



**GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended June 30, 2023**

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

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended June 30, 2023

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Other Reports Issued Under a Separate Cover

The University’s *Federal Single Audit* and *State Compliance Examination* for the year ended June 30, 2023, will be issued under separate covers. Additionally, in accordance with *Government Auditing Standards*, we have issued the Report Required under *Government Auditing Standards* for the year ended June 30, 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, grant agreements, and other matters, under a separate cover. The purpose of this 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* and should be considered in assessing the results of the audit.

GOVERNORS STATE UNIVERSITY
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UNIVERSITY OFFICIALS

President	Dr. Cheryl F. Green
Vice President for Administration and Finance	Dr. Corey S. Bradford
General Counsel and Vice President	Ms. Therese Nohos
Chief Internal Auditor	Mr. Kristoffer Evangelista, CPA
Associate Vice President for Finance	Ms. Villalyn Baluga, CPA

OFFICERS OF THE UNIVERSITY BOARD OF TRUSTEES

Chairman (August 5, 2022 to Present)	Ms. Angela Sebastian
Chairman (July 1, 2022 to August 4, 2022)	Ms. Lisa Harrell
Vice Chairman	Mr. Kevin Brookins
Secretary	Mr. James Kvedaras

UNIVERSITY BOARD OF TRUSTEES

Trustee (July 1, 2022 to Present)	Ms. Lluvia Hernandez-Aguirre, Student
Trustee (October 20, 2023 to Present)	Ms. Stacy Crook
Trustee (January 14, 2023 to October 19, 2023)	Vacant
Trustee (July 1, 2022 to January 13, 2023)	Mr. Pedro Cevallos-Candau
Trustee	Mr. Kevin Brookins
Trustee	Mr. John Brudnak
Trustee (November 27, 2023 to Present)	Ms. Karen Nunn
Trustee (January 2023 to November 26, 2023)	Vacant
Trustee (July 1, 2022 to January 2023)	Ms. Lisa Harrell
Trustee	Ms. Angela Sebastian
Trustee	Mr. James Kvedaras
Trustee	Mr. Anibal Taboas

UNIVERSITY OFFICE

1 University Parkway
University Park, Illinois 60484

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Financial Statement Report

Summary

The audit of the accompanying financial statements of Governors State University (University) was performed by Adelfia LLC.

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

Exit Conference

The University waived an exit conference in a correspondence from Ms. Villalyn Baluga, Associate Vice President for Finance, in a correspondence dated March 4, 2024.



INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
Governors 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 and the aggregate discretely presented component unit of the Governors State University (University), a component unit of the State of Illinois, as of and for the year ended June 30, 2023, 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 and the aggregate discretely presented component unit of the University, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Governors State University Foundation, as of June 30, 2023, 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 in accordance with auditing standards generally accepted in the United States of America (GAAS), whose report has been furnished to us, and our opinion, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements of the University, in Fiscal Year June 30, 2023, the University adopted new accounting guidance from GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The implementation of this standard resulted in the inclusion of a right-to-use subscription asset (subscription asset) and a subscription liability for various multi-year subscription-based information technology arrangements that were previously classified as intangibles. Our opinions are 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 Employer's Proportionate Share of Net Pension Liability, Schedule of Employer Contributions, Notes to Pension Required Supplementary Information, Schedule of University's Proportionate Share of the Total Other Postemployment Benefit (OPEB) Liability, and Notes to OPEB Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We (and other auditors) 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 Facilities System Revenue Bonds 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 Facilities System Revenue Bonds 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 this report. The other information comprises the University Facilities System Revenue Bonds Student Enrollment by Term, University Fees, and the Schedule of Insurance in Force and the University Officials page but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2024, 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
March 20, 2024

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2023

PURPOSE

This section of the Governors State University’s (GSU or University) annual financial report presents an analysis and overview of the financial activities of the University for the fiscal year ended June 30, 2023. The GSU Foundation is considered a component unit of the University. Separate financial statements for the GSU Foundation may be obtained by writing the: Vice President for External Affairs, Governors State University, 1 University Parkway, University Park, Illinois 60484.

The financial statement presentation focuses on the University as a whole. The financial statements are designed to emulate corporate presentation models whereby all University activities are consolidated into one total. The focus of the Statement of Net Position is to present a fiscal snapshot of the University’s assets, liabilities, and deferred outflows/inflows of resources as of a specific point in time. The Statement of Revenues, Expenses and Changes in Net Position focuses on both the gross and net costs of University activities, which are supported mainly by State appropriations and tuition revenues. The Statement of Cash Flows presents the receipt and use of cash resources by the University. This approach is intended to summarize and simplify the user’s analysis of the cost of services provided.

FINANCIAL AND ENROLLMENT HIGHLIGHTS

Appropriations

<u>Net Revenue Available from Operational Appropriations</u>			
<u>Fiscal Year</u>	<u>Appropriations</u>	<u>Payments to Health Reserve Fund</u>	<u>Available Appropriations</u>
2023	\$ 24,353,300	\$ (656,200)	\$ 23,697,100
2022	24,353,300	(656,200)	23,697,100

On June 17, 2021, the State of Illinois adopted a complete operating budget for Fiscal Year 2022 under Public Act 102-0017, which provided the University \$23,193,600 of State appropriations for general operations. On April 19, 2022, the State of Illinois adopted Public Act 102-0698, which amended Public Act 102-0017 and provided additional funding to the University amounting to \$1,159,700 for general operations. Total State appropriations provided by the State of Illinois to the University during Fiscal Year 2022 was \$24,353,300.

Under the same Public Act 102-0698 that was enacted on April 19, 2022, the State of Illinois adopted a complete operating budget for Fiscal Year 2023, which provided the University \$24,353,300 of State appropriations for general operations.

Payments to the Health Reserve Fund were fully paid from State Appropriated Funds during Fiscal Years 2022 and 2023.

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Mandated Tuition Waivers

Certain mandated tuition waivers administered by the Illinois Student Assistance Commission have been funded or partially funded by the State in the past. For Fiscal Year 2023, about \$0.6 million of these tuition waivers have been awarded by the University but not reimbursed by the State.

Student Housing

On April 5, 2012, the University issued \$20,415,000 University Facilities System Revenue Bonds, Series 2012, for the purpose of financing the construction of an on-campus student housing complex. The facility began operations in late Summer of 2014. During the Fall of 2021, 160 (59%) of the 272 beds available were occupied. During the Fall of 2022, 270 (99%) of the 272 beds available were occupied.

As discussed in Note 9 to the financial statements, all of the outstanding principal of the University Facilities System Revenue Bonds, Series 2012 has been refunded in advance of maturity with the University's issuance of University Facilities System Refunding Revenue Bonds, Series 2021 on September 23, 2021.

Enrollment

Registered student credit hours increased by 2% from 92,888 in Academic Year 2021-2022 to 94,443 in Academic Year 2022-2023.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
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Statement of Net Position

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Net position represents the University's equity and is a way to measure the financial health of the University.

	(in thousands)			Percent Change
	2023	2022	Change	
Current assets	\$ 68,175	\$ 77,379	\$ (9,204)	-12%
Noncurrent assets-capital assets	116,871	115,466	1,405	1%
Noncurrent assets-other	631	1,231	(600)	-49%
Total assets	<u>185,677</u>	<u>194,076</u>	<u>(8,399)</u>	<u>-4%</u>
Deferred outflows of resources	<u>4,109</u>	<u>1,262</u>	<u>2,847</u>	<u>226%</u>
Current liabilities	18,609	17,297	1,312	8%
Noncurrent liabilities	<u>44,025</u>	<u>48,084</u>	<u>(4,059)</u>	<u>-8%</u>
Total liabilities	<u>62,634</u>	<u>65,381</u>	<u>(2,747)</u>	<u>-4%</u>
Deferred inflows of resources	<u>7,054</u>	<u>4,331</u>	<u>2,723</u>	<u>63%</u>
Net investment in capital assets	81,213	80,450	763	1%
Restricted	2,277	2,342	(65)	-3%
Unrestricted	<u>36,608</u>	<u>42,834</u>	<u>(6,226)</u>	<u>-15%</u>
Net position	<u>\$ 120,098</u>	<u>\$ 125,626</u>	<u>\$ (5,528)</u>	<u>-4%</u>

The 4% decrease in the University's net position is due to the following:

Current Assets

Current assets, consisting mostly of cash and cash equivalents, investments and receivables, decreased as of June 30, 2023 as compared to 2022. The \$9.2 million decrease was mostly attributable to the \$8.8 million net decrease in cash and cash equivalents and investments as the proceeds from the Certificates of Participation issued by the University during Fiscal Year 2019 were spent for deferred maintenance projects, coupled with the timing of payments to vendors and collections from students, and the overall decrease in net position; the \$0.7 million decrease in grants receivable mostly due to the decrease in federal grant funding associated with the COVID-19 relief grants as the University's allocated funding was already expended significantly in prior fiscal years; the \$0.1 million decrease in State appropriation receivable as the University received all of its Fiscal Year 2023 appropriation at the end of the fiscal year; and the \$0.1 million decrease in due from component unit mostly attributable to the timing of settlement of amount due from the GSU Foundation. These decreases were partially offset by the \$0.4 million increase in accounts receivable due to timing of collections from students; and the \$0.2 million increase in other assets related to prepayments for acquisitions of software other than subscription-based information technology agreements.

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Noncurrent Assets - Capital Assets

The \$1.4 million net increase in noncurrent capital assets was due to the \$2.8 million decrease in accumulated depreciation, partially offset by the \$1.3 million net decrease in gross capital assets during Fiscal Year 2023. The \$2.8 million decrease in accumulated depreciation was due to the \$8.7 million deletions during Fiscal Year 2023, mostly attributable to library collections resulting from the clean-up of obsolete library materials, partially offset by the \$5.9 million additional depreciation recognized during Fiscal Year 2023. The \$1.3 million net decrease in gross capital assets was due to the \$8.7 million deletions during Fiscal Year 2023, mostly attributable to library collections resulting from the clean-up of obsolete library materials, partially offset by the \$7.4 million additions related to costs incurred in connection with the various ongoing deferred maintenance projects and acquisitions of equipment, software, and library collections.

Noncurrent Assets - Other

Other noncurrent assets consist primarily of the long-term portion of student loans receivable and prepaid debt service insurance. The \$0.6 million decrease in noncurrent assets - other was due to the \$0.1 million decrease in prepaid debt service insurance attributable to the amortization expense recognized during Fiscal Year 2023; and the \$0.5 million decrease in student loans receivable due to loan collections and loan assignments to the U.S. Department of Education. The U.S. Department of Education curtailed the awarding of any Federal Perkins Loans after September 30, 2017; thus, are expected to decline in coming years as existing Federal Perkins Loans are repaid by students or assigned to the U.S. Department of Education without replacement of new loans to students.

Deferred Outflows of Resources

The University recognizes deferred outflows of resources related to pensions and other postemployment benefits (OPEB) in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; and related to debt refunding in accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*. The \$2.8 million increase was mostly attributable to the increase in deferred outflows from other postemployment benefits due to the increase in the actuarially determined changes in proportion and differences between employer contributions and proportionate share of contributions.

Current Liabilities

Current liabilities include accounts payable, accrued compensated absences, unearned revenue, subscriptions payable, and the current portion of long-term liabilities, which are payable within one year. The \$1.3 million increase in current liabilities was mostly attributable to the \$2.6 million increase in unearned revenue primarily due to the Will County's American Rescue Plan Act (ARPA) federal grant funding received by the University during Fiscal Year 2023, in advance of incurring expenditures; and the \$0.7 million subscriptions payable recognized as a result of the University's adoption of the new GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, during Fiscal Year 2023. These increases were partially offset by the \$1.7 million decrease in accounts payable primarily due to timing of student refunds and

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substantial completion of ongoing construction projects resulting in a decrease in unpaid vendor payments at fiscal yearend; and the \$0.4 million decrease in intangible asset payable as the related balance was transferred to subscriptions payable with the implementation of GASB Statement No. 96, as further discussed in Note 9 to the financial statements.

Noncurrent Liabilities

Noncurrent liabilities are liabilities with due dates beyond one year, which include accrued compensated absences, refundable grants, revenue bonds payable, certificates of participation, finance lease payable, intangible asset payable, subscriptions payable and the OPEB liability. The \$4.1 million decrease in noncurrent liabilities was mostly attributable to the \$0.5 million decrease in refundable grants primarily due to the return of the Perkins Loan Program's excess funds and required assignments of certain loans to the U.S. Department of Education during Fiscal Year 2023; the \$1.6 million decrease in the University's allocated share of the State's OPEB liability as of June 30, 2023; the \$3.3 million decrease in the long-term portion of existing debts due to principal payments during Fiscal Year 2023; and the \$0.3 million decrease in intangible asset payable as the related balance was transferred to subscriptions payable with the implementation of GASB Statement No. 96, as further discussed in Note 9 to the financial statements. These decreases were partially offset by the \$1.4 million subscriptions payable recognized as a result of the University's adoption of the new GASB Statement No. 96; and the \$0.3 million increase in accrued compensated absences mostly due to higher base salaries resulting from across-the-board salary increases.

More detailed information about the University's long-term debt is presented in the notes to the basic financial statements.

Deferred Inflows of Resources

The University recognizes deferred inflows of resources related to OPEB and debt refunding in accordance with GASB Statements No. 75 and No. 23, respectively. During Fiscal Year 2023, the deferred inflows of resources related to OPEB resulted from differences between expected and actual experience, changes in actuarial assumptions and changes in the proportion of contributions used as the basis for allocating the State's OPEB liability and related amounts, which are then amortized to smooth the effect of these changes over several years; and the deferred inflows of resources related to debt refunding resulted from the refunding of certain debts in September 2021 as discussed in further details in Note 9 to the financial statements. Deferred inflows of resources related to OPEB increased by \$2.7 million during Fiscal Year 2023 due to the \$1.1 million increase in the actuarially calculated differences between expected and actual experience, and the \$2.6 million increase in changes in actuarial assumptions; partially offset by the \$1.0 million decrease in actuarially calculated amount of changes in proportion and differences between employer contributions and proportionate share of contributions. Deferred inflows of resources related to debt refunding during Fiscal Year 2023 was at about the same level as the prior fiscal year.

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Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position represents the operating results of the University, as well as the nonoperating revenues and expenses. Annual State appropriations, while budgeted for operations, are considered nonoperating revenues according to accounting principles generally accepted in the United States of America.

	(in thousands)			Percent Change
	2023	2022	Change	
OPERATING REVENUES				
Net student tuition and fees	\$ 32,386	\$ 33,151	\$ (765)	-2%
Grants and contracts	7,913	5,058	2,855	56%
Auxiliary enterprises	3,984	2,481	1,503	61%
Other operating revenues	<u>2,527</u>	<u>1,838</u>	<u>689</u>	<u>37%</u>
Total operating revenues	46,810	42,528	4,282	10%
OPERATING EXPENSES	<u>108,411</u>	<u>124,576</u>	<u>(16,165)</u>	<u>-13%</u>
Net operating loss	<u>(61,601)</u>	<u>(82,048)</u>	<u>20,447</u>	<u>-25%</u>
NONOPERATING REVENUES (EXPENSES)				
State appropriation	24,353	24,353	-	0%
Payments made on behalf of the University	8,937	8,766	171	2%
Fringe benefits under special funding situation	2,815	22,266	(19,451)	-87%
Federal and State nonoperating grants	18,148	26,722	(8,574)	-32%
Investment income	1,608	157	1,451	924%
Interest expense	(1,207)	(1,361)	154	-11%
Other nonoperating revenues (loss)	<u>(2)</u>	<u>3</u>	<u>(5)</u>	<u>-167%</u>
Net nonoperating revenues	54,652	80,906	(26,254)	-32%
Capital appropriations and grants provided by State of Illinois	<u>1,421</u>	<u>2,429</u>	<u>(1,008)</u>	<u>41%</u>
Increase (decrease) in net position	(5,528)	1,287	(6,815)	-530%
Net position - beginning of year	<u>125,626</u>	<u>124,339</u>	<u>1,287</u>	<u>1%</u>
Net position - end of year	<u>\$ 120,098</u>	<u>\$ 125,626</u>	<u>\$ (5,528)</u>	<u>-4%</u>

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For the Year Ended June 30, 2023

For Fiscal Year 2023, the change in net position was due to the following:

Operating Revenues

Net student tuition and fees decreased by \$0.8 million mostly due to the increase in scholarship allowances attributable to the increase in waivers and overall increase in awards to students from Federal and State funded grants. This decrease was partially offset by the 2% increase in credit hours, from 92,888 in Academic Year 2021-2022 to 94,443 in Academic Year 2022-2023, and the \$15 (or 14%) increase in mandatory fees, from \$105 per credit hour in Academic Year 2021-2022 to \$120 per credit hour in Academic Year 2022-2023.

Grants and contracts increased by \$2.9 million due to the \$1.4 million increase in revenues received from federal grants awarded to the University during Fiscal Year 2023 (such as Mental and Behavioral Health Education and Training Grants, TRIO grant, Illinois Tutoring Initiative grant, Child Care and Development Block Grant, and Coronavirus State and Local Fiscal Recovery Funds); and the \$1.5 million increase in various State funding received by the University during Fiscal Year 2023 (such as Illinois Minority Teachers grant, Early Childhood Education grant, and Peer Support Recovery grant).

Auxiliary enterprises (mostly comprised of the operations of housing, parking and center for performing arts) and other operating revenues (mostly comprised of Family Development Center operations, farm operations, broadband lease of excess channels, media productions and various training programs) increased by \$1.5 million and \$0.7 million, respectively, as the operations of these enterprises have fully normalized during Fiscal Year 2023, compared to the economic challenges in prior fiscal years caused by the COVID-19 pandemic.

Operating Expenses (by functional classification)

	(in thousands)			Percent
	2023	2022	Change	Change
Instruction	\$ 40,907	\$ 49,464	\$ (8,557)	-17%
Research	2,087	1,291	796	62%
Public service	4,896	4,873	23	0%
Academic support	7,426	8,896	(1,470)	-17%
Student services	10,799	11,610	(811)	-7%
Institutional support	17,497	19,881	(2,384)	-12%
Operation and maintenance of plant	8,847	9,945	(1,098)	-11%
Auxiliary enterprises	3,207	2,628	579	22%
Student aid	6,805	10,996	(4,191)	-38%
Depreciation	5,940	4,992	948	19%
Total operating expenses	<u>\$ 108,411</u>	<u>\$ 124,576</u>	<u>\$ (16,165)</u>	<u>-13%</u>

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MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2023

Total operating expenses decreased by \$16.2 million mostly due to decrease in personnel costs attributable to the significant decrease in expenses recognized for the University’s proportionate share of State funded health care, retirement, and other postemployment benefits; and the decrease in student aid due to the University’s allocated student portion of Federal COVID-19 relief grant funding being fully expended in prior fiscal year (Fiscal Year 2022). These decreases were partially offset by the across-the-board salary increase during Fiscal Year 2023; the increase in the new federal research grant funding that are available for use (TRIO grant and Illinois Tutoring Initiative grant); the increase in the operations of auxiliary enterprises (housing, bookstore, food services, center for performing arts), contractual and other expenditures as the University fully normalized its operations during Fiscal Year 2023, compared to the economic challenges in prior fiscal years caused by the COVID-19 pandemic where reduction of activities occurred; and the increase in depreciation expense as a number of construction projects have been substantially completed during Fiscal Year 2023.

Operating Expenses (by natural classification)

	(in thousands)			Percent
	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>Change</u>
Salaries and benefits	\$ 73,796	\$ 88,574	\$ (14,778)	-17%
Student aid	6,805	10,996	(4,191)	-38%
Capital expenditures	2,237	2,633	(396)	-15%
Services, supplies and other	19,633	17,381	2,252	13%
Depreciation	<u>5,940</u>	<u>4,992</u>	<u>948</u>	<u>19%</u>
Total operating expenses	<u>\$ 108,411</u>	<u>\$ 124,576</u>	<u>\$ (16,165)</u>	<u>-13%</u>

Salaries and benefits, representing the University’s largest operating expense, decreased by \$14.8 million mostly due to the net decrease in expenses recognized for the University’s proportionate share of State funded health care, retirement, and other postemployment benefits, partially offset by the across-the-board salary increase during Fiscal Year 2023. Student aid decreased by \$4.2 million mostly due to the University’s allocated student portion of federal COVID-19 funding being fully expended in prior fiscal year (Fiscal Year 2022). Capital expenditures decreased by \$0.4 million as a number of construction projects have been substantially completed during Fiscal Year 2023. Services, supplies and other increased by \$2.3 million as the University continues with its various initiatives that were delayed in the past, coupled with the University’s operations that fully normalized during Fiscal Year 2023, compared to the economic challenges in prior fiscal years caused by the COVID-19 pandemic where reduction of activities occurred. Depreciation increased by \$0.9 million as certain deferred maintenance projects are completed and depreciated during the Fiscal Year 2023.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2023

Nonoperating Revenues (Expenses)

During Fiscal Year 2023, the University received a flat State appropriation revenue from the State of Illinois.

Payments made on behalf of the University did not have a significant movement as the percentage of the University's group insurance contributions related to active employee portion is about the same level (at 68%) for both Fiscal Years 2023 and 2022.

Fringe benefits under special funding situation decreased by \$19.5 million primarily due to the \$16.7 million decrease in the University's proportionate share of State funded health, life, and dental insurance benefits for retired University employees, and the \$2.8 million decrease in the University's proportionate share of the State funded retirement benefits.

Federal and State nonoperating grant revenues decreased by \$8.6 million primarily due to the \$10.6 million decrease in the University's allocated COVID-19 relief grant funding being significantly expended in prior fiscal years; no additional funding provided to the University as the COVID-19 pandemic has ended. This decrease was partially offset by the \$1.8 million increase in the State Monetary Award Program (MAP) grant; and the \$0.2 million increase in Federal Pell awards.

Investment income increased by \$1.5 million due to the University's change in investment strategy coupled with the favorable market conditions during Fiscal Year 2023. During Fiscal Year 2023, the University has implemented a formal investment policy, which was adopted by the University Board of Trustees. The University Investment Policy provides the guiding principles for the University to effectively supervise, monitor, and evaluate the investment of its funds, which authorized the University to change its investment strategy.

Interest expense decreased by \$0.2 million due to the decrease in outstanding debt principal balances as principal payments are made. In addition, during the prior fiscal year (Fiscal Year 2022), the University has refinanced to a lower all-in true interest cost all of its callable debts, which resulted in lower current and future debt service payments.

Capital appropriations and grants provided by State of Illinois pertain to the various construction projects (main building roofing; campus roadway and sidewalk improvements; piping; heating, ventilation and air conditioning; and arts in architecture projects) funded by the Illinois Capital Development Board (CDB). The \$1.0 million decrease was primarily due to the lower construction costs incurred as a number of CDB projects were completed or are near completion as of the end of Fiscal Year 2023.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2023

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments received and made during the year. This statement also helps users assess the University's ability to generate net cash flows, its ability to meet its obligations as they become due, and its need for external financing.

	(in thousands)			Percent
	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>Change</u>
Net cash provided by (used in):				
Operating activities	\$ (44,992)	\$ (47,600)	\$ 2,608	-5%
Noncapital financing activities	44,911	50,656	(5,745)	-11%
Capital financing activities	(10,311)	(7,451)	(2,860)	38%
Investing activities	<u>(33,633)</u>	<u>(5,970)</u>	<u>(27,663)</u>	<u>463%</u>
Net decrease in cash and cash equivalents	(44,025)	(10,365)	(33,660)	325%
Cash and cash equivalents - beginning of year	<u>59,422</u>	<u>69,787</u>	<u>(10,365)</u>	<u>-15%</u>
Cash and cash equivalents - end of year	<u>\$ 15,397</u>	<u>\$ 59,422</u>	<u>\$ (44,025)</u>	<u>-74%</u>

The primary cash receipts from operating activities consist of student tuition and fees, grants and contracts, auxiliary enterprises, and other operating revenues. Cash outlays include payment of wages, fringe benefits, services, supplies, and scholarships. Net cash used in operating activities improved by \$2.6 million primarily due to the increases in receipts from student tuition and fees, grants and contracts, auxiliary enterprises, and other operating revenues, and the decrease in payments for scholarships; partially offset by the increases in payments to employees for wages and fringe benefits, and payments to vendors for services and supplies.

Cash provided by noncapital financing activities decreased by \$5.7 million due to the \$5.9 million decrease in the Federal and State nonoperating grants receipts, partially offset by the increase in State appropriation receipts primarily due to timing.

Cash used in capital financing activities increased by \$2.9 million due to the \$1.7 million increase in payments for purchases of capital assets, and the \$1.6 million increase in principal payments on capital debt; partially offset by the \$0.4 million decrease in interest payments on capital debt.

Net cash used in investing activities increased by \$27.7 million mostly due to the \$38.9 million increase in the purchase of investment securities; partially offset by the \$10.1 million increase in the proceeds from sales and maturities of investment securities, and the \$1.1 million increase in investment income.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2023

UNIVERSITY’S DEBT RATINGS

On August 12, 2021, S&P Global Ratings assigned its “BBB-” long-term rating to the University’s Series 2021 University Facilities System Refunding Revenue Bonds and Series 2021 Certificates of Participation. The outlook was stable. These new debts, issued by the University on September 23, 2021, refunded the University’s outstanding Series 2007 and 2012 University Facilities System Revenue Bonds and Series 2008 Certificates of Participation.

On May 6, 2022, S&P Global Ratings have upgraded its rating to “BBB” from “BBB-“ on the University’s Series 2021 University Facilities System Refunding Revenue Bonds and Series 2021 Certificates of Participation. The outlook was stable.

On December 9, 2022, S&P Global Ratings affirmed its “BBB” underlying rating on the University’s Series 2021 University Facilities System Refunding Revenue Bonds and Series 2021 Certificates of Participation. The outlook remains stable.

FACTORS AFFECTING FUTURE OPERATIONS

The strongest effects on the financial operations of the University in Fiscal Year 2024 and beyond will lie in:

- The levels of operating and capital appropriations for the University (and for higher education as a whole) upon which the General Assembly and the Governor ultimately agree.
- The University’s ability to market itself to new and continuing students to increase registered student credit hours.
- The University’s ability to continue to innovate with new quality program offerings to the community.
- The University’s continuous success with the Dual Degree Program, which builds pathways from the Illinois community colleges to Governors State University.
- The University’s success in recruiting and admitting new classes of first-year students for the fall semester of 2023 (and beyond), and in retaining those classes of first-year students who began in the fall semesters of 2019, 2020, 2021 and 2022.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>University</u>	<u>Component Unit</u>
ASSETS		
Current assets		
Cash and cash equivalents (Notes 2 and 3)	\$ 13,714,190	\$ 404,327
Cash and cash equivalents, restricted (Notes 2, 3 and 4)	1,682,415	-
Investments (Notes 2 and 3)	38,949,954	-
Investments, restricted (Notes 2, 3 and 4)	2,418,189	-
Accounts receivable, net of allowance for uncollectible accounts of \$8,335,000 (Note 2)	4,676,147	-
Grants receivable (Note 2)	4,895,062	-
Student loans (Note 2)	331,713	-
Due from component unit (Note 11)	136,037	-
Prepaid debt service insurance (Notes 2 and 9)	83,276	-
Inventories (Note 2)	195,600	-
Other assets	1,092,159	-
Total current assets	<u>68,174,742</u>	<u>404,327</u>
Noncurrent assets		
Investments (Notes 2 and 3)	-	5,715,732
Student loans, net of allowance for uncollectible loans of \$249,500 (Note 2)	136,776	-
Prepaid debt service insurance (Notes 2 and 9)	494,656	-
Capital assets (Notes 2 and 8)	207,991,201	2,859,540
Accumulated depreciation (Note 8)	(91,119,707)	(164,010)
Total noncurrent assets	<u>117,502,926</u>	<u>8,411,262</u>
Total assets	<u>185,677,668</u>	<u>8,815,589</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions after measurement date (Notes 2 and 5)	267,959	-
Deferred outflows from other postemployment benefits (Notes 2 and 7)	3,747,546	-
Deferred outflows from debt refundings (Notes 2 and 9)	93,083	-
Total deferred outflows of resources	<u>4,108,588</u>	<u>-</u>
LIABILITIES		
Current liabilities		
Accounts payable	9,079,447	79,356
Accrued compensated absences (Notes 2 and 10)	400,000	-
Due to University (Note 11)	-	136,037
Unearned revenue (Note 2)	5,280,758	-
Revenue bonds payable (Note 9)	990,000	-
Certificates of participation (Note 9)	1,990,000	-
Finance lease payable (Note 9)	18,110	-
Subscriptions payable (Notes 2 and 9)	652,119	98,501
Other postemployment benefits (Note 7)	198,782	-
Total current liabilities	<u>18,609,216</u>	<u>313,894</u>
Noncurrent liabilities		
Accrued compensated absences (Notes 2 and 10)	4,234,737	-
Refundable grants	1,652,392	-
Revenue bonds payable (Note 9)	19,083,200	-
Certificates of participation (Note 9)	13,520,412	-
Finance lease payable (Note 9)	14,107	-
Subscriptions payable (Notes 2 and 9)	1,380,674	241,975
Other postemployment benefits (Note 7)	4,139,591	-
Total noncurrent liabilities	<u>44,025,113</u>	<u>241,975</u>
Total liabilities	<u>62,634,329</u>	<u>555,869</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from other postemployment benefits (Notes 2 and 7)	7,050,334	-
Deferred inflows from debt refundings (Notes 2 and 9)	3,709	-
Total deferred inflows of resources	<u>7,054,043</u>	<u>-</u>
NET POSITION (Note 2)		
Net investment in capital assets	81,212,496	2,355,054
Restricted:		
Nonexpendable	-	3,639,709
Expendable		
Loans	705,303	-
Debt service	1,544,818	-
Other	27,075	2,003,110
Unrestricted	36,608,192	261,847
Total net position	<u>\$ 120,097,884</u>	<u>\$ 8,259,720</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

GOVERNORS 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, 2023

	University	Component Unit
OPERATING REVENUES		
Student tuition and fees, net of scholarship allowances of \$15,423,629 (Note 2)	\$ 32,386,052	\$ -
Federal grants and contracts	5,458,808	-
State grants and contracts	2,379,731	-
Other grants and contracts	74,828	166,999
Auxiliary enterprises	3,983,448	-
Other operating revenues	2,527,386	373,654
Total operating revenues	46,810,253	540,653
OPERATING EXPENSES		
Instruction	40,907,370	-
Research	2,086,907	-
Public service	4,896,342	-
Academic support	7,425,636	-
Student services	10,798,887	-
Institutional support	17,497,272	-
Operation and maintenance of plant	8,846,485	-
Auxiliary enterprises	3,207,073	-
Student aid	6,804,995	-
Depreciation	5,939,996	103,080
University support	-	1,256,505
Other expense	-	465,439
Total operating expenses	108,410,963	1,825,024
Net operating loss	(61,600,710)	(1,284,371)
NONOPERATING REVENUES (EXPENSES)		
State appropriation	24,353,300	-
Payments made on behalf of the University	8,937,000	-
Fringe benefits under special funding situation	2,814,770	-
Federal and State nonoperating grants	18,148,520	-
Gifts	-	401,955
Investment income	1,607,674	513,581
Interest expense on capital assets-related debt	(1,207,460)	(15,977)
Other nonoperating loss	(2,117)	-
Net nonoperating revenues	54,651,687	899,559
Loss before other revenues, expenses, gains and losses	(6,949,023)	(384,812)
Capital appropriations and grants provided by State of Illinois	1,421,257	-
Additions to permanent endowments	-	276,246
Decrease in net position	(5,527,766)	(108,566)
NET POSITION (Note 2)		
Net position - beginning of year	125,625,650	8,368,286
Net position - end of year	\$ 120,097,884	\$ 8,259,720

The accompanying notes to the basic financial statements are an integral part of this statement.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>University</u>	<u>Component Unit</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	\$ 32,807,120	\$ -
Grants and contracts	7,957,344	166,999
Payments to suppliers	(22,647,950)	(1,010,136)
Payments for scholarships	(6,804,995)	(384,545)
Payments to employees and fringe benefits	(63,012,292)	-
Auxiliary enterprises	3,983,448	-
Student loans collected	197,704	-
Other operating revenues	2,527,386	9,772
Net cash used in operating activities	<u>(44,992,235)</u>	<u>(1,217,910)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriation	24,427,987	-
Federal and State nonoperating grants	20,483,004	-
Contributions	-	401,955
Contributions for permanent endowments	-	276,246
Cash provided by noncapital financing activities	<u>44,910,991</u>	<u>678,201</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(5,098,859)	-
Principal payments on capital debt	(4,402,417)	(83,937)
Interest payments on capital debt	(809,253)	(10,122)
Cash used in capital financing activities	<u>(10,310,529)</u>	<u>(94,059)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investment securities	16,417,542	2,986,336
Investment income	1,343,872	140,861
Investment management fees	-	(60,249)
Purchase of investment securities	(51,394,728)	(2,763,226)
Net cash provided by (used in) investing activities	<u>(33,633,314)</u>	<u>303,722</u>
Net decrease in cash and cash equivalents	(44,025,087)	(330,046)
Cash and cash equivalents - beginning of year	59,421,692	734,373
Cash and cash equivalents - end of year	<u>\$ 15,396,605</u>	<u>\$ 404,327</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Net operating loss	\$ (61,600,710)	\$ (1,284,371)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Noncash expenses included in net operating loss:		
Depreciation	5,939,996	103,080
Payments made on behalf of the University	8,937,000	-
Fringe benefits under special funding situation	2,814,770	-
Changes in assets, deferred outflows of resources, deferred inflows of resources and liabilities:		
Accounts receivable, grants receivable and due from component uni	(1,964,769)	-
Inventories	88,183	-
Other assets	(182,397)	-
Student loans	586,260	-
Prepaid debt service insurance	83,277	-
Deferred outflows of resources	(2,862,583)	-
Accounts payable, due to component unit, and due to University	(373,950)	(36,619)
Unearned revenue	2,564,242	-
Accrued compensated absences	296,743	-
Refundable grants	(450,513)	-
Other postemployment benefits	(1,591,010)	-
Deferred inflows of resources	2,723,226	-
Net cash used in operating activities	<u>\$ (44,992,235)</u>	<u>\$ (1,217,910)</u>
NONCASH INVESTING, NONCAPITAL AND CAPITAL FINANCING ACTIVITIES		
Capital assets acquired with debt	\$ 2,151,190	\$ 400,989
Capital appropriations	\$ 1,421,257	\$ -
Unrealized loss on investments	\$ (37,724)	\$ (85,869)

The accompanying notes to the basic financial statements are an integral part of this statement.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 - FINANCIAL REPORTING ENTITY AND COMPONENT UNIT DISCLOSURE

Governors State University (GSU or University) was chartered in 1969 to provide affordable and accessible undergraduate and graduate education to its culturally and economically diverse life-long learners in the Chicago metropolitan area. It is governed by the Board of Trustees of Governors State University created in January 1996 as a result of legislation to reorganize governance of State higher education institutions. In December 2011, the Illinois Board of Higher Education authorized GSU to move beyond its traditional role as an “upper division” institution and to admit first-year undergraduate students beginning in the fall semester of 2014. As a comprehensive public university, GSU provides liberal arts, science, and professional preparation at the undergraduate, master and doctoral levels.

The financial reporting entity as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, consists of the primary government, 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 Governors State University as the primary government, and the Governors State University Foundation (Foundation) as a discretely presented component unit of the University.

The Foundation was incorporated as a not-for-profit organization in June 1969. The Foundation provides support services to the University to assist the University in achieving its educational, research, and service goals.

The audit of the Foundation’s financial statements for the fiscal year ended June 30, 2023 was conducted by an independent certified public accountant. Complete financial statements for this component unit may be obtained by writing the: Vice President for External Affairs, Governors State University, 1 University Parkway, University Park, Illinois 60484.

The University (and its component unit) is a component unit of the State of Illinois for financial reporting purposes and its fiscal balances and activities are included in the State’s annual comprehensive financial report.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the University are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred. When both restricted and unrestricted resources are available for use, it is the University's policy to use restricted resources first, then unrestricted resources as needed.

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

Management's Discussion and Analysis

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

Basic Financial Statements including a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows

- The Statement of Net Position details current assets/liabilities, noncurrent assets/liabilities and deferred inflows/outflows of resources. In general, current assets are those that are available to satisfy current liabilities. Current liabilities are those that will be paid within one year of the date of the Statement of Net Position. Other assets and liabilities due beyond one year are noncurrent. Net position is divided into three major categories: (1) Net investment in capital assets, (2) Restricted net position, and (3) Unrestricted net position.
- The Statement of Revenues, Expenses and Changes in Net Position reports operating and nonoperating revenues and expenses, and displays the net income or loss from operations and total changes in net position.
- The Statement of Cash Flows details the change in the cash and cash equivalents balance for the fiscal year and is prepared using the direct method. This statement provides information related to cash receipts and cash payments during the year. The statement also helps users evaluate the University's ability to meet financial obligations as they mature.

Notes to the Basic Financial Statements

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

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

In accordance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near to their maturities that they present insignificant risk of changes in value because of changes in interest rates. The University generally 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.31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and GASB Statement No. 72, *Fair Value Measurement and Application*. Changes in fair value during the reporting period are reported as a net increase or decrease in the fair value of investments. Net investment income includes interest, dividends and realized/unrealized gains and losses.

Foundation investments are recorded at fair market value as determined by quoted market prices for identical or similar assets. Investments are pooled for the purposes of allocating realized gains and losses, unrealized gains and losses and ordinary income, net of investment fees, to the unallocated reserve in the restricted fund. Allocation to specific accounts is based on contractual obligations and the Foundation’s investment policy.

Accounts, Grants, and Student Loans Receivable

An aging of accounts, grants, and student loans receivable as of June 30, 2023 is as follows:

Not in repayment	\$ 175,754
Current	7,533,704
Up to 120 days past due	1,327,357
From 121 to 365 days past due	1,155,605
More than 365 days past due	8,431,778
Allowance for doubtful accounts	<u>(8,584,500)</u>
Net accounts, grants, student loans, and State appropriation receivable	<u>\$ 10,039,698</u>

Non-student receivables are not aged and have been presented above as current.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Student loans include loans made to students under the Federal Perkins Loan Program, the Nurse Faculty Loan Program, and institutional loans. Loans that are in repayment have been aged above. Loan repayments expected during the next fiscal year have been reported as a current asset. Loans that are not expected to be repaid during the next fiscal year, less an allowance for uncollectible loans, have been presented as a noncurrent asset.

Allowance for Uncollectible Accounts

The allowance for doubtful accounts is based on management's best estimate of uncollectible accounts considering type, age, collection history, and other appropriate factors.

Prepaid Debt Service Insurance

The insurance costs associated with the issuance of the revenue bonds and certificates of participation are being amortized on a straight-line basis over the life of the related debts.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out inventory valuation method.

Capital Assets

Capital assets are carried at cost (if purchased) or at estimated fair market value at the time of the donation if donated prior to July 1, 2015. After June 30, 2015, with the adoption of GASB Statement No. 72, *Fair Value Measurement and Application*, donated capital assets are carried at acquisition value. Foundation capital assets mostly consist of artworks, a collection of environmental and other sculptures and a painting. The artworks are held for public exhibition rather than for financial gain; protected, kept unencumbered, cared for, and preserved; and subject to an organizational policy that requires the proceeds from the sale of artworks to be used to acquire new artworks. No depreciation is recorded for the artworks.

Subscription-Based Information Technology Arrangements

Subscription-based information technology arrangement (SBITA) with an initial noncancellable term greater than twelve months and an individual value of \$25,000 or more is recognized as a right-to-use subscription asset (subscription asset) and a subscription liability. SBITA with a maximum possible term of 12 months or less at commencement is recognized as an expense. Subscription liability is measured at the present value of subscription payments expected to be made over the SBITA term. The subscription asset is initially measured as the initial measurement of the subscription liability, adjusted for payments associated with the SBITA contract made to the vendor at the commencement of the subscription term, plus any capitalizable initial implementation costs, less any vendor incentives received at the commencement of the subscription term. The University and the Foundation use the interest rate charged by the vendor or its estimated incremental borrowing rate as the discount rate.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subscription assets are reported as part of the capital assets and subscription liabilities are reported as current and noncurrent liabilities in the Statement of Net Position.

Accrued Compensated Absences

Accrued compensated absences include earned but unused vacation and sick leave days valued at the current rate of pay.

Unearned Revenue

Unearned revenue includes amounts received for tuition and fees, and grants prior to the end of the fiscal year but related to the subsequent accounting period.

Debt Service Payments

The University deposits funds into accounts with its trustee for debt servicing the University's revenue bonds and certificates of participation as required by the applicable debt instruments. It is the University's policy to record the payment of such debts when the paying agent withdraws the funds from the University's account held by trustee.

Classification of Revenues

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

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 educational departments, (3) auxiliary enterprises, and (4) Federal, State and local grants and contracts, excluding Federal Pell, Supplemental Educational Opportunity Grant, Teacher Education Assistance for College and Higher Education Grants (TEACH Grants), Emergency grants under the Federal Higher Education Emergency Relief Fund (HEERF), State Monetary Award Program (MAP) grants, and Illinois AIM HIGH grants.

Nonoperating revenues - include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statements No. 9 and No. 35, such as State appropriation, payments made on behalf of the University or under a special funding situation for healthcare and retirement costs, Federal Pell, Supplemental Educational Opportunity Grants, TEACH Grants, HEERF, MAP grants, Illinois AIM HIGH grants, and investment income.

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A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Expenses

The majority of the University's expenses are exchange transactions, which GASB defines as operating expenses for financial statement presentation. Nonoperating expenses include interest expense of the University.

Scholarship Discounts and Allowances

Student tuition and fees are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charges and the amounts paid directly by students and/or third parties. Certain governmental grants, such as Federal Pell and State MAP grants, and other Federal, State or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Net Position

The University's net position are classified as follows:

Net investment in capital assets - consists of capital assets net of accumulated depreciation, reduced by the outstanding debt obligations that are attributable to the acquisition, construction or improvement of those assets.

Restricted-nonexpendable - 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 intact and invested for the purpose of producing present and future income, which may either be expended or added to the principal.

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

Unrestricted - consists of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the governing board to meet current expenses for any purpose.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

A deferred outflow/inflow of resources is a consumption/acquisition of net position that is applicable to a future reporting period. The University has recorded deferred outflows/inflows of resources related to pensions and postemployment benefits as explained in Notes 5 and 7, respectively. The University has also recorded deferred outflows/inflows of resources from debts refunding as explained in Note 9 which are being amortized on a straight-line basis over the remaining life of the old debt or the life of the new debt, whichever is shorter.

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 State Universities Retirement System (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 fully 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 fully compensated from each individual university's Income Fund and auxiliary enterprises. This relationship may be modified through the enactment of a Public Act by the State's highest level of decision-making authority exercised by the Governor and the General Assembly pursuant to the State's Constitution.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Funding Situation Portion of OPEB

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

During the OPEB measurement period ended June 30, 2022, the University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of \$205,784 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.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On-Behalf Transactions

The University had an outside source of financial assistance provided by the State on behalf of the University during the year ended June 30, 2023.

Substantially all active employees participate in group insurance plans provided by the State and administered by CMS, primary providing healthcare benefits. In order to fund SEGIP's pay-as-you-go obligations for both current employees and retirees, SEGIA (5 ILCS 375/11) requires contributions based upon total employee compensation paid from any State fund or university component unit, except the university component units shall not be required to make contributions for employees who are fully 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 fully 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, 2023, total estimated group insurance contributions for the University's employees paid from the University's Income Fund and auxiliary enterprises were \$9,382,000. The University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of \$445,000 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 \$8,937,000 on-behalf of the University to meet this obligation for current employees.

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

Risk Management

The University participates in the Illinois Public Higher Education Cooperative (IPHEC), which leverages all Illinois public universities' assets to reduce the total and individual cost of property and liability insurances to Illinois public universities. As a participant, the University purchases commercial insurance to guard against insurable losses. There have been no significant reductions in coverage and no losses exceeding insurance coverages in the past three years.

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the reporting period. The University's significant accounting estimates include the allowance for student accounts receivable and loans receivable, depreciation of capital assets, unearned tuition and fees, and compensated absences. Accordingly, actual results could differ from these estimates.

Income Taxes

As a State institution of higher education, the income of the University is generally exempt from Federal and State income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of State law. However, the University is subject to federal income tax on any unrelated business taxable income.

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 fiduciary net position of the State Universities Retirement System (SURS) and additions/deductions to/from SURS fiduciary net position has been determined on the same basis as they are reported by SURS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

During the year ended June 30, 2023, the University adopted the following accounting pronouncements:

- GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide 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. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establish standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement did not have a material impact to the University's financial statements.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which is defined in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement did not have a material impact to the University's financial statements.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA

GOVERNORS STATE UNIVERSITY
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

results in a right-to-use subscription asset – an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. During Fiscal Year 2023, the University has recognized subscription assets, which are reported as part of capital assets, and subscriptions payable, which are reported as current and noncurrent liabilities, in the Statement of Net Position as a result of adopting this Statement. See Note 8 and Note 9 for further information.

- GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. This statement did not have a material impact to the University's financial statements.

Future Adoption of GASB Statements

Effective for the year ending June 30, 2024, the University will adopt the GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The University has not yet determined the impact of adopting this statement on its financial statements.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

COVID-19 Funding

On March 27, 2020, the federal government passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act which included funding for the Higher Education Emergency Relief Fund (HEERF). These funds were awarded to institutions of higher education in two equal allotments: (1) institutional portion to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus, and (2) student portion to provide emergency financial aid grants to students. During Fiscal Year 2020, the University received an allocation of \$1.85 million in each category. In addition, the University received an allocation of \$181,244, \$267,164, and \$438,688 during Fiscal Years 2020, 2021, and 2022, respectively, as a recognized Minority Serving Institution (MSI).

The CARES Act also provided funding through the Education Stabilization Fund Program Governor's Emergency Education Relief Fund (GEERF). During Fiscal Year 2021, the University received a total allocation of \$1.92 million in GEERF via an Intergovernmental Agreement with the Illinois Board of Higher Education to support efforts to enroll and retain low-income, underrepresented and first-generation students who might not otherwise enroll or return due to the pandemic, including by closing digital equity gaps. During Fiscal Year 2022, the University received an additional funding of \$447,928 to provide academic and social emotional learning supports for students most impacted by the COVID-19 pandemic, including African American, Latino, low-income, first generation, working adult, or rural students.

On December 27, 2020, former President Trump signed the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) (P.L. 116-260), which gave the U.S. Department of Education approximately \$22.7 billion to distribute to institutions of higher education in order to prevent, prepare for, and respond to COVID-19 through the HEERF. Of this funding, the University has been allocated \$6.35 million. A minimum of \$1.85 million must be used to provide students with financial aid grants, which may be used for any component of the student's cost of attendance or for emergency costs that arise due to COVID-19, such as tuition, food, housing, health care (including mental health care) or child care. The balance of \$4.5 million may be used by the University to defray expenses associated with COVID-19, including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll.

On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021 (ARP) (P. L. 117-2). The ARP appropriated approximately \$39.6 billion for HEERF and represents the third stream of funding appropriated for HEERF to prevent, prepare for, and respond to coronavirus. At least half of an institution's allocation under ARP must be used to make emergency financial aid grants to students; the remainder may be used for institutional purposes. During Fiscal Year 2021, the University received a total allocation of \$10.16 million, consisting of \$5.29 million student portion and \$4.87 million institutional portion. The ARP has two new required uses of HEERF institutional portion grant funds for public and private nonprofit institutions in which, if the institutional portion is not used entirely for emergency financial grants to students, a portion of

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

funds must be used to: (a) implement evidence-based practices to monitor and suppress coronavirus in accordance with public health guidelines; and (b) conduct direct outreach to financial aid applicants about the opportunity to receive a financial aid adjustment due to the recent unemployment of a family member or independent student, or other circumstances, described in section 479A of the Higher Education Act.

During the year ended June 30, 2023, the University expended \$684,476 from its allocated institutional portion, \$424,064 from its MSI allocation, and \$509,693 from its GEERF allocation. During the year ended June 30, 2022, the University expended \$5,698,557 from its allocated institutional portion, \$5,288,070 from its allocated student portion, \$136,623 from its MSI allocation, and \$1,028,622 from its GEERF allocation. During the year ended June 30, 2021, the University expended \$4,415,235 from its allocated institutional portion, \$2,733,902 from its allocated student portion, \$265,087 from its MSI allocation, and \$667,490 from its GEERF allocation. During the year ended June 30, 2020, the University expended \$419,785 from its allocated institutional portion and \$968,700 from its allocated student portion. The related revenues and expenses are reported in the Nonoperating Revenues and Operating Expenses section, respectively, of the Statements of Revenues, Expenses, and Changes in Net Position.

As discussed above, the University has received three separate awards (consisting of an initial award and two supplemental awards) from HEERF as part of the federal government’s response to the COVID-19 pandemic. The University’s period of availability for using these federal funds is set to expire on June 30, 2024. The following chart reflects the remaining balance of this activity at June 30, 2023.

	Award		Remaining Balance	
	University’s Portion	Student Aid Portion	University’s Portion	Student Aid Portion
HEERF 1	\$ 1,851,300	\$ 1,851,301	\$ -	\$ -
HEERF 2	4,496,723	1,851,301	-	-
HEERF 3	4,870,030	5,288,070	-	-

NOTE 3 - DEPOSITS AND INVESTMENTS

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires general disclosures by investment type with disclosures of the specific risks of those investments are exposed to.

The Illinois Public Funds Investment Act (30 ILCS 235) authorized the University to invest in bonds, notes, certificates of indebtedness, treasury bills, or other securities guaranteed by the United States; interest-bearing savings accounts, interest-bearing certificates of deposits, interest-bearing time 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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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.

Deposits

A reconciliation of cash and investments on the Statement of Net Position to deposits and investments of the University and the Foundation at June 30, 2023 is as follows:

	<u>University</u>	<u>Foundation</u>
<u>Statement of Net Position</u>		
Cash and cash equivalents	\$ 13,714,189	\$ 404,327
Cash and cash equivalents, restricted	1,682,415	-
Investments, restricted	2,418,189	-
Investments	<u>38,949,954</u>	<u>5,715,732</u>
Total	<u>\$ 56,764,747</u>	<u>\$ 6,120,059</u>
 <u>Deposits and Investments</u>		
Cash in bank	\$ 7,966,425	\$ 322,445
Cash on hand	7,900	-
Investments	<u>48,790,422</u>	<u>5,797,614</u>
Total	<u>\$ 56,764,747</u>	<u>\$ 6,120,059</u>

Custodial Credit Risk - is the risk that in the event of a bank failure, deposits may not be returned. The Federal Deposit Insurance Corporation insured bank balances totaling \$500,000 (University and Foundation) at June 30, 2023. The remaining bank balances as of June 30, 2023 were fully collateralized. The University's and Foundation's respective bank balances were \$8,266,938 and \$305,182 as of June 30, 2023. Depositories and brokers are chosen based on stability and longevity, and due to insurance and collateralization, bank balances were not subject to custodial credit risk.

University Investments

The fair value of the investment portfolio of the University at June 30, 2023 is as follows:

	<u>Fair Value</u>
Money Market Funds	\$ 1,682,415
U.S. Agencies	29,766,123
Corporate Bonds	11,602,020
Illinois Funds	<u>5,739,864</u>
Total	<u>\$ 48,790,422</u>

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For the Year Ended June 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

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

The University's investment valuation by levels at June 30, 2023 is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Funds	\$ 1,682,415	\$ 1,682,415	\$ -	\$ -
U.S. Agencies	29,766,123	-	29,766,123	-
Corporate Bonds	11,602,020	-	11,602,020	-
Illinois Funds	<u>5,739,864</u>	<u>5,739,864</u>	-	-
Total	<u>\$ 48,790,422</u>	<u>\$ 7,422,279</u>	<u>\$ 41,368,143</u>	<u>\$ -</u>

Custodial Credit Risk - is the risk that in the event of custodian failure, investment principal may not be returned. At June 30, 2023, investments consisted of money market funds, U.S. agency securities, corporate bonds and Illinois Funds. The Illinois Funds are arranged and contracted by the Treasurer of the State of Illinois and collateralized as required by that contract. The University was not subject to custodial credit risk as all of the University's investments were held in its name.

Interest Rate Risk - exists when there is a possibility that changes in interest rates could adversely affect an investment's value. The University's policy for reducing its exposure to the risk is to structure the University's portfolio so that securities mature to meet the University's cash requirements for ongoing operations.

Credit Risk - exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. The University's policy for managing its exposure to the risk is to limit investments to those allowable under the Illinois Public Funds Investment Act.

Concentration of Credit Risk - exists when there is a possibility of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2023, the University does not have any investments representing 5% or more of total assets in any single issuer other than the U.S. government and Illinois Funds.

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For the Year Ended June 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The maturities of the debt securities investment portfolio at June 30, 2023, are as follows:

	<u>Fair Value</u>	<u>< 1 Year</u>	<u>1-5 Years</u>
U.S. Agencies	\$ 29,766,123	\$ 14,636,693	\$ 15,129,430
Corporate Bonds	<u>11,602,020</u>	<u>978,440</u>	<u>10,623,580</u>
Total	<u>\$ 41,368,143</u>	<u>\$ 15,615,133</u>	<u>\$ 25,753,010</u>

The Standard & Poor's credit ratings of the debt securities investment portfolio (at fair value) at June 30, 2023 are as follows:

<u>Credit Rating</u>	<u>Total Debt Securities</u>
AAA	\$ 26,372,994
AA+	3,396,629
AA	963,430
A+	962,450
A	4,828,980
A-	1,929,400
BBB+	1,939,320
No Rating	<u>974,940</u>
Total	<u>\$ 41,368,143</u>

Foundation Investments

The fair value of the investment portfolio of the Foundation at June 30, 2023 is as follows:

	<u>Fair Value</u>
Illinois Funds	\$ 81,882
Stocks/Mutual Funds investing in stocks	4,362,819
Mutual Funds investing in stocks	1,116,763
Corporate and government bonds	<u>236,150</u>
Total	<u>\$ 5,797,614</u>

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NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The valuation by levels at June 30, 2023 is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Illinois Funds	\$ 81,882	\$ 81,882	\$ -	\$ -
Stocks/Mutual Funds investing in stocks	4,362,819	4,362,819	-	-
Mutual Funds investing in bonds	1,116,763	1,116,763	-	-
Corporate and government bonds	<u>236,150</u>	<u>-</u>	<u>236,150</u>	<u>-</u>
Total	<u>\$ 5,797,614</u>	<u>\$ 5,561,464</u>	<u>\$ 236,150</u>	<u>\$ -</u>

Custodial Credit Risk - is the risk that in the event of custodian failure, investment principal may not be returned. At June 30, 2023, investments consisted of Illinois Funds, stocks, mutual funds, and corporate and government bonds. All investments other than Illinois Funds are being held by the Old National Bank Trust Division, in the name of the Foundation.

Interest Rate Risk - exists when there is a possibility that changes in interest rates could adversely affect an investment's value. The Foundation's investment policy addresses the overall diversification of the portfolio with consideration for liquidity. It does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, but encourages a ladder portfolio with maturities occurring at regular intervals.

Credit Risk - exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. The Foundation's investment policy encourages the investment manager to focus on high quality bonds, maintaining an average credit quality of AA, to achieve an attractive risk-adjusted total return over the long run. The Illinois Funds has a maturity of < 1 year and a credit rating of AAmmf by Fitch.

Concentration of Credit Risk - exists when there is a possibility of loss attributed to the magnitude of a government's investment in a single issuer. The Foundation's policy for mitigating the risk is to diversify the investment portfolio so that the failure of one issue will not place an undue financial burden on the Foundation.

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NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The maturities of the debt securities investment portfolio of the Foundation at June 30, 2023 are as follows:

	<u>Fair Value</u>	<u>Investment Maturity (in Years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>5 - 10</u>	<u>10 or More</u>
Mutual Funds					
investing in bonds	\$ 1,116,763	\$ -	\$ 431,280	\$ 685,483	\$ -
Corporate and					
government bonds	<u>236,150</u>	<u>97,170</u>	<u>95,362</u>	<u>43,618</u>	<u>-</u>
Total	<u>\$ 1,352,913</u>	<u>\$ 97,170</u>	<u>\$ 526,642</u>	<u>\$ 729,101</u>	<u>\$ -</u>

The Standard & Poor's credit ratings of the debt securities investment portfolio (at fair value) of the Foundation at June 30, 2023 are as follows:

<u>Credit Rating</u>	<u>Total Debt Securities</u>
AA-	\$ 48,200
A+	43,618
A-	47,162
No Rating	<u>1,213,933</u>
Total	<u>\$ 1,352,913</u>

Foreign Currency Risk - exists when there is a possibility that the exchange rate of foreign currencies against the U.S. dollar may vary. The Foundation's policy is to limit its investments in foreign securities to 25%.

As of June 30, 2023, the Foundation had \$372,574 in U.S. dollar balances of stocks and international mutual fund investments exposed to foreign currency risks.

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NOTE 4 - RESTRICTED CASH AND CASH EQUIVALENTS AND RESTRICTED INVESTMENTS

The net proceeds from issuing the Certificates of Participation, Series 2018 were separately deposited in a trust escrow account with Amalgamated Bank of Chicago (Bank). As trustee, the Bank invested the funds in money market and fixed income assets pending expenditure for the University's deferred maintenance projects. In addition, certain accounts created by the University revenue bonds and certificates of participation are held by the Bank pending expenditure for debt service. The balance of these accounts as of June 30, 2023 amounted to \$4,100,604.

NOTE 5 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description

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

Benefits Provided

A traditional benefit plan was established in 1941. Public Act 90-0448 (effective January 1, 1998) established an alternative defined benefit program known as the portable benefit package. Tier 1 of the traditional and portable plan refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who 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 the traditional or portable benefit plans. A summary of the benefit provisions as of June 30, 2022, can be found in the Financial Section of SURS Annual Comprehensive Financial Report.

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NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)

Contributions

The State is primarily responsible for funding the SURS on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a statutory funding plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members within SURS to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from “trust, federal, and other funds” are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for Fiscal Year 2022 and Fiscal Year 2023, respectively, was 12.32% and 12.83% 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 Defined Benefit Pensions

Net Pension Liability

The net pension liability (NPL) was measured as of June 30, 2022. At June 30, 2022, SURS defined benefit plan reported a NPL of \$29,078,053,857.

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 \$313,108,704 or 1.0768%. The University’s proportionate share changed by 0.0746% from 1.0022% since the last measurement date on June 30, 2021. This amount is not recognized in the University’s financial statements. The NPL and total pension liability as of June 30, 2022, was determined based on the June 30, 2021, actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS defined benefit plan during Fiscal Year 2021.

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NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)

Defined Benefit Pension Expense

For the year ending June 30, 2022, SURS defined benefit plan reported a collective net pension expense of \$1,903,314,699.

Employer Proportionate Share of Defined Benefit Pension Expense

The employer proportionate share of collective defined benefit pension expense is recognized as nonoperating revenue with matching operating expense (compensation and benefits) in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS defined benefit plan during Fiscal Year 2021. As a result, the University recognized revenue and defined benefit pension expense of \$20,494,645 from this special funding situation during the year ended June 30, 2023.

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 31,973,496	\$ 28,674,599
Changes in assumptions	279,362,441	982,954,268
Net difference between projected and actual earnings on pension plan investments	<u>31,628,935</u>	<u>-</u>
Total	<u>\$ 342,964,872</u>	<u>\$1,011,628,867</u>

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NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)

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

<u>Year Ending June 30,</u>	<u>Net Deferred Outflows of Resources</u>
2023	\$(332,941,204)
2024	(528,966,820)
2025	(249,290,775)
2026	442,534,804
2027	-
Thereafter	<u>-</u>
Total	<u>(\$668,663,995)</u>

University's Deferral of Fiscal Year 2023 Contributions

The University paid \$267,959 in federal, trust or grant contributions to SURS defined benefit pension plan during the year ended June 30, 2023. These contributions were made subsequent to the pension liability measurement date of June 30, 2022, and are recognized as deferred outflows of resources as of June 30, 2023.

Assumptions and Other Inputs

Actuarial assumptions

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period June 30, 2017 through June 30, 2020. The total pension liability in the June 30, 2022, 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

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

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NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)

The long-term expected rate of return on defined benefit pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultants and actuary. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2022, these best estimates are summarized in the following table:

Defined Benefit Plan	Strategic Policy Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Traditional Growth		
Global Public Equity	38.0%	7.62%
Stabilized Growth		
Public Credit Fixed Income	9.0%	4.20%
Credit Real Assets	4.5%	4.98%
Options Strategies	2.5%	4.91%
Private Credit	1.0%	7.45%
Non-Traditional Growth		
Private Equity	10.5%	11.91%
Non-Core Real Assets	2.5%	9.43%
Inflation Sensitive		
U.S. TIPS	5.0%	1.23%
Principal Protection		
Core Fixed Income	8.0%	1.79%
Crisis Risk Offset		
Systematic Trend Following	10.0%	4.33%
Alternative Risk Premia	5.0%	3.59%
Long Duration	4.0%	2.16%
Total	100%	6.08%
Inflation		2.25%
Expected arithmetic return		8.33%

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NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate

A single discount rate of 6.39% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 6.50% and a municipal bond rate of 3.69% (based on the Fidelity 20-Year Municipal GO AA Index as of June 30, 2022). 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 2076. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2076, and the municipal bond rate was applied to all benefit payments after that date.

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

Regarding the sensitivity of the NPL to changes in the single discount rate, the following presents the State’s NPL, calculated using a single discount rate of 6.39%, as well as what the State’s NPL would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
<u>5.39%</u>	<u>6.39%</u>	<u>7.39%</u>
\$ 35,261,802,968	\$ 29,078,053,857	\$ 23,928,731,076

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 6 - DEFINED CONTRIBUTION PENSION PLAN

General Information about the Pension Plan

Plan Description

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

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NOTE 6 - DEFINED CONTRIBUTION PENSION PLAN (Continued)

benefits for staff members and employees of State universities and community colleges, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is governed by Chapter 40, Act 5, Article 15 of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org. The RSP and its benefit terms were established and may be amended by the State's General Assembly.

Benefits Provided

A defined contribution pension plan, originally called the Self-Managed Plan, was added to SURS benefit offerings as a result of Public Act 90-0448 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 plans or the RSP. A summary of the benefit provisions as of June 30, 2022, 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% contributions 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.

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NOTE 6 - DEFINED CONTRIBUTION PENSION PLAN (Continued)

Pension Expense Related to Defined Contribution Pensions

Defined Contribution Pension Expense

For the year ended June 30, 2022, the State's contributions to the RSP on behalf of individual employers totaled \$89,770,940. Of this amount, \$80,902,669 was funded via an appropriation from the State and \$8,868,241 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 2022. The University's share of pensionable contributions was 1.0149%. As a result, the University recognized revenue and defined contribution pension expense of \$911,125 from this special funding situation during the year ended June 30, 2023, of which \$90,008 constituted forfeitures.

NOTE 7 - POSTEMPLOYMENT BENEFITS

General Information about the Pension Plan

Plan Description

SEGIA, as amended, authorizes SEGIP to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the University's full-time employees are members of SEGIP. Members receiving monthly benefits from the GARS, JRS, SERS, TRS, and SURS are eligible for these OPEB. The eligibility provisions for SURS are defined within Notes 5 and 6.

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

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NOTE 7 - POSTEMPLOYMENT BENEFITS (Continued)

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, SEGIP contributions pursuant to SEGIA (5 ILCS 375/11), and federal government subsidies from the Medicare Part D program. These contributions are deposited in the Health Insurance Reserve Fund, which covers both active employees and retired members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in GARS, JRS, SERS, TRS, and SURS do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. CMS' Director, on an annual basis, determines the amount of contributions necessary to fund the basic program of group benefits. The State's contributions are made primarily from the State's General Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree benefits and a separate trust has not been established for the funding of OPEB.

For Fiscal Year 2023, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was \$12,636 (\$6,990 if Medicare eligible) per member if the annuitant chose benefits provided by a health maintenance organization and \$14,646 (\$5,882 if Medicare eligible) per member 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.

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NOTE 7 - POSTEMPLOYMENT BENEFITS (Continued)

CMS' Changes in Estimates

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

Special Funding Situation Portion of OPEB

The proportionate share of the State's OPEB expense relative to the University's employees totaled (\$18,591,000) during the year ended June 30, 2023. This amount was recognized by the University as non-operating special funding situation revenue and operating expense allocated to the related function performed by the employees during the year ended June 30, 2023.

While the University is not required to record the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation, the University is required to disclose this amount. The following chart displays the proportionate share of the State's contributions related to the University's special funding situation relative to all employer contributions during the years ended June 30, 2022 and 2021, each based on the June 30, 2021 and 2020, respectively, actuarial valuation rolled forward:

Measurement Date:	<u>June 30, 2022</u>	<u>June 30, 2021</u>
State of Illinois' OPEB liability related to the University under the Special Funding Situation	\$94,918,156	\$165,297,058
SEGIP total OPEB liability	<u>\$17,080,208,026</u>	<u>\$34,911,897,307</u>
Proportionate share of the total OPEB liability	0.5557%	0.4735%

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NOTE 7 - POSTEMPLOYMENT BENEFITS (Continued)

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

Total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense related to OPEB

The University's total OPEB liability, as reported at June 30, 2023, was measured as of the measurement date on June 30, 2022, with an actuarial valuation as of June 30, 2021, which was rolled forward to the measurement date. The following chart displays the proportionate share of the University's contributions relative to all employer contributions during the years ended June 30, 2022 and 2021, each based on the June 30, 2021 and 2020, respectively, actuarial valuation rolled forward:

Measurement Date:	<u>June 30, 2022</u>	<u>June 30, 2021</u>
University's OPEB liability	\$4,338,373	\$5,929,383
SEGIP total OPEB liability	<u>\$17,080,208,026</u>	<u>\$34,911,897,307</u>
Proportionate share of the total OPEB liability	0.0254%	0.0170%

The University's portion of the OPEB liability was based on the University's proportional share amount determined under the methodology described in Note 2 during the year ended June 30, 2022. As of the current year measurement date of June 30, 2022, the University's proportion increased by 0.0084% from its proportion measured as of the prior year measurement date of June 30, 2021.

The University recognized OPEB expense for the year ended June 30, 2023 of (\$1,399,293). At June 30, 2023, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2022, from the following sources:

Deferred outflows of resources	
Differences between expected and actual experience	\$ 44,381
Changes of assumptions	107,088
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,397,295
University contributions subsequent to the measurement date	<u>198,782</u>
Total deferred outflows of resources	<u>\$ 3,747,546</u>
Deferred inflows of resources	
Differences between expected and actual experience	\$ 1,186,328
Changes of assumptions	4,249,505
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>1,614,501</u>
Total deferred inflows of resources	<u>\$ 7,050,334</u>

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NOTE 7 - POSTEMPLOYMENT BENEFITS (Continued)

The amounts 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 ending June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2024	\$ (1,569,044)
2025	(1,117,843)
2026	(539,627)
2027	(227,432)
2028	<u>(47,624)</u>
Total	<u>\$ (3,501,570)</u>

Actuarial methods and assumptions

The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on GARS, JRS, SERS, TRS, and SURS active, inactive, and retiree data as of June 30, 2021, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2021.

The valuation date of June 30, 2021 below was rolled forward to June 30, 2022.

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.25%
Projected Salary Increases*	2.50% - 12.75%
Healthcare Cost Trend Rate:	
Medical and Rx (Pre-Medicare QCHP**)	Trend rates start at 8.00% in 2024, decreasing by 0.25% per year to an ultimate trend rate of 4.25% in year 2039.
Medical and Rx (Post-Medicare MAPD***)	Trend rates are 0.00% in years 2024 to 2028, 19.42% from 2029 to 2033, then 5.77% in 2034 decreasing ratably to an ultimate trend rate of 4.25% in 2039.

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NOTE 7 - POSTEMPLOYMENT BENEFITS (Continued)

Retirees' share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2022 and 2023 are based on actual premiums. Premiums after 2023 were projected based on the same healthcare cost trend rates applied to per capita claim costs.
*Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed.	
** Quality Care Health Plan	
*** Medicare Advantage Prescription Drug	

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 and Post-Medicare)	1.80% grading up 6.20% in the first year to 8.00%, then grading down 0.25% per year to an ultimate trend of 4.25% in year 2038. There is no additional trend rate adjustment due to the repeal of the Excise Tax.
Medical and Rx (Post-Medicare)	-7.56% grading up 15.56% in the first year to 8.00%, then grading down 0.25% per year to an ultimate trend of 4.25% in year 2038.
Dental and Vision	3.75% grading up 0.25% in the first year to 4.00% through 2038.

GOVERNORS STATE UNIVERSITY
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NOTE 7 - POSTEMPLOYMENT BENEFITS (Continued)

Additionally, the demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2021 valuations for GARS, JRS, SERS, TRS, and SURS as follows:

	<u>Retirement age experience study¹</u>	<u>Mortality²</u>
GARS	July 2018 - June 2021	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 99% for males and females, and the MP-2018 two-dimensional generational mortality improvement scales.
JRS	July 2018 - June 2021	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 102% for males and 98% for females, and the MP-2018 two-dimensional generational mortality improvement scales.
SERS	July 2018 - June 2021	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 2017 - June 2020	Pub-2010 adjusted for TRS experience for future mortality improvements on a fully generational basis using projection table MP-2020.
SURS	July 2017 - June 2020	Rates based on Pub-2010 Healthy Retiree Mortality tables and the most recent MP-2020 projection scale. Teachers table was used for Academic members and General Employees table was used for Non-Academic members.
<p>¹The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined.</p> <p>²Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.</p>		

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 7 - POSTEMPLOYMENT BENEFITS (Continued)

Demographic assumptions used in OPEB valuation are identical to those used in the June 30, 2021 valuations for Pensions. Thus, for all five plans, the 2021 valuation information for pensions is presented in the fiscal year 2022 ACFR in footnote 16. For TRS and SURS, the total pension liability presented in the June 30, 2021, actuarial valuation is based on census data as of June 30, 2020, rolled-forward to the measurement date of June 30, 2021.

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 1.92% at June 30, 2021, and 3.69% at June 30, 2022, was used to measure the total OPEB liability.

Sensitivity of total OPEB liability to changes in the single discount rate

The following presents the University's proportionate share of the plan's total OPEB liability measured as of June 30, 2022, calculated using a Single Discount Rate of 3.69%, as well as what the University's proportionate share of the plan's total OPEB liability would be if it were calculated using a Single Discount Rate that is one percentage point higher (4.69%) or lower (2.69%) than the current rate:

	1 % Decrease 2.69%	Current Single Discount Rate Assumption 3.69%	1% Increase 4.69%
University's proportionate share of total OPEB liability	\$ 4,786,505	\$ 4,338,373	\$ 3,853,383

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate

The following presents the University's proportionate share of the plan's total OPEB liability measured as of June 30, 2022, calculated using the healthcare cost trend rates as well as what the University's proportionate share of 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. For calculating the healthcare cost trend rates assumption, the key trend rates are 8.00% in 2024 decreasing to an ultimate trend rate of 4.25% in 2039.

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 7 - POSTEMPLOYMENT BENEFITS (Continued)

	1 % Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
University's proportionate share of total OPEB liability	\$ 3,756,164	\$ 4,338,373	\$ 4,928,459

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 years ended June 30, 2022 and 2021, each based on the June 30, 2021 and 2020, respectively, actuarial valuation rolled forward:

Measurement Date:	<u>June 30, 2022</u>	<u>June 30, 2021</u>
State of Illinois' OPEB liability related to the University under the Special Funding Situation	\$94,918,156	\$165,297,058
University's OPEB liability	<u>\$4,338,373</u>	<u>\$5,929,383</u>
Total OPEB liability associated with the University	\$99,256,529	\$171,226,441
SEGIP total OPEB liability	<u>\$17,080,208,026</u>	<u>\$34,911,897,307</u>
Proportionate share of the OPEB liability associated with the University	0.5811%	0.4905%

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NOTE 8 - CAPITAL ASSETS

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at estimated fair market value at the date of donation until June 30, 2015 and estimated acquisition value after that date. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more. For intangible assets and Subscription-Based Information Technology Arrangements (SBITAs), the University's capitalization policy includes all items with a unit cost of \$25,000 or more. Renovations to buildings and site improvements that significantly increase the value or extend the useful life of the structure are also capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets: 40 to 60 years for buildings, 20 to 60 years for site improvements, two to seven years for intangible assets, and three to 40 years for equipment and library collection. Lease assets and SBITA are being amortized using the straight-line method over the shorter of the term or the estimated useful life of the assets.

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For the Year Ended June 30, 2023

NOTE 8 - CAPITAL ASSETS (Continued)

Interest incurred during the period of construction of \$372,891 was recognized as an expense during the fiscal year ended June 30, 2023.

Capital assets activity for the University for the year ended June 30, 2023 are summarized as follows:

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2023</u>
Capital assets not being depreciated:					
Land	\$ 1,389,086	\$ -	\$ -	\$ -	\$ 1,389,086
Construction in progress	11,070,909	3,289,053	-	(13,741,281)	618,681
Artwork/Artifacts	431,323	-	-	86,175	517,498
Total capital assets not being depreciated	<u>12,891,318</u>	<u>3,289,053</u>	<u>-</u>	<u>(13,655,106)</u>	<u>2,525,265</u>
Other capital assets:					
Site improvements	10,666,899	851,891	-	530,598	12,049,388
Buildings	160,601,064	472,377	-	13,124,508	174,197,949
Intangible assets	3,851,905	74,482	-	(1,512,694)	2,413,693
Finance Leased assets	67,862	-	-	-	67,862
Subscription assets	-	2,365,995	-	1,512,694	3,878,689
Equipment	12,489,015	236,579	(573,696)	-	12,151,898
Library collection	8,768,656	59,938	(8,122,137)	-	706,457
Total other capital assets	<u>196,445,401</u>	<u>4,061,262</u>	<u>(8,695,833)</u>	<u>13,655,106</u>	<u>205,465,936</u>
Accumulated depreciation/amortization:					
Site improvements	(5,746,589)	(507,492)	-	-	(6,254,081)
Buildings	(65,066,148)	(4,016,762)	-	-	(69,082,910)
Intangible assets	(2,729,290)	(315,765)	-	754,668	(2,290,387)
Finance Leased assets	(17,998)	(17,997)	-	-	(35,995)
Subscription assets	-	(746,074)	-	(754,668)	(1,500,742)
Equipment	(11,628,731)	(309,956)	568,578	-	(11,370,109)
Library collection	(8,681,670)	(25,950)	8,122,137	-	(585,483)
Total accumulated depreciation/amortization:	<u>(93,870,426)</u>	<u>(5,939,996)</u>	<u>8,690,715</u>	<u>-</u>	<u>(91,119,707)</u>
Other capital assets, net	102,574,975	(1,878,734)	(5,118)	13,655,106	114,346,229
Capital assets summary:					
Capital assets not being depreciated	12,891,318	3,289,053	-	(13,655,106)	2,525,265
Other capital assets	196,445,401	4,061,262	(8,695,833)	13,655,106	205,465,936
Accumulated depreciation/amortization:	<u>(93,870,426)</u>	<u>(5,939,996)</u>	<u>8,690,715</u>	<u>-</u>	<u>(91,119,707)</u>
Total capital assets, net	<u>\$ 115,466,293</u>	<u>\$ 1,410,319</u>	<u>\$ (5,118)</u>	<u>\$ -</u>	<u>\$ 116,871,494</u>

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NOTE 8 - CAPITAL ASSETS (Continued)

Capital assets activity for the Foundation for the year ended June 30, 2023 are summarized as follows:

	Balance <u>June 30,</u> <u>2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfer</u>	Balance <u>June 30,</u> <u>2023</u>
Capital assets not being depreciated:					
Artwork/Artifacts	\$ 2,367,156	\$ -	\$ -	\$ -	\$ 2,367,156
Other capital assets:					
Intangible assets	91,395	-	-	(91,395)	-
Subscription assets	-	400,989	-	91,395	492,384
Total other capital assets	<u>91,395</u>	<u>400,989</u>	<u>-</u>	<u>-</u>	<u>492,384</u>
Total capital assets	<u>2,458,551</u>	<u>400,989</u>	<u>-</u>	<u>-</u>	<u>2,859,540</u>
Accumulated depreciation/amortization:					
Intangible assets	(60,930)	(7,040)	-	67,970	-
Subscription assets	-	(96,040)	-	(67,970)	(164,010)
Total accumulated depreciation/amortization	<u>(60,930)</u>	<u>(103,080)</u>	<u>-</u>	<u>-</u>	<u>(164,010)</u>
Total capital assets, net	<u>\$ 2,397,621</u>	<u>\$ 297,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,695,530</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

Changes in long-term obligations for the year ended June 30, 2023 were as follows:

	Balance <u>June 30, 2022</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2023</u>	Amounts Due Within <u>One Year</u>
Intangible asset payable	\$ 708,006	\$ -	\$ 708,006	\$ -	\$ -
Finance leases payable	50,071	-	17,854	32,217	18,110
Subscriptions payable	-	2,151,189	118,396	2,032,793	652,119
Revenue bonds					
Series 2021	18,845,000	-	945,000	17,900,000	990,000
Certificates of participation					
Series 2018	10,980,000	-	1,120,000	9,860,000	1,185,000
Certificates of participation					
Series 2021	<u>5,205,000</u>	<u>-</u>	<u>765,000</u>	<u>4,440,000</u>	<u>805,000</u>
	35,788,077	2,151,189	3,674,256	34,265,010	3,650,229
Unamortized premiums	<u>3,747,692</u>	<u>-</u>	<u>364,080</u>	<u>3,383,612</u>	<u>-</u>
	<u>\$ 39,535,769</u>	<u>\$ 2,151,189</u>	<u>\$ 4,038,336</u>	<u>\$ 37,648,622</u>	<u>\$ 3,650,229</u>

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NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds, Series 2021

On September 23, 2021, the University issued \$18,845,000 of University Facilities System Refunding Revenue Bonds, Series 2021, for a 20-year period with interest rates ranging from 2.5% to 5.00%, to refund in advance of maturity all of the \$3,455,000 and \$16,825,000 outstanding principal (after the October 1, 2021 debt service payment), plus accrued interest, on the University Facilities System Revenue Bonds, Series 2007 and Series 2012, respectively, and to pay the costs of issuing the Series 2021 Refunding Revenue Bonds. The issue premium amounting to \$2,370,762 will be accreted to interest expense over the term of the Series 2021 Refunding Revenue Bonds. The refunding resulted in the recognition of deferred inflows from refunding Revenue Bonds Series 2007 of \$5,193 which are being amortized over the remaining term of the Revenue Bonds Series 2007 and recognition of deferred outflows from refunding Revenue Bonds Series 2012 of \$18,356 which are being amortized over the term of the Series 2021 Refunding Revenue Bonds.

Optional Redemption - The Series 2021 Bonds maturing on or after October 1, 2031, are subject to redemption at the option of the Board, on or after October 1, 2030, in whole or in part at any time, and, if in part, from such maturities as determined by the Board and within any maturity bylot at the redemption price of 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

Mandatory Redemption of Term Bonds - The Series 2021 Term Bonds maturing on October 1, 2036 and October 1, 2042 are subject to mandatory redemption prior to maturity through the application of sinking fund payments, at a redemption price equal to the principal amount plus accrued interest to the date fixed for redemption, in the following principal amounts on October 1, in each of the years set forth below:

<u>Term Bonds due October 1, 2036</u>		<u>Term Bonds due October 1, 2042</u>	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2035	\$ 840,000	2037	\$ 900,000
2036 (stated maturity)	875,000	2038	925,000
		2039	945,000
		2040	970,000
		2041	1,000,000
		2042 (stated maturity)	1,025,000

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

Future debt service requirements at June 30, 2023 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 990,000	\$ 693,175	\$ 1,683,175
2025	1,045,000	642,300	1,687,300
2026	1,095,000	588,800	1,683,800
2027	1,150,000	532,675	1,682,675
2028	1,210,000	473,675	1,683,675
2029 - 2033	3,350,000	1,815,125	5,165,125
2034 - 2038	4,195,000	979,675	5,174,675
2039 - 2043	<u>4,865,000</u>	<u>310,438</u>	<u>5,175,438</u>
	<u>\$17,900,000</u>	<u>\$ 6,035,863</u>	<u>\$23,935,863</u>

The University defeased its outstanding Revenue Bonds, Series 2007 and Series 2012, through refunding and, accordingly, those Revenue Bonds are not reflected in the accompanying financial statements. Those Revenue Bonds which were advance refunded were paid in full on October 1, 2021.

Certificates of Participation, Series 2018

On August 30, 2018, the University issued \$13,550,000 of University Capital Improvement Project Certificates of Participation, Series 2018, with an interest rate of 5% to pay a portion of the costs of improvements and to pay the costs of issuing the Series 2018 Certificates. The original issue premium is being accreted to interest expense over the term of the Certificates.

Extraordinary Redemption Upon Event of Non-appropriation and Termination of Purchase Contract - The Series 2018 Certificates are subject to redemption upon termination by the Board of the purchase contract due to (i) an event of non-appropriation having occurred, (ii) the Board determining that there are not sufficient legally available non-appropriated funds to pay the installment payments coming due, and (iii) the Board has exercised its option to prepay the outstanding certificates plus accrued interest.

Optional Redemption - The Series 2018 Certificates due on July 1, 2028 are subject to redemption on any date on or after July 1, 2027 at the redemption price of 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, in whole or in part, and if in part, by lot. Such redemption shall be at the direction of the Board, upon at least 35 days prior written notice from the Board to the Trustee.

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

Future debt service requirements at June 30, 2023 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,185,000	\$ 463,375	\$ 1,648,375
2025	1,235,000	402,875	1,637,875
2026	1,310,000	339,250	1,649,250
2027	1,370,000	272,250	1,642,250
2028	1,445,000	201,875	1,646,875
2029	<u>3,315,000</u>	<u>82,875</u>	<u>3,397,875</u>
	<u>\$ 9,860,000</u>	<u>\$ 1,762,500</u>	<u>\$11,622,500</u>

Certificates of Participation, Series 2021

On September 23, 2021, the University issued \$6,185,000 of University Capital Improvement Project Certificates of Participation, Series 2021, for a 6-year period with an interest rate of 5.00%, to refund in advance of maturity all of the \$6,740,000 outstanding principal, plus accrued interest, on the Certificates of Participation, Series 2008 and to pay the costs of issuing the Series 2021 Certificates. The issue premium amounting to \$819,237 is being accreted to interest expense over the term of the Series 2021 Certificates. The refunding resulted in the recognition of deferred outflows of \$106,954 which are being amortized over the term of the Certificates.

Optional Redemption - The Series 2021 Certificates are not subject to optional redemption prior to maturity.

Extraordinary Redemption Upon Event of Non-appropriation and Termination of Purchase Contract - The Series 2021 Certificates are subject to redemption upon termination by the Board of the purchase contract due to (i) an event of non-appropriation having occurred, (ii) the Board determining that there are not sufficient legally available non-appropriated funds to pay the installment payments coming due, and (iii) the Board has exercised its option to prepay the outstanding certificates plus accrued interest.

Future debt service requirements at June 30, 2023 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 805,000	\$ 222,000	\$ 1,027,000
2025	845,000	181,750	1,026,750
2026	885,000	139,500	1,024,500
2027	930,000	95,250	1,025,250
2028	<u>975,000</u>	<u>48,750</u>	<u>1,023,750</u>
	<u>\$ 4,440,000</u>	<u>\$ 687,250</u>	<u>\$ 5,127,250</u>

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

The University defeased its outstanding Certificates of Participation, Series 2008 through refunding and, accordingly, those Certificates are not reflected in the accompanying financial statements. Those Certificates which were advance refunded were paid in full on September 24, 2021.

Finance Leases Payable

The University has entered into various leases for equipment with remaining term from three years to five 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-to-use asset or lease liability balance until they are reasonably certain of exercise.

As of July 1, 2021, the total present value of the leases was \$67,862 with an estimated incremental borrowing rate of 0.73% and 1.14%. See details below:

<u>Lease Item</u>	<u>Term</u>	<u>Period</u>	<u>Payment Due</u>	<u>Est. Incremental Borrowing Rate</u>	<u>Present Value</u>
Mail machines	60 months	12/30/20- 12/30/25	Quarterly - \$2,375	1.14%	\$41,609
Laundry machines	5 years	07/01/19- 06/30/24	7/1/22 - \$8,728 7/1/23 - \$8,815 7/1/24 - \$8,903	0.73%	\$26,253

Future minimum commitments for non-cancellable leases as of June 30, 2023, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 18,110	\$ 292	\$ 18,402
2025	9,378	121	9,499
2026	<u>4,729</u>	<u>20</u>	<u>4,749</u>
Total minimum lease payments	<u>\$ 32,217</u>	<u>\$ 433</u>	<u>\$ 32,650</u>

The total interest expense recognized for the lease agreements was \$397 for the year ended June 30, 2023.

GOVERNORS STATE UNIVERSITY
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NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

Subscription-Based Information Technology Arrangements

The University has entered into various multi-year subscription-based information technology arrangements (SBITAs) for the right-to-use or access vendors' information technology software (the underlying subscription assets). In accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, the University has recorded a liability representing its obligation to make annual payments over the life of the agreements. These arrangements have remaining term ranging from one to five years and require annual payments in advance over the terms. The renewal and termination options are not included in the subscription assets or subscriptions payable balance until they are reasonably certain of exercise.

As of July 1, 2022, the present value of the payments totaled \$2,459,516 with an estimated incremental borrowing rate of 4.35% to 5.48%.

Future minimum commitments for the University's non-cancellable subscriptions as of June 30, 2023, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 652,119	\$ 93,752	\$ 745,871
2025	560,140	64,152	624,292
2026	461,770	37,795	499,565
2027	310,894	16,540	327,434
2028	<u>47,870</u>	<u>2,130</u>	<u>50,000</u>
Total	<u>\$ 2,032,793</u>	<u>\$ 214,369</u>	<u>\$ 2,247,162</u>

The total interest expense recognized by the University for the subscriptions was \$91,909 for the year ended June 30, 2023.

The Foundation has entered into various multi-year subscription-based information technology arrangements (SBITAs) for the right-to-use or access vendors' information technology software (the underlying subscription assets). In accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, the Foundation has recorded a liability representing its obligation to make payments over the life of the agreement. These arrangements have remaining term ranging from three to five years and require payments in advance over the terms. The renewal and termination options are not included in the subscription assets or subscriptions payable balance until they are reasonably certain of exercise.

As of July 1, 2022, the present value of the payments totaled \$424,413 with an estimated incremental borrowing rate of 4.35%.

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

Future minimum commitments for the Foundation's non-cancellable subscriptions as of June 30, 2023, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 98,501	\$ 11,098	\$ 109,599
2025	99,790	9,809	109,599
2026	69,563	5,437	75,000
2027	<u>72,622</u>	<u>2,378</u>	<u>75,000</u>
Total	<u>\$ 340,476</u>	<u>\$ 28,722</u>	<u>\$ 369,198</u>

The total interest expense recognized by the Foundation for the subscriptions was \$15,977 for the year ended June 30, 2023.

Intangible Asset Payable

The University acquired computer software through multi-year licensing agreements. In accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, the University has recorded a liability representing its obligation to make annual payments over the life of the agreements. The license agreements are for three to five years and require various payments over the term of the agreements.

With the implementation of the GASB Statement No. 96, intangible assets, that were subscription-based information technology arrangements, and corresponding liabilities were transferred to subscription assets and subscriptions payable. There was no intangible asset payable at June 30, 2023.

NOTE 10 - ACCRUED COMPENSATED ABSENCES

Accrued compensated absences include earned but unused vacation and sick leave days valued at the current rate of pay. The change in accrued compensated absences for the year ended June 30, 2023 was as follows:

	<u>Amount</u>
Balance, beginning of year	\$ 4,337,994
Movement	<u>296,743</u>
Balance, end of year	4,634,737
Less: current portion	<u>400,000</u>
Balance, noncurrent portion	<u>\$ 4,234,737</u>

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 11 - COMPONENT UNIT

The financial statements of the Foundation (the University’s component unit) have been discretely presented in the University’s financial statements.

The Foundation has an ongoing contract with the University, which includes provisions requiring the Foundation to comply with Section VI of the “University Guidelines 1982 (as amended 1997, 2020, and 2023)” as adopted by the State of Illinois Legislative Audit Commission. The contract requires the University to provide the Foundation with personnel and operational services at no cost. University officials estimate the value of these services for the year ended June 30, 2023 at \$363,882, including all direct payroll expenses and fringe benefits. The Foundation provided the University with support in the amount of \$1,356,418 for the year ended June 30, 2023. As of June 30, 2023, \$136,037 is due to the University from the Foundation.

As of and during the fiscal year ended June 30, 2023, the University and Foundation had the following inter-entity transactions:

University	Foundation	
	Due to University	Operating Revenue
Due from Foundation	\$ 136,037	\$ -
Operating Expenses	<u>-</u>	<u>363,882</u>
Total	<u>\$ 136,037</u>	<u>\$ 363,882</u>

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The University is from time to time subject to various claims and legal actions related to the University or the actions of its employees. Although it is difficult to quantify the potential impact of these claims, University management believes that the ultimate cost of these matters will not adversely affect the University’s future financial condition or results of operations.

The University participates in certain Federal and State government agencies grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. University management believes disallowances, if any, would not have a material effect on the University’s financial position.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 13 - RESTRICTED ENDOWMENTS

The Foundation's endowment funds are generally invested in marketable securities which are valued at market as of the statement of net position date. Investment income is initially assigned to the unallocated reserve in the restricted fund. Income is then allocated to various accounts based on the endowment agreements and the approved spending plans.

On June 30, 2009, the State of Illinois passed the Uniform Prudent Management of Institutional Funds Act. This State law allows the Foundation to appropriate for expenditure an amount that it determines to be prudent for the uses, benefits, purposes, and duration for which the endowment fund was established. In making these appropriations, the Foundation must act in good faith and with the care that an ordinary prudent person in a similar position would do.

The Foundation has adopted a spending policy based on the previous calendar year appreciation rate less 1.5% fee to support Foundation operations, and the rate of inflation. The resulting rate will be applied to the endowment balance as of the end of the calendar year to determine amounts available for expenditure in the subsequent fiscal year. The Foundation transfers available investment earnings (net of the fees) to the related expendable and unrestricted accounts on an annual basis. As of June 30, 2023, the Foundation had a total of \$788,779 net cumulative appreciation from investment of endowments available for expenditure. This amount has been reported as restricted-expendable net position in the statement of net position.

NOTE 14 - PLEDGED REVENUES AND DEBT SERVICE REQUIREMENTS

The University has pledged specific revenues, 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:

PLEDGED REVENUES					
BOND ISSUE	PURPOSE	SOURCE OF REVENUE PLEDGED	FUTURE NET REVENUES PLEDGED¹	TERM OF COMMITMENT	(CURRENT YEAR) PLEDGED NET REVENUE TO DEBT SERVICE²
University Facilities System Refunding Revenue Bonds, Series 2021	Refunding of University Facilities System Revenue Bonds (Series 2007 and 2012)	Net revenues of the Student Center, University Bookstore, University Parking Facilities, University Food Service and Vending Facilities, and University Housing	\$ 23,935,863	2043	7.01%

¹ Total future principal and interest payments on debt.

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

REQUIRED SUPPLEMENTARY INFORMATION

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
REQUIRED SUPPLEMENTARY INFORMATION – PENSION
For the Year Ended June 30, 2023

Schedule of Employer's Proportionate Share of Net Pension Liability

	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
(a) Proportional percentage of the collective net pension liability	0%	0%	0%	0%	0%	0%	0%	0%	0%
(b) Proportional amount of the collective net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(c) Portion of nonemployer contributing entities' total proportion of collective net pension liability associated with employer	\$ 313,108,704	\$ 285,922,097	\$ 306,929,605	\$ 273,328,917	\$ 276,430,273	\$ 274,380,549	\$ 283,803,489	\$ 265,336,393	\$ 221,808,386
Total (b) + (c)	\$ 313,108,704	\$ 285,922,097	\$ 306,929,605	\$ 273,328,917	\$ 276,430,273	\$ 274,380,549	\$ 283,803,489	\$ 265,336,393	\$ 221,808,386
Employer Defined Benefit (DB) Covered Payroll	\$ 42,958,632	\$ 40,129,078	\$ 37,241,402	\$ 34,409,953	\$ 35,924,051	\$ 38,040,603	\$ 39,494,594	\$ 40,629,305	\$ 37,066,314
Proportion of collective net pension liability associated with employer as a percentage of DB covered payroll	728.86%	712.51%	824.16%	794.33%	769.49%	721.28%	718.59%	653.07%	598.41%
SURS Plan net position as a percentage of total pension liability	43.65%	45.45%	39.05%	40.71%	41.27%	42.04%	39.57%	42.37%	44.39%

Schedule of Employer Contributions

	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Federal, trust, grant and other contribution	\$ 267,959	\$ 237,831	\$ 123,363	\$ 109,283	\$ 107,989	\$ 114,935	\$ 100,914	\$ 88,657	\$ 95,432	\$ 171,808
Contribution in relation to the required contribution	\$ 267,959	\$ 237,831	\$ 123,363	\$ 109,283	\$ 107,989	\$ 114,935	\$ 100,914	\$ 88,657	\$ 95,432	\$ 171,808
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer DB covered payroll	\$ 45,948,188	\$ 42,958,632	\$ 40,129,078	\$ 37,241,402	\$ 34,409,953	\$ 35,924,051	\$ 38,040,603	\$ 39,494,594	\$ 40,629,305	\$ 37,066,314
Contributions as a percentage of covered-employee payroll	0.58%	0.55%	0.31%	0.29%	0.31%	0.32%	0.27%	0.22%	0.23%	0.46%

*Note: The University implemented GASB No. 68 in fiscal year 2015. The information above is presented for as many years as available. The schedules are intended to show information for 10 years.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION
For the Year Ended June 30, 2023

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

Note 1 - Changes of benefit terms.

There were no benefit changes recognized in the Total Pension Liability as of June 30, 2022.

Note 2 - Changes of assumptions.

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

1. 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.
2. 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.
3. 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.
4. 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.
5. 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.
6. Turnover rates. Change rates to produce slightly lower expected turnover for most members, while maintaining pattern of decreasing termination rates as years of service increase.
7. 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.
8. Disability rates. Establish separate rates for members in academic positions and non-academic positions and maintain separate rates for males and females.
9. 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.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
REQUIRED SUPPLEMENTARY INFORMATION – OPEB
For the Year Ended June 30, 2023

Schedule of University's Proportionate Share of the Total Other Postemployment Benefit Liability

	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>
				(1)	(1)	(1)	(1)
University's proportion of the collective total OPEB liability	0.0254%	0.0170%	0.0155%	0.0205%	0.0276%	0.0785%	0.0921%
University's proportionate share of the collective total OPEB liability	\$ 4,338,373	\$ 5,929,383	\$ 6,568,695	\$ 8,997,280	\$ 11,065,737	\$ 32,439,229	\$ 40,062,905
Proportionate share of the State's collective OPEB liability associated with the University	<u>\$ 94,918,156</u>	<u>\$ 165,297,058</u>	<u>\$ 165,703,048</u>	<u>\$ 175,571,582</u>	<u>\$ 172,906,564</u>	<u>\$ 260,759,678</u>	<u>\$ 312,776,571</u>
Total OPEB liability associated with the University	<u>\$ 99,256,529</u>	<u>\$ 171,226,441</u>	<u>\$ 172,271,743</u>	<u>\$ 184,568,862</u>	<u>\$ 183,972,301</u>	<u>\$ 293,198,907</u>	<u>\$ 352,839,476</u>
University's covered-employee payroll	\$ 54,049,507	\$ 50,820,808	\$ 47,372,063	\$ 44,689,475	\$ 47,320,919	\$ 48,307,385	\$ 50,947,450
University's proportionate share of the collective total OPEB liability as a percentage of the University's covered-employee payroll	8.03%	11.67%	13.87%	20.13%	23.38%	67.15%	78.64%

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

(1) These amounts have not been adjusted for the error correction noted in Note 16 of the Fiscal Year 2021 Financial Statements. The error occurred due to the Illinois State Toll Highway Authority (Tollway) and the State of Illinois, Department of Central Management Services not separately stating OPEB balances for Tollway employees who only partake in the State Employee Group Insurance Program (SEGIP) upon their retirement from the Tollway from other employees accounted for within SEGIP's cost-sharing proportionate share allocation of OPEB balances. This error impacted SEGIP's cost-sharing proportionate share allocation, which is used by the State of Illinois' agencies and public universities to record their OPEB activity.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB
For the Year Ended June 30, 2023

Note 1 - Payment of benefits.

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

Note 2 - Factors that affect trends in the amounts reported.

An actuarial valuation was performed as of June 30, 2021 with a measurement date as of June 30, 2022. The following assumptions were used:

- Mortality rates. Rates based on Pub-2010 Healthy Retiree Mortality tables and the most recent MP-2020 projection scale. Teachers table was used for Academic members and General Employees table was used for Non-Academic members.
- Projected salary increases. Dependent upon service and participation in the respective retirement systems. Includes inflation rate of 2.25%, projected salary increases of 2.50% - 12.75%.
- Healthcare cost trend rate:
 - Medical and Rx (Pre-Medicare Quality Care Health Plan) - Trend rates start at 8.00% in 2024, decreasing by 0.25% per year to an ultimate trend rate of 4.25% in year 2039.
 - Medical and Rx (Post-Medicare Medicare Advantage Prescription Drug) - Trend rates are 0.00% in years 2024 to 2028, 19.42% from 2029 to 2033, then 5.77% in 2034 decreasing ratably to an ultimate trend rate of 4.25% in 2039.
- Retirees' share of benefit-related costs. Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2022 and 2023 are based on actual premiums. Premiums after 2023 were projected based on the same healthcare cost trend rates applied to per capita claim costs.

SUPPLEMENTARY INFORMATION

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
UNIVERSITY FACILITIES SYSTEM REVENUE BONDS
STATEMENT OF NET POSITION
JUNE 30, 2023

	2023
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 803,021
Cash and cash equivalents, restricted	1
Accounts receivable, net of allowance	404,515
Prepaid debt service insurance - current	10,054
Total Current Assets	1,217,591
Noncurrent Assets	
Prepaid debt service insurance	191,026
Capital assets	32,611,364
Less accumulated depreciation	(10,006,568)
Total Noncurrent Assets	22,795,822
Total Assets	24,013,413
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from debts refundings	16,687
Total deferred outflows of resources	16,687
LIABILITIES	
Current Liabilities	
Accounts payable & accrued expenses	398,354
Unearned revenue	290,598
Revenue bonds payable	990,000
Finance lease payable	8,838
Subscription payable	33,229
Total Current Liabilities	1,721,019
Noncurrent Liabilities	
Revenue bonds payable	19,083,200
Subscription payable	54,562
Total Noncurrent Liabilities	19,137,762
Total Liabilities	20,858,781
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from debts refundings	3,709
Total deferred inflows of resources	3,709
NET POSITION	
Invested in capital assets, net of related debt	2,434,967
Unrestricted	732,643
Total Net Position	\$ 3,167,610

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
UNIVERSITY FACILITIES SYSTEM REVENUE BONDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	2023
OPERATING REVENUES	
Bookstore commissions	\$ 43,821
Food and vending commissions	253
Campus access and safety fees	410,961
University housing fees	2,791,374
Student support and service and other fees	5,017,801
Total Operating Revenues	8,264,210
 OPERATING EXPENSES	
Salaries and benefits	2,946,230
Scholarships and awards	524,218
Capital expenditures	152,050
Services, supplies and other	2,963,886
Depreciation	897,850
Total Operating Expenses	7,484,234
Operating Income	779,976
 NONOPERATING EXPENSES	
Interest expense	(617,727)
Net Nonoperating Expenses	(617,727)
Increase in net position	162,249
 NET POSITION	
Net position - beginning of the year	3,005,361
Net position - end of the year	\$ 3,167,610

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
UNIVERSITY FACILITIES SYSTEM REVENUE BONDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Bookstore commissions	\$ 43,821
Food and vending commissions	253
Campus access and safety fees	370,780
Student support and service and other fees	4,968,220
University housing fees	2,805,153
Payments to suppliers for goods and services	(3,937,641)
Payments to employees for services	<u>(2,922,140)</u>
Net cash provided by operating activities	<u>1,328,446</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(82,345)
Principal payments on revenue bonds	(981,886)
Interest payments on revenue bonds	<u>(742,404)</u>
Net cash used in capital financing activities	<u>(1,806,635)</u>
NET DECREASE IN CASH	(478,189)
Cash - beginning of year	<u>1,281,211</u>
Cash - end of year	<u>\$ 803,022</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 779,976
Adjustments to reconcile operating income to net cash provided by operating activities:	
Noncash expense included in net operating income:	
Depreciation expense	897,850
Changes in assets and liabilities:	
Accounts receivable, net of allowance	(178,615)
Prepaid debt service insurance	10,054
Accounts payable & accrued expenses	(283,450)
Unearned revenue	<u>102,631</u>
Net cash provided by operating activities	<u>\$ 1,328,446</u>
NONCASH INVESTING, NONCAPITAL AND CAPITAL FINANCING ACTIVITIES	
Capital assets acquired with debt	<u>\$ 147,550</u>

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
TABLE OF OPERATING EXPENSES
For the Year Ended June 30, 2023

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 year ended June 30, 2023:

	Compensation and Benefits										Other Expenses	Total Operating Expenses
	University's Expenses					State of Illinois' Expenses						
	Salaries ¹	Benefits ²	OPEB ³	Pension	Sub-Total	Benefits ²	OPEB ³	Pension	Sub-Total	Total		
Instruction	\$ 32,231,734	\$ 396,168	\$ (851,505)	\$ 37,072	\$31,813,469	\$ 4,475,782	\$ (9,310,649)	\$10,924,614	\$ 6,089,747	\$37,903,216	\$ 3,004,154	\$ 40,907,370
Research	1,334,071	99,866	(36,209)	10,082	1,407,810	190,327	(395,924)	450,056	244,459	1,652,269	434,638	2,086,907
Public service	2,790,853	361,251	(76,365)	100,258	3,175,997	401,399	(835,002)	944,254	510,651	3,686,648	1,209,694	4,896,342
Academic support	4,965,675	102,315	(135,104)	14,579	4,947,465	710,149	(1,477,272)	1,664,937	897,814	5,845,279	1,580,357	7,425,636
Student services	5,200,419	116,233	(129,775)	43,467	5,230,344	682,140	(1,419,007)	1,605,093	868,226	6,098,570	4,700,317	10,798,887
Institutional support	9,579,537	150,356	(305,236)	75,852	9,500,509	1,604,419	(3,337,557)	3,761,812	2,028,674	11,529,183	5,968,089	17,497,272
Operation and maintenance of plant	4,717,348	50,445	(130,704)	4,537	4,641,626	687,024	(1,429,167)	1,610,720	868,577	5,510,203	3,336,282	8,846,485
Auxiliary enterprises	1,347,306	13,639	(35,340)	1,252	1,326,857	185,760	(386,422)	444,285	243,623	1,570,480	1,636,593	3,207,073
Student aid	-	-	-	-	-	-	-	-	-	-	6,804,995	6,804,995
Depreciation	-	-	-	-	-	-	-	-	-	-	5,939,996	5,939,996
Total	\$ 62,166,943	\$ 1,290,273	\$ (1,700,238)	\$ 287,099	\$62,044,077	\$ 8,937,000	\$ (18,591,000)	\$21,405,771	\$11,751,771	\$73,795,848	\$ 34,615,115	\$ 108,410,963

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

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
UNIVERSITY FACILITIES SYSTEM REVENUE BONDS (UNAUDITED)
For the Year Ended June 30, 2023

Student Enrollment by Term (Unaudited)

	Total Enrollment	Full-Time Equivalent
Fall Term, 2022	4,427	3,105
Spring Term, 2023	4,019	2,798
Summer Term, 2023	2,117	956

University Fees (Unaudited)

The following mandatory fees were in effect during the 2022-2023 academic year:

	Per Credit Hour
University Facilities	\$ 39
Strategic Initiative	\$ 16
Technology	\$ 13
Health and Wellness	\$ 10
Student Support and Services	\$ 25
Student Center	\$ 16
We CARE	\$ 1
Instructional Support (Online/Off-Campus) *	\$ 41

* - Students enrolled in a totally on-line or off-campus program are charged with the online/off-campus fee of \$41 per credit hour instead of being charged with the student activity and student center fees.

	Per Term
Parking	\$ 38

Schedule of Insurance In Force (Unaudited)

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

Fire and extended coverage (buildings, EDP and contents, business interruption) (per occurrence)	\$ 1,000,000,000
Boiler and machinery (per occurrence)	\$ 100,000,000
Earthquake (per occurrence and in the aggregate)	\$ 100,000,000 **
Flood (per occurrence and in the aggregate)	\$ 100,000,000 **
General liability (per occurrence)	\$ 10,650,000
Member deductible - Property	\$ 25,000 **

** unless otherwise stated in the policy