

STATE OF ILLINOIS NORTHERN ILLINOIS UNIVERSITY

Financial Audit
For the Year Ended June 30, 2014
Performed as Special Assistant Auditors
for the Auditor General, State of Illinois



Assurance ■ Tax ■ Consulting

**State of Illinois
Northern Illinois University
Financial Audit
For the Year Ended June 30, 2014**

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**State of Illinois
Northern Illinois University**

Agency Officials

Douglas D. Baker	President
Lisa C. Freeman	Executive Vice President and Provost
Anne C. Kaplan	Vice President, Outreach, Engagement, and Regional Development
Brett Coryell	Vice President, Information Technology
Lesley Rigg	Vice President, Research and Innovation Partnerships
Sean T. Frazier	Associate Vice President and Director, Intercollegiate Athletics
Eric A. Weldy	Vice President, Student Affairs and Enrollment Management
Raymond W. Alden III	Vice President, International Affairs
Michael P. Malone	Vice President, University Advancement
Harlan Teller	Interim Vice President, Marketing and Communications
Jerry D. Blakemore	Vice President and General Counsel
Danielle Schultz	Director of Internal Audit

Financial Staff

Nancy D. Suttentfield	Interim Chief Financial Officer
Linda J. Blair	Acting Controller

NIU Office is located at:

300 Altgeld Hall
DeKalb, Illinois 60115

**State of Illinois
Northern Illinois University**

Financial Statement Report

Summary

The audit of the accompanying financial statements of Northern Illinois University (University) was performed by McGladrey LLP.

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



Independent Auditor's Report

Honorable William G. Holland
Auditor General
State of Illinois

and

Robert T. Boey, Honorable Chair of the
Compliance, Audit, Risk Management, and Legal Affairs Committee

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Northern Illinois University (University), a component unit of the State of Illinois, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units (the "University Related Organizations") as described in Note 1 of the financial statements as of and for the year ended June 30, 2014. Those statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the University Related Organizations, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of Northern Illinois University, a component unit of the State of Illinois, as of June 30, 2014, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited the University's June 30, 2013 financial statements, and we and the report of the other auditors expressed unmodified audit opinions on the respective financial statements of the business-type activities and aggregate discretely presented component units of the University in our report dated November 21, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6-16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the

information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2015 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 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 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.

McGladrey LLP

Schaumburg, Illinois
January 21, 2015

INTRODUCTION

The following management's discussion and analysis (MD&A) provides an overview of the financial position and activities of Northern Illinois University (the University) for the year ended June 30, 2014 with comparative information for the year ended June 30, 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

USING THE FINANCIAL STATEMENTS

The University's financial report includes three financial statements: The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These financial statements are prepared in accordance with Government Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the University as a whole. The financial statements include the University and its discretely presented component units. Information regarding the component units is summarized in Note 23 to the basic financial statements. This MD&A focuses on the University excluding the discretely presented component units. MD&A for the component units is included in their separately issued financial statements.

FINANCIAL HIGHLIGHTS

Changes in net position represent the activity of the University, and are summarized for the years ended June 30, 2014 and 2013 as follows:

(in thousands)

	<u>2014</u>	<u>2013</u>
Total revenues	\$ 593,854	\$ 613,442
Total expenses	<u>604,398</u>	<u>617,092</u>
Decrease in net position	<u>\$ (10,544)</u>	<u>\$ (3,650)</u>

STATEMENT OF NET POSITION

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the University. The difference between total assets and total liabilities—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 using current values.

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**Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2014**

A summary of the University's assets, liabilities and net position at June 30, 2014 and 2013 is as follows:

(in thousands)

	<u>2014</u>	<u>2013</u>
Current assets	\$ 111,752	\$ 119,134
Noncurrent assets:		
Cash and investments	136,984	154,249
Capital assets, net	467,938	465,749
Other	<u>14,676</u>	<u>13,944</u>
Total assets	<u><u>731,350</u></u>	<u><u>753,076</u></u>
Current liabilities	63,495	73,506
Noncurrent liabilities	<u>398,292</u>	<u>399,463</u>
Total liabilities	<u><u>461,787</u></u>	<u><u>472,969</u></u>
Net position	<u><u>\$ 269,563</u></u>	<u><u>\$ 280,107</u></u>

CAPITAL AND DEBT ACTIVITIES

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. The University continues to implement its long-range plan to modernize older classroom and research facilities, balanced with new construction.

Capital additions totaled \$30.5 million in 2014. Capital additions primarily include renovation and new construction of academic, research and student service facilities, as well as significant investments in equipment, including information technology. Current year capital asset additions were funded with capital appropriations, grants from the State of Illinois and federal government, debt proceeds, gifts, and unrestricted net position which were designated for capital purposes. The University depreciates its capital assets on a straight-line basis, using estimated lives ranging from five to forty years.

Construction in-progress includes assets purchased that have not been placed into service. Major components include assets acquired under performance contracts not yet completed, renovations to existing facilities to meet unfunded State mandates not yet completed, and numerous small projects to any of the over 90 buildings that comprise the University.

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**Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2014**

The University has availed itself of Public Act 90-0486 to supplant funds available for use in capital projects. Public Act 90-0486 allows state universities to negotiate multi-year contracts for the evaluation, design and implementation of facility improvements that will be wholly funded by the energy or operational savings of the project. Additionally, the provider of the services to the University fully guarantees the savings over the life of the contract. The effect is that the University upgrades its facilities at no cost, and at no risk. Currently the University has four separate performance contracts outstanding, totaling \$35.7 million. Performance guarantees are in place for each contract. The projects include upgrading of lighting and heating/air conditioning affecting approximately 70 buildings on campus. The University expects to continue to use performance contracts in the future.

The University takes seriously its role of financial stewardship and works hard to manage its financial resources effectively, including the prudent use of debt to finance capital projects. Bonds payable totaled \$195.0 million at June 30, 2014. These bonds have been issued to finance construction of new non-academic facilities and improvements.

Certificates of participation payable total \$15.5 million at June 30, 2014. They have been used to finance the acquisition of academic and administrative facilities. Capitalized leases payable totaled \$134.0 million at June 30, 2014, and are considered to be installment purchases.

The following table summarizes the University's bonds payable, leases payable and certificates of participation payable outstanding on June 30, 2014 and 2013:

(in thousands)

	<u>2014</u>	<u>2013</u>
Revenue bonds payable	\$ 195,018	\$ 198,154
Leases payable	134,027	146,594
Certificates of participation payable	15,485	2,855

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**Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2014**

NET POSITION

Net position represents the residual interest in the University's assets after liabilities are deducted. The University's net position at June 30, 2014 and 2013 are summarized as follows:

(in thousands)

	<u>2014</u>	<u>2013</u>
Net investment in capital assets	\$ 139,213	\$ 154,273
Restricted:		
Expendable	3,832	3,634
Unrestricted	<u>126,518</u>	<u>122,200</u>
Total net position	<u>\$ 269,563</u>	<u>\$ 280,107</u>

The University's net position decreased \$10.5 million during fiscal year 2014.

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.

The restricted expendable net position is subject to externally imposed restrictions governing their use.

Although the unrestricted net position is not subject to externally imposed stipulations, substantially all of the University's unrestricted net position has been designated for various academic, research and public service programs and initiatives, as well as capital projects. Additionally, statutory requirements exist on these funds as outlined in the University Guidelines 1982, as amended in 1997.

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**Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2014**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents the University's results of operations. Significant recurring sources of the University's revenues are considered nonoperating, as defined by GASB Statement No. 35. These significant nonoperating sources include state appropriations, Pell grants, State of Illinois MAP grants, gifts, and investment income. A summary of the University's revenues, expenses and changes in net position for the years ended June 30, 2014 and 2013 is as follows:

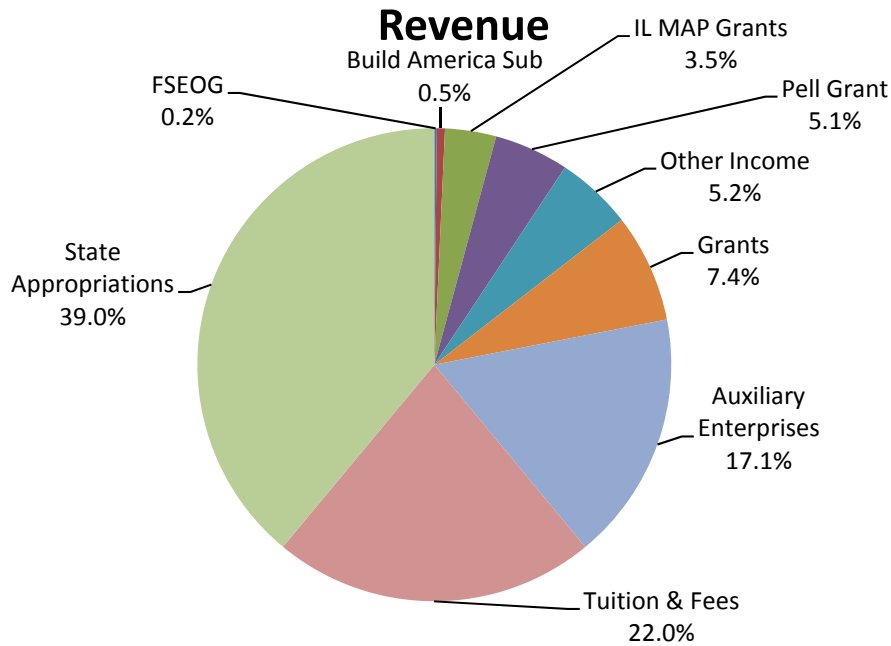
(in thousands)

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Student tuition and fees	\$ 195,748	\$ 193,063
Less: scholarship allowances	<u>(64,976)</u>	<u>(67,379)</u>
Net student tuition and fees	130,772	125,684
Sponsored programs	44,016	55,410
Auxiliary enterprises	101,381	104,635
Other	<u>29,005</u>	<u>32,617</u>
	305,174	318,346
Operating expenses	<u>(580,814)</u>	<u>(594,165)</u>
Operating loss	<u>(275,640)</u>	<u>(275,819)</u>
Nonoperating revenues (expenses):		
State appropriations:		
General	93,433	93,490
Supplemental	135,465	143,057
Capital	2,559	2,824
Building America bonds subsidy	3,258	4,410
Pell Grants	30,276	29,808
FSEOG	1,002	839
Illinois MAP Grants	20,712	20,862
Net investment income	1,975	(194)
Interest expense and other, net	<u>(23,584)</u>	<u>(22,927)</u>
Net nonoperating revenues	<u>265,096</u>	<u>272,169</u>
Decrease in net position	(10,544)	(3,650)
Net position, beginning of year, as restated	280,107	283,757
Net position, end of year	<u>\$ 269,563</u>	<u>\$ 280,107</u>

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**Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2014**

The following is a graphic illustration of revenues by source (both operating and nonoperating), which are used to fund the University's operating activities for the year ended June 30, 2014. Significant recurring sources of the University's revenues are considered nonoperating, as defined by GASB Statement No. 35.



Dollars in millions

\$ 130.8	Revenue from charges for tuition and fees, net of scholarship allowance of \$65.0
101.4	Revenue from the operation of self-supporting activities such as residence halls, student union, stadium, and recreation center; intercollegiate athletics; parking; and university press.
44.0	Revenue from federal, state, and private grants and contracts covering research, public service, educational services, financial aid.
29.0	Miscellaneous revenue consists primarily of income from sales and services of educational activities that include conferences and seminars
<u>\$ 305.2</u>	<u>Total operating</u>
\$ 231.5	Appropriations from State of Illinois general revenues for the current operations of the university and on-behalf payments for fringe benefits including insurance programs and retirement.
	Also
30.3	Pell Grants
1.0	FSEOG
20.7	State of Illinois MAP Grants
2.0	Investment income, and changes in fair value of investments
3.2	Build America Bond interest subsidy
<u>\$ 288.7</u>	<u>Total non-operating</u>
<u>\$ 593.9</u>	<u>Total revenues</u>

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**Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2014**

Tuition and state appropriations are the primary sources of funding for the University's academic programs. Net student tuition and fees increased \$5.1 million during fiscal year 2014, primarily due to a tuition increase necessitated by the continued decrease in state appropriations and the requirements imposed upon the University by Truth-in-Tuition legislation that requires the University to guarantee tuition rates over a four year span. General state appropriations decreased only slightly in fiscal year 2014 (\$57 thousand). Supplemental state appropriations, payments made on-behalf of the University to Central Management Services (CMS) and the State Universities Retirement System (SURS), decreased \$7.6 million in fiscal year 2014 caused by a decrease in state funding for employer required contributions to CMS and SURS.

Revenues for sponsored programs decreased \$11.4 million during fiscal year 2014. The University receives revenues for sponsored programs from government and private sources, which normally provide for the recovery of direct and indirect costs.

Net investment income for the years ended June 30, 2014 and 2013 consisted of the following components:

(in thousands)

	<u>2014</u>	<u>2013</u>
Income, net	\$ 1,400	\$ 834
Net change in the fair value of investments	575	(1,028)
	<u>\$ 1,975</u>	<u>\$ (194)</u>

Investment income has remained low as a result of the historically low market rates available.

Capital appropriations received from the State in 2014 totaling \$2.6 million, a decrease of \$.27 million from 2013, funded projects across the University.

A summary of the University's expenses for the years ended June 30, 2014 and 2013 is:

(in thousands)

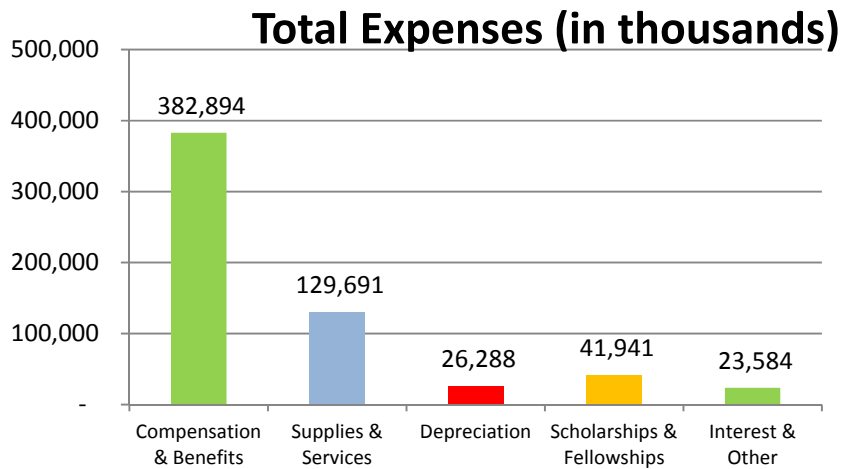
	<u>2014</u>	<u>2013</u>
Operating:		
Compensation and benefits	\$ 382,894	\$ 390,796
Supplies and services	129,691	141,637
Depreciation	26,288	24,994
Scholarships and fellowships	41,941	36,738
	<u>580,814</u>	<u>594,165</u>
Nonoperating:		
Interest and other	23,584	22,927
Total expenses	<u>\$ 604,398</u>	<u>\$ 617,092</u>

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**Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2014**

Included in the operating expenses are on-behalf payments made by the State of Illinois for employees of the University for contributions made into the State Universities Retirement System and Central Management Services Group Insurance. These contributions are recorded as staff benefits and are included in the compensation and benefits total in the above summary.

The following is a graphic illustration of total expenses for fiscal year 2014 by object:



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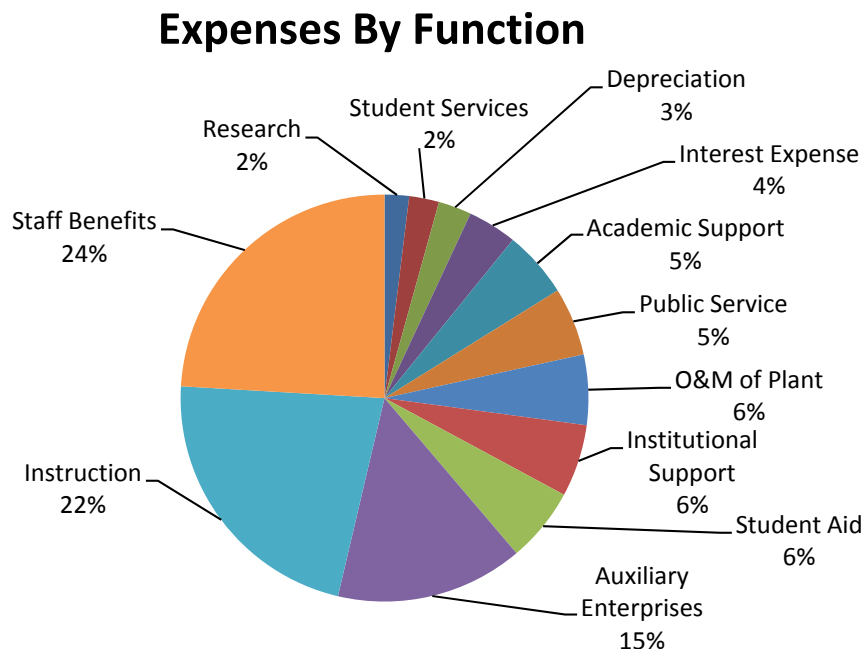
**Management’s Discussion and Analysis (Continued)
For the Year Ended June 30, 2014**

In addition to their natural (object) classification, it is also informative to review operating expenses by function. A summary of the University’s expenses by functional classification for the years ended June 30, 2014 and 2013 is as follows:

(in thousands)

	2014	2013
Operating:		
Instruction	\$ 134,474	\$ 133,355
Research	11,692	18,564
Public service	32,827	42,988
Academic support	31,991	34,119
Student services	14,372	14,531
Auxiliary enterprises	89,940	90,992
Operations and maintenance of plant	33,681	24,507
Depreciation	15,836	16,504
Institutional support	34,700	34,002
Staff benefits	145,512	153,712
Student aid	35,789	30,891
Total operating expenses	<u>580,814</u>	<u>594,165</u>
Nonoperating:		
Interest expense	23,584	22,927
Total expenses	<u>\$ 604,398</u>	<u>\$ 617,092</u>

The following graphic illustrations present total expenses for fiscal year 2014 by function:



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**Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2014**

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. A summary of the statement of cash flows for the years ended June 30, 2014 and 2013 is as follows:

(in thousands)

	2014	2013
Cash received from operations	\$ 308,656	\$ 330,609
Cash expended for operations	(428,537)	(440,304)
Net cash used in operating activities	(119,881)	(109,695)
Net cash (used in) provided by investing activities	(176)	30,493
Net cash used in capital and related financing activities	(47,781)	(74,141)
Net cash provided by noncapital financing activities	152,147	143,180
Net decrease in cash and cash equivalents	(15,691)	(10,163)
Cash and cash equivalents, beginning of year	50,726	60,889
Cash and cash equivalents, end of year	<u>\$ 35,035</u>	<u>\$ 50,726</u>

The University's cash and cash equivalents decreased \$15.7 million. The University's significant sources of cash provided by noncapital financing activities, as defined by GASB Statement No. 35, include state appropriations, Pell grants, FSEOG grants, and State of Illinois MAP grants used to fund operating activities, for which cash received totaled \$152 million in fiscal 2014.

THE UNIVERSITY'S ECONOMIC OUTLOOK

State appropriations represent support provided by the Governor and General Assembly for University programs. The total appropriation to the University decreased in fiscal year 2014 due to the impact of payments made on-behalf of the University by the State. On-behalf payments totaled \$135.5 million in fiscal year 2014 and were recorded as revenue from the state and expenditures for staff benefits. The University's general appropriation, funds provided to the University for use, decreased \$57 thousand in fiscal year 2014. The University's fiscal year 2015 budgeted general appropriation is slightly below the fiscal year 2014 level.

To mitigate the impact of a forecasted decrease in the general appropriation received and increases in expenditures, the University increased tuition rates 2.0% for new students covered by the Truth-in-Tuition Act. Enrollment projections continue to be stable to slightly lower.

The University's institutional funds include revenues from sponsored projects to fund indirect administrative and facilities costs. The University anticipates that this revenue will remain steady from fiscal year 2014 to fiscal year 2015 based on sponsored projects awarded.

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**Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2014**

Private gifts are an important source of funding for university operations, capital acquisition and construction, and a significant factor in expanding our academic units. With State support representing a diminishing percentage of the University's budget, private gifts are an important supplement to the University budget. With the help of the Northern Illinois University Foundation, the University continues to see growth in private support.

The University is continuing to pursue supplemental sources of revenue to continue its outstanding academic reputation. The University will be challenged but the Board of Trustees and management have committed to continuing the University's strong financial position and to uphold our mission of instruction, research, and public service.

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY
STATEMENT OF NET POSITION
June 30, 2014 (in thousands)
(with Comparative Totals for 2013)**

	University		Component Units	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
ASSETS				
Current assets				
Cash and cash equivalents	\$ 11,303	\$ 18,556	\$ 4,229	\$ 2,397
Investments	47,163	36,241	-	-
Accrued interest receivable	1,009	955	-	-
Accounts receivable - net	27,901	31,873	1,268	1,307
Appropriations receivable from state	19,788	28,137	-	-
Inventories	3,411	3,320	-	-
Agency	966	-	-	-
Other assets	211	52	96	167
Total current assets	<u>111,752</u>	<u>119,134</u>	<u>5,593</u>	<u>3,871</u>
Noncurrent assets				
Restricted cash and cash equivalents	23,732	32,170	-	-
Investments	91,232	95,064	92,467	80,496
Restricted investments and marketable securities	22,020	27,015	-	-
Student loans receivable - net	8,906	8,679	-	-
Due from component units	3,936	3,351	-	-
Other	1,834	1,914	3,371	3,727
Capital assets, net of accumulated depreciation	467,938	465,749	26,584	23,703
Total noncurrent assets	<u>619,598</u>	<u>633,942</u>	<u>122,422</u>	<u>107,926</u>
TOTAL ASSETS	<u>731,350</u>	<u>753,076</u>	<u>128,015</u>	<u>111,797</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	47,893	58,458	1,928	3,722
Accrued compensated absences	3,320	1,827	-	-
Student's deposits	399	307	-	-
Unearned tuition and fees	9,054	8,658	-	-
Unearned revenue and grants	2,829	3,201	-	-
Agency	-	1,055	-	-
Total current liabilities	<u>63,495</u>	<u>73,506</u>	<u>1,928</u>	<u>3,722</u>
Noncurrent liabilities				
Accounts payable and accrued liabilities	3,956	4,097	584	133
Due to the University	-	-	3,936	3,351
Performance contracts payable	33,514	28,766	-	-
Accrued compensated absences	14,520	16,725	-	-
Government loan fund advances	7,602	8,014	-	-
Revenue bonds payable	191,128	194,424	5,301	1,957
Leases payable	132,706	145,067	-	-
Certificates of participation	14,866	2,370	-	-
Total noncurrent liabilities	<u>398,292</u>	<u>399,463</u>	<u>9,821</u>	<u>5,441</u>
TOTAL LIABILITIES	<u>461,787</u>	<u>472,969</u>	<u>11,749</u>	<u>9,163</u>
NET POSITION, AS RESTATED				
Net investment in capital assets	139,213	154,273	20,387	21,472
Restricted:				
Nonexpendable	-	-	63,731	55,073
Expendable	3,832	3,634	20,976	16,467
Unrestricted	126,518	122,200	11,172	9,622
TOTAL NET POSITION	<u>\$ 269,563</u>	<u>\$ 280,107</u>	<u>\$ 116,266</u>	<u>\$ 102,634</u>

See accompanying notes to the basic financial statements.

STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the year ended June 30, 2014 (in thousands)
(with Comparative Totals for 2013)

	University		Component Units	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
REVENUES				
Operating revenues				
Tuition and fees, net	\$ 130,772	\$ 125,684	\$ -	\$ -
Federal and state grants and other contracts	40,960	53,254	1,122	75
Private gifts, grants, and contracts	3,056	2,156	7,812	7,215
Sales and service of educational activities	19,310	20,497	-	-
Other sources	9,695	12,120	15,028	8,852
Auxiliary enterprises	101,381	104,635	-	-
Total operating revenues	<u>305,174</u>	<u>318,346</u>	<u>23,962</u>	<u>16,142</u>
EXPENSES				
Operating expenses				
Instruction	134,474	133,355	1,988	2,435
Research	11,692	18,564	56	36
Public service	32,827	42,988	1,666	1,239
Academic support	31,991	34,119	114	102
Student services	14,372	14,531	902	755
Operation and maintenance of plant	33,681	24,507	802	796
Depreciation	15,836	16,504	-	-
Institutional support	34,700	34,002	5,682	4,979
Staff benefits	145,512	153,712	-	-
Student aid	35,789	30,891	1,674	1,732
Auxiliary enterprises	89,940	90,992	-	-
Total operating expenses	<u>580,814</u>	<u>594,165</u>	<u>12,884</u>	<u>12,074</u>
Net operating income (loss)	<u>(275,640)</u>	<u>(275,819)</u>	<u>11,078</u>	<u>4,068</u>
NONOPERATING REVENUES (EXPENSES)				
State appropriations - general	93,433	93,490	-	-
State appropriations - on-behalf payments	135,465	143,057	-	-
Build America Bonds subsidy	3,258	4,410	-	-
Investment income	1,400	834	445	295
Expendable gifts and other	-	-	2,109	285
Pell grants	30,276	29,808	-	-
FSEOG	1,002	839	-	-
State of IL MAP	20,712	20,862	-	-
Impairment of capital assets	-	-	-	(4,226)
Net increase (decrease) in fair value of investments	575	(1,028)	-	-
Interest expense	(23,584)	(22,927)	-	-
Net nonoperating revenues	<u>262,537</u>	<u>269,345</u>	<u>2,554</u>	<u>(3,646)</u>
Income (loss) before other revenues, expenses, gains, or losses	(13,103)	(6,474)	13,632	422
Capital appropriations	2,559	2,824	-	-
Gifts to permanent endowments	-	-	-	3,372
INCREASE (DECREASE) IN NET POSITION	(10,544)	(3,650)	13,632	3,794
NET POSITION, BEGINNING OF YEAR, AS RESTATED	280,107	283,757	102,634	98,840
NET POSITION, END OF YEAR	<u>\$ 269,563</u>	<u>\$ 280,107</u>	<u>\$ 116,266</u>	<u>\$ 102,634</u>

See accompanying notes to the basic financial statements.

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2014 (in thousands)
(with Comparative Totals for 2013)**

	University	
	June 30, 2014	June 30, 2013
Cash flows from operating activities		
Student tuition and fees	\$ 130,275	\$ 125,069
Federal and state grants and other contracts	40,588	46,812
Private gifts, grants, and contracts	3,056	2,156
Sales and service of educational activities	23,072	21,910
Auxiliary enterprises	102,577	104,239
Payment to suppliers	(136,320)	(138,760)
Payment to employees	(248,221)	(247,755)
Payments for scholarships	(41,942)	(36,221)
Loans to students and employees	(2,054)	(1,506)
Collection of loans to students and employees	1,414	1,387
Other receipts, net	7,674	12,974
Net cash used in operating activities	<u>(119,881)</u>	<u>(109,695)</u>
Cash flows from noncapital financing activities		
State appropriations	100,158	91,671
Pell Grants	30,276	29,808
FSEOG	1,002	839
State of IL MAP Grants	20,711	20,862
Net cash provided by noncapital financing activities	<u>152,147</u>	<u>143,180</u>
Cash flows from capital and related financing activities		
Proceeds from issuance of debt	21,246	1,345
State appropriations	1,625	2,041
Purchase of capital assets	(30,532)	(53,765)
Principal payments on capital debt	(20,222)	(10,468)
Interest payments on capital debt	(23,156)	(17,704)
Build America Bond Subsidy	3,258	4,410
Net cash used in capital and related financing activities	<u>(47,781)</u>	<u>(74,141)</u>
Cash flows from investing activities		
Interest income on investments, net	1,346	192
Proceeds from sales and maturities of investments	322,036	528,689
Purchase of investments	(323,558)	(498,388)
Net cash (used in) provided by investing activities	<u>(176)</u>	<u>30,493</u>
Net decrease in cash and cash equivalents	(15,691)	(10,163)
Cash and cash equivalents, beginning of the year	<u>50,726</u>	<u>60,889</u>
Cash and cash equivalents, end of the year	<u>\$ 35,035</u>	<u>\$ 50,726</u>

See accompanying notes to the basic financial statements.

**STATE OF ILLINOIS
NORTHERN ILLINOIS UNIVERSITY
STATEMENT OF CASH FLOWS, CONTINUED
For the year ended June 30, 2014 (in thousands)
(with Comparative Totals for 2013)**

	University	
	June 30, 2014	June 30, 2013
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (275,640)	\$ (275,819)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense - non-Auxiliary enterprises	15,836	16,504
Depreciation expense - Auxiliary enterprises	10,452	8,490
Loss on disposal of capital assets	2,055	668
On behalf payments for fringe benefits	135,466	143,057
State expenses for non-capitalized CDB projects	2,559	2,824
Changes in assets and liabilities		
Accounts receivable	3,973	1,017
Inventories	(91)	(13)
Student loans receivable	(228)	39
Investments and other assets	(745)	(516)
Accounts payable and accrued liabilities	(10,490)	(7)
Accrued compensated absences	(712)	(94)
Students' deposits	92	(8)
Deferred revenue and grants	24	(6,532)
Government loan fund advances	(411)	(159)
Agency	(2,021)	854
Net cash used in operating activities	\$ (119,881)	\$ (109,695)
Noncash investing, capital, noncapital and financing activities		
On-behalf payments for fringe benefits	\$ 135,465	\$ 143,057
Unpaid state appropriation revenue	19,788	28,137
Accretion of bond principal	593	794
Capitalized Interest	807	1,544
Cost of capital assets not being depreciated included in accounts payable	5,645	2,285
Unrealized Gain (Loss)	575	(1,028)
State expenses for non-capitalized CDB projects	1,625	2,041

See accompanying notes to the basic financial statements.

State of Illinois

Northern Illinois University

Notes to the Basic Financial Statements

1. Summary of Significant Accounting Policies

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

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 special financing relationship. The financial balances and activities included in these financial statements are included in the State's comprehensive annual financial report.

The Northern Illinois University Foundation (the Foundation), the Northern Illinois University Alumni Association (the Association), and the Northern Illinois Research Foundation (the Research Foundation) are Illinois nonprofit corporations. The Foundation was established to promote and serve the interests and welfare of the University. The Association was established 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, the Association, 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 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 nonprofit organizations legally separate from the University.

Complete financial statements for the Foundation and the Association 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, 2700 International Drive, Suite 100, West Chicago, Illinois 60185.

The University first applies restricted resources when an expense or outlay is incurred for purposes for which both restricted and unrestricted resources are available.

The University uses the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

State of Illinois
Northern Illinois University
Notes to the Basic Financial Statements, continued

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.

Scholarships and fellowships of \$64,976,000 are netted against student tuition and fees. Stipends and other payments made directly to students are reported as scholarship and fellowship expense. Net tuition and fees, except for Summer Session, are recognized as revenues as they are assessed. The portion of Summer Session tuition and fees applicable to the following fiscal year are reported as unearned revenue.

Grant and contract revenues, which are received or receivable from external sources, are recognized as revenues to the extent of related expenses or satisfaction of eligibility requirements on the accrual basis. Advances are classified as unearned revenue.

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.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the University and its component units reported a contribution of \$135,465,000 made by the State of Illinois in fiscal year 2014 to the State Universities Retirement System (SURS) and Central Management Services Group Insurance (CMS) on behalf of the University's and its component units' employees. The State contribution is reported as revenue from State appropriations with an equal and offsetting amount reported as staff benefit expenditures. The on-behalf payments to SURS and CMS were \$72,309,000 and \$63,156,000, respectively, for fiscal year 2014.

The basic financial statements include prior year comparative information, which has been derived from the University's 2013 financial statements. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2013.

State of Illinois
Northern Illinois University
Notes to the Basic Financial Statements, continued

Certain items in the June 30, 2013 financial statements have been reclassified to correspond to the June 30, 2014 presentation.

The auxiliary enterprises are primarily composed of student housing, the student union, intercollegiate athletics, recreational facilities, and parking operations.

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.

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, 2014.

Restricted cash and investments are for capital projects at the University, funded by an external debt issue.

The University accounts for its investments and marketable securities at fair value.

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

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

Capital assets are recorded at cost when purchased or fair value at the date of donation. 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. Depreciation is calculated on a straight-line basis over the estimated useful lives (five to forty years) of the respective assets. The interest costs associated with construction projects are capitalized and included as part of the project. Capitalization of interest ceases when the project is substantially complete. Interest costs capitalized on construction projects were \$807,000 and \$1,544,000 in fiscal year 2014 and 2013, respectively.

The assets associated with long-term leases have been capitalized.

State of Illinois
Northern Illinois University
Notes to the Basic Financial Statements, continued

It is the policy of the University to accrue vacation pay as earned. As of June 30, 2014, the accrued liability for this benefit was \$13,658,000, and is included in accrued compensated absences.

As a result of 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 are payable upon termination of employment for one-half of the unused amount. As of January 1, 1998 per 30 ILCS 105/14a, sick leave benefits earned after that date are no longer compensable upon termination of employment. All prior earned benefits will still be paid. As of June 30, 2014, the accrued liability of this benefit was \$4,182,000, and is included in accrued compensated absences. The accrued compensated absences liability will be funded through future State of Illinois General Revenue Fund appropriations as the terminating 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, was \$5,362,000 at June 30, 2014 and is recorded in the accompanying financial statements as accrued payroll. This amount will be paid from amounts specifically included in State appropriations to the University for fiscal year 2015 rather than the unrestricted net position available at June 30, 2014.

New and Pending Accounting Pronouncements

Statement No. 65, *Items Previously Reported as Assets and Liabilities* establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The University implemented this Statement for the year ending June 30, 2014 and this resulted in a restatement of net position as of July 1, 2013.

Statement No. 68, *Accounting and Financial Reporting for Pensions* requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement also enhances accountability and transparency through revised and new note disclosures and required supplementary

State of Illinois
Northern Illinois University
Notes to the Basic Financial Statements, continued

information (RSI). The University is required to implement this Statement for the year ending June 30, 2015.

Management has not determined the specific impact of the pending pronouncement not yet adopted on its financial statements, however the adoption of Statement No. 68 will have a material impact on the University's financial statements.

Reclassifications

During 2014, the University determined that it had sufficient administrative responsibility under a State financial aid program, the Monetary Award Program (MAP), to include MAP funds as a non-operating revenue. For the year ended June 30, 2014, a reclassification of \$20,712,000 has been included under nonoperating revenues and Student Aid under operating expenses. The year ended June 30, 2013 was also reclassified for comparative purposes in the amount of \$20,862,000. The Federal Supplemental Educational Opportunity Grant (FSEOG) was similarly reclassified in the amount of \$1,002,000 for the year ended June 30, 2014 and \$839,000 for the year ended June 30, 2013. There was no effect on net position related to these reclassifications.

2. Cash and Cash Equivalents

The University considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents consist principally of certificates of deposit and U.S. government securities.

As of June 30, 2014, cash deposits (consisting of demand deposits and money market accounts) of \$35,035,000 were held by the University. Bank deposits held by the University were insured or collateralized with securities held by the University or its custodian in the name of the University.

3. Investments

Policy - Investments and the investment process are governed by 30 ILCS 235, Public Funds Investment Act. The Board of Trustees maintains a formal Statement of Investment Policy, which addresses the governing provisions of the state law, as well as specifying 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.

State of Illinois
Northern Illinois University
Notes to the Basic Financial Statements, continued

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.
- 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.

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, 2014, the University was not subject to custodial credit risk as all of the University's investments were held in its name and its bank balances were either fully insured or collateralized with investments held by agents in the University's name.

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

Investment	Total
FFCB	\$ 29,275
FHLB	18,140
FHLMC	9,492
FNMA	24,321

Foreign currency risk - 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 currency risk exposure.

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 (\$000's):

Quality rating	Money Market	U.S. Agency	Total
AAA	\$ -	\$ 113,252	\$ 113,252
AAAm	68,616	-	68,616
Total	<u>\$ 68,616</u>	<u>\$ 113,252</u>	<u>\$ 181,868</u>

State of Illinois
Northern Illinois University
Notes to the Basic Financial Statements, continued

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 (\$000's):

Segmented Time Distribution	Money Market	U.S. Agency	Total
0 – 1 year	\$ 68,616	\$ 28,525	\$ 97,141
1 – 3 years	-	43,767	43,767
3 – 5 years	-	40,960	40,960
Total	<u>\$ 68,616</u>	<u>\$ 113,252</u>	<u>\$ 181,868</u>

Component Units (\$000's)

Quality rating	Mutual Funds	Stock	Limited Partnerships	Other	Total
AAA	\$ 968	\$ -	\$ -	\$ -	\$ 968
AA+	3,353	-	-	-	3,353
A+	10	-	-	-	10
A	5,939	-	-	-	5,939
A-	3,500	-	-	-	3,500
BBB-	1,107	-	-	-	1,107
BB+	1,099	-	-	-	1,099
BB	976	-	-	-	976
B	1,338	-	-	-	1,338
Not rated	53,484	375	17,465	2,853	74,177
Total	<u>\$ 71,774</u>	<u>\$ 375</u>	<u>\$ 17,465</u>	<u>\$ 2,853</u>	<u>\$ 92,467</u>

Weighted Average Duration	Mutual Funds
.5 years	\$ 1,338
1.0 years	2,057
1.6 years	1,443
2.8 years	3,001
3.4 years	2,949
3.6 years	1,108
4.4 years	976
5.6 years	3,353
6.2 years	1,099
7.9 years	968
Total	<u>\$ 18,292</u>

State of Illinois
Northern Illinois University
Notes to the Basic Financial Statements, continued

The Component Units' permissible investment categories include equities, fixed income securities, cash equivalents, venture capital/private equity, equity real estate and hedge funds. In fulfilling its responsibilities, the Component Units contracted with an independent investment advisory firm as well as 24 investment management firms to execute the strategy it has established.

4. Receivables

Accounts Receivable is reported net of an allowance for uncollectible accounts of \$13,213,000 at June 30, 2014. The composition of accounts receivable at June 30, 2014 is summarized as follows (\$000's):

	<u>University</u>	<u>Component Units</u>
Student accounts	\$ 32,104	\$ -
Customer accounts	2,163	-
Grants receivable	6,847	-
Others	-	1,361
Gross receivables	<u>41,114</u>	<u>1,361</u>
Less: allowance for uncollectible accounts	<u>(13,213)</u>	<u>(93)</u>
Net accounts receivable	<u>\$ 27,901</u>	<u>\$ 1,268</u>

Student loans made through the Federal Perkins Loan Program comprise substantially all of student loans receivable at June 30, 2014 totaling \$8,906,000 and are reported net of an allowance for uncollectible accounts of \$93,000.

**State of Illinois
Northern Illinois University
Notes to the Basic Financial Statements, continued**

5. Capital Assets

Capital assets activity for the year ended June 30, 2014 is summarized as follows:

University (\$000's)	Balance June 30, 2013	Addition	Retirement	Transfer	Balance June 30, 2014
Capital assets not being depreciated:					
Land	\$ 19,281	\$ -	\$ -	\$ -	\$ 19,281
Construction in progress	25,157	25,637	-	(30,041)	20,753
Total capital assets not being depreciated	<u>44,438</u>	<u>25,637</u>	<u>-</u>	<u>(30,041)</u>	<u>40,034</u>
Capital assets being depreciated:					
Land improvements	72,353	-	-	5,325	77,678
Buildings	648,628	-	(7,957)	24,716	665,387
Equipment	183,151	4,902	(3,826)	-	184,227
Other assets	3,820	-	-	-	3,820
Total capital assets being depreciated	907,952	4,902	(11,783)	30,041	931,112
Less: accumulated depreciation	<u>(486,641)</u>	<u>(26,288)</u>	<u>9,721</u>	<u>-</u>	<u>(503,208)</u>
Total capital assets being depreciated, net	<u>421,311</u>	<u>(21,386)</u>	<u>(2,062)</u>	<u>30,041</u>	<u>427,904</u>
Total capital assets, net	<u>\$ 465,749</u>	<u>\$ 4,251</u>	<u>\$ (2,062)</u>	<u>\$ -</u>	<u>\$ 467,938</u>

State of Illinois
Northern Illinois University
Notes to the Basic Financial Statements, continued

Component Units (\$000's)	Balance June 30, 2013	Addition	Retirement	Transfer	Balance June 30, 2014
Capital assets not being depreciated:					
Land	\$ 3,829	\$ -	\$ -	\$ -	\$ 3,829
Construction in progress	9,069	3,586	-	(12,655)	-
Total capital assets not being depreciated	<u>12,898</u>	<u>3,586</u>	<u>-</u>	<u>(12,655)</u>	<u>3,829</u>
Capital assets being depreciated:					
Buildings	11,871	-	-	12,655	24,526
Furniture	913	-	(34)	-	879
Total capital assets being depreciated	<u>12,784</u>	<u>-</u>	<u>(34)</u>	<u>12,655</u>	<u>25,405</u>
Less: accumulated depreciation	<u>(1,979)</u>	<u>(705)</u>	<u>34</u>	<u>-</u>	<u>(2,650)</u>
Total capital assets being depreciated, net	<u>10,805</u>	<u>(705)</u>	<u>-</u>	<u>12,655</u>	<u>22,755</u>
Total capital assets, net	<u>\$ 23,703</u>	<u>\$ 2,881</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,584</u>

State of Illinois
Northern Illinois University
Notes to the Basic Financial Statements, continued

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2014 are as follows (\$000's):

	<u>University</u>	<u>Component Units</u>
Payable to vendors/suppliers	\$ 32,557	\$ 1,032
Accrued payroll	7,165	-
Current portion of noncurrent liabilities:		
Performance contracts payable	2,200	-
Revenue bonds payable	3,890	896
Leases payable	1,321	-
Notes payable	619	-
Other liabilities	<u>141</u>	<u>-</u>
Total current accounts payable and accrued liabilities	47,893	1,928
Noncurrent accounts payable and accrued liabilities	<u>3,956</u>	<u>584</u>
Total accounts payable and accrued liabilities	<u>\$ 51,849</u>	<u>\$ 2,512</u>

7. Performance Contracts Payable

The University has entered into multiple performance contracts, as defined by Public Act 90-0486, passed by the State Legislature in 1997. The 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 assets in the performance contracts have been capitalized.

State of Illinois
Northern Illinois University
Notes to the Basic Financial Statements, continued

Performance contracts payable activity and outstanding balances at June 30, 2014 are as follows (\$000's):

Performance Contract	Beginning Balance	Issued	Retired	Ending Balance	Current Portion
West Campus Control Valve Retrofit	\$ 107	\$ -	\$ 107	\$ -	\$ -
Energy Infrastructure Improvements	943	-	304	639	307
Energy Infrastructure Improvements-Phase 10A	1,257	-	1,257	-	-
Energy Infrastructure Improvements-Phase 10B	10,760	-	586	10,174	609
Energy Infrastructure Improvements -Refinance	17,957	-	1,186	16,771	1,216
Energy Infrastructure Improvements-Phase 11	-	8,130	-	8,130	68
	<u>\$ 31,024</u>	<u>\$ 8,130</u>	<u>\$ 3,440</u>	<u>\$ 35,714</u>	<u>\$ 2,200</u>

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 2,200	\$ 1,128	\$ 3,328
2016	2,474	1,058	3,532
2017	2,554	979	3,533
2018	2,459	898	3,357
2019	2,537	820	3,357
2020-2024	13,942	2,846	16,788
2025-2029	9,194	695	9,889
2030	354	6	360
Total	<u>\$ 35,714</u>	<u>\$ 8,430</u>	<u>\$ 44,144</u>

Interest rates range from 2.48% to 4.16%. The guaranteed savings will be recognized as a reduction of expense over the life of the contract as expenditures are made.

State of Illinois
Northern Illinois University
Notes to the Basic Financial Statements, continued

8. Accrued Compensated Absences

Accrued compensated absences includes employee earned but unused vacation and sick leave days and the changes in balance are as follows (\$000):

Balance, beginning of year	\$ 18,552
Additions/(Deductions)	<u>(712)</u>
Balance, end of year	17,840
Less current portion	<u>3,320</u>
Balance, end of year, noncurrent portion	<u>\$ 14,520</u>

Amounts reported as current are based upon historical trends.

9. Unearned Revenue and Grants

Unearned revenue and grants represents funds received in advance on grants not yet expended and the changes in balances are as follows (\$000):

Balance, beginning of year	\$ 3,201
Additions/(Deductions)	<u>(372)</u>
Balance, end of year	<u>\$ 2,829</u>

10. Government Loan Fund Advances

Government loan fund advances represents money received from the federal government for student loan programs and the changes in balances are as follows (\$000):

Balance, beginning of year	\$ 8,014
Additions/(Deductions)	<u>(412)</u>
Balance, end of year	<u>\$ 7,602</u>

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Notes to the Basic Financial Statements, continued

11. Revenue Bonds Payable

Revenue bonds activity and outstanding as of June 30, 2014 are as follows (\$000's):

Issue	Beginning Balance	Issued / Accreted	Retired / Defeased	Ending Balance	Current Portion	Future Revenues Pledged	Debt Service to Pledged Revenue (Current Year)
Series 1992 (B)	\$ 10,759	\$ 594	\$ 3,730	\$ 7,623	\$ 3,730	\$ 8,180	12%
Series 2010	126,025	-	-	126,025	-	345,758	6%
Series 2011	61,370	-	-	61,370	160	90,582	2%
	<u>\$ 198,154</u>	<u>\$ 594</u>	<u>\$ 3,730</u>	<u>\$ 195,018</u>	<u>\$ 3,890</u>	<u>\$ 444,520</u>	
Component Unit	\$ 2,231	\$ 5,754	\$ 1,788	\$ 6,197	\$ 896		

The Auxiliary Facilities Revenue Bonds, Series 1992 (B), original issue \$14,498,000, matures serially at varying amounts from fiscal years 2005 through 2017, and pays no current interest. The University records the annual increase in the principal amount of these bonds as interest expense and accretion on bonds payable. The interest ranges from 6.15% to 6.55%. Net revenue and pledged fees for the year were \$32,395,000.

In December, 2010, the University issued \$126,025,000 of taxable Auxiliary Facilities Systems Revenue Bonds (Series 2010) under the Build America Program. Taxable interest rates range from 7.75% to 8.15%, with the University receiving an amount equivalent to 35% of the interest expense back from the United States Treasury. The bonds mature at varying amounts from 2028 through 2041. Interest payments are due semi-annually. Net revenue, pledged fees and tuition for the year were \$167,344,000.

In January, 2011, the University issued \$67,135,000 of Auxiliary Facilities System Revenue Bonds (Series 2011). Stated interest rates range from 3.0% to 5.50%. The bonds mature at varying amounts from 2012 through 2028. Interest payments are due semi-annually. Net revenue, pledged fees and tuition for the year were \$167,344,000.

The Series 1992 bonds are payable from and secured by the net revenues of the System and pledged fees. The Series 2010 and Series 2011 bonds are also payable from and secured by the net revenues of the System and pledged fees, subject to the prior claim of the Series 1992 bonds. The Series 2010 and Series 2011 bonds are further secured by a pledge of and lien on pledged tuition. All bond series are also secured by non-cancelable policies of municipal bond insurance.

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Aggregate payments required on the bonds for the next five years and in later years are as follows (\$000's):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Accretion</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,773	\$ 117	\$ 13,300	\$ 17,190
2016	3,557	343	13,295	17,195
2017	3,808	97	13,288	17,193
2018	4,065	-	13,129	17,194
2019	4,265	-	12,926	17,191
2020-2024	24,825	-	61,134	85,959
2025-2029	32,015	-	53,945	85,960
2030-2034	41,210	-	41,612	82,822
2035-2039	53,090	-	23,345	76,435
2040-2042	24,410	-	2,971	27,381
Total	<u>\$ 195,018</u>	<u>\$ 557</u>	<u>\$ 248,945</u>	<u>\$ 444,520</u>

Component Units (\$000's)

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Accretion</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 896	\$ -	\$ 104	\$ 1,000
2016	1,312	-	88	1,400
2017	1,395	-	66	1,461
2018	1,411	-	42	1,453
2019	360	-	19	379
Thereafter	823	-	20	843
Total	<u>\$ 6,197</u>	<u>\$ -</u>	<u>\$ 339</u>	<u>\$ 6,536</u>

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12. Capitalized Leases

Certain leases, in which the University's governing board is the lessee, are considered to be equivalent to installment purchases for accounting presentation. The assets recorded under these leases have been capitalized at the present value of future lease payments, measured at lease inception date. These assets totaled \$140,029,000, net of accumulated depreciation of \$15,501,000 at June 30, 2014.

Capital leases activity and outstanding principal balances as of June 30, 2014 are as follows (\$000's):

	Beginning Balance	Additions	Payments	Ending Balance	Current Portion
Naperville Project	\$ 12,415	\$ -	\$ 12,415	\$ -	\$ -
IASBO Building	583	-	41	542	43
Northern View	19,070	-	-	19,070	85
Motor Coaches	227	-	111	116	116
Oracle	1,143	-	-	1,143	572
First Year Residence	113,156	-	-	113,156	505
Net Present Value	<u>\$146,594</u>	<u>\$ -</u>	<u>\$ 12,567</u>	<u>\$134,027</u>	<u>\$ 1,321</u>

Future minimum lease payments for the above assets under capital leases at June 30, 2014 on originally scheduled minimum payments and estimated interest are (\$000's):

Year Ending June 30	Principal	Interest	Total
2015	\$ 1,321	\$ 8,841	\$ 10,162
2016	1,482	8,805	10,287
2017	1,208	8,759	9,967
2018	1,530	8,697	10,227
2019	1,823	8,618	10,441
2020-2024	12,358	41,367	53,725
2025-2029	16,285	37,083	53,368
2030-2034	22,605	30,771	53,376
2035-2039	31,500	21,880	53,380
2040-2044	43,915	9,459	53,374
Total	<u>\$134,027</u>	<u>\$184,280</u>	<u>\$318,307</u>

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During fiscal year 2007, the University entered an agreement with CHF – DeKalb, L.L.C. to develop, finance, design, construct, equip and operate an approximately 240 bed student housing facility. The Northern View Community opened in the fall of 2007 replacing the existing University Family Apartments. The facility is owned by CHF, but managed by NIU Housing and Dining. The agreement required no capital outlay from the University but Generally Accepted Accounting Principles require the University to report the transaction as a capital lease. The facility and offsetting capital lease were recorded at \$19,400,000. In fiscal year 2011, the University entered into another agreement with CHF, with two separate components. The first was to refinance the existing Northern View capital lease. The second was to build and equip an approximate 1,008 bed student housing facility consisting of two five-story residential buildings and a community center and dining hall. The new student facility was recorded as an asset and as a capital lease upon its substantial completion during fiscal year 2012, with future payments scheduled starting in fiscal year 2014.

13. Notes and Certificates of Participation Payable

Certificates of participation and notes payable activity and outstanding principal balances as of June 30, 2014 are as follows (\$000's):

Issue	Beginning Balance	Issued	Retired	Ending Balance	Current Portion
Certificates of Participation / Notes Payable:					
Series 1993 - Hoffman Estates Facility	\$ 2,855	\$ -	\$ 485	\$ 2,370	\$ 515
Series 2014 - Capital Improvement Projects	-	11,975	-	11,975	-
	\$ 2,855	\$ 11,975	\$ 485	\$ 14,345	\$ 515
Unamortized debt Premium	-	\$ 1,140	-	\$ 1,140	104
Total	\$ 2,855	\$ 13,115	\$ 485	\$ 15,485	\$ 619

In August 1993, the University issued \$8,485,000 of certificates of participation to refinance an educational center occupied by Northern Illinois University in Hoffman Estates, Illinois, payable through installments commencing in 1994, for a period of twenty-three years. The interest is 5%.

Series 2014 – Capital Improvement Project: On April 22, 2014, the University issued Certificates of Participation (Capital Improvement Projects) in the amount of \$11,975,000 at a premium of \$1,140,000 million. 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

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(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 COPs are payable through installments commencing in 2015, for a period of eleven years and are secured by a non-cancelable policy of municipal bond insurance. The interest is 4%-5%.

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 515	\$ 582	\$ 1,097
2016	1,490	612	2,102
2017	2,330	522	2,852
2018	1,060	446	1,506
2019	1,105	402	1,507
2020-2024	6,325	1,192	7,517
2025-2026	1,520	40	1,560
Total	<u>\$ 14,345</u>	<u>\$ 3,796</u>	<u>\$ 18,141</u>
Unamortized Premium	1,140	-	1,140
Total	<u>\$ 15,485</u>	<u>\$ 3,796</u>	<u>\$ 19,281</u>

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. The following tables include detail of the net position balances for the University and the Component Units:

University Net Position (\$000's):

Net Investment in capital assets	\$ 139,213
Restricted:	
Expendable	3,832
Unrestricted	<u>126,518</u>
Total	<u>\$ 269,563</u>

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Component Units Net Position (\$000's):

Net Investment in capital assets	\$ 20,387
Restricted:	
Nonexpendable	63,731
Expendable	20,976
Unrestricted	<u>11,172</u>
Total	<u>\$ 116,266</u>

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

The restricted – nonexpendable classification 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.

The restricted – expendable classification represents resources with legal or contractual obligations to spend in accordance with restrictions imposed by external third parties.

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

15. Transactions with Component Units

During fiscal year 2014, the University engaged the Foundation, under contract, to provide fundraising services. As provided by the contract agreement, the University paid \$630,000 for fundraising services. Additionally, the University provided services to the Foundation valued at \$679,000. As required by the contract, the Foundation fully repaid the University for the services provided, using funds considered unrestricted. 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 University paid the Research Foundation \$441,000 for these services.

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Summary of transactions with Component Units (\$000's):

		Alumni	Research
		Foundation	Association
		Foundation	Foundation
Unrestricted funds:			
Totally unrestricted administrative services	\$ 1,306	\$ -	\$ 441
Support for University programs and departments	5,053	564	-
Administrative and office expense	256	-	-
Total unrestricted funds	6,615	564	441
Restricted funds:			
Provided for scholarships and awards	1,667	29	-
Provided for library books, equipment and property improvements	702	-	-
Restricted fund	1,261	-	-
Endowment fund	390	-	-
Total restricted funds	4,020	29	-
Total funds provided to the University	\$ 10,635	\$ 593	\$ 441

The University entered into a ten year lease with the Foundation for the rental of space in the Jeffrey and Kimberly Yordon Center in 2007. The building houses state of the art strength and conditioning facilities, academic and tutoring support, coach's offices, locker rooms, and medical treatment and rehabilitation services. The lease calls for the University to be responsible for insurance and maintenance of the building. The lease amount is included in the Operating Lease disclosure.

The University entered into a 89 month lease with the Foundation for the rental of space in the Kenneth and Ellen Chessick Practice Center in 2013. 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 facilities serve 16 intercollegiate teams and a variety of intramural sports at NIU. The lease calls for the University to be responsible for insurance and maintenance of the building. The lease amount is included in the Operating Lease disclosure.

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16. Operating Leases

The University leases various buildings under operating lease agreements. Total rental expense for the year ended June 30, 2014, under these agreements was \$1,419,000.

Future minimum lease payments are (\$000's):

Year Ending		Amount
June 30		
2015	\$	1,510
2016		1,389
2017		1,036
2018		337
2019-2021		957
Total	\$	<u>5,229</u>

17. Retirement Plan

The University contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple employer defined benefit pension plan with a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of the state universities, certain affiliated organizations and certain other state educational and scientific agencies and for survivors, dependents and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the State's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40, 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 writing to SURS, 1901 Fox Drive, Champaign, IL 61820 or by calling 1-800-275-7877.

Participation by eligible employees is mandatory. Employees are ineligible to participate if (1) employed less than one academic term or (2) employed less than full-time and attending classes with an employer; or (3) receiving a retirement annuity from SURS. Of those University employees ineligible to participate, the majority are students at the University.

Plan members are required to contribute 8.0% of their annual covered salary and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The current rate for fiscal year 2015 is 35.8% of annual covered payroll. The employer contributions to SURS for the years

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ended June 30, 2014, 2013, and 2012 were \$72,309,000, \$68,609,000, and \$48,870,000, respectively, equal to the required contributions for each year. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

18. Postemployment Benefits

The State Employees Group Insurance Act of 1971 (Act), as amended, authorizes the State to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State and university employees become eligible for these other postemployment benefits (OPEB) if they eventually become annuitants of one of the State sponsored pension plans. The portions of the Act related to OPEB establish a cost-sharing multiple-employer defined OPEB plan with a special funding situation in which the State funds substantially all nonparticipant contributions. The plan does not issue a standalone financial report but is included as a part of the State's financial statements. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, 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 the State Employees' Retirement System do not contribute towards health, dental, 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, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$5,000.

The State pays the University's portion of employer costs for the benefits provided. The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including postemployment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The actuarial accrued liability and the total costs incurred for health, dental, vision, and life insurance benefits are not determined by or allocated to departments or component units for annuitants and their dependents nor active employees and their dependents.

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19. Operating Expenses by Natural Classification

Operating expenses by natural classification for the year ended June 30, 2014 are summarized as follows:

University
(\$000's)

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 113,685	\$ 18,728	\$ 2,061	\$ -	\$ 134,474
Research	8,870	2,388	434	-	11,692
Public Service	13,757	18,474	596	-	32,827
Academic					
Support	19,654	12,117	220	-	31,991
Student Services	9,830	4,538	4	-	14,372
O&M	14,196	19,485	-	-	33,681
Depreciation	-	-	-	15,836	15,836
Inst. Support	23,284	11,408	8	-	34,700
Staff Benefits	145,512	-	-	-	145,512
Student Aid	876	350	34,563	-	35,789
Auxiliary	33,230	42,203	4,055	10,452	89,940
Total	\$ 382,894	\$ 129,691	\$ 41,941	\$ 26,288	\$ 580,814

Component Units
(\$000's)

	Compensation and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 837	\$ 891	\$ 259	\$ -	\$ 1,987
Research	53	2	1	-	56
Public Service	1,175	491	-	-	1,666
Academic					
Support	25	81	8	-	114
Student Services	108	745	49	-	902
O&M	-	263	-	-	263
Depreciation	-	-	-	705	705
Inst. Support	1,228	4,274	15	-	5,517
Student Aid	77	48	1,549	-	1,674
Total	\$ 3,503	\$ 6,795	\$ 1,881	\$ 705	\$ 12,884

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20. Insurance

The University participates in a cooperative known as the Illinois Public Higher Education Cooperative (IPHEC). Through IPHEC, the University has contracted with commercial carriers to provide various excess liability insurance coverages, including educators' legal and other general liability insurance. The University's liability coverages have a general \$350,000 deductible per occurrence, which may be partially funded by a self-insurance fund authorized by the NIU Board of Trustees. 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 coverages in any of the three preceding years.

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

21. Commitments and Contingencies

At June 30, 2014, the University had commitments on various grants, construction projects and contracts for repairs and renovations of facilities of approximately \$18.1 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 Action

Although the University is a defendant in various lawsuits, most of the actions are personnel or administrative related and the University's legal exposure is either limited or virtually non-existent. University officials are of the opinion, based on 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.

The federal and state investigations, which were a result of a search warrant served on the NIU Department of Police and Public Safety by various federal agencies and the Illinois

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State Police on March 6, 2013 and were first noted in fiscal year 2013, are ongoing. The University continues to cooperate with requests for information, has not been informed of any finding of wrong doing to date and there have not been any arrests or charges associated with any ongoing investigations.

22. Restatement

As shown in the following table, the financial statements of the University have been restated for the implementation of GASB Statement No. 65, *Items Previously Recorded as Assets and Liabilities*. With the implementation of GASB Statement No. 65, the University is required to write off previous bond issuance costs which were being amortized over the life of the bonds and to expense these amounts in the year of issuance. The impact of this change on net position as of July 1, 2013 is to decrease net position as follows (\$000's):

Net Position, July 1, 2013	\$281,616
Implementation of GASB 65	<u>(1,509)</u>
Net Position, July 1, 2013 as restated	<u>\$280,107</u>

The net position previously reported as of July 1, 2012, as shown in the comparative column of the financial statements, was also restated by the same amount to reflect the implementation of GASB Statement No. 65.

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23. University Related Organizations

The entity's financial statements include the activity of the University Related Organizations which represent the discretely presented component units. Below are condensed financial statements by organization. (\$000's)

	<u>Foundation</u>	<u>Alumni Association</u>	<u>Northern IL Research Foundation</u>
Condensed Statement of Net Position			
ASSETS:			
Current assets	\$ 5,307	\$ -	\$ 286
Noncurrent assets			
Capital assets, net of accumulated depreciation	26,100	-	484
Investments administered by NIU Foundation	92,467	2,965	-
Other noncurrent assets	3,371	-	-
TOTAL ASSETS	<u>\$ 127,245</u>	<u>\$ 2,965</u>	<u>\$ 770</u>
LIABILITIES:			
Current liabilities	\$ 1,459	\$ 371	\$ 98
Noncurrent liabilities			
Deposits held for NIU Alumni Association	2,965	-	-
Deposits held for NIU	3,936	-	-
Endowments and life income trusts	517	67	-
Bonds and Notes Payable	5,301	-	-
TOTAL LIABILITIES	<u>14,178</u>	<u>438</u>	<u>98</u>
NET POSITION:			
Net investment in capital assets	19,902	-	485
Restricted			
Nonexpendable	63,612	119	-
Expendable	20,605	330	41
Unrestricted	8,948	2,078	146
Total net position	<u>113,067</u>	<u>2,527</u>	<u>672</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 127,245</u>	<u>\$ 2,965</u>	<u>\$ 770</u>
Condensed Statement of Revenues, Expenses and Changes in Net Position			
Operating revenues	\$ 22,187	\$ 127	\$ 1,648
Operating expenses	10,636	593	1,655
Operating income (loss)	11,551	(466)	(7)
Nonoperating revenue (expenses)	1,895	659	-
Increase (decrease) in net position	13,446	193	(7)
Net position, beginning of year	99,621	2,334	679
Net position, end of year	<u>\$ 113,067</u>	<u>\$ 2,527</u>	<u>\$ 672</u>