

NORTHERN 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**

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

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UNIVERSITY OFFICIALS

President	Lisa C. Freeman
Executive Vice President and Provost	Beth Ingram
Vice President for Administration and Finance and Chief Financial Officer	George Middlemist
Vice President for Research and Innovation Partnerships (from July 2024) Vice President for Research and Innovation Partnerships (Aug 2023 – June 2024)	Richard Mocarski Yvonne Harris
Vice President and General Counsel	Bryan Perry
Vice President for Enrollment Management, Marketing and Communications	Sol Jensen
Vice President for Outreach, Engagement and Regional Development	Rena Cotsones
Vice President for University Advancement	Catherine Squires
Director of Internal Audit	Danielle Schultz

Financial Management

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

Chair	Montel Gayles
Vice Chair	John R. Butler
Secretary	Dennis Barsema
Trustees	Eric Wasowicz Rita Athas Veronica Herrero Leland Strom
Student Trustee	Aidan O'Brien

NIU Office is located at:
300 Altgeld Hall
DeKalb, Illinois 60115

NORTHERN 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 Northern Illinois University (University) was performed by RSM US LLP, as special assistant auditors to the Illinois Office of the Auditor General.

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

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Northern Illinois University

Report on the Audit of the Financial Statements

Opinions

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities, fiduciary activities and the aggregate discretely presented component units of the Northern 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 the University's basic financial statements as listed in the table of contents.

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

We did not audit the financial statements of the Northern Illinois University Foundation and the Northern Illinois Research Foundation, which represent 100% of the assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2024. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 opinions. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 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.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The table of operating expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 page 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 the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2025, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
February 27, 2025

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Northern Illinois University (NIU, or the University) is a comprehensive public institution of higher learning with approximately 15,400 students as of Fall 2024. The University offers a wide range of academic programs through its colleges and schools; and through its research enterprise has state, national, and global impacts. The following discussion and analysis provides an overview of the financial position and activities of NIU for the year ended June 30, 2024 with summarized comparative totals for the year ended June 30, 2023. This discussion is prepared by management and should be read in conjunction with the accompanying financial statements and the notes.

USING THE FINANCIAL STATEMENTS

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

The following MD&A presents condensed versions of the financial statements with comparative financial information for fiscal year 2024 in order to illustrate increases and decreases from fiscal year 2023 data. This MD&A focuses on the University, excluding the discretely presented component units, also known as University Related Organizations, or UROs. Information regarding the component units is summarized in Note 23 to the basic financial statements.

FINANCIAL HIGHLIGHTS

As a premier, student-centered, research-focused public university in the Midwest, revenues from tuition and fees, auxiliary enterprises, and sponsored programs represent approximately 88% of NIU's operating revenue; these are supplemented by sales and services of educational activities, investment income, and other non-operating revenues. NIU continues to gain global recognition as a major research university, with grants and contracts comprising 21.5% of University operating revenue sources in fiscal year 2024. The most significant fiscal year 2024 expense categories were those directly related to the University's academic, research, and public service missions.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The University has taken strategic measures post COVID-19 global pandemic to reallocate resources in a way that will provide the most benefit for current and future students. The University will continue to incorporate lessons learned from the COVID-19 pandemic and continue to implement its multiyear budget and financial planning efforts in support of university priorities. NIU will continue to make financial decisions that are academically responsive and fiscally responsible to ensure long-term sustainability. This will mean investing in some areas and cutting back in others. NIU's immediate and longer-term strategic goals address these challenges.

STATEMENT OF NET POSITION

The statement of net position presents the financial position of the University as of the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the University using the accrual basis of accounting. The difference between total assets plus deferred outflows of resources, and total liabilities plus deferred inflows of resources—net position—is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured at cost with the exception of investments which are reported at fair value. Capital assets are reported at cost less accumulated depreciation.

A summary comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2024, and June 30, 2023 follows:

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

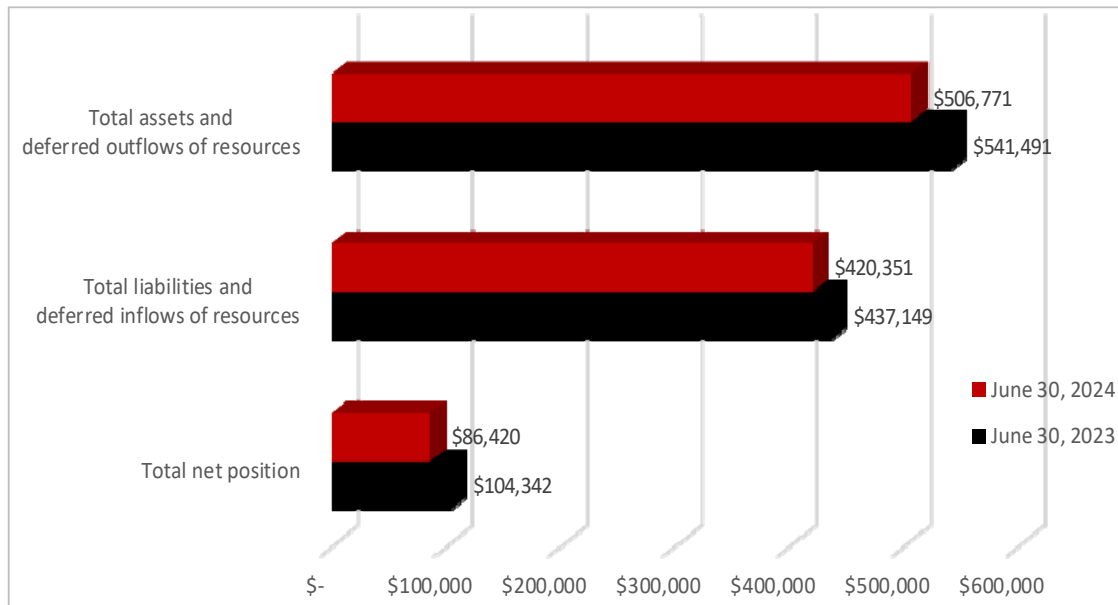
	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>\$ Change</u>	<u>% Change</u>
Current assets	\$ 110,761	\$ 160,967	\$ (50,206)	-31.2%
Noncurrent assets:				
Capital assets, net	362,470	351,217	11,253	3.2%
Other	18,663	17,167	1,496	8.7%
Total assets	<u>491,894</u>	<u>529,351</u>	<u>(37,457)</u>	<u>-7.1%</u>
Deferred outflows of resources	14,877	12,140	2,737	22.5%
Current liabilities	67,807	73,668	(5,861)	-8.0%
Noncurrent liabilities	327,159	335,415	(8,256)	-2.5%
Total liabilities	<u>394,966</u>	<u>409,083</u>	<u>(14,117)</u>	<u>-3.5%</u>
Deferred inflows of resources	<u>25,385</u>	<u>28,066</u>	<u>(2,681)</u>	<u>-9.6%</u>
Net investment in capital assets	67,185	44,298	22,887	51.7%
Restricted	65,836	75,240	(9,404)	-12.5%
Unrestricted	<u>(46,601)</u>	<u>(15,196)</u>	<u>(31,405)</u>	<u>206.7%</u>
Total net position	<u>\$ 86,420</u>	<u>\$ 104,342</u>	<u>\$ (17,922)</u>	<u>-17.2%</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following chart summarizes the University's statement of net position as of June 30, 2024 and the previous fiscal year-end:

Statement of Net Position (\$ in thousands)



Fiscal Year 2024 Compared to 2023

The University's net position decreased \$17.9 million during fiscal year 2024, compared to a \$16.4 million decrease the previous year. The State's general appropriation increased by \$6.5 million to \$98.7 million. State appropriations – capital increased from \$4.2 million in fiscal year 2023 to \$11.3 million in fiscal year 2024 due to an increase in state funded capital projects in fiscal year 2024. Nonoperating federal and state grants and other contracts decreased from \$11.8 million in fiscal 2023 to \$3.0 million in fiscal year 2024 due to the completion of federal and state COVID-19 pandemic relief funding.

Current assets including cash and investments decreased \$50.2 million (31.2%) over prior year and was due primarily to increased operating expenses and debt service, which resulted in a decrease in cash and investments of \$50.1 million.

Current liabilities decreased \$5.9 million (8.0%) at year-end due to decreased accounts payable and accrued liabilities which was attributable to timing of vendor payments. Noncurrent liabilities decreased \$8.3 million (2.5%) at year-end primarily due to current year principal payments on long-term debt obligations which was offset slightly by an increase in the other post-employment benefits obligations and accrued compensated absences liability.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets, Net and Debt Obligations

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

The increase in capital assets, totaling \$11.3 million (3.2%), was primarily a result of an increase in buildings and construction in process. The increase to buildings included a donation of the Yordon and Chessick Centers by the NIU Foundation to NIU. Capital asset additions totaled \$51.2 million, while depreciation expense totaled \$31.0 million in fiscal 2024. Other significant capital additions included field turf replacement, steam tunnel infrastructure, and elevators, as well as new investments in vehicles, information technology, and other equipment. Current year capital asset additions were funded with capital appropriations, grants from the state of Illinois and federal government, debt proceeds, gifts, and unrestricted net position, which were designated for capital purposes. See Note 5 for additional information on capital assets.

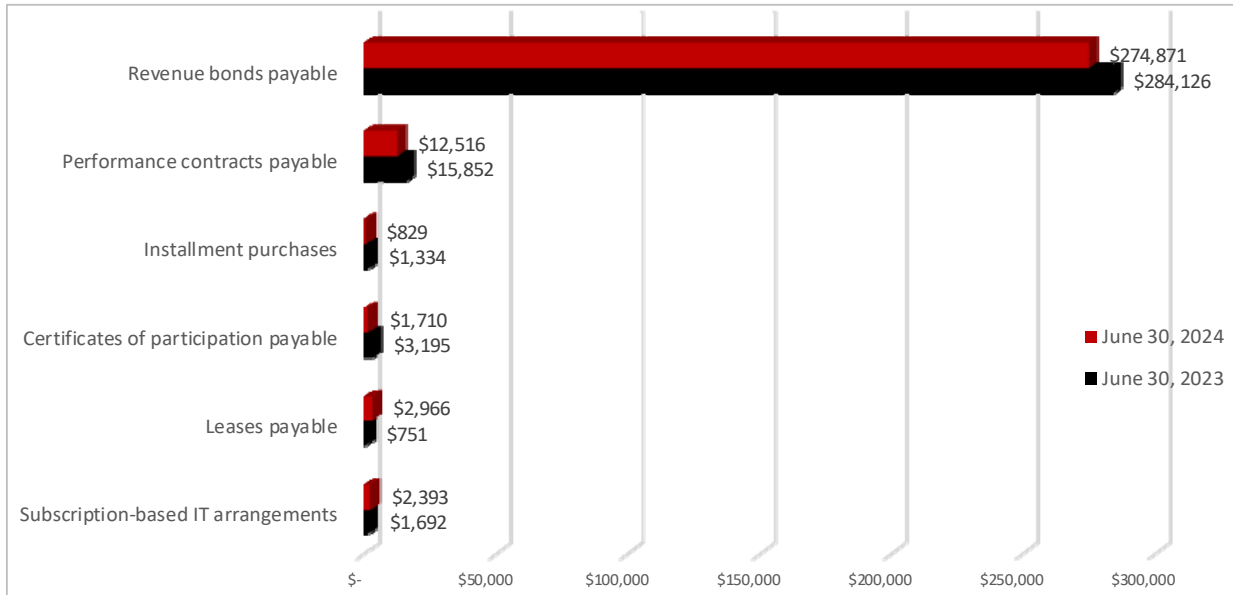
The University's long-term debt obligations relate to the financing of capital asset additions. At June 30, 2024, bonds payable totaled \$274.9 million, installment purchases totaled \$829,000, and leases payable totaled \$3.0 million. The University also has four separate performance contracts outstanding, totaling \$12.5 million, for the upgrading of lighting and heating/air conditioning affecting approximately 70 buildings on campus. Performance guarantees are in place for each contract. Certificates of participation payable totaled \$1.7 million at year-end and were used to finance the acquisition of academic and administrative facilities. Subscription-based IT Arrangements (SBITA) totaled \$2.4 million. See Notes 7, 11, 12, 13, 16, and 17 for additional information on long-term debt obligations.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following chart summarizes the University's bonds payable, leases payable, installment purchases payable, certificates of participation payable, performance contracts payable, and SBITAs outstanding as of June 30, 2024, and at the previous fiscal year-end:

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



STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statement of revenue, expenses, and changes in net position presents the change in financial position of the University. A summary comparison of the University's activities for the years ended June 30, 2024, and June 30, 2023, follows:

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

	2024	2023	\$ Change	% Change
Operating revenues	\$ 246,066	\$ 245,464	\$ 602	0.2%
Operating expenses	516,952	467,206	49,746	10.6%
Operating gain/(loss)	(270,886)	(221,742)	(49,144)	-22.2%
Nonoperating revenues/(expenses)	223,872	200,058	23,814	11.9%
Other revenues and changes in net position	29,092	5,310	23,782	447.9%
Increase/(decrease) in net position	<u>\$ (17,922)</u>	<u>\$ (16,374)</u>	<u>\$ (1,548)</u>	<u>-9.5%</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Revenues

The Summary of Revenues presents the University's results of operating, nonoperating, and other revenue earned during the fiscal year. NIU, and other public universities, depend on state appropriations, gifts, and financial aid grants, which are defined by GASB as nonoperating revenues to support core operations. A summary of the University's revenues for the fiscal year ended June 30, 2024, and changes from the previous fiscal year follows:

Summary of Revenues (\$ In Thousands)

	<u>2024</u>	<u>2023</u>	<u>\$ Change</u>	<u>% Change</u>
Operating revenues:				
Student tuition and fees, net	\$ 73,809	\$ 81,956	\$ (8,147)	-9.9%
Auxiliary enterprises	89,911	87,055	2,856	3.3%
Sponsored programs	52,839	46,641	6,198	13.3%
Other	29,507	29,812	(305)	-1.0%
Operating revenues	<u>246,066</u>	<u>245,464</u>	<u>602</u>	<u>0.2%</u>
Nonoperating revenues:				
State appropriations:				
General	98,670	92,216	6,454	7.0%
On-Behalf for Fringe Benefits	37,589	34,097	3,492	10.2%
Special Funding for Fringe Benefits	17,993	1,687	16,306	966.6%
Pell grants	30,353	26,935	3,418	12.7%
Illinois MAP Grants	37,370	31,513	5,857	18.6%
Federal Supplemental Educational Opportunity Grants	993	1,303	(310)	-23.8%
Federal and state grants and other contracts	2,993	11,821	(8,828)	-74.7%
Net investment income	6,547	5,809	738	12.7%
Net nonoperating revenues	<u>232,508</u>	<u>205,381</u>	<u>27,127</u>	<u>13.2%</u>
Other revenues:				
State appropriations - capital	11,342	4,171	7,171	171.9%
Gifts and contributions	17,763	414	17,349	4190.6%
Gain/(loss) on disposal of capital assets	(13)	725	(738)	-101.8%
Other revenues	<u>29,092</u>	<u>5,310</u>	<u>23,782</u>	<u>447.9%</u>
Total revenues	<u>\$ 507,666</u>	<u>\$ 456,155</u>	<u>\$ 51,511</u>	<u>11.3%</u>

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

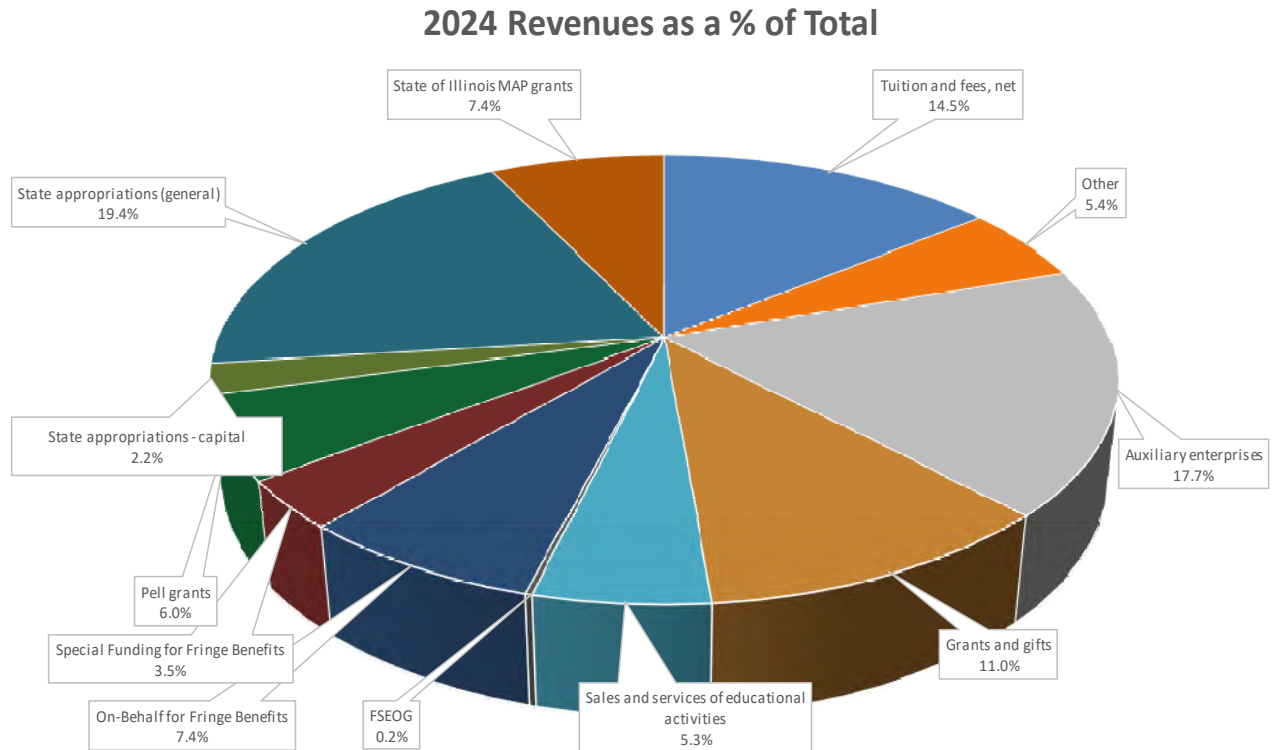
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year 2024 Compared to 2023

The University's total revenues increased by \$51.5 million, or 11.3%, primarily due to increases in state appropriations (general, capital, on-behalf, and special funding). The University also saw increases in Pell grants and State of IL Monetary Award Program (MAP) revenue. Lastly, gift and contributions increased significantly due to the transfer of the Yordon and Chessick Centers from the Foundation. See discussion below for explanations of significant increases and decreases in specific revenue categories.

The following is a graphic illustration of revenues by source (both operating and nonoperating), as a percentage of total revenues, which are used to fund the University's operating activities for the year ended June 30, 2024:



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MANAGEMENT'S DISCUSSION AND ANALYSIS

Notable changes in revenues during fiscal year 2024 compared to 2023 included:

- Tuition and Fees, net decreased by \$8.1 million in fiscal year 2024, or 9.9%, due to a decrease in enrollment and an increase in the scholarship allowance.
- Federal and state grants - operating and other contracts increased by \$5.9 million in fiscal year 2024, or 7.7% due to an increase in sponsored funding primarily related to state awards.
- Auxiliary enterprise revenues increased by \$2.9 million, or 3.3%, due to an increase in auxiliary occupancy headcount as well as a slight increase in room and board rates.
- State operating appropriations increased by \$6.5 million, or 7.0% in fiscal 2024 as a result of an increase in state support.
- State appropriations – capital increased by \$7.2 million, or 171.9% in fiscal 2014 due to increases in state funded capital projects.
- Special funding for fringe benefits increased \$19.8 million in fiscal 2024, or 976.8% due to an increase in supplemental state appropriations, or payments made on-behalf of the University to the Illinois Department of Central Management Services (DCMS) and the State Universities Retirement System (SURS). The University does not participate in the design, selection of vendors, or implementation of either the retirement or group insurance plans for employees. The on-behalf expense is a result of the changes in the underlying state retirement and other post-employment benefit plan liabilities. These liabilities are actuarially calculated and can fluctuate drastically from year to year resulting in significant year over year changes in the on-behalf revenues.
- Federal and state grants and other contracts - nonoperating decreased by \$8.8 million, or 74.7%, during fiscal 2024. This decrease is due to the completion of federal and state relief funding in fiscal 2024.
- Net investment income only increased \$738,000 due to market conditions and increases in interest rates.
- State of IL Monetary Award Program (MAP) increased \$5.9 million, or 18.6%, during fiscal year 2024 due to an increase in MAP fund awards by the Illinois Student Assistance Commission.
- Gifts and contributions increased by \$17.3 million in fiscal 2024 due to the donation and transfer of the Yordon and Chessick Practice center buildings from the Foundation to the University.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Expenses

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

A comparative summary of the University's expenses (both operating and nonoperating) for the fiscal years ended June 30, 2024, and June 30, 2023, follows:

Summary of Expenses (\$ In Thousands)

	2024	2023	\$ Change	% Change
Operating expenses:				
Instruction	\$ 168,194	\$ 152,866	\$ 15,328	10.0%
Research	23,377	20,679	2,698	13.0%
Public service	34,150	31,154	2,996	9.6%
Academic support	36,732	32,867	3,865	11.8%
Student services	21,312	18,696	2,616	14.0%
Operations and maintenance of plant	29,204	25,600	3,604	14.1%
Depreciation	31,036	27,135	3,901	14.4%
Institutional support	51,899	47,065	4,834	10.3%
Scholarships and fellowships	39,210	43,164	(3,954)	-9.2%
Auxiliary enterprises	81,838	67,980	13,858	20.4%
Operating expenses	<u>516,952</u>	<u>467,206</u>	<u>49,746</u>	<u>10.6%</u>
Nonoperating expenses:				
Interest expense	8,636	5,323	3,313	62.2%
Total expenses	<u>\$ 525,588</u>	<u>\$ 472,529</u>	<u>\$ 53,059</u>	<u>11.2%</u>

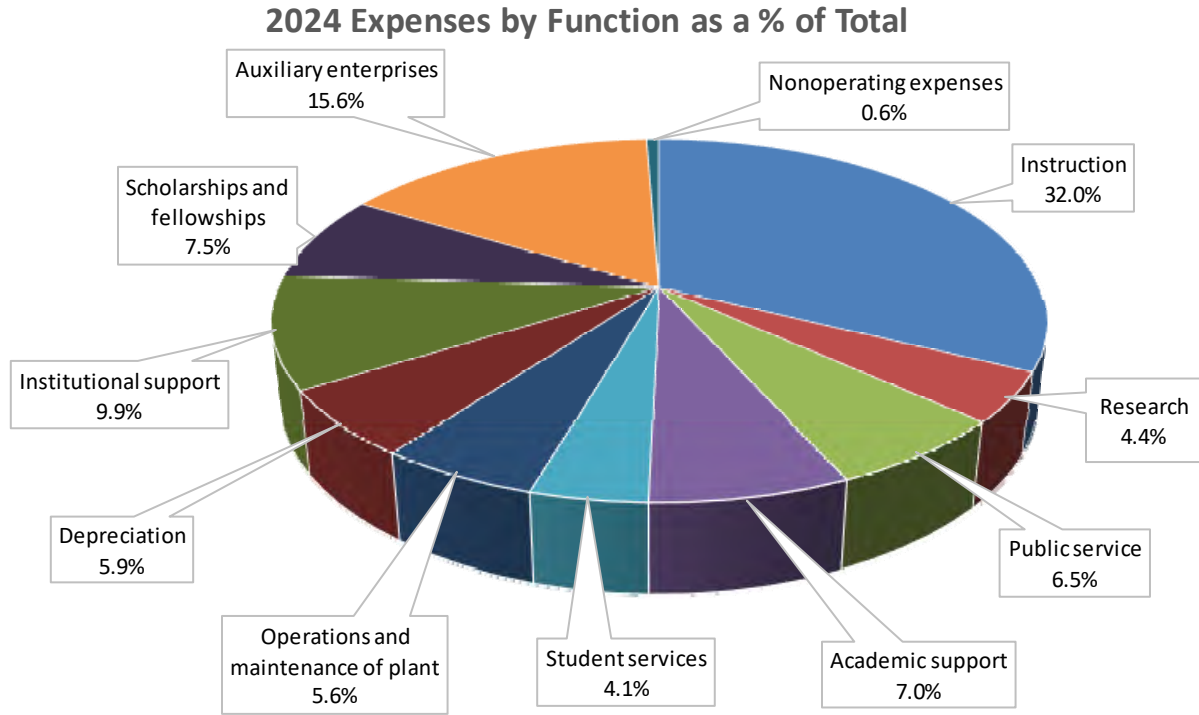
Fiscal Year 2024 Compared to 2023

The University's total operating expenses increased \$49.8 million to \$517.0 million during the year ended June 30, 2024, an increase of 10.6% from the prior year. This total includes fringe benefit expenses for the on-behalf payments made by the State for university employer contributions for State Employees Group Insurance Program (SEGIP) and SURS, which are recorded as both nonoperating revenues from the State and operating expenditures for staff benefits. The University's total operating expenses when factoring out the employer contributions for SEGIP and SURS increased by \$29.9 million, or 6.9%, during the year ended June 30, 2024.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a graphic illustration of functional expenses, as a percentage of total expenses, for the year ended June 30, 2024:



Notable changes in expenses during fiscal year 2024 compared to 2023 included:

- Instruction, which includes expenses for academic programs including community education, increased \$15.3 million in total during fiscal 2024, or 10.0%, due primarily to an increase in the benefit expense allocation for on-behalf contributions to SEGIP. After adjusting for on-behalf expense, instruction expense increased by \$6.7 million, or 4.9%, which was primarily due to an increase in personnel services costs in fiscal 2024.
- Institutional Support, which includes expenses related to the management and long-range planning for the University, support services to faculty and staff, and community and alumni relations activities increased \$4.8 million, or 10.3% in fiscal 2024 due primarily to an increase in the benefit expense allocation for on-behalf contributions to SEGIP. After adjusting for on-behalf expense, institutional support expense increased by \$1.9 million, or 4.4%, which was primarily due to an increase in personnel services costs in fiscal 2024.
- Scholarships and fellowships decreased \$4.0 million, or 9.2% in fiscal 2024. This is due to a decrease in HEERF student funds awarded and disbursed.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

- Auxiliary enterprises, which is primarily comprised of student housing, the student union, intercollegiate athletics, recreational facilities, and parking operations, increased \$13.9 million during fiscal 2024, or 20.4%, due primarily to an increase in the benefit expense allocation for on-behalf contributions to SEGIP. After adjusting for on-behalf expense, auxiliary enterprises expense increased by \$10.3 million, or 16.6%, due to increase in personnel services costs, as well as an increase in repair and maintenance expenses.

STATEMENT OF CASH FLOWS

The statement of cash flows provides additional information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. A summary comparison of cash flows for the University's fiscal years ended June 30, 2024 and June 30, 2023 follows:

Condensed Statement of Cash Flows (\$ In Thousands)

	<u>2024</u>	<u>2023</u>	<u>\$ Change</u>	<u>% Change</u>
Net cash used in operating activities	\$ (197,272)	\$ (169,185)	\$ (28,087)	16.6%
Net cash provided by noncapital financing activities	174,233	173,287	946	0.5%
Net cash used in capital and related financing activities	(33,595)	(23,854)	(9,741)	-40.8%
Net cash provided by investing activities	<u>80,107</u>	<u>9,341</u>	<u>70,766</u>	<u>757.6%</u>
Net increase/(decrease) in cash and cash equivalents	23,473	(10,411)	33,884	-325.5%
Cash and cash equivalents, beginning of year	<u>48,134</u>	<u>58,545</u>	<u>(10,411)</u>	<u>-17.8%</u>
Cash and cash equivalents, end of year	<u>\$ 71,607</u>	<u>\$ 48,134</u>	<u>\$ 23,473</u>	<u>48.8%</u>

Fiscal Year 2024 Compared to 2023

Cash flows from operating activities present the net cash provided or used by the fiscal year activities of the University. Due to the categorization of operating and nonoperating revenues and expenses by GASB, cash flows from operating expenses are typically a net cash use. Major operating funding sources include student tuition and fees, governmental grants and contracts, and auxiliary enterprises revenues. Notable changes in cash flows during fiscal year 2024 compared to 2023 include:

- Net cash used in operating activities increased \$28.1 million in fiscal 2024, or 16.6% from the previous year. Receipts from federal and state grants and other contracts increased \$3.3 million and receipts from sales and services of education activities increased \$4.0 million. Receipts from student tuition

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MANAGEMENT'S DISCUSSION AND ANALYSIS

and fees decreased by \$7.2 million. Payments to suppliers increased \$14.0 million due to a decrease in accounts payable and an increase in repair and maintenance activities in fiscal 2024. Payments to employees increased \$21.5 million due to salary increments. Lastly, payments for scholarships decreased by \$4.0 million due to the completion of HEERF student funds in fiscal 2023.

- Net cash provided by noncapital financing activities increased by \$946,000 in fiscal 2024, or 0.5%, due primarily to a decrease in cash flows from federal and state grants and other contracts totaling \$14.9 million due to the completion of HEERF federal relief funding. This was offset by an increase of \$6.0 million in state appropriation and a \$5.9 million increase in MAP funding received during fiscal 2024.
- Net cash used in capital and related financing activities increased by \$7.6 million, or 29.2% which was primarily due to increases in principle payments on capital debt in accordance with the planned debt service to maturity schedules. There was also an increase in purchase of capital assets in fiscal 2024 when compared to fiscal 2023.
- Net cash provided by investing activities increased \$70.8 million in fiscal 2024, or 757.6% over the previous year. This was primarily due to an adjustment to proceeds from sales and maturities of investments related to classification of Illinois Funds. Additionally, the University let the treasury and agency investments mature due to favorable market conditions and interest rates on the demand deposit holdings.

FIDUCIARY FUNDS

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

THE UNIVERSITY'S ECONOMIC OUTLOOK

The University is committed to its mission of empowering students through educational excellence and experiential learning as we pursue knowledge, share our research and artistry, and engage communities for the benefit of the region, state, nation and world while also achieving financial stability through implementation of multi-year planning and budgeting. The University reduced its fiscal year 2025 operating budget deficit by 50% and is committed to achieving a balanced operating budget by fiscal year 2026.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

THE UNIVERSITY'S ECONOMIC OUTLOOK (Continued)

For Fall 2024, the University saw a 10% decrease in new freshman enrollment over the previous year. The decline in freshman enrollment is largely attributable to the FAFSA challenges that impacted all Universities. Total enrollment for Fall 2024 was largely flat when compared to the year prior. The state legislature continues to demonstrate its commitment towards higher education in the State of Illinois. The University received a general appropriation of \$98.6 million in fiscal year 2024, and the University has an approved fiscal year 2025 general appropriation budget of \$100.6 million.

The University continues to take the necessary steps to implement a business model that sustains financial health, better funds appropriate levels of institutional student financial aid, enables investment in dedicated employees, and provides sufficient flexibility to respond to the rapidly changing higher education landscape. In addition, the University continues working to transform relationships into resources, forming new partnerships in fiscal year 2024 that will allow for greater efficiency, effectiveness, and expertise, as well as enhance student experiences. The long-term success and sustainability of the University are contingent on moving forward with the updated Strategic Enrollment Management Plan, implementation of multi-year planning and budgeting, strengthening liquidity, as well as making critical investments in infrastructure and initiatives that support academic excellence, research and artistry, as well as student success.

Sponsored funds provide direct support for the University's research, artistry, service, and instructional programs and generate indirect revenue to maintain them. External funding is influenced by many factors including faculty funding cycles, competition for federal dollars, award spending schedules, and current funding portfolio. The University anticipates that strategic research development efforts across campus will lead to increases in sponsored funding at or above the fiscal 2024 level.

Private gifts are an important source of funding for University operations. They enable capital acquisitions and construction and are a significant factor in expanding academic excellence. In October 2024, the University received the largest single gift in the University's history. The \$40 million gift from the Baustert Family Foundation will directly support the development of NIU's future home for health professions education and transdisciplinary research. With the help of the Northern Illinois University Foundation, the University continues to develop, support, and encourage a culture of giving throughout the University community, including its strong alumni base. The University is continuing to pursue supplemental sources of revenue to enhance its outstanding academic reputation. Despite expected challenges, the Northern Illinois University Board of Trustees, University management, and the campus community will be unwavering in their commitment to the mission of instruction, research, and public service. The University will be guided by its core values and will remain committed to strengthening the financial position and future sustainability of NIU.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

THE UNIVERSITY'S ECONOMIC OUTLOOK (Continued)

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

NORTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF NET POSITION
June 30, 2024 (In Thousands)

	University	Component
	2024	Units
	2024	2024
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,876	\$ 2,936
Restricted cash and cash equivalents	64,731	-
Accrued interest receivable	50	-
Accounts receivable, net	32,416	1,641
Inventories	2,140	-
Due from component units	2,719	-
Other assets	<u>1,829</u>	<u>1,917</u>
Total current assets	<u>110,761</u>	<u>6,494</u>
Noncurrent assets		
Investments and marketable securities	-	169,577
Student loans receivable, net	1,106	-
Lease receivable	1,952	-
Due from component units	12,548	-
Other	3,057	2,575
Capital assets, net of accumulated depreciation	<u>362,470</u>	<u>5,079</u>
Total noncurrent assets	<u>381,133</u>	<u>177,231</u>
TOTAL ASSETS	<u>491,894</u>	<u>183,725</u>
DEFERRED OUTFLOWS OF RESOURCES		
Other postemployment benefits	13,011	-
Federal, trust, grant, and other contributions - pensions	<u>1,866</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>14,877</u>	<u>-</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	49,509	1,890
Accrued compensated absences	1,382	-
Other postemployment benefits	1,014	-
Students' deposits	345	-
Due to NIU	-	2,719
Unearned tuition and fees	9,996	-
Unearned revenue and grants	<u>5,561</u>	<u>-</u>
Total current liabilities	<u>67,807</u>	<u>4,609</u>
Noncurrent liabilities		
Other postemployment benefits	23,752	-
Due to NIU	-	12,548
Performance contracts payable	9,073	-
Accrued compensated absences	19,530	-
Government loan fund advances	1,395	-
Unearned revenue and grants	-	17
Revenue bonds payable	268,908	-
Installment purchase	571	-
Leases payable	2,119	-
Subscription-based IT arrangements	1,556	-
Notes and certificates of participation payable	<u>255</u>	<u>-</u>
Total noncurrent liabilities	<u>327,159</u>	<u>12,565</u>
TOTAL LIABILITIES	<u>394,966</u>	<u>17,174</u>
DEFERRED INFLOWS OF RESOURCES		
Other postemployment benefits	23,358	-
Leases	<u>2,027</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>25,385</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	67,185	5,079
Restricted:		
Nonexpendable	179	77,392
Expendable	65,657	63,004
Unrestricted	<u>(46,601)</u>	<u>21,076</u>
TOTAL NET POSITION	<u>\$ 86,420</u>	<u>\$ 166,551</u>

See accompanying Notes to the Basic Financial Statements.

NORTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2024 (In Thousands)

	University	Component
	2024	Units
	2024	2024
REVENUES		
Operating revenues		
Tuition and fees, net	\$ 73,809	\$ -
Federal and state grants and other contracts	46,000	-
Private gifts, grants, and contracts	6,839	16,245
Sales and service of educational activities	26,710	-
Other sources	2,797	1,359
Auxiliary enterprises	89,911	-
Total operating revenues	<u>246,066</u>	<u>17,604</u>
EXPENSES		
Operating expenses		
Instruction	168,194	-
Research	23,377	-
Public service	34,150	-
Academic support	36,732	-
Student services	21,312	-
Operation and maintenance of plant	29,204	-
Depreciation	31,036	237
Institutional support	51,899	16,436
Scholarships and fellowships	39,210	3,762
Auxiliary enterprises	81,838	-
Total operating expenses	<u>516,952</u>	<u>20,435</u>
Net operating loss	<u>(270,886)</u>	<u>(2,831)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations - general	98,670	-
On-behalf for fringe benefits	37,589	-
Special funding for fringe benefits	17,993	-
Federal and state grants and other contracts	2,993	-
Net investment income	6,547	16,105
Pell grants	30,353	-
Federal Supplemental Educational Opportunity Grant (FSEOG)	993	-
State of IL Monetary Award Program (MAP)	37,370	-
Interest expense	(8,636)	-
Net nonoperating revenues	<u>223,872</u>	<u>16,105</u>
(Loss)/income before other revenues, gains, or losses	(47,014)	13,274
OTHER REVENUES AND GAINS (LOSSES)		
State appropriations - capital	11,342	-
Gifts and contributions	17,763	(16,532)
Loss on disposal of capital assets	(13)	-
DECREASE IN NET POSITION	(17,922)	(3,258)
NET POSITION, BEGINNING OF YEAR	<u>104,342</u>	<u>169,809</u>
NET POSITION, END OF YEAR	<u>\$ 86,420</u>	<u>\$ 166,551</u>

See accompanying Notes to the Basic Financial Statements.

NORTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2024 (In Thousands)

	University
	2024
CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees, net	\$ 72,624
Federal and state grants and other contracts	43,219
Private gifts, grants, and contracts	4,932
Sales and service of educational activities	27,089
Auxiliary enterprises	88,979
Payment to suppliers	(120,129)
Payment to employees	(278,017)
Payments for scholarships	(39,270)
Collection of loans to students and employees	(352)
Other receipts, net	3,653
Net cash used in operating activities	(197,272)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	98,670
Pell Grants	30,015
Federal Supplemental Educational Opportunity Grant (FSEOG)	1,198
State of IL Monetary Award Program (MAP)	37,370
Federal and state grants and other contracts	6,980
Net cash provided by noncapital financing activities	174,233
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(8,305)
Principal payments on capital debt	(12,883)
Interest payments on capital debt	(12,407)
Net cash used in capital and related financing activities	(33,595)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income on investments, net	6,532
Proceeds from sales and maturities of investments	108,095
Purchase of investments	(34,520)
Net cash provided by investing activities	80,107
NET INCREASE IN CASH AND CASH EQUIVALENTS	23,473
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	48,134
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 71,607

See accompanying Notes to the Basic Financial Statements.

NORTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2024 (In Thousands)

	University
	2024
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (270,886)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Depreciation expense - non-auxiliary enterprises	16,787
Depreciation expense - auxiliary enterprises	14,249
On behalf payments for fringe benefits	37,589
Special funding for fringe benefits	17,993
Other nonoperating revenues	(372)
CHANGES IN ASSETS AND LIABILITIES	
Accounts receivable	(4,610)
Inventories	(205)
Student loans receivable	529
Other assets	1,485
Deferred outflows of resources - pensions	(127)
Deferred outflows of resources - other post-employment benefits	(2,610)
Due from/to component units	(1,222)
Accounts payable and accrued liabilities	(7,801)
Accrued compensated absences	1,665
Students' deposits	8
Unearned revenue and grants	(223)
Other postemployment benefits	3,160
Deferred inflows of resources - leases	1,723
Deferred inflows of resources - other post-employment benefits	(4,404)
Net cash used in operating activities	\$ (197,272)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION	
Cash and cash equivalents classified as current assets	\$ 6,876
Restricted cash and cash equivalents classified as current assets	64,731
Total cash and cash equivalents, end of year	\$ 71,607
NONCASH INVESTING, CAPITAL, NONCAPITAL, AND FINANCING ACTIVITIES	
On-behalf payments for fringe benefits	\$ 37,589
Special funding for fringe benefit	17,993
Capital asset contributions	17,763
Other postemployment benefits expenses - employer portion	3,854
Unrealized gain/(loss)	(359)
State expenses for capitalized CDB projects	11,342

See accompanying Notes to the Basic Financial Statements.

NORTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2024 (In Thousands)

	<u>Custodial Funds</u> <u>June 30, 2024</u>
ASSETS	
Cash and cash equivalents	\$ 4,927
Prepaid expenses	17
Total Assets	<u>4,944</u>
LIABILITIES	
Accounts payable and accrued liabilities	<u>5</u>
Total Liabilities	<u>5</u>
NET POSITION	
Restricted:	
Illinois Board of Examiners	4,939
Total Net Position	<u>\$ 4,939</u>

See accompanying Notes to the Basic Financial Statements.

NORTHERN ILLINOIS UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2024 (In Thousands)

	Custodial Funds
	June 30, 2024
REVENUES	
Fee income	\$ 882
Sales	246
Interest	274
Total Additions	1,402
DEDUCTIONS	
Personnel services	765
Rent	86
Contractual services	161
Other deductions	12
Total Deductions	1,024
Increase in fiduciary net position	378
 FIDUCIARY NET POSITION, BEGINNING OF YEAR	 4,561
 FIDUCIARY NET POSITION, END OF YEAR	 \$ 4,939

See accompanying Notes to the Basic Financial Statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity and Component Unit Disclosures

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

Cash and Cash Equivalents

Cash and cash equivalents of the University include all bank accounts and all highly liquid investments with original maturity of three months or less at the date of purchase. Funds invested through the Illinois Funds are considered cash equivalents. Restricted cash and cash equivalents are for capital projects and the auxiliary facilities system at the University, funded by an external debt issuance.

Investments

The University accounts for its investments 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*.

Accounts and Loans Receivable

The University provides allowances for uncollectible accounts and loans receivable based upon management's best estimate considering type, age, collection history of receivables, and any other factors as considered appropriate. Accounts and loans receivable are reported net of allowances at June 30, 2024.

Inventories

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets/Intangible Assets

Capital assets are recorded at cost when purchased or acquisition value at the date of donation. Depreciation is calculated on a straight-line basis over the estimated useful lives (noted below) of the respective assets. The University follows the state of Illinois policy for capitalization with thresholds as follows: Infrastructure - \$250,000; Land - \$100,000; Land improvements - \$25,000; Site improvements - \$25,000; Buildings - \$100,000; Building improvements - \$25,000; Equipment - \$5,000; and Works of art, historical treasures - \$5,000, and intangible assets - \$10,000.

The assets associated with long-term leases have been capitalized. Estimated useful lives for capital assets are as follows:

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

Intangible assets represent the University's right-to-use a leased asset and the University's right-to-use subscription-based information technology. These intangible assets, as defined by GASB Statements No. 87, *Leases*, and No. 96, *Subscription-Based Information Technology Arrangements*, are for lease contracts of nonfinancial assets including vehicles and equipment and for subscription contracts of nonfinancial assets including software, respectively.

Unearned Revenue

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

Compensated Absences

It is the policy of the University to accrue vacation pay as earned. As of June 30, 2024, the accrued liability for this benefit was \$19,747,000 and is included in accrued compensated absences on the statement of net position.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

Accrued compensated absences includes employee earned but unused vacation and sick leave days. In accordance with Illinois Public Act 83-976, the University is required to compensate certain employees, generally civil service and administrative professionals, for sick leave benefits earned after January 1, 1984. Sick leave earned by these employees after this date will accumulate without limit and is payable upon termination of employment for one-half of the unused amount. As of January 1, 1998, per 30 ILCS 105/14a, sick leave benefits earned after that date are no longer compensable upon termination of employment. All prior earned benefits will still be paid. As of June 30, 2024, the accrued liability of this benefit was \$1,165,000, and is included in accrued compensated absences on the statement of net position. The accrued compensated absences liability will be funded through future State of Illinois General Revenue Fund appropriations as the terminated employees leave the University.

Employment Contracts

Employment contracts for certain academic personnel provide for twelve monthly salary payments, although the contractual services are rendered during a nine-month period. The liability for those employees who have completed their contracted services, but have not yet received final payment, is \$6,794,000 at June 30, 2024, and is recorded in the accompanying financial statements as accrued liabilities on the statement of net position. This amount will be paid from amounts specifically included in State appropriations to the University for fiscal year 2025 rather than the unrestricted net position available at June 30, 2024.

Premiums, Discounts, and Prepaid Insurance

Bond premiums and discounts, as well as prepaid insurance costs, are deferred and amortized over the life of the bonds using the effective interest method.

Pensions

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions (Continued)

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

Other Postemployment Benefits (OPEB)

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

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

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.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Postemployment Benefits (OPEB) (Continued)

Special Funding Situation Portion of OPEB

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

During the OPEB measurement period ended June 30, 2023, the University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of \$1,138,000 to help offset the amount the State needed to provide for retirees under the special funding situation described in the preceding paragraph.

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

University's Portion of OPEB

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

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On-Behalf Transactions

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

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

During the year ended June 30, 2024, total estimated group insurance contributions for the University's employees paid from the University's Income Fund and auxiliary enterprises were \$40,113,000. The University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of \$2,524,000 to help offset the amount the State needed to provide for current employees under the situation described in the preceding paragraph. As such, the State contributed the estimated remaining balance of \$37,589,000 on-behalf of the University to meet this obligation for current employees.

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

Net Position

The University's resources are classified into net position categories and reported in the Statement of Net Position. These categories are defined as (a) net investment in capital assets – capital assets net of accumulated depreciation and amortization along with related outstanding debt balances attributable to the acquisition, construction, or improvement of those assets; (b) restricted nonexpendable – net position restricted by

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

externally imposed stipulations; (c) restricted expendable – net position subject to externally imposed restrictions that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time, and (d) unrestricted – net position not subject to externally imposed stipulations but may be designated for specific purposes by action of management or the Board. The University first applies resources in restricted net position when an expense or outlay is incurred for purposes for which resources in both restricted and unrestricted net positions are available.

Classification of Revenue

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

Certain revenue sources that the University relies on to provide funding for operations including State appropriations, gifts, and investment income are defined by GASB Statement No. 35 as nonoperating. In addition, transactions related to capital and financing activities are components of nonoperating revenues.

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

Federal Student Loan Programs

The University receives proceeds from the Federal Direct Student Loan Program (FDSLPL). GASB Statement No. 84 allows business-type activities to report activities that would otherwise be considered custodial funds in the Statement of Net Position and Statement of Cash Flows as an operating activity if, upon receipt, the funds are normally expected to be held for three months or less. Funds associated with the FDSLPL meet this exception and are reported as such. Federal student loans received by students were \$64,119,000 and \$68,065,000 for the fiscal years ended June 30, 2024 and 2023, respectively.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Scholarship Discount and Allowances

Student tuition and fee revenues are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position using the National Association of College and University Business Officers' Advisory Report 2000-05's alternative method calculation. Stipends and other payments made directly to students are reported as scholarship and fellowship expense. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount paid by the students (and/or third parties on the students' behalf). Certain governmental grants and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenue in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees, the University has recorded a scholarship discount and allowance. In fiscal year 2024, a scholarship allowance of \$79,406,000 is netted against student tuition and fees.

Use of Estimates in Preparing the Financial Statements

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

Perkins Loan Program

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New and Pending Accounting Pronouncements

Newly Implemented Accounting Pronouncements

GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs were adopted with the June 30, 2023, financial statements. All other requirements have been implemented with the June 30, 2024 financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The University has implemented these changes with the June 30, 2024 financial statements.

Pending Accounting Pronouncements

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New and Pending Accounting Pronouncements (Continued)

Pending Accounting Pronouncements (Continued)

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The University has not yet determined the impact of this Statement. It is required to be adopted with the June 30, 2025 financial statements.

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The University has not yet determined the impact of this Statement. It is required to be adopted with the June 30, 2026 financial statements.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets as an enhancement to GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*. The University has not yet determined the impact of this Statement. It is required to be adopted with the June 30, 2026 financial statements.

2. CASH AND CASH EQUIVALENTS

The University maintains deposits at financial institutions authorized by the Board of Trustees. The bank balance and carrying value of these deposits, excluding cash in the fiduciary fund, were \$30,014,000 and \$29,390,000, respectively as of June 30, 2024. The cash deposits in excess of Federal Deposit Insurance Corporation (FDIC) limits were insured or collateralized with securities held by the University, or its custodian in the name of the University. Additionally, the University classifies highly liquid investments purchased with a maturity of three months or less to be cash and cash equivalents. Funds invested through the Illinois Funds are considered cash equivalents.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

3. INVESTMENTS

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

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

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

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

The University had no funds invested in fixed income investments as of June 30, 2024.

At June 30, 2024, the University held \$9,839,000 in a money market mutual fund, the Goldman Sachs Financial Square Government Fund. The fund values its holdings at amortized cost (2a7 like pool). Interest income is declared daily and paid monthly. This money market fund account is not covered by FDIC insurance but is rated AAAm.

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3. INVESTMENTS (Continued)

The University held \$32,378,000 in the Illinois Funds which are valued at amortized cost. The State Treasurer maintains the Illinois Funds at amortized cost (2a7 like pool) through daily adjustment in the interest earnings. The State Treasurer also maintains the average duration of the pool at less than 25 days. The value of the University’s investment in the funds is the same as the value of the pool shares.

The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. All funds deposited in the pool are classified as cash equivalents. The Illinois Funds does not have any limitations or restrictions on participant withdrawals. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provision of the Illinois Public Funds Investment Act (30 ILCS 235). The Illinois Funds are rated AAAM by Standard & Poor’s.

The following details the carrying value of the University’s cash and investments as of June 30, 2024 (\$000s):

		Total		Bank and Custodian Demand Deposit Accounts		Fair Value		Net Asset Value
Cash and cash equivalents	\$	71,607	\$	29,390	\$	-	\$	42,217
Investments		-		-		-		-

Custodial credit risk – Custodial credit risk is the risk that when, in the event a financial institution or counterparty fails, the University would not be able to recover the value of investments or collateral securities that are in the possession of an outside party. As of June 30, 2024, the University was not subject to custodial credit risk as all of the University’s investments were held in its name.

Concentration of credit risk – Concentration risk is the risk of loss attributed to the magnitude of an entity’s investment in a single issuer, other than the U.S. Government. The University is considered to have a concentration of credit risk if its investments in any one single issuer, other than securities explicitly guaranteed by the U.S. government and mutual funds, are greater than 5% of total investments. The University held no such investments as of June 30, 2024.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

3. INVESTMENTS (Continued)

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

	Illinois Public Treasurer's Investment Pool
AAAm	\$ 32,378
Total	\$ 32,378

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

<u>Segmented Time Distribution</u>	Illinois Public Treasurer's Investment Pool
0 - 1 year	\$ 32,378
Total	\$ 32,378

URO - Foundation Investments

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

Endowed funds and funds initially received as expendable, but designated as endowment, are invested with a long-term horizon. Expendable gift funds are invested with an intermediate-term strategy based upon historical patterns of usage.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

3. INVESTMENTS (Continued)

URO – Foundation Investments (continued)

The Foundation’s investments as of June 30, 2024, consisted of the following (\$000s):

U.S. Treasury securities	\$	133
Equity:		
Domestic equity - Lrg/Mid-Cap		31,305
Domestic equity - Small-Cap		7,127
International equity		24,899
Private equity		10,739
Hedged strategies		9,189
Public fixed income		49,238
Private debt		3,826
Public real assets		11,140
Private natural resources		7,895
Private real estate		5,073
		160,564
Funds held in trust by others		10,499
		\$ 171,063

The Foundation’s investment return for fiscal year 2024 is comprised of the following (\$000s):

Interest and dividend income	\$	4,915
Net realized and unrealized gains/(losses) on investments reported at fair value		11,805
Investment fees		(615)
		\$ 16,105

The Foundation’s permissible investment categories include:

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

3. INVESTMENTS (Continued)

URO – Foundation Investments (continued)

Investments in Entities that Calculate Net Asset Value per Share

The Foundation holds shares or interests in investment companies at year end where the fair value of the investment held is estimated based on net asset value per share of the investment company. At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows (\$000s):

	Fair Value	Unfunded Commitment
Hedge funds and alternative investments	\$ 14,923	\$ -
Private equity and international equity	27,933	12,719
	\$ 42,856	\$ 12,719

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

The private equity funds class includes funds that invest in the following types of investments in the U.S. and outside the U.S. venture capital partnerships, buyout partnerships, mezzanine/subordinated debt partnerships, restructuring/distressed debt partnerships and special situation partnerships, and real estate. These investments cannot be redeemed during the life of the partnership, which can be up to 12 years; however, they can be transferred to another eligible investor. Distributions will be received as the underlying investments of the funds are liquidated over time. The fair value of this investment has been estimated using the NAV provided by the fund manager and an adjustment determined by management for the time period between the date of the last available NAV from the investment manager and June 30, 2024.

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4. RECEIVABLES

Accounts Receivable

The University and its component units report accounts receivable net of the allowance for uncollectible accounts and includes the following as of June 30, 2024:

	Gross Receivables	Allowance for Uncollectible Accounts	Net Receivables
UNIVERSITY (\$000s)			
Student accounts	\$ 37,731	\$ (25,700)	\$ 12,031
Customer accounts	3,197	(551)	2,646
Grants receivable	17,611	-	17,611
Lease receivable-ST	128	-	128
	<u>\$ 58,667</u>	<u>\$ (26,251)</u>	<u>\$ 32,416</u>
COMPONENT UNITS (\$000s)			
Pledges receivable - gross	\$ 5,451	\$ -	\$ 5,451
Less: Allowance for uncollectible contributions	-	(1,235)	(1,235)
Pledges receivable - net*	<u>\$ 5,451</u>	<u>\$ (1,235)</u>	<u>\$ 4,216</u>

* On the Statement of Net Position, the non-current portion of this number, totaling \$2,575, is classified as Other in the noncurrent asset section.

University Student Loans Receivable

Student loans made through the Federal Perkins Loan Program comprise substantially all of student loans receivable as of June 30, 2024 totaling \$1,106,000, net of allowance for uncollectible accounts of \$211,000.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2024, is summarized as follows:

University (\$000s)	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 19,142	\$ -	\$ -	\$ -	\$ 19,142
Construction in progress	11,104	16,145	(958)	(12,653)	13,638
Total capital assets not being depreciated	<u>30,246</u>	<u>16,145</u>	<u>(958)</u>	<u>(12,653)</u>	<u>32,780</u>
Tangible capital assets being depreciated:					
Land improvements	98,225	-	-	6,362	104,587
Leasehold improvements	431	-	-	-	431
Buildings	738,134	24,877	-	5,105	768,116
Equipment	183,005	5,408	(9,112)	1,186	180,487
Other assets	3,820	-	-	-	3,820
Total tangible capital assets being depreciated:	1,023,615	30,285	(9,112)	12,653	1,057,441
Intangible capital assets being amortized:					
Building space	464	175	-	-	639
Other	653	2,850	-	-	3,503
Subscription-Based IT Arrangements	2,315	1,775	-	-	4,090
Total intangible capital assets being amortized:	3,432	4,800	-	-	8,232
Less: accumulated depreciation for tangible capital assets					
Land improvements	(71,745)	(2,839)	-	-	(74,584)
Leasehold improvements	(406)	(1)	-	-	(407)
Buildings	(457,144)	(30,928)	-	-	(488,072)
Equipment	(171,986)	(3,371)	9,098	-	(166,259)
Other assets	(3,821)	-	1	-	(3,820)
Total accumulated depreciation for tangible capital assets	(705,102)	(37,139)	9,099	-	(733,142)
Less: accumulated amortization for intangible capital assets					
Building space	(186)	(107)	-	-	(293)
Other	(199)	(765)	-	-	(964)
Subscription-Based IT Arrangements	(589)	(995)	-	-	(1,584)
Total accumulated for intangible capital assets	(974)	(1,867)	-	-	(2,841)
Total tangible and intangible capital assets being depreciated and amortized, net	<u>320,971</u>	<u>(3,921)</u>	<u>(13)</u>	<u>12,653</u>	<u>329,690</u>
Total capital assets, net	<u>\$ 351,217</u>	<u>\$ 12,224</u>	<u>\$ (971)</u>	<u>\$ -</u>	<u>\$ 362,470</u>

During 2024, the NIU Foundation transferred ownership of the Jeffrey & Kimberly Yordon Center and the Kenneth and Ellen Chessick Practice Center to the University. The transferred cost of the buildings was \$24,451 and accumulated depreciation of \$7,970 for a transferred net book value of \$16,481. See note 15 for additional information.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS (Continued)

URO-Foundation (\$000s)	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 3,861	\$ -	\$ -	\$ -	\$ 3,861
Construction in progress	555	303	-	-	858
Total capital assets not being depreciated	<u>4,416</u>	<u>303</u>	<u>-</u>	<u>-</u>	<u>4,719</u>
Capital assets being depreciated:					
Buildings	24,676	-	-	(24,440)	236
Equipment	187	87	-	-	274
Total capital assets being depreciated:	24,863	87	-	(24,440)	510
Less: accumulated depreciation	<u>(7,883)</u>	<u>(237)</u>	<u>7,970</u>	<u>-</u>	<u>(150)</u>
Total capital assets being depreciated, net	<u>16,980</u>	<u>(150)</u>	<u>7,970</u>	<u>(24,440)</u>	<u>360</u>
Total capital assets, net	<u>\$ 21,396</u>	<u>\$ 153</u>	<u>\$ 7,970</u>	<u>\$ (24,440)</u>	<u>\$ 5,079</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2024, are as follows (\$000s):

	<u>University</u>	<u>URO - Foundation</u>
Payable to vendors/suppliers	\$ 25,149	\$ 1,849
Accrued payroll	8,781	-
Current portion of noncurrent liabilities:		
Accrued interest	2,776	-
Performance contracts payable	3,443	-
Revenue bonds payable	5,963	-
Installment purchases	258	-
Notes and certificates of participation payable	1,455	-
Leases payable	847	-
Subscription-based IT arrangements	837	-
Total accounts payable and accrued liabilities	<u>\$ 49,509</u>	<u>\$ 1,849</u>

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7. PERFORMANCE CONTRACTS PAYABLE

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

Performance contracts payable activity and outstanding balances as of and for the year ended June 30, 2024, are as follows (\$000s):

Performance Contract	Beginning Balance	Issued	Retired	Ending Balance	Current Portion
Energy Infrastructure Improvement - Phase 10B	\$ 3,709	\$ -	\$ (872)	\$ 2,837	\$ 908
Energy Infrastructure Improvements - Refinance	4,669	-	(1,518)	3,151	1,556
Energy Infrastructure Improvements - Phase 11	4,136	-	(575)	3,561	596
Energy Infrastructure Improvements - Phase 11A	3,338	-	(371)	2,967	383
Total	\$ 15,852	\$ -	\$ (3,336)	\$ 12,516	\$ 3,443

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

Year Ending June 30,	Principal	Interest	Total
2025	\$ 3,443	\$ 394	\$ 3,837
2026	3,554	283	3,837
2027	2,033	179	2,212
2028	1,087	112	1,199
2029	1,126	73	1,199
2030-2031	1,273	45	1,318
Total	\$ 12,516	\$ 1,086	\$ 13,602

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7. PERFORMANCE CONTRACTS PAYABLE (Continued)

Interest rates range from 2.48% to 4.03%. The guaranteed savings will be recognized as a reduction of expense over the life of the contract as payments are made.

8. ACCRUED COMPENSATED ABSENCES

Accrued compensated absences includes employee earned but unused vacation and sick leave days. The changes in balances as of and for the year ended June 30, 2024, are as follows (\$000s):

Balance, beginning of year	\$	19,246
Additions/(Deductions)		1,666
Balance, end of year		20,912
Less: current portion		(1,382)
Balance, end of year, noncurrent portion	\$	19,530

Amounts reported as current are based upon historical trends. The employer portion of Medicare taxes related to accrued compensated absences is \$303,000.

9. UNEARNED REVENUE AND GRANTS

Unearned revenue and grants represent funds received in advance on grants not expended. The change in balances as of and for the year ended June 30, 2024, are as follows (\$000s):

Balance, beginning of year	\$	5,587
Additions/(Deductions)		(26)
Balance, end of year	\$	5,561

10. GOVERNMENT LOAN FUND ADVANCES

Government loan fund advances represent money received from the federal government for student loan programs. The change in balances as of and for the year ended June 30, 2024, are as follows (\$000s):

Balance, beginning of year	\$	2,110
Additions/(Deductions)		(715)
Balance, end of year	\$	1,395

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11. REVENUE BONDS PAYABLE

Revenue bonds activity and outstanding as of and for the year ended June 30, 2024, are as follows (\$000s):

Issue	Beginning Balance	Issued/ Accreted	Retired/ Defeased	Ending Balance	Current Portion	Future Revenues Pledged	Debt Service to Pledged Revenue (Current Year)
Revenue Bonds Payable - Direct Placement							
Series 2020A	\$ 29,700	\$ -	\$ (250)	\$ 29,450	\$ 1,353	\$ 44,894	1.37%
Total Revenue Bonds Payable - Direct Placement	29,700	-	(250)	29,450	1,353	44,894	
Revenue Bonds Payable - Other							
Series 2020B	122,900	-	(5,425)	117,475	4,610	168,262	7.96%
Series 2021	99,035	-	-	99,035	-	146,932	3.07%
Total Revenue Bonds Payable - Other	221,935	-	(5,425)	216,510	4,610	315,194	
Unamortized Premium - Other							
Series 2020B	16,419	-	(1,990)	14,429			
Series 2021	16,072	-	(1,590)	14,482			
Total Unamortized Premium - Other	32,491	-	(3,580)	28,911			
Total	\$ 284,126	\$ -	\$ (9,255)	\$ 274,871	\$ 5,963	\$ 360,088	

In April 2020, the University issued \$30,000,000 of Auxiliary Facilities Systems Refunding Revenue Bonds (Series 2020A). The interest rate is determined by the Bank Index Rate. The Bank Index Rate is equal to the sum of (a) the applicable factor times the SOFR Index rate plus (b) the applicable margin, but in no event in excess of the maximum rate of interest permitted by law. The interest rate in effect at June 30, 2024 was 5.55%. The bonds mature at varying amounts through 2041. Interest payments are due semi-annually.

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

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

The Series 2020A and Series 2020B bonds are payable from and secured by the net revenues of the System and pledged fees. The Series 2020A, Series 2020B, and Series 2021 bonds are further secured by a pledge of and lien on pledged tuition, which equaled \$122,568,000 in the current year. The Series 2020A bonds contain a provision that in the event of a default the bonds shall bear interest at a floating rate equal to the default rate so long as the event of default has not been cured. All bond series are also secured by non-cancelable policies of municipal bond insurance.

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11. REVENUE BONDS PAYABLE (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2025	\$ 1,353	\$ 1,614	\$ 2,967
2026	1,394	1,539	2,933
2027	1,436	1,461	2,897
2028	1,479	1,381	2,860
2029	1,523	1,298	2,821
2030-2034	8,329	5,162	13,491
2035-2039	9,656	2,691	12,347
2040-2044	4,280	298	4,578
Total Revenue Bonds Payable - Direct Placement	<u>\$ 29,450</u>	<u>\$ 15,444</u>	<u>\$ 44,894</u>

Year Ending June 30,	Principal	Interest	Total
2025	\$ 4,610	\$ 9,515	\$ 14,125
2026	8,200	9,201	17,401
2027	8,615	8,787	17,402
2028	9,050	8,351	17,401
2029	9,510	7,894	17,404
2030-2034	55,180	31,855	87,035
2035-2039	68,620	18,440	87,060
2040-2044	52,725	4,641	57,366
Total Revenue Bonds Payable - Other	<u>\$ 216,510</u>	<u>\$ 98,684</u>	<u>\$ 315,194</u>

As a requirement of issuing certain revenue bonds, the University is subject to specific covenants, which includes the sum of net revenues, pledged fees and pledged tuition collected in each fiscal year to be at least two times the maximum annual debt service. The University monitors its compliance with these covenants.

12. INSTALLMENT PURCHASES

The assets recorded under installment purchase agreements have been capitalized at the present value of future installment purchase payments, measured at the inception date. These assets totaled \$1,510,000, net of accumulated depreciation of \$1,664,000, at June 30, 2024.

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12. INSTALLMENT PURCHASES (Continued)

Installment purchase activity and outstanding principal balances as of and for the year ended June 30, 2024, are as follows (\$000s):

	Beginning Balance	Additions	Payments	Ending Balance	Current Portion
IASBO Building	\$ 62	\$ -	\$ (62)	\$ -	\$ -
Dell Equipment and Software	278	-	(278)	-	-
Ford Vehicles	52	92	(43)	101	38
HP Supercomputer	942	-	(214)	728	220
Net Present Value	<u>\$ 1,334</u>	<u>\$ 92</u>	<u>\$ (597)</u>	<u>\$ 829</u>	<u>\$ 258</u>

Future minimum payments for the above assets under installment purchase agreements at June 30, 2024, on originally scheduled minimum payments and estimated interest are as follows (\$000s):

Year Ending June 30,	Principal	Interest	Total
2025	\$ 258	\$ 32	\$ 290
2026	253	22	275
2027	253	13	266
2028	65	3	68
Total	<u>\$ 829</u>	<u>\$ 70</u>	<u>\$ 899</u>

13. CERTIFICATES OF PARTICIPATION PAYABLE

Certificates of participation and outstanding principal balances as of and for the year ended June 30, 2024, are as follows (\$000s):

Issue	Beginning Balance	Issued	Retired	Ending Balance	Current Portion
Certificates of Participation:					
Series 2014 - Capital Improvement Project	\$ 2,910	\$ -	\$ (1,390)	\$ 1,520	\$ 1,455
	2,910	-	(1,390)	1,520	1,455
Unamortized Debt Premium	285	-	(95)	190	
Total	<u>\$ 3,195</u>	<u>\$ -</u>	<u>\$ (1,485)</u>	<u>\$ 1,710</u>	<u>\$ 1,455</u>

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13. CERTIFICATES OF PARTICIPATION PAYABLE (Continued)

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	1,455	39	1,494
2026	65	1	66
Total	<u>\$ 1,520</u>	<u>\$ 40</u>	<u>\$ 1,560</u>

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14. NET POSITION

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

University Net Position (\$000's):

Net investment in capital assets	\$	67,185
Restricted:		
Nonexpendable		179
Expendable:		
Auxiliary Facilities System		53,109
Endowments		12,548
Unrestricted		<u>(46,601)</u>
Total	<u>\$</u>	<u>86,420</u>

URO-Foundation (\$000's):

Net investment in capital assets	\$	5,079
Restricted:		
Nonexpendable		77,392
Expendable		63,004
Unrestricted		<u>20,990</u>
Total	<u>\$</u>	<u>166,465</u>

Net investment in capital assets represents the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

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

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

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14. NET POSITION (Continued)

The unrestricted classification is not subject to externally imposed stipulations; however, substantially all of the University's unrestricted funds have been designated for various academic, research and public service programs and initiatives, as well as capital projects. Additionally, legislative restrictions exist on these funds as outlined in the University Guidelines 1982, as amended in 1997, 2020 and 2023.

15. TRANSACTIONS WITH COMPONENT UNITS

During fiscal year 2024, the University engaged the Foundation, under contract, to provide fundraising services. As provided by the contract agreement, the University paid \$744,000 for fundraising services. Under the terms of the agreement, the University provided in-kind support in the form of personnel, office space, information technology support, and human resources services estimated at \$4,812,000 during fiscal year 2024. During this year the direct and /or indirect support of the Foundation, as well as the scholarships provided by the Foundation exceeded the value provided by the University under the agreement. The University engaged the Research Foundation, under contract, to provide services to aid the University in its economic development, public service, research, and educational missions. As provided by the contract, the Research Foundation provided \$207,000 of services during fiscal year 2024, of which \$44,000 was payable from the University at year-end.

The University entered into a 10-year lease with the Foundation for the rental of space in the Jeffrey and Kimberly Yordon Center in 2007, which was extended through March 2024. The Yordon Center lease ended March 2024 and the assets were transferred to the University. The building houses state of the art strength and conditioning facilities, academic and tutoring support, coaches' offices, locker rooms, and medical treatment and rehabilitation services.

The University entered into an 89-month lease with the Foundation for the rental of space in the Kenneth and Ellen Chessick Practice Center in 2013, which was extended through March 2024. The Kenneth and Ellen Chessick Practice Center lease ended March 2024 and the assets were transferred to the University. The center features an artificial turf field with full NCAA football playing field dimensions, a four-lane sprint track, batting cages, and long jump pits. The facility serves 16 intercollegiate teams and a variety of intramural sports at NIU.

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16. LEASES

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

The University has entered into various leases for office facilities, equipment, and communication towers. The University makes fixed lease payments on a monthly, quarterly, or annual basis depending on the lease terms. Right-to-use assets are reported in Capital assets, net of accumulated depreciation on the Statement of Net Position. See footnote 5 for right-to-use lease assets and related accumulated depreciation.

The following is a summary of changes in leases payable, net as of and for the year ended June 30, 2024 (\$000s):

	Beginning Balance	Additions	Payments	Ending Balance	Current Portion
Buildings	\$ 285	\$ 175	\$ (107)	\$ 353	\$ 157
Equipment	356	2,858	(679)	2,535	663
Communication Towers	110	-	(32)	78	27
Net Present Value	<u>\$ 751</u>	<u>\$ 3,033</u>	<u>\$ (818)</u>	<u>\$ 2,966</u>	<u>\$ 847</u>

Future minimum lease payments for leases payable, including future interest payments at June 30, 2024, were as follows (\$000s):

Year Ending June 30,	Total
2025	\$ 1,003
2026	909
2027	775
2028	619
2029	-
Total minimum lease payments	<u>3,306</u>
Less amounts representing Interest costs	<u>(340)</u>
TOTAL	<u>\$ 2,966</u>

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

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16. LEASES (Continued)

The University leases building space to various third parties. At June 30, 2024, the receivable balance was \$2,079,323. The current portion of \$127,677 is included in accounts receivable. The long-term portion of \$1,951,646 is included in noncurrent assets. The deferred inflow balance was \$2,026,884. The University recognized \$150,347 in lease revenue for the period ending June 30, 2024. Fixed lease payments were received on a monthly, quarterly, or annual basis depending on the lease terms.

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

Year Ending June 30,	Total
2025	\$ 214
2026	216
2027	191
2028	164
2029	155
2030-2034	739
2035-2039	675
2040-2044	551
Total minimum lease payments	2,905
Less amounts representing Interest costs	(825)
TOTAL	\$ 2,080
Current Portion	\$ 128
Long-Term Portion	1,952
TOTAL	\$ 2,080

17. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The University has entered into various Subscription-Based Information Technology Arrangements (SBITAs) for software with terms lasting more than twelve months. The University's SBITAs include both academic and administrative technologies. The University did not have any variable payment SBITAs during fiscal year 2024. Subscription-Based Information Technology Arrangements are capitalized and amortized over the life of the arrangement. See footnote 5 for Subscription-Based IT Arrangement assets and related accumulated amortization.

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**17. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS
(Continued)**

In accordance with GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA), the University's SBITA activity is as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Current Portion
Subscription-Based IT Arrangements	1,692	1,752	(1,051)	2,393	837
Net Present Value	<u>\$ 1,692</u>	<u>\$ 1,752</u>	<u>\$ (1,051)</u>	<u>\$ 2,393</u>	<u>\$ 837</u>

Obligations under SBITA payable, including future interest payments at June 30, 2024, were as follows (\$000s):

Year Ending June 30,	Principal	Interest
2025	\$ 837	\$ 138
2026	820	92
2027	308	42
2028	255	23
2029	40	11
2030-2034	<u>133</u>	<u>17</u>
Total minimum lease payments	<u>\$ 2,393</u>	<u>\$ 323</u>

18. RETIREMENT PLAN

Defined Benefit Pension Plans

General Information about the Pension Plan

Plan Description. The University contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State of Illinois (State) makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941, 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.

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18. RETIREMENT PLAN (Continued)

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, 2024, 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 2023 and 2024, respectively, was 12.83% and 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. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

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

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

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

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18. RETIREMENT PLAN (Continued)

University's Proportionate Share of Net Pension Liability. The amount of the proportionate share of the NPL to be recognized for the University is \$0. The proportionate share of the State's NPL associated with the University is \$1,096,235,170, or 3.7231%. The University's proportionate share changed by (0.0215%) from 3.7446% since the last measurement date of 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, were 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 Benefit Pension Expense. For the year ended June 30, 2023, SURS defined benefit plan reported a collective net pension expense of \$1,884,388,521.

University's Proportionate Share of Defined Benefit Pension Expense. The University's 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 \$70,156,746 from this special funding situation during the year ended June 30, 2024.

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

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

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

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18. RETIREMENT PLAN (Continued)

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

Year Ending June 30,	Net Deferred Outflows/(Inflows) of Resources
2024	\$ (428,264,966)
2025	(171,164,633)
2026	465,174,033
2027	22,639,231
2028	-
Thereafter	-
Total	\$ (111,616,335)

University Deferral of Fiscal Year 2024 Contributions

The University paid \$1,865,943 in federal, trust or grant contributions to SURS defined benefit pension plan during the fiscal 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 from 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%
Salary increases	3.00% to 12.75%, including inflation
Investment rate of return	6.50%

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.

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18. RETIREMENT PLAN (Continued)

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. 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:

Defined Benefit Plan	Strategic Policy Allocation	Weighted Long-Term Expected Real Rate of Return
Traditional Growth		
Global Public Equity	36.00%	7.97%
Stabilized Growth		
Core Real Assets	8.00%	4.68%
Public Credit Fixed Income	6.50%	4.52%
Private Credit	2.50%	7.36%
Non-Traditional Growth		
Private Equity	11.00%	11.32%
Non-Core Real Assets	4.00%	8.67%
Inflation Sensitive		
U.S. TIPS	5.00%	2.09%
Principal Protection		
Core Fixed Income	10.00%	1.13%
Crisis Risk Offset		
Systematic Trend Following	10.00%	3.18%
Alternative Risk Premia	3.00%	3.27%
Long Duration	2.00%	3.02%
Long Volatility/Tail Risk	2.00%	-1.14%
Total	100%	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. 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.

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18. RETIREMENT PLAN (Continued)

Sensitivity of SURS Net Pension Liability to Changes in the Discount Rate. Regarding the sensitivity of the NPL to changes in the single discount rate, the following presents the State’s NPL, calculated using a single discount rate of 6.37%, 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	Current Single Discount Rate Assumption	1% Increase
5.37%	6.37%	7.37%
<u>\$35,695,434,682</u>	<u>\$29,444,538,098</u>	<u>\$24,236,489,318</u>

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

Defined Contribution Pension Plan

General Information about the Pension Plan

Plan Description. The University contributes to the Retirement Savings Plan (RSP) administered by the State Universities Retirement System (SURS), a cost-sharing multiple-employer defined contribution pension plan with a special funding situation whereby the State of Illinois (State) makes substantially all required contributions on behalf of the participating employers. SURS was established July 21, 1941, 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.

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, 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.

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18. RETIREMENT PLAN (Continued)

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 the “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 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.

Employer Proportionate Share of Defined Contribution Pension Expense. The employer proportionate share of collective defined contribution pension expense is recognized as non-operating revenue with matching operating expenses (compensation and benefits) in the financial statements. The basis of allocation used in the proportionate share of collective defined contribution pension expense is the actual reported pensionable contributions made to the RSP during fiscal year 2023. The University’s share of pensionable contributions was 4.9862%. As a result, the University recognized revenue and defined contribution pension expense of \$4,503,995 from this special funding situation during the year ended June 30, 2024, of which \$415,774 constituted forfeitures.

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19. 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 18.

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

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

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

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19. POSTEMPLOYMENT BENEFITS (Continued)

For fiscal year 2024, the annual cost of the basic program of group health, dental, and vision benefits before the State’s contribution was \$13,410 (\$7,211 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. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

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

Special Funding Situation Portion of OPEB: The proportionate share of the State’s OPEB expense relative to the University’s employees totaled (\$56,668,155) during the year ended June 30, 2024. This amount was recognized by the University as non-operating special funding situation revenue and operating expense allocated to the related function performed by the employees during the year ended June 30, 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 year ended June 30, 2023, based on the June 30, 2022 actuarial valuation rolled forward:

	Measurement Date <u>June 30, 2023</u>
State of Illinois’ OPEB liability related to the University under the Special Funding Situation	\$ 389,582,285
SEGIP total OPEB liability	<u>17,222,644,937</u>
Proportionate share of the total OPEB liability	2.2620%

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19. 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, which was rolled forward to the measurement date. The University's portion of the OPEB liability was based on the University's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2023. The University's proportionate share of the total OPEB liability as of the June 30, 2023 measurement date is shown in the table below:

	Measurement Date <u>June 30, 2023</u>
University's OPEB liability	\$ 24,766,163
SEGIP total OPEB liability	<u>17,222,644,937</u>
Proportionate share of the total OPEB liability	0.1438%

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, 2023. As of the current year measurement date of June 30, 2023, the University's proportion increased 0.0172% from its proportion measured as of the prior year measurement date of June 30, 2022.

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19. POSTEMPLOYMENT BENEFITS (Continued)

The University recognized OPEB expense for the year ended June 30, 2024, of \$2,748,114. 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 outflows of resources	
Differences between expected and actual experience	\$ 430,525
Changes in assumptions	76,955
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,489,190
University contributions subsequent to the measurement date	1,013,959
Total deferred outflows of resources	\$ 13,010,629
Deferred inflows of resources	
Differences between expected and actual experience	\$ 5,113,016
Changes of assumptions	18,052,943
Changes in proportion and differences between employer contributions and proportionate share of contributions	192,203
Total deferred inflows of resources	\$ 23,358,162

The amounts reported as deferred outflows of resources related to OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Total Amount Recognized of Deferred Inflows and Outflows over the Remaining Service Life of All Employees</u>
2025	\$ (4,738,576)
2026	(3,927,387)
2027	(3,039,704)
2028	38,581
2029	305,592
Total	<u>\$ (11,361,494)</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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19. POSTEMPLOYMENT BENEFITS (Continued)

The valuation date of June 30, 2022, below was rolled forward to June 30, 2023:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Actuarial assumption: Inflation Rate	2.25%
Projected Salary Increases*	2.50% - 12.75%
Healthcare Cost Trend Rate:	
Medical & 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 are projected based on the same healthcare cost trend rates applied to per capita claim costs.

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

Healthcare Cost Trend Rate:	
Medical & Rx (Pre-Medicare & Post-Medicare)	1.8% grading up 6.20% in the first year to 8.00%, then grading down 0.25% per year to an ultimate trend of 4.25% in year 2038. There is no additional trend rate adjustment due to the repeal of the Excise Tax.
Medical & Rx (Post-Medicare)	-7.56% grading up 15.56% in the first year to 8.00%, then grading down 0.25% per year to an ultimate trend of 4.25% in year 2038.
Dental and Vision	3.75% grading up 0.25% in the first year to 4.00% through 2038.

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

**Quality Care Health Plan

***Medicare Advantage Prescription Drug

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19. POSTEMPLOYMENT BENEFITS (Continued)

Since the last measurement date on June 30, 2022, the State has not made any significant changes to the benefit terms affecting the measurement of the collective total OPEB liability. On December 20, 2019, the *Further Consolidated Appropriations Act, 2020* (Public Law 116-94) was signed into law repealing the federal excise taxes of 40% on total employer premium spending in excess of specified dollar amounts, also known as the “Cadillac Tax.” The impact of this repeal to the University’s financial statements, which could be significant, is not known at this time.

Additionally, the demographic assumptions used in the OPEB valuation are identical to those used in the June 30, 2022, 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 improvements 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 improvements 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-
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

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

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

Since the last measurement date on June 30, 2022, the State has not made any significant changes to the benefit terms affecting the measurement of the collective total OPEB liability. Further, no changes have occurred since the measurement date and the University’s fiscal year end on June 30, 2023, that are expected to have a significant impact on the University’s proportionate share of the total collective OPEB liability.

Discount rate. Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 3.86% at June 30, 2023 was used to measure the total OPEB liability.

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19. POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of total OPEB liability to changes in the single discount rate: The following presents the University's proportionate share of the total OPEB liability, 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	\$ 27,466,903	\$ 24,766,163	\$ 22,454,587

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The following presents the plans total OPEB liability, calculated using the healthcare cost trend rates as well as what the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percent point higher or lower, than the current healthcare cost trend rates. The key trend rates are 8.00% in 2025 decreasing to an ultimate trend rate of 4.25% in 2040. A one percentage point decrease in healthcare trend rates are 7.00% in plan year end 2025 decreasing to an ultimate trend rate of 3.25% in plan year end 2040. A one percentage point increase in healthcare trend rates are 9.00% in plan year end 2025 decreasing to an ultimate trend rate of 5.25% in plan year 2040:

	1% Decrease** (7.00%)	Healthcare Cost Trend Rates* (8.00%)	1% Increase*** (9.00%)
Total OPEB liability	\$ 21,734,626	\$ 24,766,163	\$ 28,498,193

* 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 of 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% in 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% in 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.

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

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19. POSTEMPLOYMENT BENEFITS (Continued)

source, associated with the University's employees relative to all employer contributions during the years ended June 30, 2023, based on the June 30, 2022 actuarial valuation rolled forward:

	Measurement Date June 30, 2023
State of Illinois' OPEB liability related to the University under the Special Funding Situation	\$ 389,582,285
University's OPEB liability	24,766,163
Total OPEB liability associated with the University	414,348,448
SEGIP total OPEB liability	17,222,644,937
Proportionate share of the OPEB liability associated with the University	2.4058%

20. OPERATING EXPENSES BY NATURAL CLASSIFICATION

Operating expenses by natural classification for the year ended June 30, 2024, are summarized as follows (\$000s):

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
University					
Instruction	\$ 152,040	\$ 16,154	\$ -	\$ -	\$ 168,194
Research	18,714	4,663	-	-	23,377
Public service	27,061	7,089	-	-	34,150
Academic support	29,444	7,288	-	-	36,732
Student services	13,259	8,053	-	-	21,312
O&M	9,478	19,726	-	-	29,204
Depreciation	-	-	-	31,036	31,036
Inst. support	39,415	12,484	-	-	51,899
Scholarships and fellowships	-	-	39,210	-	39,210
Auxiliary enterprises	55,256	26,582	-	-	81,838
Total	\$ 344,667	\$ 102,039	\$ 39,210	\$ 31,036	\$ 516,952

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21. INSURANCE

The University participates in an insurance cooperative as part of the Illinois Public Higher Education Cooperative (IPHEC). Through IPHEC, the University has contracted with a broker to secure various excess liability insurance coverages from commercial carriers, including educators' legal and other general liability insurance. The University's liability coverages have a general \$350,000 deductible per occurrence. Additionally, the University purchases property insurance coverage for replacement value of university real property and, in certain instances, contents. Settled claims have not exceeded commercial coverage limits in any of the three preceding years.

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

22. COMMITMENTS AND CONTINGENCIES

At June 30, 2024, the University had commitments on various services, products, grants, projects, and contracts for repairs and renovations of facilities of approximately \$25.8 million.

Grants and Contracts

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

Legal Actions

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

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23. UNIVERSITY RELATED ORGANIZATIONS

The University's financial statements include the activity of the University Related Organizations (UROs) which represent the University's discretely presented component units. Below are condensed financial statements by organization as of and for the year ended June 30, 2024 (\$000s):

	Foundation	Northern IL Research Foundation	Combined Totals
Condensed Statement of Net Position			
ASSETS:			
Current assets			
Cash and cash equivalents	\$ 2,837	\$ 99	\$ 2,936
Accounts receivable	1,597	44	1,641
Other current assets	1,916	1	1,917
Noncurrent assets			
Capital assets, net of accumulated depreciation	5,079	-	5,079
Investments administered by NIU Foundation	169,577	-	169,577
Other noncurrent assets	2,575	-	2,575
TOTAL ASSETS	\$ 183,581	\$ 144	\$ 183,725
LIABILITIES:			
Current liabilities			
Accounts payable and accrued liabilities	\$ 1,849	\$ 41	\$ 1,890
Due to NIU	2,719	-	2,719
Noncurrent liabilities			
Due to NIU	12,548	-	12,548
Unearned revenue and grants	-	17	17
TOTAL LIABILITIES	\$ 17,116	\$ 58	\$ 17,174
NET POSITION:			
Invested in capital assets	\$ 5,079	\$ -	\$ 5,079
Restricted			
Nonexpendable	77,392	-	77,392
Expendable	63,004	-	63,004
Unrestricted	20,990	86	21,076
Total net position	166,465	86	166,551
TOTAL LIABILITIES AND NET POSITION	\$ 183,581	\$ 144	\$ 183,725
Condensed Statement of Revenues, Expenses, and Changes in Net Position			
Operating revenues	\$ 17,331	\$ 273	\$ 17,604
Operating expenses	20,163	272	20,435
Operating gain (loss)	(2,832)	1	(2,831)
Nonoperating revenue	16,105	-	16,105
Gifts and contributions	(16,532)	-	(16,532)
Increase (decrease) in net position	(3,259)	1	(3,258)
Net position, beginning of year	169,724	85	169,809
Net position, end of year	\$ 166,465	\$ 86	\$ 166,551

NORTHERN ILLINOIS UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS

24. SUBSEQUENT EVENTS

On December 4, 2024, the University issued \$58,605,000 Certificates of Participation (Entergy Savings Projects), Series 2024. The proceeds from the issuance will fund energy conservation improvements related to heating and cooling systems, lighting and water system efficiency improvements across approximately fifty buildings located on the campus of Northern Illinois University and to pay the costs of issuance.

Subsequent to year-end, President Trump signed several executive orders (EOs) ordering the pause or termination of federal assistance for programs that do not align with the new administration's policies. The Administration has tasked federal departments with evaluating all federal programs they administer to determine if the funding provided falls under any of the EOs. During the year ended June 30, 2024, the University recognized federal financial assistance totaling approximately \$55,000,000, and at June 30, 2024 has outstanding federal receivables of approximately \$9,600,000. The University has not experienced any issues with the collectability of the receivables as a result of the EOs. As of the date of this report, the full impact of President Trump's EOs on the University's programs and federal financial assistance is uncertain. Management is actively monitoring the situation and assessing the potential effects on the University's financial statements.

Required Supplementary Information

NORTHERN ILLINOIS UNIVERSITY
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REQUIRED SUPPLEMENTARY INFORMATION

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

State Universities Retirement System

Last 10 Fiscal Years (000's)

	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
(a) Proportion percentage of the collective net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(b) Proportion amount of the collective net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(c) Portion of nonemployer contributing entities' total proportion of collective net pension liability associated with employer	<u>\$ 1,096,235</u>	<u>\$ 1,088,843</u>	<u>\$ 1,113,510</u>	<u>\$ 1,199,705</u>	<u>\$ 1,137,286</u>	<u>\$ 1,115,729</u>	<u>\$ 1,075,201</u>	<u>\$ 1,096,228</u>	<u>\$ 1,016,084</u>	<u>\$ 994,334</u>
Total (b) + (c)	<u>\$ 1,096,235</u>	<u>\$ 1,088,843</u>	<u>\$ 1,113,510</u>	<u>\$ 1,199,705</u>	<u>\$ 1,137,286</u>	<u>\$ 1,115,729</u>	<u>\$ 1,075,201</u>	<u>\$ 1,096,228</u>	<u>\$ 1,016,084</u>	<u>\$ 994,334</u>
Employer defined benefit covered-employee payroll	\$ 148,732	\$ 141,650	\$ 139,257	\$ 145,347	\$ 142,898	\$ 144,789	\$ 148,710	\$ 152,243	\$ 154,994	\$ 164,728
Proportion of collective net pension liability associated with employer as a percentage of covered-employee payroll	737%	769%	800%	825%	796%	771%	723%	720%	656%	604%
SURS plan net position as a percentage of total pension liability	44.06%	43.65%	45.45%	39.05%	40.71%	41.72%	42.04%	39.57%	42.37%	44.39%

NORTHERN ILLINOIS UNIVERSITY
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REQUIRED SUPPLEMENTARY INFORMATION

Schedule of University Contributions for Pensions

Last 10 Fiscal Years (000's)

	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Federal, trust, grant and other contribution	\$ 1,866	\$ 1,739	\$ 1,486	\$ 1,365	\$ 1,330	\$ 1,194	\$ 1,204	\$ 1,163	\$ 1,029	\$ 963
Contribution in relation to required contribution	1,866	1,739	1,486	1,365	1,330	1,194	1,204	1,163	1,029	963
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer covered payroll	\$ 161,824	\$ 148,732	\$ 141,650	\$ 139,257	\$ 145,347	\$ 142,898	\$ 144,789	\$ 148,710	\$ 152,243	\$ 154,994
Contributions as a percentage of covered-employee payroll	1.15%	1.17%	1.05%	0.98%	0.92%	0.84%	0.83%	0.78%	0.68%	0.62%

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REQUIRED SUPPLEMENTARY INFORMATION

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

Benefit Liability State Employees Group Insurance Program

Last 10 Fiscal Years* (000's)

	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017
Proportion percentage of the collective total OPEB liability	0.14%	0.13%	0.12%	0.10%	0.10%	0.11%	0.12%
Proportion amount of the collective total OPEB liability	\$ 24,766	\$ 21,606	\$ 40,299	\$ 41,923	\$ 44,030	\$ 42,419	\$ 49,837
Estimated proportionate amount of collective total OPEB liability associated with the University - State supported portion	389,582	381,731	727,158	811,550	921,753	893,354	1,358,810
Total	<u>\$ 414,348</u>	<u>\$ 403,337</u>	<u>\$ 767,457</u>	<u>\$ 853,473</u>	<u>\$ 965,783</u>	<u>\$ 935,773</u>	<u>\$ 1,408,647</u>
Employer defined benefit covered-employee payroll	\$ 148,732	\$ 141,650	\$ 139,257	\$ 145,347	\$ 142,898	\$ 144,789	\$ 148,710
Proportion of collective total OPEB liability as a percentage of covered-employee payroll	16.65%	15.25%	28.94%	28.84%	30.81%	29.30%	33.51%

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

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REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Supplementary Information

These 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.

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 salary increase range from 3.00% to 12.75% based on years of service, with an underlying wage inflation rate of 2.25%.
- *Investment Return.* The investment return is assumed to be 6.50%. This reflects an assumed real rate of return to 4.25% and assumed price inflation of 2.25%.
- *Effective rate of interest.* The long-term assumption for the effective rate of interest for crediting the money purchase accounts is 6.50%.
- *Normal retirement rates.* Separate rates are assumed for members in academic positions and non-academic positions to reflect that retirement rates for academic positions are lower than for non-academic positions.
- *Early retirement rates.* Separate rates are assumed for members in academic positions and non-academic positions to reflect that retirement rates for academic positions are lower than for non-academic positions.
- *Turnover rates.* 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 non-academic 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.
- *Plan Election.* For non-academic members, assumed plan election rates are 75% Tier 2 and 25% for Retirement Saving Plan (RSP). For academic members, assumed plan election rates are 55% Tier 2 and 45% for RSP.

Supplementary Information

NORTHERN ILLINOIS UNIVERSITY
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For the Year Ended June 30, 2024

SUPPLEMENTARY INFORMATION

STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY
TABLE OF OPERATING EXPENSES
For the Year Ended June 30, 2024

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

	Compensation and Benefits								Total	Other Expenses	Total Operating Expenses
	Northern Illinois University's Expenses				State of Illinois' Expenses						
	Salaries ¹	Benefits ²	OPEB ³	Sub-Total	Benefits ²	OPEB ³	Pension	Sub-Total			
Educational and general:											
Instruction	\$ 120,114	\$ 7,569	\$ (1,814)	\$ 125,869	\$ -	\$ (8,973)	\$ 35,144	\$ 26,171	\$ 152,040	\$ 16,154	\$ 168,194
Research	15,709	1,595	(103)	17,201	-	(509)	2,022	1,513	18,714	4,663	23,377
Public service	20,766	4,607	(119)	25,254	-	(592)	2,399	1,807	27,061	7,089	34,150
Academic support	23,371	1,220	(374)	24,217	-	(1,854)	7,081	5,227	29,444	7,288	36,732
Student services	10,596	648	(135)	11,109	-	(663)	2,813	2,150	13,259	8,053	21,312
Operation and maintenance of plant	7,583	149	(129)	7,603	-	(637)	2,512	1,875	9,478	19,726	29,204
Depreciation	-	-	-	-	-	-	-	-	-	31,036	31,036
Institutional support	31,825	843	(513)	32,155	-	(2,544)	9,804	7,260	39,415	12,484	51,899
Scholarships and fellowships	-	-	-	-	-	-	-	-	-	39,210	39,210
Auxiliary enterprises	45,052	1,293	(668)	45,677	-	(3,306)	12,885	9,579	55,256	26,582	81,838
Total	\$ 275,016	\$ 17,924	\$ (3,855)	\$ 289,085	\$ -	\$ (19,078)	\$ 74,660	\$ 55,582	\$ 344,667	\$ 172,285	\$ 516,952

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

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

³ OPEB refers to other postemployment benefits.