



GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
FINANCIAL AUDIT
For the Year Ended June 30, 2025

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

GOVERNORS STATE UNIVERSITY
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FINANCIAL AUDIT
For the Year Ended June 30, 2025

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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, 2025, 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, 2025, on our consideration of the University’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, under a separate cover. The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.

GOVERNORS STATE UNIVERSITY
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UNIVERSITY OFFICIALS

President (July 1, 2025 to Present)	Dr. Joyce C. Ester
Interim President (March 1, 2025 to June 30, 2025)	Dr. Corey S. Bradford, Sr.
President (Up to February 28, 2025)	Dr. Cheryl F. Green
Interim Chief Financial Officer (October 7, 2025 to Present)	Ms. Villalyn Baluga, CPA
Vice President for Administration and Finance (Up to October 6, 2025)	Dr. Corey S. Bradford, Sr.
General Counsel and Vice President	Ms. Therese King Nohos
Chief Internal Auditor	Mr. Kristoffer Evangelista, CPA
Associate Vice President for Finance	Ms. Villalyn Baluga, CPA

OFFICERS OF THE UNIVERSITY BOARD OF TRUSTEES

Chairman (August 20, 2024 to Present)	Mr. James Kvedaras
Chairman (Up to August 19, 2024)	Ms. Angela Sebastian
Vice Chairman (August 20, 2024 to Present)	Ms. Stacy Crook
Vice Chairman (Up to August 19, 2024)	Mr. Kevin Brookins
Secretary (August 20, 2024 to Present)	Ms. Karen Nunn
Secretary (Up to August 19, 2024)	Mr. James Kvedaras

UNIVERSITY BOARD OF TRUSTEES

Trustee	Ms. Karen Nunn
Trustee	Ms. Stacy Crook
Trustee (March 21, 2025 to Present)	Ms. Angelica Zuniga
Trustee (January 21, 2025 to March 20, 2025)	Vacant
Trustee (Up to January 20, 2025)	Mr. Kevin Brookins
Trustee (March 10, 2025 to Present)	Dr. Judith L. Mitchell
Trustee (Up to March 9, 2025)	Vacant
Trustee (March 10, 2025 to Present)	Ms. Frances Pao-Han Kao
Trustee (January 21, 2025 to March 9, 2025)	Vacant
Trustee (Up to January 20, 2025)	Ms. Angela Sebastian
Trustee	Mr. James Kvedaras
Trustee	Mr. Anibal Taboas
Trustee (July 1, 2025 to Present)	Mr. Brett Porter, Student
Trustee (Up to June 30, 2025)	Mr. Harish Rayalapati, Student

UNIVERSITY OFFICE

1 University Parkway, University Park, Illinois 60484

GOVERNORS STATE UNIVERSITY
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Financial Statement Report

Summary

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

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

Exit Conference

The University waived an exit conference in a correspondence from Ms. Villalyn Baluga, Associate Vice President for Finance and Interim Chief Financial Officer, on February 25, 2026.



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, 2025, 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, 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.

We did not audit the financial statements of the Governors State University Foundation, as of June 30, 2025, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

Basis for Opinions

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

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2026, 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 10, 2026

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2025

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, 2025. The GSU Foundation is considered a component unit of the University. Separate financial statements for the GSU Foundation may be obtained by writing to the: Vice President for External Affairs, Governors State University, 1 University Parkway, University Park, Illinois 60484.

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

FINANCIAL AND ENROLLMENT HIGHLIGHTS

Appropriations

Net Revenue Available from Operational Appropriations			
Fiscal Year	Appropriations	Payments to Health Reserve Fund	Available Appropriations
2025	\$ 26,579,300	\$ (656,200)	\$ 25,923,100
2024	26,058,100	(656,200)	25,401,900

On June 5, 2024, the State of Illinois adopted a complete operating budget for Fiscal Year 2025 under Public Act 103-0589, which provided the University \$26,579,300 of State appropriations for general operations.

On June 7, 2023, the State of Illinois adopted a complete operating budget for Fiscal Year 2024 under Public Act 103-0006, which provided the University \$26,058,100 of State appropriations for general operations.

Payments to the State of Illinois’ Health Insurance Reserve Fund were fully paid from State Appropriated Funds during Fiscal Years 2024 and 2025.

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Mandated Tuition Waivers

Certain mandated tuition waivers administered by the Illinois Student Assistance Commission have been funded or partially funded by the State in the past. For Fiscal Year 2025, about \$0.8 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 2023, 267 (98%) of the 272 beds available were occupied. During the Fall of 2024, 270 (97%) of the 279 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.

Accreditations

During the Spring of 2020, the Higher Learning Commission team completed its review and reaccredited GSU for the maximum ten years (with the next reaffirmation of accreditation scheduled for Academic Year 2029-2030).

Enrollment

Registered student credit hours slightly increased by 3% from 94,604 in Academic Year 2023-2024 to 97,493 in Academic Year 2024-2025.

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MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2025

Statement of Net Position

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

	(in thousands)			Percent Change
	2025	2024*	Change	
Current assets	\$ 48,821	\$ 58,784	\$ (9,963)	-17%
Noncurrent assets-capital assets	115,789	116,924	(1,135)	-1%
Noncurrent assets-other	<u>1,346</u>	<u>1,463</u>	<u>(117)</u>	<u>-8%</u>
Total assets	<u>165,956</u>	<u>177,171</u>	<u>(11,215)</u>	<u>-6%</u>
Deferred outflows of resources	<u>2,867</u>	<u>3,124</u>	<u>(257)</u>	<u>-8%</u>
Current liabilities	19,970	20,821	(851)	-4%
Noncurrent liabilities	<u>37,164</u>	<u>39,921</u>	<u>(2,757)</u>	<u>-7%</u>
Total liabilities	<u>57,134</u>	<u>60,742</u>	<u>(3,608)</u>	<u>-6%</u>
Deferred inflows of resources	<u>3,160</u>	<u>5,093</u>	<u>(1,933)</u>	<u>-38%</u>
Net investment in capital assets	86,604	84,393	2,211	3%
Restricted	2,389	2,319	70	3%
Unrestricted	<u>19,536</u>	<u>27,748</u>	<u>(8,212)</u>	<u>-30%</u>
Net position	<u>\$ 108,529</u>	<u>\$ 114,460</u>	<u>\$ (5,931)</u>	<u>-5%</u>

*Certain reclassifications have been made between current assets and noncurrent assets-other in 2024 to conform to the 2025 presentation. These reclassifications did not have an impact to the amount of total assets in 2024.

The 5% decrease in the University’s net position is due to the following:

Current Assets

Current assets, consisting mostly of cash and cash equivalents, investments and receivables, decreased as of June 30, 2025 as compared to 2024. The \$10.0 million decrease was mostly attributable to the \$5.2 million decrease in cash and cash equivalents and investments mostly due to higher operating outflows as the University’s operating expenses increased, coupled with the decrease in the proceeds from the Certificates of Participation issued by the University during Fiscal Year 2019 as funds are spent for deferred maintenance projects as well as timing of vendor payments and receipts from students; the \$0.7 million decrease in accounts receivable due to \$1.2 million increase in the allowance for bad debts driven by a higher estimated average rate of uncollectible accounts, partially offset by \$0.5 million increase in gross receivables attributable to timing of collections from students, coupled with the increase in tuition rates per credit hour, a slight increase in credit hours from 94,604 in Academic Year 2023-2024 to 97,493 in Academic Year 2024-2025, and the increases in mandatory fees and technology fees; and the \$4.6 million decrease in grants receivable mainly due to the overall reduction in the federal and State grant funding, and the related timing of receipt of funds from the grantors.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
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Noncurrent Assets - Capital Assets

The amount of the University's noncurrent capital assets, net of accumulated depreciation, decreased as of June 30, 2025 as compared to 2024. The University's gross capital assets increased by \$4.5 million, from \$214.3 million as of Fiscal Year 2024 to \$218.8 million as of Fiscal Year 2025, primarily due to the additions during Fiscal Year 2025 related to University-funded costs incurred in connection with the various construction and deferred maintenance projects, and acquisitions of equipment and computer software under subscription-based information technology arrangements. This increase was offset by the \$5.8 million increase in accumulated depreciation, from \$97.3 million as of Fiscal Year 2024 to \$103.1 million as of Fiscal Year 2025, mostly due to the \$6.6 million additional depreciation expense recognized during Fiscal Year 2025, partially offset by the \$0.8 million deletions during Fiscal Year 2025, mostly attributable to equipment.

Noncurrent Assets - Other

Other noncurrent assets consist primarily of the long-term portion of student loans receivable and prepaid debt service insurance. The \$0.1 million decrease in noncurrent assets - other was mostly due to the decrease in prepaid debt service insurance attributable to the amortization expense recognized during Fiscal Year 2025. There were no significant changes in the student loans receivable balance as of Fiscal Year 2025 compared to Fiscal Year 2024.

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 \$0.3 million decrease was mostly attributable to the decrease in deferred outflows from other postemployment benefits due to the decreases in the actuarially determined changes in proportion and differences between employer contributions and proportionate share of contributions, and contributions subsequent to the measurement date. These decreases were partially offset by the increases in actuarially determined differences between expected and actual experience and changes of assumptions.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2025

Current Liabilities

Current liabilities include accounts payable, accrued compensated absences, unearned revenue, subscriptions payable, and the current portion of long-term liabilities, which are payable within one year. The \$0.9 million decrease in current liabilities was mostly attributable to the \$1.8 million decrease in accounts payable primarily due to timing of vendor payments and refunds to students, partially offset by the \$0.5 million increase in unearned revenue primarily due to the higher level of collections during the fiscal year that are attributable to the tuition and fees for the following fiscal year, coupled with the deferral of revenues related to certain federal and State grants received by the University in advance, and the \$0.1 million increase in intangible asset payable due to costs incurred in connection with the new website redesign arrangements during Fiscal Year 2025.

Noncurrent Liabilities

Noncurrent liabilities are liabilities with due dates beyond one year, which include accrued compensated absences, refundable grants, revenue bonds payable, Certificates of Participation, finance lease payable, intangible asset payable, subscriptions payable, and the OPEB liability. The \$2.8 million decrease in noncurrent liabilities was mostly attributable to \$3.7 million decrease in the long-term portion of existing debts due to principal payments during Fiscal Year 2025 and the \$0.4 million decrease in subscriptions payable due to payments made, partially offset by the additional costs related to new or extended subscription-based information technology arrangements during Fiscal Year 2025. These decreases were partially offset by the \$0.4 million increase in accrued compensated absences primarily due to the higher level of additional leave hours earned as compared to the leave hours used during the Fiscal Year and the \$0.9 million increase in the University's allocated share of the State's OPEB liability as of June 30, 2025.

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

Deferred Inflows of Resources

The University recognizes deferred inflows of resources related to OPEB and debt refunding in accordance with GASB Statements No. 75 and No. 23, respectively. During Fiscal Year 2025, the deferred inflows of resources related to OPEB resulted from differences between expected and actual experience, changes in actuarial assumptions, and changes in the proportion of contributions used as the basis for allocating the State's OPEB liability and related amounts, which are then amortized to smooth the effect of these changes over several years; and the deferred inflows of resources related to debt refunding resulted from the refunding of certain debts in September 2021 as discussed in further details in Note 9 to the financial statements. Deferred inflows of resources related to OPEB decreased by \$1.9 million during Fiscal Year 2025 due to the \$0.2 million decrease in the actuarially determined differences between expected and actual experience; the \$1.0 million decrease in changes in actuarial assumptions; and the \$0.7 million decrease in actuarially calculated amount of changes in proportion and differences between employer contributions and proportionate share of contributions. Deferred inflows of resources related to debt refunding during Fiscal Year 2025 was at about the same level as the prior fiscal year.

GOVERNORS STATE UNIVERSITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2025

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
	<u>2025</u>	<u>2024</u>	<u>Change</u>	<u>Change</u>
OPERATING REVENUES				
Net student tuition and fees	\$ 33,882	\$ 34,089	\$ (207)	-1%
Grants and contracts	7,775	12,046	(4,271)	-35%
Auxiliary enterprises	3,105	4,542	(1,437)	-32%
Other operating revenues	<u>2,238</u>	<u>2,865</u>	<u>(627)</u>	<u>-22%</u>
Total operating revenues	47,000	53,542	(6,542)	-12%
OPERATING EXPENSES	<u>124,911</u>	<u>121,386</u>	<u>3,525</u>	<u>3%</u>
Net operating loss	<u>(77,911)</u>	<u>(67,844)</u>	<u>(10,067)</u>	<u>15%</u>
NONOPERATING REVENUES (EXPENSES)				
State appropriation	26,579	26,058	521	2%
Payments made on behalf of the University	12,306	9,923	2,383	24%
Fringe benefits under special funding situation	11,945	7,172	4,773	67%
Federal and State nonoperating grants	19,111	17,600	1,511	9%
Investment income	2,104	2,246	(142)	-6%
Interest expense	(897)	(1,063)	166	-16%
Other nonoperating income (loss)	<u>21</u>	<u>(3)</u>	<u>24</u>	<u>-800%</u>
Net nonoperating revenues	71,169	61,933	9,236	15%
Capital appropriations and grants provided by State of Illinois	<u>811</u>	<u>273</u>	<u>538</u>	<u>197%</u>
Decrease in net position	(5,931)	(5,638)	(293)	5%
Net position - beginning of year	<u>114,460</u>	<u>120,098</u>	<u>(5,638)</u>	<u>-5%</u>
Net position - end of year	<u>\$ 108,529</u>	<u>\$ 114,460</u>	<u>\$ (5,931)</u>	<u>-5%</u>

GOVERNORS STATE UNIVERSITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2025

For Fiscal Year 2025, the change in net position was due to the following:

Operating Revenues

Net student tuition and fees decreased by \$0.2 million, mostly due to the \$1.5 million increase in bad debt expense, driven largely by a higher estimated average rate of uncollectible accounts; and the \$2.4 million increase in scholarship discounts and allowances recorded as reductions to tuition and fee revenue. This reflects the University's implementation of updated practice guidance for public institutions under NACUBO Advisory 2023-01, *Public Institutions: Accounting for and Reporting Financial Aid as a Discount*. In accordance with this guidance, the University transitioned from its previous alternate method to a "detail by student-by term" calculation, as the former approach is no longer endorsed by NACUBO. These decreases were partially offset by a \$3.6 million increase in gross tuition and fees, attributable to the 3% increase in student credit hours, from 94,604 in Academic Year 2023–2024 to 97,493 in Academic Year 2024–2025; the tuition rate increases of \$15 per credit hour for residents and \$30 per credit hour for nonresidents; the \$6 increase in mandatory per-credit-hour student fees; and the increase in the technology fee, assessed as a flat rate, which rose by \$45 for students registered for up to 6 credit hours and by \$90 for students registered for 7 or more credit hours.

Grants and contracts decreased by \$4.3 million due to the \$2.1 million decrease in revenues received from federal grants awarded to the University during Fiscal Year 2025 (such as Illinois Tutoring Initiative grant and the Illinois Board of Higher Education's Early Childhood Access Consortium for Equity grant); the \$2.3 million decrease in various State funding received by the University during Fiscal Year 2025 (such as the Illinois Student Assistance Commission's Early Childhood Access Consortium for Equity grant and Stroke Awareness Campaign grant), partially offset by the increase in Pre-K grant funding; and the \$0.1 million increase in new grants received by the University during Fiscal Year 2025.

Auxiliary enterprises mostly comprised of the operations of housing, parking, and center for performing arts. Total gross revenues for Fiscal Year 2025 and Fiscal Year 2024 are at the same level at \$4.5 million. The \$1.4 million decrease in revenues was primarily attributable to the University's implementation of updated practice guidance for public institutions under NACUBO Advisory 2023-01, *Public Institutions: Accounting for and Reporting Financial Aid as a Discount*. In accordance with this guidance, scholarship discounts and allowances are now offset against auxiliary revenues.

Other operating revenues (mostly comprised of Family Development Center operations, farm operations, broadband lease of excess channels, media productions, and various training programs) decreased by \$0.6 million, mostly due to the conclusion of the University's intergovernmental agreement with the Illinois State Board of Education to facilitate a pilot student teacher assessment program, coupled with the reduction in forfeited revenues related to the University's Physical Therapy Doctorate program.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2025

Operating Expenses (by functional classification)

	(in thousands)			Percent Change
	2025	2024*	Change	
Instruction	\$ 47,766	\$ 43,679	\$ 4,087	9%
Research	1,886	2,945	(1,059)	-36%
Public service	6,319	6,404	(85)	-1%
Academic support	9,641	8,813	828	9%
Student services	12,815	14,859	(2,044)	-14%
Institutional support	21,832	17,560	4,272	24%
Operation and maintenance of plant	10,281	9,322	959	10%
Auxiliary enterprises	4,062	3,741	321	9%
Student aid	3,760	7,671	(3,911)	-51%
Depreciation	6,549	6,392	157	2%
Total operating expenses	<u>\$ 124,911</u>	<u>\$ 121,386</u>	<u>\$ 3,525</u>	<u>3%</u>

*Certain reclassifications have been made between functional operating expenses in 2024 to conform to the 2025 presentation. These reclassifications did not have an impact to the amount of total operating expenses in 2024.

Total operating expenses increased by \$3.5 million, mostly due to the increase in personnel costs attributable to the increase in expenses recognized for the University’s proportionate share of State funded health care, retirement, and other postemployment benefits; the Board approved salary increases resulting from union contract negotiations; and the inflationary increases in contractual services expenditures. These increases were partially offset by the decrease in grant-related expenditures resulting from the overall decline in federal and State grant funding (impacting research, public service, and student services expenditures). Student aid decreased by \$3.9 million primarily due to a higher portion of scholarship discounts and allowances being reclassified out of expense and presented as offsets to tuition and fee revenues and auxiliary revenues. This change resulted from the University’s implementation of updated practice guidance for public institutions under NACUBO Advisory 2023-01, *Public Institutions: Accounting for and Reporting Financial Aid as a Discount*. Depreciation increased by \$0.2 million due to new capital additions, including completed projects, during the Fiscal Year 2025.

Operating Expenses (by natural classification)

	(in thousands)			Percent Change
	2025	2024	Change	
Salaries and benefits	\$ 92,683	\$ 82,942	\$ 9,741	12%
Student aid	3,760	7,671	(3,911)	-51%
Capital expenditures	960	1,758	(798)	-45%
Services, supplies and other	20,959	22,623	(1,664)	-7%
Depreciation	6,549	6,392	157	2%
Total operating expenses	<u>\$ 124,911</u>	<u>\$ 121,386</u>	<u>\$ 3,525</u>	<u>3%</u>

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2025

Salaries and benefits, representing the University's largest operating expense, increased by \$9.7 million mostly due to the increase in expenses recognized for the University's proportionate share of State funded health care, retirement, and other postemployment benefits, coupled with the Board approved salary increases resulting from union contract negotiations. Student aid decreased by \$3.9 million primarily due to a higher portion of scholarship discounts and allowances being reclassified out of expense and presented as offsets to tuition and fee revenues and auxiliary revenues resulted from the University's implementation of updated practice guidance for public institutions under NACUBO Advisory 2023-01. Services, supplies and other decreased by \$1.7 million, mostly attributable to the decrease in grant-related expenditures due to the overall decrease in federal and State grant funding and the inflationary increases in contractual services expenditures. Capital expenditures decreased by \$0.8 million, while Depreciation increased by \$0.2 million, due to new capital additions, including completed projects, during the Fiscal Year 2025.

Nonoperating Revenues (Expenses)

During Fiscal Year 2025, the University received a 2% increase (\$0.5 million) from Fiscal Year 2024 in State appropriation revenue from the State of Illinois.

Payments made on behalf of the University increased by \$2.4 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 71.27% (Fiscal Year 2024) to 73.77% (Fiscal Year 2025) of costs incurred.

Fringe benefits under special funding situation increased by \$4.8 million primarily due to the \$3.0 million increase in the University's proportionate share of State funded health, life, and dental insurance benefits for retired University employees, and the \$1.8 million increase in the University's proportionate share of the State funded retirement benefits.

Federal and State nonoperating grant revenues increased by \$1.5 million mostly due to the increase in Federal Pell awards.

Investment income decreased by \$0.1 million primarily attributable to lower cash and investment balances, partially offset by favorable market conditions during Fiscal Year 2025.

Interest expense decreased by \$0.2 million primarily due to the decrease in outstanding debt principal balances as principal payments were made.

Capital appropriations and grants provided by State of Illinois pertain to the various ongoing capital projects (main building roofing; piping; heating, ventilation and air conditioning (HVAC); and Supply Chain Innovation Center and Business Incubator facility) funded by the Illinois Capital Development Board. The \$0.5 million increase was primarily due to the higher construction costs incurred for the piping and HVAC projects.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2025

Statement of Cash Flows

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

	(in thousands)			Percent
	<u>2025</u>	<u>2024</u>	<u>Change</u>	<u>Change</u>
Net cash provided by (used in):				
Operating activities	\$ (43,856)	\$ (48,228)	\$ 4,372	-9%
Noncapital financing activities	45,881	44,982	899	2%
Capital financing activities	(9,282)	(10,706)	1,424	-13%
Investing activities	<u>13,304</u>	<u>4,727</u>	<u>8,577</u>	<u>181%</u>
Net increase (decrease) in cash and cash equivalents	6,047	(9,225)	15,272	-166%
Cash and cash equivalents - beginning of year	<u>6,172</u>	<u>15,397</u>	<u>(9,225)</u>	<u>-60%</u>
Cash and cash equivalents - end of year	<u>\$ 12,219</u>	<u>\$ 6,172</u>	<u>\$ 6,047</u>	<u>98%</u>

The primary cash receipts from operating activities consist of student tuition and fees, grants and contracts, auxiliary enterprises, and other operating revenues. Cash outlays include payment of wages, fringe benefits, services, supplies, and scholarships. Net cash used in operating activities decreased by \$4.4 million primarily due to the \$3.9 million decrease in payments for scholarships, the \$3.3 million decrease in grants and contracts, and the \$1.8 million decrease in receipts from student tuition and fees; partially offset by the \$1.1 million increase in payments to vendors for services and supplies, the \$1.5 million increase in payments to employees for wages and fringe benefits, the \$1.4 million increase in auxiliary enterprises, and the \$0.6 million increase in other operating revenues.

Cash provided by noncapital financing activities, which mostly consists of receipts from State appropriation and federal and State nonoperating grants, increased by \$0.9 million was due to the \$0.5 million increase in State appropriation receipts and the \$0.4 million increase in federal and State nonoperating grants.

Cash used in capital financing activities decreased by \$1.4 million due to the \$1.7 million decrease in payments for purchases of capital assets and the \$0.3 million increase in capital debt service payments.

Cash flows from investing activities in Fiscal Year 2025 improved by \$8.6 million compared to Fiscal Year 2024. This significant change was due to a \$6.5 million increase in proceeds from the sales and maturities of investment securities, the \$0.1 million increase in investment income receipts, and the \$1.9 million increase in the purchase of investment securities.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2025

UNIVERSITY’S DEBT RATINGS

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.

On May 8, 2024, 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.

On September 11, 2025, 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 2026 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 2025 (and beyond) and in retaining those classes of first-year students who began in the previous fall semesters.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF NET POSITION
AS OF JUNE 30, 2025

	<u>University</u>	<u>Component Unit</u>
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 2 and 3)	\$ 10,575,669	\$ 509,988
Cash and cash equivalents, restricted (Notes 2, 3 and 4)	1,643,620	-
Investments (Notes 2 and 3)	25,889,431	-
Investments, restricted (Notes 2, 3 and 4)	1,796,688	-
Accounts receivable, net of allowance for uncollectible accounts of \$8,700,000 (Note 2)	4,396,531	-
Cancellations receivable (Note 2)	14,000	-
Grants receivable (Note 2)	2,243,436	-
Student loans (Note 2)	306,214	-
Due from component unit (Note 11)	401,491	-
Prepaid debt service insurance (Notes 2 and 9)	83,276	-
Inventories (Note 2)	59,030	-
Other assets	1,411,910	-
Total Current Assets	<u>48,821,296</u>	<u>509,988</u>
Noncurrent Assets		
Investments (Notes 2 and 3)	-	6,626,411
Cancellations receivable (Note 2)	993,485	-
Student loans, net of allowance for uncollectible loans of \$185,500 (Note 2)	24,034	-
Prepaid debt service insurance (Notes 2 and 9)	328,104	-
Capital assets (Notes 2 and 8)	218,842,543	2,945,340
Accumulated depreciation (Note 8)	<u>(103,053,849)</u>	<u>(356,090)</u>
Total Noncurrent Assets	<u>117,134,317</u>	<u>9,215,661</u>
Total Assets	<u>165,955,613</u>	<u>9,725,649</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions after measurement date (Notes 2 and 5)	134,752	-
Deferred outflows from other postemployment benefits (Notes 2 and 7)	2,671,417	-
Deferred outflows from debt refunding (Notes 2 and 9)	60,856	-
Total Deferred Outflows	<u>2,867,025</u>	<u>-</u>
LIABILITIES		
Current Liabilities		
Accounts payable	8,722,403	76,138
Due to University (Note 11)	-	401,491
Accrued compensated absences (Notes 2 and 10)	573,941	-
Unearned revenue (Note 2)	6,218,524	-
Revenue bonds payable (Note 9)	1,095,000	-
Finance lease payable (Note 9)	12,595	-
Certificates of participation (Note 9)	2,195,000	-
Other postemployment benefits (Note 7)	157,919	-
Intangible asset payable (Note 9)	115,850	-
Subscription payable (Notes 2 and 9)	878,922	69,563
Total Current Liabilities	<u>19,970,154</u>	<u>547,192</u>
Noncurrent Liabilities		
Accrued compensated absences (Notes 2 and 10)	4,771,405	-
Refundable grants	1,587,954	-
Revenue bonds payable (Note 9)	16,717,414	-
Finance lease payable (Note 9)	8,368	-
Certificates of participation (Note 9)	8,743,038	-
Subscription payable (Notes 2 and 9)	724,843	72,622
Other postemployment benefits (Note 7)	4,610,837	-
Total Noncurrent Liabilities	<u>37,163,859</u>	<u>72,622</u>
Total Liabilities	<u>57,134,013</u>	<u>619,814</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from other postemployment benefits (Notes 2 and 7)	3,157,816	-
Deferred inflows from debt refunding (Notes 2 and 9)	2,226	-
Total deferred inflows	<u>3,160,042</u>	<u>-</u>
NET POSITION (Note 2)		
Net investment in capital assets	86,604,159	2,447,065
Restricted		
Nonexpendable	-	3,702,766
Expendable		
Loans	795,407	-
Debt Service	1,565,757	-
Other	27,075	2,950,670
Unrestricted	<u>19,536,185</u>	<u>5,334</u>
Total Net Position	<u>\$ 108,528,583</u>	<u>\$ 9,105,835</u>

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

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025

	University	Component Unit
OPERATING REVENUES		
Student tuition and fees, net of scholarship discounts and allowances of \$20,324,307 (Note 2)	\$ 33,882,158	\$ -
Federal grants and contracts	4,298,724	-
State grants and contracts	3,296,048	-
Other grants and contracts	180,524	198,248
Auxiliary enterprises, net of scholarship discounts and allowances of \$1,432,073 (Note 2)	3,104,561	-
Other operating revenues	<u>2,237,730</u>	<u>406,740</u>
Total operating revenues	<u>46,999,745</u>	<u>604,988</u>
OPERATING EXPENSES		
Instruction	47,766,488	-
Research	1,886,406	-
Public service	6,318,608	-
Academic support	9,641,034	-
Student services	12,815,462	-
Institutional support	21,831,791	-
Operation and maintenance of plant	10,281,417	-
Auxiliary enterprises	4,061,803	-
Student aid	3,759,562	-
Depreciation	6,548,828	96,040
University Support	-	1,524,800
Other expense	<u>-</u>	<u>499,349</u>
Total operating expenses	<u>124,911,399</u>	<u>2,120,189</u>
Net operating loss	<u>(77,911,654)</u>	<u>(1,515,201)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriation	26,579,300	-
Payments made on behalf of the University	12,306,014	-
Fringe benefits under special funding situation	11,945,000	-
Federal and State nonoperating grants	19,111,312	-
Gifts	-	698,567
Investment income	2,104,390	666,454
Interest expense on capital assets-related debt	(897,161)	(6,917)
Other nonoperating income	<u>20,593</u>	<u>-</u>
Net nonoperating revenues	<u>71,169,448</u>	<u>1,358,104</u>
Loss before other revenues, expenses, gains and losses	<u>(6,742,206)</u>	<u>(157,097)</u>
Capital appropriations and grants provided by State of Illinois	810,901	-
Additions to permanent endowments	-	158,421
Capital gifts	<u>-</u>	<u>30,000</u>
Increase (decrease) in net position	<u>(5,931,305)</u>	<u>31,324</u>
NET POSITION (Note 2)		
Net position - beginning of year	<u>114,459,888</u>	<u>9,074,511</u>
Net position - end of year	<u>\$ 108,528,583</u>	<u>\$ 9,105,835</u>

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

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

	University	Component Unit
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	\$ 34,771,258	\$ -
Grants and contracts	12,241,769	198,248
Payments to suppliers	(23,829,730)	(1,204,552)
Payments for scholarships	(3,759,562)	(321,899)
Payments to employees and fringe benefits	(68,734,449)	-
Auxiliary enterprises	3,104,561	-
Student loans collected	105,760	-
Other operating revenues	2,244,024	21,620
Net cash used in operating activities	(43,856,369)	(1,306,583)
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES		
State appropriation	26,579,300	-
Federal and State nonoperating grants	19,301,412	-
Contributions	-	698,567
Contributions for permanent endowments	-	158,421
Cash provided by noncapital financing activities	45,880,712	856,988
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(3,619,742)	-
Principal payments on capital debt	(4,939,795)	(66,634)
Interest payments on capital debt	(722,461)	(8,366)
Net cash used in capital financing activities	(9,281,998)	(75,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investment securities	36,925,063	3,068,613
Investment income	1,765,117	137,911
Investment management fees	-	(69,449)
Purchase of investment securities	(25,385,623)	(2,751,427)
Net cash provided by investing activities	13,304,557	385,648
Net increase (decrease) in cash and cash equivalents	6,046,902	(138,947)
Cash and cash equivalents - beginning of year	6,172,387	648,935
Cash and cash equivalents - end of year	12,219,289	509,988
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Net operating loss	(77,911,654)	(1,515,201)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Non-cash expenses included in net operating loss:		
Depreciation	6,548,828	96,040
Payments made on behalf of the University	12,306,014	-
Fringe benefits under special funding situation	11,945,000	-
Changes in net assets, deferred outflows of resources, deferred inflows of resources and liabilities:		
Accounts receivable, grants receivable, and due from component unit	4,945,586	-
Cancellations receivable	(54,913)	-
Inventories	108,468	-
Other assets	(427,471)	-
Student loans	81,890	-
Prepaid debt service insurance	83,277	-
Deferred outflows of resources - Pension and OPEB	240,843	-
Accounts payable and due to University	(1,698,243)	112,578
Unearned revenue	515,939	-
Accrued compensated absences	573,159	-
Refundable grants	(74,788)	-
Other postemployment benefits	893,661	-
Deferred inflows of resources - OPEB	(1,931,965)	-
Net cash used in operating activities	\$ (43,856,369)	\$ (1,306,583)
NONCASH INVESTING, NONCAPITAL AND CAPITAL FINANCING ACTIVITIES		
Capital assets acquired with debt	\$ 926,883	\$ -
Capital appropriations	\$ 810,901	\$ -
Unrealized gain on investments	\$ 181,362	\$ 64,418
Donations of capital assets	\$ 17,000	\$ 30,000
Other noncash contributions	\$ 9,229	\$ -

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

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

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, 2025 was conducted by an independent certified public accountant. Complete financial statements for this component unit may be obtained by writing the: Vice President for External Affairs, Governors State University, 1 University Parkway, University Park, Illinois 60484.

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

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

Management's Discussion and Analysis

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

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

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

Notes to the Basic Financial Statements

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

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

In accordance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near to their maturities that they present insignificant risk of changes in value because of changes in interest rates. The University generally considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the Illinois Funds are considered cash equivalents.

Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and GASB Statement No. 72, *Fair Value Measurement and Application*. Changes in fair value during the reporting period are reported as a net increase or decrease in the fair value of investments. Net investment income includes interest, dividends and realized/unrealized gains and losses.

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

Accounts, Cancellations, Grants, Student Loans Receivable, and Due From Component Unit

An aging of accounts, cancellations, grants, student loans receivable, and due from component unit as of June 30, 2025, is as follows:

Not in repayment	\$ 31,656
Current	4,376,979
Up to 120 days past due	1,617,281
From 121 to 365 days past due	952,683
More than 365 days past due	10,286,092
Allowance for doubtful accounts	<u>(8,885,500)</u>
Net accounts, cancellations, grants, student loans receivable, and due from component unit	<u>\$ 8,379,191</u>

Non-student receivables and due from component unit are not aged and have been presented above as current.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Allowance for Uncollectible Accounts

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

Prepaid Debt Service Insurance

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

Inventories

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

Capital Assets

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

Subscription-Based Information Technology Arrangements

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

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Accrued Compensated Absences

The University recognizes a liability for compensated absences that (a) is attributable to services already rendered, (b) accumulates, and (c) is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means, together with salary-related payments, valued at the pay rate as of the financial statement date. The University has adopted a LIFO (Last-In, First-Out) accounting policy, where leave earned in the current year is assumed to be used first, which aligns with how compensated absences are typically paid or settled. For compensated absences that are dependent upon the occurrence of a sporadic event (such as parental leave, military leave, and jury duty), a liability is not recognized until the leave commences. For holiday leave, a liability is recognized when the leave is taken.

The University's analysis of historical leave usage for the past five years for nonpaid cumulative sick leave shows the average percentage of leave usage to leave earned in the same fiscal year is not greater than 50% which does not meet the criteria of the More Likely Than Not test; accordingly, no liability is recognized for such leave.

Unearned Revenue

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

Debt Service Payments

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

Classification of Revenues

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

Operating revenues - include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of educational departments, (3) auxiliary enterprises, and (4) federal, State and local grants and contracts, excluding Federal Pell, Supplemental Educational Opportunity Grant, Teacher Education Assistance for College and Higher Education Grants (TEACH Grants), State Monetary Award Program (MAP) grants, and Illinois AIM HIGH grants.

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position

The University's net position are classified as follows:

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

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

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

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

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

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

Other Postemployment Benefits (OPEB)

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

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

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

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Funding Situation Portion of OPEB

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

During the OPEB measurement period ended June 30, 2024, the University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of \$188,526 to help offset the amount the State needed to provide for retirees under the special funding situation described in the preceding paragraph.

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

University's Portion of OPEB

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On-Behalf Transactions

The University had an outside source of financial assistance provided by the State on behalf of the University during the year ended June 30, 2025.

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, 2025, total estimated group insurance contributions for the University's employees paid from the University's Income Fund and auxiliary enterprises were \$12,790,000. The University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of \$484,000 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 \$12,306,000 on-behalf of the University to meet this obligation for current employees.

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

Risk Management

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

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

Income Taxes

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

Pensions

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

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

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

During the year ended June 30, 2025, the University adopted the following accounting pronouncements:

- 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. During Fiscal Year 2025, the University recognized liability for certain types of compensated absences as a result of adopting this Statement. See Notes 2 and 10 for further information.
- GASB 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 in notes to financial statements. This statement did not have a material impact to the University's financial statements.

Future Adoption of GASB Statements

Effective for the year ending June 30, 2026, the University will adopt the following accounting pronouncements:

- GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement establishes or modifies existing accounting and financial reporting requirements related to management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position; major component unit information; budgetary comparison information; and financial trends information in the statistical section. This Statement also addresses certain application issues.
- GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately by major class of underlying assets in the capital assets note disclosures.

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

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 3 - DEPOSITS AND INVESTMENTS

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

The Illinois Public Funds Investment Act (30 ILCS 235) authorized the University to invest in bonds, notes, certificates of indebtedness, treasury bills, or other securities guaranteed by the United States; interest-bearing savings accounts, interest-bearing certificates of deposits, interest-bearing time deposits, or any other investment that constitutes direct obligations of any bank; short-term discount obligations of the Federal National Mortgage Association; shares or other securities legally issued by certain state or federal savings and loan associations; insured dividend-bearing 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, 2025 is as follows:

	<u>University</u>	<u>Foundation</u>
<u>Statement of Net Position</u>		
Cash and cash equivalents	\$ 10,575,669	\$ 509,988
Cash and cash equivalents, restricted	1,643,620	-
Investments	25,889,431	6,626,411
Investments, restricted	1,796,688	-
Total	<u>\$ 39,905,408</u>	<u>\$ 7,136,399</u>
 <u>Deposits and Investments</u>		
Cash in bank	\$ 4,581,877	\$ 123,638
Cash on hand	7,900	-
Investments	35,315,631	7,012,761
Total	<u>\$ 39,905,408</u>	<u>\$ 7,136,399</u>

Custodial Credit Risk - is the risk that in the event of a bank failure, deposits may not be returned. The Federal Deposit Insurance Corporation insured bank balances totaling \$500,000 (University and Foundation) at June 30, 2025. The remaining bank balances as of June 30, 2025 were fully collateralized. The University's and Foundation's respective bank balances were \$5,552,751 and \$134,490 as of June 30, 2025. 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.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

University Investments

The fair value of the investment portfolio of the University at June 30, 2025 is as follows:

	<u>Fair Value</u>
Money Market Funds	\$ 6,023,717
U.S. Agencies	23,688,909
Corporate Bonds	3,997,210
Illinois Funds	<u>1,605,795</u>
Total	<u>\$ 35,315,631</u>

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, 2025 is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Funds	\$ 6,023,717	\$ 6,023,717	\$ -	\$ -
U.S. Agencies	23,688,909	-	23,688,909	-
Corporate Bonds	3,997,210	-	3,997,210	-
Illinois Funds	<u>1,605,795</u>	<u>1,605,795</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 35,315,631</u>	<u>\$ 7,629,512</u>	<u>\$ 27,686,119</u>	<u>\$ -</u>

Custodial Credit Risk - is the risk that in the event of custodian failure, investment principal may not be returned. At June 30, 2025, investments consisted of money market funds, U.S. agency securities, corporate bonds, and Illinois Funds. The Illinois Funds are arranged and contracted by the Treasurer of the State of Illinois and collateralized as required by that contract. The University was not subject to custodial credit risk as all of the University's investments were held in its name.

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

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

Concentration of Credit Risk - exists when there is a possibility of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2025, the University does not have any investments representing 5% or more of total assets in any single issuer other than the U.S. government and Illinois Funds.

The maturities of the debt securities investment portfolio at June 30, 2025, are as follows:

	<u>Fair Value</u>	<u>< 1 Year</u>	<u>1-5 Years</u>
U.S. Agencies	\$ 23,688,909	\$ 13,618,239	\$ 10,070,670
Corporate Bonds	<u>3,997,210</u>	<u>2,992,810</u>	<u>1,004,400</u>
Total	<u>\$ 27,686,119</u>	<u>\$ 16,611,049</u>	<u>\$ 11,075,070</u>

The Standard & Poor's credit ratings of the debt securities investment portfolio (at fair value) at June 30, 2025 are as follows:

<u>Credit Rating</u>	<u>Total Debt Securities</u>
AA+	\$ 16,874,958
A+	1,004,400
A	1,991,400
A-	1,001,410
No Rating	<u>6,813,951</u>
Total	<u>\$ 27,686,119</u>

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Foundation Investments

The fair value of the investment portfolio of the Foundation at June 30, 2025 is as follows:

	<u>Fair Value</u>
Stocks/Mutual Funds investing in stocks	\$ 5,226,174
Mutual Funds investing in bonds	431,175
US Treasury Obligations	575,838
Corporate Bonds	393,224
Money Market Funds	295,675
Illinois Funds	<u>90,675</u>
Total	<u>\$ 7,012,761</u>

The valuation by levels at June 30, 2025 is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Illinois Funds	\$ 90,675	\$ 90,675	\$ -	\$ -
Money Market Funds	295,675	295,675	-	-
Stocks/Mutual Funds investing in stocks	5,226,174	5,226,174	-	-
US Treasury Obligations	575,838	575,838	-	-
Mutual Funds investing in bonds	431,175	431,175	-	-
Corporate Bonds	<u>393,224</u>	-	<u>393,224</u>	-
Total	<u>\$ 7,012,761</u>	<u>\$ 6,619,537</u>	<u>\$ 393,224</u>	<u>\$ -</u>

Custodial Credit Risk - is the risk that in the event of custodian failure, investment principal may not be returned. At June 30, 2025, investments consisted of Illinois Funds, money market funds, stocks, mutual funds, corporate bonds and US treasury obligations. All investments other than Illinois Funds are being held by the Old National Bank Trust Division, in the name of the Foundation.

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

Credit Risk - exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. The Foundation's investment policy encourages the investment manager to focus on high quality bonds, maintaining an average credit quality of 'AA', to achieve an attractive risk-adjusted total return over the long run. The money market fund was

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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

invested in Goldman Sachs Financial Square Government Fund, which has a maturity of < 1 year and a credit rating of AAAM by Standard & Poor's. The Illinois Funds has a maturity of < 1 year and a credit rating of AAAMmf by Fitch.

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

The maturities of the debt securities investment portfolio of the Foundation at June 30, 2025 are as follows:

	<u>Fair Value</u>	<u>Investment Maturity (in Years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>5 - 10</u>	<u>10+</u>
Corporate Bonds	\$ 393,224	\$ 24,761	\$ 292,642	\$ 75,821	\$ -
US Treasury Obligations	575,838	-	225,884	349,954	-
Mutual Funds investing in bonds	<u>431,175</u>	<u>-</u>	<u>-</u>	<u>344,337</u>	<u>86,838</u>
Total	<u>\$ 1,400,237</u>	<u>\$ 24,761</u>	<u>\$ 518,526</u>	<u>\$ 770,112</u>	<u>\$ 86,838</u>

The Moody's credit ratings of the debt securities investment portfolio (at fair value) of the Foundation at June 30, 2025 are as follows:

<u>Credit Rating</u>	<u>Total Debt Securities</u>
Aa1	\$ 575,838
Aa3	71,532
A1	48,205
A3	73,068
A2	24,708
Baa1	75,625
Baa2	100,086
No Rating	<u>431,175</u>
Total	<u>\$ 1,400,237</u>

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

As of June 30, 2025, the Foundation had \$833,889 in U.S. dollar balances of stocks and international mutual fund investments exposed to foreign currency risk.

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

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, 2025 amounted to \$3,440,308.

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 July 21, 1941, and provides retirement annuities and other benefits for staff members and employees of State universities and community colleges, certain affiliated organizations, and certain other State educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State's financial reporting entity and is included in the State's Annual Comprehensive Financial Report (ACFR) as a pension trust fund. SURS is governed by Chapter 40, Act 5, Article 15 of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org.

Benefits Provided

A traditional benefit plan was established in 1941. Public Act 90-0448 (effective January 1, 1998) established an alternative defined benefit program known as the portable benefit package. Tier 1 of the traditional and portable plan refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have other eligible reciprocal system service. The revised plan is referred to as Tier 2. New employees are allowed six months after their date of hire to make an irrevocable election whether to participate in either the traditional or portable benefit plans. A summary of the benefit provisions as of June 30, 2024, can be found in the Financial Section of SURS ACFR.

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)

Contributions

The State is primarily responsible for funding the SURS on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a statutory funding plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members within SURS to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from “trust, federal, and other funds” are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for Fiscal Year 2024 and Fiscal Year 2025, respectively, was 12.53% and 11.98% 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, 2024. At June 30, 2024, SURS defined benefit plan reported a NPL of \$30,230,907,727.

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 \$347,945,958 or 1.1510%. The University’s proportionate share changed by 0.0234% from 1.1276% since the last measurement date on June 30, 2023. This amount is not recognized in the University’s financial statements. The NPL and total pension liability as of June 30, 2024, was determined based on the June 30, 2023, 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 2023.

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NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)

Defined Benefit Pension Expense

For the year ended June 30, 2024, SURS defined benefit plan reported a collective net pension expense of \$1,996,285,670.

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 2023. As a result, the University recognized revenue and defined benefit pension expense of \$22,976,470 from this special funding situation during the year ended June 30, 2025.

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 <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 305,114,071	\$ -
Changes in assumptions	483,809,428	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>27,577,324</u>
Total	<u>\$ 788,923,499</u>	<u>\$ 27,577,324</u>

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NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)

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

<u>Year Ending June 30,</u>	<u>Net Deferred Outflows of Resources</u>
2025	\$ 126,531,380
2026	756,545,086
2027	(49,545,529)
2028	(72,184,762)
2029	-
Thereafter	<u>-</u>
Total	<u>\$ 761,346,175</u>

University's Deferral of Fiscal Year 2025 Contributions

The University paid \$134,752 in federal, trust or grant contributions to SURS defined benefit pension plan during the year ended June 30, 2025. These contributions were made subsequent to the pension liability measurement date of June 30, 2024, and are recognized as deferred outflows of resources as of June 30, 2025.

Assumptions and Other Inputs

Actuarial assumptions

The actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the period June 30, 2020 through June 30, 2023. The total pension liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.15 to 15.00 percent, including inflation
Investment rate of return	6.50 percent

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

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NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)

The long-term expected rate of return on defined benefit pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultants and actuary. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2024, 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	36.0%	7.13%
Stabilized Growth		
Core Real Assets	8.0%	5.06%
Public Credit Fixed Income	6.5%	4.10%
Private Credit	2.5%	7.36%
Non-Traditional Growth		
Private Equity	11.0%	10.92%
Non-Core Real Assets	4.0%	9.09%
Inflation Sensitive		
U.S. TIPS	5.0%	2.12%
Principal Protection		
Core Fixed Income	10.0%	1.34%
Crisis Risk Offset		
Systematic Trend Following	10.0%	2.90%
Alternative Risk Premia	3.0%	2.62%
Long Duration	2.0%	2.84%
Long Volatility/Tail Risk	2.0%	(1.22)%
Total	100%	5.63%
Inflation		2.80%
Expected arithmetic return		8.43%

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate

A single discount rate of 6.35% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 6.50% and a municipal bond rate of 3.97% (based on the Fidelity 20-Year Municipal GO AA Index as of June 30, 2024). 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 SURS Net Pension Liability to Changes in the Discount Rate

Regarding the sensitivity of the NPL to changes in the single discount rate, the following presents the State’s NPL, calculated using a single discount rate of 6.35%, 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 <u>5.35%</u>	Current Single Discount Rate Assumption <u>6.35%</u>	1% Increase <u>7.35%</u>
\$ 36,700,168,358	\$ 30,230,907,727	\$ 24,839,790,537

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, and provides retirement annuities and other

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NOTE 6 - DEFINED CONTRIBUTION PENSION PLAN (Continued)

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

Benefits Provided

A defined contribution pension plan, originally called the Self-Managed Plan, was added to SURS benefit offerings as a result of Public Act 90-0448 enacted effective January 1, 1998. The plan was renamed the RSP effective September 1, 2020, after an extensive plan redesign. New employees are allowed six months after their date of hire to make an irrevocable election whether to participate in either the traditional or portable defined benefit plans or the RSP. A summary of the benefit provisions as of June 30, 2023, can be found in SURS Annual Comprehensive Financial Report-Notes to the Financial Statements.

Contributions

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

Forfeitures

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

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NOTE 6 - DEFINED CONTRIBUTION PENSION PLAN (Continued)

Pension Expense Related to Defined Contribution Pensions

Defined Contribution Pension Expense

For the year ended June 30, 2024, the State's contributions to the RSP on behalf of individual employers totaled \$96,741,887. Of this amount, \$89,857,115 was funded via an appropriation from the State and \$6,884,772 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 2024. The University's share of pensionable contributions was 0.7965%. As a result, the University recognized revenue and defined contribution pension expense of \$770,544 from this special funding situation during the year ended June 30, 2025, of which \$54,837 constituted forfeitures.

NOTE 7 - POSTEMPLOYMENT BENEFITS

General Information about the Pension Plan

Plan Description

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

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

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NOTE 7 - POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided

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

Funding Policy and Annual OPEB Cost

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

For Fiscal Year 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) per member if the annuitant chose benefits provided by a health maintenance organization and \$16,799 (\$6,781 if Medicare eligible) per member if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

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NOTE 7 - POSTEMPLOYMENT BENEFITS (Continued)

Special Funding Situation Portion of OPEB

The proportionate share of the State’s OPEB expense relative to the University’s employees totaled (\$11,802,000) during the year ended June 30, 2024. 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, 2025.

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, 2024 and 2023, each based on the June 30, 2023 and 2022, respectively, actuarial valuation rolled forward:

Measurement Date:	<u>June 30, 2024</u>	<u>June 30, 2023</u>
State of Illinois’ OPEB liability related to the University under the Special Funding Situation	\$ 113,028,856	\$100,736,869
SEGIP total OPEB liability	<u>\$20,206,593,585</u>	<u>\$17,222,644,937</u>
Proportionate share of the total OPEB liability	0.5594%	0.5849%

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NOTE 7 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

The University's total OPEB liability, as reported at June 30, 2025, was measured as of the measurement date on June 30, 2024, with an actuarial valuation as of June 30, 2023, 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, 2024 and 2023, each based on the June 30, 2023 and 2022, respectively, actuarial valuation rolled forward:

Measurement Date:	<u>June 30, 2024</u>	<u>June 30, 2023</u>
University's OPEB liability	\$4,768,756	\$3,875,095
SEGIP total OPEB liability	<u>\$20,206,593,585</u>	<u>\$17,222,644,937</u>
Proportionate share of the total OPEB liability	0.0236%	0.0225%

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, 2024. As of the current year measurement date of June 30, 2024, the University's proportion increased by 0.0011% from its proportion measured as of the prior year measurement date of June 30, 2023.

The University recognized OPEB expense for the year ended June 30, 2025 of (\$703,504). At June 30, 2025, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2024, from the following sources:

Deferred outflows of resources	
Differences between expected and actual experience	\$ 254,744
Changes of assumptions	222,480
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,036,274
University contributions subsequent to the measurement date	<u>157,919</u>
Total deferred outflows of resources	<u>\$ 2,671,417</u>
Deferred inflows of resources	
Differences between expected and actual experience	\$ 582,987
Changes of assumptions	1,837,510
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>737,319</u>
Total deferred inflows of resources	<u>\$ 3,157,816</u>

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NOTE 7 - POSTEMPLOYMENT BENEFITS (Continued)

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

<u>Year Ending June 30,</u>	
2026	\$ (502,180)
2027	(215,647)
2028	(86,096)
2029	109,410
2030	<u>50,195</u>
Total	<u>\$ (644,318)</u>

Actuarial methods and assumptions

The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on GARS, JRS, SERS, TRS, and SURS active, inactive, and retiree data as of June 30, 2023, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2023.

The valuation date of June 30, 2023 below was rolled forward to June 30, 2024.

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.25%
Projected Salary Increases*	2.50% - 12.75%
Healthcare Cost Trend Rate:	
Medical and Rx (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.

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NOTE 7 - POSTEMPLOYMENT BENEFITS (Continued)

Healthcare Cost Trend Rate
(Continued):

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.
Retirees' share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 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.

*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 7 - POSTEMPLOYMENT BENEFITS (Continued)

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.

^{**} Quality Care Health Plan

^{***} Medicare Advantage Prescription Drug

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NOTE 7 - POSTEMPLOYMENT BENEFITS (Continued)

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

	<u>Retirement age experience study¹</u>	<u>Mortality²</u>
GARS	July 2018 - June 2021	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, 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.

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

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

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NOTE 7 - POSTEMPLOYMENT BENEFITS (Continued)

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 Fiscal Year 2024 ACFR in footnote 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.

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, 2024, calculated using a Single Discount Rate of 3.97%, as well as what the University's proportionate share of the plan's total OPEB liability would be if it were calculated using a Single Discount Rate that is one percentage point higher (4.97%) or lower (2.97%) than the current rate:

	1 % Decrease <u>2.97%</u>	Current Single Discount Rate Assumption <u>3.97%</u>	1% Increase <u>4.97%</u>
University's proportionate share of total OPEB liability	\$ 5,282,121	\$ 4,768,756	\$ 4,328,102

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, 2024, 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 2026 decreasing to an ultimate trend rate of 4.25% in 2041.

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NOTE 7 - POSTEMPLOYMENT BENEFITS (Continued)

	1 % Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
University's proportionate share of total OPEB liability	\$ 4,227,014	\$ 4,768,756	\$ 5,427,094

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, 2024 and 2023, each based on the June 30, 2023 and 2022, respectively, actuarial valuation rolled forward:

Measurement Date:	<u>June 30, 2024</u>	<u>June 30, 2023</u>
State of Illinois' OPEB liability related to the University under the Special Funding Situation	\$113,028,856	\$100,736,869
University's OPEB liability	<u>\$4,768,756</u>	<u>\$3,875,095</u>
Total OPEB liability associated with the University	\$117,797,612	\$104,611,964
SEGIP total OPEB liability	<u>\$20,206,593,585</u>	<u>\$17,222,644,937</u>
Proportionate share of the OPEB liability associated with the University	0.5830%	0.6074%

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A Component Unit of the State of Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 8 - CAPITAL ASSETS

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

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 8 - CAPITAL ASSETS (Continued)

Interest incurred during the period of construction of \$251,891 was recognized as an expense during the fiscal year ended June 30, 2025.

Capital assets activity for the University for the year ended June 30, 2025 are summarized as follows:

	<u>Balance June 30, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net Transfers</u>	<u>Balance June 30, 2025</u>
Capital assets not being depreciated:					
Land	\$ 1,389,086	\$ -	\$ -	\$ -	\$ 1,389,086
Construction in progress	833,852	2,808,097	-	(714,533)	2,927,416
Artwork/Artifacts	517,498	713	-	-	518,211
Total capital assets not being depreciated	<u>2,740,436</u>	<u>2,808,810</u>	<u>-</u>	<u>(714,533)</u>	<u>4,834,713</u>
Other capital assets:					
Site improvements	12,331,521	33,868	-	433,512	12,798,901
Buildings	178,551,326	1,189,444	-	281,021	180,021,791
Intangible assets	2,413,693	-	-	-	2,413,693
Finance Leased assets	92,994	-	-	-	92,994
Subscription assets	4,695,933	856,678	(154,127)	-	5,398,484
Equipment	12,749,522	600,464	(752,950)	-	12,597,036
Library collection	688,984	-	(4,053)	-	684,931
Total other capital assets	<u>211,523,973</u>	<u>2,680,454</u>	<u>(911,130)</u>	<u>714,533</u>	<u>214,007,830</u>
Accumulated depreciation/amortization:					
Site improvements	(6,801,957)	(556,027)	-	-	(7,357,984)
Buildings	(73,467,232)	(4,358,360)	-	-	(77,825,592)
Intangible assets	(2,358,614)	(32,278)	-	-	(2,390,892)
Finance Leased assets	(53,993)	(17,623)	-	-	(71,616)
Subscription assets	(2,503,075)	(1,135,390)	84,069	-	(3,554,396)
Equipment	(11,564,247)	(423,734)	747,245	-	(11,240,736)
Library collection	(591,272)	(25,416)	4,055	-	(612,633)
Total accumulated depreciation/amortization:	<u>(97,340,390)</u>	<u>(6,548,828)</u>	<u>835,369</u>	<u>-</u>	<u>(103,053,849)</u>
Other capital assets, net	114,183,583	(3,868,374)	(75,761)	714,533	110,953,981
Capital assets summary:					
Capital assets not being depreciated	2,740,436	2,808,810	-	(714,533)	4,834,713
Other capital assets	211,523,973	2,680,454	(911,130)	714,533	214,007,830
Accumulated depreciation/amortization:	<u>(97,340,390)</u>	<u>(6,548,828)</u>	<u>835,369</u>	<u>-</u>	<u>(103,053,849)</u>
Total capital assets, net	<u>\$ 116,924,019</u>	<u>\$ (1,059,564)</u>	<u>\$ (75,761)</u>	<u>\$ -</u>	<u>\$ 115,788,694</u>

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 8 - CAPITAL ASSETS (Continued)

Capital assets activity for the Foundation for the year ended June 30, 2025 are summarized as follows:

	<u>Balance June 30, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>Net Transfers</u>	<u>Balance June 30, 2025</u>
Capital assets not being depreciated:					
Artwork/Artifacts	\$ 2,422,956	\$ 30,000	\$ -	\$ -	\$ 2,452,956
Other capital assets:					
Subscription assets	<u>492,384</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>492,384</u>
Total capital assets	<u>2,915,340</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>2,945,340</u>
Accumulated depreciation/amortization:					
Subscription assets	<u>(260,050)</u>	<u>(96,040)</u>	<u>-</u>	<u>-</u>	<u>(356,090)</u>
Total capital assets, net	<u>\$ 2,655,290</u>	<u>\$ (66,040)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,589,250</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

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

	<u>Balance June 30, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2025</u>	<u>Amounts Due Within One Year</u>
Intangible asset payable	\$ -	\$ 115,850	\$ -	\$ 115,850	\$ 115,850
Finance leases payable	39,239	-	18,276	20,963	12,595
Subscriptions payable	1,972,938	856,678	1,225,852	1,603,764	878,922
Revenue bonds					
Series 2021	16,910,000	-	1,045,000	15,865,000	1,095,000
Certificates of participation					
Series 2018	8,675,000	-	1,235,000	7,440,000	1,310,000
Certificates of participation					
Series 2021	<u>3,635,000</u>	<u>-</u>	<u>845,000</u>	<u>2,790,000</u>	<u>885,000</u>
	31,232,177	972,528	4,369,128	27,835,577	4,297,367
Unamortized premiums	<u>3,019,532</u>	<u>-</u>	<u>364,080</u>	<u>2,655,452</u>	<u>-</u>
	<u>\$ 34,251,709</u>	<u>\$ 972,528</u>	<u>\$ 4,733,208</u>	<u>\$ 30,491,029</u>	<u>\$ 4,297,367</u>

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds, Series 2021

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

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

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

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

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

Future debt service requirements at June 30, 2025 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,095,000	\$ 588,800	\$ 1,683,800
2027	1,150,000	532,675	1,682,675
2028	1,210,000	473,675	1,683,675
2029	605,000	428,300	1,033,300
2030	635,000	397,300	1,032,300
2031 - 2035	3,690,000	1,478,775	5,168,775
2036 - 2040	4,485,000	687,175	5,172,175
2041 - 2043	<u>2,995,000</u>	<u>113,688</u>	<u>3,108,688</u>
	<u>\$15,865,000</u>	<u>\$ 4,700,388</u>	<u>\$20,565,388</u>

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

Certificates of Participation, Series 2018

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

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

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

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

Future debt service requirements at June 30, 2025 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,310,000	\$ 339,250	\$ 1,649,250
2027	1,370,000	272,250	1,642,250
2028	1,445,000	201,875	1,646,875
2029	<u>3,315,000</u>	<u>82,875</u>	<u>3,397,875</u>
	<u>\$ 7,440,000</u>	<u>\$ 896,250</u>	<u>\$ 8,336,250</u>

Certificates of Participation, Series 2021

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

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

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

Future debt service requirements at June 30, 2025 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 885,000	\$ 139,500	\$ 1,024,500
2027	930,000	95,250	1,025,250
2028	<u>975,000</u>	<u>48,750</u>	<u>1,023,750</u>
	<u>\$ 2,790,000</u>	<u>\$ 283,500</u>	<u>\$ 3,073,500</u>

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

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

Finance Leases Payable

The University has entered into various leases for equipment with remaining terms 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. These contracts have an estimated incremental borrowing rate of 0.73% to 6.39%.

Future minimum commitments for non-cancellable leases as of June 30, 2025, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 12,595	\$ 1,057	\$ 13,652
2027	<u>8,368</u>	<u>535</u>	<u>8,903</u>
Total minimum lease payments	<u>\$ 20,963</u>	<u>\$ 1,592</u>	<u>\$ 22,555</u>

The total interest expense recognized for the lease agreements was \$1,158 for the year ended June 30, 2025.

Subscription-Based Information Technology Arrangements

The University has entered into various multi-year subscription-based information technology arrangements (SBITAs) for the right-to-use or access vendors' information technology software (the underlying subscription assets). In accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, the University has recorded a liability representing its obligation to make annual payments over the life of the agreements. These arrangements have terms over 12 months and require payments in advance over the terms. The renewal and termination options are not included in the subscription assets or subscriptions payable balance until they are reasonably certain of exercise. These contracts have an estimated incremental borrowing rate of 4.35% to 6.38%.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

Future minimum commitments for the University's non-cancellable subscriptions as of June 30, 2025, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 911,200	\$ 81,771	\$ 992,971
2027	557,876	36,825	594,701
2028	106,196	8,399	114,595
2029	<u>96,618</u>	<u>7,270</u>	<u>103,888</u>
Total	<u>\$ 1,671,890</u>	<u>\$ 134,265</u>	<u>\$ 1,806,155</u>

The total interest expense recognized by the University for the subscriptions was \$82,849 for the year ended June 30, 2025.

The Foundation has entered into various multi-year SBITAs for other right-to-use or access to vendors' information technology software (the underlying subscription assets). In accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, the Foundation has recorded a liability representing its obligation to make payments over the life of the agreement. These arrangements have remaining terms ranging from three to five years and require payments in advance over the term. The renewal and termination options are not included in the subscription assets or subscriptions payable balance until they are reasonably certain of exercise. These contracts have an estimated incremental borrowing rate of 4.35%.

Future minimum commitments for the Foundation's non-cancellable subscriptions as of June 30, 2025, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 69,563	\$ 5,437	\$ 75,000
2027	<u>72,622</u>	<u>2,378</u>	<u>75,000</u>
Total	<u>\$ 142,185</u>	<u>\$ 7,815</u>	<u>\$ 150,000</u>

The total interest expense recognized by the Foundation for the subscriptions was \$6,917 for the year ended June 30, 2025.

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

Intangible Asset Payable

The University has entered into various agreements for its website redesign. 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 agreements were for one to two years, with various payments over the term of the agreements.

Future payment at June 30, 2025 is as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2026	\$ 115,850
	<u>\$ 115,850</u>

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, 2025 was as follows:

	<u>Amount</u>
Balance - beginning of year	\$ 4,772,187
Prior period adjustments	<u>69,197</u>
Balance - beginning of year, as restated	4,841,384
Movement	<u>503,962</u>
Balance, end of year	5,345,346
Less: current portion	<u>573,941</u>
Balance, noncurrent portion	<u>\$ 4,771,405</u>

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 11 - COMPONENT UNIT

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

The Foundation has an ongoing contract with the University, which includes provisions requiring the Foundation to comply with Section VI of the “University Guidelines 1982 (as amended 1997, 2020, and 2023)” as adopted by the State of Illinois Legislative Audit Commission. The contract requires the University to provide the Foundation with personnel and operational services at no cost. University officials estimate the value of these services for the year ended June 30, 2025 at \$385,120, including all direct payroll expenses and fringe benefits. The Foundation provided the University with support in the amount of \$1,598,351 for the year ended June 30, 2025. As of June 30, 2025, \$401,491 is due to the University from the Foundation.

As of and during the fiscal year ended June 30, 2025, the University and Foundation had the following inter-entity transactions:

<u>University</u>	<u>Foundation</u>	
	<u>Due to University</u>	<u>Operating Revenue</u>
Due from Foundation	\$ 401,491	\$ -
Operating Expenses	<u>-</u>	<u>385,120</u>
Total	<u>\$ 401,491</u>	<u>\$ 385,120</u>

NOTE 12 - COMMITMENTS AND CONTINGENCIES

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

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

GOVERNORS STATE UNIVERSITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

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 2.5% fee to support Foundation operations, and the rate of inflation. The resulting rate will be applied to the endowment balance as of the end of the calendar year to determine amounts available for expenditure in the subsequent fiscal year. The Foundation transfers available investment earnings (net of the fees) to the related expendable and unrestricted accounts on an annual basis. As of June 30, 2025, the Foundation had a total of \$1,187,775 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					(CURRENT YEAR)
BOND ISSUE	PURPOSE	SOURCE OF REVENUE PLEDGED	FUTURE NET REVENUES PLEDGED ¹	TERM OF COMMITMENT	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	\$ 20,565,388	2043	4.44%

¹ Total future principal and interest payments on debt.

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

REQUIRED SUPPLEMENTARY INFORMATION

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
REQUIRED SUPPLEMENTARY INFORMATION – PENSION
For the Year Ended June 30, 2025

Schedule of Employer's Proportionate Share of Net Pension Liability

	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Proportional percentage of the collective net pension liability	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
(a) Proportional amount of the collective net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(b) Portion of nonemployer contributing entities' total proportion of collective net pension liability associated with employer	\$ 347,945,958	\$ 332,015,728	\$ 313,108,704	\$ 285,922,097	\$ 306,929,605	\$ 273,328,917	\$ 276,430,273	\$ 274,380,549	\$ 283,803,489	\$ 265,336,393
Total (a) + (b)	\$ 347,945,958	\$ 332,015,728	\$ 313,108,704	\$ 285,922,097	\$ 306,929,605	\$ 273,328,917	\$ 276,430,273	\$ 274,380,549	\$ 283,803,489	\$ 265,336,393
Employer Defined Benefit (DB) Covered Payroll	\$ 49,288,892	\$ 45,948,188	\$ 42,958,632	\$ 40,129,078	\$ 37,241,402	\$ 34,409,953	\$ 35,924,051	\$ 38,040,603	\$ 39,494,594	\$ 40,629,305
Proportion of collective net pension liability associated with employer as a percentage of DB covered payroll	705.93%	722.59%	728.86%	712.51%	824.16%	794.33%	769.49%	721.28%	718.59%	653.07%
SURS Plan net position as a percentage of total pension liability	44.60%	44.06%	43.65%	45.45%	39.05%	40.71%	41.27%	42.04%	39.57%	42.37%

Schedule of Employer Contributions

	<u>FY 2025</u>	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Federal, trust, grant and other contribution	\$ 134,752	\$ 221,050	\$ 267,959	\$ 237,831	\$ 123,363	\$ 109,283	\$ 107,989	\$ 114,935	\$ 100,914	\$ 88,657	\$ 95,432
Contribution in relation to the required contribution	\$ 134,752	\$ 221,050	\$ 267,959	\$ 237,831	\$ 123,363	\$ 109,283	\$ 107,989	\$ 114,935	\$ 100,914	\$ 88,657	\$ 95,432
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer DB covered payroll	\$ 51,310,527	\$ 49,288,892	\$ 45,948,188	\$ 42,958,632	\$ 40,129,078	\$ 37,241,402	\$ 34,409,953	\$ 35,924,051	\$ 38,040,603	\$ 39,494,594	\$ 40,629,305
Contributions as a percentage of covered-employee payroll	0.26%	0.45%	0.58%	0.55%	0.31%	0.29%	0.31%	0.32%	0.27%	0.22%	0.23%

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION
For the Year Ended June 30, 2025

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.

Note 1 - Changes of benefit terms.

Public Act 103-0548, effective August 11, 2023, made changes to the calculation of service and eliminated the part-time adjustment for participants on or after September 1, 2024. This change was first reflected in the Total Pension Liability as of June 30, 2024.

Note 2 - Changes of assumptions.

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, 2020, to June 30, 2023, was performed in Spring 2024, resulting in the adoption of new assumptions as of June 30, 2024. These assumptions are listed below.

- Salary increase. The overall assumed rates of salary increase range from 3.15 percent to 15.00 percent based on years of service, with an underlying wage inflation rate of 2.40 percent. Separate rates of increase are assumed for members in academic and non-academic positions.
- Investment return. The investment return is assumed to be 6.50 percent. This reflects an assumed real rate of return to 4.10 percent and assumed price inflation of 2.40 percent.
- Effective rate of interest. The long-term assumption for the effective rate of interest for crediting the money purchase accounts is 7.00 percent.
- Normal retirement rates. Separate rates are assumed for members in academic positions, non-academic positions, and public safety positions. Rates are generally highest for public safety positions and lowest for academic positions.
- Early retirement rates. Separate rates are assumed for members in academic positions and non-academic positions. Rates are generally higher for non-academic positions.
- Turnover rates. Assumed rates maintain the pattern of decreasing termination rates as years of service increase, with separate rates for academic and non-academic positions.
- Mortality rates. Use of Pub-2010 mortality tables reflects its high applicability to public pensions. The projection scale utilized is the MP-2021 scale, with separate rates for academic, non-academic, and public safety members.
- Disability rates. Separate rates are assumed for members in academic positions, non-academic positions and public safety positions, as well as for males and females. Public safety disability incidence is assumed to be 50 percent line-of-duty related and 50 percent ordinary.
- Plan election. For new non-academic members, assumed plan election rates are 75 percent for Tier 2 and 25 percent for Retirement Savings Plan (RSP). For new academic members, assumed plan election rates are 55 percent for Tier 2 and 45 percent for RSP.
- Cost of living adjustment. Annual annuity increases are assumed to be 3.00 percent for Tier 1 members and 1.20 percent for Tier 2 members.

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
REQUIRED SUPPLEMENTARY INFORMATION – OPEB
For the Year Ended June 30, 2025

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

	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>
						(1)	(1)	(1)	(1)
University's proportion of the collective total OPEB liability	0.0236%	0.0225%	0.0254%	0.0170%	0.0155%	0.0205%	0.0276%	0.0785%	0.0921%
University's proportionate share of the collective total OPEB liability	\$ 4,768,756	\$ 3,875,095	\$ 4,338,373	\$ 5,929,383	\$ 6,568,695	\$ 8,997,280	\$ 11,065,737	\$ 32,439,229	\$ 40,062,905
Proportionate share of the State's collective OPEB liability associated with the University	<u>\$ 113,028,856</u>	<u>\$ 100,736,869</u>	<u>\$ 94,918,156</u>	<u>\$ 165,297,058</u>	<u>\$ 165,703,048</u>	<u>\$ 175,571,582</u>	<u>\$ 172,906,564</u>	<u>\$ 260,759,678</u>	<u>\$ 312,776,571</u>
Total OPEB liability associated with the University	<u>\$ 117,797,612</u>	<u>\$ 104,611,964</u>	<u>\$ 99,256,529</u>	<u>\$ 171,226,441</u>	<u>\$ 172,271,743</u>	<u>\$ 184,568,862</u>	<u>\$ 183,972,301</u>	<u>\$ 293,198,907</u>	<u>\$ 352,839,476</u>
University's covered-employee payroll	\$ 59,849,736	\$ 56,189,935	\$ 54,049,507	\$ 50,820,808	\$ 47,372,063	\$ 44,689,475	\$ 47,320,919	\$ 48,307,385	\$ 50,947,450
University's proportionate share of the collective total OPEB liability as a percentage of the University's covered-employee payroll	7.97%	6.90%	8.03%	11.67%	13.87%	20.13%	23.38%	67.15%	78.64%

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

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

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB
For the Year Ended June 30, 2025

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, 2023 with a measurement date as of June 30, 2024. The following assumptions were used:

- Mortality rates. 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.
- Salary increase. Dependent upon service and participation in the respective retirement systems. Includes inflation rate of 2.25%, projected salary increases 2.50% - 12.75%.
- Healthcare Cost Trend Rate:
 - Medical and Rx - Quality Care Health Plan (QCHP). Trend rates are 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 - Medicare Advantage Prescription Drug (MAPD). Trend rates are 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. Trend rates are 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. Trend rates are 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.
- 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, 2025

	2025
ASSETS	
Current assets	
Cash and cash equivalents, restricted	\$ 1
Accounts receivable, net of allowance	477,204
Prepaid debt service insurance	10,054
Other assets	103,171
Total current assets	590,430
Noncurrent assets	
Prepaid debt service insurance	170,918
Capital assets	34,170,822
Accumulated depreciation	(12,098,359)
Total noncurrent assets	22,243,381
Total assets	22,833,811
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from debts refundings	15,018
Total deferred outflows of resources	15,018
LIABILITIES	
Current liabilities	
Accounts payable & accrued expenses	2,384,850
Unearned revenue	342,382
Revenue bonds payable	1,095,000
Finance lease payable	7,866
Subscription payable	36,985
Total current liabilities	3,867,083
Noncurrent liabilities	
Revenue bonds payable	16,717,414
Finance lease payable	8,368
Subscription payable	23,278
Total noncurrent liabilities	16,749,060
Total liabilities	20,616,143
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from debts refundings	2,226
Total deferred inflows of resources	2,226
NET POSITION	
Invested in capital assets, net of related debt	4,183,552
Unrestricted	(1,953,092)
Total net position	\$ 2,230,460

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, 2025

	2025
OPERATING REVENUES	
Bookstore commissions	\$ 38,844
Food and vending commissions	80,411
Campus access and safety fees	461,702
University housing fees	3,107,693
Student support and service and other fees	5,936,912
Total operating revenues	9,625,562
 OPERATING EXPENSES	
Salaries and benefits	4,346,844
Scholarships and awards	709,452
Capital expenditures	234,647
Services, supplies and other	3,347,426
Depreciation	1,051,750
Total operating expenses	9,690,119
Operating loss	(64,557)
 NONOPERATING EXPENSES	
Interest expense	(523,814)
Nonoperating expenses	(523,814)
Decrease in net position	(588,371)
 NET POSITION	
Net position - beginning of the year	2,818,831
Net position - end of the year	\$ 2,230,460

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, 2025

	<u>2025</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Bookstore commissions	\$ 38,844
Food and vending commissions	80,411
Campus access and safety fees	443,553
Student center, activity, career & counseling fees, and other	5,992,964
University housing fees	3,118,391
Payments to suppliers for goods and services	(2,844,763)
Payments to employees for services	<u>(4,324,214)</u>
Net cash provided by operating activities	<u>2,505,186</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(767,675)
Principal payments on revenue bonds	(1,083,566)
Interest payments on revenue bonds	<u>(653,945)</u>
Net cash used in capital financing activities	<u>(2,505,186)</u>
NET DECREASE IN CASH	-
Cash - beginning of year	<u>1</u>
Cash - end of year	<u>\$ 1</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (64,557)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Noncash expense included in net operating loss:	
Depreciation expense	1,051,750
Changes in assets and liabilities:	
Accounts receivable, net of allowance	1,786
Prepaid debt service insurance	10,054
Other assets	(103,171)
Accounts payable & accrued expenses	1,562,509
Unearned revenue	<u>46,815</u>
Net cash provided by operating activities	<u>\$ 2,505,186</u>
NONCASH CAPITAL FINANCING ACTIVITY	
Capital assets acquired with debt	<u>\$ -</u>

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
TABLE OF OPERATING EXPENSES
For the Year Ended June 30, 2025

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, 2025:

	Compensation and Benefits										Other Expenses	Total Operating Expenses
	University's Expenses					State of Illinois' Expenses						
	Salaries ¹	Benefits ²	OPEB ³	Pension	Sub-Total	Benefits ²	OPEB ³	Pension	Sub-Total	Total		
Instruction	\$ 33,262,136	\$ 324,219	\$ (429,649)	\$ 135,451	\$ 33,292,157	\$ 5,982,699	\$ (5,737,674)	\$ 11,738,042	\$ 11,983,067	\$ 45,275,224	\$ 2,491,264	\$ 47,766,488
Research	933,738	92,217	(11,599)	52,613	1,066,969	161,501	(154,887)	306,535	313,149	1,380,118	506,288	1,886,406
Public service	3,112,961	519,458	(40,456)	112,447	3,704,410	563,341	(540,269)	1,069,043	1,092,115	4,796,525	1,522,083	6,318,608
Academic support	6,201,276	59,609	(80,281)	14,431	6,195,035	1,117,878	(1,072,095)	2,120,058	2,165,841	8,360,876	1,280,158	9,641,034
Student services	6,474,129	80,853	(79,448.00)	21,272	6,496,806	1,106,284	(1,060,975)	2,098,978	2,144,287	8,641,093	4,174,369	12,815,462
Institutional support	10,840,497	112,210	(151,123)	27,166	10,828,750	2,104,331	(2,018,147)	3,990,929	4,077,113	14,905,863	6,925,928	21,831,791
Operation and maintenance of plant	5,271,191	52,992	(71,369)	12,829	5,265,643	993,788	(953,087)	1,884,719	1,925,420	7,191,063	3,090,354	10,281,417
Auxiliary enterprises	1,583,417	14,727	(19,834)	3,667	1,581,977	276,178	(264,866)	538,710	550,022	2,131,999	1,929,804	4,061,803
Student aid	-	-	-	-	-	-	-	-	-	-	3,759,562	3,759,562
Depreciation	-	-	-	-	-	-	-	-	-	-	6,548,828	6,548,828
Total	\$ 67,679,345	\$ 1,256,285	\$ (883,759)	\$ 379,876	\$ 68,431,747	\$ 12,306,000	\$ (11,802,000)	\$ 23,747,014	\$ 24,251,014	\$ 92,682,761	\$ 32,228,638	\$ 124,911,399

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

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

³ OPEB refers to other post-employment benefits.

OTHER INFORMATION

GOVERNORS STATE UNIVERSITY
A Component Unit of the State of Illinois
UNIVERSITY FACILITIES SYSTEM REVENUE BONDS (UNAUDITED)
For the Year Ended June 30, 2025

Student Enrollment by Term

	<u>Total Enrollment</u>	<u>Full-Time Equivalent</u>
Fall Term, 2024	4,399	3,152
Spring Term, 2025	4,188	2,994
Summer Term, 2025	2,079	908

University Fees

The following mandatory fees were in effect during the 2024-2025 academic year:

	<u>Per Credit Hour</u>
Health and Wellness	\$ 10
Instructional Support (Online/Off-Campus) *	\$ 47
Strategic Initiative	\$ 16
Student Center & Recreation	\$ 22
Student Support and Services	\$ 25
We CARE	\$ 1

* - Students enrolled in a totally on-line or off-campus program are charged with the online/off-campus fee of \$47 per credit hour instead of being charged with the student support and services and student center fees.

	<u>Per Term</u>
Campus Access & Safety (formerly Parking & Walkway)	\$ 38
University Facilities	
1-6 Credit Hours:	\$ 205
7+ Credit Hours:	\$ 585
Technology	
1-6 Credit Hours:	\$ 150
7+ Credit Hours:	\$ 375

Schedule of Insurance In Force

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

** unless otherwise stated in the policy