Chicago State University

A COMPONENT UNIT OF THE
STATE OF ILLINOIS

FINANCIAL AUDIT

FOR THE YEAR ENDED
JUNE 30, 2022

PERFORMED AS SPECIAL
ASSISTANT AUDITORS FOR THE
AUDITOR GENERAL
STATE OF ILLINOIS

Roth&Co
BEYOND BUSINESS

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended June 30, 2022

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Other Reports Issued Under a Separate Cover
The Chicago State University's *Federal Single Audit* and *State Compliance Examination* for the year ended June 30, 2022, will be issued under separate covers.

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended June 30, 2022

UNIVERSITY OFFICIALS

President	Ms. Zaldwaynaka Scott, Esq.
Chief of Staff	Mr. Kim Tran
Interim Provost and V.P. for Academic Affairs	Dr. Leslie Roundtree
V.P., General Counsel, Chief Compliance Officer & V.P. of Legal Affairs (06/01/22 – Present)	Mr. Jason Carter
Interim General Counsel, Chief Compliance Officer & V.P. of Legal Affairs (07/01/21 – 07/15/22)	Mr. Walter Pryor
Interim CFO & V.P. of Financial Operations (10/24/22 – Present)	Mr. Den Stark
CFO & V.P. of Financial Operations (10/08/22 – 10/23/22)	Vacant
CFO & V.P. of Financial Operations (07/01/21 – 10/07/22)	Mr. Craig Duetsch
Executive Director/Controller	Ms. Rona Lagdamen, CPA
Chief Internal Auditor (10/17/22 – Present)	Mr. Stetson Marshall
Chief Internal Auditor (06/18/22 – 10/16/22)	Vacant
Chief Internal Auditor (07/01/21 – 06/17/22)	Ms. Natalie Covello

BOARD OF TRUSTEES

Chair	Ms. Andrea Zopp, Esq.
Vice Chair (01/01/22 – Present)	Mr. Mark Schneider, Esq.
Vice Chair (07/01/21 – 12/31/21)	Vacant
Secretary (01/01/22 – Present)	Ms. Angelique David
Secretary (07/01/21 – 12/31/21)	Mr. Mark Schneider, Esq.
Member	Mr. Brian Clay, M.D.
Member (03/28/22 – Present)	Mr. Jason Quiara
Member (01/01/22 – 03/27/22)	Vacant
Member (07/30/21 – 12/31/21)	Ms. Angelique David
Member (07/01/21 – 07/29/21)	Vacant
Member (09/08/21 – Present)	Mr. Cory Thames
Member (07/01/21 – 09/07/21)	Vacant
Member (03/28/22 – Present)	Ms. Cheryl Watkins
Member (11/01/21 – 03/27/22)	Vacant
Member (07/01/21 – 10/31/21)	Mr. Louis Carr
Student Member (07/01/21 – Present)	Ms. Essence Smart

UNIVERSITY OFFICE

The University's primary administrative office is located at:

9501 S. King Drive
Chicago, Illinois 60628

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended June 30, 2022

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the Chicago State University (University) was performed by Roth & Co., LLP.

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

SUMMARY OF FINDINGS

Number of	Current Report	Prior Report
Findings	2	3
Repeated Findings	2	3
Prior Recommendations Implemented or Not Repeated	1	–

SCHEDULE OF FINDINGS

Item No.	Page	Last/First Reported	Description	Finding Type
			Current Findings	
2022-001	70	2021/2020	Inadequate Internal Controls over Census Data	Material Weakness and Noncompliance
2022-002	73	2021/2020	Weaknesses over Computer Security	Significant Deficiency and Noncompliance
			Prior Finding Not Repeated	
A	75	2021/2020	Change Control Weaknesses	

EXIT CONFERENCE

The University waived an exit conference in a correspondence from Mr. Stetson Marshall, Chief Internal Auditor, on January 23, 2023. The responses to the recommendations were provided by Mr. Stetson Marshall, Chief Internal Auditor, in a correspondence dated February 1, 2023.

Roth&Co

INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Chicago State University

Report on the Audit of the Financial Statements

Opinions

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the business-type activities, fiduciary activities and the discretely presented component unit of the Chicago State University (University), a component unit of the State of Illinois, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of, the business-type activities, fiduciary activities and the discretely presented component unit of the University, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Chicago State Foundation (Foundation), which represent 100% and 100%, respectively, of the assets and revenues of the discretely presented component unit as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

Basis for Opinions

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

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Emphasis of a Matter

As discussed in Note 1 to the financial statements, the University adopted Governmental Accounting Standard Board's Statement No. 87, *Leases*. The adoption of this statement resulted in recording lease assets and liabilities for leases that were previously recorded as operating leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgement and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The University Auxiliary Facilities System Revenue Bond Fund, Series 1998, Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, and the Table of Operating Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the University Auxiliary Facilities System Revenue Bond Fund, Series 1998, Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, and the Table of Operating Expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the University Officials page, Student Enrollment by Term, University Center Fee, Rental Disclosures, and Schedule of Insurance in Force but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2023, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
February 3, 2023

MANAGEMENT’S DISCUSSION AND ANALYSIS

Background

Chicago State University (CSU or University) was founded as a teacher-training school over 150 years ago. It is located in a residential community on the south side of Chicago, approximately 12 miles south of downtown Chicago. Today, the University is composed of five colleges - the College of Arts & Sciences, the College of Business, the College of Education, the College of Health Sciences, and the College of Pharmacy. CSU offers thirty-six undergraduate degrees, twenty-two graduate degrees, and two doctoral degrees (the Doctorate of Education in Educational Leadership and the Doctor of Pharmacy). It also offers an interdisciplinary Honors College for highly motivated students in all areas of study and has a Division of Continuing Education. CSU has been accredited through the 2022 - 2023 academic year by the Higher Learning Commission.

Operational and Financial Highlights

The Fiscal Year 2022 operating loss ($91.3 million) decreased by $9.7 million compared to the previous fiscal year's operating loss ($101.0 million). This decrease is mostly attributed to the net increase in net student tuition and fees and net sales and services of auxiliary services ($1.5 million), the increase in State and local grants and contracts ($1.4 million), the increase in nongovernmental grants and contracts ($1.1 million), along with the decrease in operating expenses ($6.2 million), offset by the decrease in federal grants and contracts ($0.5 million). The decrease in net nonoperating revenues ($10.6 million) is primarily attributed to the decrease in special funding situation ($14.9 million), the decrease in State nonoperating grants ($0.2 million), the decrease in investment income ($0.1 million), along with the increase in net nonoperating expenses ($0.6 million), offset by the increase in State appropriation funding ($1.8 million), the increase in on-behalf payments ($0.3 million), and the increase in the federal nonoperating grants ($3.1 million). The following is a financial comparison for the twelve months ended June 30, 2022 and 2021.

	2022 (in thousands)	2021 (in thousands)	Increase (Decrease)
Operating loss	$ (91,284)	$ (101,006)	$ 9,722
Net nonoperating revenues	90,041	100,479	(10,438)
Other revenues, expenses, gains or losses	9,726	2,711	7,015
Increase in net position	$ 8,483	$ 2,184	$ 6,299

Management's Discussion and Analysis

The management's discussion and analysis (MD&A) section of this report presents the University's financial information in a condensed financial presentation format for fiscal years ended June 30, 2022 and 2021. This section of the report is designed to provide an overview of the changes in financial activities from one year to the next and should be read in conjunction with the University's basic financial statements. The University's management is responsible for the completeness and fairness of this information.

The MD&A focuses on the University and excludes the discretely presented component unit, the Chicago State Foundation and Fiduciary Funds. The MD&A for the component unit is included in its separately issued financial statements. Refer to the Notes to the Basic Financial Statements for information on how to obtain the financial statements of the component unit.

Using the Financial Statements

The financial statements encompass the University and its discretely presented component unit.

The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows emulate the corporate presentation models whereby all of the University's activities are consolidated into one total. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements–and Management's Discussion and Analysis–for Public Colleges and Universities–an amendment of GASB Statement No. 34*.

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position report fiduciary funds which are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, or governmental units and/or other funds. These financial statements are prepared in accordance with GASB Statement No. 84, *Fiduciary Activities*.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the University using the accrual basis of accounting and reflects the financial position of the University at the end of the fiscal year. The statement reflects the University's financial position at a certain date. Net position, consisting of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one indicator of the current financial condition of the University, while the change in net position that occurs over time 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. Net position has been further categorized as (i) Net investment in capital assets, (ii) Restricted nonexpendable - net position that is permanently restricted by externally imposed stipulations, (iii) Restricted expendable - net position subject to externally imposed restrictions that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time, and (iv) Unrestricted - net position that is not subject to externally imposed stipulations and may be used at the discretion of the governing board to meet current expenses for any purpose.

A summary of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position for the year ended June 30, 2022, in comparison with June 30, 2021 is as follows:

	2022 (in millions)	2021 (in millions)	Change (in millions)
Assets			
Current assets	$ 32.0	$ 32.1	$ (0.1)
Noncurrent assets:			
Capital assets, net	146.7	139.4	7.3
Other	3.9	2.4	1.5
Total Assets	182.6	173.9	8.7
Deferred Outflows for OPEB and Pension Expense	2.4	0.5	1.9
Liabilities			
Current liabilities	12.3	9.7	2.6
Noncurrent liabilities	10.8	12.4	(1.6)
Total Liabilities	23.1	22.1	1.0
Deferred Inflows for OPEB Expense	2.0	1.0	1.0
Net Position			
Net investment in capital assets	143.1	134.2	8.9
Restricted, expendable	1.2	1.1	0.1
Unrestricted	15.6	16.0	(0.4)
Total Net Position	$ 159.9	$ 151.3	$ 8.6

Noncurrent Assets (Capital assets, net)

Noncurrent assets (Capital assets, net) increased by $7.3 million from the balance one year ago ($139.4 million) to the current balance ($146.7 million). The increase consists of net capital additions ($12.1 million), offset by annual depreciation charges ($4.5 million), and retirements ($0.3 million).

Deferred Outflows for OPEB and Pension Expense

Deferred outflows for OPEB and pension expense increased by $1.9 million from the balance one year ago ($0.5 million) to the current balance ($2.4 million). The increase was due to changes in actuarial assumptions in the valuation of University's other postemployment benefits.

Current Liabilities

Current liabilities increased by $2.6 million from the balance one year ago ($9.7 million) to the current balance ($12.3 million) mainly due to the increase in general accounts payable and accrued liabilities ($2.3 million), increase in unearned revenues ($0.6 million) and increase in current portion of long-term liabilities ($0.5 million), offset by decreases in obligations under securities lending collateral equity of State treasurer and accrued wages ($0.5 million and $0.3 million, respectively).

Noncurrent Liabilities

Noncurrent liabilities decreased by $1.6 million from the balance one year ago ($12.4 million) to the current balance ($10.8 million) mainly due to the reclassification to current liabilities of the portion of bonds payable due and demandable in Fiscal Year 2023 ($1.7 million) and decline in balance of accrued compensated absences due to employee turnover ($0.8 million), offset by the increase in other postemployment benefits (OPEB) liability as a result of changes in actuarial valuation for the fiscal year ($0.9 million).

Deferred Inflows for OPEB Expense

Deferred inflows for OPEB expense increased by $1.0 million from the balance one year ago ($1.0 million) to the current balance ($2.0 million) mainly due to changes in actuarial assumptions in the valuation of University's other postemployment benefits.

Net Position (Net investment in capital assets)

Net position - net investment in capital assets ($143.1 million) increased by $8.9 million from the balance one year ago ($134.2 million). This is predominantly attributed to additional assets capitalized during the year and payment of related debt obligations that became due and demandable during the fiscal year.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position focuses on the gross costs and the net costs of the University's activities that are supported substantially by student tuition and fees, State and federal grants and contracts, auxiliary enterprise revenues, and State appropriations. The purpose of the statement is to present the revenues earned and expenses incurred by the University, both operating and nonoperating.

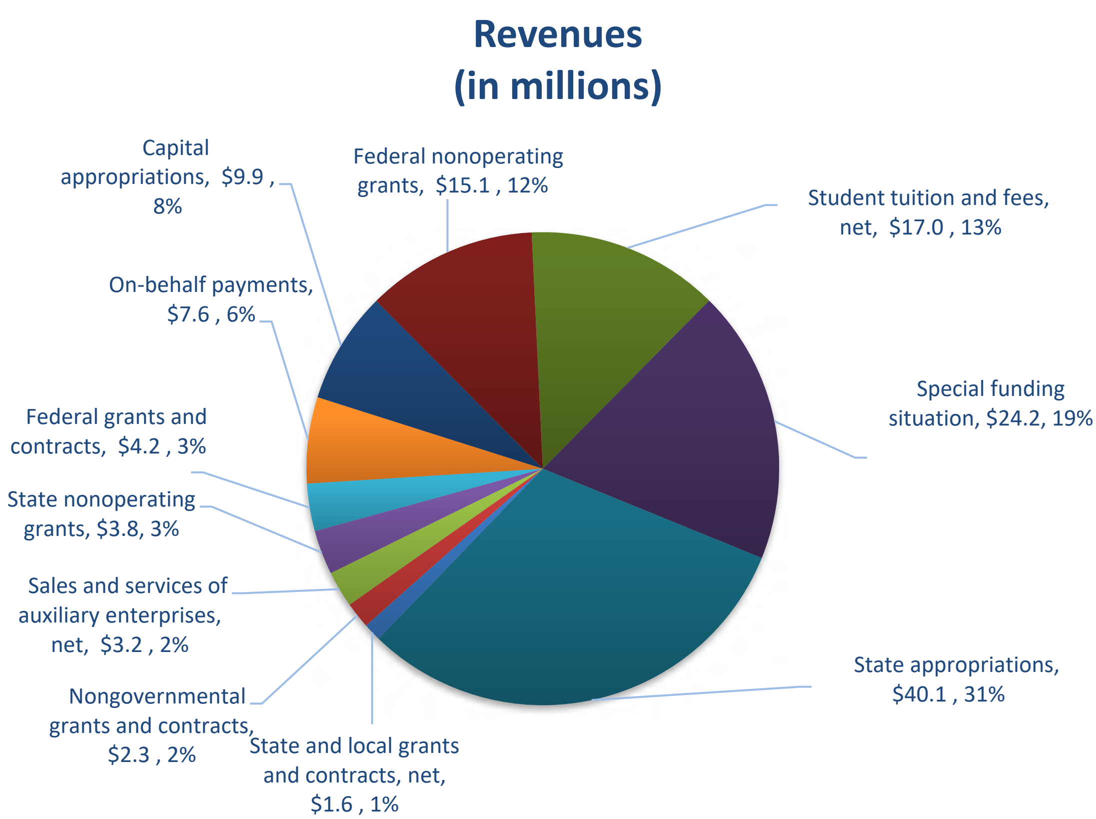
Operating revenues primarily result from exchange transactions where each of the parties to the transaction either gives up or receives something of equal or similar value. The major sources of the University's operating revenues are student tuition and fees, certain grants, and auxiliary revenues.

Nonoperating revenues primarily result from non-exchange transactions and are revenues received for which goods and services are not provided in return. The most significant sources of nonoperating revenues that the University relies on to provide funding for operations are State appropriations, special funding situation, and on-behalf payments for fringe benefits.

Revenues

A summary of the University's revenues for the fiscal year ended June 30, 2022, in comparison with the fiscal year ended June 30, 2021, is as follows:

	2022 (in millions)	2021 (in millions)	Change (in millions)
Operating Revenues			
Student tuition and fees, net	$ 17.0	$ 14.0	$ 3.0
Federal grants and contracts	4.2	4.7	(0.5)
State and local grants and contracts	1.6	0.2	1.4
Nongovernmental grants and contracts	2.3	1.2	1.1
Sales and services of auxiliary enterprises, net	3.2	4.7	(1.5)
Total Operating Revenues	28.3	24.8	3.5
Nonoperating Revenues			
State appropriations	40.1	38.3	1.8
Special funding situation	24.2	39.1	(14.9)
On-behalf payments	7.6	7.3	0.3
State nonoperating grants	3.8	4.0	(0.2)
Federal nonoperating grants	15.1	12.0	3.1
Investment income	-	0.1	(0.1)
Total Nonoperating Revenues	90.8	100.8	(10.0)
Other Capital Revenues			
Capital appropriations	9.9	2.7	7.2
Total Other Revenues	9.9	2.7	7.2
Total Revenues	$ 129.0	$ 128.3	$ 0.7



Student Enrollment

	Head Count		Change	Credit Hours		Change
Terms	**FY 2022**	**FY 2021**	**%**	**FY 2022**	**FY 2021**	**%**
Fall	2,367	2,644	(10.5%)	24,466	27,563	(11.2%)
Spring	2,139	2,507	(14.7%)	22,183	26,372	(15.9%)
Summer	993	994	(0.1%)	5,139	5,329	(3.6%)

Operating Revenues

Operating revenues ($28.3 million) increased by $3.5 million from the prior year's amount ($24.8 million) due to the net increase in net tuition and fees revenue and net sales and services of auxiliary services ($1.5 million), increase in State and local grants and contracts ($1.4 million) and increase in nongovernmental grants and contracts ($1.1 million) as a result of increase in University's activities as operations gradually return to normal from the impact of the worldwide Coronavirus (COVID-19) pandemic, netted with the decrease in federal grants and contracts ($0.5 million).

Nonoperating Revenues

Nonoperating revenues ($90.8 million) decreased by $10.0 million from the prior year's amount ($100.8 million). This decrease is mainly due to the decrease in special funding situation ($14.9 million) which directly related to changes in actuarial assumptions in the valuation of University's other postemployment benefits and pension, offset by the increase in State appropriations ($1.8 million) and increase in federal grants and contracts related mainly to activities related to Higher Education Emergency Relief Fund (HEERF) ($3.1 million).

Other Capital Revenues

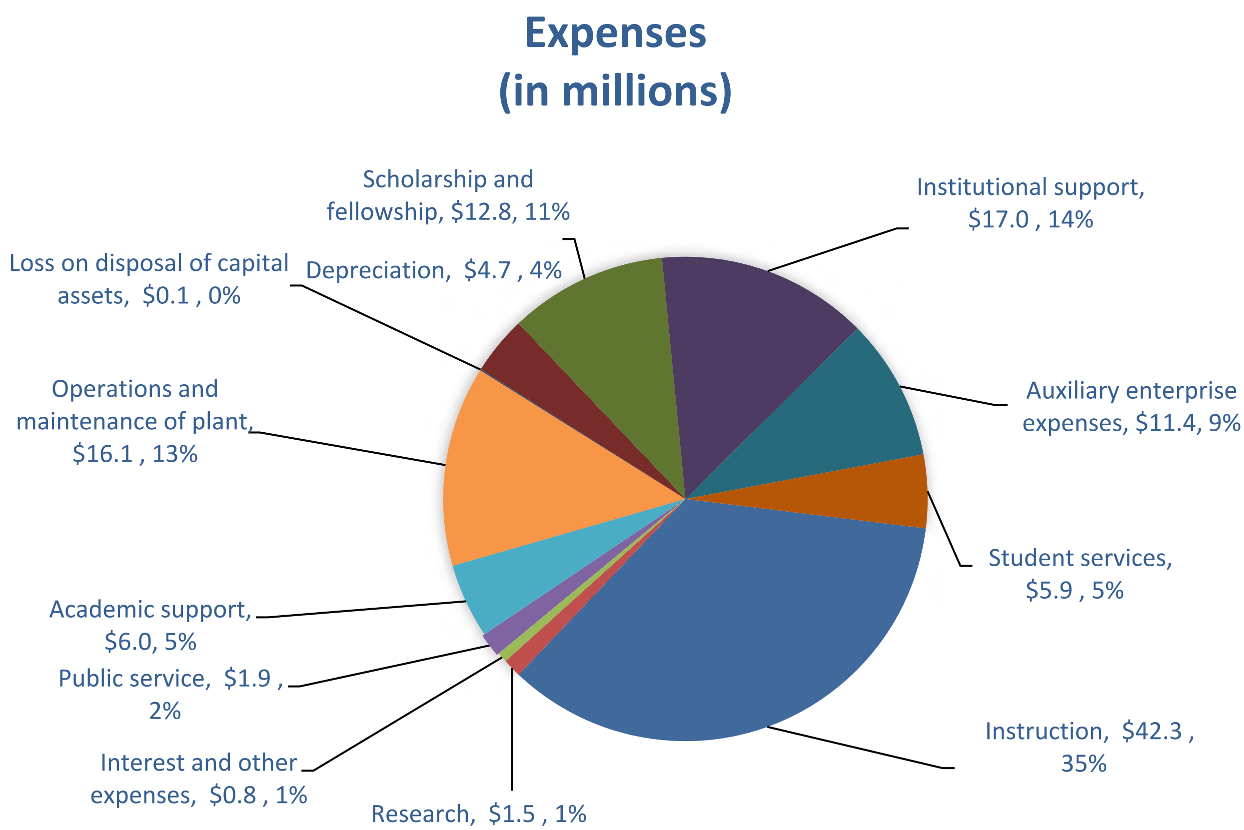
Other capital revenues ($9.9 million) increased by $7.2 million from the prior year's amount ($2.7 million). This increase mainly represents the capital project activities managed and completed by the Capital Development Board (CDB), on behalf of the University.

Expenses

A summary of the University's operating expenses for the fiscal year ended June 30, 2022 in comparison with the fiscal year ended June 30, 2021 is as follows:

	2022 (in millions)	2021 (in millions)	Increase (Decrease)
Operating Expenses			
Education and general:			
Instruction	$ 42.3	$ 51.3	$ (9.0)
Research	1.5	1.2	0.3
Public service	1.9	2.6	(0.7)
Academic support	6.0	8.3	(2.3)
Student services	5.9	6.0	(0.1)
Institutional support	17.0	18.7	(1.7)
Operations and maintenance of plant	16.1	16.3	(0.2)
Depreciation and amortization	4.7	4.7	-
Scholarship and fellowship	12.8	6.9	5.9
Auxiliary enterprise expenses	11.4	9.8	1.6
Total Operating Expenses	119.6	125.8	(6.2)
Other Nonoperating Expenses/Losses			
Interest and other expenses	0.8	0.3	0.5
Loss on disposal of capital assets	0.1	-	0.1
Total Other Nonoperating Expenses/Losses	0.9	0.3	0.6
Total Expenses	$ 120.5	$ 126.1	$ (5.6)

The following graphic illustration presents the operating expenses by function.



Operating Expenses

Operating expenses decreased by $6.2 million from the balance one year ago ($125.8 million) to the current balance ($119.6 million). The decrease is mainly related to the impact of decline in compensation and benefits due to employee turnover and decrease in allocated special funding situation as determined by actuarial valuation, on-behalf payments and other expenses ($13.7 million), offset by the increase in scholarship and fellowship in expenditures ($5.9 million) and auxiliary expenses ($1.6 million) due to increase in University activities during the fiscal year.

Capital Assets and Debt Administration

The University had $244.6 million invested in capital assets at the end of Fiscal Year 2022. Capital assets net of accumulated depreciation totaled $146.7 million. Depreciation expense for the current year was $4.5 million.

In Fiscal Year 2022, the University completed the construction of Dr. Kanis Child Development Center costing approximately $2.0 million funded by gifts made through the Chicago State Foundation and University's internal funds. Moreover, the University recognized $9.9 million in construction in progress for capital project activities managed by the Capital Development Board

(CDB), on behalf of the University. These CDB capital projects are funded by State capital appropriations and included building and elevator renovations, electrical/fire alarm system upgrades, construction of nursing lab and others.

The University's student services facilities, such as the Cordell Reed Student Union Building; health services, including student health related operations of the Wellness Center and Insurance Support services; and parking facilities were funded by revenue bonds. As of June 30, 2022, the University's outstanding liability related to revenue bonds totaled $3.5 million and is scheduled to be fully paid on December 1, 2023. The bonds are insured by MBIA Corp. and National Public Finance Guarantee. Moody's Investor Service applies the National Public Finance Guarantee rating to municipal bonds subject to the reinsurance agreement with MBIA Corp. As of June 2022, the Moody's ratings were Ba3 for MBIA Corp. and Baa2 for National Public Finance Guarantee.

Economic Factors That Will Affect the Future

The State of Illinois continues to face economic challenges, including escalating employee benefit costs. While the COVID-19 pandemic has impacted unemployment throughout the nation, the State continues to lag in the unemployment economic indicator relative to its neighboring States. For the month ended December 2022 the Illinois unemployment rate was 4.2% while its neighboring states unemployment rate ranged from 2.8% to 4.3%.

The University believes despite the financial affairs of the State, higher education will continue to play a vital role in developing a well-educated workforce to compete in a modern economy in various industries including healthcare, information technology, distribution and logistics, and manufacturing. Accordingly, the University in coordination with other sister higher education institutions continues to advocate for continued State financial support.

BASIC FINANCIAL STATEMENTS

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF NET POSITION
June 30, 2022

	University	Discretely Presented Component Unit
ASSETS		
Current Assets		
Cash equity with State Treasurer	$ 410,711	$ -
Cash and cash equivalents (Note 2)	22,208,043	160,938
Cash and cash equivalents - restricted (Note 2)	91,867	-
Securities lending collateral equity of State Treasurer (Note 2)	64,523	-
Balance in State Appropriation	1,726,838	-
Accounts receivable, net (Note 3)	5,960,529	70,050
Accounts receivable, net - restricted (Note 3)	757,329	-
Inventories	12,345	-
Loans and notes receivable, net (Note 3)	21,215	-
Prepaid expenses and other assets	665,878	15,600
Prepaid expenses and other assets - restricted	1,500	-
Total current assets	31,920,778	246,588
Noncurrent Assets		
Cash and cash equivalents - restricted (Note 2)	3,492,385	-
Endowment investments (Note 2)	-	7,644,688
Loans and notes receivable, net (Note 3)	179,552	-
Right-of-use assets (Note 20)	270,452	-
Capital assets, net (Note 4)	146,688,804	21,320
Total noncurrent assets	150,631,193	7,666,008
Total Assets	182,551,971	7,912,596
DEFERRED OUTFLOWS FOR OPEB AND PENSION (Notes 9 and 11)	2,385,480	-
Total Assets and Deferred Outflows of Resources	184,937,451	7,912,596
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	4,970,960	911,659
Obligations under securities lending collateral equity of State Treasurer (Note 2)	64,523	-
Accrued wages (Note 5)	1,984,875	-
Unearned revenue (Note 6)	2,424,045	1,150
Long-term liabilities - current portion (Note 7)	2,865,335	12,610
Total current liabilities	12,309,738	925,419
Noncurrent Liabilities		
Accrued compensated absences (Note 7)	2,879,213	-
OPEB liability (Note 7)	5,765,084	-
Bonds payable (Note 7)	1,800,000	-
Premium on bonds (Note 7)	33,685	-
Federal loan program contributions refundable (Note 7)	290,599	-
Financed purchase payable (Note 7)	21,474	-
Total noncurrent liabilities	10,790,055	-
Total Liabilities	23,099,793	925,419
DEFERRED INFLOWS FOR OPEB (Note 11)	2,010,935	-
Total Liabilities and Deferred Inflows of Resources	25,110,728	925,419
NET POSITION		
Net investment in capital assets	143,137,856	8,710
Restricted for:		
Nonexpendable		
Scholarships and academic support	-	4,757,024
Expendable		
Direct programs and scholarships	25,164	2,887,663
Capital projects	434,228	-
Auxiliary services	716,651	-
Unrestricted	15,512,824	(666,220)
Total Net Position	$ 159,826,723	$ 6,987,177

The accompanying notes are an integral part of these financial statements.

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2022

	University	Discretely Presented Component Unit
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of $7,555,378)	$ 17,023,668	$ -
Federal grants and contracts	4,248,980	-
State and local grants and contracts	1,616,042	-
Nongovernmental grants and contracts	2,252,885	-
Sales and services of auxiliary enterprises (net of scholarship allowances of $97,784)	3,160,199	-
Other operating revenues	8,690	2,497,191
Total operating revenues	28,310,464	2,497,191
OPERATING EXPENSES		
Educational and general		
Instruction	42,305,989	-
Research	1,460,841	-
Public service	1,897,475	-
Academic support	5,982,570	-
Student services	5,901,386	-
Institutional support	16,972,228	-
Operations and maintenance of plant	16,114,360	-
Depreciation and amortization	4,745,730	-
Scholarship and fellowship	12,770,057	3,296,135
Auxiliary enterprise expenses	11,443,965	-
Other operating expenses	-	1,173,480
Total operating expenses	119,594,601	4,469,615
OPERATING LOSS	(91,284,137)	(1,972,424)
NONOPERATING REVENUES (EXPENSES)		
State appropriations (Note 19)	40,076,900	-
Special funding situation (Notes 9, 10, and 11)	24,205,417	-
On-behalf payments	7,626,000	-
State nonoperating grants	3,758,481	-
Federal nonoperating grants	15,138,471	-
Investment income (loss)	45,852	(1,129,427)
Interest on capital asset - related debt	(226,400)	-
Other nonoperating expenses	(583,908)	-
Net nonoperating revenues (expenses)	90,040,813	(1,129,427)
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(1,243,324)	(3,101,851)
Capital appropriations	9,858,759	-
Endowment contributions	-	29,352
Loss on disposal of capital assets	(132,337)	-
Total other revenues and losses	9,726,422	29,352
INCREASE (DECREASE) IN NET POSITION	8,483,098	(3,072,499)
NET POSITION, BEGINNING OF YEAR	151,343,625	10,059,676
NET POSITION, END OF YEAR	$ 159,826,723	$ 6,987,177

The accompanying notes are an integral part of these financial statements.

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022

	University	Discretely Presented Component Unit
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 17,287,935	$ -
Grants and contracts	8,070,203	1,930,558
Payment to suppliers for goods and services	(20,008,314)	19,195
Payments to employees for services	(49,280,560)	-
Payments for scholarship and fellowship	(12,770,057)	(3,296,134)
Loans collected from students	42,328	-
Student direct lending receipts	20,166,174	-
Student direct lending disbursements	(20,166,174)	-
Sales and services of auxiliary enterprises	3,124,630	-
Other receipts (disbursements)	(761,496)	269,841
Net cash used in operating activities	(54,295,331)	(1,076,540)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	40,485,108	-
State nonoperating grants	3,257,409	-
Federal nonoperating grants	18,511,726	-
Repayment of federal loan program contributions refundable	(59,870)	-
Endowment contributions	-	29,352
Other noncapital financing activities	(95,157)	-
Net cash provided by noncapital financing activities	62,099,216	29,352
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from disposal of equipment	170,500	-
Purchases of capital assets	(2,477,780)	-
Principal paid on capital debt	(1,610,000)	-
Interest paid on capital debt	(256,235)	-
Net cash used in capital financing activities	(4,173,515)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and/or dividends on investments	45,852	260,650
Proceeds from sales and maturities of investments	-	2,158,181
Purchase of investment and others	-	(1,461,926)
Net cash provided by investing activities	45,852	956,905
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,676,222	(90,283)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	22,526,784	251,221
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 26,203,006	$ 160,938
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (91,284,137)	$ (1,972,424)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	4,745,730	-
Special funding situation	24,205,417	-
On-behalf payments	7,626,000	-
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivables, net	(1,785,881)	162,877
Inventories	(2,355)	-
Prepaid expenses and other assets	58,236	-
Deferred outflows for OPEB and pension expense	(1,888,861)	-
Loans and notes receivable	58,898	-
Accounts payable and accrued liabilities	1,794,318	733,007
Accrued wages	(263,806)	-
Unearned revenue	1,180,113	-
Accrued compensated absences	996,109	-
OPEB liability	916,090	-
Deferred inflows for OPEB expense	(651,202)	-
Net cash used in operating activities	$ (54,295,331)	$ (1,076,540)
NONCASH INVESTING, CAPITAL FINANCING AND NONCAPITAL FINANCING ACTIVITIES		
Capital appropriations	$ 9,858,759	$ -
Special funding situation	24,205,417	-
On-behalf payments	7,626,000	-
Loss on disposal of capital assets	(132,337)	-

The accompanying notes are an integral part of these financial statements.

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2022

	Custodial Funds
ASSETS	
Cash and cash equivalents	$ 172,429
LIABILITIES	
Accounts payable and accrued liabilities	800
NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	$ 171,629

The accompanying notes are an integral part of these financial statements.

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2022

	Custodial Funds
ADDITIONS	
Contributions by nongovernmental entities	$ 693,270
DEDUCTIONS	
Payments for awards and grants	646,446
Payments for other expenses	109,776
Total deductions	756,222
DECREASE IN NET POSITION	(62,952)
NET POSITION, BEGINNING OF YEAR	234,581
NET POSITION, END OF YEAR	$ 171,629

The accompanying notes are an integral part of these financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Chicago State University (University) is a public, comprehensive, urban institution of higher learning located on the south side of Chicago. The University serves the State, national and international communities by providing its students with academic instruction, by conducting research and other activities that advance fundamental knowledge, and by disseminating knowledge to residents of the region, the State of Illinois and beyond.

The University was established in 1867 as an experimental teacher-training school. The Chicago State University Board of Trustees (Board), established in January 1996 by an act of the Illinois General Assembly, governs the University. The Board consists of seven members appointed by the Governor and one student member elected by the student population.

Reporting Entity - The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB), consists of the primary government entity, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of all agencies of Chicago State University, as the primary government, the accounts of Chicago State Foundation (CSF or Foundation), and the accounts of the University Auxiliary Facilities System Revenue Bond Fund, Series 1998.

CSF was established on March 24, 2015 for the purpose of providing the University's students, faculty, and staff financial support through fund raising activities. CSF is a non-profit tax-exempt 501(c)(3) organization. CSF is reported as a discretely presented component unit in the University's financial statements.

Separate financial statements for the Foundation may be obtained at the Foundations' administrative office: Executive Director, Chicago State Foundation, Cook Administration Building, 9501 South King Drive, Chicago, Illinois, 60628.

The University (including the Foundation) is a component unit of the State of Illinois for financial reporting purposes. The financial balances and activities included in these financial statements are, therefore, also included in the State's Annual Comprehensive Financial Report.

Financial Statement Presentation - The University follows the financial statement presentation requirements prescribed by GASB Statement No. 35, *Basic Financial Statement–and Management's Discussion and Analysis–for Public Colleges and Universities–an amendment of GASB Statement No. 34,* and subsequent amendments. This statement requires the University's resources be classified into net position categories and reported in the Statement of Net Position.

These categories are defined as (a) Net investment in capital assets, (b) Restricted nonexpendable - net position restricted by externally imposed stipulations, (c) Restricted expendable - net position subject to externally imposed restrictions that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time, and (d) Unrestricted - net position not subject to externally imposed stipulations but may be designated for specific purposes by an action of the Board. The University first applies restricted resources when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

Basis of Accounting - For financial reporting purposes, the University is considered a special-purpose government engaged in business-type and fiduciary activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Fiduciary Fund - The University reports fiduciary funds which are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, or governmental units, and/or other funds. The University's fiduciary fund includes the following:

Custodial Fund - Custodial funds are used to report fiduciary activities that are not required to be reported in another fiduciary fund type. The custodial funds are as follows:

- Chicagoland Regional College Program - This fund accounts for monies received from the United Parcel Services (UPS) to pay tuition and fees, stipends, and other appropriate educational expenses for students participating in the program.

- Private Scholarships and Others - These include scholarships from private organizations received in advance by the University on-behalf of students, and custodial funds from student activities, clubs, or other groups with funds typically generated from donations, fees, and other fund-raising activities.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near to maturity that they present insignificant risk of changes in value because of changes in interest rates. The University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the Illinois Funds are considered cash equivalents.

Investments - The University accounts for its investments at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the changes in fair value of investments are reported as an increase or decrease to investment assets and a component of investment income or loss in the Statement of Revenues, Expenses and Changes in Net Position.

Accounts Receivable - Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of which reside in the State of Illinois (State). Accounts receivable also includes amounts due from federal, state and local governments, or private sources, in connection with the reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable is presented net of estimated uncollectible accounts. Allowances for doubtful accounts are charged against revenues when estimated or determined to be uncollectible.

Inventories - Inventories are determined on the first in, first out (FIFO) method and stated at the lower of cost or market. The cost is recorded as an expense as the inventory is consumed.

Prepaid Expenses and Other Assets - Prepaid expenses include amounts paid in advance for services benefitting future periods.

Capital Assets - Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Intangible assets greater than $100,000 are capitalized. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expenses in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 60 years for buildings, 5 to 50 years for infrastructure and site improvements, 5 to 7 years for library books, and 3 to 15 years for equipment and intangible assets.

Right-of-use - Right-of-use asset is initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-of-use asset is amortized on a straight-line basis over the life of the related lease.

Unearned Revenue - Unearned revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year that are related to the subsequent accounting period. Unearned revenue also includes amounts received from grant and contract sponsors that have not yet been recognized because eligibility requirements have not been met.

Accrued Compensated Absences - Employee sick and vacation pay are accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences.

For fiscal year ended June 30, 2022, net accrued compensated absences pertaining to vacation leave and sick leave totaled $3,236,975 and $411,506, respectively.

Noncurrent Liabilities - Noncurrent liabilities include (1) estimated amounts for accrued compensated absences; (2) University's portion of total other postemployment benefits; (3) principal amounts of revenue bonds payable; (4) the premium on the revenue bonds payable (which is being amortized over the term of the bonds using the straight-line method); (5) liability related to the Perkins Loan program; and (6) financed purchase liability related to contracts that transfer ownership of underlying assets at the end of the term and do not contain termination options.

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

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

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

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

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

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

During the OPEB measurement period ended June 30, 2021, the University made voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $321,126 to help offset the amount the State needed to provide for retirees under the special funding situation described in the preceding paragraph.

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

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

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

On-Behalf Payments - The University had outside sources of financial assistance provided by the State on behalf of the University during the year ended June 30, 2022.

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

During the year ended June 30, 2022, total estimated group insurance contributions for the University's employees paid from the University's Income Fund and auxiliary enterprises were $8,329,000. The University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $703,000 to help offset the amount the State needed to provide for current employees under the situation described in the preceding paragraph. As such, the State contributed the estimated remaining balance of $7,626,000 on-behalf of the University to meet this obligation for current employees.

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

Scholarship Allowances and Student Aid - Financial aid to students is reported in the financial statements and is calculated by the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans and funds provided to students as awarded by third parties and Federal Direct Lending, are accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as an operating expense represents the portion of the aid provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed using a rational, documented allocation methodology by allocating the cash payments to students, excluding payments for the services, calculated by a ratio of total aid to the aid not considered to be third party aid.

Net Position - GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, reports equity as "Net Position." The University's net position is classified as follows:

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

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

Restricted net position - expendable - Restricted expendable net position includes resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

Unrestricted net position - Unrestricted net position represents resources derived from student tuition and fees, sales and service of educational departments and auxiliary enterprises, and unrestricted gifts from donors. These resources are used for transactions relating to the educational and general operations of the University and Foundation and may be used at the discretion of the governing board to meet current expenses for any purpose.

Income Taxes - The University, as a political subdivision of the State of Illinois, is excluded from federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Classification of Revenues - The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) certain federal, State, local and nongovernmental grants and contracts, and (4) interest on institutional student loans.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, and GASB Statement No. 35, *Basic Financial Statements–and Management's Discussion and Analysis–for Public Colleges and Universities–an amendment of GASB Statement No. 34*, such as State appropriations, special funding situation, on-behalf payments, pass-through grants, and investment income.

Coronavirus Emergency Grants for Postsecondary Education - The Higher Education Emergency Relief Funds (HEERF) I, II, and III were authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriation Act, 2021 (CRRSAA), and the American Rescue Plan (ARP). The University was awarded a total of $14,940,905 in funding to be used for (1) providing emergency financial aid grants to students for expenses related to the disruption of campus operations due to the novel coronavirus (COVID-19) pandemic; (2) covering any costs associated with significant changes to the delivery of instruction due to the COVID-19 pandemic; and, (3) defraying institutional expenses that occurred during COVID-19 pandemic. Funds expended are reflected in the University accounts as operating expenses, in accordance with guidance established by NACUBO, as providing student aid is a part of the ongoing mission of a university. As of June 30, 2022, the Funds are all fully expended.

New Accounting Pronouncements – During Fiscal Year 2022, the University implemented GASB Statement No. 87, *Leases*, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, GASB Statement No. 91, *Conduit Debt Obligations*, GASB Statement No. 92, *Omnibus 2020*, GASB Statement No. 93, *Replacement of Interbank Offered Rates*, and GASB Statement No. 98, *The Annual Comprehensive Financial Report*. GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. GASB Statement No. 89 eliminates the requirement to capitalize interest incurred before the end of the construction period of an asset within business-type activities. GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB Statement No. 92 modifies requirements related to leases, reinsurance recoveries, and the terminology used to refer to derivative instruments. GASB Statement No. 93 establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Offered Rate (LIBOR) for hedging derivative instruments. GASB Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR.

As a result of implementing GASB Statement No. 87, the University has recorded lease assets and liabilities for leases that were previously classified as operating leases. The implementation of GASB Statement Nos. 89, 91, 92, 93, and 98 does not have a significant impact to the University's financial statements.

In addition, the University will be required to implement GASB Statements No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; No. 96, *Subscription-Based Information Technology Arrangements*, in Fiscal Year 2023, and No. 99, *Omnibus 2022*. The University will be required to implement GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, and GASB Statement No. 101, *Compensated Absences* in Fiscal Year 2024 and Fiscal Year 2025, respectively. The University has not yet evaluated the impact of adopting these future pronouncements on its financial statements.

NOTE 2 DEPOSITS AND INVESTMENTS

GASB Statement No. 40, *Deposit and Investment Risk Disclosures - An Amendment of GASB Statement No. 3,* requires general disclosures by investment type with disclosures of the specific risk exposures of those investments. Investments exposed to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk must be disclosed, and the deposit and investment policies (or the lack of a policy) that relate to these risks must be described if the reporting entity is exposed to them.

The Public Funds Investment Act (30 ILCS 235) authorized the University and its Board of Trustees to invest in bonds, notes, certificates of indebtedness, treasury bills, or other securities guaranteed by the United States; interest-bearing savings accounts, certificates of deposit, interest-bearing deposits, or any other investment that constitutes direct obligations of any bank; short-term discount obligations of the Federal National Mortgage Association; shares or other securities legally issued by certain state or federal savings and loan associations; insured dividend-bearing share accounts and certain other accounts of chartered credit unions; certain money market mutual funds; the Illinois Funds Money Market Funds; and repurchase agreements that meet certain instrument and transaction requirements. The Foundation is not subject to such restrictions.

Cash Equity with State Treasurer - The State Treasurer is the custodian of the State's cash and cash equivalents for funds maintained in the State Treasury. Deposits in custody of the State Treasurer are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the University does not own individual securities. Details on the nature of these deposits and investments are available within the State of Illinois' Annual Comprehensive Financial Report.

Deposits - At June 30, 2022, the carrying amount of the University (including deposits under Fiduciary Fund of $172,429) and the CSF deposits with private financial institutions were $25,964,724 and $160,938, respectively. This amount consisted of cash deposited with the financial institutions. For financial reporting purposes, these deposits have been classified as cash and cash equivalents or investments, depending upon the original maturity of the financial instrument.

Carrying amounts at year-end of the above deposits, pooled investments and cash on hand consisted of:

	University		CSF	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Deposit Type				
Cash in bank	$14,133,849	$15,238,916	$ 160,938	$ 195,816
Add: Investments classified as cash equivalents (maturity <90 days) - Illinois Funds - Standard & Poor's AAAm	11,810,919			
Add: Cash on hand	19,956			
Total cash and cash equivalents	$25,964,724		$ 160,938	

	Carrying Amount	
	University	CSF
Cash and cash equivalents	$22,208,043	$ 160,938
Cash and cash equivalents - restricted - current	91,867	–
Cash and cash equivalents - restricted - noncurrent	3,492,385	–
Cash and cash equivalents - custodial funds	172,429	–
Total	$25,964,724	$ 160,938

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, deposits may not be returned. The University requires that balances on deposit with financial institutions be either insured by the Federal Deposit Insurance Corporation (FDIC), collateralized by securities held by the Federal Reserve Bank, or invested in U.S. Government obligations, in the University's name. The University maintains cash deposits at certain Chicago-area financial institutions. The FDIC insured bank balances totaled $1,000,013 and $195,816 for the University and CSF, respectively, at June 30, 2022. Another $14,238,903 in University's bank balances were covered by pledged collateral in the University's name.

Interest Rate Risk - Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's value. The Illinois Funds has a weighted average maturity of less than one year.

Investments

The carrying value (and market value) of the investment portfolio of the University and CSF at June 30, 2022 consisted of the following:

	University Fair Value	CSF Fair Value
Money market funds and other	$ –	$ 3,052,399
U.S. Treasury & agency obligations	–	1,620,152
Common stock	–	1,891,328
Corporate debt securities	–	1,080,809
Illinois Funds (Standard & Poor's AAAm)	11,810,919	–
Total	11,810,919	7,644,688
Less: Investments classified as cash equivalents (maturity < 90 days)	(11,810,919)	–
Total investments	$ –	$ 7,644,688

The Illinois Funds is an external investment pool administered by the State Treasurer. The value of the University's investment fund is the same as the value of pool shares and the investments are reported by the State Treasurer at amortized cost. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of the Public Funds Investment Act (30 ILCS 235), the State Treasurer Act (15 ILCS 505/17) and the Deposit of State Moneys Act (15 ILCS 520/22.5).

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the fair value of investments is further categorized by levels depending on the type of inputs used for their valuation.

- Level 1: Unadjusted quoted prices for identical assets in active markets that are accessible at the date of measurement.

- Level 2: Quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the assets.

- Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (that is, the inputs are supported by little or no market activity).

The fair value of CSF's equity securities is based on an observable unadjusted quoted market price in an active market; therefore, this investment has been categorized as Level 1 in the fair value hierarchy. While the fair value of CSF's corporate debt securities totaling $1,080,809 has been categorized as Level 2 in the fair value hierarchy.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of an agency's investment in a single user. All investments are insured or registered and held by CSF or its agent in CSF's name. CSF does not have a policy limiting its exposure to concentration of credit risk.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligation. CSF's statement of investment objectives and guidelines states that investments in non-convertible fixed income securities other than short-term securities will be restricted to issues within a maximum fixed or expected average maturity of ten years and will be made primarily in (1) securities issued or guaranteed by the U.S. government or its agencies, (2) marketable issues of non-nuclear utility companies rated at the time of purchase within the three highest grades assigned by Moody's Investor Services, Inc. (Aaa, Aa, or A) or by Standard & Poors (AAA, AA or A), and (3) bond mutual funds which invest primarily in bonds with rating of A and higher. The University's funds expected to be used within one year are invested in the Illinois Funds, which is fully collateralized and has a Standard & Poors credit rating of AAAm.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The CSF does not have a policy limiting its exposure to foreign currency risk and CSF has no exposure to foreign currency risk (valued in U.S. dollars).

Details of CSF debt security investment portfolio and their corresponding credit ratings follow:

Type	Fair Market Value	Less than 1 year	1 to 5 years	6 to 10 years	More than 10 years	S&P/Moody's Rating
U.S. Treasury & agency obligations	$ 1,620,152	$ 258,804	$ 981,710	$379,638	$ –	No rating/ AA+ to BBB
Corporate debt securities	1,080,809	–	474,291	606,518	–	AA+ to BBB
Total	$ 2,700,961	$ 258,804	$ 1,456,001	$986,156	$ –	

Investment return at June 30, 2022 and its classification in the CSF financial statements are shown below:

Interest and dividends	$	109,423
Net realized and unrealized gains or (losses)		(1,238,850)
Total investment return or (loss)	$	(1,129,427)

Securities Lending Transactions

The State Treasurer Office (Office) lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The Office has, through a Securities Lending Agreement, authorized Deutsche Bank AG to lend the Office's securities to broker-dealers and banks pursuant to a form of loan agreement.

During Fiscal Year 2022, Deutsche Bank AG lent U.S. Agency securities and U.S. Treasury securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

The Office did not impose any restrictions during Fiscal Year 2022 on the amount of the loans of available, eligible securities. In the event of borrower default, Deutsche Bank AG provides the Office with counterparty default indemnification. In addition, Deutsche Bank AG is obligated to indemnify the Office if Deutsche Bank AG loses any securities, collateral or investments of the Office in Deutsche Bank AG's custody. There were no losses during Fiscal Year 2022 resulting from a default of the borrowers or Deutsche Bank AG.

During Fiscal Year 2022, the Office and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The Office had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. The securities lending collateral received that was invested in repurchase agreements and the fair value of securities on loan for the Office as of June 30, 2022 were $4,061,655,934 and $3,998,567,638.

In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, paragraph 9, the State Treasurer has allocated the assets and obligations at June 30, 2022 arising from securities lending agreements to the various funds of the State. The total allocated to the University at June 30, 2022 was $64,523.

NOTE 3 ACCOUNTS, PLEDGES AND LOANS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2022:

Student tuition and fees	$ 14,335,676
Federal, State and private grants and contracts	3,157,328
Third party and other receivable	1,558,994
Total gross receivable	19,015,998
Less allowance for doubtful accounts	(12,334,140)
Net accounts receivable	$ 6,717,858

Loans receivable (Federal Perkins Loans) consisted of the following at June 30, 2022:

Loans receivable	$ 1,196,204
Less allowance for doubtful accounts	(995,437)
Net loans receivable	$ 200,767
Current portion	$ 21,215
Noncurrent portion	179,552
Net loans receivable	$ 200,767

Perkins loan program expired on September 30, 2017. The University had the option to either assign the loan portfolio and the revolving fund to the Department of Education, or to continue the management of the Perkins loan portfolio that excludes the act of issuing new loans. The University made a determination to continue to manage the loan portfolio.

NOTE 4 CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2022:

	Amounts expressed in thousands				
	Balance July 1, 2021	Additions	Retirements	Net Transfers	Balance June 30, 2022
Capital assets not being depreciated:					
Land	$ 9,611	$ –	$ (180)	$ –	$ 9,431
Works of art	41	–	–	–	41
Construction in progress	17,792	11,911	–	(1,955)	27,748
Total capital assets not being depreciated	27,444	11,911	(180)	(1,955)	37,220
Other capital assets:					
Site improvements	17,476	–	–	–	17,476
Buildings and building improvements	190,783	–	(178)	1,955	192,560
Equipment and library books	33,559	216	(740)	–	33,035
Intangible assets	1,490	–	–	–	1,490
Total other capital assets	243,308	216	(918)	1,955	244,561
Less accumulated depreciation	(131,363)	(4,524)	795	–	(135,092)
Total	111,945	(4,308)	(123)	1,955	109,469
Capital assets, net	$ 139,389	$ 7,603	$ (303)	$ –	$ 146,689

NOTE 5 ACCRUED WAGES

Accrued wages include employee contracts for certain academic personnel that provide for twelve-month salary payments, although the contracted services are rendered during a nine-month period, and services provided by hourly employees that were paid after June 30. The liability for those employees who are on a deferred pay schedule and those that have completed their contracted services, but have not yet received final payment totaled $1,984,875 at June 30, 2022.

NOTE 6 UNEARNED REVENUE

Unearned revenue consists of the following at June 30, 2022:

Tuition and fees	$ 307,462
Grants and contracts	2,116,583
Total Unearned Revenue	$ 2,424,045

NOTE 7 LONG-TERM LIABILITIES

Long-term liabilities as of June 30, 2022 consist of the following:

	June 30, 2022	Current Portion	Noncurrent Portion
Accrued compensated absences	$ 3,648,481	$ 769,268	$ 2,879,213
OPEB liability	5,894,910	129,826	5,765,084
Bonds payable	3,505,000	1,705,000	1,800,000
Premium on bonds	33,685	–	33,685
Leases payable	251,183	251,183	–
Federal loan program contributions refundable	290,599	–	290,599
Financed purchase payable	31,532	10,058	21,474
Total Long-Term Liabilities	$ 13,655,390	$ 2,865,335	$10,790,055

The changes in long-term liabilities are as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Accrued compensated absences	$ 4,299,683	$ 428,990 †	$(1,080,192) *	$3,648,481
OPEB liability	4,978,820	916,090	-	5,894,910
Bonds payable	5,115,000	-	(1,610,000)	3,505,000
Premium on bonds	56,141	-	(22,456)	33,685
Leases payable	-	491,901	(240,718)	251,183
Federal loan program contributions refundable	350,469	-	(59,870)	290,599
Financed purchase payable	-	52,618	(21,086)	31,532
Total Long-Term Liabilities	$14,800,113	$1,889,599	$(3,034,322)	$13,655,390

**Payments for accrued compensated absences include lump sum payouts for vacation and sick time only.*
†Additions include vacation earned in excess of days used.

Bonds Payable

On December 23, 1998, the University issued $25,650,000 of Auxiliary Facilities Revenue Bonds with an average interest rate of 4.84% to advance refund $22,620,000 of outstanding 1994 Series Bonds.

Optional Redemption **-** The Series 1998 Bonds maturing on December 1, 2009, through December 1, 2018, were subject to redemption at the option of the Board on or after December 1, 2008. The Series 1998 Bonds maturing after December 1, 2018, are not subject to optional redemption prior to maturity.

Mandatory Redemption - The Series 1998 Term Bonds maturing on December 1, 2018, and December 1, 2023, are subject to mandatory redemption through the application of sinking fund payments, at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, in the following principal amounts on December 1, in each of the years as follows:

Bonds Maturing December 1, 2023	
Year	Principal Amount
2022	$ 1,705,000
2023	1,800,000

Bond Insurance Rating - The bonds are insured by MBIA Corp. and National Public Finance Guarantee. Moody's Investor Service applies the National Public Finance Guarantee rating to municipal bonds subject to the reinsurance agreement with MBIA Corp. As of June, 2022, the Moody's ratings were Ba3 for MBIA Corp. and Baa2 for National Public Finance Guarantee.

Maturity Information

The scheduled maturities of the bonds payable are as follows:

Fiscal Year	Revenue Bonds	Interest	Total Payments
2023	$ 1,705,000	$ 145,887	$ 1,850,887
2024	1,800,000	49,500	1,849,500
Total	$ 3,505,000	$ 195,387	$ 3,700,387

NOTE 8 NATURAL CLASSIFICATIONS

The University's operating expenses by natural classification were as follows:

Compensation and benefits	$ 80,264,687
Contractual services	18,374,433
Commodities	1,819,925
Awards and grants	12,770,057
Telecommunication	610,782
Other operating expenses	1,008,987
Depreciation and amortization	4,745,730
Total Operating Expenses	$ 119,594,601

NOTE 9 DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. The University contributes to the State Universities Retirement System (SURS or System), a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State 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 State universities, certain affiliated organizations, and certain other State educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State's financial reporting entity and is included in the State's Annual Comprehensive Financial Report as a pension trust fund. SURS is governed by Chapter 40, Act 5, Article 15 of the *Illinois Compiled Statutes.* SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org.

Benefits Provided. A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible reciprocal system service. The revised plan is referred to as Tier 2. New employees are allowed six months after their date of hire to make an irrevocable election whether to participate in either traditional or portable benefit plans. A summary of the benefit provisions as of June 30, 2021, can be found in SURS Annual Comprehensive Financial Report - Notes to the Financial Statements.

Contributions. The State is primarily responsible for funding the System on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a statutory funding plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members within SURS to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for Fiscal Year 2021 and Fiscal Year 2022, respectively, was 12.70% and 12.32% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary, except for police officers and fire fighters who contribute 9.5% of their earnings. The contribution requirements of plan members and employers are established and may be amended by the State's General Assembly.

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

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

Net Pension Liability
The net pension liability (NPL) was measured as of June 30, 2021. At June 30, 2021, SURS reported a NPL of $28,528,477,079.

Employer Proportionate Share of Net Pension Liability
The amount of the proportionate share of the NPL to be recognized for the University is $0. The proportionate share of the State's NPL associated with the University is $310,931,586 or 1.0899%. The University's proportionate share changed by (0.0013%) from 1.0912% since the last measurement date on June 30, 2020. This amount is not recognized in the University's financial statements. The NPL and total pension liability as of June 30, 2021, was determined based on the June 30, 2020, actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during Fiscal Year 2020.

Defined Benefit Pension Expense
At June 30, 2021, SURS reported a collective net pension expense of $2,342,460,058.

Employer Proportionate Share of Defined Benefit Pension Expense
The University's proportionate share of collective defined benefit pension expense is recognized as nonoperating revenue with matching operating expense (compensation and benefits) in the financial statements. The basis of allocation used for the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS defined benefit plan during Fiscal Year 2020. As a result, the University recognized revenue and defined benefit pension expense of $25,530,449 from this special funding situation during the year ended June 30, 2022.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 113,467,689	$ –
Changes in assumptions	776,968,084	–
Net difference between projected and actual earnings on pension plan investments	–	2,283,514,660
Total	$ 890,435,773	$ 2,283,514,660

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

Year Ending June 30	Net Deferred Outflows of Resources
2022	$ 34,095,451
2023	(197,005,703)
2024	(538,343,058)
2025	(691,825,577)
Total	$ (1,393,078,887)

University's Deferral of Fiscal Year 2022 Contributions

The University paid $186,333 in federal, trust or grant contributions during the year ended June 30, 2022. These contributions were made subsequent to the pension liability measurement date of June 30, 2021, and are recognized as deferred outflows of resources as of June 30, 2022.

Assumptions and Other Inputs

Actuarial assumptions. The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from June 30, 2017, through June 30, 2020. The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	3.00 to 12.75 percent, including inflation
Investment rate of return	6.50 percent beginning with the actuarial valuation as of June 30, 2021

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultants and actuary. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2021, these best estimates are summarized in the following table:

Asset Class	Strategic Policy Allocation	Weighted Average Long-term Expected Real Rate of Return (Arithmetic)
Traditional Growth		
Global Public Equity	41.0%	6.30%
Stabilized Growth		
Credit Fixed Income	14.0%	1.82%
Core Real Assets	5.0%	3.92%
Options Strategies	6.0%	4.20%
Non-Traditional Growth		
Private Equity	7.5%	10.45%
Non-Core Real Assets	2.5%	8.83%
Inflation Sensitive		
U.S. TIPS	6.0%	(0.22%)
Principal Protection		
Core Fixed Income	8.0%	(0.81%)
Crisis Risk Offset		
Systematic Trend Following	3.5%	3.45%
Alternative Risk Premia	3.0%	2.30%
Long Duration	3.5%	0.91%
Total	100%	4.43%
Inflation		2.25%
Expected Arithmetic Return		6.68%

Discount Rate. A single discount rate of 6.12% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 6.50% and a municipal bond rate of 1.92% (based on the Fidelity 20-Year Municipal GO AA Index as of June 30, 2021). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under SURS funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2075. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2075, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the SURS Net Pension Liability to Changes in the Discount Rate. Regarding the sensitivity of the NPL to changes in the single discount rate, the following presents the State's NPL, calculated using a single discount rate of 6.12%, as well as what the State's NPL would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 5.12%	Current Single Discount Rate Assumption 6.12%	1% Increase 7.12%
$35,000,704,353	$28,528,477,079	$23,155,085,730

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

NOTE 10 DEFINED CONTRIBUTION PENSION PLAN

General Information about the Pension Plan

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

Benefits Provided. A defined contribution pension plan, originally called the Self-Managed Plan, was added to SURS benefit offerings as a result of Public Act 90-0448 enacted effective January 1, 1998. The plan was renamed the RSP effective September 1, 2020, after an extensive plan redesign. New employees are allowed six months after their date of hire to make an irrevocable election whether to participate in either the traditional or portable defined benefit pension plans or the RSP. A summary of the benefit provisions as of June 30, 2021, can be found in SURS Annual Comprehensive Financial Report - Notes to the Financial Statements.

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

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

Pension Expense Related to Defined Contribution Pensions

Defined Contribution Pension Expense
For the year ended June 30, 2021, the State's contributions to the RSP on behalf of individual employers totaled $76,280,832. Of this amount, $70,403,460 was funded via an appropriation from the State and $5,877,372 was funded from previously forfeited contributions.

Employer Proportionate Share of Defined Contribution Pension Expense
The employer proportionate share of collective defined contribution pension expense is recognized as nonoperating revenue with matching operating expense (compensation and benefits) in the financial statements. The basis of allocation used in the proportionate share of collective defined contribution pension expense is the actual reported pensionable contributions made to the RSP during Fiscal Year 2021. The University's share of pensionable contributions was 0.4836%. As a result, the University recognized revenue and defined contribution pension expense of $368,880 from this special funding situation during the year ended June 30, 2022, of which $28,422 constituted forfeitures.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS

Plan Description. SEGIA, as amended, authorizes SEGIP to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the University's full-time employees are members of SEGIP. Members receiving monthly benefits from GARS, JRS, SERS, TRS, and SURS are eligible for these OPEB. The eligibility provisions for SURS are defined within Notes 9 and 10.

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

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

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

For Fiscal Year 2022, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $11,363 ($6,290 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $13,619 ($5,623 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

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

Special Funding Situation Portion of OPEB. The proportionate share of the State's OPEB expense relative to the University's employees totaled ($1,693,912) during the year ended June 30, 2022. This amount was recognized by the University as nonoperating special funding situation revenue and operating expense allocated to the related function performed by the employees during the year ended June 30, 2022.

While the University is not required to record the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation, the University is required to disclose this amount. The following chart displays the proportionate share of the State's contributions related to the University's special funding situation relative to all employer contributions during the year ended June 30, 2021 based on the June 30, 2020 actuarial valuation rolled forward:

Measurement Date:	June 30, 2021
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$ 167,147,546
SEGIP total OPEB liability	34,911,897,307
Proportionate share of the total OPEB liability	0.4788%

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

Total OPEB Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and Expense Related to OPEB. The total OPEB liability, as reported at June 30, 2022, was measured as of June 30, 2021, with an actuarial valuation as of June 30, 2020. At June 30, 2022, the University recorded a liability of $5,894,910 for its proportionate share of the State's total OPEB liability. The University's portion of the OPEB liability was based on the University's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2021. As of the current year measurement date of June 30, 2021, the University's proportion was 0.0171%, which was an increase of 0.0052% from its proportion measured as of the prior year measurement date of June 30, 2020.

The University recognized OPEB expense for the year ended June 30, 2022, of $29,390. In addition, the University recorded ($1,693,912) of revenue and expenditures to account for contributions to SEGIP for University employees that were paid from statewide appropriations. At June 30, 2022, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2021, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 43,059	$ 41,013
Changes in assumptions	133,341	1,622,368
Changes in proportion and differences between University contributions and proportionate share of contributions	1,892,921	347,554
University contributions subsequent to the measurement date	129,826	–
Total	$ 2,199,147	$ 2,010,935

$129,826 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Net Deferred Outflows (Inflows) over the Remaining Service Life of All Employees
2023	$ (108,603)
2024	14,414
2025	(24,457)
2026	144,837
2027	32,195
Total	$ 58,386

Actuarial Methods and Assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on GARS, JRS, SERS, TRS, and SURS active, inactive, and retiree data as of June 30, 2020, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2020.

The valuation date as of June 30, 2020 below was rolled forward to measurement date of June 30, 2021.

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.25%
Projected Salary Increases*	2.50% - 12.25%
Healthcare Cost Trend Rate:	
Medical and Rx (Pre-Medicare and Post-Medicare)	8.00% grading down 0.25% per year over 15 years to 4.25% in year 2038. There is no additional trend rate adjustment due to the repeal of the Excise Tax.
Dental and Vision	3.75% grading up 0.25% in the first year to 4.00% through 2038.
Retiree's share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2021 and 2022 are based on actual premiums. Premiums after 2022 were projected based on the same healthcare cost trend rates applied to per capita claim costs.

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

Healthcare Cost Trend Rate:	
Medical and Rx (Pre-Medicare & Post-Medicare)	8.25% grading down 0.25% per year over 16 years to an ultimate trend of 4.25% in the year 2037. There is no additional trend rate adjustment due to the repeal of the Excise Tax.
Dental and Vision	4.00% grading up 0.25% in the first year to 4.25% through 2037.

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

Additionally, the demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2020 valuations for GARS, JRS, SERS, TRS, and SURS as follows:

	Retirement age Experience study^	**Mortality^^**
GARS	July 2015 - June 2018	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 99% for males and females and generational mortality improvements using MP-2018 two-dimensional mortality improvement scales
JRS	July 2015 - June 2018	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 102% for males and 98% for females and generational mortality improvements using MP-2018 two-dimensional mortality improvement scales
SERS	July 2015 - June 2018	Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2018 generational mortality improvement factors were updated to projection scale MP-2018
TRS	July 2014 - June 2017	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2017
SURS	July 2014 - June 2017	RP-2014 White Collar, gender distinct, projected using MP-2014 two dimensional mortality improvement scale, set forward one year for male and female annuitants

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

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

Discount Rate. Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 2.45% at June 30, 2020, and 1.92% at June 30, 2021, was used to measure the total OPEB liability.

Sensitivity of Total OPEB Liability to Changes in the Single Discount Rate. The following presents the plan's total OPEB liability, calculated using a Single Discount Rate of 1.92%, as well as what the plan's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (2.92%) or lower (0.92%) than the current rate:

	1% Decrease (0.92%)	Current Single Discount Rate Assumption (1.92%)	1% Increase (2.92%)
University's proportionate share of total OPEB liability	$ 6,961,845	$ 5,894,910	$ 5,050,739

Sensitivity of the Total OPEB liability to Changes in the Healthcare Cost Trend Rate. The following presents the plans total OPEB liability, calculated using the healthcare cost trend rates as well as what the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates (amounts in table expressed in thousands). The key trend rates are 8.00% in 2023 decreasing to an ultimate trend rate of 4.25% in 2038.

	1% Decrease[(a)]	Current Healthcare Cost Trend Rates Assumption	1% Increase[(b)]
University's proportionate share of total OPEB liability	$ 4,919,118	$ 5,894,910,	$7,186,127

(a) A one percentage point decrease in healthcare trend rates are 7.00% in plan year end 2023 decreasing to an ultimate trend rate of 3.25% in 2038.
(b) A one percentage point increase in healthcare trend rates are 9.00% in plan year end 2023 decreasing to an ultimate trend rate of 5.25% in 2038.

Total OPEB Liability Associated with the University, Regardless of Funding Source. The University is required to disclose all OPEB liabilities related to it, including (1) the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation the University is not required to record and (2) the portion of OPEB liability recorded by the University for its employees paid from trust, federal, and other funds. The following chart displays the proportionate share of contributions, regardless of funding source, associated with the University's employees relative to all employer contributions during the year ended June 30, 2021 based on the June 30, 2020 actuarial valuation rolled forward:

Measurement Date:	June 30, 2021
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$ 167,147,546
University's OPEB liability	5,894,910
Total OPEB liability associated with the University	$ 173,042,456
SEGIP total OPEB liability	$ 34,911,897,307
Proportionate share of the OPEB liability associated with the University	0.4957%

NOTE 12 LIABILITY 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 insurance carriers to provide liability insurance coverages, including educators' legal and general liability insurance. The University purchased commercial excess general liability coverage of $10.65 million with a $350,000 deductible per occurrence. Educator's legal liability has coverage of $5 million with a $1 million deductible for wrongful employment practices ($350,000 deductible for all other claims). The University also has commercial property insurance coverage for the replacement value of the University's property.

NOTE 13 RELATED PARTY TRANSACTIONS

A summary of related party transactions during the year ended June 30, 2022, is as follows:

The University and CSF, under the terms of a "Memorandum of Understanding" (MOU) effective May 14, 2019, specified the relationship between the two organizations as required by the University Guidelines adopted on November 30, 1982, and revised on September 10, 1997, by the Legislative Audit Commission. Under the terms of the MOU, CSF is provided administrative support services by the University, such as maintenance, telephone, personnel, and property control. CSF does not directly pay the University for these services, which were valued at $459,668 for the current fiscal year. CSF recognized these services as in-kind revenues and expenses on its financial statements.

CSF reciprocates by providing fundraising and other services to the University. These services were valued at $4,009,945 for the year ended June 30, 2022. Included in that amount were scholarships and stipends benefiting the University and its students totaling $3,296,135.

Since CSF information is discretely presented, the activities between CSF and the University are not eliminated on the entity's financial statements. Conversely, the University and its component unit are consolidated on the State's annual comprehensive financial report, the following disclosure is presented.

University	CSF Operating Revenue
Operating Expense	$ 459,668

Dr. Kanis Child Development Center
On June 12, 2019, CSF finalized a gift agreement for $1,000,000 to fund the construction of the University's Childcare Center (Center). In addition, the University and CSF agreed to provide operating funds, totaling $700,000 payable for each year over three fiscal years beginning with the initial year of operations. The University's and CSF's share of operating funds provided would be $400,000 and $300,000, respectively, for each of the first three years of operations upon completion of the Center. The construction of the Center began in June 2021 and was completed in February 2022. As of June 30, 2022, the total cost of building improvements reported by the University in relation to the Center totaled $1,954,781.

NOTE 14 STUDENT FINANCIAL ASSISTANCE

The University participates in the U.S. Department of Education's Direct Student Loan Program. The University awarded $20,166,174 in direct student loans for the year ended June 30, 2022. The University classified this loan program as noncash federal awards and it is disclosed in the footnotes to the University's Schedule of Expenditures of Federal Awards in the University's *Single Audit Report*. Accordingly, no revenues or expenses are included in the financial statements of the University. All cash flows associated with these amounts have been reported as cash flows from operating activities as either tuition and fees or as payments for scholarships and fellowships.

NOTE 15 SEGMENT INFORMATION

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

The Chicago State University, University Auxiliary Facilities System Revenue Bond Fund, Series 1998 (Revenue Bond Fund), an integral part of Chicago State University, has replaced the Revenue Bond Series of 1971 and includes all operations of the Cordell Reed Student Union Building. Its revenues are principally University Center fees, rental and use fees, leased food services, bookstore commissions, and parking fees. The associated expenditures are principally personnel costs, contracted services and travel incurred in support of those auxiliary operations.

As a requirement of issuing certain revenue bonds, the University is subject to certain covenants. The University regularly monitors its compliance with those covenants.

Condensed financial statement information for the University Auxiliary Facilities System Revenue Bond Fund Series 1998 is as follows:

Condensed Statement of Net Position		**As of June 30, 2022**
Assets		
Current assets - restricted	$	850,696
Capital assets, net		9,312,062
Total Assets		10,162,758
Liabilities		
Current liabilities		1,740,702
Noncurrent liabilities		1,932,027
Total Liabilities		3,672,729
Net Position		
Net investment in capital assets		5,773,378
Restricted for auxiliary services		716,651
Total Net Position	$	6,490,029

Condensed Statement of Revenues, Expenses, and Changes in Net Position		**Year Ended June 30, 2022**
Operating revenues	$	3,636,902
Operating expenses		2,804,848
Operating income		832,054
Nonoperating expenses, net		341,257
Increase in net position		1,173,311
Net position, beginning of year		5,316,718
Net position, end of year	$	6,490,029

Condensed Statement of Cash Flows		**Year Ended June 30, 2022**
Net cash provided by (used in):		
Operating activities	$	1,807,084
Capital financing activities		(1,847,050)
Investing activity		31
Net decrease in cash and cash equivalents		(39,935)
Cash and cash equivalents, beginning of year		131,802
Cash and cash equivalents, end of year	$	91,867

NOTE 16 COMMITMENTS AND CONTINGENCIES

The University is named as a defendant in several pending lawsuits. The University believes that these matters will generally be settled in favor of the University and will not result in any significant liabilities to the University.

In addition to potential legal matters, the University also receives monies from federal and State government agencies under grants and contracts. The costs charged to these grants are subject to audit and disallowance by the granting agency. The University administration believes any disallowance or adjustment would not have a material effect on the University's financial position.

NOTE 17 ENDOWMENT

The CSF assumes responsibility on behalf of the University for private gifts for scholarships. As of June 30, 2022, $7,644,688 of endowment trust funds were invested and managed by Morgan Stanley.

The CSF Board of Trustees resolved that endowments' dividend and interest income be used for scholarships and that a reasonable amount of dividends and interest be provided to the restricted expendable funds.

Gains or losses on sales of investments are retained and reported as part of the expendable restricted net position. Although not required by law, it is the intent of the CSF to maintain the corpus of both donor restricted endowment funds and endowment funds designated by the CSF Board of Trustees.

NOTE 18 PLEDGED REVENUES AND DEBT SERVICE REQUIREMENTS

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

Bond Issue	Purpose	Source of Revenue Pledged	Future Net Revenues Pledged (1)	Term of Commitment	Current Year Pledged Net Revenue to Debt Service (2)
Auxiliary Facilities System Revenue Bonds, Series 1998	Advance refund the Series 1994 Bonds and various improvements to the University facilities.	Net revenues of the University Center, Housing, Bookstore, Child Care, Facilities Rental and Parking.	$ 3,700,387	2024	50.11%

(1) Total future principal and interest payments on debt.
(2) Current year pledged net operating revenue (excluding depreciation) vs. total future debt service.

NOTE 19 STATE OF ILLINOIS APPROPRIATIONS

In June 2021, the General Assembly passed SB2800 Public Act 102-0017 which was amended in April 2022 by HB 0900 Public 102-0698. In consideration of these two Acts, the University received Fiscal Year 2022 appropriations as follows: $36,769,900 from the Education Assistance Fund, $3,000,000 from the Education Improvement Fund and $307,000 from the General Professions Dedicated Fund.

NOTE 20 RIGHT-OF-USE ASSETS

Lessee arrangements

The University has entered into various leases for computer equipment with remaining lease terms of two years. Although lease terms vary, certain leases are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, leases requiring appropriation by the General Assembly are considered noncancelable leases for financial reporting purposes. The renewal and termination options are not included in the right-of-use asset or lease liability balance until they are reasonably certain of exercise. Moreover, the University's equipment leases do not contain variable lease payments, residual value guarantees or termination penalties.

At June 30, 2022, right-of-use assets under leases are as follows:

Equipment	$	491,901
Less: Accumulated amortization		(221,449)
Equipment, net	$	270,452

Future minimum commitments for non-cancelable leases as of June 30, 2022, are as follows:

Year Ending	Principal		Interest	
June 30, 2023	$	251,183	$	10,939

NOTE 21 EDUCATION STABILIZATION FUND

Higher Education Emergency Relief Fund (HEERF)

The University has received three separate awards (consisting of an initial award and two supplemental awards) from the HEERF as part of the federal government's response to the COVID-19 pandemic. The awards received by the University under HEERF is divided into three portions: an institutional portion, minority-serving institutions (MSI) portion, and a student aid portion.

The University received a total of $6,020,886 in HEERF-student aid portion funding to provide emergency financial aid grants to students for expenses related to the disruption of campus operations due to the coronavirus. In Fiscal Year 2022, the University recognized nonoperating revenue for the remaining balance of the grant amounting to $159,514 and $3,848,872 from HEERF 2 and HEERF 3, respectively.

The University also received $8,090,154 in the HEERF-institutional (University) portion and $829,865 MSI funding to cover costs associated with significant changes in the delivery of instruction and to defray institutional expenses that occurred during the coronavirus pandemic. In Fiscal Year 2022, the University recognized nonoperating revenue for the remaining balance of the grants amounting to $511,824 and $4,199,431 from HEERF 2 and HEERF 3, respectively.

Governor's Emergency Education Relief Fund

The University received two separate awards (consisting of an initial award and a supplemental award) from the federal government, through Illinois Board of Higher Education, as part of the government response to the COVID-19 pandemic. The University's period of availability for using these funds is set to expire on September 30, 2022 but can be extended for up to one additional year. The University received a total of $1,344,622 to cover costs associated with the coronavirus. The University liquidated costs and recognized nonoperating revenue for the remaining balance of the grant amounting to $526,079 in Fiscal Year 2022 in the statement of revenues, expenses and changes in net position.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
For the Year Ended June 30, 2022

Schedule of the University's Proportionate Share of Net Pension Liability (Unaudited)

	FY2021*	FY2020*	FY2019*	FY2018*	FY2017*	FY2016*	FY2015*	FY2014*
(a) University's Proportionate Percentage of the Collective Net Pension Liability	0%	0%	0%	0%	0%	0%	0%	0%
(b) Proportionate Amount of the Collective Net Pension Liability	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
(c) Portion of Nonemployer Contributing Entities' Total Proportion of Collective Net Pension Liability associated with the University	310,931,586	334,114,520	325,972,808	297,436,114	272,418,504	348,769,627	346,747,343	342,183,267
Total (b) + (c)	$ 310,931,586	$ 334,114,520	$ 325,972,808	$ 297,436,114	$ 272,418,504	$ 348,769,627	$ 346,747,343	$ 342,183,267
Employer Defined Benefit Covered Payroll	$ 39,246,566	$ 40,207,478	$ 40,676,298	$ 38,313,622	$ 37,412,339	$ 48,247,884	$ 52,894,247	$ 56,869,819
Proportion of Collective Net Pension Liability associated with the University as a Percentage of Defined Benefit Covered Payroll	792.25%	830.98%	801.38%	776.32%	728.15%	722.87%	655.55%	601.70%
SURS Plan Net Position as a Percentage of Total Pension Liability	45.45%	39.05%	40.71%	41.27%	42.04%	39.57%	42.37%	44.39%

Fiscal Year 2022 Total Defined Benefit Covered Payroll: $38,380,358

Schedule of Contributions for Pensions (Unaudited)

	FY2022	FY2021	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015	FY2014
Federal, Trust, Grant and Other Contributions	$ 186,333	$ 180,281	$ 181,261	$ 202,145	$ 179,185	$ 165,753	$ 287,671	$ 318,777	$ 348,064
Contributions in relation to Required Contribution	186,333	180,281	181,261	202,145	179,185	165,753	287,671	318,777	348,064
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
University's Covered Payroll	$ 1,674,346	$ 1,472,985	$ 1,486,285	$ 2,065,529	$ 1,690,851	$ 2,531,033	$ 3,538,415	$ 4,104,465	$ 4,533,557
Contributions as a Percentage of Covered Payroll	11.13%	12.24%	12.20%	9.79%	10.60%	6.55%	8.13%	7.77%	7.68%

** The amounts presented were determined as of the prior fiscal year end.*
Note: The System implemented GASB Statement No. 68 in Fiscal Year 2015. The information above is presented for as many years as available. The Schedule is intended to show information for 10 years.

Fiscal Year 2022 Total Defined Benefit Contributions: $ 3,106,946
Fiscal Year 2022 Total Retirement Savings Plan Contributions: $ 458,735

Notes to Required Supplementary Information - Pension (Unaudited)

These pension schedules are presented to illustrate the requirements of the Governmental Accounting Standards Board (GASB)'s Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, to show information for 10 years. However, until a full 10-year trend is compiled, the University will only present available information measured in accordance with the requirements of GASB Statement No. 68.

Changes of Benefit Terms. There were no benefit changes recognized in the Total Pension Liability as of June 30, 2021.

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

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

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
For the Year Ended June 30, 2022

Schedule of University's Proportionate Share of the Total OPEB Liability (Unaudited)
State Employees Group Insurance Program
Last Five Fiscal Years*

	FY2021*	FY2020*	FY2019†	FY2018†	FY2017†
University's Proportion of the Collective Total OPEB Liability	0.0171%	0.0119%	0.0131%	0.0132%	0.0176%
University's Proportion Share of the Collective Total OPEB liability	$ 5,894,910	$ 4,978,820	$ 5,749,481	$ 5,292,309	7,272,999
Portion of Nonemployer Contributing Entities' Total Proportion of Collective Total OPEB Liability associated with the University	167,147,546	182,293,024	194,310,281	190,409,251	226,008,453
Total OPEB Liability associated with the University	$ 173,042,456	$ 187,271,844	$ 200,059,762	$ 195,701,560	$ 233,281,452
University's Covered Payroll	$ 41,087,287	$ 47,577,617	$ 47,254,679	$ 44,116,315	$ 41,492,317
University's Proportionate Share of the Collective Total OPEB Liability as a Percentage of its Covered Payroll	14.35%	10.46%	12.17%	11.20%	17.53%

** The amounts presented were determined as of the prior fiscal year end.*
†Prior year information would no longer be accurate due to the prior year restatement.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Notes to Required Supplementary Information - OPEB (Unaudited)

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

Factors that Affect Trends in the Amounts Reported. An actuarial valuation was performed as of June 30, 2020 with a measurement date as of June 30, 2021. The following assumptions were used:

- Mortality rates: RP-2014 White Collar, gender distinct, projected using MP-2014 two dimensional mortality improvement scale, set forward one year for male and female annuitants.
- Salary increases: Dependent upon service and participation in the respective retirement systems. Includes inflation rate of 2.25% salary increase of 2.50% - 12.25%.
- Healthcare cost trend rate: Medical & Rx (Pre-Medicare and Post-Medicare) 8.25% grading down 0.25% per year over 16 years to an ultimate trend of 4.25% in the year 2037. There is no additional trend rate adjustment due to the repeal of the Excise Tax. Dental and Vision 4.00% grading up 0.25% in the first year to 4.25% through 2037.
- Retiree’s share of benefit-related costs: Healthcare premium rates for members depend on the date of retirement and the years of services earned at retirement.

SUPPLEMENTARY INFORMATION

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
UNIVERSITY AUXILIARY FACILITIES SYSTEM REVENUE BOND FUND, SERIES 1998
STATEMENT OF NET POSITION
June 30, 2022

ASSETS	
Current Assets	
Cash and cash equivalents - restricted	$ 91,867
Accounts receivable, net - restricted	757,329
Prepaid expenses and other assets - restricted	1,500
Total current assets	850,696
Noncurrent Assets	
Land improvements	596,600
Buildings and improvements	20,778,764
Furniture and equipment	464,223
Less: accumulated depreciation	(12,527,525)
Total noncurrent assets	9,312,062
Total Assets	10,162,758
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	35,702
Long-term liabilities - current portion	1,705,000
Total current liabilities	1,740,702
Noncurrent Liabilities	
Accrued compensated absences	98,342
Bonds payable	1,800,000
Premium on bonds	33,685
Total noncurrent liabilities	1,932,027
Total Liabilities	3,672,729
NET POSITION	
Net investment in capital assets	5,773,378
Restricted for auxiliary services	716,651
	$ 6,490,029

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
UNIVERSITY AUXILIARY FACILITIES SYSTEM REVENUE BOND FUND, SERIES 1998
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2022

OPERATING REVENUES	
Room and board (net of scholarship allowances of $97,784)	$ 1,726,111
Bookstore commissions	1,924
Vending and catering commissions	18,237
Parking fees	262,517
University center fees	1,628,113
Total operating revenues	3,636,902
OPERATING EXPENSES	
Personal services	1,304,954
Expended for plant	23,503
Commodities	17,937
Contractual services	926,080
Depreciation	473,744
Miscellaneous	58,630
Total operating expenses	2,804,848
OPERATING INCOME	832,054
NONOPERATING REVENUES (EXPENSES)	
Special funding situation	417,309
On-behalf payments	131,131
Investment income	31
Interest on capital asset - related debt	(207,214)
Net nonoperating revenues	341,257
INCREASE IN NET POSITION	1,173,311
NET POSITION, BEGINNING OF YEAR	5,316,718
NET POSITION, END OF YEAR	$ 6,490,029

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
UNIVERSITY AUXILIARY FACILITIES SYSTEM REVENUE BOND FUND, SERIES 1998
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Room and board	$ 1,715,319
Vending and catering commissions	18,237
Parking fees	263,725
University center fees	1,622,697
Payment to suppliers for goods and services	(1,063,235)
Payments to employees for services	(749,659)
Net cash provided by operating activities	1,807,084
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Principal paid on capital debt	(1,632,456)
Interest paid on capital debt	(214,594)
Net cash used in capital financing activities	(1,847,050)
CASH FLOWS FROM INVESTING ACTIVITY	
Interest on investments	31
NET DECREASE IN CASH AND CASH EQUIVALENTS	(39,935)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	131,802
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 91,867
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 832,054
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	473,744
Special funding situation	417,309
On-behalf payments	131,131
Changes in assets and liabilities:	
Accounts receivables, net - restricted	(16,924)
Deferred outflows of resources	2,267
Accounts payable and accrued liabilities	(37,085)
Accrued compensated absences	4,588
Net cash provided by operating activities	$ 1,807,084

CHICAGO STATE UNIVERSITY
A Component Unit of the State of lllinois
TABLE OF OPERATING EXPENSES
For the Year Ended June 30, 2022

The following table presents a break-down of the various types of expenses which collectively comprise the University's functional operating expense accounts for the fiscal year ended June 30, 2022.

	Compensation and Benefits											
	University's Expenses					State of Illinois' Expenses						Total Operating
	Salaries[1]	Benefits[2]	OPEB[3]	Pension	Sub-Total	Benefits[2]	OPEB[3]	Pension	Sub-Total	Total	Other Expenses	Expenses
Educational and general:												
Instruction	$ 22,290,089	$ 600,738	$ 14,209	$ 32,948	$ 22,937,984	$ 3,748,475	$ (818,970)	$ 12,730,526	$ 15,660,031	$ 38,598,015	$ 3,707,974	$ 42,305,989
Research	716,933	15,979	438	12,243	745,593	103,561	(25,244)	351,714	430,031	1,175,624	285,217	1,460,841
Public service	975,561	187,934	510	97,557	1,261,562	-	(29,394)	-	(29,394)	1,232,168	665,307	1,897,475
Academic support	2,744,114	62,571	1,740	522	2,808,947	466,460	(100,283)	1,584,185	1,950,362	4,759,309	1,223,261	5,982,570
Student services	2,235,245	160,456	1,157	33,271	2,430,129	251,629	(66,706)	854,579	1,039,502	3,469,631	2,431,755	5,901,386
Institutional support	6,715,919	154,317	4,267	61,377	6,935,880	1,150,414	(245,947)	3,907,022	4,811,489	11,747,369	5,224,859	16,972,228
Operation and maintenance of plant	7,000,790	164,413	4,547	-	7,169,750	1,225,676	(262,037)	4,162,627	5,126,266	12,296,016	3,818,344	16,114,360
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	4,745,730	4,745,730
Scholarship and fellowship	-	-	-	-	-	-	-	-	-	-	12,770,057	12,770,057
Auxiliary facilities:												
Student housing, activity facilities, and parking	4,049,716	91,187	2,522	-	4,143,425	679,785	(145,331)	2,308,676	2,843,130	6,986,555	4,457,410	11,443,965
Total	$ 46,728,367	$ 1,437,595	$ 29,390	$ 237,918	$ 48,433,270	$ 7,626,000	$ (1,693,912)	$ 25,899,329	$ 31,831,417	$ 80,264,687	$ 39,329,914	$ 119,594,601

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

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

[3] *OPEB refers to other post-employment benefits.*

OTHER INFORMATION (UNAUDITED)

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
OTHER INFORMATION (UNAUDITED)
For the Year Ended June 30, 2022

Student Enrollment by Term (Unaudited)

	Total Enrollment	Unduplicated Full-Time Equivalent
Fall session, 2021	2,367	1,759
Spring session, 2022	2,139	1,605
Summer session, 2022	993	489

University Center Fee (Unaudited)

For each term, the University Center Fee is assessed based upon enrollment status:

	Full-Time Student	Part-Time Student
Fall session, 2021	$209	$ 167
Spring session, 2022	209	167
Summer session, 2022	167	167

Rental Disclosures (Unaudited)

On July 1, 2004, the Chicago State University Auxiliary Facilities System entered into an annual rental agreement to provide the University with space within the Cordell Reed Student Union Building to use and occupy for the purpose of student support and academic support functions for $272,000 until July 1, 2029. This may be renewed in writing for additional terms of five years each. In Fiscal Year 2022. this rental was funded by the local income fund.

Schedule of Insurance in Force (Unaudited)

The Auxiliary System is insured under a master policy covering State universities. The following insurance coverage applicable to the System was effective during the current fiscal year:

Fire and extended coverage ($50,000 deductible) of:	
Building	$ 41,823,233
Contents	1,383,141
Business interruption	100,000,000
Boiler and machinery (included in blanket coverage limit)	100,000,000
Earthquake	100,000,000
Flood	100,000,000
Basic general liability (self-insured retention)	350,000
Excess general liability (policy limit)	10,650,000

Roth&Co

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Chicago State University

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, fiduciary activities, and the discretely presented component unit of the Chicago State University (University), collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated February 3, 2023. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters of the Chicago State Foundation, a component unit of the University, associated with this component unit that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings as items

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2022-001 and 2022-002, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as item 2022-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as item 2022-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2022-001 and 2022-002.

University's Responses to the Findings

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

Purpose of this Report

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

SIGNED ORIGINAL ON FILE

Chicago, Illinois
February 3, 2023

2022-001. **FINDING** Inadequate Internal Controls over Census Data

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

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

We noted the University's employees are members of the State Universities Retirement System (SURS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Additionally, CMS' actuary uses census data for employees of the State's public universities provided by SURS, along with census data for the other participating members provided by the State's four other pensions plans, to prepare their projection of the liabilities of CMS' plan. Finally, SURS' actuary and CMS' actuary used census data transmitted by the University during Fiscal Year 2020 to project pension and OPEB-related balances and activity at the plans during Fiscal Year 2021, which is incorporated into the University's Fiscal Year 2022 financial statements.

During testing, we noted the following:

- The University had not performed an initial complete reconciliation of its census data recorded by SURS to its internal records to establish a base year of complete and accurate census data.

- After establishing a base year, the University had not developed a process to annually obtain from SURS the incremental changes recorded by SURS in their census data records and reconcile these changes back to the University's internal supporting records.

2022-001. **FINDING** Inadequate Internal Controls over Census Data (Continued)

- During our cut-off testing of data transmitted by the University to SURS, we noted 16 instances of an active employee becoming inactive were reported to SURS after the close of the fiscal year in which the event occurred.

- The University did not timely notify SURS of the re-employment of one of four (25%) annuitants tested. The University notified SURS 123 days late.

We provided SURS' actuary and CMS' actuary with the exceptions we identified during our testing, along with the results of census data testing at the State Employees Retirement System of Illinois, and determined the net effect of these errors, along with the errors of other plan participants, was immaterial to SURS' and CMS' pension and OPEB-related balances and activity at the plans during Fiscal Year 2021.

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

In addition, the Illinois Pension Code (40 ILCS 5/15-139.5) (Code) requires an employer who employs or re-employs a person receiving a retirement annuity from the System in an academic year beginning on or after August 1, 2013 to notify the System of that employment within 60 days after employing the annuitant.

University management indicated the University continued to rely on manual reconciliation processes which were not fully adequate to ensure accuracy and consistency among SURS, CMS, and the records retained at the University. In addition, University management indicated the untimely notification was due to substantial employee turnover which impacted the flow of information between the University and SURS.

Failure to ensure complete and accurate census data was reported to SURS reduces the overall reliability of pension and OPEB-related balances and activity reported in the University's financial statements, the financial statements of other employers within both plans, and the State of Illinois' Annual Comprehensive Financial Report. In addition, failure to timely notify SURS of the re-employment of the annuitant results in noncompliance with the Code and could result in a misstatement to the University's financial statements. (Finding Code No. 2022-001, 2021-003, 2020-003)

2022-001. **FINDING** Inadequate Internal Controls over Census Data (Continued)

RECOMMENDATION

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

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

UNIVERSITY RESPONSE

The University agrees with the finding and recommendation and has been working with SURS to develop a reconciliation process.

2022-002. **FINDING** Weaknesses over Computer Security

The Chicago State University (University) did not maintain adequate controls over computer security.

The University had invested in computer hardware and systems and established several critical, confidential, or financially sensitive systems for use in meeting its mission. However, the University did not have controls to ensure adequate security controls over their computing environment. During testing, we noted:

- Separated employees continued to have access to the University's environment.
- Weaknesses over data center physical security.
- Weaknesses over network configurations and recovery.
- Information Technology (IT) infrastructure was not secured properly.

This finding was first reported in Fiscal Year 2020. In subsequent years, the University has been unsuccessful in implementing appropriate procedures to improve its controls over computer security.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Access Control section, requires timely termination of access rights; System and Information Integrity section requires implementation of security protection mechanisms; Physical and Environmental Protection section, requires adequate physical security; and System and Services Acquisition section requires a properly secured infrastructure.

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are utilized efficiently and effectively and in compliance with applicable law.

University management indicated the issues were due to resource constraints and not having an IT Security Officer.

Failure to have adequate security controls over computing resources increases the risk of unauthorized access to the computing environment and the risk that confidentiality, integrity, and availability of systems and data will be compromised. (Finding Code No. 2022-002, 2021-001, 2020-001)

2022-002. **FINDING** Weaknesses over Computer Security (Continued)

RECOMMENDATION

We recommend the University:

- Ensure timely deactivation of separated users' access.
- Ensure adequate physical security over the data center.
- Ensure network configurations are adequately maintained, implemented, and able to be recovered.
- Ensure the IT infrastructure is properly secured.

UNIVERSITY RESPONSE

The University agrees with the finding and is developing a corrective action plan to address the lack of controls over computer systems.

CHICAGO STATE UNIVERSITY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – PRIOR FINDING NOT REPEATED
For the Year Ended June 30, 2022

A. **FINDING** (Change Control Weaknesses)

During the prior audit, the University had weaknesses over change management.

During the current audit, our sample testing noted the University improved its controls over change management. The exceptions identified were not considered to be financially significant, thus were reported in the University's State Compliance Examination Report. (Finding Code No. 2021-002, 2020-002)