61,786	-	30,892	30,894	-
Federal loan contributions refundable	151,878	-	21,684	130,194	-
Other postemployment benefits payable	10,111,483	-	2,240,734	7,870,749	209,777
Subtotal	59,538,294	<u>\$ 2,105,391</u>	<u>\$ 7,818,963</u>	53,824,722	<u>\$ 5,258,791</u>
Less current portion	<u>(5,768,531)</u>			<u>(5,258,791)</u>	
Total noncurrent liabilities	<u>\$ 53,769,763</u>			<u>\$ 48,565,931</u>	

NOTE 8 - COMPENSATED ABSENCES

It is the policy of the University to accrue vacation pay as earned. As of June 30, 2024, the accrued liability for this benefit was \$4,858,672 and is included in the liability for compensated absences.

As a result of Public Act 83-976, the University is required to compensate certain employees for sick leave benefits earned after January 1, 1984. Sick leave earned by these employees after this date will accumulate without limit and are payable upon termination of employment for one-half of the unused amount. As of January 1, 1998, based on the State Finance Act (30 ILCS 105/14a), sick leave benefits earned after that date are no longer compensable upon termination of employment. All prior earned benefits will still be paid. As of June 30, 2024, the accrued liability of this benefit was \$381,184 and is included in the liability for compensated absences.

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NOTE 9 - UNIVERSITY FACILITIES SYSTEM REVENUE BONDS

Series 2014

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

The Series 2014 Bonds mature in increasing principal amounts ranging from \$790,000 due on July 1, 2024 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 4.155%. Future aggregate annual payments applicable to the Series 2014 Bonds at June 30, 2024 are:

Fiscal Year	Principal	Interest
2025	\$ 790,000	\$ 429,000
2026	815,000	396,775
2027	855,000	355,025
2028	895,000	311,275
2029	940,000	272,450
2030-2034	5,285,000	767,530
2035	1,060,000	21,730
Total	<u>\$ 10,640,000</u>	<u>\$ 2,553,785</u>

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.

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NOTE 9 - UNIVERSITY FACILITIES SYSTEM REVENUE BONDS (continued)

Pledged Revenues and Debt Service Requirements

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

Purpose	Source of Revenue Pledged	Future Net Revenues Pledged ⁽¹⁾	Terms of Commitment	Pledged Net Revenues to Debt Service (Current Year) ⁽²⁾
Construction of a multi-level parking structure	Net Revenues of the University Facilities System*, student tuition and fees	\$ 13,193,785	2034	7.89%

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

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

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

NOTE 10 - CERTIFICATES OF PARTICIPATION

Series 2010

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

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NOTE 10 - CERTIFICATES OF PARTICIPATION (continued)

The certificates mature in increasing principal amounts ranging from \$470,000 due on October 1, 2024 to \$645,000 due on October 1, 2028 at rates between 5.550% and 6.000%, with an average effective rate of approximately 5.750%.

Series 2012

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

The certificates mature in increasing principal amounts ranging from \$815,000 due on October 1, 2024 to \$1,815,000 due on October 1, 2041 at rates between 3.000% and 4.100%, with an average effective rate of approximately 3.811%.

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.

NORTHEASTERN ILLINOIS UNIVERSITY
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NOTE 10 - CERTIFICATES OF PARTICIPATION (continued)

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

The Series 2015 Certificates mature in increasing principal amounts ranging from \$1,045,000 due on July 1, 2024 to \$1,090,000 due on July 1, 2025 at a rate of 4.00%.

Future aggregate annual payments applicable to the certificates of participation at June 30, 2024 are:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 2,330,000	\$ 1,153,616
2026	2,465,000	1,066,555
2027	1,425,000	968,230
2028	1,510,000	886,257
2029	1,680,000	821,641
2030-2034	5,895,000	3,262,720
2035-2039	6,985,000	2,034,765
2040-2042	5,100,000	561,971
Total	<u>\$ 27,390,000</u>	<u>\$ 10,755,754</u>

NOTE 11 - NORTHEASTERN ILLINOIS UNIVERSITY FOUNDATION AGREEMENT

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

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NOTE 11 - NORTHEASTERN ILLINOIS UNIVERSITY FOUNDATION AGREEMENT
(continued)

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

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

During the fiscal year ended June 30, 2024, 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)
<u>Operating Revenues</u>		
Student tuition and fees, net	\$ 247,958	\$ -
Nongovernmental grants and contracts	769,139	-
<u>Operating Expenses</u>		
Compensation and benefits	-	683,602
Supplies and services	-	5,280
Use of space	-	40,738
	<u>\$ 1,017,097</u>	<u>\$ 729,620</u>

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NOTE 12 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description

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

Benefits Provided

A traditional benefit plan was established in 1941. Public Act 90-0448 (effective January 1, 1998) established an alternative defined benefit program known as the portable benefit package. Tier 1 of the traditional and portable plan refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who began participation on or after January 1, 2011, and who do not have other eligible reciprocal system service. The revised plan is referred to as Tier 2. New employees are allowed six months after their date of hire to make an irrevocable election whether to participate in either the traditional or portable benefit plans. A summary of the benefit provisions as of June 30, 2023, can be found in the Financial Section of SURS ACFR.

Contributions

The State is primarily responsible for funding SURS on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a statutory funding plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members within SURS to reach 90% of the total Actuarial Accrued Liability by the end of fiscal year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for Fiscal Year 2024 was 12.53% 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.

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NOTE 12 - DEFINED BENEFIT PENSION PLAN (continued)

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

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

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

Net Pension Liability

The net pension liability (NPL) was measured as of June 30, 2023. At June 30, 2023, SURS defined benefit plan reported a NPL of \$29,444,538,098.

Employer Proportionate Share of Net Pension Liability

The amount of the proportionate share of the NPL to be recognized for the University is \$0. The proportionate share of the State's NPL associated with the University is \$ 451,526,986 or 1.5335%. The University proportionate share changed by (0.0743%) from 1.6078% since the last measurement date on June 30, 2022. This amount is not recognized in the University's financial statements. The NPL and total pension liability as of June 30, 2023, was determined based on the June 30, 2022, actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS defined benefit plan during Fiscal Year 2022.

Defined Pension Expense

For the year ending June 30, 2023, SURS defined benefit plan reported a collective net pension expense of \$1,884,388,521.

Employer Proportionate Share of Defined Benefit Pension Expense

The employer proportionate share of collective defined benefit 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 defined benefit plan during Fiscal Year 2022. As a result, the University recognized revenue and defined benefit pension expense of \$28,896,778 from this special funding situation during the year ended June 30, 2024.

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NOTE 12 - DEFINED BENEFIT PENSION PLAN (continued)

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

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 62,591,844	\$ 12,277,871
Changes in assumption	70,957,694	420,880,693
Net difference between projected and actual earnings on pension plan investments	187,992,691	-
Total	<u>\$ 321,542,229</u>	<u>\$ 433,158,564</u>

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
2024	\$ (428,264,966)
2025	(171,164,633)
2026	465,174,033
2027	22,639,231
2028	-
Thereafter	-
Total	<u>\$ (111,616,335)</u>

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NOTE 12 - DEFINED BENEFIT PENSION PLAN (continued)

University's Deferral of Fiscal Year 2024 Pension Contributions

The University paid \$534,110 in federal, trust or grant contributions to SURS defined benefit pension plan during the year ended June 30, 2024. These contributions were made subsequent to the pension liability measurement date of June 30, 2023, and are recognized as deferred outflows of resources as of June 30, 2024.

Assumptions and Other Inputs

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period June 30, 2017, through June 30, 2020. The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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NOTE 12 - DEFINED BENEFIT PENSION PLAN (continued)

For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2023, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Traditional Growth		
Global Public Equity	36.0%	7.97%
Stabilized Growth		
Core Real Assets	8.0%	4.68%
Public Credit Fixed Income	6.5%	4.52%
Private Credit	2.5%	7.36%
Non-Traditional Growth		
Private Equity	11.0%	11.32%
Non-Core Real Assets	4.0%	8.67%
Inflation Sensitive		
U.S. TIPS	5.0%	2.09%
Principal Protection		
Core Fixed Income	10.0%	1.13%
Crisis Risk Offset		
Systematic Trend Following	10.0%	3.18%
Alternative Risk Premia	3.0%	3.27%
Long Duration	2.0%	3.02%
Long Volatility/Tail Risk	2.0%	-1.14%
Total	100.0%	5.98%
Inflation		2.60%
Expected arithmetic return		8.58%

Discount Rate

A single discount rate of 6.37% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 6.50% and a municipal bond rate of 3.86% (based on the Fidelity 20-Year Municipal GO AA Index as of June 30, 2023). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under SURS funding policy.

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NOTE 12 - DEFINED BENEFIT PENSION PLAN (continued)

Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2074. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2074, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the SURS Net Pension Liability to Changes in the Discount Rate

Regarding the sensitivity of the NPL to changes in the single discount rate, the following presents the State's NPL, calculated using a single discount rate of 6.37%, as well as what the State's NPL would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 5.37	Current Single Discount Rate Assumption 6.37%	1% Increase 7.37%
\$35,695,434,682	\$29,444,538,098	\$24,236,489,318

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

NOTE 13 - DEFINED CONTRIBUTION PENSION PLAN

Plan Description

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

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NOTE 13 - DEFINED CONTRIBUTION PENSION PLAN (continued)

Benefits Provided

A defined contribution pension plan, originally called the Self-Managed Plan, was added to SURS benefit offerings as a result of Public Act 90-0448 enacted effective January 1, 1998. The plan was renamed the RSP effective September 1, 2020, after an extensive plan redesign. New employees are allowed six months after their date of hire to make an irrevocable election whether to participate in either the traditional or portable defined benefit pension plans or the RSP. A summary of the benefit provisions as of June 30, 2023, can be found in SURS Annual Comprehensive Financial Report – Notes to the Financial Statements.

Contributions

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

Forfeitures

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

Pension Expense Related to Defined Contribution Pensions

Defined Contribution Pension Expense

For the year ended June 30, 2023, the State’s contributions to the RSP on behalf of individual employers totaled \$ 90,330,044. Of this amount, \$81,991,471 was funded via an appropriation from the State and \$ 8,338,573 was funded from previously forfeited contributions.

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NOTE 13 - DEFINED CONTRIBUTION PENSION PLAN (continued)

Employer Proportionate Share of Defined Contribution Pension Expense

The employer proportionate share of collective defined contribution pension expense is recognized as nonoperating revenue with matching operating expense (compensation and benefits) in the financial statements. The basis of allocation used in the proportionate share of collective defined contribution pension expense is the actual reported pensionable contributions made to the RSP during Fiscal Year 2023. The University's share of pensionable contributions was 0.9998%. As a result, the University recognized revenue and defined contribution pension expense of \$903,154 from this special funding situation during the year ended June 30, 2024, of which \$83,372 constituted forfeitures.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

Benefits Provided

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

Funding Policy and Annual OPEB Cost

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

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NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (continued)

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

For Fiscal Year 2024, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was \$13,409 (\$7,210 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and \$16,622 (\$6,423 if Medicare eligible) if the annuitant chose other benefits.

Special Funding Situation Portion of OPEB

The proportionate share of the State's OPEB expense relative to the University's employees totaled (\$18,230,000) during the year ended June 30, 2024. This amount was recognized by the University as nonoperating special funding situation revenue and operating expense allocated to the related function performed by the employees during the year ended June 30, 2024.

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, 2023 based on the June 30, 2022 actuarial valuation:

Measurement Date:	<u>June 30, 2023</u>
State of Illinois' OPEB liability related to the University under the Special Funding Situation	\$ 125,105,022
SEGIP total OPEB liability	\$ 17,222,644,937
Proportionate share of the total OPEB liability	0.7264%

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NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (continued)

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

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

The University's total OPEB liability, as reported at June 30, 2024, was measured as of the measurement date on June 30, 2023, with an actuarial valuation as of June 30, 2022. The following chart displays the proportionate share of the University's contributions relative to all employer contributions during the year ended June 30, 2023 based on the June 30, 2022 actuarial valuation:

Measurement Date:	June 30, 2023
University's OPEB liability	\$ 7,870,749
SEGIP total OPEB liability	\$ 17,222,644,937
Proportionate share of the total OPEB liability	0.0457%

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, 2024. As of the current year measurement date of June 30, 2023, the University's proportion declined 0.0135% from its proportion measured as of the prior year measurement date of June 30, 2022.

The University recognized OPEB expense for the year ended June 30, 2024, of \$5,850,390. At June 30, 2024, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2023, from the following sources:

Deferred outflow of resources	
Difference between expected and actual experience	\$ 136,822
Changes in portion and differences between employer contributions and proportionate share of contribution	24,456
University contribution subsequent to measurement date	209,777
Total deferred outflow of resources	<u>\$ 371,055</u>

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NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Deferred inflows of resources

Difference between expected and actual experience	\$ 1,624,929
Changes of assumptions	5,737,270
Changes in portion and differences between employer contributions and proportionate share of contributions	<u>11,250,627</u>
Total deferred inflow of resources	<u><u>\$ 18,612,826</u></u>

The amount of \$371,055 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, 2025. 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 (5.266953 years)
2025	\$ (6,469,290)
2026	(5,493,889)
2027	(4,355,873)
2028	(1,864,826)
2029	(267,675)
Total	<u><u>\$ (18,451,553)</u></u>

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, 2022, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2022.

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NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.25%
Projected Salary Increases*	2.50% - 12.75%
Healthcare Cost Trend Rate	
Medical and RX	
Pre-Medicare - QCHP**	Trend rates start at 8.00% in 2025, decreasing by 0.25% per year to an ultimate trend rate of 4.25% in year 2040.
Post-Medicare - MAPD***	Trend rates are 0.00% in years 2025 to 2028, 19.42% from 2029 to 2033, then 6.08% in 2034 decreasing ratably to an ultimate trend rate of 4.25% in 2040.
Retirees' share of benefit related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2023 and 2024 are based on actual premiums. Premiums after 2024 were projected based on the same healthcare cost trend rates applied to per capita claim costs.

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

** Quality Care Health Plan

*** Medicare Advantage Prescription Drug

NORTHEASTERN ILLINOIS UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (continued)

The demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2022, valuations for GARS, JRS, SERS, TRS, and SURS as follows:

	Retirement age experience study [^]	Mortality ^{^^}
GARS	July 2018 - June 2021	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, with no scaling factors, and the MP-2021 two-dimensional mortality improvement scales
JRS	July 2018 - June 2021	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, with no scaling factors, and the MP-2021 two-dimensional mortality improvement scales
SERS	July 2018 - June 2021	Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2021 generational mortality improvement factors were updated to projection scale MP-2021
TRS	July 2017 - June 2020	Pub-2010 adjusted for TRS experience for future mortality improvements on a fully generational basis using projection table MP-2020
SURS	July 2017 - June 2020	Rates based on Pub-2010 Healthy Retiree Mortality tables and the most recent MP-2020 projection scale. Teachers table was used for Academic members and General Employees table was used for Non-Academic members

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

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

Demographic assumptions used in OPEB valuation are identical to those used in the June 30, 2022 valuations for Pensions. Thus, for all five plans, the 2022 valuation information for pensions is presented in the FY 2023 ACFR in FN 16. For TRS and SURS, the total pension liability presented in the June 30, 2022, actuarial valuation is based on census data as of June 30, 2021, rolled-forward to the measurement date of June 30, 2022.

NORTHEASTERN ILLINOIS UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Discount Rate

Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 3.69% as of June 30, 2022 and 3.86% as of June 30, 2023 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, calculated using a Single Discount Rate of 3.86%, 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 (4.86%) or lower (2.86%) than the current rate:

	1% Decrease (2.86%)	Current Single Discount Rate Assumption (3.86%)	1% Increase (4.86%)
Total OPEB liability	\$8,729,051	\$7,870,749	\$7,136,124

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The key trend rates are 8.00% in 2025 decreasing to an ultimate trend rate of 4.25% in 2040.

	1% Decrease**	Healthcare Cost Trend Rates Assumption*	1% Increase***
Total OPEB liability	\$6,907,319	\$7,870,749	\$9,056,797

* Current healthcare trend rates - Pre-Medicare per capita costs: 9.63% in 2024, 8.00% in 2025, decreasing by 0.25% per year to an ultimate rate 4.25% in 2040. Post-Medicare per capita costs: 0.00% from 2024 to 2028, 19.42% from 2029 to 2033, 6.08% in 2034 decreasing ratably to an ultimate trend rate of 4.25% in 2040.

** One percentage point decrease in current healthcare trend rates – Pre-Medicare per capita costs: 8.63% in 2024, 7.00% in 2025, decreasing by 0.25% per year to an ultimate rate of 3.25% in 2040. Post-Medicare per capita costs: 0.00% from 2024 to 2028, 18.42% from 2029 to 2033, 5.08% in 2034 decreasing ratably to an ultimate trend rate of 3.25% in 2040.

*** One percentage point increase in current healthcare trend rates – Pre-Medicare per capita costs: 10.63% in 2024, 9.00% in 2025, decreasing by 0.25% per year to an ultimate rate of 5.25% in 2040. Post-Medicare per capita costs: 0.00% from 2024 to 2028, 20.42% from 2029 to 2033, 7.08% in 2034 decreasing ratably to an ultimate trend rate of 5.25% in 2040.

NORTHEASTERN ILLINOIS UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (continued)

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

The University is required to disclose all OPEB liabilities related to it, including (1) the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation the University is not required to record and (2) the portion of OPEB liability recorded by the University for its employees paid from trust, federal, and other funds. The following chart displays the proportionate share of contributions, regardless of funding source, associated with the University's employees relative to all employer contributions during the year ended June 30, 2023 based on the June 30, 2022 actuarial valuation:

Measurement Date:	<u>June 30, 2023</u>
State of Illinois' OPEB liability related to the University under the Special Funding Situation	\$ 125,105,022
University's OPEB liability	<u>7,870,749</u>
Total OPEB liability associated with the University	<u>\$ 132,975,771</u>
SEGIIP total OPEB liability	<u><u>\$ 17,222,644,937</u></u>
Proportionate share of the OPEB liability associated with the University	<u><u>0.7721%</u></u>

NOTE 15 - SERVICE CONCESSION ARRANGEMENTS FOR STUDENT HOUSING

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

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

NORTHEASTERN ILLINOIS UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

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

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

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

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

At June 30, 2024, the carrying amount of the student housing facility amounted to \$29,795,052 and deferred inflow of resources amounted to \$26,421,010. 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.

NORTHEASTERN ILLINOIS UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 16 - OPERATING EXPENSES BY NATURAL CLASSIFICATION

Details of the University's operating expenses by natural classification as June 30, 2024 are as follows:

	Compensation and Benefits	Supplies and Services	Scholarships	Depreciation	Total
Instruction	\$ 61,685,202	\$ 4,333,629	\$ 647,889	-	\$ 66,666,720
Research	1,081,430	538,532	93,381	-	1,713,343
Public service	2,616,418	1,023,971	333,000	-	3,973,389
Academic support	6,332,924	2,741,031	8,000	-	9,081,955
Student services and programs	6,488,601	3,384,211	44,578	-	9,917,390
Institutional support	10,773,928	6,693,015	-	-	17,466,943
Operation and maintenance of plant	8,135,226	3,298,490	-	-	11,433,716
Scholarship and fellowships	-	-	7,791,041	-	7,791,041
Auxiliary enterprises	1,652,891	3,303,481	-	-	4,956,372
Depreciation	-	-	-	8,070,683	8,070,683
Total operating expenses	<u>\$ 98,766,620</u>	<u>\$ 25,316,360</u>	<u>\$ 8,917,889</u>	<u>\$ 8,070,683</u>	<u>\$ 141,071,552</u>

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 17 - SEGMENT INFORMATION

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

The University Facilities System was created in July 1973. It consists of buildings such as student union, multi-level parking and other structures, that have been constructed and improved with funding provided from the issuance of revenue bonds. Its revenues mainly include student union fees, parking user fees and parking violation fines, campus improvement fees, and commission from vending operations and concession fees from bookstore operations. Its operating expenses mainly include personnel costs, repairs, maintenance and other contractual services, and depreciation. The following are the condensed financial statements for the University Facility System as of and for the year ended June 30, 2024. 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	\$ 880,410
Restricted	882,000

Noncurrent assets:

Capital assets, net	11,754,425
Restricted other noncurrent assets	2,030,060

Total assets	<u>15,546,895</u>
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Liabilities:

Current liabilities	1,118,173
Noncurrent liabilities	10,178,494

Total liabilities	<u>11,296,667</u>
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Net position:

Net investment in capital assets	2,131,691
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Restricted - expendable:

Capital projects	2,139,077
Debt service	790,000
Unrestricted	(810,540)

Total net position	<u><u>\$ 4,250,228</u></u>
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NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 17 - SEGMENT INFORMATION (continued)

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

Operating revenues:	
Student fees, net	\$ 1,691,686
Auxiliary enterprises and others	610,836
Total operating revenues	<u>2,302,522</u>
Operating expenses:	
Depreciation	687,944
Other operating expenses	1,261,574
Total operating expenses	<u>1,949,518</u>
Operating income	353,004
Nonoperating revenues (expenses):	
Investment income	10,346
Interest on indebtedness	(440,850)
Net nonoperating expenses	<u>(430,504)</u>
Decrease in net position	(77,500)
Net position, beginning of year	<u>4,327,728</u>
Net position, end of year	<u><u>\$ 4,250,228</u></u>

Condensed Statement of Cash Flows

Net cash provided by (used in):	
Operating activities	\$ 1,081,301
Capital financing activities	(1,190,379)
Investing activity	10,346
Net decrease in cash and cash equivalents	(98,732)
Cash and cash equivalents, beginning of year	<u>3,681,690</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,582,958</u></u>

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 18 - FOUNDATION ENDOWMENT FUNDS

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

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

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

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

Endowment net asset composition by type of funds of June 30, 2024 is as follows:

	Without Donor Restrictions	With Purpose Restrictions	Restricted in Perpetuity	Total Endowment Net Assets
Donor-restricted endowment funds	\$ -	\$ 3,776,243	\$ 15,441,023	\$ 9,217,266
Quasi endowment fund	566,269	-	-	566,269
Total endowment net assets	<u>\$ 566,269</u>	<u>\$ 3,776,243</u>	<u>\$ 15,441,023</u>	<u>\$ 9,783,535</u>

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 18 - FOUNDATION ENDOWMENT FUNDS (continued)

Changes in endowment net assets for the year ended June 30, 2024 are as follows:

	Without Donor Restrictions	With Purpose Restrictions	Restricted in Perpetuity	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 497,767	\$ 1,923,548	\$ 14,820,532	\$ 17,241,847
Contributions	-	-	535,876	535,876
Investment income, net of fees	68,502	2,379,149	-	2,447,651
Change in value of split interest agreement	-	-	54,485	54,485
Transfers	-	(115,150)	30,130	(85,020)
Appropriation of endowment assets for expenditure	-	(411,304)	-	(411,304)
Total endowment net assets	<u>\$ 566,269</u>	<u>\$ 3,776,243</u>	<u>\$ 15,441,023</u>	<u>\$ 19,783,535</u>

NOTE 19 - COMMITMENT AND CONTINGENCIES

The University is from time to time subject to various claims and legal actions related to the University or the actions of its employees. Although it is difficult to quantify the potential impact of these claims, management believes that the ultimate cost of these matters will not adversely affect the University's future financial condition or results of operations. The University has booked a \$1,665,000 contingent liability for various claims and legal actions against the University.

NOTE 20 - EDUCATION STABILIZATION FUND

Higher Education Emergency Relief Fund (HEERF)

The University received three separate awards (consisting of an initial award and two supplemental awards) from the HEERF as part of the federal government's response to the COVID-19 pandemic. The awards received by the University under HEERF is divided into three portions: an institutional portion, a student aid portion, and a minority-serving institutions (MSI) portion. The University's period of availability for using the institutional portion and student aid portion is originally until May 20, 2023 but an extension is granted until June 30, 2024. The University's period of availability for using the MSI portion is until March 4, 2023 but can be extended for up to one additional year.

NORTHEASTERN ILLINOIS UNIVERSITY
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NOTE 20 - EDUCATION STABILIZATION FUND (continued)

Under the HEERF-institutional portion and HEERF-student aid portion, the following chart reflects the remaining balance of this activity at June 30, 2024.

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

Governor's Emergency Education Relief Fund (GEER)

The University received three separate awards (GEER I Formula, GEER Competitive and GEER II Formula) from the federal government, through Illinois Board of Higher Education, as part of the government response to the COVID-19 pandemic. The University's period of availability for using these funds is originally set to expire on September 30, 2023 but an extension is granted until December 31, 2023. The University liquidated costs and recognized nonoperating revenue amounting to \$170,907 in Fiscal Year 2024 in the statement of revenues, expenses and changes in net position. The following chart reflects the remaining balance of this activity at June 30, 2024.

	Original Award	Remaining Balance
GEER I Formula	\$ 3,459,306	\$ -
GEER Competitive	456,286	\$ -
GEER II Formula	750,856	\$ -
TOTAL	\$ 4,666,448	\$ -

REQUIRED SUPPLEMENTARY INFORMATION

NORTHEASTERN ILLINOIS UNIVERSITY
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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
June 30, 2024

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

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
(a) Proportion Percentage of the Collective Net Pension Liability	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
(b) Proportion Amount of the Collective Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(c) Portion of Nonemployer Contribution Entities' Total Proportion of Collective Net Pension Liability associated with Employer	\$ 390,904,472	\$ 415,299,735	\$ 456,612,715	\$ 449,716,040	\$ 481,512,171	\$ 495,076,587	\$ 513,327,723	\$ 478,289,618	\$ 467,507,063	\$ 451,526,986
Total (b) + (c)	\$ 390,904,472	\$ 415,299,735	\$ 456,612,715	\$ 449,716,040	\$ 481,512,171	\$ 495,076,587	\$ 513,327,723	\$ 478,289,618	\$ 467,507,063	\$ 451,526,986
Employer Defined Benefit Covered Payroll	\$ 65,041,857	\$ 63,636,133	\$ 63,473,858	\$ 62,293,222	\$ 62,540,169	\$ 62,265,032	\$ 62,232,478	\$ 59,843,541	\$ 58,416,942	\$ 56,876,554
Proportion of Collective Net Pension Liability associated with Employer as a percentage of Defined Benefit Covered Payroll	601.00%	652.62%	719.37%	721.93%	769.92%	795.11%	824.86%	799.23%	800.29%	793.87%
SURS Plan Net Position as a Percentage of Total Pension Liability	44.39%	42.37%	39.57%	42.04%	41.27%	40.71%	39.05%	45.45%	43.65%	44.06%

NORTHEASTERN ILLINOIS UNIVERSITY
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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
June 30, 2024

Northeastern Illinois University's Schedule of Contributions for Pensions

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Federal, Trust, Grant and Other contribution	\$ 891,325	\$ 993,039	\$ 1,005,214	\$ 1,070,239	\$ 981,867	\$ 1,014,234	\$ 958,973	\$ 685,443	\$ 618,964	\$ 534,110
Contribution in relation to required contribution	\$ 891,325	\$ 993,039	\$ 1,005,214	\$ 1,070,239	\$ 981,867	\$ 1,014,234	\$ 958,973	\$ 685,443	\$ 618,964	\$ 534,110
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer Covered-Employee Payroll	\$ 8,073,594	\$ 9,495,538	\$10,465,666	\$10,024,895	\$ 9,095,400	\$ 8,665,466	\$ 7,871,791	\$ 5,992,260	\$ 4,163,558	\$ 5,370,855
Contributions as a percentage of covered payroll	11.04%	10.46%	9.60%	10.67%	10.80%	11.70%	12.18%	11.44%	14.87%	9.94%

NORTHEASTERN ILLINOIS UNIVERSITY
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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
June 30, 2024

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

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Employer's Proportion of the Collective Net Other Postemployment Benefits Liability	9.7000%	9.5500%	9.4000%	8.4300%	7.9000%	5.9200%	4.5700%
Employer's Proportionate Share of the Collective Net Other Postemployment Benefits Liability	\$ 40,084,143	\$ 38,289,053	\$ 41,255,819	\$ 35,270,128	\$ 27,233,796	\$ 10,111,483	\$ 7,870,749
Estimated Proportionate Amount of Collective Total OPEB Liability Associated With the University - State Supported Portion	457,036,341	282,364,203	294,227,527	256,956,231	239,868,756	121,261,323	125,105,022
Total OPEB Liability Associated with the University	<u>\$ 497,120,484</u>	<u>\$ 320,653,256</u>	<u>\$ 335,483,346</u>	<u>\$ 292,226,359</u>	<u>\$ 267,102,552</u>	<u>\$ 131,372,806</u>	<u>\$ 132,975,771</u>
Employer Defined Benefit Covered Payroll	\$ 73,284,189	\$ 74,359,124	\$ 74,395,467	\$ 76,335,155	\$ 78,514,335	\$ 75,677,603	\$ 77,942,985
Employer's Proportionate Share of the Collective Total OPEB Liability as a Percentage of its Covered Employee Payroll	54.70%	51.49%	51.49%	46.20%	34.69%	13.36%	10.10%

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

NORTHEASTERN ILLINOIS UNIVERSITY
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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
June 30, 2024

PENSION

The pension schedules are presented to illustrate the requirements of the governmental accounting standards board's Statement No. 68 to show information for 10 years.

Changes of Benefit Terms

Public Act 103-0080, effective June 9, 2023, created a disability benefit for police officers injured in the line of duty on or after January 1, 2022. This benefit was first reflected in the Total Pension Liability as of June 30, 2023. There were no benefit changes recognized in the Total Pension Liability as of June 30, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014.

Changes of Assumptions

In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest, and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2017, to June 30, 2020, was performed in Spring 2021, resulting in the adoption of new assumptions as of June 30, 2021. These assumptions are listed below. Only the disability rates assumption changed for the June 30, 2023, actuarial valuation.

- Salary increase. The overall assumed rates of salary increase range from 3.00 percent to 12.75 percent based on years of service, with an underlying wage inflation rate of 2.25 percent.
- Investment return. The investment return is assumed to be 6.50 percent. This reflects an assumed real rate of return to 4.25 percent and assumed price inflation of 2.25 percent.
- Effective rate of interest. The long-term assumption for the effective rate of interest for crediting the money purchase accounts is 6.50 percent.
- Normal retirement rates. Separate rates are assumed for members in academic positions and nonacademic positions to reflect that retirement rates for academic positions are lower than for nonacademic positions.
- Early retirement rates. Separate rates are assumed for members in academic positions and nonacademic positions to reflect that retirement rates for academic positions are lower than for nonacademic positions.
- Turnover rates. Assumed rates maintain the pattern of decreasing termination rates as years of service increase.
- Mortality rates. Use of Pub-2010 mortality tables reflects its high applicability to public pensions. The projection scale utilized is the MP-2020 scale.
- Disability rates. Separate rates are assumed for members in academic positions and nonacademic positions, as well as for males and females. New for the June 30, 2023, valuation, 50% of police officer disability incidence is assumed to be line-of-duty related.

NORTHEASTERN ILLINOIS UNIVERSITY
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June 30, 2024

PENSION (continued)

- Plan election. For non-academic members, assumed plan election rates are 75 percent for Tier 2 and 25 percent for Retirement Savings Plan (RSP). For academic members, assumed plan election rates are 55 percent for Tier 2 and 45 percent for Retirement Savings Plan (RSP).

Changes of Assumptions for Fiscal Year 2022 and 2021

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

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

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
June 30, 2024

PENSION (continued)

Changes of Assumptions for Fiscal Year 2020

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

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

Changes of Assumptions for Fiscal Year 2014

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

- Mortality rates. Change from the RP 2000 Mortality table projected to 2017, sex distinct, to the RP-2014 mortality tables with projected generational mortality improvement. Change to a separate mortality assumption for disabled participants.
- Salary increase. Change assumption to service-based rates, ranging from 3.75 percent to 15.00 percent based on years of service, with underlying wage inflation of 3.75 percent.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
June 30, 2024

PENSION (continued)

- Normal retirement rates. Change to retirement rates at ages younger than 60, age 66, and ages 70-79 to reflect observed experiences.
- Early retirement rates. Change to a slight increase in the rates at ages 55 and 56.
- Turnover rates. Change to produce lower expected turnover for members with less than 10 years of service and higher turnover for members with more than 10 years of service than the currently assumed rates.
- Disability rates. Decrease rates and have separate rates for males and females to reflect observed experience.
- Dependent assumption. Maintain the current assumption on marital status that varies by age and sex and the assumption that males are three years older than their spouses.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Payment of Benefits

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

Factors That Affect Trends in the Amounts Reported in Fiscal Year 2023

An actuarial valuation was performed as of June 30, 2021 with a measurement date as of June 30, 2023. The following assumptions were made:

- Per capita claim costs for plan year end June 30, 2023, were updated based on projected claims and enrollment experience through June 30, 2023, and updated premium rates through plan year 2024.
- The healthcare trend assumptions were updated based on claim and enrollment experience through June 30, 2022, projected plan cost for plan year end June 30, 2023, premium changes through plan year end 2024, and expectation of future trend increases after June 30, 2023.
- The discount rate was changed from 3.69 percent at June 30, 2022, to 3.86 percent at June 30, 2023.

Factors That Affect Trends in the Amounts Reported in Fiscal Year 2022

An actuarial valuation was performed as of June 30, 2020 with a measurement date as of June 30, 2021. The following assumptions were made:

- Mortality rates. RP-2014 White Collar, gender distinct, projected using MP-2014 two-dimensional mortality improvement scale, set forward one year for male and female annuitants.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
June 30, 2024

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

- Salary increases. Dependent upon service and participation in the respective retirement systems. Includes inflation of 2.25%, salary increase 2.50% - 12.25%.
- Healthcare Cost Trend Rate. Medical (Pre-Medicare) 8.00% in 2023 grading down 0.25% per year to 4.25% in year 2038; Medical (Post-Medicare) 8.00% in 2023 grading down 0.25% per year to 4.25% in year 2038; Dental and vision 4.0% in 2023 to 2038.
- Retirees' share of benefit related costs. Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement.

Factors That Affect Trends in the Amounts Reported in Fiscal Year 2021

An actuarial valuation was performed as of June 30, 2019 with a measurement date as of June 30, 2020. The following assumptions were made:

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

Factors That Affect Trends in the Amounts Reported in Fiscal Year 2020

An actuarial valuation was performed as of June 30, 2018 with a measurement date as of June 30, 2019. The following assumptions were made:

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

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
June 30, 2024

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Factors That Affect Trends in the Amounts Reported in Fiscal Year 2019

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

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

SUPPLEMENTARY INFORMATION

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
SUPPLEMENTARY INFORMATION
June 30, 2024

Table of Operating Expenses

The following table presents a breakdown of the various types of expenses which collectively comprise the University's functional operating expense accounts for the fiscal year ended June 30, 2024.

	Compensation and Benefits								Other Expenses	Total Operating Expenses	
	University's Expenses				State of Illinois' Expenses						
	Salaries ¹	Benefits ²	OPEB ³	Sub-Total	Benefits ²	OPEB ³	Pension	Sub-Total	Total		
Educational and general:											
Instruction	\$ 48,027,986	\$ 2,760,170	\$ (3,871,663)	\$ 46,916,493	\$ 7,410,768	\$ (11,593,435)	\$ 18,951,376	\$ 14,768,709	\$ 61,685,202	\$ 4,981,518	\$ 66,666,720
Research	904,020	128,642	(17,327)	1,015,335	33,166	(51,885)	84,814	66,095	1,081,430	631,913	1,713,343
Public service	1,858,262	568,663	(67,325)	2,359,600	128,868	(201,602)	329,552	256,818	2,616,418	1,356,971	3,973,389
Academic support	4,957,946	171,848	(427,465)	4,702,329	818,214	(1,280,018)	2,092,399	1,630,595	6,332,924	2,749,031	9,081,955
Student services and programs	5,590,622	209,181	(244,725)	5,555,078	468,431	(732,815)	1,197,907	933,523	6,488,601	3,428,789	9,917,390
Institutional support	8,110,805	387,627	(808,471)	7,689,961	1,547,499	(2,420,913)	3,957,381	3,083,967	10,773,928	6,693,015	17,466,943
Operation and maintenance of plant	6,396,035	184,645	(552,322)	6,028,358	1,057,202	(1,653,891)	2,703,557	2,106,868	8,135,226	3,298,490	11,433,716
Scholarships and fellowships	-	-	-	-	-	-	-	-	-	7,791,041	7,791,041
Auxiliary enterprises	1,321,853	53,344	(98,663)	1,276,534	188,852	(295,441)	482,946	376,357	1,652,891	3,303,481	4,956,372
Depreciation	-	-	-	-	-	-	-	-	-	8,070,683	8,070,683
	\$ 77,167,529	\$ 4,464,120	\$ (6,087,961)	\$ 75,543,688	\$ 11,653,000	\$ (18,230,000)	\$ 29,799,932	\$ 23,222,932	\$ 98,766,620	\$ 42,304,932	\$ 141,071,552

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

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

³ OPEB refers to other postemployment benefits.

OTHER INFORMATION

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
OTHER INFORMATION (UNAUDITED)
For the Year Ended June 30, 2024

University Facilities System Revenue Bond Funds

Insurance in Force

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

Enrollment at the University

<u>Term</u>	<u>Academic Year 2023-2024</u>
Fall	5,504
Spring	5,205
Summer	2,516

Rates and Charges

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

In the 2023-2024 academic year, students at the University are required to pay an \$85 mandatory General Fee for each credit hour. This fee funds various services, programs, facilities, and resources designed to enhance student success and create a well-rounded learning environment. A portion of the fee is dedicated to the Student Union, which acts as the center for on-campus activities, while another portion is directed towards campus improvements to support ongoing enhancements and long-term investments in facilities and technology. Additionally, students are charged a \$10 parking fee per credit hour, which is optional and can be waived.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
OTHER INFORMATION (UNAUDITED)
For the Year Ended June 30, 2024

Summary of Each Fund and Account under the Bond Resolution

	Balance of Assets Reserved as of June 30, 2024
Bond account (a)	\$ 929,327
Repair and replacement reserve account	\$ 1,930,704
Equipment reserve account	\$ 149,973

Notes:

- (a) The amounts required for the deposit in the bond account were remitted from the revenue fund account to the Trustee, U.S. Bank National Association, for payment of the bond principal and interest installments coming due July 1, 2024.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Northeastern Illinois University

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, fiduciary activities, and the discretely presented component unit of Northeastern Illinois University (University), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 19, 2025. Our report includes a reference to other auditors who audited the financial statements of the Northeastern Illinois University Foundation, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings as items 2024-001 through 2024-005, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2024-001 and 2024-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2024-003, 2024-004 and 2024-005 to be significant deficiencies.

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Northeastern Illinois University

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2024-001 through 2024-005.

The University's Response to the Findings

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

Purpose of this Report

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

SIGNED ORIGINAL ON FILE

Grand Rapids, Michigan

March 19, 2025

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS* FINDINGS
For the Year Ended June 30, 2024

2024-001. FINDING - Inadequate Internal Controls over Census Data

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

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

We noted the University's employees are members of the State Universities Retirement System (SURS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Additionally, CMS' actuary uses census data for employees of the State's public universities provided by SURS, along with census data for the other participating members provided by the State's four other pensions plans, to prepare their projection of the liabilities of CMS' plan. Finally, SURS' actuary and CMS' actuary used census data transmitted by the University during Fiscal Year 2022 to project pension and OPEB-related balances and activity at the plans during Fiscal Year 2023, which is incorporated into the University's Fiscal Year 2024 financial statements.

During testing, we noted the following:

- The University had not performed an initial complete reconciliation of its census data recorded by SURS to its internal records to establish a base year of complete and accurate census data.
- After establishing a base year, the University had not developed a process to annually obtain from SURS the incremental changes recorded by SURS in their census data records and reconcile these changes back to the University's internal supporting records.
- During our previous cut-off testing of data transmitted by the University to SURS, we noted 1 instance of an active employee becoming inactive and 1 instance of an active employee becoming active were reported to SURS after the close of the fiscal year in which the event occurred. We also noted 1 instance whereby service credit was different by a total of $\frac{1}{4}$ of a year. These were previously reported, but still had an impact on the June 30, 2022 census data.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS* FINDINGS
For the Year Ended June 30, 2024

2024-001. FINDING - Inadequate Internal Controls over Census Data (Continued)

We provided SURS' actuary and CMS' actuary with the exceptions we identified during our testing, along with the results of census data testing at the State Employees Retirement System of Illinois, and determined the net effect of these errors, along with the errors of other plan participants, was immaterial to SURS' and CMS' pension and OPEB-related balances and activity at the plans during Fiscal Year 2023.

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

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

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

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS* FINDINGS
For the Year Ended June 30, 2024

2024-001. FINDING - Inadequate Internal Controls over Census Data (Continued)

In addition, the Code (40 ILCS 5/15-157) requires the University to, at a minimum, withhold contributions of each employee's total compensation of 8% (9.5% for firefighters or police officers) for their participation in SURS, unless further contributions by the employee would either exceed the maximum retirement annuity in the Code (40 ILCS 5/15-136(c)) or the Tier 2 earnings limitation within the Code (40 ILCS 5/15-111(b)), and remit these amounts to SURS. Further, the Code (40 ILCS 5/15-155(b)) requires the University remit employer contributions to SURS reflecting the accruing normal costs of an employee paid from federal or trust funds.

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

University officials indicated the competing priorities during the implementation of new Human Resource system and the impact of staff turnover resulted in delays. The biographical data was provided to SURS and the remaining item needed in FY23 salary information.

Failure to ensure complete, timely, and accurate census data was reported to SURS reduces the overall reliability of pension and OPEB-related balances and activity reported in the University's financial statements, the financial statements of other employers within both plans, and the State of Illinois' Annual Comprehensive Financial Report. Further, failure to report all eligible employees to SURS may result in employees not receiving the pension and OPEB benefits they are entitled to receive under the Code and the Act. (Finding Code Nos. 2024-001, 2023-001, 2022-001, 2021-001, 2020-001)

RECOMMENDATION

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

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

UNIVERSITY RESPONSE

The University agrees with the recommendation.

NORTHEASTERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS* FINDINGS
For the Year Ended June 30, 2024

2024-002. FINDING - Noncompliance with the Fiscal Control and Internal Auditing Act

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

During our testing of the University's Fiscal Year 2024 internal audit activities, we noted the following:

- The University did not perform its required peer review in Fiscal Year 2024. The last peer review was performed in 2019. There was no formal approval for an extension but the Office of the Auditor General and the State Internal Audit Advisory Board (SIAAB) were made aware of the delay.
- The Internal Auditor position was vacant from January 7, 2023 through September 17, 2023.
- The Internal Auditor did not conduct all the audits as approved in the Fiscal Year 2024 audit plan. As a result of changes throughout the year, only one audit was completed during Fiscal Year 2024.
- The Fiscal Year 2025 audit plan was not approved by the President prior to the required July 1, 2024 date.

FCIAA (30 ILCS 10/2003(a)) (Act) requires the chief executive officer to ensure that the internal auditing program includes a two-year plan, identifying audits scheduled for the pending fiscal year, approved by the chief executive officer before the beginning of the fiscal year. The Act also requires the University's internal auditing program to include audits of major systems of internal accounting and administrative control conducted on a periodic basis so that all major systems are reviewed at least once every two years. FCIAA also requires reviews of the design of major new electronic data processing systems and major modifications of those systems before their installation to ensure the systems provide for adequate audit trails and accountability.

The Institute of Internal Auditors Standard 1312 (External Assessments) requires that external assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization.

University officials noted these exceptions were due to the Internal Auditor position being vacant until September 18, 2023. Shortly thereafter, the Internal Auditor established a Fiscal Year 2024 audit plan and had the President sign in September 2023. However, the Internal Auditor was still unable to complete all the scheduled audits and peer review due to competing priorities. University officials stated the Fiscal Year 2025 audit plan was not approved by July 1, 2024 due to the many other competing priorities on the President's schedule.

Lack of timely audits, a peer review, required approvals and proper internal audit staffing inhibits the University's ability in monitoring the effectiveness of its system of internal controls and results in noncompliance with the Act. (Finding Code Nos. 2024-002, 2023-003, 2022-011)

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**2024-002. FINDING - Noncompliance with the Fiscal Control and Internal Auditing Act
(Continued)**

RECOMMENDATION

We recommend the University continue to implement the requirements of the Act since the position was filled. In addition, we recommend the University complete its peer review.

UNIVERSITY RESPONSE

The University agrees with the recommendation.

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2024-003. FINDING - Lack of Adequate Control Over the Review of Internal Controls for Service Providers

The Northeastern Illinois University (University) lacked adequate controls over review of internal controls over service providers.

The University entered into agreements with various service providers to assist with significant processes such as (1) implementing University wide defined criteria to identify the third-party service providers that require a service organization controls (SOC) report or equivalent review, including the frequency of reviews performed, and (2) enhancing the SOC report review procedures to perform mappings of Complementary User End Controls (CUECs) to specific University internal controls.

The University could not provide a population of service providers. The population/report of service providers is manually maintained by the University and includes both vendors and service providers, resulting in samples that did not meet the criteria of a service provider.

Due to the condition noted above, we were unable to conclude the University's population records of service providers were complete, accurate, and reliable under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AT-C 205.36; AU-C 330; AU-C 530).

The auditors selected a sample of service providers where a SOC report was required for Fiscal Year 2024 and noted the following:

- The University has not established a documented and comprehensive policy or procedures to guide vendor's due diligence when onboarding third-party service provider and defining a service provider versus a vendor.
- The University has not established documented policies and procedures to monitor performance and contractual compliance of service providers.
- Even given the population limitation, we selected 10 service providers from the listing provided by the University, where the SOC report was required for Fiscal Year 2024 and noted the CUECs in these SOC reports were not mapped to existing internal controls at the University.

The finding was first reported in Fiscal Year 2019. In subsequent years, the University has been unsuccessful in implementing appropriate procedures to improve controls over service providers.

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

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2024-003. FINDING - Lack of Adequate Control Over the Review of Internal Controls for Service Providers (Continued)

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

University management indicated the conditions noted were due to the complexities of implementing, coordinating, and executing a university-wide program that requires buy in and participation from multiple stakeholders and departments.

The lack of a comprehensive university-wide population of service providers and the lack of a consistent process executed by the University departments to evaluate the service providers make it difficult to identify and assess risks that service providers have on security, integrity, availability, confidentiality, and security of University computer systems and data. (Finding Code Nos. 2024-003, 2023-004, 2022-003, 2021-003, 2020-003, 2019-020)

RECOMMENDATION

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

- Establish and enforce a formal University-wide onboarding requirement and processes for all service providers.
- Establish and enforce a formal University-wide requirement in obtaining SOC reports from service providers.
- Establish and enforce a formal University-wide requirement in reviewing SOC reports.
- Establish and enforce a formal University-wide requirement in reviewing applicable CUECs and mapping of these CUECs to existing internal controls at the University.

UNIVERSITY RESPONSE

The University agrees with the recommendation.

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2024-004. FINDING - Weakness in Computer Security

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

During our review of the University's computer security, we noted the following:

- ERP access testing:
 - The user access review is not comprehensively performed to include the appropriateness of all active permissions.
 - 1 (10%) of 10 new accounts tested did not have documented approval.
 - For 8 (67%) of 12 terminated users tested, there was no documented evidence that the employee level access was removed in a timely manner.
 - For 10 (33%) of 30 users tested, the user's manager noted access was not appropriate due to termination or job function.
 - For 2 (22%) of 9 users with administrative access tested, the users accounts remained after active the users were terminated or after the consolation period was completed.
- Student system access testing:
 - For 1 (10%) of 10 users tested, noted access was not appropriate due to job function per inquiry with the controller's office.
 - For 2 (67%) of 3 terminated users tested, a termination ticket was not documented as the users were deactivated before the termination process was formalized.
- Human Resource system access testing:
 - For 1 (10%) of 10 terminated users tested, termination was not executed timely (165 days).
 - 40 devices were running unsupported operation systems.
 - The data privacy training program has not been fully implemented, including developing a plan for monitoring the implementation of the governance process.
 - 2 (40%) of 5 incident resolutions tested were not documented to include resolution of incident or the total impact on the systems.

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

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

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2024-004. FINDING - Weakness in Computer Security (Continued)

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

The University officials stated the cause of the finding is due to the University experiencing staffing constraints, turnover, and completing priorities resulting in a lack of awareness of the importance of responding timely to user access reviews, as well as adding and terminating employees from the systems in a timely manner.

Failure to (1) periodically review users' access rights, (2) implement governance monitoring, (3) update operating systems, and (4) document incident response resolution could result in inappropriate access and manipulation of the University's data. (Finding Code Nos. 2024-004, 2023-005, 2022-002, 2021-002, 2020-002, 2019-018, 2018-021, 2017-018)

RECOMMENDATION

We recommend the University:

- Periodically review and update user access.
- Ensure implementation of governance monitoring.
- Ensure documentation of responses to all identified incidents.
- Update all operating systems timely.

UNIVERSITY RESPONSE

The University agrees with the recommendation.

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2024-005. FINDING - Lack of Adequate Change Management Controls

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

During our testing of 27 Human Resource system changes, we noted the following:

- 19 (70%) change tickets were missing approvals, testing, or migration documentation.
- 4 (15%) change tickets were closed with the changes being made to the environment or documentation on why the changes were not made.

In addition, the University does not require a post implementation review for system changes.

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

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

University officials stated the cause of the finding is due to staffing constraints and not having a University-wide Change Management Policy in place.

Failure to periodically review or monitor all implemented changes might lead to inappropriate changes being made to sensitive systems. (Finding Code Nos. 2024-005, 2023-006)

RECOMMENDATION

We recommend the University document, approve, and maintain all system changes, in addition to requiring a post implementation review of those system changes.

UNIVERSITY RESPONSE

The University agrees with the recommendation.

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Prior Findings Not Repeated

A. Finding (Lack of Adequate Controls Over Year-End Reviews and Reconciliations)

During the prior audit, the University did not timely complete and did not have adequate reviews of its year-end reconciliations.

During the current audit, the University implemented controls and procedures that allowed for timely completion and adequate reviews of its year-end reconciliations. (Finding Code Nos. 2023-002, 2022-004)