ADELFIA LLC
CERTIFIED PUBLIC ACCOUNTANTS

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois

FINANCIAL AUDIT
For the Year Ended June 30, 2022

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

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

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Other Reports Issued Under a Separate Cover

The University's *Federal Single Audit* and *State Compliance Examination* for the year ended June 30, 2022, 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, 2022, 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
A Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended June 30, 2022

UNIVERSITY OFFICIALS

President	Dr. Cheryl F. Green
Vice President for Administration and Finance (October 11, 2021 to Present)	Dr. Corey S. Bradford
Vice President for Administration and Finance (July 1, 2021 to October 15, 2021)	Dr. W. Paul Bylaska
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

UNIVERSITY BOARD OF TRUSTEES

UNIVERSITY OFFICE

1 University Parkway
University Park, Illinois 60484

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

Financial Statement Report

Summary

The audit of the accompanying financial statements of 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 15, 2023.

ADELFIA LLC
CERTIFIED PUBLIC ACCOUNTANTS

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, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

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

We did not audit the financial statements of the Governors State University Foundation, as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. The statements of the Governors State University Foundation were audited by the 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 *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2 to the financial statements of the University, in Fiscal Year June 30, 2022, the University adopted new accounting guidance, GASB Statement No. 87, *Leases*. The implementation of this standard resulted in the inclusion of lease assets and liabilities for leases that were previously classified as operating leases. 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 on pages 7 through 17 and 66 through 69 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 on pages 71 through 73 and 74, 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 the annual report. The other information comprises the University's 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 21, 2023, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
March 21, 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, 2022. 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 Institutional Advancement, 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

Net Revenue Available from Operational Appropriations

Fiscal Year	Appropriations	Payments to Health Reserve Fund	Available Appropriations
2022	$ 24,353,300	$ (656,200)	$ 23,697,100
2021	23,193,600	(656,200)	22,537,400

On June 10, 2020, the State of Illinois adopted a complete operating budget for Fiscal Year 2021 under Public Act 101-0637, which provided the University $23,193,600 of State appropriations for general operations.

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.

Payments to the Health Reserve Fund were fully paid from State Appropriated Funds during Fiscal Years 2021 and 2022.

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 2022, about $0.7 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 2020, 162 (60%) of the 272 beds available were occupied. During the Fall of 2021, 160 (59%) 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 decreased by 7% from 100,393 in Academic Year 2020-2021 to 92,888 in Academic Year 2021-2022.

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
	2022	2021	Change	Change
Current assets	$ 77,379	$ 81,381	$ (4,002)	-5%
Noncurrent assets-capital assets	115,466	112,087	3,379	3%
Noncurrent assets-other	1,231	1,528	(297)	-19%
Total assets	194,076	194,996	(920)	0%
Deferred outflows of resources	1,262	493	769	156%
Current liabilities	17,297	15,762	1,535	10%
Noncurrent liabilities	48,084	50,964	(2,880)	-6%
Total liabilities	65,381	66,726	(1,345)	-2%
Deferred inflows of resources	4,331	4,424	(93)	-2%
Net investment in capital assets	80,450	79,294	1,156	1%
Restricted	2,342	2,178	164	8%
Unrestricted	42,834	42,867	(33)	0%
Net position	$ 125,626	$ 124,339	$ 1,287	1%

The 1% increase 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, 2022 as compared to 2021. The $4.0 million decrease was mostly attributable to the $4.2 million net decrease in restricted cash 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 $0.2 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 grants receivable due to the overall increase in Federal grant funding associated with the COVID-19 relief grants and other new grants awarded to the University, and the related timing of receipt of funds from the grantors.

Noncurrent Assets - Capital Assets
The $3.4 million net increase in noncurrent capital assets was due to the $8.4 million costs incurred during Fiscal Year 2022 in connection with the various deferred maintenance projects and acquisitions of equipment, computer software and library collections. This increase was partially offset by the $5.0 million depreciation expense recognized during Fiscal Year 2022.

Noncurrent Assets - Other

Other noncurrent assets consist primarily of the long-term portion of student loans receivable and prepaid debt service insurance. The $0.3 million decrease in noncurrent assets - other was mostly attributable to the $0.4 million decrease in student loans receivable due to loan collections. 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 without replacement of new loans to students. This decrease was partially offset by the $0.1 million increase in prepaid debt service insurance, net of amortization expense recognized during Fiscal Year 2022, as the University incurred additional insurance costs from the issuance of refunding debts in September 2021, discussed in further details in Note 9 to the financial statements.

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 $0.8 million increase was mostly attributable to the $0.1 million increase in deferred outflows from pension contributions after measurement date due to the increase in contributions for federally-grant funded employees; the $0.6 million 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; and the $0.1 million deferred outflows recognized by the University from the refunding of certain debts in September 2021 as discussed in further details in Note 9 to the financial statements.

Current Liabilities

Current liabilities include accounts payable, accrued compensated absences, unearned revenue, and the current portion of long-term liabilities, which are payable in less than one year. The $1.5 million increase in current liabilities was mostly attributable to the $2.5 million increase in accounts payable primarily due to timing of student refunds, and the timing of vendor payments mostly related to the various ongoing construction projects. This increase was partially offset by the $0.9 million decrease in unearned revenue primarily due to the decrease in credit hours for the Summer of 2022 term, coupled with the lower level of collections during the fiscal year that are attributable to the tuition and fees for the following fiscal year.

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 and the OPEB liability. The $2.9 million decrease in noncurrent liabilities was mostly attributable to the $0.2 million decrease in accrued compensated absences as majority of University employees are now back in the office (from working remotely due to the COVID-19 pandemic) and have started utilizing compensable benefits again; the $0.4 million decrease in refundable grants primarily due to the return of the Perkins Loan Program's excess funds to the U.S. Department of Education during Fiscal Year 2022; the $0.7 million decrease in the University's allocated share of the State's OPEB liability as of June 30, 2022; and the $1.7 million net decrease in the long-term portion of existing debts due to $30.5 million in principal payments made (which includes $27.0 million of outstanding principal refunded in advance of maturity), offset by $28.9 million in additional debt mostly related to the issuance of refunding debts in September 2021 as discussed in further details in Note 9 to the financial statements.

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

<u>Deferred Inflows of Resources</u>
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 2022, 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.

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
	2022	2021	Change	Change
OPERATING REVENUES				
Net student tuition and fees	$ 33,151	$ 33,438	$ (287)	-1%
Grants and contracts	5,058	4,836	222	5%
Sales and services of educational departments	-	1	(1)	-100%
Auxiliary enterprises	2,481	1,673	808	48%
Other operating revenues	1,838	1,309	529	40%
Total operating revenues	42,528	41,257	1,271	3%
OPERATING EXPENSES	124,576	126,996	(2,420)	-2%
Net operating loss	(82,048)	(85,739)	3,691	-4%
NONOPERATING REVENUES (EXPENSES)				
State appropriation	24,353	23,193	1,160	5%
Payments made on behalf of the University	8,766	7,602	1,164	15%
Fringe benefits under special funding situation	22,266	36,004	(13,738)	-38%
Federal and State nonoperating grants	26,722	22,447	4,275	19%
Investment income	157	110	47	43%
Interest expense	(1,361)	(1,710)	349	-20%
Other nonoperating revenues	3	-	3	100%
Net nonoperating revenues	80,906	87,646	(6,740)	-8%
Capital appropriations and grants provided by State of Illinois	2,429	2,567	(138)	-5%
Increase in net position	1,287	4,474	(3,187)	-71%
Net position - beginning of year, as previously stated	124,339	102,970	21,369	21%
Prior period adjustment	-	16,895	(16,895)	-100%
Net position - beginning of year	124,339	119,865	4,474	4%
Net position - end of year	$ 125,626	$ 124,339	$ 1,287	1%

For Fiscal Year 2022, the change in net position was due to the following:

Operating Revenues
Net student tuition and fees decreased by $0.3 million mostly due to a 7% decrease in credit hours from 100,393 in Academic Year 2020-2021 to 92,888 in Academic Year 2021-2022, partially offset by the increase in doctoral and graduate enrollment and the normalized tuition rate charged to out-of-state students. Out-of-state students (including international students), who are normally charged higher tuition rate than in-state students, were charged in-state tuition rate during the Academic Year 2020-2021 since the majority of on-campus courses were provided remotely due to the COVID-19 pandemic; charging the normal out-of-state tuition rate to out-of-state students resumed in Fall of 2021 (Academic Year 2021-2022).

Grants and contracts increased by $0.2 million due to the $1.1 million increase in revenues received from Federal grants attributable to the new Federal grants awarded to the University during Fiscal Year 2022 (such as Shuttered Venue Operations grant, Illinois Tutoring Initiative grant, TRIO grant and Childcare Workforce grant); partially offset by the $0.9 million decrease in revenues received from State and other grants mostly due to decreased funding received by the University for various existing State grants during Fiscal Year 2022.

Auxiliary enterprises (mostly comprised of the operations of housing, parking and center for performing arts) and other operating revenues (mostly comprised of various training programs, media productions, and the operations of family development center and farm) increased by $0.8 million and $0.5 million, respectively, as the University operations have normalized during Fiscal Year 2022, compared to the economic challenges in Fiscal Year 2021 caused by the COVID-19 pandemic.

Operating Expenses (by functional classification)

	(in thousands)			Percent
	2022	2021*	Change	Change
Instruction	$ 49,464	$ 56,193	$ (6,729)	-12%
Research	1,291	791	500	63%
Public service	4,873	5,397	(524)	-10%
Academic support	8,896	9,325	(429)	-5%
Student services	11,610	9,426	2,184	23%
Institutional support	19,881	19,976	(95)	0%
Operation and maintenance of plant	9,945	10,033	(88)	-1%
Auxiliary enterprises	2,628	2,517	111	4%
Student aid	10,996	8,636	2,360	27%
Depreciation	4,992	4,702	290	6%
Total operating expenses	$ 124,576	$ 126,996	$ (2,420)	-2%

**Certain reclassifications have been made between expense functional classification in 2021 to conform to the 2022 presentation. These reclassifications did not have an impact to the amount of total operating expenses in 2021.*

Total operating expenses decreased by $2.4 million mostly due to decrease in personnel costs attributable to the net decrease in expenses recognized for the University's proportionate share of State funded health care, retirement, and other postemployment benefits. These decreases were partially offset by the 3.0% across the board salary increase during Fiscal Year 2022; the increase in contractual and other expenditures as the University normalized its operations during Fiscal Year 2022, coming from the COVID-19 pandemic situation in prior year where reduction of activities occurred; and the $2.4 million increase in student aid mostly due to the increase in the Federal and State nonoperating grants attributable to the various COVID-19 relief grant funding received from the Federal Government.

Operating Expenses (by natural classification)

	(in thousands)			Percent
	2022	2021	Change	Change
Salaries and benefits	$ 88,574	$ 98,455	$ (9,881)	-10%
Student aid	10,996	8,636	2,360	27%
Capital expenditures	2,633	2,142	491	23%
Services, supplies and other	17,381	13,061	4,320	33%
Depreciation	4,992	4,702	290	6%
Total operating expenses	$ 124,576	$ 126,996	$ (2,420)	-2%

Salaries and benefits, representing the University's largest operating expense, decreased by $9.9 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 3.0% across the board salary increase during Fiscal Year 2022. Student aid increased by $2.4 million mostly due to the increase in the Federal and State nonoperating grants attributable to the various COVID-19 relief grant funding received from the Federal Government. Capital expenditures increased by $0.5 million as the University continues with its deferred maintenance project initiatives that were delayed during the budget impasse and COVID-19 pandemic. Services, supplies and other increased by $4.3 million primarily as a result of normalized operations during Fiscal Year 2022, coming from the COVID-19 pandemic situation in prior year where reduction of activities occurred. Depreciation increased by $0.3 million as certain deferred maintenance projects are completed and depreciated during the Fiscal Year 2022.

Nonoperating Revenues (Expenses)
During Fiscal Year 2022, the University received a 5% increase from Fiscal Year 2021 in State appropriation revenue from the State of Illinois.

Payments made on behalf of the University increased by $1.2 million primarily due to the increase in the University's proportionate share of State funded health, life, and dental insurance benefits for active University employees increasing from 65.39% (Fiscal Year 2021) to 68.64% (Fiscal Year 2022) of costs incurred.

Fringe benefits under special funding situation decreased by $13.7 million primarily due to the $3.5 million decrease in the University's proportionate share of State funded health, life, and dental insurance benefits for retired University employees, and the $10.2 million decrease in the University's proportionate share of the State funded retirement benefits.

Federal and State nonoperating grant revenues increased by $4.3 million primarily due to the increase in the COVID-19 relief grant funding received from the Federal Government.

Interest expense decreased by $0.3 million as principal payments were made against the outstanding balance of existing debts. In addition, the University has issued refunding debts in September 2021, which resulted in a lower all-in true interest cost to the University, discussed in further details in Note 9 to the financial statements.

Capital appropriations and grants provided by State of Illinois pertain to the various construction projects (main building roofing, campus roadway and sidewalk improvements, piping, and arts in architecture projects) funded by the Illinois Capital Development Board (CDB). The $0.1 million decrease was primarily due to the timing of constructions costs incurred by CDB.

<u>Prior Period Adjustment</u>
As disclosed in Note 16 to the Fiscal Year 2021 Financial Statements, the University restated its beginning net position during Fiscal Year 2021. The $16.9 million restatement was mostly attributable to an error correction that 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 Employees 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. At the University, this correction also impacted the beginning OPEB liability and the related deferred inflows of resources and deferred outflows of resources. The University also restated its net position for the adoption of GASB Statement No. 84.

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
	2022	2021	Change	Change
Net cash provided by (used in):				
Operating activities	$ (47,600)	$ (37,233)	$ (10,367)	28%
Noncapital financing activities	50,656	47,806	2,850	6%
Capital financing activities	(7,451)	(6,847)	(604)	9%
Investing activities	(5,970)	10,120	(16,090)	-159%
Net increase (decrease) in cash and cash equivalents	(10,365)	13,846	(24,211)	-175%
Cash and cash equivalents - beginning of year	69,787	55,941	13,846	25%
Cash and cash equivalents - end of year	$ 59,422	$ 69,787	$ (10,365)	-15%

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 increased by $10.4 million primarily due to the decreases in receipts from student tuition and fees, partially offset by the increases in receipts from grants and contracts, auxiliary enterprises, and other operating revenues; and increases in payments for scholarships, payments to employees for wages and fringe benefits, and payments to vendors for services and supplies.

Net cash provided by noncapital financing activities increased by $2.8 million due to the $6.7 million increase in the Federal and State nonoperating grants receipts, partially offset by the $3.9 million decrease in State appropriation receipts primarily due to timing.

Net cash used in capital financing activities increased by $0.6 million due to the University reimbursing about $2.0 million in amounts of capital grants provided by State of Illinois for CDB-funded projects managed by the University during Fiscal Year 2021; no such reimbursement occurred during Fiscal Year 2022. This increase was partially offset by the $0.3 million decrease in payments for purchases of capital assets, $0.4 million decrease in principal payments on capital debt, and $0.7 million decrease in interest payments on capital debt.

Net cash used in investing activities increased by $16.1 million mostly due to the $12.5 million increase in the purchase of investment securities, and the $3.6 million decrease in the proceeds from sales and maturities of investment securities.

UNIVERSITY'S DEBT RATINGS

On May 14, 2019, Moody's Investors Service affirmed the "Ba3" rating on the University's Series 2007 University Facilities System Revenue Bonds, and the "B1" rating on the University's Series 2008 Certificates of Participation. The outlook was revised from negative to stable.

On April 9, 2020, S&P Global Ratings revised the outlook to negative from stable and affirmed its "BB+" underlying rating on the University's Series 2007 and 2012 University Facilities System Revenue Bonds and Series 2008 Certificates of Participation.

On December 21, 2020, Moody's Investors Service issued its annual comment on the University and has not changed its rating and outlook on the University's Series 2007 University Facilities System Revenue Bonds and Series 2008 Certificates of Participation from its May 14, 2019 rating action as discussed above.

On March 11, 2021, S&P Global Ratings revised the outlook to stable from negative and affirmed its "BB+" underlying rating on the University's Series 2007 and 2012 University Facilities System Revenue Bonds and Series 2008 Certificates of Participation.

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 2023 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 2022 (and beyond), and in retaining those classes of first-year students who began in the fall semesters of 2018, 2019, 2020 and 2021.

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

	University	Component Unit
ASSETS		
Current assets		
Cash and cash equivalents (Notes 2 and 3)	$ 57,614,908	$ 734,373
Cash and cash equivalents, restricted (Notes 2, 3 and 4)	1,806,784	-
Investments, restricted (Notes 2, 3 and 4)	6,127,155	-
Accounts receivable, net of allowance for uncollectible accounts of $7,670,000 (Note 2)	4,258,750	-
Grants receivable (Note 2)	5,609,701	-
State appropriation receivable	74,687	-
Student loans - current (Note 2)	401,878	-
Due from component unit (Note 11)	208,509	-
Prepaid debt service insurance - current (Notes 2 and 9)	83,276	-
Inventories (Note 2)	283,783	-
Other assets	909,762	3,453
Total current assets	77,379,193	737,826
Noncurrent assets		
Investments (Notes 2 and 3)	-	5,502,420
Student loans, net of allowance for uncollectible loans of $306,391 (Note 2)	652,871	-
Prepaid debt service insurance (Notes 2 and 9)	577,932	-
Capital assets (Notes 2 and 8)	209,336,719	2,458,551
Accumulated depreciation (Note 8)	(93,870,426)	(60,930)
Total noncurrent assets	116,697,096	7,900,041
Total assets	194,076,289	8,637,867
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions after measurement date (Notes 2 and 5)	237,831	-
Deferred outflows from other postemployment benefits (Notes 2 and 7)	915,091	-
Deferred outflows from debt refundings (Notes 2 and 9)	109,196	-
Total deferred outflows of resources	1,262,118	-
LIABILITIES		
Current liabilities		
Accounts payable	10,758,631	37,647
Accrued compensated absences (Notes 2 and 10)	400,000	-
Due to University (Note 11)	-	208,509
Unearned revenue (Note 2)	2,716,516	-
Revenue bonds payable (Note 9)	945,000	-
Certificates of participation (Note 9)	1,885,000	-
Finance lease payable (Notes 2 and 9)	17,854	-
Intangible asset payable (Note 9)	381,665	23,425
Other postemployement benefits (Note 7)	192,119	-
Total current liabilities	17,296,785	269,581
Noncurrent liabilities		
Accrued compensated absences (Notes 2 and 10)	3,937,994	-
Refundable grants	2,102,905	-
Revenue bonds payable (Note 9)	20,186,093	-
Certificates of participation (Note 9)	15,761,599	-
Finance lease payable (Notes 2 and 9)	32,217	
Intangible asset payable (Note 9)	326,341	-
Other postemployement benefits (Note 7)	5,737,264	-
Total noncurrent liabilities	48,084,413	-
Total liabilities	65,381,198	269,581
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from other postemployment benefits (Notes 2 and 7)	4,327,108	-
Deferred inflows from debt refundings (Notes 2 and 9)	4,451	-
Total deferred inflows of resources	4,331,559	-
NET POSITION (Notes 2 and 16)		
Net investment in capital assets	80,449,670	2,374,196
Restricted:		
Nonexpendable	-	3,363,463
Expendable		
Loans	790,079	-
Debt service	1,524,641	-
Other	27,075	2,122,788
Unrestricted	42,834,185	507,839
Total net position	$ 125,625,650	$ 8,368,286

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, 2022

	University	Component Unit
OPERATING REVENUES		
Student tuition and fees, net of scholarship allowances of $12,809,910 (Note 2)	$ 33,150,597	$ -
Federal grants and contracts	4,087,943	-
State grants and contracts	873,196	-
Other grants and contracts	96,901	100,501
Auxiliary enterprises	2,480,695	-
Other operating revenues	1,838,031	357,799
Total operating revenues	42,527,363	458,300
OPERATING EXPENSES		
Instruction	49,464,551	-
Research	1,290,694	-
Public service	4,872,553	-
Academic support	8,896,422	-
Student services	11,609,981	-
Institutional support	19,880,765	-
Operation and maintenance of plant	9,945,099	-
Auxiliary enterprises	2,627,911	-
Student aid	10,996,154	-
Depreciation	4,991,581	34,137
University support	-	956,493
Other expense	-	481,481
Total operating expenses	124,575,711	1,472,111
Net operating loss	(82,048,348)	(1,013,811)
NONOPERATING REVENUES (EXPENSES)		
State appropriation	24,353,300	-
Payments made on behalf of the University	8,766,000	-
Fringe benefits under special funding situation	22,266,262	
Federal and State nonoperating grants	26,722,337	-
Gifts	-	466,112
Investment income (loss)	156,986	(671,296)
Interest expense	(1,361,915)	-
Other nonoperating income	3,000	-
Net nonoperating revenues (expenses)	80,905,970	(205,184)
Loss before other revenues, expenses, gains and losses	(1,142,378)	(1,218,995)
Capital appropriations and grants provided by State of Illinois	2,429,185	-
Additions to permanent endowments	-	495,284
Increase (decrease) in net position	1,286,807	(723,711)
NET POSITION (Note 2)		
Net position - beginning of year	124,338,843	9,091,997
Net position - end of year	$ 125,625,650	$ 8,368,286

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, 2022

	University	Component Unit
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 32,323,537	$ -
Grants and contracts	4,697,621	100,501
Payments to suppliers	(19,233,027)	(967,290)
Payments for scholarships	(10,996,154)	(296,649)
Payments to employees and fringe benefits	(59,009,807)	-
Auxiliary enterprises	2,480,695	-
Student loans issued	(59,498)	-
Student loans collected	358,207	-
Other operating revenues	1,838,031	13,208
Net cash used in operating activities	(47,600,395)	(1,150,230)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriation	24,278,613	-
Federal and State nonoperating grants	26,377,517	-
Contributions	-	466,112
Contributions for permanent endowments	-	495,284
Cash provided by noncapital financing activities	50,656,130	961,396
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(3,430,043)	(101,884)
Principal payments on capital debt	(2,793,584)	-
Interest payments on capital debt	(1,227,485)	-
Net cash used in capital financing activities	(7,451,112)	(101,884)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investment securities	6,347,080	1,386,957
Investment income	205,994	95,710
Investment management fees	-	(66,020)
Purchase of investment securities	(12,523,244)	(1,347,234)
Net cash provided by (used in) investing activities	(5,970,170)	69,413
Net increase in cash and cash equivalents	(10,365,547)	(221,305)
Cash and cash equivalents - beginning of year	69,787,239	955,678
Cash and cash equivalents - end of year	$ 59,421,692	$ 734,373
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Net operating loss	$ (82,048,348)	$ (1,013,811)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Noncash expenses included in net operating loss:		
Depreciation	4,991,581	34,137
Payments made on behalf of the University	8,766,000	-
Fringe benefits under special funding situation	22,266,262	-
Changes in assets, deferred outflows of resources, deferred inflows of resouces and liabilities:		
Accounts receivable, grants receivable and due from component unit	112,497	-
Inventories	30,721	-
Other assets	44,573	-
Student loans	438,561	-
Prepaid debt service insurance	(146,352)	-
Deferred outflows of resources	(659,819)	-
Accounts payable, due to component unit, and due to University	719,926	(170,556)
Unearned revenue	(887,117)	-
Accrued compensated absences	(120,639)	-
Refundable grants	(372,146)	-
Other postemployment benefits	(639,312)	-
Deferred inflows of resources	(96,783)	-
Net cash used in operating activities	$ (47,600,395)	$ (1,150,230)
NONCASH INVESTING, NONCAPITAL AND CAPITAL FINANCING ACTIVITIES		
Capital assets acquired with debt	$ 623,283	$ 23,425
Capital appropriations	$ 2,429,185	$ -
Unrealized loss on investments	$ -	$ (992,596)

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

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, 2022 was conducted by an independent certified public accountant. Complete financial statements for this component unit may be obtained by writing the: Vice President for Institutional Advancement, 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.

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.

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.

Accounts, Grants, and Student Loans Receivable

An aging of accounts, grants, and student loans receivable as of June 30, 2022 is as follows:

Not in repayment	$ 292,715
Current	8,161,498
Up to 120 days past due	1,074,300
From 121 to 365 days past due	1,199,964
More than 365 days past due	8,245,801
Allowance for doubtful accounts	(7,976,391)
Net accounts, grants, student loans, and State appropriation receivable	$10,997,887

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

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Special Funding Situation Portion of OPEB

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

During the OPEB measurement period ended June 30, 2021, the University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $227,111 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

On-Behalf 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, 2022.

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, 2022, total estimated group insurance contributions for the University's employees paid from the University's Income Fund and auxiliary enterprises were $9,216,000. The University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $450,000 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 $8,766,000 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.

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 to/deductions 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

During the year ended June 30, 2022, the University adopted the following accounting pronouncements:

- GASB Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. As a result of implementing GASB Statement No. 87, the University has recorded lease assets and liabilities for leases that were previously classified as operating leases. The implementation of this statement did not have a material impact to the University's financial statements.

- GASB Statement No. 92, *Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement did not have a material impact to the University's financial statements.

- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This statement did not have a material impact to the University's financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Adoption of GASB Statements

Effective for the year ending June 30, 2023, the University will adopt the following GASB statements:

- 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.

- 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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 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.

- 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.

Effective for the year ending June 30, 2024, the University will adopt the following GASB statements:

- GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. 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.

- GASB Statement No. 101, *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

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

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

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, 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 the Higher Education Emergency Relief Fund 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, 2023, but this can be extended for up to one additional year. The following chart reflects the remaining balance of this activity at June 30, 2022, which the University intends to claim and recognize as non-operating revenue in the future fiscal year.

	Award		**Remaining Balance**	
	University's Portion	Student Aid Portion	University's Portion	Student Aid Portion
HEERF 1	$ 1,851,301	$ 1,851,301	$ -	$ -
HEERF 2	4,496,723	1,851,301	-	-
HEERF 3	4,870,030	5,288,070	684,477	-

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 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

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, 2022 is as follows:

	University	Foundation
Statement of Net Position		
Cash and cash equivalents	$ 57,614,908	$ 734,373
Cash and cash equivalents, restricted	1,806,784	-
Investments, restricted	6,127,155	-
Investments	-	5,502,420
Total	$ 65,548,847	$ 6,236,793
Deposits and Investments		
Cash in bank	$ 6,440,312	$ 241,325
Cash on hand	8,025	-
Investments	59,100,510	5,995,468
Total	$ 65,548,847	$ 6,236,793

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, 2022. The remaining bank balances as of June 30, 2022 were fully collateralized. The University's and Foundation's respective bank balances were $7,954,285 and $251,314 as of June 30, 2022. 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 carrying amount and fair value of the investment portfolio of the University at June 30, 2022 are as follows:

Investments:	Credit Rating	Maturity	Carrying Amount	Fair Value
Money Market Funds	Moody's Aaa-mf	< 1 year	$ 1,806,784	$ 1,806,784
U.S. Agencies	Moody's Aaa	< 1 year	6,136,746	6,127,155
Illinois Funds	Fitch's AAAmmf	< 1 year	51,166,571	51,166,571
Total			$ 59,110,101	$ 59,100,510

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, 2022 is as follows:

	Fair Value	Level 1	Level 2	Level 3
Money Market Funds	$ 1,806,784	$ 1,806,784	$ -	$ -
U.S. Agencies	6,127,155	-	6,127,155	-
Illinois Funds	51,166,571	51,166,571	-	-
Total	$ 59,100,510	$ 52,973,355	$ 6,127,155	$ -

Custodial Credit Risk - is the risk that in the event of custodian failure, investment principal may not be returned. At June 30, 2022, investments consisted of money market funds and U.S. agency securities held in corporate trust accounts at Amalgamated Bank of Chicago 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.

Interest Rate Risk - exists when there is a possibility that changes in interest rates could adversely affect an investment's value. The University does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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 does not have a formal policy limiting credit risk.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Foundation Investments

The fair value of the investment portfolio of the Foundation at June 30, 2022 is as follows:

	Fair Value
Money Market Funds	$ 414,195
Illinois Funds	78,853
Stocks/Mutual Funds investing in stocks	4,520,030
Mutual Funds investing in bonds	790,517
Corporate Bonds	191,873
Total	$ 5,995,468

The valuation by levels at June 30, 2022 is as follows:

	Fair Value	Level 1	Level 2	Level 3
Money Market Funds	$ 414,195	$ 414,195	$ -	$ -
Illinois Funds	78,853	78,853	-	-
Stocks/Mutual Funds investing in stocks	4,520,030	4,520,030	-	-
Mutual Funds investing in bonds	790,517	790,517	-	-
Corporate Bonds	191,873	-	191,873	-
Total	$ 5,995,468	$ 5,803,595	$ 191,873	$ -

Custodial Credit Risk - is the risk that in the event of custodian failure, investment principal may not be returned. At June 30, 2022, investments consisted of money market funds, stocks, mutual funds, and corporate bonds. All investments other than Illinois Funds are being held by the First Midwest 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 laddered portfolio with maturities occurring at regular intervals.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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 money market fund was invested in Northern Trust Institutional U.S. Government Select Portfolio which has a maturity of < 1 year and a credit rating of AAAm. The Illinois Funds has a maturity of < 1 year and a credit rating of AAAm.

The maturities of the debt securities investment portfolio (at fair value) of the Foundation at June 30, 2022 are as follows:

		Investment Maturity (in Years)			
	Fair Value	Less Than 1	1 - 5	5 - 10	10 or More
Mutual Funds investing in bonds	$ 790,517	$ -	$ 458,850	$ 82,311	$ 249,356
Corporate Bonds	191,873	50,007	96,867	44,999	-
Total	$ 982,390	$ 50,007	$ 555,717	$ 127,310	$ 249,356

The Standard & Poor's credit ratings of the debt securities investment portfolio (at market value) of the Foundation at June 30, 2022 are as follows:

Credit Rating	Total Debt Securities
No Rating	$ 790,517
AA-	98,722
A+	93,151
Total	$ 982,390

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%.

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, 2022 amounted to $7,933,939.

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, certain affiliated organizations, and certain other State educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State's financial reporting entity and is included in the State's Annual Comprehensive Financial Report as a pension trust fund. SURS is governed by Chapter 40, Act 5, Article 15 of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org.

Benefits Provided

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

NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)

Contributions

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

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

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

Net Pension Liability

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

Employer Proportionate Share of Net Pension Liability

The amount of the proportionate share of the NPL to be recognized for the University is $0. The proportionate share of the State's NPL associated with the University is $285,922,097 or 1.0022%. The University's proportionate share changed by (0.0002%) from 1.0024% since the last measurement date on June 30, 2020. This amount is not recognized in the University's financial statements. The NPL and total pension liability as of June 30, 2021, was determined based on the June 30, 2020, actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS defined benefit plan during Fiscal Year 2020.

NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)

Defined Benefit Pension Expense

For the year ending June 30, 2021, SURS defined benefit plan reported a collective net pension expense of $2,342,460,058.

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 2020. As a result, the University recognized revenue and defined benefit pension expense of $23,476,931 from this special funding situation during the year ended June 30, 2022.

Deferred Outflows and Deferred Inflows of Resources Related to Defined Benefit Pensions

Deferred outflows of resources are the consumption of net position by SURS that is applicable to future reporting periods. Conversely, deferred inflows of resources are the acquisition of net position by SURS that is applicable to future reporting periods.

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

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

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:

Year Ending June 30,	Net Deferred Outflows of Resources
2022	$ 34,095,451
2023	(197,005,703)
2024	(538,343,058)
2025	(691,825,577)
2026	-
Thereafter	-
Total	($ 1,393,078,887)

University's Deferral of Fiscal Year 2022 Contributions

The University paid $237,831 in Federal, trust or grant contributions to SURS defined benefit pension plan during the year ended June 30, 2022. These contributions were made subsequent to the pension liability measurement date of June 30, 2021, and are recognized as deferred outflows of resources as of June 30, 2022.

Assumptions and Other Inputs

Actuarial assumptions

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

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

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

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, 2021, 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	41.0%	6.30%
Stabilized Growth		
Credit Fixed Income	14.0%	1.82%
Core Real Assets	5.0%	3.92%
Options Strategies	6.0%	4.20%
Non-Traditional Growth		
Private Equity	7.5%	10.45%
Non-Core Real Assets	2.5%	8.83%
Inflation Sensitive		
U.S. Tips	6.0%	(0.22%)
Principal Protection		
Core Fixed Income	8.0%	(0.81%)
Crisis Risk Offset		
Systematic Trend Following	3.5%	3.45%
Alternative Risk Premia	3.0%	2.30%
Long Duration	3.5%	0.91%
Total	100%	4.43%
Inflation		2.25%
Expected arithmetic return		6.68%

NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate

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

Sensitivity of the System's Net Pension Liability to Changes in the Discount Rate

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

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

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

NOTE 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

NOTE 6 - DEFINED CONTRIBUTION PENSION PLAN (Continued)

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

Benefits Provided

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

Contributions

All employees who have elected to participate in the RSP are required to contribute 8.0% of their annual covered earnings. Section 15-158.2(h) of the Illinois Pension Code provides for an employer contribution to the RSP of 7.6% of employee earnings. The State is primarily responsible for contributing to the RSP on behalf of the individual employers. Employers are required to make the 7.6% 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.

NOTE 6 - DEFINED CONTRIBUTION PENSION PLAN (Continued)

Pension Expense Related to Defined Contribution Pensions

Defined Contribution Pension Expense

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

Employer Proportionate Share of Defined Contribution Pension Expense

The employer proportionate share of collective defined contribution pension expense is recognized as nonoperating revenue with matching operating expense (compensation and benefits) in the financial statements. The basis of allocation used in the proportionate share of collective defined contribution pension expense is the actual reported pensionable contributions made to the RSP during Fiscal Year 2021. The University's share of pensionable contributions was 0.9024%. As a result, the University recognized revenue and defined contribution pension expense of $688,331 from this special funding situation during the year ended June 30, 2022, of which $53,035 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.

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 2022, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $11,363 ($6,290 if Medicare eligible) per member if the annuitant chose benefits provided by a health maintenance organization and $13,619 ($5,623 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.

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 ($1,899,000) during the year ended June 30, 2022. 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, 2022.

While the University is not required to record the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation, the University is required to disclose this amount. The following chart displays the proportionate share of the State's contributions related to the University's special funding situation relative to all employer contributions during the years ended June 30, 2021 and 2020, each based on the June 30, 2020 and 2019, respectively, actuarial valuation rolled forward:

Measurement Date:	June 30, 2021	June 30, 2020
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$165,297,058	$165,703,048
SEGIP total OPEB liability	$34,911,897,307	$42,366,626,302
Proportionate share of the total OPEB liability	0.4735%	0.3911%

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, 2022, was measured as of the measurement date on June 30, 2021, with an actuarial valuation as of June 30, 2020, 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, 2021 and 2020, each based on the June 30, 2020 and 2019, respectively, actuarial valuation rolled forward:

Measurement Date:	June 30, 2021	June 30, 2020
University's OPEB liability	$5,929,383	$6,568,695
SEGIP total OPEB liability	$34,911,897,307	$42,366,626,302
Proportionate share of the total OPEB liability	0.0170%	0.0155%

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, 2021. As of the current year measurement date of June 30, 2021, the University's proportion increased by 0.0015% from its proportion measured as of the prior year measurement date of June 30, 2020.

The University recognized OPEB expense for the year ended June 30, 2022 of ($1,082,464). At June 30, 2022, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2021, from the following sources:

Deferred outflows of resources		
Differences between expected and actual experience	$	43,310
Changes of assumptions		134,121
Changes in proportion and differences between employer contributions and proportionate share of contributions		545,541
University contributions subsequent to the measurement date		192,119
Total deferred outflows of resources	$	915,091
Deferred inflows of resources		
Differences between expected and actual experience	$	41,253
Changes of assumptions		1,631,855
Changes in proportion and differences between employer contributions and proportionate share of contributions		2,654,000
Total deferred inflows of resources	$	4,327,108

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 ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	
2023	$ (1,358,780)
2024	(1,235,044)
2025	(760,930)
2026	(220,792)
2027	(28,590)
Total	$ (3,604,136)

Actuarial methods and assumptions

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

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

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.25%
Projected Salary Increases*	2.50% - 12.25%
Healthcare Cost Trend Rate:	
Medical and Rx (Pre-Medicare and Post-Medicare)	8.00% grading down 0.25% per year over 15 years to 4.25% in year 2038. There is no additional trend rate adjustment due to the repeal of the Excise Tax.
Dental and Vision	3.75% grading up 0.25% in the first year to 4.00% through 2038.

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

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% for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100% of the required dependent premium. Premiums for plan year 2021 and 2022 are based on actual premiums. Premiums after 2022 were projected based on the same healthcare cost trend rates applied to per capita claim costs.

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)	8.25% grading down 0.25% per year over 16 years to an ultimate trend of 4.25% in the year 2037. There is no additional trend rate adjustment due to the repeal of the Excise Tax.
Dental and Vision	4.00% grading up 0.25% in the first year to 4.25% through 2037.

NOTE 7 - POSTEMPLOYMENT BENEFITS (Continued)

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

	Retirement age experience study[1]	Mortality[2]
GARS	July 2015 - June 2018	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 99% for males and females and generational mortality improvements using MP-2018 two-dimensional mortality improvement scales.
JRS	July 2015 - June 2018	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 102% for males and 98% for females and generational mortality improvements using MP-2018 two-dimensional mortality improvement scales.
SERS	July 2015 - June 2018	Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2018 generational mortality improvement factors were updated to projection scale MP-2018.
TRS	July 2014 - June 2017	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2017.
SURS	July 2014 - June 2017	RP-2014 White Collar, gender distinct, projected using MP-2014 two dimensional mortality improvement scale, set forward one year for male and female annuitants.

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

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

NOTE 7 - POSTEMPLOYMENT BENEFITS (Continued)

Discount rate

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

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

The following presents the University's proportionate share of the plan's total OPEB liability measured as of June 30, 2021, calculated using a Single Discount Rate of 1.92%, 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 (2.92%) or lower (0.92%) than the current rate:

	1 % Decrease 0.92%	Current Single Discount Rate Assumption 1.92%	1% Increase 2.92%
University's proportionate share of total OPEB liability	$ 7,002,558	$ 5,929,383	$ 5,080,276

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, 2021, 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 2023 decreasing to an ultimate trend rate of 4.25% in 2038.

	1 % Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
University's proportionate share of total OPEB liability	$ 4,947,885	$ 5,929,383	$ 7,228,151

NOTE 7 - POSTEMPLOYMENT BENEFITS (Continued)

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, 2021 and 2020, each based on the June 30, 2020 and 2019, respectively, actuarial valuation rolled forward:

Measurement Date:	June 30, 2021	June 30, 2020
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$165,297,058	$165,703,048
University's OPEB liability	$5,929,383	$6,568,695
Total OPEB liability associated with the University	$171,226,441	$172,271,743
SEGIP total OPEB liability	$34,911,897,307	$42,366,626,302
Proportionate share of the OPEB liability associated with the University	0.4905%	0.4066%

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, 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.

NOTE 8 - CAPITAL ASSETS (Continued)

Interest incurred during the period of construction of $428,891 was recognized as an expense during the fiscal year ended June 30, 2022.

Capital assets activity for the University for the year ended June 30, 2022 are summarized as follows:

	Balance June 30, 2021	Additions	Deletions	Transfers	Balance June 30, 2022
Capital assets not being depreciated:					
Land	$ 1,389,086	$ -	$ -	$ -	$ 1,389,086
Construction in progress	8,266,252	6,969,748	-	(4,165,091)	11,070,909
Artwork/Artifacts	431,323	-	-	-	431,323
Total capital assets not being depreciated	$ 10,086,661	$ 6,969,748	$ -	$ (4,165,091)	$ 12,891,318
Other capital assets:					
Site improvements	$ 10,591,897	$ 75,002	$ -	$ -	$ 10,666,899
Buildings	156,154,491	281,482	-	4,165,091	160,601,064
Intangible assets	3,228,622	623,283	-	-	3,851,905
Finance leases assets	-	67,862	-	-	67,862
Equipment	12,824,179	318,485	(653,649)	-	12,489,015
Library collection	12,096,995	35,635	(3,363,974)	-	8,768,656
Total other capital assets	194,896,184	1,401,749	(4,017,623)	4,165,091	196,445,401
Accumulated depreciation:					
Site improvements	(5,273,712)	(472,877)	-	-	(5,746,589)
Buildings	(61,462,692)	(3,603,456)	-	-	(65,066,148)
Intangible assets	(2,175,743)	(553,547)	-	-	(2,729,290)
Finance leases assets	-	(17,998)	-	-	(17,998)
Equipment	(11,964,682)	(316,698)	652,649	-	(11,628,731)
Library collection	(12,018,639)	(27,005)	3,363,974	-	(8,681,670)
Total accumulated depreciation	(92,895,468)	(4,991,581)	4,016,623	-	(93,870,426)
Other capital assets, net	$102,000,716	$ (3,589,832)	$ (1,000)	$ 4,615,091	$102,574,975
Capital assets summary:					
Capital assets not being depreciated	$ 10,086,661	$ 6,969,748	$ -	$ (4,165,091)	$ 12,891,318
Other capital assets	194,896,184	1,401,749	(4,017,623)	4,165,091	196,445,401
Accumulated depreciation	(92,895,468)	(4,991,581)	4,016,623	-	(93,870,426)
Total capital assets, net	$112,087,377	$ 3,379,916	$ (1,000)	$ -	$115,466,293

NOTE 8 - CAPITAL ASSETS (Continued)

Capital assets activity for the Foundation for the year ended June 30, 2022 are summarized as follows:

	Balance June 30, 2021	Additions	Deletions	Transfers	Balance June 30, 2022
Capital assets not being depreciated:					
Artwork/Artifacts	$ 2,317,156	$ 50,000	$ -	$ -	$ 2,367,156
Other capital assets:					
Intangible assets	53,586	37,809	-	-	91,395
Total capital assets	2,370,742	87,809	-	-	2,458,551
Accumulated depreciation:					
Intangible assets	(26,793)	(34,137)	-	-	(60,930)
Total accumulated depreciation	(26,793)	(34,137)	-	-	(60,930)
Total capital assets, net	$ 2,343,949	$ 53,672	$ -	$ -	$ 2,397,621

NOTE 9 - LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

Changes in long-term obligations for the year ended June 30, 2022 were as follows:

	Balance June 30, 2021	Additions	Deductions	Balance June 30, 2022	Amounts Due Within One Year
Intangible asset payable	$ 666,496	$ 625,567	$ 584,057	$ 708,006	$ 381,665
Finance leases payable	-	59,134	9,063	50,071	17,854
Revenue bonds 2007	3,955,000	-	3,955,000	-	-
Revenue bonds 2012	17,315,000	-	17,315,000	-	-
Revenue bonds 2021	-	18,845,000	-	18,845,000	945,000
Certificates of participation 2008	6,740,000	-	6,740,000	-	-
Certificates of participation 2018	11,875,000	-	895,000	10,980,000	1,120,000
Certificates of participation 2021	-	6,185,000	980,000	5,205,000	765,000
	40,551,496	25,714,701	30,478,120	35,788,077	3,229,519
Unamortized discounts	(78,520)	-	(78,520)	-	-
Unamortized premiums	872,082	3,190,000	314,390	3,747,692	-
	$ 41,345,058	$ 28,904,701	$ 30,713,990	$ 39,535,769	$ 5,114,519

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:

Term Bonds due October 1, 2036		Term Bonds due October 1, 2042	
Year	Principal Amount	Year	Principal Amount
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

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

Future debt service requirements at June 30, 2022 are as follows:

Year Ending June 30	Principal	Interest	Total
2023	$ 945,000	$ 741,550	$ 1,686,550
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 - 2032	3,820,000	1,994,375	5,814,375
2033 - 2037	4,035,000	1,141,225	5,176,225
2038 - 2042	4,740,000	430,500	5,170,500
2043	1,025,000	12,813	1,037,813
	$18,845,000	$ 6,777,413	$25,622,413

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.

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

Future debt service requirements at June 30, 2022 are as follows:

Year Ending June 30	Principal	Interest	Total
2023	$ 1,120,000	$ 521,000	$ 1,641,000
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 - 2029	4,760,000	284,750	5,044,750
	$10,980,000	$ 2,283,500	$13,263,500

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.

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

Future debt service requirements at June 30, 2022 are as follows:

Year Ending June 30	Principal	Interest	Total
2023	$ 765,000	$ 260,250	$ 1,025,250
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	975,000	48,750	1,023,750
	$ 5,205,000	$ 947,500	$ 6,152,500

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:

Lease Item	Term	Period	Payment Due	Est. Incremental Borrowing Rate	Present Value
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

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

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

Year Ending June 30	Principal	Interest	Total
2023	$ 17,854	$ 460	$ 18,314
2024	18,110	292	18,402
2025	9,378	121	9,499
2026	4,729	20	4,749
Total minimum lease payments	$ 50,071	$ 893	$ 50,964

The total interest expense recognized for the lease agreements was $565 for the year ended June 30, 2022.

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. Implicit interest is considered immaterial. Future maturities at June 30, 2022 are as follows:

Year Ending June 30	Amount
2023	$ 381,665
2024	199,321
2025	71,156
2026	55,864
	$ 708,006

The Foundation acquired computer software through a multi-year licensing agreement. In accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, the Foundation has recorded a liability representing its obligation to make annual payments over the life of the agreement. The license agreement requires various payments over the term of the agreement. Implicit interest is considered immaterial. Future maturity at June 30, 2022 is as follows:

Year Ending June 30	Amount
2023	$ 23,425
	$ 23,425

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, 2022 was as follows:

	Amount
Balance, beginning of year	$ 4,458,633
Movement	(120,639)
Balance, end of year	4,337,994
Less: current portion	400,000
Balance, noncurrent portion	$ 3,937,994

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 and 2020)" 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, 2022 at $344,591, including all direct payroll expenses and fringe benefits. The Foundation provided the University with support in the amount of $1,020,877 for the year ended June 30, 2022. As of June 30, 2022, $208,509 is due to the University from the Foundation.

As of and during the fiscal year ended June 30, 2022, the University and Foundation had the following inter-entity transactions:

	Foundation	
University	Due to University	Operating Revenue
Due from Foundation	$ 208,509	$ -
Operating Expenses	-	344,591
Total	$ 208,509	$ 344,591

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.

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 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, 2022, the Foundation had a total of $2,097,006 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 PLEDGED[1]	TERM OF COMMITMENT	(CURRENT YEAR) PLEDGED NET REVENUE TO DEBT SERVICE[2]
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	$ 25,622,413	2043	7.93%

[1] Total future principal and interest payments on debt.

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

NOTE 15 - SUBSEQUENT EVENTS

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.

REQUIRED SUPPLEMENTARY INFORMATION

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
REQUIRED SUPPLEMENTARY INFORMATION – PENSION
For the Year Ended June 30, 2022

Schedule of Employer's Proportionate Share of Net Pension Liability

	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%
(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	$ 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)	$ 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	$ 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 percetage of DB covered payroll	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	45.45%	39.05%	40.71%	41.27%	42.04%	39.57%	42.37%	44.39%

Schedule of Employer Contributions

	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Federal, trust, grant and other contribution	$ 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	$ 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	$ 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	0.55%	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, 2022

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, 2021.

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.

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, 2022

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

	FY 2021	FY 2020	FY 2019 (1)	FY 2018 (1)	FY 2017 (1)	FY 2016 (1)
University's proportion of the collective total OPEB liability	0.0170%	0.0155%	0.0205%	0.0276%	0.0785%	0.0921%
University's proportionate share of the collective total OPEB liability	$ 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	$ 165,297,058	$ 165,703,048	$ 175,571,582	$ 172,906,564	$ 260,759,678	$ 312,776,571
Total OPEB liability associated with the University	$ 171,226,441	$ 172,271,743	$ 184,568,862	$ 183,972,301	$ 293,198,907	$ 352,839,476
University's covered-employee payroll	$ 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	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.

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, 2020 with a measurement date as of June 30, 2021. The following assumptions were used:

- Mortality rates. RP-2014 White Collar, gender distinct, projected using MP-2014 two dimensional mortality improvement scale, set forward one year for male and female annuitants.

- Salary increase. Dependent upon service and participation in the respective retirement systems. Includes inflation rate of 2.25%, salary increase 2.50% - 12.25%.

- Healthcare Cost Trend Rate:

  - Medical and Rx (Pre-Medicare and Post-Medicare) - 8.00% grading down 0.25% per year over 15 years to 4.25% in year 2038. There is no additional trend rate adjustment due to the repeal of the Excise Tax.

  - Dental and Vision - 3.75% grading up 0.25% in the first year to 4.00% through 2038.

- 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.

SUPPLEMENTARY INFORMATION

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
UNIVERSITY FACILITIES SYSTEM REVENUE BONDS
STATEMENT OF NET POSITION
JUNE 30, 2022

	2022
ASSETS	
Current Assets	
Cash and cash equivalents	$ 1,281,210
Cash and cash equivilents, restricted	1
Accounts receivable, net of allowance	225,900
Prepaid debt service insurance - current	10,054
Total Current Assets	1,517,165
Noncurrent Assets	
Prepaid debt service insurance	201,080
Capital assets	32,413,029
Less accumulated depreciation	(9,108,718)
Total Noncurrent Assets	23,505,391
Total Assets	25,022,556
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from debts refundings	17,521
Total deferred outflows of resources	17,521
LIABILITIES	
Current Liabilities	
Accounts payable & accrued expenses	693,680
Unearned revenue	187,967
Revenue bonds payable	945,000
Finance lease payable	8,687
Total Current Liabilities	1,835,334
Noncurrent Liabilities	
Revenue bonds payable	20,186,093
Finance lease payable	8,838
Total Noncurrent Liabilities	20,194,931
Total Liabilities	22,030,265
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from debts refundings	4,451
Total deferred inflows of resources	4,451
NET POSITION	
Invested in capital assets, net of related debt	2,186,289
Unrestricted	819,072
Total Net Position	$ 3,005,361

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, 2022

		2022
OPERATING REVENUES		
Bookstore commissions	$	43,379
Food and vending commissions		29,437
Parking fees		428,004
University housing fees		2,551,114
Student center, activity, and career & counseling fees		3,379,728
Total Operating Revenues		6,431,662
OPERATING EXPENSES		
Salaries and benefits		2,287,538
Scholarships and awards		367,433
Capital expenditures		35,668
Services, supplies and other		1,709,983
Depreciation		897,827
Total Operating Expenses		5,298,449
Operating Income		1,133,213
NONOPERATING REVENUES (EXPENSES)		
Investment income		109
Interest expense		(736,219)
Net Nonoperating Expenses		(736,110)
Increase in net position		397,103
NET POSITION		
Net position - beginning of the year		2,608,258
Net position - end of the year	$	3,005,361

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, 2022

		2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Bookstore commissions	$	43,379
Food and vending commissions		29,437
Parking fees		455,332
Student center, activity, and career & counseling fees		3,348,596
University housing fees		2,548,543
Payments to suppliers for goods and services		(2,056,753)
Payments to employees for services		(2,303,022)
Net cash provided by operating activities		2,065,512
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets		(119,751)
Principal payments on revenue bonds		(59,494)
Interest payments on revenue bonds		(860,010)
Net cash used in capital financing activities		(1,039,255)
CASH FLOWS FROM INVESTING ACTIVITY		
Investment income		109
Net cash provided by investing activity		109
NET INCREASE IN CASH		1,026,366
Cash - beginning of year		254,845
Cash - end of year	$	1,281,211
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$	1,133,213
Adjustments to reconcile operating income to net cash provided by operating activities:		
Noncash expense included in net operating income:		
Depreciation expense		897,827
Changes in assets and liabilities:		
Accounts receivable, net of allowance		(182,688)
Prepaid debt service insurance		(9,114)
Accounts payable & accrued expenses		245,871
Unearned revenue		(19,597)
Net cash provided by operating activities	$	2,065,512

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

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

	Compensation and Benefits											
	University's Expenses					State of Illinois' Expenses						
	Salaries[1]	Benefits[2]	OPEB[3]	Pension	Sub-Total	Benefits[2]	OPEB[3]	Pension	Sub-Total	Total	Other Expenses	Total Operating Expenses
Instruction	$ 30,360,694	$ 385,275	$ (662,804)	$ 150,021	$ 30,233,186	$ 4,534,051	$ (982,222)	$12,746,495	$16,298,324	$46,531,510	$ 2,933,041	$ 49,464,551
Research	691,314	34,699	(15,009)	9,995	720,999	102,674	(22,243)	283,589	364,020	1,085,019	205,675	1,290,694
Public service	2,535,995	390,867	(56,909)	92,555	2,962,508	389,299	(84,335)	1,049,209	1,354,173	4,316,681	555,872	4,872,553
Academic support	4,935,615	93,292	(109,208)	10,717	4,930,416	747,057	(161,837)	2,013,077	2,598,297	7,528,713	1,367,709	8,896,422
Student services	4,933,791	154,050	(105,574)	41,879	5,024,146	722,203	(156,453)	1,947,365	2,513,115	7,537,261	4,072,720	11,609,981
Institutional support	8,502,569	140,848	(211,607)	(30,984)	8,400,826	1,447,543	(313,585)	3,900,532	5,034,490	13,435,316	6,445,449	19,880,765
Operation and maintenance of plant	4,513,691	52,667	(102,850)	7,676	4,471,184	703,566	(152,415)	1,895,822	2,446,973	6,918,157	3,026,942	9,945,099
Auxiliary enterprises	805,297	8,954	(17,485)	1,333	798,099	119,607	(25,910)	329,173	422,870	1,220,969	1,406,942	2,627,911
Student aid	-	-	-	-	-	-	-	-	-	-	10,996,154	10,996,154
Depreciation	-	-	-	-	-	-	-	-	-	-	4,991,581	4,991,581
Total	$ 57,278,966	$ 1,260,652	$ (1,281,446)	$ 283,192	$ 57,541,364	$ 8,766,000	$ (1,899,000)	$24,165,262	$31,032,262	$88,573,626	$ 36,002,085	$ 124,575,711

[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

Student Enrollment by Term (Unaudited)

	Total Enrollment	Full-Time Equivalent
Fall Term, 2021	4,395	3,007
Spring Term, 2022	4,032	2,741
Summer Term, 2022	2,106	981

University Fees (Unaudited)

The following mandatory fees were in effect during the 2021-2022 academic year:

	Per Credit Hour
Counseling and Career Services	$ 5
Health Services	$ 5
Strategic Initiative	$ 16
Student Activity	$ 11
Student Center	$ 16
Technology	$ 13
University Facilities	$ 39
Online/Off-Campus *	$ 32

* - Students enrolled in a totally on-line or off-campus program are charged with the online/off-campus fee of $32 per credit hour instead of being charged with the health services, 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