

**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY**

**FINANCIAL AUDIT  
For the Year Ended June 30, 2010**

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

**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY  
FINANCIAL AUDIT  
For the Year Ended June 30, 2010**

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**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY**

**AGENCY OFFICIALS**

John G. Peters	President
Raymond W. Alden III	Executive Vice President and Provost
Eddie R. Williams	Executive Vice President, Business and Finance, and Chief of Operations
Anne C. Kaplan	Vice President, Administration
Michael P. Malone	Vice President, University Advancement
Kathryn Buettner	Vice President, External Affairs
Kenneth L. Davidson	Vice President and General Counsel
Danielle Schultz	Director of Internal Audit
<u>Financial Staff</u>	
Robert C. Albanese	Associate Vice President, Finance and Facilities
Keith Jackson	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 Clifton Gunderson LLP.

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

## Independent Auditors' Report

Honorable William G. Holland  
Auditor General  
State of Illinois

and

Cherilyn G. Murer, Honorable Chair of the  
Legislation, Audit, and External Affairs Committee

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities of Northern Illinois University (University) and its aggregate discretely presented component units, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2010, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the University's June 30, 2009 financial statements and, in our report dated January 27, 2010, we expressed unqualified opinions on the respective financial statements of the business-type activities and the aggregate discretely presented component units. We did not audit the financial statements of Northern Illinois University Foundation, Northern Illinois University Alumni Association, and Northern Illinois Research Foundation (collectively "component units") as of and for the year ended June 30, 2010. Those financial statements were audited by other auditors whose reports thereon have been provided to us and our opinions on the financial statements, insofar as it relates to the amounts included for the component units, is based on the reports of 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Northern Illinois University and its aggregate discretely presented component units as of June 30, 2010, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a separate report dated December 6, 2010 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 16 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Clifton Gunderson LLP*

Peoria, Illinois  
December 6, 2010

**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

**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 ending June 30, 2010 with comparative information for the year ended June 30, 2009. 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.

The University is a comprehensive public institution of higher learning with more than 25,000 students and approximately 1,250 faculty members, which contributes to the region, state, and nation through its instructional, basic and applied research, and public service programs. The University is located in DeKalb, Illinois, with regional centers in Hoffman Estates, Naperville, and Rockford, and the Lorado Taft Field Campus in Oregon, Illinois. The University offers more than 50 undergraduate and over 70 graduate degree programs, including 12 Ph.D. and 6 Ed.D. programs, and the Juris Doctorate. These programs are administered in 40 departments and schools in the Colleges of Business, Education, Engineering and Engineering Technology, Health and Human Sciences, Law, Liberal Arts and Sciences, and Visual and Performing Arts. The University also offers more than 50 certificates of graduate study, 4 interdisciplinary concentrations, a limited number of undergraduate certificates, and more than 60 study abroad programs worldwide.

The University's interdisciplinary research and public service centers include the Center for Biochemical and Biophysical Studies, the Center for Burma Studies, the Regional Development Institute, the Plant Molecular Biology Center, and the Center for Southeast Asian Studies, which has been accorded status as an undergraduate National Resource Center by the U.S. Department of Education, one of seven in the United States. The University Libraries house the Digitization Project, which includes the Abraham Lincoln Digitization Project and a number of other digital projects which place the events of history, both in the United States and internationally, in cultural and social context. The Northern Illinois University Press, one of three at Illinois public universities, publishes on a variety of topics in the humanities, arts, and sciences; books on Russian studies, railroad history, and the history of Chicago and the Midwest are areas of special focus.

The University is accredited by the Higher Learning Commission and is a member of the North Central Association. It is also accredited by the National Council for Accreditation of Teacher Education to offer teacher preparation programs, which are approved by the Illinois State Board of Education. The College of Business is accredited by the Association to Advance Collegiate Schools of Business (AACSB - International), the College of Engineering and Engineering Technology is accredited by the Engineering Accreditation Commission of the Accreditation Board for Engineering and Technology (ABET), and the College of Law is accredited by the American Bar Association (ABA). All degree programs eligible for accreditation are accredited by their respective professional accrediting bodies. The University is included in the Doctoral/Research Universities - Extensive category of the Carnegie Foundation for the Advancement of Teaching, and is a member of the National Association of State Universities and Land-Grant Colleges and the Universities Research Association.

### FINANCIAL HIGHLIGHTS

The University's financial position remained strong at June 30, 2010 in spite of state reductions in general revenue appropriations and increased costs of health care. Changes in net assets represent the operating activity of the University, which results from revenues, expenses, gains and losses, and are summarized for the year ended June 30, 2010 and 2009 as follows:

(in thousands)

	<u>2010</u>	<u>2009</u>
Total revenues	\$ 534,540	\$ 490,432
Total expenses	<u>502,114</u>	<u>484,375</u>
Increase in net assets	<u>\$ 32,426</u>	<u>\$ 6,057</u>

### USING THE FINANCIAL STATEMENTS

The University's financial report includes three financial statements: The Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets 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 22 to the 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.



## STATEMENT OF NET ASSETS

The Statement of Net Assets 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 assets—is one indicator of the current financial condition of the University, while the change in net assets 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. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

A summary of the University’s assets, liabilities and net assets at June 30, 2010 and 2009 is as follows:

(in thousands)

	2010	2009
Current assets	\$ 126,075	\$ 84,313
Noncurrent assets:		
Investments	35,238	43,280
Capital assets, net	317,403	320,261
Other	13,806	14,497
Total assets	492,522	462,351
Current liabilities	56,697	54,622
Noncurrent liabilities	181,537	185,867
Total liabilities	238,234	240,489
Net assets	\$ 254,288	\$ 221,862

A review of the University’s Statement of Net Assets at June 30, 2010 shows that the University continues to build upon its strong financial foundation. This financial health reflects the prudent utilization of its financial resources, including careful cost controls, management of its endowment, conservative utilization of debt and adherence to its long range capital plan for the maintenance and replacement of the physical plant.

Current assets consist primarily of cash, short-term investments and interest receivable, which total \$68.6 million at June 30, 2010. This amount represents approximately 2.1 months of total expenses (excluding depreciation and fringe benefit expense covered by supplemental state appropriations). Accounts receivable totaled \$26.5 million at June 30, 2010 and Appropriations receivable from the state totaled \$27.9 million.

Current accounts payable and accrued liabilities, which total \$45.3 million at June 30, 2010, consist primarily of trade accounts payable and the current portion of performance contracts payable, bonds payable, leases payable, and notes payable. Current liabilities also include accrued compensated absences and deferred revenue. Total current liabilities are \$56.7 million at June 30, 2010.

## 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 \$18.7 million in 2010. 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 assets 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 NIU.

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 initially recorded at \$19.4 million.

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 eleven separate performance contracts outstanding, totaling \$26.5 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. In August 2001, the Moody's Investors Service upgraded the University credit rating to A2 and re-affirmed this rating as recently as June 14, 2010. Bonds payable, excluding the amount currently due, totaled \$89.5 million at June 30, 2010. These bonds have been issued to finance construction of new non-academic facilities and improvements.

Certificates of participation payable total \$4.2 million at June 30, 2010. They have been used to finance the acquisition of several academic and administrative facilities. Capitalized leases payable totaled \$34.5 million at June 30, 2010, and are considered to be installment purchases.

The following table summarizes the University's bonds payable, leases payable and notes payable outstanding on June 30, 2010 and 2009:

(in thousands)

	<u>2010</u>	<u>2009</u>
Revenue bonds payable	\$ 95,795	\$ 100,632
Leases payable	34,452	35,501
Notes payable	4,165	4,555

#### NET ASSETS

Net assets represent the residual interest in the University's assets after liabilities are deducted. The University's net assets at June 30, 2010 and 2009 are summarized as follows:

(in thousands)

	<u>2010</u>	<u>2009</u>
Invested in capital assets, net of related debt	\$ 156,523	\$ 156,971
Restricted:		
Expendable	7,155	7,031
Unrestricted	<u>90,610</u>	<u>57,860</u>
Total net assets	<u>\$ 254,288</u>	<u>\$ 221,862</u>

The University's net assets increased \$32.4 million during fiscal year 2010.

Net assets invested in capital assets, net of related debt 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.

Restricted expendable net assets are subject to externally imposed restrictions governing their use.

Although unrestricted net assets are not subject to externally imposed stipulations, substantially all of the University's unrestricted net assets 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.

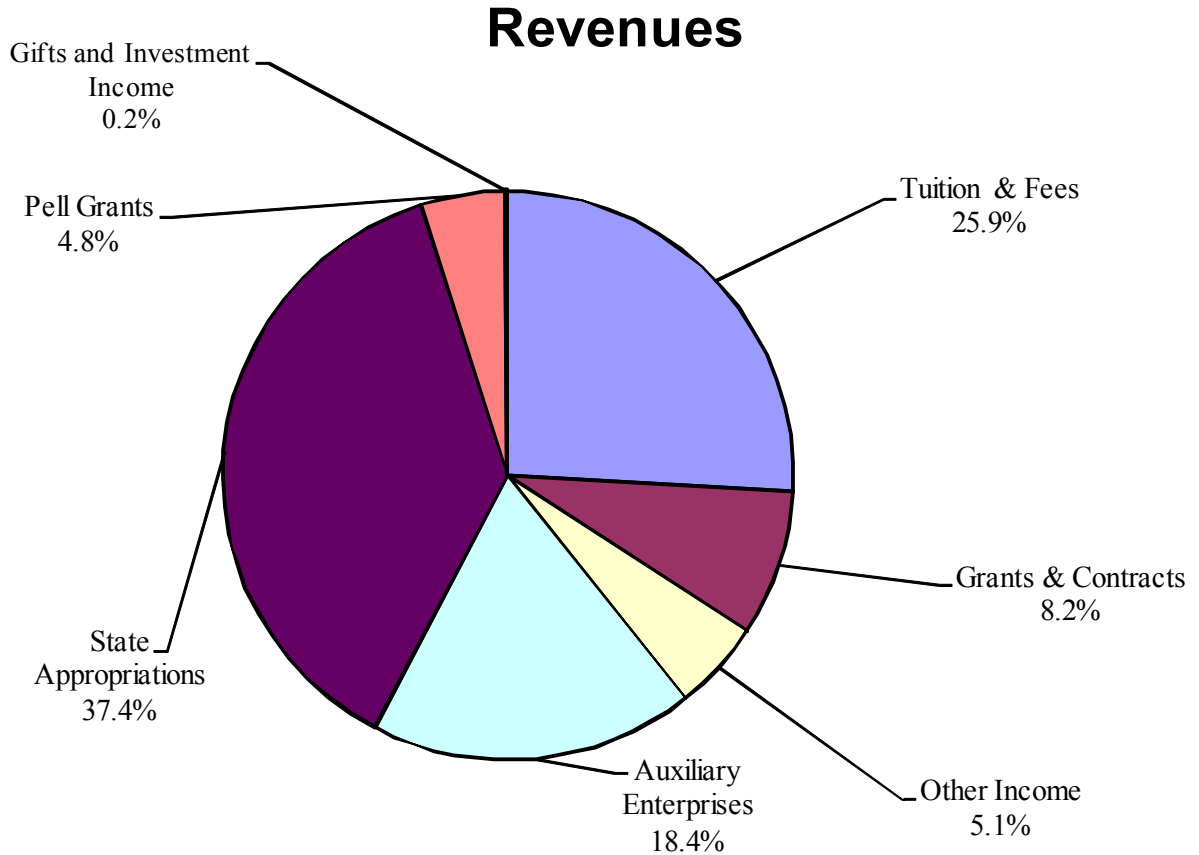
#### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets 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, gifts, Pell Grants, and investment income. A summary of the University's revenues, expenses and changes in net assets for the year ended June 30, 2010 and 2009 is as follows:

(in thousands)

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Student tuition and fees	\$ 170,979	\$ 154,899
Less: scholarship allowances	<u>(32,453)</u>	<u>(29,017)</u>
Net student tuition and fees	138,526	125,882
Sponsored programs	43,992	45,511
Auxiliary enterprises	98,632	97,949
Other	<u>27,381</u>	<u>24,693</u>
	308,531	294,035
Operating expenses	<u>(493,393)</u>	<u>(475,734)</u>
Operating loss	<u>(184,862)</u>	<u>(181,699)</u>
Nonoperating revenues (expenses):		
State appropriations:		
General	107,456	104,779
Supplemental	88,330	69,085
Capital	3,871	3,638
Pell Grants	25,369	16,861
Net investment income	983	2,034
Interest expense and other, net	<u>(8,721)</u>	<u>(8,641)</u>
Net nonoperating revenues	<u>217,288</u>	<u>187,756</u>
Increase in net assets	32,426	6,057
Net assets, beginning of year	<u>221,862</u>	<u>215,805</u>
Net assets, end of year	<u>\$ 254,288</u>	<u>\$ 221,862</u>

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, 2010. Significant recurring sources of the University's revenues are considered nonoperating, as defined by GASB Statement No. 35.



Dollars in millions

\$ 138.5	Revenue from charges for tuition and fees, net of scholarship allowance of \$32.5
\$ 98.6	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.
\$ 27.4	Miscellaneous revenue consists primarily of income from sales and services of educational activities that include conferences and seminars.
<u>\$ 308.5</u>	Total operating

\$ 199.7	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 includes appropriations for capital projects.
\$ 25.4	Pell Grants
\$ 1.0	Investment income, and change in fair value of investments.
<u>\$ 226.1</u>	Total non-operating
<u>\$ 534.6</u>	Total revenues

Tuition and state appropriations are the primary sources of funding for the University's academic programs. Student tuition and fees, net of allowances for scholarships and fellowships, was \$138.5 million in 2010, an increase of \$12.6 million. The increase is the result of an increase in tuition 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 were \$107.5 million in 2010, an increase of \$2.7 million from 2009, and below the FY 2002 level of \$116.8 million.

Revenues for sponsored programs were \$44.0 million in 2010, a decrease of \$1.5 million from 2009. 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 year ended June 30, 2010 and 2009 consisted of the following components:

(in thousands)

	<u>2010</u>	<u>2009</u>
Income, net	\$ 882	\$ 1,917
Net change in the fair value of investments	101	117
	<u>\$ 983</u>	<u>\$ 2,034</u>

Investment income has decreased as a result of the decrease in market rates available.

Capital appropriations received from the State in 2010 totaling \$3.9 million, an increase of \$0.3 million from 2009, funded projects across the University.

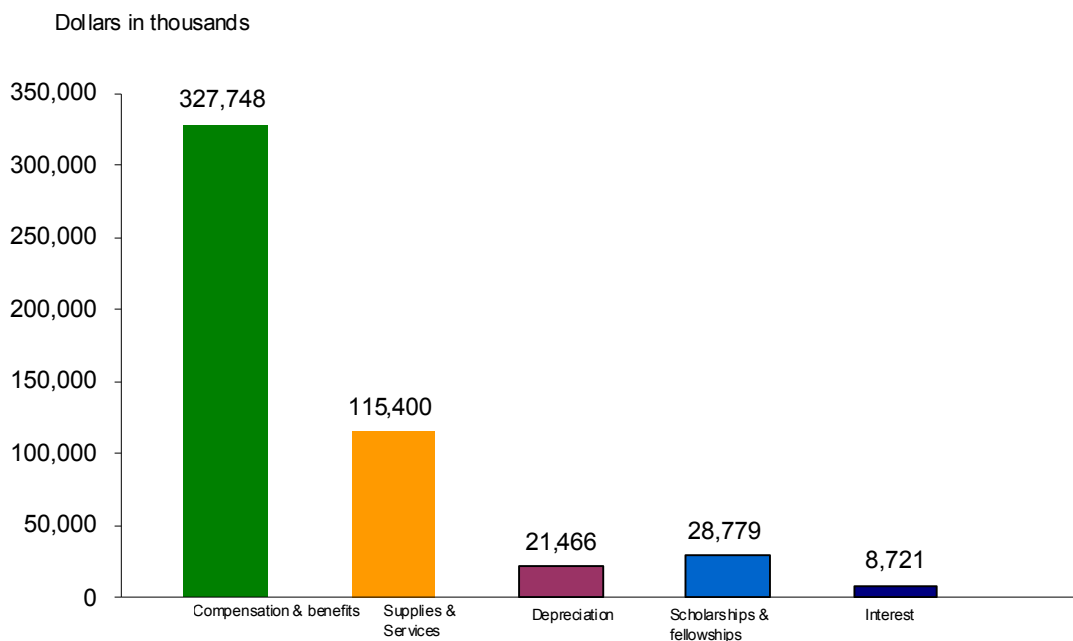
A summary of the University's expenses for the year ended June 30, 2010 and 2009 is:

(in thousands)

	2010	2009
Operating:		
Compensation and benefits	\$ 327,748	\$ 310,066
Supplies and services	115,400	122,743
Depreciation	21,466	20,831
Scholarships and fellowships	28,779	22,094
	<u>493,393</u>	<u>475,734</u>
Nonoperating:		
Interest and other	8,721	8,641
Total expenses	<u>\$ 502,114</u>	<u>\$ 484,375</u>

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 2010 by object:



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 year ended June 30, 2010 and 2009 is as follows:

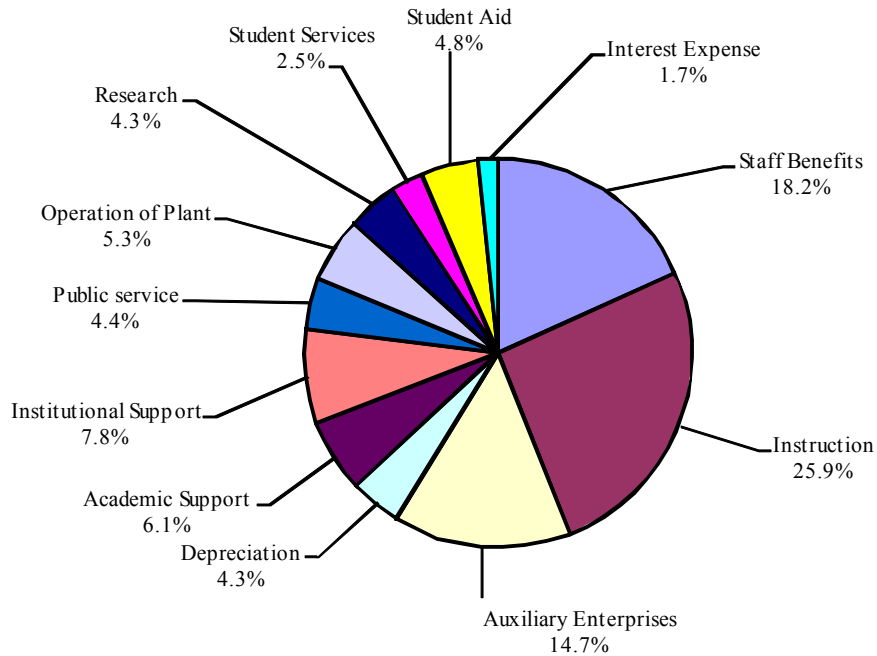
(in thousands)

	<u>2010</u>	<u>2009</u>
Operating:		
Instruction	\$ 130,029	\$ 126,776
Research	21,519	22,319
Public service	22,081	24,020
Academic support	30,568	34,790
Student services	13,211	12,052
Auxiliary enterprises	73,567	83,071
Operations and maintenance of plant	26,739	30,842
Depreciation	21,466	20,831
Institutional support	38,892	31,878
Staff benefits	91,308	72,004
Student aid	24,013	17,151
Total operating expenses	<u>493,393</u>	<u>475,734</u>
Nonoperating:		
Interest expense	8,721	8,641
Total expenses	<u>\$ 502,114</u>	<u>\$ 484,375</u>



The following graphic illustrations present total expenses for fiscal year 2010 by function:

## Expenses By Function



## 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 year ended June 30, 2010 and 2009 is as follows:

(in thousands)

	2010	2009
Cash received from operations	\$ 315,015	\$ 273,921
Cash expended for operations	(380,435)	(374,544)
Net cash used in operating activities	(65,420)	(100,623)
Net cash provided by investing activities	12,350	40,829
Net cash used in capital and related financing activities	(28,833)	(35,281)
Net cash provided by noncapital financing activities	109,455	116,726
Net increase in cash and cash equivalents	27,552	21,651
Cash and cash equivalents, beginning of year	32,668	11,017
Cash and cash equivalents, end of year	<u>\$ 60,220</u>	<u>\$ 32,668</u>

The University's cash and cash equivalents increased \$27.6 million as the University liquidated its investment in order to meet demands for cash. The University's significant sources of cash provided by noncapital financing activities, as defined by GASB Statement No. 35, include state appropriations, private gifts, and Pell Grants used to fund operating activities, for which cash received totaled \$109.5 million in fiscal 2010.

## THE UNIVERSITY'S ECONOMIC OUTLOOK

State appropriations represent operating support provided by the Governor and General Assembly for University programs. The State also appropriates funds to Central Management Services (CMS) and the State Universities Retirement System to pay the cost of health insurance and retirement for University employees. Due to State budget constraints, in fiscal years 2003 through 2010, the State required the University to supplement the funds appropriated to CMS. The net result of these payments and other reductions to the State budget is an overall reduction in direct State support compared to fiscal year 2002. FY 2011 budgeted state support is below the fiscal year 2002 level, and modestly above the fiscal year 2010 level.

To mitigate the impact of the decrease in state support, the University raised tuition rates 9.5% for new students covered by Truth-in-Tuition. Enrollment projections continue to be strong.

The University's institutional funds include revenues from sponsored projects to fund indirect administrative and facilities costs. The University anticipates that this revenue will increase slightly from fiscal year 2010 to fiscal year 2011 based on sponsored projects awarded.

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 is seriously investigating the possibility of a major debt issuance to refinance existing debt and to finance costs of renovations and improvements. 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 ASSETS  
June 30, 2010 (in thousands)  
(with Comparative Totals for 2009)**

	<b>University</b>		<b>Component Units</b>	
	<b>June 30, 2010</b>	<b>June 30, 2009</b>	<b>June 30, 2010</b>	<b>June 30, 2009</b>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 60,220	\$ 32,668	\$ 4,710	\$ 6,252
Investments and marketable securities	1,443	4,560	-	-
Restricted investments and marketable securities	6,690	6,690	-	-
Accrued interest receivable	225	430	-	-
Accounts receivable - net	26,527	31,492	2,922	2,605
Appropriations receivable from state	27,894	5,061	-	-
Inventories	3,044	3,397	-	-
Other assets	32	15	72	55
Total current assets	<u>126,075</u>	<u>84,313</u>	<u>7,704</u>	<u>8,912</u>
Noncurrent assets				
Investments and marketable securities	35,238	43,280	55,609	47,741
Student loans receivable - net	9,539	9,888	-	-
Due from component units	2,551	2,585	-	-
Unamortized debt discount	1,716	2,024	145	169
Other	-	-	1,863	4,142
Capital assets, net of accumulated depreciation	317,403	320,261	20,448	30,051
Total noncurrent assets	<u>366,447</u>	<u>378,038</u>	<u>78,065</u>	<u>82,103</u>
<b>TOTAL ASSETS</b>	<b><u>492,522</u></b>	<b><u>462,351</u></b>	<b><u>85,769</u></b>	<b><u>91,015</u></b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued liabilities	45,289	43,063	9,444	16,460
Accrued compensated absences	2,176	1,535	-	-
Deferred tuition and fees	8,050	8,635	-	-
Agency	1,182	1,389	-	-
Total current liabilities	<u>56,697</u>	<u>54,622</u>	<u>9,444</u>	<u>16,460</u>
Noncurrent liabilities				
Accounts payable and accrued liabilities	-	-	180	670
Due to NIU	-	-	2,551	2,585
Performance contracts payable	23,801	20,393	-	-
Accrued compensated absences	20,155	22,198	-	-
Deferred revenue and grants	2,551	1,612	1,500	-
Government loan fund advances	8,427	8,589	-	-
Revenue bonds payable	89,495	94,457	4,115	5,053
Leases payable	33,353	34,453	-	-
Notes payable	3,755	4,165	-	470
Total noncurrent liabilities	<u>181,537</u>	<u>185,867</u>	<u>8,346</u>	<u>8,778</u>
<b>TOTAL LIABILITIES</b>	<b><u>238,234</u></b>	<b><u>240,489</u></b>	<b><u>17,790</u></b>	<b><u>25,238</u></b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	156,523	156,971	8,481	12,425
Restricted:				
Nonexpendable	-	-	33,743	29,892
Expendable	7,155	7,031	20,377	16,672
Unrestricted	90,610	57,860	5,378	6,788
<b>TOTAL NET ASSETS</b>	<b><u>\$ 254,288</u></b>	<b><u>\$ 221,862</u></b>	<b><u>\$ 67,979</u></b>	<b><u>\$ 65,777</u></b>

See accompanying notes to financial statements.

**STATE OF ILLINOIS**  
**NORTHERN ILLINOIS UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**For the year ended June 30, 2010 (in thousands)**  
(with Comparative Totals for 2009)

	<b>University</b>		<b>Component Units</b>	
	<b>June 30, 2010</b>	<b>June 30, 2009</b>	<b>June 30, 2010</b>	<b>June 30, 2009</b>
<b>REVENUES</b>				
Operating revenues				
Tuition and fees, net	\$ 138,526	\$ 125,882	\$ -	\$ -
Federal and state grants and other contracts	41,514	43,172	1,570	3,500
Private gifts, grants, and contracts	2,478	2,339	5,968	12,852
Sales and service of educational activities	21,452	20,716	-	-
Other sources	5,929	3,977	7,465	(5,138)
Auxiliary enterprises	98,632	97,949	-	-
Total operating revenues	<u>308,531</u>	<u>294,035</u>	<u>15,003</u>	<u>11,214</u>
<b>EXPENSES</b>				
Operating expenses				
Instruction	130,029	126,776	2,745	7,150
Research	21,519	22,319	21	9
Public service	22,081	24,020	970	991
Academic support	30,568	26,993	201	263
Student services	13,211	12,052	1,214	955
Operation and maintenance of plant	26,739	30,842	774	814
Depreciation	21,466	20,831	-	-
Institutional support	38,892	39,675	3,594	3,135
Staff benefits	91,308	72,004	-	-
Student aid	24,013	17,151	1,009	1,203
Auxiliary enterprises	73,567	83,071	-	-
Total operating expenses	<u>493,393</u>	<u>475,734</u>	<u>10,528</u>	<u>14,520</u>
Net operating income (loss)	<u>(184,862)</u>	<u>(181,699)</u>	<u>4,475</u>	<u>(3,306)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State appropriations - general	107,456	104,779	-	-
State appropriations - on-behalf payments	88,330	69,085	-	-
Investment income	882	1,917	287	(314)
Expendable gifts and other	-	-	260	369
Pell Grants	25,369	16,861	-	-
Impairment of capital assets	-	-	(5,307)	-
Net increase in fair value of investments	101	117	-	-
Interest expense	(8,721)	(8,641)	(193)	-
Net nonoperating revenues	<u>213,417</u>	<u>184,118</u>	<u>(4,953)</u>	<u>55</u>
Income (loss) before other revenues, expenses, gains, or losses	28,555	2,419	(478)	(3,251)
Capital appropriations	3,871	3,638	-	-
Gifts to permanent endowments	-	-	2,680	1,273
<b>INCREASE (DECREASE) IN NET ASSETS</b>	32,426	6,057	2,202	(1,978)
<b>NET ASSETS, BEGINNING OF YEAR</b>	221,862	215,805	65,777	67,755
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 254,288</u>	<u>\$ 221,862</u>	<u>\$ 67,979</u>	<u>\$ 65,777</u>

See accompanying notes to financial statements.

**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY  
STATEMENT OF CASH FLOWS**  
For the year ended June 30, 2010 (in thousands)  
(with Comparative Totals for 2009)

	University		Component Units	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
<b>Cash flows from operating activities</b>				
Student tuition and fees	\$ 138,296	\$ 126,313	\$ -	\$ -
Federal and state grants and other contracts	42,453	37,177	-	-
Private gifts, grants, and contracts	2,478	2,339	6,536	6,429
Sales and service of educational activities	26,347	1,259	-	-
Auxiliary enterprises	98,347	101,046	-	-
Payment to suppliers	(109,604)	(110,238)	(3,136)	(2,026)
Payment to employees	(240,867)	(241,015)	-	-
Payments for scholarships	(28,779)	(22,094)	(5,902)	(6,063)
Loans to students and employees	(1,185)	(1,197)	-	-
Collection of loans to students and employees	1,372	1,356	-	-
Other receipts, net	5,722	4,431	5,277	3,956
Net cash (used in) provided by operating activities	<u>(65,420)</u>	<u>(100,623)</u>	<u>2,775</u>	<u>2,296</u>
<b>Cash flows from noncapital financing activities</b>				
State appropriations	84,086	99,865	-	-
Pell Grants	25,369	16,861	-	-
Private gifts	-	-	2,719	1,324
Principal payments on non-capital debt	-	-	(589)	(37)
Interest payments on non-capital debt	-	-	(11)	(26)
Other	-	-	(73)	247
Net cash provided by noncapital financing activities	<u>109,455</u>	<u>116,726</u>	<u>2,046</u>	<u>1,508</u>
<b>Cash flows from capital and related financing activities</b>				
Proceeds from issuance of debt	6,074	4,005	-	10,150
State appropriations	674	674	-	-
Purchase of capital assets	(18,683)	(23,642)	(20)	(8,601)
Principal payments on capital debt	(9,823)	(9,291)	(3,815)	(832)
Interest payments on capital debt	(7,075)	(7,027)	(443)	(446)
Payments for construction of building for NIU	-	-	(135)	(15)
Net cash (used in) provided by capital and related financing activities	<u>(28,833)</u>	<u>(35,281)</u>	<u>(4,413)</u>	<u>256</u>
<b>Cash flows from investing activities</b>				
Interest income on investments, net	1,088	2,313	(41)	(56)
Proceeds from sales and maturities of investments	217,830	486,757	47,379	13,639
Purchase of investments	(206,568)	(448,241)	(49,288)	(12,860)
Net cash (used in) provided by investing activities	<u>12,350</u>	<u>40,829</u>	<u>(1,950)</u>	<u>723</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	27,552	21,651	(1,542)	4,783
<b>Cash and cash equivalents, beginning of the year</b>	<u>32,668</u>	<u>11,017</u>	<u>6,252</u>	<u>1,469</u>
<b>Cash and cash equivalents, end of the year</b>	<u>\$ 60,220</u>	<u>\$ 32,668</u>	<u>\$ 4,710</u>	<u>\$ 6,252</u>

See accompanying notes to financial statements.

**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY  
STATEMENT OF CASH FLOWS, CONTINUED  
For the year ended June 30, 2010 (in thousands)  
(with Comparative Totals for 2009)**

	<u>University</u>		<u>Component Units</u>	
	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ (184,862)	\$ (181,699)	\$ 4,475	\$ (3,306)
<b>Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:</b>				
Depreciation expense	21,466	20,831	451	452
(Gain) Loss on disposal of capital assets	76	65	-	-
On behalf payments for fringe benefits	88,330	69,085	-	-
State expenses for non-capitalized CDB projects	3,734	2,964	-	-
NIU gift income and life insurance expenses	-	-	(327)	(183)
Investment income	-	-	(5,621)	6,991
Interest expense	-	-	269	326
<b>Changes in assets and liabilities</b>				
Accounts receivable	4,965	(16,044)	2,050	(1,551)
Inventories	351	(187)	-	-
Prepaid expenses	-	-	(17)	(21)
Student loans receivable	349	335	-	-
Other assets	18	641	150	-
Accounts payable and accrued liabilities	1,571	9,275	(313)	(369)
Accrued compensated absences	(1,403)	(287)	-	-
Students' deposits	-	(360)	158	-
Deferred revenue and grants	353	(5,520)	1,500	(43)
Government loan fund advances	(161)	(176)	-	-
Agency	(207)	454	-	-
<b>Net cash (used in) provided by operating activities</b>	<u>(65,420)</u>	<u>(100,623)</u>	<u>2,775</u>	<u>2,296</u>
<b>Noncash investing, capital, and financing activities</b>				
On-behalf payments for fringe benefits	88,330	69,085	-	-
Accretion	1,337	1,450	-	-
Transfer of gifts from Foundation	1,019	5,444	(1,019)	(5,444)
Transfer of Memorial Garden	149	-	(149)	-
State expenses for non-capitalized CDB projects	3,734	2,964	-	-
Construction in progress included in accounts payable	-	-	-	4,752
Reversal of cost of capital assets not being depreciated included in accounts payable	-	-	3,850	-
Impairment of capital assets	-	-	5,307	-
<b>Total noncash activities</b>	<u>\$ 94,569</u>	<u>\$ 78,943</u>	<u>\$ 7,989</u>	<u>\$ (692)</u>

See accompanying notes to 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. 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 net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

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 Assets 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.

Student tuition and fees, presented net of scholarships and fellowships of \$32,453,000 for fiscal year 2010, are applied to student accounts, while 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 is deferred.

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 deferred 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 \$88,330,000 made by the State of Illinois in fiscal year 2010 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 \$35,451,000 and \$52,879,000 for fiscal year 2010, respectively.



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

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the University follows all applicable GASB pronouncements. In addition, the University applies all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB pronouncements issued after November 30, 1989.

The financial statements include prior year comparative information, which has been derived from the University's 2009 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, 2009.

Certain items in the June 30, 2009 financial statements have been reclassified to correspond to the June 30, 2010 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 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.

Amortization of unamortized debt discount is calculated on a straight-line basis over the term of the related debt.

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

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 assets associated with long-term leases, which are considered to be installment purchases, have been capitalized.

It is the policy of the University to accrue vacation pay as earned. As of June 30, 2010 the accrued liability for this benefit was \$13,623,000, 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, 2010, the accrued liability of this benefit was \$8,708,000, 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.

**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, 2010, cash deposits of \$60,220,000 held by the University were insured or collateralized with securities held by the University or its custodian in the name of the University.

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

**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.

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 value of deposits, investments or collateral securities that are in the possession of an outside party. 100% of the University's investments are held in the University's name and are not subject to creditors of the custodial institution.

*Concentration of credit risk* - Concentration risk is the risk of loss attributed to the magnitude of an entity's investment in a single issue, other than the U.S. Government. The University has one commercial paper investment that represents 15.3% of the total investments and is held in a debt service reserve fund. The commercial paper is \$6,635,000 in Intesa Funding LLC.

*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.

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

Quality rating	Money Market	Commercial Paper	U.S. Agency	Total
AAA	\$ -	\$ -	\$ 35,238	\$ 35,238
A1P1	-	6,635		6,635
AAAam	1,498			1,498
Total	\$ 1,498	\$ 6,635	\$ 35,238	\$ 43,371

*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:

Segmented Time Distribution	Money Market	Commercial Paper	U.S. Agency	Total
0 – 1 year	\$ 1,498	\$ 6,635	\$ -	\$ 8,133
1 – 3 years	-	-	18,108	18,108
3 – 5 years	-	-	17,130	17,130
Total	\$ 1,498	\$ 6,635	\$ 35,238	\$ 43,371

**Component Units (\$000's)**

Quality rating	Mutual Funds	Stock	Limited Partnerships	Other	Total
AA+	\$ 4,623	\$ -	\$ -	\$ -	\$ 4,623
AA	6,073	-	-	-	6,073
AA-	3,843	-	-	-	3,843
BBB	5,693	-	-	-	5,693
Not rated	24,726	797	9,753	101	35,377
Total	\$ 44,958	\$ 797	\$ 9,753	\$ 101	\$ 55,609

Weighted Average Duration	Mutual Funds
1.9 years	\$ 3,843
2.9 years	1,000
3.5 years	13
4.5 years	4,624
4.8 years	6,060
6.0 years	4,692
Total	\$ 20,232

**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 31 investment management firms to execute the strategy it has established.

**4. Receivables**

Accounts Receivable is reported net of an allowance for uncollectible accounts of \$9,169,000 at June 30, 2010. The composition of accounts receivable at June 30, 2010 is summarized as follows (\$000's):

	<u>University</u>	<u>Component Units</u>
Student accounts	\$ 21,282	\$ -
Customer accounts	1,911	-
Grants receivable	12,502	-
Others	1	3,110
Gross receivables	<u>35,696</u>	<u>3,110</u>
Less: allowance for Uncollectible accounts	(9,169)	(188)
Net accounts receivable	<u>\$ 26,527</u>	<u>\$ 2,922</u>

Student loans made through the Federal Perkins Loan Program comprise substantially all of student loans receivable at June 30, 2010 totaling \$9,539,000 and are reported net of an allowance for uncollectible accounts of \$87,000.

**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, 2010 is summarized as follows:

<b>University (\$000's)</b>	<b>Balance June 30, 2009</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance June 30, 2010</b>
Capital assets not being depreciated:					
Land	\$ 19,281	\$ -	\$ -	\$ -	\$ 19,281
Construction in progress	18,534	12,605	-	(10,531)	20,608
Total capital assets not being depreciated	37,815	12,605	-	(10,531)	39,889
Capital assets being depreciated:					
Land improvements	60,913	150	-	4,595	65,658
Buildings	454,191	-	(162)	6,030	460,059
Equipment	171,116	5,928	(2,389)	(94)	174,561
Other assets	3,820	-	-	-	3,820
Total capital assets being depreciated	690,040	6,078	(2,551)	10,531	704,098
Less: accumulated depreciation	(407,594)	(21,466)	2,476	-	(426,584)
Total capital assets being depreciated, net	282,446	(15,388)	(75)	10,531	277,514
Total capital assets, net	\$ 320,261	\$ (2,783)	\$ (75)	\$ -	\$ 317,403
<b>Component Units (\$000's)</b>	<b>Balance June 30, 2009</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance June 30, 2010</b>
Capital assets not being depreciated:					
Land	\$ 3,829	\$ -	\$ -	\$ -	\$ 3,829
Construction in-progress	13,501	-	(9,172)	-	4,329
Total capital assets not being depreciated	17,330	-	(9,172)	-	8,158
Capital assets being depreciated:					
Buildings	11,871	-	-	-	11,871
Collections	329	-	-	-	329
Furniture	1,419	20	-	-	1,439
Total capital assets being depreciated	13,619	20	-	-	13,639
Less: accumulated depreciation	(898)	(451)	-	-	(1,349)
Total capital assets being depreciated, net	12,721	(431)	-	-	12,290
Total capital assets, net	\$ 30,051	\$ (431)	\$ (9,172)	\$ -	\$ 20,448

**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, 2010 are as follows (\$000's):

	<u>University</u>	<u>Component Units</u>
Payable to vendors/suppliers	\$ 27,660	\$ 1,240
Accrued payroll	7,154	-
Current portion of noncurrent liabilities:		
Performance contracts payable	2,666	-
Revenue bonds payable	6,300	748
Leases payable	1,099	-
Notes payable	410	7,250
Other liabilities	-	206
Total	<u>\$ 45,289</u>	<u>\$ 9,444</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**

Outstanding balances at June 30, 2010 are as follows (\$000's):

Performance Contract	Beginning Balance	Issued	Retired	Ending Balance	Current Portion
Phase I Lighting	\$ 385	\$ -	\$ 188	\$ 197	\$ 197
Convocation Center	726	-	232	494	242
Phase II Lighting	868	-	278	590	289
West Plant	1,958	-	459	1,499	479
West Campus Control Valve Retrofit	491	-	90	401	94
Energy Infrastructure Improvements	2,087	-	276	1,811	277
Energy Infrastructure Improvements – Phase 7	3,647	-	207	3,440	216
Energy Infrastructure Improvements – Phase 8	8,436	-	431	8,005	450
Energy Infrastructure Improvements – Phase 9	4,005	-	49	3,956	190
Energy Infrastructure Improvements – Phase 9B	-	4,650	-	4,650	205
Energy Infrastructure Improvements–Phase 10A	-	1,424	-	1,424	27
	<u>\$ 22,603</u>	<u>\$ 6,074</u>	<u>\$ 2,210</u>	<u>\$ 26,467</u>	<u>\$ 2,666</u>

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

Year Ending June 30	Principal	Interest	Total
2011	\$ 2,666	\$ 1,147	\$ 3,813
2012	2,629	1,048	3,677
2013	2,169	937	3,106
2014	1,711	846	2,557
2015	1,667	770	2,437
2016-2020	8,127	2,756	10,883
2021-2025	7,432	842	8,274
2026	66	2	68
Total	<u>\$ 26,467</u>	<u>\$ 8,348</u>	<u>\$ 34,815</u>

Interest rates range from 3.9% to 5.1%. 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	\$ 23,733
Additions/(Deductions)	<u>(1,402)</u>
Balance, end of year	22,331
Less current portion	<u>2,176</u>
Balance, end of year, noncurrent portion	<u>\$ 20,155</u>

**9. Deferred Revenue and Grants**

Deferred 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	\$ 1,612
Additions/(Deductions)	<u>939</u>
Balance, end of year	<u>\$ 2,551</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	\$ 8,589
Additions/(Deductions)	<u>(162)</u>
Balance, end of year	<u>\$ 8,427</u>

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

**11. Revenue Bonds Payable**

Revenue bonds outstanding as of June 30, 2010 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)	\$ 21,477	\$ 1,337	\$ 3,729	\$ 19,085	\$ 3,730	\$ 23,100	20%
Series 1996	665	-	665	-	-	-	0%
Series 1999	9,485	-	925	8,560	975	10,801	1%
Series 2001	69,005	-	855	68,150	1,595	106,546	3%
	<u>\$ 100,632</u>	<u>\$ 1,337</u>	<u>\$ 6,174</u>	<u>\$ 95,795</u>	<u>\$ 6,300</u>	<u>\$ 140,447</u>	
Component Unit	\$ 5,778	\$ -	\$ 915	\$ 4,863	\$ 748		

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%.

The Auxiliary Facilities Revenue Bonds, Series 1996, original issue \$49,995,000, mature at varying amounts from 1999 to 2022. Interest payments are due semi-annually. On August 30, 2001, the Board established an irrevocable trust with an escrow agent to advance refund \$31,760,000 of original principal of bonds maturing serially from October 1, 2010 through April 1, 2022. These bonds were called in fiscal year 2007. The interest ranges from 5.3% to 6%.

The Auxiliary Facilities Revenue Bonds, Series 1999, original issue \$38,410,000, mature at varying amounts from 2001 through 2029. Interest payments are due semi-annually. On August 30, 2001, the Board established an irrevocable trust with an escrow agent to advance refund \$22,335,000 of original principal of bonds maturing serially from October 1, 2022 through April 1, 2029. The interest rate ranges from 5% to 6%.

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

On August 15, 2001, the Board issued on behalf of the University, the Auxiliary Facilities System (System) Revenue Bonds, Series 2001, original issue \$76,000,000. The bonds mature at varying amounts from 2002 through 2029. Interest payments are due semi-annually. Part of the proceeds of the issue was used to advance refund a portion of the Series 1992 Bonds, the Series 1996 Bonds, the Series 1999 Bonds. The interest rate ranges from 4% to 5%.

All of the refunded bonds are considered to be defeased. Neither the defeased bonds nor the related trusts are reflected on the University's books. The amount of bonds outstanding that have been defeased is zero.

The bonds are payable from and secured by, subject to the prior pledge to and lien of the Prior Bonds, a pledge of and lien on the net revenues of the System and pledged fees. The Series 1992, Series 1999 and Series 2001 are further secured by non-cancelable policies of municipal bond insurance. A pledge and lien on pledged tuition also secure the Series 1999 and Series 2001 bonds.

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

Year Ending June 30	Principal	Accretion	Interest	Total
2011	\$ 6,184	\$ 116	\$ 3,857	\$ 10,157
2012	5,420	340	3,738	9,498
2013	5,307	553	3,638	9,498
2014	5,217	752	3,531	9,500
2015	5,142	938	3,413	9,493
2016-2020	32,165	1,315	14,024	47,504
2021-2025	21,360	-	6,077	27,437
2026-2029	15,000	-	2,360	17,360
Total	<u>\$ 95,795</u>	<u>\$ 4,014</u>	<u>\$ 40,638</u>	<u>\$ 140,447</u>

**Component Units (\$000)**

Year Ending June 30	Principal	Accretion	Interest	Total
2011	\$ 748	\$ -	\$ 226	\$ 974
2012	765	-	179	944
2013	799	-	138	937
2014	594	-	105	699
2015	622	-	77	699
2015-2017	1,335	-	63	1,398
Total	<u>\$ 4,863</u>	<u>\$ -</u>	<u>\$ 788</u>	<u>\$ 5,651</u>

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

**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 \$35,555,000, net of accumulated depreciation of \$5,629,000 at June 30, 2010.

Capital leases outstanding principal balances as of June 30, 2010 are as follows (\$000's):

	Beginning Balance	Additions	Payments	Ending Balance	Current Portion
Naperville Project	\$ 15,240	\$ -	\$ 660	\$ 14,580	\$ 690
IASBO Building	727	-	33	694	35
Northern View	18,903	-	261	18,642	275
Motor Coaches	631	-	95	536	99
Net Present Value	<u>\$ 35,501</u>	<u>\$ -</u>	<u>\$ 1,049</u>	<u>\$ 34,452</u>	<u>\$ 1,099</u>

Future minimum lease payments for the above assets under capital leases at June 30, 2010 on originally scheduled minimum payments and estimated interest are (\$000's):

Year Ending June 30	Principal	Interest	Total
2011	\$ 1,099	\$ 1,814	\$ 2,913
2012	1,152	1,761	2,913
2013	1,210	1,705	2,915
2014	1,265	1,645	2,910
2015	1,331	1,581	2,912
2016-2020	7,070	6,870	13,940
2021-2025	9,060	4,771	13,831
2026-2030	3,675	3,040	6,715
2031-2035	4,899	1,816	6,715
2036-2038	3,691	337	4,028
Total	<u>\$ 34,452</u>	<u>\$ 25,340</u>	<u>\$ 59,792</u>

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

**13. Notes and Certificates of Participation Payable**

Certificates of participation and notes payable activity were (\$000's):

Issue	Beginning Balance	Issued	Retired	Ending Balance	Current Portion
<b>Certificates of Participation / Notes Payable:</b>					
Series 1993 - Hoffman Estates Facility	\$ 4,555	\$ -	\$ 390	\$ 4,165	\$ 410
<b>Total</b>	<b>\$ 4,555</b>	<b>\$ -</b>	<b>\$ 390</b>	<b>\$ 4,165</b>	<b>\$ 410</b>
<b>Notes Payable:</b>					
Component Unit	\$ 10,738	\$ -	\$ 10,738	\$ -	\$ -

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 rate is 5 percent.

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

Year Ending June 30	Principal	Interest	Total
2011	\$ 410	\$ 214	\$ 624
2012	435	191	626
2013	465	167	632
2014	485	141	626
2015	515	114	629
2016-2017	1,855	120	1,975
<b>Total</b>	<b>\$ 4,165</b>	<b>\$ 947</b>	<b>\$ 5,112</b>

**14. Net Assets**

The University's net assets are classified for accounting and reporting purposes into one of three net asset categories according to externally imposed restrictions. The following tables include detail of the net asset balances for the University and the Component Units including major categories of restrictions and internal designations of unrestricted funds.

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

University Net Assets (\$000)

Invested in capital assets, net of related debt	\$ 156,523
Restricted:	
Nonexpendable	-
Expendable	7,155
Unrestricted	90,610
Total	<u>\$ 254,288</u>

Component Units Net Assets (\$000)

Invested in capital assets, net of related debt	\$ 8,481
Restricted:	
Nonexpendable	33,743
Expendable	20,377
Unrestricted	5,378
Total	<u>\$ 67,979</u>

Restricted net assets – nonexpendable – 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.

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

**15. Transactions with Component Units**

During fiscal year 2010, the University engaged the Foundation, under contract, to provide fundraising services. As provided by the contract agreement, the University paid \$598,000 for fundraising services. Additionally, the University provided services to the Foundation valued at \$698,000. 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 \$68,000 for these services.

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

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

	<u>Alumni</u>	<u>Research</u>	
	<u>Foundation</u>	<u>Association</u>	<u>Foundation</u>
Funds considered unrestricted:			
Totally unrestricted administrative services	\$ 698	\$ -	\$ 68
Support for University programs and departments	3,009	429	-
Administrative and office expense	1,415	-	-
Provided for library books, equipment and property improvements	1,019	-	-
Total fund considered unrestricted	<u>6,141</u>	<u>429</u>	<u>68</u>
Funds considered restricted:			
Provided for scholarships and awards	917	24	-
Provided for library books, equipment and property improvements	90	-	-
Other restricted fund provided to the University:			
Restricted fund	2,019	-	-
Endowment fund	190	-	-
Total funds considered restricted	<u>3,216</u>	<u>24</u>	<u>-</u>
Total funds provided to the University	<u>\$ 9,357</u>	<u>\$ 453</u>	<u>\$ 68</u>

**16. Operating Leases**

The University leases various buildings under operating lease agreements. Total rental expense for the year ended June 30, 2010, under these agreements was \$1,208,000.

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

Year Ending June 30	Amount
2011	\$ 981
2012	984
2013	975
2014	752
2015	699
2016-2017	<u>1,397</u>
Total	<u>\$ 5,788</u>

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

**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 accessing the website at [www.surs.org](http://www.surs.org) 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 rate for the years ended June 30, 2010, 2009, and 2008 were 21.27%, 18.61%, and 12.88% of annual covered payroll, respectively. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

SURS also provides a defined contribution plan option. Plan members are required to contribute 8.0% of their annual covered salary, with the State contributing 7.6%. SURS provides retirement, disability, and death benefits.

The employer contributions to SURS for the years ended June 30, 2010, 2009, and 2008 were \$35,451,000, \$23,111,000, and \$17,620,000, respectively, equal to the required contributions for each year.

University employees hired prior to April 1, 1986 are exempt from contributions under the Federal Insurance Contribution Act. Employees hired after March 31, 1986 are required to contribute 1.45% of their gross salary to Medicare. The University is required to match this contribution.



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

Employees may also elect to participate in certain tax-sheltered investment plans and thus defer federal and state income taxes on their contributions and the accumulated earnings under the plan. Participation and the level of employee's contribution are voluntary. The employer is not required to make contributions to these plans.

**18. Post-employment Benefits**

The State provides health, dental, vision, and life insurance benefits for 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 employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. 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 Employee's 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 post-employment 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 total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

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

**19. Operating Expenses by Natural Classification**

Operating expenses by natural classification for the year ended June 30, 2010 are summarized as follows:

**University**  
*(\$000's)*

	<b>Compensation &amp; Benefits</b>	<b>Supplies and Services</b>	<b>Scholarships and Fellowships</b>	<b>Depreciation</b>	<b>Total</b>
Instruction	\$ 109,860	\$ 18,199	\$ 1,970	\$ -	\$ 130,029
Research	10,676	10,663	180	-	21,519
Public Service	15,165	6,851	65	-	22,081
Academic					
Support	19,881	10,398	289	-	30,568
Student Services	9,925	3,276	10	-	13,211
O&M	14,059	12,680	-	-	26,739
Depreciation	-	-	-	21,466	21,466
Inst. Support	24,272	14,599	21	-	38,892
Staff Benefits	91,308	-	-	-	91,308
Student Aid	862	662	22,489	-	24,013
Auxiliary	31,740	38,072	3,755	-	73,567
<b>Total</b>	<b>\$ 327,748</b>	<b>\$ 115,400</b>	<b>\$ 28,779</b>	<b>\$ 21,466</b>	<b>\$ 493,393</b>

**Component Units**  
*(\$000's)*

	<b>Compensation &amp; Benefits</b>	<b>Supplies and Services</b>	<b>Scholarships and Fellowships</b>	<b>Depreciation</b>	<b>Total</b>
Instruction	\$ -	\$ 2,529	\$ 216	\$ -	\$ 2,745
Research	-	20	1	-	21
Public Service	-	970	-	-	970
Academic					
Support	-	201	-	-	201
Student Services	-	1,199	15	-	1,214
O&M	-	333	-	441	774
Inst. Support	402	3,175	7	10	3,594
Staff Benefits	-	-	-	-	-
Student Aid	-	173	836	-	1,009
<b>Total</b>	<b>\$ 402</b>	<b>\$ 8,600</b>	<b>\$ 1,075</b>	<b>\$ 451</b>	<b>\$ 10,528</b>

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

**20. Insurance**

The University participates in a statutory 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 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, 2010 the University had commitments on various construction projects and contracts for repairs and renovations of facilities of approximately \$6.1 million. The additional amount expected to complete the projects is estimated at \$6.6 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**

The University is a defendant in several lawsuits. However, University officials are of the opinion, based on the advice of legal counsel, that any ultimate liability which could result from such litigation would not have a material effect on the University's financial position or its future operations.

**STATE OF ILLINOIS  
NORTHERN ILLINOIS UNIVERSITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS**

**22. 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)

	Foundation	Alumni Association	Northern IL Research Foundation	Total
<b>Condensed Statement of Net Assets</b>				
<b>ASSETS:</b>				
Current assets	\$ 4,484	\$ 218	\$ 3,002	\$ 7,704
Noncurrent assets				
Capital assets, net of accumulated depreciation	16,119	-	4,329	20,448
Investments administered by NIU Foundation	55,609	2,009	-	57,618
Other noncurrent assets	2,005	3	-	2,008
<b>TOTAL ASSETS</b>	<b>\$ 78,217</b>	<b>\$ 2,230</b>	<b>\$ 7,331</b>	<b>\$ 87,778</b>
<b>LIABILITIES:</b>				
Current liabilities	\$ 1,332	\$ 266	\$ 9,346	\$ 10,944
Noncurrent liabilities				
Deposits held for NIU Alumni Association	2,009	-	-	2,009
Deposits held for NIU	2,551	-	-	2,551
Endowments and life income trusts	180	-	-	180
Bonds and Notes Payable	4,115	-	-	4,115
<b>TOTAL LIABILITIES</b>	<b>10,187</b>	<b>266</b>	<b>9,346</b>	<b>19,799</b>
<b>NET ASSETS:</b>				
Invested in capital assets	11,402	-	(2,921)	8,481
Restricted				
Nonexpendable	33,637	106	-	33,743
Expendable	17,177	220	2,980	20,377
Unrestricted	5,814	1,638	(2,074)	5,378
Total net assets	68,030	1,964	(2,015)	67,979
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 78,217</b>	<b>\$ 2,230</b>	<b>\$ 7,331</b>	<b>\$ 87,778</b>
<b>Condensed Statement of Revenues, Expenses and Changes in Net Assets</b>				
Operating revenues	\$ 13,311	\$ 54	\$ 1,638	\$ 15,003
Operating expenses	9,357	453	718	10,528
Operating income (loss)	3,954	(399)	920	4,475
Nonoperating revenue (expenses)	2,680	541	(5,494)	(2,273)
Increase (decrease) in net assets	6,634	142	(4,574)	2,202
Net assets, beginning of year	61,396	1,822	2,559	65,777
Net assets, end of year	<b>\$ 68,030</b>	<b>\$ 1,964</b>	<b>\$ (2,015)</b>	<b>\$ 67,979</b>
<b>Condensed Statement of Cash Flows</b>				
Net cash flows (used in) provided by operating activities	\$ 546	\$ (237)	\$ 2,466	\$ 2,775
Net cash flows provided by noncapital financing activities	1,736	310	-	2,046
Net cash flows provided by capital financing activities	(1,320)	-	(3,093)	(4,413)
Net cash flows (used in) provided by investing activities	(2,037)	81	6	(1,950)
Net increase (decrease) in cash and cash equivalents	(1,075)	154	(621)	(1,542)
Cash and cash equivalents, beginning of year	2,570	59	3,623	6,252
Cash and cash equivalents, end of year	<b>\$ 1,495</b>	<b>\$ 213</b>	<b>\$ 3,002</b>	<b>\$ 4,710</b>
<b>Reconciliation of operating income (loss) to net cash (used in) provided by operating activities:</b>				
Operating income (loss)	\$ 3,954	\$ (399)	\$ 920	\$ 4,475
<b>Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:</b>				
Changes in assets and liabilities	(3,408)	162	1,546	(1,700)
Net cash (used in) provided by operating activities	<b>\$ 546</b>	<b>\$ (237)</b>	<b>\$ 2,466</b>	<b>\$ 2,775</b>

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

**23. Subsequent Event**

On October 21, 2010, the Board of Trustees authorized issuance of Auxiliary Facilities System Revenue Bonds, Series 2010, to finance the costs of renovations and improvements to the Auxiliary Facilities System, and Series 2011 to refund certain previously issued Auxiliary Facilities System Revenue Bonds, subject to the following conditions: (a) the Series 2010 Bonds to be issued shall not exceed an aggregate principal amount of \$135,000,000 (b) the Series 2011 Bonds to be issued shall not exceed an aggregate principal amount of \$75,000,000 to refund all or a portion of the outstanding Auxiliary Facilities Revenue Bonds, Series 1992, the outstanding Auxiliary Facilities System Revenue Bonds, Series 1999 and all or a portion of the outstanding Auxiliary Facilities System Revenue Bonds, Series 2001.

This information is an integral part of the accompanying financial statements.