

**STATE OF ILLINOIS  
ILLINOIS STUDENT ASSISTANCE COMMISSION  
ILLINOIS DESIGNATED ACCOUNT PURCHASE PROGRAM**

**FINANCIAL AUDIT**

For the Year Ended June 30, 2025

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

STATE OF ILLINOIS  
ILLINOIS STUDENT ASSISTANCE COMMISSION  
ILLINOIS DESIGNATED ACCOUNT PURCHASE PROGRAM

FINANCIAL AUDIT  
For the Year Ended June 30, 2025

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STATE OF ILLINOIS  
ILLINOIS STUDENT ASSISTANCE COMMISSION  
ILLINOIS DESIGNATED ACCOUNT PURCHASE PROGRAM  
AGENCY OFFICIALS

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Commission Officials:

Executive Director	Eric Zarnikow
Chief Financial Officer	Rolake Adedara (01/01/25–Present) Rolake Adedara (Interim) (01/01/24–12/31/24)
Director of Investments	Roger Rojas
General Counsel	Lisa Murphy-Coveny (03/21/25 – Present) Lisa Murphy-Coveny (Interim) (03/21/24 – 03/20/25)
Chief Internal Audit Officer	Kishor Desai

Governing Board:

Chairman	Kevin B. Huber
Vice Chair	Elizabeth V. Lopez
Commissioner	Caleb Herod (09/09/24 – Present) Vacant (06/08/23-09/08/24)
Commissioner	James A. Hibbert
Commissioner	Maureen Amos
Commissioner	Dr. Jonathan “Josh” Bullock
Commissioner	Franciene Sabens
Commissioner	Darryl Arrington
Commissioner	Thomas Dowling
Student Commissioner	Samiha Syed (01/13/25 – Present) Payton Ade (12/22/21 – 01/12/25)

Commission Offices:

1755 Lake Cook Road  
Deerfield, IL 60015-5209

500 West Monroe  
Springfield, IL 62704

160 North LaSalle  
Suite N-100  
Chicago, IL 60601

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**FINANCIAL STATEMENT REPORT**

STATE OF ILLINOIS  
ILLINOIS STUDENT ASSISTANCE COMMISSION  
ILLINOIS DESIGNATED ACCOUNT PURCHASE PROGRAM  
FINANCIAL AUDIT  
For the Year Ended June 30, 2025

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FINANCIAL STATEMENT REPORT

**SUMMARY**

The audit of the accompanying financial statements of the Illinois Designated Account Purchase Program (Program) of the State of Illinois, Illinois Student Assistance Commission (Commission) was performed by Crowe LLP.

Based on their audit, the auditors expressed an unmodified opinion on the Commission-Program's financial statements.

**EXIT CONFERENCE**

In correspondence received from Rolake Adedara, Chief Financial Officer, on February 20, 2026, the Commission elected to waive a formal exit conference.

## INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino  
Auditor General  
State of Illinois, and

Mr. Kevin B. Huber  
Chair of the Governing Board  
Illinois Student Assistance Commission

### Report on the Audit of the Financial Statements

#### **Opinion**

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the Illinois Designated Account Purchase Program of the State of Illinois, Illinois Student Assistance Commission, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Illinois Designated Account Purchase Program of the State of Illinois, Illinois Student Assistance Commission's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Illinois Designated Account Purchase Program of the State of Illinois, Illinois Student Assistance Commission, as of June 30, 2025, 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.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*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 State of Illinois, Illinois Student Assistance Commission, 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 opinion.

#### **Emphasis of Matter**

As discussed in Note 2, the financial statements present only the Illinois Designated Account Purchase Program, and do not purport to, and do not present fairly the financial position of the State of Illinois or the State of Illinois, Illinois Student Assistance Commission, as of June 30, 2025, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.  
Our opinion is not modified with respect to this matter.

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(Continued)

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and 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.

### ***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 opinion. 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 judgment 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 judgment 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 State of Illinois, Illinois Student Assistance Commission'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.

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***

Management has omitted management's discussion and analysis, pension and OPEB related information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2026, on our consideration of the State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting of the Illinois Designated Account Purchase Program 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 State of Illinois, Illinois Student Assistance Commission'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 State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting and compliance.

**SIGNED ORIGINAL ON FILE**

Crowe LLP

Oakbrook Terrace, Illinois  
February 23, 2026

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STATE OF ILLINOIS  
ILLINOIS STUDENT ASSISTANCE COMMISSION  
ILLINOIS DESIGNATED ACCOUNT PURCHASE PROGRAM  
STATEMENT OF NET POSITION  
June 30, 2025

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<b>Assets</b>	
Current	
Unrestricted	
Cash and cash equivalents	\$ 3,293,120
Investments	15,485,851
Receivables	
Accrued interest on investments	121,250
Total current assets - unrestricted	<u>18,900,221</u>
Restricted	
Cash and cash equivalents	3,536,464
Receivables	
Student loans, net of allowance of \$10,169,648	6,176,784
Accrued interest - loans	38,031,806
Federal special allowance and interest subsidy	368,813
Total current assets - restricted	<u>48,113,867</u>
Noncurrent	
Restricted	
Student loans, net of allowance of \$82,281,696	49,975,798
Total noncurrent assets - restricted	<u>49,975,798</u>
Total assets	<u>116,989,886</u>
<b>Deferred outflows of resources</b>	
Pension related amounts	179,794
OPEB related amounts	168,787
Total deferred outflows of resources	<u>348,581</u>
Total assets and deferred outflows of resources	<u>\$ 117,338,467</u>

(Continued)

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See notes to financial statements.

STATE OF ILLINOIS  
ILLINOIS STUDENT ASSISTANCE COMMISSION  
ILLINOIS DESIGNATED ACCOUNT PURCHASE PROGRAM  
STATEMENT OF NET POSITION (continued)  
June 30, 2025

**Liabilities**

Current liabilities

Accounts payable and accrued liabilities	\$	54,398
Accrued interest payable		180,034
Due to other ISAC funds		1,902,380
Total liability - OPEB		18,611
Compensated absences		10,056

Total current liabilities		2,165,479
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Noncurrent liabilities

Revenue bonds and notes payable, net		13,597,278
Net liability - pension		1,389,068
Total liability - OPEB		466,347
Compensated absences		90,505

Total noncurrent liabilities		15,543,198
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Total liabilities		17,708,677
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**Deferred Inflows of Resources**

Unamortized deferred amount on refunding		4,716,262
Pension related amounts		633,617
OPEB related amounts		592,197

Total deferred inflows of resources		5,942,076
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**Net Position**

Restricted for debt service		46,553,673
Unrestricted		47,134,041

Total net position		93,687,714
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Total liabilities, deferred inflows of resources and net position	\$	117,338,467
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See notes to financial statements.

STATE OF ILLINOIS  
ILLINOIS STUDENT ASSISTANCE COMMISSION  
ILLINOIS DESIGNATED ACCOUNT PURCHASE PROGRAM  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
Year Ended June 30, 2025

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Operating revenues	
Investment income	
Interest - student loans	\$ 9,819,781
Interest - investments	1,760,962
<b>Total operating revenues</b>	<u>11,580,743</u>
Operating expenses	
Interest and other student loan expenses	
Interest expense	
Revenue bonds and notes payable	2,687,127
Amortization of unrealized gain from early redemption	(4,042,511)
Other student loan fees	455,353
Provision for loan losses	6,040,327
Total interest and other student loan expenses	<u>5,140,296</u>
Other operating expenses	
Salaries and employee benefits	423,832
Pension expenses	(238,989)
OPEB expenses	(246,877)
External loan servicing	388,498
Management and professional services	258,113
Other	26,084
Total other operating expenses	<u>610,661</u>
<b>Total operating expenses</b>	<u>5,750,957</u>
<b>Operating income</b>	5,829,786
Non-operating revenues	
Federal government special allowance and interest subsidy	<u>1,818,809</u>
Total non-operating revenues	<u>1,818,809</u>
<b>Change in fund net position</b>	7,648,595
Net position, July 1, 2024, as previously stated	86,095,476
GASB 101 - adjustment to restate beginning compensated absences	<u>(56,357)</u>
Net position, July 1, 2024, as restated	<u>86,039,119</u>
Net position, June 30, 2025	<u>\$ 93,687,714</u>
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See notes to financial statements.

STATE OF ILLINOIS  
ILLINOIS STUDENT ASSISTANCE COMMISSION  
ILLINOIS DESIGNATED ACCOUNT PURCHASE PROGRAM  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2025

<b>Cash flows from operating activities</b>	
Cash payments to suppliers for goods and services	\$ (680,407)
Cash payments to employees for services	(419,685)
Cash receipts from student loans and fees	21,350,468
Cash payments for other operating activities	<u>(547,608)</u>
Net cash provided by operating activities	<u>19,702,768</u>
<b>Cash flows from noncapital financing activities</b>	
Principal paid on revenue bonds and other borrowings	(46,293,000)
Interest paid on revenue bonds and other borrowings	(2,848,133)
Special allowance and interest subsidy	<u>2,093,245</u>
Net cash used for noncapital financing activities	<u>(47,047,888)</u>
<b>Cash flows from investing activities</b>	
Purchase of investment securities	(31,496,083)
Proceeds from sales and maturities of investment securities	46,769,208
Interest and dividends on investments	<u>1,462,337</u>
Net cash provided by investing activities	<u>16,735,462</u>
<b>Decrease in cash and cash equivalents</b>	(10,609,658)
Cash and cash equivalents, July 1, 2024	<u>17,439,242</u>
<b>Cash and cash equivalents, June 30, 2025</b>	<u><u>\$ 6,829,584</u></u>

(Continued)

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See notes to financial statements.

STATE OF ILLINOIS  
ILLINOIS STUDENT ASSISTANCE COMMISSION  
ILLINOIS DESIGNATED ACCOUNT PURCHASE PROGRAM  
STATEMENT OF CASH FLOWS (continued)  
Year Ended June 30, 2025

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Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 5,829,786
Adjustments to reconcile operating income to net cash provided by operating activities	
Interest - investments	(1,760,962)
Interest expense	2,687,127
Provision for loan losses	5,977,006
Amortization of unrealized gain on early redemption	(4,042,511)
Change in assets, liabilities and deferred outflows/inflows of resources	
Student loans receivable	15,799,735
Accrued interest - loans and notes	(4,294,912)
Accounts payable and accrued liabilities	(7,712)
Due to other ISAC funds	(3,070)
Compensated absences	4,147
Deferred inflows related to pensions and OPEB	153,189
Deferred outflows related to pensions and OPEB	73,096
Net liability - pension	(663,207)
Total liability - OPEB	(48,944)
Total adjustments	<u>13,872,982</u>
Net cash provided by operating activities	<u>\$ 19,702,768</u>
Supplemental disclosure of noncash transactions	
Net appreciation in fair value of investments	<u>\$ 294,097</u>

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See notes to financial statements.

STATE OF ILLINOIS  
ILLINOIS STUDENT ASSISTANCE COMMISSION  
ILLINOIS DESIGNATED ACCOUNT PURCHASE PROGRAM  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2025

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**NOTE 1 – DESCRIPTION OF PROGRAM**

The Illinois Student Assistance Commission (ISAC or Commission) administers the nonshared proprietary fund described below. A nonshared fund is a fund in which a single State agency is responsible for administering substantially all financial transactions of the fund.

The Illinois Designated Account Purchase Program (IDAPP), a program of ISAC, was created through an Act of the State of Illinois (State) General Assembly to increase participation of eligible lenders in ISAC's Student Loan Programs by purchasing guaranteed student loans from lenders in order to reduce the lenders' collection and administrative costs. IDAPP is also a servicer of student loans. Designation of the governing authority is determined by the Governor of the State. The State also maintains overall accountability for IDAPP's fiscal matters. Activities of IDAPP are subject to the authority of the Office of the Governor, the State's Chief Executive Officer, and other departments of the executive branch of government (such as the Department of Central Management Services and the State Comptroller's Office) as defined by the General Assembly.

The accompanying financial statements present the financial position, results of operations, and cash flows of IDAPP. IDAPP's financial statements are an integral part of the State's overall annual comprehensive financial report. IDAPP was initially funded by a state appropriation as of July 1977 and has operated on a self-sustaining basis beginning in fiscal year 1979 through the issuance of student loan revenue bonds and notes, collection of its student loans receivable and payments from various guarantors on defaulted loans. Almost all of IDAPP's funds are held locally in various banks and financial institutions. The guaranteed student loans must be purchased from eligible lenders under the Illinois Student Assistance Law and the Federal Higher Education Act of 1965. IDAPP generally does not purchase student loans, which are more than 90 days delinquent. The reimbursement rates to lenders, such as IDAPP, in the Federal Family Education Loan Program (FFELP) are 100% for loans disbursed before October 1, 1993. For loans disbursed between October 1, 1993, and prior to July 1, 2006, the loans are reimbursed at 98%. Loans disbursed after July 1, 2006, are reimbursed at 97%.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of IDAPP as administered by ISAC have been prepared in accordance with generally accepted accounting principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB), related to proprietary funds. To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

Financial Reporting Entity: IDAPP is not legally separate from the State, it is included in the financial statements of the State as a proprietary fund. The State's Annual Comprehensive Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois 62704-1871.

The financial statements present only IDAPP as administered by the State and ISAC, and do not purport to, and do not, present fairly the financial position of the State or ISAC as of June 30, 2025, and changes in their financial position and cash flows, where applicable, for the year then ended in conformity with GAAP.

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(Continued)

STATE OF ILLINOIS  
ILLINOIS STUDENT ASSISTANCE COMMISSION  
ILLINOIS DESIGNATED ACCOUNT PURCHASE PROGRAM  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2025

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Basis of Presentation: In government, the basic accounting and reporting entity is a fund. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. A proprietary fund type records cash and/or other resources together with all related liabilities, obligations, deferred inflows and outflows of resources, and equities (net position) which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. A Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows have been presented for IDAPP.

Operating revenues result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Due to the nature of IDAPP activities, income from investments, student loan activity, and interest expense are considered operating activities in the Statement of Revenues, Expenses, and Changes in Net Position. Nonoperating revenues result from non-exchange transactions (e.g. grants (subsidy payments)), gains and losses from the sale of loan portfolios and ancillary activities.

Basis of Accounting: IDAPP is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

Revenue Recognition: Revenues from fees are recognized when earned. Uncollected interest income on student loans is accrued as revenue at June 30, 2025.

Cash and Cash Equivalents: Cash and cash equivalents consist principally of deposits held in banks for locally held funds and securities with maturities of less than three months at the date of purchase. Cash and cash equivalents also include deposits held in the State Treasury.

Investments: IDAPP presents investments in its Statement of Net Position at fair value other than 2a7 pools which are reported at amortized cost which approximates fair value. The net appreciation or depreciation in the fair value of investments since the prior fiscal year (or purchase date for fiscal year 2025 purchases) is included as investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

Allowance for Loan Losses: The allowance for loan losses is an estimate of credit losses arising from the student loan portfolio. A provision for loan losses, which is reported as an operating expense, is added to bring the allowance to a Student Loans Receivable level that, in management's judgment, is adequate to absorb estimated losses in the portfolio. Management performs a monthly assessment of the loan portfolio in order to determine the appropriate level of the allowance. The factors in this evaluation include, but are not necessarily limited to, delinquencies over 120 days, loan servicing deficiencies and the amount of unguaranteed reimbursement from the United States Department of Education as discussed in Note 5.

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(Continued)

STATE OF ILLINOIS  
ILLINOIS STUDENT ASSISTANCE COMMISSION  
ILLINOIS DESIGNATED ACCOUNT PURCHASE PROGRAM  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2025

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions may be necessary based on future review of compliance with due diligence and contractual servicing requirements by IDAPP, and its outside loan servicers.

Interfund Transactions: IDAPP has the following type of interfund transactions with other funds of the State:

*Loans* — amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e. due from other funds) in lender funds and interfund payables (i.e. due to other funds) in borrower funds.

*Services provided and used* — sales and purchases of services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund Statement of Net Position.

*Reimbursements* — repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the reimbursed fund.

Capital Assets: Capital assets, which include equipment, are reported at cost. Capital assets are depreciated using the straight-line method over a period of five years. IDAPP capitalizes all equipment that has a cost or value greater than or equal to \$5,000. All capital assets are fully depreciated as of June 30, 2025.

Restricted Assets: Restricted assets represent those assets which are required to be held by the trustee as mandated by the debt indentures or are pledged as security in support of debt indentures.

Net Position: Net investment in capital assets - this consists of capital assets, net of accumulated depreciation, less the outstanding balances, if any, of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted - result when constraints placed on net position use are either externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation.

Unrestricted - consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Based on bond indentures, all IDAPP assets, except for assets relating to operations, are restricted for the benefit of bondholders until the bonds are retired. IDAPP first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Discounts and Deferred Amounts on Refunding: Notes payable is stated at face value net of discounts. These amounts are deferred and amortized over the life of the debt using the straight-line method, which approximates the effective interest rate method. Deferred amounts on refunding represent a gain on refunding recognized with the issuance of the LIBOR Floating Rate Notes (see Note 8) and are reported as a deferred inflow of resources in the financial statements. These amounts are amortized on a weighted basis over the life of the remaining tranche. Amortization expense is reported as a component of interest expense in the financial statements.

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(Continued)

STATE OF ILLINOIS  
ILLINOIS STUDENT ASSISTANCE COMMISSION  
ILLINOIS DESIGNATED ACCOUNT PURCHASE PROGRAM  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2025

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Use of Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Permitted Deposits and Investments: Bond documents such as trust indentures place strict limitations on the types of investments that can be made by IDAPP. The limitations vary slightly from issue to issue, but in general they restrict investments to direct obligations of the federal government and government agencies, investment agreements, repurchase agreements, bank certificates of deposit, money market funds and highly rated commercial paper and municipal bonds.

The Public Funds Investment Act (Act) also restricts the investment of funds under the control of IDAPP. These restrictions apply to any funds, which are not restricted by the terms of a debt document. Permitted deposits and investments under the Act include (subject to various restrictions and limitations) direct federal obligations of the United States of America, federal guaranteed obligations, participation interests in federal obligations, federal affiliated institutions, certificates of deposit, time deposits, and other bank deposits which are fully insured by the Federal Deposit Insurance Corporation or similar federal agency or which are fully collateralized, money market funds, repurchase agreements, investment agreements with financial institutions, commercial paper, state or municipal bonds, and bankers' acceptances. IDAPP's investment policy, which applies to all investments, is more restrictive than the Act in that investments in money market mutual funds are restricted to those with portfolio holdings of United States obligations including bonds, notes, certificates of indebtedness, treasury bills or other securities, which are guaranteed by the full faith and credit of the United States of America as to principal and interest, and direct United States obligations (bonds, notes, debentures or other similar obligations of the United States of America or its agencies).

IDAPP categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At June 30, 2025, IDAPP had money market funds of \$3,430,999 and U.S. Treasury securities of \$15,485,851; valued based on matrix pricing provided by the custodian (Level 2 inputs). Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk: IDAPP invests its funds in a manner that meets its cash flow needs while conforming to state statutes governing the investment of funds, including without limitation the Investment Act and all requirements/limitations of the various documents applicable to bonds and other securities issued by ISAC. The portfolio's maturity characteristics at June 30, 2025, are as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Government Securities (U.S. Treasury Bills/Notes)	<u>\$ 15,485,851</u>	<u>0.3</u>

(Continued)

STATE OF ILLINOIS  
ILLINOIS STUDENT ASSISTANCE COMMISSION  
ILLINOIS DESIGNATED ACCOUNT PURCHASE PROGRAM  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2025

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**NOTE 3 – DEPOSITS AND INVESTMENTS** (continued)

**Credit Risk:** IDAPP’s investment policy limits the following types of investments to the top two ratings issued by nationally recognized credit rating organizations: commercial paper, state or municipal bonds, and bankers’ acceptances. The investment policy places no further limitations on investment credit quality.

As of June 30, 2025, IDAPP’s investments were subject to credit risk (other than obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government which are not considered to have credit risk) as follows:

Investment Type	Carrying Value	Rating Moody's
Money Market Funds	\$ 3,430,999	Aaa-mf

**Custodial Credit Risk - Deposits:** Custodial credit risk is the risk that in the event of a bank failure, IDAPP’s deposits may not be returned to it. State law (30 ILCS 230/2C) requires that all deposits of public funds be covered by FDIC insurance or eligible collateral. IDAPP has no policy that would further limit the requirements under the law. At June 30, 2025, IDAPP had no amounts that were uninsured and uncollateralized.

The State Treasurer is the custodian of the State’s cash and cash equivalents for IDAPP maintained in the State Treasury. IDAPP independently manages cash and cash equivalents maintained outside the State Treasury. Amounts in the custody of the State Treasurer totaled \$5,026 at June 30, 2025. These funds are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Details on the nature of these deposits and investments, and the risks, are available within the State’s Annual Comprehensive Financial Report.

**Custodial Credit Risk:** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, IDAPP will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

The investment policy authorizes IDAPP to utilize a third-party custodian (Trustee) to safe keep the assets of the fund and to provide reports on a monthly basis to all necessary parties. The custodian is responsible for sweeping all interest and dividend payments and any other un-invested cash into a short-term government money market fund. IDAPP has no investments subject to custodial credit risk at June 30, 2025.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. IDAPP’s investment policy requires IDAPP to diversify its investments by security type and institution. With the exception of the obligations set forth in the investment policy (direct federal obligations, federal guaranteed obligations, and federal affiliated institutions) or investments fully collateralized by these obligations, no more than 5% of IDAPP’s total investment portfolio will be invested in the obligations of a single issuer.

As of June 30, 2025, there were no investments that exceed 5% or more of IDAPP’s total investment portfolio.

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**NOTE 3 – DEPOSITS AND INVESTMENTS** (continued)

Foreign Currency Risk: Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment. IDAPP is not exposed to foreign currency risk and, IDAPP's investment policy does not address foreign currency risk.

**NOTE 4 – STUDENT LOANS RECEIVABLE**

IDAPP's student loans receivable balance is comprised of two types of student loans: loans that were originated or purchased as part of the Federal Family Education Loan Program (FFELP) and loans that are originated as part of IDAPP's Alternative Loan Program. The FFELP was eliminated as of June 30, 2010, and as such IDAPP no longer originates FFELP loans.

All FFELP loans originated or purchased by IDAPP prior to October 1, 1993, are guaranteed at 100% by Guarantors in accordance with the Higher Education Act. For loans disbursed between October 1, 1993, and prior to July 1, 2006, the loans are guaranteed at 98%. Loans disbursed after July 1, 2006, are guaranteed at 97%. All guaranteed loans are reinsured by the United States Department of Education (ED). The ED has issued detailed loan servicing requirements, which, if not strictly adhered to, may result in the loss of the loan guaranty. The ED has also issued specific guidelines to provide for the cure of such servicing deficiencies and the reinstatement of the guaranty. For servicing contracts established with outside vendors, contractual provisions require the contractors to indemnify IDAPP for losses due to their negligence in loan servicing. Such recoveries will be recognized as income when received. There is \$312,146 of student loans receivable that IDAPP has classified as defaulted loans under the FFELP. Claims on these loans have been submitted to but have not been reimbursed by the guarantee agencies as of June 30, 2025.

Alternative Loans are not guaranteed by Guarantors and are not eligible for reinsurance by the ED. Alternative Loans are credit-based and a provision for loan loss is accrued for the amount of the loans estimated to be uncollectible. The total amount of Alternative Loans outstanding was \$109,852,960 at June 30, 2025. Of this amount, \$90,183,899 was recorded as a provision for loan losses.

Management has identified loans that may not be reimbursed by the guarantor or collected from the student. Accordingly, management has established an allowance for possible loan losses totaling \$92,451,344 as of June 30, 2025. This amount includes the alternative loans addressed above.

Included in the student loans receivable balance are premiums paid on the origination and purchase of certain student loans. These premiums are being amortized over the average life of the related loans.

Federal Family Education Loan Program (FFELP): If the federal reinsurance percentage applied to guarantors was temporarily reduced from 97% to either 85% or 75% (for loans disbursed after October 1, 1998) due to excessive default claims and if the State's pledge of full faith and credit were found to be ineffective, then the full collectability of the non-federal reinsurance amount (i.e., 3% to 25%) of the IDAPP's net FFELP student loans receivable of \$74,397,785 at June 30, 2025 is subject to the adequacy of reserve funds of IDAPP's Guarantors under FFELP to pay defaulted loan claims. However, based on past loan default experience, management believes that material losses will not be incurred.

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**NOTE 5 – FEDERAL SPECIAL ALLOWANCE AND INTEREST SUBSIDY**

The Federal government pays IDAPP (interest subsidy) or IDAPP owes the federal government (excess interest) an interest amount on certain student loans during the time that the student is enrolled in an eligible educational institution or qualifies for deferment status. The federal interest receivable at June 30, 2025, was \$368,813.

IDAPP is also eligible to receive special allowance payments from the federal government that are paid to adjust for the low yield on student loans in comparison to other investment sources.

Federal Interest Benefits	\$ 176,183
Special Allowance Payments (Interest Subsidy)	1,682,133
Excess Interest	<u>(39,507)</u>
Net Revenue Incurred from Federal Government	<u>\$ 1,818,809</u>

**NOTE 6 – INTERFUND BALANCES AND ACTIVITY**

**Balances Due from/to Other Funds**

The following balance at June 30, 2025, represents amounts due to other ISAC funds.

Fund	Due to Primary Government Funds		Description/Purpose
	ISAC	Other State	
Illinois Designated Account			
Purchase Program	\$ 1,902,380	\$ -	Total Shared Services payment due to Student Loan Operating Fund
	<u>\$ 1,902,380</u>	<u>\$ -</u>	

**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Capital assets being depreciated:				
Equipment	\$ 84,667	\$ -	\$ -	\$ 84,667
Less accumulated depreciation:				
Equipment	(84,667)	-	-	(84,667)
Total capital assets being depreciated, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE**

**Revenue Bonds and Notes Payable and Pledged Revenues:** On October 27, 2010, ISAC entered into a Bond Purchase Agreement with a group of underwriters to sell \$604,000 Student Loan Asset Backed Notes, Series 2010-1 (LIBOR Floating Rate Notes). The Notes were issued in three tranches. The Class A-1 tranche is \$181,000 maturing April 25, 2017, with a rate of 3-Month LIBOR plus 0.48%, the Class A-2 tranche is \$269,000 maturing April 25, 2022, with a rate of 3-Month LIBOR plus 1.05% and the Class A-3 tranche is \$154,000 maturing July 25, 2045, with a rate of 3-Month LIBOR plus 0.90%. The variable interest rate for the debt is reset every quarter. The proceeds from the sale of the Notes were used to make the initial deposits to the Capitalized Interest Fund, the Reserve Fund, a portion of the initial deposit to the Loan Fund, and to pay acquisition costs. The remaining proceeds were used to purchase and cancel certain outstanding bonds (2002 Resolution Trust Bonds). The FFELP loans released from the 2002 Resolution Trust were deposited into the Loan Fund.

The indenture has a provision that any excess cash in the trust is used to pay down the principal amount of the Notes. The Class A-1 and the Class A-2 tranches have been paid off. The total principal and interest remaining to be paid on the bonds is approximately \$36,499,268. IDAPP has until the stated maturity dates to retire the principal amounts owed on these bonds. As such, liabilities related to these bonds are reported as noncurrent. IDAPP however will pay principal amounts in advance of that date (without penalty) as collections on the resulting student loans are received into the trust. Effective July 1, 2024, the variable interest rate for the debt changed to the 3-Month Secured Overnight Financing Rate (SOFR), plus a tenor spread, and is reset every quarter. As of June 30, 2025, variable interest rates were 5.525% for the LIBOR FRN Class A-3.

Annual principal and interest payments on the bonds are expected to require approximately 98 percent of the related student loan collections. Principal and interest paid for the current year were \$17,093,000 and \$1,671,146, respectively. Total related student loan principal and interest received were \$9,793,526 and \$1,537,996, respectively.

As a result of the issuance of the LIBOR Floating Rate Notes and the purchase and cancellation of the remaining outstanding 2002 bonds during Fiscal Year 2011, a deferred amount on refunding of \$70,320,074 was recorded. This amount is being amortized over the weighted average life of the LIBOR Floating Rate Notes of 16 years. The portion attributable to Fiscal Year 2025 is \$4,042,511. Amortization is included as a reduction of interest expense on the Statement of Revenues, Expenses, and Changes in Net Position.

**Changes in Long-Term Obligations:** Changes in long-term obligations for the year ended June 30, 2025, were as follows:

	July 1, 2024	Additions	Deletions	Balance June 30, 2025	Amounts Due Within One Year
Notes payable:					
Series 2010, Class A-3	\$ 34,867,000	\$ -	\$(17,093,000)	\$ 17,774,000	\$ -
Unamortized discounts	(4,384,704)	-	207,982	(4,176,722)	-
Other long-term obligations:					
Compensated absences (restated)	96,414	32,225	(28,078)	100,561	10,056
Total changes in long-term obligations	<u>\$ 30,578,710</u>	<u>\$ 32,225</u>	<u>\$(16,913,096)</u>	<u>\$ 13,697,839</u>	<u>\$ 10,056</u>

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**NOTE 8. LONG-TERM OBLIGATIONS PAYABLE (Continued)**

In June 2022, the GASB issued 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 requirements of this Statement are effective for IDAPP's fiscal year ended June 30, 2025. As such, the beginning Fiscal Year 2025 compensated absences balance was restated by \$56,357 to account for these additional liabilities. See note 14 for effect on net position.

Future Maturities of Revenue Bonds and Notes: IDAPP issued bonds and notes to provide funds for student loan originations and purchases. IDAPP pledges the income derived from its assets to pay debt service. The majority of IDAPP's outstanding notes are comprised of variable rate debt. As such, the interest figures shown below are calculated assuming the interest rate in effect on June 30, 2025. Actual interest paid in future years could be materially different.

Annual debt service requirements to maturity for notes are as follows:

Year Ending June 30	Principal	Interest	Total
2026		\$ 982,003	\$ 982,003
2027		982,003	982,003
2028		982,003	982,003
2029		982,003	982,003
2030		982,003	982,003
2031-2035		4,910,014	4,910,014
2036-2040		4,910,014	4,910,014
2041-2045	17,774,000	3,995,225	21,769,225
	<u>17,774,000</u>	<u>\$ 18,725,268</u>	<u>\$ 36,499,268</u>
Plus (minus):			
Unamortized discounts	<u>(4,176,722)</u>		
Net long-term principal outstanding	<u>\$ 13,597,278</u>		

**NOTE 9 - MID-TERM CREDIT FACILITY AND SHORT-TERM REVOLVING CREDIT LINE AND PLEDGED REVENUES**

On July 27, 2007, ISAC entered into a Three-Year Asset Backed Revolving Credit Facility (Facility) through an affiliate of Citibank (Lender) pursuant to which ISAC has borrowed funds for the purpose of purchasing certain student loans. Advances made under the Facility are secured by a portfolio of student loans (Collateral), which were largely financed with proceeds of the advances. Amounts due under the Facility constitute limited obligations of ISAC, payable solely and only from the Collateral and the revenues derived therefrom. The costs of borrowing under the Program will not exceed Citibank's commercial paper rate of 4.43813% as of April 30, 2025.

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**NOTE 9 - MID-TERM CREDIT FACILITY AND SHORT-TERM REVOLVING CREDIT LINE AND PLEDGED REVENUES** (Continued)

Under the terms of the agreement, all revenues generated by the underlying student loan portfolio are transferred to a trust. The trust pays all expenses related to the debt service and student loan servicing costs (capped at 65 basis points of the outstanding average balance in the portfolio).

During Fiscal Year 2025 there was \$7,162,458 in principal and \$2,078,749 in interest collected all of which was transferred to the trust. During the same period, the trust paid \$1,317,148 for interest expense and other professional fees and \$455,511 for servicing fees.

Changes in the revolving credit line are as follows:

	Balance, July 1, 2024	Borrowings	Repayments	Balance, June 30, 2025	Amounts Due Within One Year
Citibank	\$ 29,200,000	\$ -	\$ (29,200,000)	\$ -	\$ -

On April 30, 2025, IDAPP paid off its outstanding balance on the Facility. As such, all obligations under and relating to the Indenture dated as of July 27, 2007 (as supplemented and amended) have been satisfied and paid in full; the revolving credit line balance was \$0 as of the year ended June 30, 2025.

**NOTE 10 – RISK MANAGEMENT**

IDAPP, through ISAC, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation and natural disasters. The State retains the risk of loss (i.e., self-insured) for these risks except for insurance purchased by ISAC for the building and Electronic Data Processing Equipment (EDP). There has been no reduction in insurance coverage from coverage in the prior year. Settlement amounts have not exceeded coverage for the current or prior two fiscal years. The ISAC's risk management activities for workers' compensation are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the general fund of the State. The claims are not considered to be a liability of the ISAC and, accordingly, have not been reported in the ISAC's financial statements for the year ended June 30, 2025.

The ISAC's risk management activities for the building and EDP equipment are financed through appropriations to ISAC and are reported as part of the operating expenditures/expenses in the General Fund, Student Loan Operating Fund, and IDAPP funds. ISAC has made no material claim against the insurance coverage in the last three years.

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**NOTE 11 - DEFINED BENEFIT PENSION PLAN**

**Plan Description:** Substantially all of ISAC's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a single-employer defined benefit pension trust fund in the State of Illinois reporting entity. SERS is governed by article 14 of the Illinois Pension Code (40 ILCS 5/1, et al.). The plan consists of two tiers of contribution requirements and benefit levels based on when an employee was hired. Members who first become an employee and participate under any of the State's retirement plans on or after January 1, 2011, are members of Tier 2, while Tier 1 consists of employees hired before January 1, 2011, or those who have service credit prior to January 1, 2011.

The provisions below apply to both Tier 1 and 2 members, except where noted. The SERS issues a separate Annual Comprehensive Financial Report (ACFR) available at [www.srs.illinois.gov](http://www.srs.illinois.gov) or that may be obtained by writing to the SERS, 2101 South Veterans Parkway, PO Box 19255, Springfield, Illinois, 62794-9255.

**Benefit Provisions:** SERS provides retirement benefits based on the member's final average compensation and the number of years of service credit that have been established. The retirement benefit formula available to general State employees that are covered under the Federal Social Security Act is 1.67% for each year of service and for noncovered employees it is 2.2% for each year of service. The maximum retirement annuity payable is 75% of final average compensation for regular employees and 80% for alternative formula employees. The minimum monthly retirement annuity payable is \$15 (whole dollar) for each year of covered service and \$25 (whole dollar) for each year of noncovered service.

Members in SERS under the Tier 1 and Tier 2 receive the following levels of benefits based on the respective age and years of service credits.

Regular Formula Tier 1	Regular Formula Tier 2
<p>A member must have a minimum of eight years of service credit and may retire at:</p> <ul style="list-style-type: none"> <li>• Age 60, with 8 years of service credit.</li> <li>• Any age, when the member's age (years &amp; whole months) plus years of service credit (years &amp; whole months) equal 85 years (1,020 months) (Rule of 85) with 8 years of credited service.</li> <li>• Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60).</li> </ul> <p>The retirement benefit is based on final average compensation and credited service. Final average compensation is the 48 highest consecutive months of service within the last 120 months of service.</p>	<p>A member must have a minimum of 10 years of credited service and may retire at:</p> <ul style="list-style-type: none"> <li>• Age 67, with 10 years of credited service.</li> <li>• Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67).</li> </ul> <p>The retirement benefit is based on final average compensation and credited service. For regular formula employees, final average compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. The retirement benefit is calculated on a maximum salary of \$106,800. This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less.</p>

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**NOTE 11 - DEFINED BENEFIT PENSION PLAN** (Continued)

Regular Formula Tier 1	Regular Formula Tier 2
<p>Under the Rule of 85, a member is eligible for the first 3% increase on January 1 following the first full year of retirement, even if the member is not age 60. If the member retires at age 60 or older, he/she will receive a 3% pension increase every year on January 1, following the first full year of retirement.</p> <p>If the member retires before age 60 with a reduced retirement benefit, he/she will receive a 3% pension increase every January 1 after the member turns age 60 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</p>	<p>If the member retires at age 67 or older, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every year on January 1, following the first full year of retirement. The calendar year 2024 rate is \$125,744.</p> <p>If the member retires before age 67 with a reduced retirement benefit, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every January 1 after the member turns age 67 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</p>

Additionally, the Plan provides an alternative retirement formula for State employees in high-risk jobs, such as State policemen, fire fighters, and security employees. Employees qualifying for benefits under the alternative formula may retire at an earlier age depending on membership in Tier 1 or Tier 2. The retirement formula is 2.5% for each year of covered service and 3.0% for each year of non-covered service. The maximum retirement annuity payable is 80% of final average compensation as calculated under the alternative formula.

SERS also provides occupational and nonoccupational (including temporary) disability benefits. To be eligible for nonoccupational (including temporary) disability benefits, an employee must have at least 18 months of credited service with the System. The nonoccupational (including temporary) disability benefit is equal to 50% of the monthly rate of compensation of the employee on the date of removal from the payroll. Occupational disability benefits are provided when the member becomes disabled as a direct result of injuries or diseases arising out of and in the course of State employment. The monthly benefit is equal to 75% of the monthly rate of compensation on the date of removal from the payroll. This benefit amount is reduced by Workers' Compensation or payments under the Occupational Diseases Act.

Occupational and nonoccupational death benefits are also available through the System. Certain nonoccupational death benefits vest after 18 months of credited service. Occupational death benefits are provided from the date of employment.

Contributions: Contribution requirements of active employees and the State are established in accordance with Chapter 40, section 5/14-133 of the Illinois Compiled Statutes. Member contributions are based on fixed percentages of covered payroll ranging between 4.00% and 12.50%. Employee contributions are fully refundable, without interest, upon withdrawal from State employment. Tier 1 members contribute based on total annual compensation. Tier 2 members contribute based on an annual compensation rate not to exceed \$106,800 with limitations for future years increased by the lesser of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2025, this amount was \$127,283.

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**NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)**

The State is required to make payment for the required ISACs employer contributions, all allowances, annuities, any benefits granted under Chapter 40, Article 5/14 of the ILCS and all administrative expenses of the System to the extent specified in the ILCS. State law provides that the employer contribution rate be determined based upon the results of each annual actuarial valuation.

For Fiscal Year 2025, the required employer contributions were computed in accordance with the State's funding plan. This funding legislation provides for a systematic 50-year funding plan with an ultimate goal to achieve 90% funding of the plan's liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the State's contribution will remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved. For Fiscal Year 2025, the employer contribution rate was 51.180%. IDAPP's contribution amount for Fiscal Year 2025 was \$116,019.

Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources and Expense Related to Pensions: At June 30, 2025, IDAPP reported a liability of \$1,389,068 for its proportionate share of the State's net pension liability for SERS on the statement of net position. The net pension liability was measured as of June 30, 2024 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. IDAPP's portion of the net pension liability was based on IDAPP's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2024. As of the current year measurement date of June 30, 2024, IDAPP's proportion was 0.004%, which was a decrease of 0.002% from its proportion measured as of the prior year measurement date of June 30, 2023.

For the year ended June 30, 2025, IDAPP recognized a pension income of \$124,715. At June 30, 2025, IDAPP reported deferred outflows and deferred inflows of resources related to the pension liability, as of the measurement date of June 30, 2024, from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 48,413	\$ -
Changes of assumptions	4,767	52,149
Net difference between projected and actual investment earnings on pension plan investments	10,595	-
Changes in proportion	-	581,468
Department contributions subsequent to the measurement date	116,019	-
Total	<u>\$ 179,794</u>	<u>\$ 633,617</u>

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**NOTE 11 - DEFINED BENEFIT PENSION PLAN** (Continued)

\$116,019 reported as deferred outflows of resources related to pensions resulting from IDAPP contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts expressed in thousands):

Year ended June 30,	Amount
2026	\$ (199,279)
2027	(149,149)
2028	(151,288)
2029	(70,126)
Thereafter	-
Total	<u>\$ (569,842)</u>

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**NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)**

Actuarial Methods and Assumptions:

	<u>SERS</u>
Valuation date	6/30/2024
Measurement date	6/30/2024
Actuarial cost method	Entry Age
Actuarial assumptions:	
Investment rate of return	6.75%
Projected salary increases*	2.50% - 7.41%
Inflation rate	2.25%
Postretirement benefit increases	
Tier 1	3%, compounded
Tier 2	Lesser of 3% or 1/2 of CPI <sup>^</sup> , on original benefit
Retirement age experience study <sup>^^</sup>	July 2018 - June 2021
Mortality <sup>^^^</sup>	
SERS	Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2021 generational mortality improvement factors were updated to projection scale MP-2021
<p>Note: the above actuarial assumptions were used to calculate the total pension liability as of the current year measurement date and are consistent with the actuarial assumptions used to calculate the total pension liability as of the prior year measurement date except for the following:</p>	
Projected salary increases*	2.75% - 7.17%
Retirement age experience study <sup>^^</sup>	July 2015 - June 2018
Mortality <sup>^^^</sup>	Pub-2010 General and Public Safety Healthy
<p>* Includes inflation rate listed.  <sup>^</sup> Consumer Price Index  <sup>^^</sup> The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined.  <sup>^^^</sup> Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.</p>	

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**NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)**

The long-term expected real rate of return on pension plan investments is determined using the best estimates of geometric real rates of return for each major asset class. These returns 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. For each major asset class that is included in the pension plan's target asset allocation, calculated as of the measurement date of June 30, 2024, the best estimates of geometric real rates of return are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	22%	6.50%
Developed Foreign Equity	13%	7.60%
Emerging Market Equity	8%	7.80%
Private Equity	10%	8.80%
Investment Grade Bonds	14%	2.50%
Long-term Government Bonds	5%	2.80%
TIPS	3%	2.30%
High Yield Bonds	2%	5.10%
Private Debt	10%	6.80%
Real Estate	10%	5.60%
Infrastructure	3%	6.10%
Total	<u>100%</u>	

Discount Rate: A discount rate of 6.59% was used to measure the total pension liability as of the measurement date of June 30, 2024, the same discount rate of 6.59% was used to measure the total pension liability as of the prior year measurement date. The June 30, 2024, single blended discount rate was based on the expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 3.97%, based on an index of 20-year general obligation bonds with an average AA credit rating as published by the Federal Reserve. The projection of cash flows used to determine this single discount rate 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 difference between the statutory contributions and the member rate. Based on these assumptions, the pension plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2077. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2077, and the municipal bond rate was applied to all benefit payments after that date.

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**NOTE 11 - DEFINED BENEFIT PENSION PLAN** (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The net pension liability for the plan was calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate as shown below (amounts expressed in thousands):

	1% Decrease 5.59%	Discount Rate 6.59%	1% Increase 7.59%
IDAPP's proportionate share of the net pension liability	\$ 1,702	\$ 1,389	\$ 1,130

Payables to the Pension Plan: At June 30, 2025, IDAPP reported no payable to SERS for the outstanding contributions to the pension plan required for the year ended June 30, 2025.

**NOTE 12 - POST-EMPLOYMENT BENEFITS**

Plan Description: The State Employees Group Insurance Act of 1971 (Act), as amended, authorizes the Illinois State Employees Group Insurance Program (SEGIP) to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of IDAPP's full-time employees are members of SEGIP. Members receiving monthly benefits from the General Assembly Retirement System (GARS), Judges Retirement System (JRS), State Employees' Retirement System of Illinois (SERS), Teachers' Retirement System (TRS), and State Universities Retirement System of Illinois (SURS) are eligible for these other post-employment benefits (OPEB). The eligibility provisions for each of the retirement systems are defined within (Note 12). Certain TRS members eligible for coverage under SEGIP include certified teachers employed by certain State agencies, executives employed by the Board of Education, regional superintendents, regional assistant superintendents, TRS employees, and members with certain reciprocal service.

IDAPP of Central Management Services administers these benefits for annuitants with the assistance of the public retirement systems sponsored by the State (GARS, JRS, SERS, TRS and SURS). The State recognizes SEGIP OPEB benefits as a single employer defined benefit plan. The plan does not issue a stand-alone financial report.

Benefits Provided: The health, dental, and vision benefits provided to, and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State's and the university component units' employees in accordance with limitations established in the Act. 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. The Act 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.

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**NOTE 12 - POST-EMPLOYMENT BENEFITS (Continued)**

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

For Fiscal Year 2025, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was \$16,299 (\$9,068 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and \$16,799 (\$6,781 if Medicare eligible) if the annuitant chose other benefits.

Contribution: IDAPP's contribution amount to SEGIP for Fiscal Year 2025 was \$18,611.

Total OPEB Liability, Deferred Outflows of Resources, Deferred Inflows of Resources and Expense Related to OPEB: The total OPEB liability, as reported at June 30, 2025, was measured as of June 30, 2024, with an actuarial valuation as of June 30, 2023. At June 30, 2025, IDAPP recorded a liability of \$484,958 for its proportionate share of the State's total OPEB liability. IDAPP's portion of the OPEB liability was based on IDAPP's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2024. As of the current year measurement date of June 30, 2024, IDAPP's proportion was 0.002%, which was a decrease of 0.001% from its proportion measured as of the prior year measurement date of June 30, 2023.

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**NOTE 12 - POST-EMPLOYMENT BENEFITS** (Continued)

IDAPP recognized OPEB expense for the year ended June 30, 2025, of (\$226,256). At June 30, 2025, IDAPP reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2024, from the following sources (amounts expressed in thousands):

<b>Deferred outflows of resources</b>	
Differences between expected and actual experience	\$ 25,906
Changes of assumptions	22,625
Changes in proportion and differences between employer contributions and proportionate share of contributions	101,645
Commission contributions subsequent to the measurement date (a)	<u>18,611</u>
<b>Total deferred outflows of resources</b>	<b><u>\$ 168,787</u></b>

<b>Deferred inflows of resources</b>	
Differences between expected and actual experience	\$ 59,287
Changes of assumptions	186,865
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>346,045</u>
<b>Total deferred inflows of resources</b>	<b><u>\$ 592,197</u></b>

The amounts reported as deferred outflows of resources related to OPEB resulting from IDAPP contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts expressed in thousands):

Year ended June 30,	Amount
2026	\$ (186,580)
2027	(120,894)
2028	(81,312)
2029	(43,365)
2030	<u>(9,870)</u>
Total	<b><u>\$ (442,021)</u></b>

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**NOTE 12 - POST-EMPLOYMENT BENEFITS (Continued)**

**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, 2023, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2023.

<b>Valuation Date</b>	June 30, 2023
<b>Measurement Date</b>	June 30, 2024
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Actuarial assumptions:</b>	
<b>Inflation Rate</b>	2.25%
<b>Projected Salary Increases*</b>	2.50% - 12.75%
Healthcare Cost Trend Rate:	
Medical and Rx (QCHP**)	10.02% in 2025, 8.00% in 2026, decreasing by 0.25% per year to an ultimate rate of 4.25% in year 2041.
Medical and Rx (MAPD***)	Based on actual increase in 2025, 15.00% from 2026 through 2030, 7.00% in 2031 decreasing ratably to an ultimate trend of 4.25% in 2041.
Retiree Premium (QCHP)	16.84% in 2025, 8.00% in 2026, decreasing by 0.25% per year to an ultimate trend of 4.25% in year 2041.
Retiree Premium (MAPD)	Based on actual increase in 2025, 15.00% from 2026 through 2030, 7.00% in 2031 decreasing ratably to an ultimate trend of 4.25% in 2041.
<b>Retirees' share of benefit-related costs</b>	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2024 and 2025 are based on actual premiums. Premiums after 2025 were projected based on the same healthcare cost trend rates applied to per capita claim costs.
Note: the above actuarial assumptions were used to calculate the OPEB liability as of the current year measurement date and are consistent with the actuarial assumptions used to calculate the OPEB liability as of the prior year measurement date except for the following:	
Healthcare Cost Trend Rate:	
Medical and Rx (QCHP**)	9.63% in 2024, 8.00% in 2025, decreasing by 0.25% per year to an ultimate rate of 4.25% in 2040.
Medical and Rx (MAPD***)	0.00% from 2024 to 2028, 19.42% from 2029 to 2033, 6.08% in 2034 decreasing ratably to an ultimate trend rate of 4.25% in 2040.
Retiree Premium (QCHP)	8.04% in 2024, 8.00% in 2025, decreasing by 0.25% per year to an ultimate rate of 4.25% in 2040.
Retiree Premium (MAPD)	0.00% from 2024 to 2028, 19.42% from 2029 to 2033, 5.75% in 2034 decreasing ratably to an ultimate trend rate of 4.25% in 2040.
* Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed.	
** Quality Care Health Plan	
*** Medicare Advantage Prescription Drug	

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**NOTE 12 - POST-EMPLOYMENT BENEFITS (Continued)**

Additionally, the demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2023, valuations for GARS, JRS, SERS, TRS, and SURS as follows:

	<b>Retirement age experience study<sup>^</sup></b>	<b>Mortality<sup>^^</sup></b>
GARS	July 2018 - June 2021	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, with no scaling factors, and the MP-2021 two-dimensional generational mortality improvement scales
JRS	July 2018 - June 2021	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, with no scaling factors, and the MP-2021 two-dimensional generational mortality improvement scales
SERS	July 2018 - June 2021	Pub-2010 General and Public Safety Healthy Retiree mortality tables, sex distinct, with rates projected to 2021 generational mortality improvement factors were updated to projection scale MP-2021
TRS	July 2017 - June 2020	PubT-2010 adjusted for TRS experience for future mortality improvements on a fully generational basis using projection table MP-2020
SURS	July 2017 - June 2020	Rates based on Pub-2010 Healthy Retiree Mortality tables and the most recent MP-2020 projection scale. Teachers table was used for Academic members and General Employees table was used for Non-Academic members
<sup>^</sup> The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined.		
<sup>^^</sup> Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.		

Demographic assumptions used in OPEB valuation are identical to those used in the June 30, 2023, valuations for Pensions. Thus, for all five plans, the 2023 valuation information for pensions is presented in the FY 2024 ACFR in FN 16. For TRS and SURS, the total pension liability presented in the June 30, 2023, actuarial valuation is based on census data as of June 30, 2022, rolled-forward to the measurement date of June 30, 2023.

**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 3.86% at June 30, 2023, and 3.97% at June 30, 2024, was used to measure the total OPEB liability.

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**NOTE 12 - POST-EMPLOYMENT BENEFITS (Continued)**

Sensitivity of Total OPEB Liability to Changes in the Single Discount Rate: The following presents the plan's total OPEB liability, calculated using a Single Discount Rate of 3.97%, as well as what the plan's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (4.97%) or lower (2.97%) than the current rate.

	1% Decrease (2.97%)	Discount Rate (3.97%)	1% Increase (4.97%)
IDAPP's proportionate share of total OPEB liability	\$ 537,165	\$ 484,958	\$ 440,146

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate: The following presents the plans total OPEB liability, calculated using the healthcare cost trend rates as well as what the plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates. The key trend rates are 8.00% in 2026 decreasing to an ultimate trend rate of 4.25% in 2041.

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
IDAPP's proportionate share of total OPEB liability	\$ 429,866	\$ 484,958	\$ 551,908

\* Current healthcare trend rates - Pre-Medicare per capita costs: 10.02% in 2025, 8.00% in 2026, decreasing by 0.25% per year to an ultimate rate of 4.25% in 2041. Post-Medicare per capita costs: Based on actual increase in 2025, 15.00% from 2026 to 2030, 7.00% in 2031 decreasing ratably to an ultimate trend rate of 4.25% in 2041.

\*\* One percentage point decrease in current healthcare trend rates - Pre-Medicare per capita costs: 9.02% in 2025, 7.00% in 2026, decreasing by 0.25% per year to an ultimate rate of 3.25% in 2041. Post-Medicare per capita costs: Based on actual increase in 2025, 14.00% from 2026 through 2030, 6.00% in 2031 decreasing ratably to an ultimate trend of 3.25% in 2041.

\*\*\* One percentage point increase in current healthcare trend rates - Pre-Medicare per capita costs: 11.02% in 2025, 9.00% in 2026, decreasing by 0.25% per year to an ultimate rate of 5.25% in 2041. Post-Medicare per capita costs: Based on actual increase in 2025, 16.00% from 2026 through 2030, 8.00% in 2031 decreasing ratably to an ultimate trend of 5.25% in 2041.

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**NOTE 13 – NEW ACCOUNTING PRONOUNCEMENTS**

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for IDAPP's fiscal year ended June 30, 2025. Management has evaluated the applicability of this Statement and has determined it has no material impact on its financial statements for the year ending June 30, 2025.

**NOTE 14 – RESTATEMENT FOR IMPLEMENTATION OF NEW ACCOUNTING STANDARD**

In June 2022, the GASB issued 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 requirements of this Statement are effective for IDAPP's fiscal year ended June 30, 2025. As such, the beginning Fiscal Year 2025 net position was restated by \$56,357 detailed below:

Net Position, June 30, 2024	\$ 86,095,476
Implementation of GASB 101:	
Compensated Absences under unified model	<u>(56,357)</u>
Net Position June 30, 2024 as restated	<u>\$ 86,039,119</u>

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

Honorable Frank J. Mautino  
Auditor General  
State of Illinois, and

Mr. Kevin B. Huber  
Chair of the Governing Board  
Illinois Student Assistance Commission

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Illinois Designated Account Purchase Program of the State of Illinois, Illinois Student Assistance Commission, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Illinois Designated Account Purchase Program of the State of Illinois, Illinois Student Assistance Commission's basic financial statements, and have issued our report thereon dated February 23, 2026.

**Report on Internal Control Over Financial Reporting**

Management of the State of Illinois, Illinois Student Assistance Commission is responsible for establishing and maintaining effective internal control over financial reporting of the Illinois Designated Account Purchase Program (internal control). In planning and performing our audit of the financial statements, we considered the State of Illinois, Illinois Student Assistance Commission's internal control as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Illinois Student Assistance Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Student Assistance Commission's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Illinois Designated Account Purchase Program of the State of Illinois, Illinois Student Assistance Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

### Purpose of this Report

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

**SIGNED ORIGINAL ON FILE**

Crowe LLP

Oakbrook Terrace, Illinois  
February 23, 2026