NEW ISSUE **RATINGS:** **Moody's: Aa3**
BOOK-ENTRY-ONLY **S&P: AA-**
(See "RATINGS" herein)

Subject to compliance by The Board of Trustees of the University of Illinois with certain covenants, in the opinion of Chapman and Cutler LLP, Chicago, Illinois ("Bond Counsel"), under present law, interest on the Series 2023A Bonds (as hereinafter defined) is excludible from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals. For tax years beginning after December 31, 2022, interest on the Series 2023A Bonds may affect the corporate alternative minimum tax for certain corporations. Interest on the Series 2023A Bonds is not exempt from present State of Illinois income taxes. See "TAX EXEMPTION" herein for a more complete discussion.

UNIVERSITY OF ILLINOIS SYSTEM

$153,150,000

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

University of Illinois Auxiliary Facilities System Refunding Revenue Bonds, Series 2023A

Dated: Date of Delivery **Due: April 1, as shown on inside cover**

The University of Illinois Auxiliary Facilities System Refunding Revenue Bonds, Series 2023A (the "*Series 2023A Bonds*"), of the Board of Trustees (the "*Board*") of the University of Illinois (the "*University*"), shall be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("*DTC*"). DTC will act as securities depository for the Series 2023A Bonds. Purchases of beneficial interests in the Series 2023A Bonds will be made in book-entry form only. Purchasers of a beneficial interest in the Series 2023A Bonds ("*Beneficial Owners*") will not receive certificates representing their interests in the Series 2023A Bonds.

Interest on the Series 2023A Bonds is payable on each April 1 and October 1, beginning October 1, 2023. The principal of the Series 2023A Bonds is payable at the designated corporate trust office of The Bank of New York Mellon Trust Company, N.A. (the "*Bond Registrar*"), or its successor. Interest on the Series 2023A Bonds, together with the principal of the Series 2023A Bonds, will be paid by the Bond Registrar directly to DTC so long as DTC or its nominee is the registered owner of the Series 2023A Bonds. The final disbursements of such payments to the Beneficial Owners will be the responsibility of the DTC participants or indirect participants. See "BOOK-ENTRY ONLY SYSTEM" for more information.

The Series 2023A Bonds are not subject to redemption prior to maturity.

The Series 2023A Bonds and all Parity Bonds (as described herein) are secured by a pledge of and lien on (i) the Net Revenues of the Auxiliary Facilities System (the "System"), (ii) Student Tuition and Fees (subject to prior payment of operating and maintenance expenses of the System, but only to the extent necessary), and (iii) the Bond and Interest Sinking Fund Account (each as defined and described herein).

Proceeds of the Series 2023A Bonds will be used to (i) refund all or a portion of the University of Illinois Auxiliary Facilities System Refunding Revenue Bonds, Series 2013A (the "Refunded Bonds"), and (ii) pay costs of issuing the Series 2023A Bonds and refunding the Refunded Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

THE SERIES 2023A BONDS WILL BE SPECIAL, LIMITED OBLIGATIONS OF THE BOARD AND WILL BE PAYABLE ONLY FROM SOURCES DESCRIBED HEREIN. THE SERIES 2023A BONDS ARE NOT OBLIGATIONS, GENERAL, SPECIAL OR OTHERWISE, OF THE STATE OF ILLINOIS. THE SERIES 2023A BONDS SHALL NOT CONSTITUTE A DEBT, LEGAL OR MORAL, OF THE STATE OF ILLINOIS, AND SHALL NOT BE ENFORCEABLE OUT OF ANY FUNDS OF THE BOARD, OR OF THE UNIVERSITY, OTHER THAN THE REVENUES AND INCOME PLEDGED FOR PAYMENT THEREOF. THE BOARD HAS NO TAXING POWER.

This cover page is not a summary of this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2023A Bonds are being offered when, as and if issued by the Board and accepted by the Underwriters, subject to prior sale, withdrawal, or modification of the offer without any notice, and subject to the delivery of an approving opinion by Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Board by University Counsel, Thomas R. Bearrows, Esq., and its special issuer's and disclosure counsel, Katten Muchin Rosenman LLP, Chicago, Illinois. Certain legal matters will be passed upon for the Underwriters by their counsel, Nixon Peabody LLP, Chicago, Illinois. PFM Financial Advisors LLC, Boston, Massachusetts, is serving as Municipal Advisor to the Board. It is expected that the Series 2023A Bonds will be available for delivery through the book-entry procedures of DTC on or about April 11, 2023.

J.P. Morgan

Cabrera Capital Markets, LLC **Ramirez & Co., Inc.**

The date of this Official Statement is March 8, 2023.

$153,150,000
University of Illinois
Auxiliary Facilities System Refunding Revenue Bonds, Series 2023A
Maturities, Principal Amounts, Interest Rates, Yields

Year (April 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2024	$16,685,000	5.00%	3.03%	9143536N2
2025	17,335,000	5.00	3.03	9143536P7
2026	21,155,000	5.00	2.95	9143536Q5
2027	19,535,000	5.00	2.90	9143536R3
2028	20,725,000	5.00	2.86	9143536S1
2029	6,300,000	5.00	2.85	9143536T9
2030	20,310,000	5.00	2.83	9143536U6
2031	15,130,000	5.00	2.84	9143536V4
2032	15,975,000	5.00	2.86	9143536W2

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS") which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Neither the Board nor the Underwriters or their agents or counsel is responsible for the selection, use or accuracy of the CUSIP numbers nor is any representation made as to their correctness with respect to the Series 2023A Bonds as included herein or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2023A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part, or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2023A Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only.

REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page and the appendices hereto, does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of any of the Series 2023A Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. No broker, dealer, salesperson, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Series 2023A Bonds, and, if given or made, such information or representation must not be relied upon as having been authorized by the Board, the Bond Registrar, the Municipal Advisor or the Underwriters.

The information set forth herein has been obtained from the Board and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as the promise or guarantee of the Bond Registrar, the Municipal Advisor or the Underwriters. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Board or in the information or opinions set forth herein, since the date of this Official Statement.

This Official Statement contains "forward-looking statements" within the meaning of the Federal securities laws. These forward-looking statements include, among others, statements concerning expectations, beliefs, opinions, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. This Official Statement is submitted in connection with the sale of the securities described in it, and may not be reproduced or used, in whole or in part, for any other purposes.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2023A BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2023A BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2023A BONDS TO CERTAIN DEALERS AND DEALER BANKS AND OTHERS AT PRICES LOWER (OR YIELDS HIGHER) THAN THE PUBLIC OFFERING PRICES (OR YIELDS) STATED ON THE INSIDE COVER PAGE HEREOF AND SAID OFFERING PRICES (OR YIELDS) MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

THE SERIES 2023A BONDS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE BOND RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE BOARD AND THE UNIVERSITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2023A BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES COMMISSION NOR HAS THE SEC OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

The Underwriters are under no obligation to make a secondary market for the Series 2023A Bonds, and no assurance can be given that a secondary market for the Series 2023A Bonds will develop.

References to web site addresses herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into and are not a part of this Official Statement.

CUSIP numbers are included in this Official Statement for the convenience of the holders and potential holders of the Series 2023A Bonds. No assurance can be given that the CUSIP numbers will remain the same after the date of issuance and delivery of the Series 2023A Bonds.

TABLE OF CONTENTS

$153,150,000
THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS
University of Illinois Auxiliary Facilities System Refunding Revenue Bonds, Series 2023A

INTRODUCTION

The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page, the inside cover page, and Appendices, must be considered in its entirety. All capitalized terms used in this Official Statement that are not otherwise defined herein shall have the meanings assigned to them in APPENDIX D hereto.

This Official Statement, including the cover page, the inside cover page and the appendices hereto, is provided in connection with the offering by The Board of Trustees of the University of Illinois (the "*Board*") of $153,150,000 aggregate principal amount of its University of Illinois Auxiliary Facilities System Refunding Revenue Bonds, Series 2023A (the "*Series 2023A Bonds*").

The Board is authorized by the University of Illinois Revenue Bond Financing Act for Auxiliary Facilities, 110 ILCS 405/1, *et seq.* (the "*Act*") to borrow money and issue and sell bonds to acquire by purchase or otherwise, construct, enlarge, improve, equip, complete, operate, control and manage student residence halls, apartments, staff housing facilities, health facilities, physical education buildings, union buildings, auditoriums, gymnasiums, or any other revenue producing buildings or facilities for student services, and educational facilities leased to the Federal government and the Nuclear Physics Laboratory, or any combination thereof, of the type and character as the Board deems necessary and required for the good and benefit of the University of Illinois (the "*University*"). The Board also is authorized to refund or refinance, from time to time as often as it shall be advantageous and in the public interest to do so, separately or in combination, any and all bonds issued and sold by the Board pursuant to the Act.

Under the Act, the Board is authorized to hold in the treasury of the University all revenues derived from the operation of any such buildings or facilities and to supplement such revenues from University income authorized by law to be retained in the University treasury for such purpose, constituting Student Tuition and Fees, and to pledge such revenues and income for the payment of operation and maintenance costs and for the retirement of such bonds.

The Series 2023A Bonds are being issued pursuant to the Act and the resolution adopted by the Board on September 20, 1984 (the "*Original Resolution*") as amended and supplemented by bond resolutions adopted on June 20, 1985, May 8, 1986, May 9, 1991, June 11, 1993, January 18, 1996, October 15, 1999, June 1, 2000, March 8, 2001, May 23, 2001, May 15, 2003, March 10, 2005, July 14, 2005, September 7, 2006, May 22, 2008, January 15, 2009, May 20, 2010, June 9, 2011, December 2, 2011, March 7, 2013, January 23, 2014, November 13, 2014, January 21, 2016, March 15, 2018, March 14, 2019, May 21, 2020, March 11, 2021 and January 26, 2023 (collectively with the Original Resolution, the "*Bond Resolution*"). Initially capitalized terms used but not otherwise defined in this Official Statement have the same meanings given them under the caption "DEFINITIONS OF CERTAIN TERMS" in APPENDIX D hereto.

Proceeds of the Series 2023A Bonds will be used to (i) refund all or a portion of the University of Illinois Auxiliary Facilities System Refunding Revenue Bonds, Series 2013A (the "Refunded Bonds"), and (ii) pay costs of issuing the Series 2023A Bonds and refunding the Refunded Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

As further described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein, the Series 1999A Bonds, Series 2001A Bonds, Series 2003A Bonds, Series 2005A Bonds, Series 2013A Bonds, Series 2014A Bonds, Taxable Series 2014B Bonds, Series 2015A Bonds, Series 2016A Bonds, Series 2016B Bonds, Series 2018A Bonds, Series 2018B Bonds, Series 2019A Bonds, Series 2020A Bonds, Taxable Series 2020B Bonds and Series 2021A Bonds (collectively, the "*Prior Parity Bonds*"), the Series 2023A Bonds and any Parity Bonds (hereinafter defined) issued in the future, are and will be secured by a pledge of and lien on (i) the Net Revenues of the System, (ii) Student Tuition and Fees (subject to prior payment of operating and maintenance expenses of the System, but only to the extent necessary), and (iii) the Bond and Interest Sinking Fund Account.

Additional bonds secured on a parity with the Series 2023A Bonds and the Prior Parity Bonds (together, the "*Parity Bonds*") may be issued by the Board for the purposes set forth in the Bond Resolution and subject to the condition, among others, that for each of the two completed Fiscal Years immediately preceding the issuance of any Parity Bonds, the average of the sum of annual Net Revenues plus Student Tuition and Fees must be at least equal to two times Maximum Annual Net Debt Service for the then Outstanding Bonds and the proposed Parity Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Parity Bonds" herein and "THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS – Outstanding Indebtedness and Leasehold Obligations" in APPENDIX A hereto. The Series 2023A Bonds, the Prior Parity Bonds and any Parity Bonds issued in the future are collectively referred to herein as the "*Bonds*" or the "*Outstanding Bonds*."

The Board covenants in the Bond Resolution to establish rents, fees, charges and admissions for the use of the System and Student Tuition and Fees at such a level that the amount of Net Revenues plus Student Tuition and Fees in each Fiscal Year is at least equal to 2.0 times Maximum Annual Net Debt Service. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Rate Covenant" herein.

THE SERIES 2023A BONDS WILL BE SPECIAL, LIMITED OBLIGATIONS OF THE BOARD AND WILL BE PAYABLE ONLY FROM THE SOURCES DESCRIBED HEREIN. THE SERIES 2023A BONDS ARE NOT OBLIGATIONS, GENERAL, SPECIAL OR OTHERWISE, OF THE STATE OF ILLINOIS. THE SERIES 2023A BONDS SHALL NOT CONSTITUTE A DEBT, LEGAL OR MORAL, OF THE STATE OF ILLINOIS, AND SHALL NOT BE ENFORCEABLE OUT OF ANY FUNDS OF THE BOARD, OR OF THE UNIVERSITY, OTHER THAN THE REVENUES AND INCOME PLEDGED FOR PAYMENT THEREOF. THE BOARD HAS NO TAXING POWER.

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

DESCRIPTION OF THE SERIES 2023A BONDS

General

The Series 2023A Bonds will be issued as fully registered bonds, as shown on the inside cover page hereof. Initially, the Series 2023A Bonds will be registered under the book-entry system operated by The Depository Trust Company, New York, New York ("*DTC*"), as described under the caption "BOOK-ENTRY ONLY SYSTEM" (the "*Book-Entry System*") and the method of payment of the Series 2023A Bonds and matters pertaining to transfers and exchanges while the Series 2023A Bonds are held in the Book-Entry System are described under that caption.

The Series 2023A Bonds will be dated the date of delivery, and will mature on April 1 of the years and in the amounts shown on the inside cover page hereof and will bear interest from the dated date (computed on the basis of a 360-day year of twelve 30-day months) at the rates set forth on the inside cover page hereof, payable on April 1 and October 1 of each year, beginning October 1, 2023. The Series 2023A Bonds will be issued in denominations of $5,000 or any integral multiple thereof (the "*Authorized Denominations*"). The Series 2023A Bonds will bear interest from their date or from the most recent interest payment date to which interest has been paid, or duly provided for, until the principal amount of the Series 2023A Bonds is paid. Interest on each Series 2023A Bond shall be paid by check or draft of the Bond Registrar, payable upon presentation in lawful money of the United States of America, to the person in whose name such Series 2023A Bond is registered at the close of business on the fifteenth day of the month next preceding the interest payment date (the "*Record Date*") mailed to the address of such Registered Owner as it appears on the registration books or at such other address furnished by such Registered Owner to the Bond Registrar.

No Optional Redemption

The Series 2023A Bonds are not subject to optional redemption prior to maturity.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are payable from and secured by a pledge of and lien on (i) the Net Revenues of the System, (ii) Student Tuition and Fees (subject to prior payment of operating and maintenance expenses of the System, but only to the extent necessary), and (iii) the Bond and Interest Sinking Fund Account. All such income and revenues are irrevocably pledged for the prompt and punctual payment of the principal of and interest on the Bonds according to their terms, and all the Bonds are equally and ratably secured by the pledge and lien without priority or preference one over the other by reason of series designation, denomination, number, maturity date, terms of redemption prior to maturity, date of sale or delivery or otherwise. All the Bonds are co-equal as to the pledge of and lien on all of the Net Revenues of the System, Student Tuition and Fees and Bond and Interest Sinking Fund Account, as described above, securing the payment of the Bonds and share ratably, without preference, priority or distinction as to the source or method of payment and security for the Bonds.

Student Tuition and Fees

The Board is authorized by law to retain all Student Tuition and Fees in its treasury and to credit such amounts to an account known as the University Income Fund. The Bond Resolution requires the Comptroller of the Board (the "*Comptroller*") to deposit annually the Student Tuition and Fees into the Revenue Fund established by the Bond Resolution, as shall be necessary, together with Operating Revenues, to meet (i) operating and maintenance expenses of the System and (ii) together with transfers, if any, of investment income from the Debt Service Reserve Account to the Bond and Interest Sinking Fund Account (which investment income shall be applied to debt service only on those Bonds secured by the Debt Service Reserve Account), annual debt service and required deposits to the Debt Service Reserve Account and Repair and Replacement Reserve Account. **As of the date of this Official Statement, the Debt Service Reserve Account is not funded as no Prior Parity Bonds are, nor will the Series 2023A Bonds be, secured thereby.**

Repair and Replacement Reserve Account

Pursuant to the Bond Resolution, the Board is required to establish and maintain a Repair and Replacement Reserve Account. On or before the close of each Fiscal Year, the Comptroller shall deposit in the Repair and Replacement Reserve Account from the funds remaining in the Revenue Fund, an amount not less than ten percent (10%) of the Maximum Annual Net Debt Service. The maximum amount which may be accumulated in the Repair and Replacement Reserve Account shall not exceed five percent (5%) of the replacement cost of the facilities constituting the System, as determined by the then current Engineering News Record Building Cost Index (or comparable index). All money and investments so held in the Repair and Replacement Reserve Account shall be used and held for use to pay the cost of unusual or extraordinary maintenance or repairs, renewals and replacements, and renovating or replacement of fixed equipment not paid as part of the ordinary maintenance and operation of the System. Moneys on deposit in the Repair and Replacement Reserve Account are not pledged as security for the payment of the Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – Flow of Funds – *Repair and Replacement Reserve Account*" in APPENDIX D hereto.

Rate Covenant

The Board covenants and agrees that it will adopt such rules and regulations as are necessary to assure reasonable occupancy and use of the System; and that the rents, fees, charges and admissions (including charges for utility and janitor services) chargeable to the occupants of, and students, faculty members and others using or being served by, or having the right to use or having the right to be served by, the System and Student Tuition and Fees shall be so fixed and revised from time to time and shall be so collected that the amount of Net Revenues plus Student Tuition and Fees in each Fiscal Year is at least equal to 2.0 times Maximum Annual Net Debt Service.

Parity Bonds

Parity Bonds may be issued under the terms of the Bond Resolution only upon compliance with all of the following conditions:

1. The Comptroller must sign a written certificate to the effect that the Board is not in default as to any covenant, condition or obligation in connection with all Outstanding Bonds, and the resolutions authorizing the same.

2. All transfers and deposits to the Bond and Interest Sinking Fund Account, the Debt Service Reserve Account (if any) and the Repair and Replacement Reserve Account, as provided in the Bond Resolution, must be current.

3. Parity Bonds must be issued for the purpose of repairing, improving or adding to the System, or for the purpose of refunding Bonds, or for any combination of such purposes.

4. For each of the two completed Fiscal Years immediately preceding the issuance of any Parity Bonds, the average of the sum of annual Net Revenues plus Student Tuition and Fees must be at least equal to 200 percent (2.0 times) of Maximum Annual Net Debt Service for the then Outstanding Bonds and the proposed Parity Bonds.

5. At the time of delivery of the proposed Parity Bonds, a determination must be made in the resolution authorizing such Parity Bonds whether such Parity Bonds shall be secured by or payable from any funds on deposit in the Debt Service Reserve Account. **The Board has**

provided in the authorizing resolution for the Series 2023A Bonds that the Series 2023A Bonds will not be secured by or payable from the Debt Service Reserve Account.

6. Such Parity Bonds shall be authorized by a resolution adopted by the Board which shall conform in all respects to the terms and provisions of the Bond Resolution.

Outstanding Parity Bonds

As of June 30, 2022, the Board had outstanding sixteen series of Bonds, including the Series 1999A Bonds, Series 2001A Bonds, Series 2003A Bonds, Series 2005A Bonds, Series 2013A Bonds, Series 2014A Bonds, Taxable Series 2014B Bonds, Series 2015A Bonds, Series 2016A Bonds, Series 2016B Bonds, Series 2018A Bonds, Series 2018B Bonds, Series 2019A Bonds, Series 2020A Bonds, Taxable Series 2020B Bonds and Series 2021A Bonds aggregating to an outstanding par amount of $1,029,780,524 (including the accreted value of outstanding capital appreciation Bonds), which are secured by a pledge of and lien on (i) the Net Revenues of the System, (ii) Student Tuition and Fees (subject to prior payment of operating and maintenance expenses of the System, but only to the extent necessary), and (iii) the Bond and Interest Sinking Fund Account. In addition, on April 1, 2023, prior to the delivery of the Series 2023A Bonds, the Board is anticipated to make scheduled principal payments in the aggregate amount of $46,155,000 on the Prior Parity Bonds, including $10,985,000 due on the Series 2013A Bonds.

Amendments to the Bond Resolution

The Twenty-Sixth Supplemental Resolution contained certain amendments to the Bond Resolution (the "*Amendments*") relating to the ability of the Board to sell, lease or otherwise dispose of System assets. The Amendments will take effect upon receipt of the consent of the majority of aggregate principal amount of the Outstanding Bonds. **By purchasing the Series 2023A Bonds, the owners thereof will be deemed to have consented to the Amendments.** For additional information, see "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – PROPOSED AMENDMENTS TO BOND RESOLUTION" in APPENDIX D hereto. Upon the delivery of the Series 2023A Bonds, after giving effect to the issuance of the Series 2023A Bonds, the refunding of the Refunded Bonds and the scheduled principal payments on the Prior Parity Bonds on April 1, 2023, it is anticipated that approximately 28.6% of the Outstanding Bonds will have consented to the Amendments.

CERTAIN BONDHOLDER'S RISKS

General

PROSPECTIVE PURCHASERS OF THE SERIES 2023A BONDS SHOULD CONSIDER CERTAIN INVESTMENT CONSIDERATIONS AND RISK FACTORS IN DETERMINING THE SUITABILITY OF INVESTING IN THE SERIES 2023A BONDS. Purchase of the Series 2023A Bonds involves investment risk. Accordingly, prospective purchasers should consider carefully the following investment considerations and risk factors, in addition to the other information concerning the Board contained in this Official Statement and his or her own financial condition (including the diversification of his or her investment portfolio), before purchasing the Series 2023A Bonds offered hereby.

The Board has identified and summarized below certain "Bondholders' Risks" that could adversely affect the operations of the University, the System or the Series 2023A Bonds which should be considered by prospective investors. The following discussion is not intended to be exhaustive, but includes certain major factors which should be considered along with other factors set forth elsewhere in this Official Statement, including the Appendices hereto.

The University is subject to a wide variety of federal and state regulatory actions and legislative and policy changes by those governmental and private agencies that administer college funding. The future financial condition of the University could be adversely affected by, among other things, changes in the method and amount of payments to the University, the financial viability of the costs of a college education, increased competition from other colleges and universities, the costs associated with providing a college education, demand for such programs, future changes in the economy and demographic changes. These factors and others may adversely affect the System and/or the Board's ability to generate sufficient revenues to provide for payment of principal and interest on the Series 2023A Bonds.

The following statements should not be considered a complete description of all risks to be considered before purchasing the Series 2023A Bonds, nor should the order of the presentation of such risks be construed to reflect the relative importance of the various risks.

Limited Obligations

The Bonds, including the Series 2023A Bonds, are payable from and secured by a pledge of and lien on (i) the Net Revenues of the System, (ii) Student Tuition and Fees (subject to prior payment of operating and maintenance expenses of the System, but only to the extent necessary), and (iii) the Bond and Interest Sinking Fund Account. Student Tuition and Fees are also used by the University to pay operating and maintenance expenses of the System and there can be no guarantee that the amount of Student Tuition and Fees which may be available to pay Annual Debt Service would be sufficient in the event it became necessary to utilize any of such funds to meet Annual Debt Service on the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – General" and "– Student Tuition and Fees" above.

The Net Revenues of the System and Student Tuition and Fees are primarily dependent on the number of students who attend the University. In the event that enrollment at the University were to decline significantly, a decrease in these sources of funding could result in reduced fund balances of the University and the System. The University's ability to generate revenues and its overall financial condition may also be adversely affected by other future events or conditions, including those described in other risk factors disclosed herein, increased competition from other schools, loss of accreditation of the University's programs, failure of the University to meet applicable federal guidelines or some other event which results in students of the University being ineligible for federal or State financial aid. See "THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS – Financial Aid to Students" and "– Tuition and Fees" in APPENDIX A hereto.

THE SERIES 2023A BONDS WILL BE SPECIAL, LIMITED OBLIGATIONS OF THE BOARD AND WILL BE PAYABLE ONLY FROM THE SOURCES DESCRIBED HEREIN. THE SERIES 2023A BONDS ARE NOT OBLIGATIONS, GENERAL, SPECIAL OR OTHERWISE, OF THE STATE OF ILLINOIS. THE SERIES 2023A BONDS SHALL NOT CONSTITUTE A DEBT, LEGAL OR MORAL, OF THE STATE OF ILLINOIS, AND SHALL NOT BE ENFORCEABLE OUT OF ANY FUNDS OF THE BOARD, OR OF THE UNIVERSITY, OTHER THAN THE REVENUES AND INCOME PLEDGED FOR PAYMENT THEREOF. THE BOARD HAS NO TAXING POWER.

Insufficient State Appropriations and Financial Condition of the State of Illinois

Although State appropriations to the University are not pledged to the payment of the Series 2023A Bonds, the University relies on annual State funding for general expenditures of the University. There is no assurance that the State will appropriate funds to the University on an annual basis sufficient for that purpose.

For the past three fiscal years appropriations for, and payments to, the University from the State have largely been in line with longer-term historical averages. That said, the State has experienced adverse economic conditions in several recent years which have resulted in significant shortfalls between the State's general fund revenues and spending demands for certain years. The State operated without a fully enacted budget for its fiscal years ended June 30, 2016 and June 30, 2017, relying on temporary funding measures. See "THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS – Budget and State Appropriations" in APPENDIX A hereto. Any future failure or inability by the Illinois General Assembly to adopt a budget and to make State appropriations anticipated by the University may adversely affect the University's financial condition and the financial condition of the System. Additionally, various factors outside the Board's control may materially alter the funding levels from the State and the timing of the University's receipt of State appropriated funds and, in each case, such changes could, individually or in the aggregate, be material and adverse to the financial condition of the University and the System.

In addition, the severe underfunding of the State's pension systems has further contributed to the State's poor financial health. No assurances can be given that future revenue enhancements or legislation will solve this underfunding nor that future legislation will not be adopted that requires the University to assume more or all of the liability for funding its employees' pensions, affecting the University's financial condition. See "THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS – Retirement Benefits" and "– Other Postemployment Benefits" in APPENDIX A hereto.

Economic Conditions

The financial health of the University and the System is in part dependent on the strength of the State and local economy. Many factors affect the economy, including rates of employment and economic growth and the level of residential and commercial development in the multiples communities in which the University operates. Real or perceived threats to the financial stability of the State or the University may have an adverse effect on the value that may be ascribed to the Series 2023A Bonds in the secondary market.

COVID-19 and Future Pandemics or Epidemics

The global outbreak and continued spread of COVID-19 and actions taken by federal, State and local governments in response thereto, have materially adversely affected, and the outbreak of any future pandemics or epidemics and the actions taken in response thereto may further impact, travel, commerce and financial markets globally. Such pandemics or epidemics may have material impact on global, regional and local economic conditions as well as on the higher education landscape in general, and may adversely affect the financial condition and operations of the University and/or the System. See "THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS – The COVID-19 Pandemic" in APPENDIX A hereto.

Risks Related to Higher Education

There are a number of factors affecting institutions of higher education in general that could have an adverse effect on the University. These factors include, but are not limited to, the continuing rising costs of providing higher education services; the failure to maintain or increase in the future the funds obtained by University from other sources, including gifts and contributions from donors, grants or appropriations from governmental bodies and income from investment of endowment funds; adverse results from the investment of endowment funds; increasing costs of compliance with federal or State regulatory laws or regulations, including, without limitation, laws or regulations concerning environmental quality, work safety and accommodating the physically challenged; changes in federal governmental policy relating to the reimbursement of overhead costs of government contracts; material changes in unionization of the University's work force with consequent impact on wage scales and operating costs of the University; and legislation or regulations which may affect student aid and other program funding. The Board cannot assess or predict the ultimate effect of these factors on the University or the System.

Cybersecurity

Computer networks and data transmission and collection are vital to the efficient operation of the University. Despite the implementation of network security measures by the University, its information technology and infrastructure may be vulnerable to deliberate attacks by hackers, malware, ransomware, or computer viruses, or may otherwise be breached due to employee error, malfeasance, or other disruptions. Any such breach could compromise networks, and the information stored thereon could be disrupted, accessed, publicly disclosed, lost, or stolen. Although the University does not believe that its information technology systems are at a materially greater risk of cybersecurity attacks than other similarly-situated entities, any such disruption, access, disclosure, or other loss of information could result in reputational damage to the University and may have an adverse effect on the University's operations and financial condition. Further, as cybersecurity threats continue to evolve, the University may be required to expend significant additional resources to continue to modify and strengthen security measures, investigate, and remediate any vulnerabilities, or invest in new technology designed to mitigate security risks. The University currently maintains cybersecurity insurance in line with similarly situated entities. There can be no assurance that said insurance would cover, or sufficiently cover, any future cybersecurity attacks nor is there any assurance that said insurance will remain available, or remain available at commercially reasonable prices, in the future.

Risks Related to System Operations

Net Revenues of the System and Student Tuition and Fees will depend in part on the level of operating and maintenance expenses incurred in operating the System, including the normal course costs of the System's workforce, vendors, suppliers and materials and any extraordinary or unanticipated costs or expenses which may occur. Net Revenues of the System and Student Tuition and Fees will be affected by the University's ability to manage and operate the System effectively and efficiently.

Adequacy of Insurance

The University insures the System against certain risks. There can be no assurance that the amount or type of insurance obtained with respect to the System will be adequate. Further, the Board can offer no assurance of the ongoing creditworthiness of the insurance companies from which the Board obtains insurance policies. Damage or destruction of System facilities may impair the Board's ability to generate sufficient Net Revenues of the System and Student Tuition and Fees.

Environmental Regulation

The System is subject to various federal, State and local laws and regulations governing health and the environment. In general, these laws and regulations could result in liability for remediating adverse environmental conditions on or relating to the System, whether arising from preexisting conditions or conditions arising as a result of the activities conducted in connection with the ownership and operation of the System. Costs incurred by the University with respect to environmental remediation or liability could adversely impact its financial condition and ability to own and operate the System.

Secondary Market

No assurance can be given that a secondary market will develop for the purchase or sale of the Series 2023A Bonds, or, if a secondary market exists, that the Series 2023A Bonds can be sold for any particular price. The Underwriters are not obligated to engage in secondary market trading or to repurchase any of the Series 2023A Bonds at the request of the owners thereof.

Prices of the Series 2023A Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Series 2023A Bonds. Such market value could be substantially different from the original purchase prices.

Loss or Change in Bond Rating

The Series 2023A Bonds have received a rating from S&P and Moody's (each as hereinafter defined). Either or both of said ratings may be changed or withdrawn at any time for reasons both under and outside the University's control. Any change and/or withdrawal could adversely affect the ability of investors to sell the Series 2023A Bonds or may affect the price at which they can be sold. See "RATINGS."

Factors Related to Tax Exemption

As discussed under the caption "TAX EXEMPTION" below, interest on the Series 2023A Bonds could become includible in gross income for purposes of federal income taxation, retroactive to the date the Series 2023A Bonds were issued, as a result of future acts or omissions of the Board in violation of its covenants in the Bond Resolution and the Tax Exemption Certificate and Agreement to be given by the Board upon the issuance of the Series 2023A Bonds. Should such an event of taxability occur, the Series 2023A Bonds are not subject to any special redemption.

There are or may be pending in the Congress of the United States (the "*Congress*") legislative proposals relating to the federal tax treatment of interest on debt obligations of the general character of the Series 2023A Bonds, including some that carry retroactive effective dates, that, if enacted, could affect the market value of the Series 2023A Bonds. Finally, reduction or elimination of the tax-exempt status of obligations such as the Series 2023A Bonds could have an adverse effect on the Board's ability to access the capital markets to finance future capital or operational needs by reducing market demand for such obligations or materially increasing borrowing costs of the Board.

The tax-exempt bond office of the Internal Revenue Service (the "*Service*") is conducting audits of tax exempt bonds, both compliance checks and full audits, with increasing frequency to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the Owners thereof for federal income tax purposes. It cannot be predicted whether the Service will commence any such audit with respect to any tax-exempt obligations of the Board. If any such audit is commenced, under current procedures the Service may treat the Board as a taxpayer and the holders of the Series 2023A Bonds may have no right to participate in such proceeding. The commencement of an audit with respect to any tax-exempt obligations of the Board could adversely affect the market value and liquidity of the Series 2023A Bonds, regardless of the ultimate outcome.

BOOK-ENTRY ONLY SYSTEM

General Provisions

The following information concerning DTC and its book-entry system is based solely on information provided by DTC. Accordingly, no representation is made by the Board, the University, the Bond Registrar or the Underwriters as to the accuracy or completeness of such information, or as to the absence of changes in such information subsequent to the date hereof.

DTC will act as securities depository for the Series 2023A Bonds. The Series 2023A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for each maturity of the Series 2023A Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiary. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2023A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2023A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2023A Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2023A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2023A Bonds, except in the event that use of the book-entry system for the Series 2023A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2023A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2023A Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee, does not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2023A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2023A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2023A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2023A Bonds, such as redemptions, tenders, defaults and proposed amendments to the documents. For example, Beneficial Owners of Series 2023A Bonds may wish to ascertain that the nominee holding the Series 2023A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of notices be provided directly to them.

If and as applicable, redemption notices shall be sent to DTC. If less than all of the Series 2023A Bonds of a certain maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2023A Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2023A Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the Series 2023A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Board or the Bond Registrar, on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2023A Bonds at any time by giving reasonable notice to the Board or the Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, certificates for the Series 2023A Bonds are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the affected Series 2023A Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Board believes to be reliable, but the Board and the Underwriters take no responsibility for the accuracy thereof.

NEITHER THE BOARD NOR THE BOND REGISTRAR HAS ANY RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO. OR ANY PARTICIPANT; THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE SERIES 2023A BONDS; ANY NOTICE WHICH IS

PERMITTED OR REQUIRED TO BE GIVEN TO BENEFICIAL OWNERS UNDER THE BOND RESOLUTION; THE SELECTION BY DTC OR ANY PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF SERIES 2023A BONDS; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC.

Successor Securities Depository; Discontinuation of Book-Entry System

In the event that (i) the Board determines that DTC is incapable of discharging its responsibilities described in the Bond Resolution and in the blanket letter of representations from the Board and accepted by DTC (the "*Representation Letter*"), (ii) the Representation Letter shall be terminated for any reason, or (iii) the Board determines that it is in the best interest of the Beneficial Owners of the Series 2023A Bonds that they be able to obtain certificated Series 2023A Bonds, the Board will notify DTC and the Direct Participants of the availability through DTC of certificated Series 2023A Bonds and the Series 2023A Bonds will no longer be restricted to being registered in the registry maintained by the Bond Registrar in the name of Cede & Co., as nominee of DTC. At that time, the Board may determine that the Series 2023A Bonds shall be registered in the name of and deposited with a successor depository operating a universal book-entry system, as may be acceptable to the Board, or such depository's agent or designee, or if the Board does not select such an alternate universal book-entry system, then the Series 2023A Bonds may be registered in whatever name or names registered owners of Series 2023A Bonds transferring or exchanging Series 2023A Bonds shall designate, in accordance with the provisions of the Bond Resolution.

PLAN OF FINANCE

The proceeds of the Series 2023A Bonds will be used to (i) refund all or a portion of the Refunded Bonds and (ii) pay costs of issuing the Series 2023A Bonds and refunding the Refunded Bonds. The Refunded Bonds will be redeemed by the Board on April 11, 2023 (the "*Redemption Date*") at a price of par plus accrued interest to said date. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds for the Series 2023A Bonds are as follows:

Sources of Funds	
Principal Amount of Series 2023A Bonds	$ 153,150,000
Original Issue Premium	14,271,120
Total Sources of Funds	$ 167,421,120
Uses of Funds	
Refunding of Refunded Bonds	$ 166,456,505
Costs of Issuance[1]	964,615
Total Uses of Funds	$ 167,421,120

(1) Costs of issuance include underwriters' discount, legal fees, fees of the Municipal Advisor, rating agency fees, initial Bond Registrar fees and other expenses incurred in connection with the issuance of the Series 2023A Bonds.
Note: Amounts are rounded

PRO FORMA MAXIMUM ANNUAL NET DEBT SERVICE COVERAGE

The following table compares the Net Revenues of the System and Student Tuition and Fees with the estimated Maximum Annual Net Debt Service for the Series 2023A Bonds and the Prior Parity Bonds, excluding the Refunded Bonds, in order to determine a pro forma debt service coverage as if such debt service had been applied during the periods shown.

	Fiscal Year Ended June 30 (in thousands)				
	2018	**2019**	**2020**	**2021**	**2022**
Net Revenues	$95,572	$115,963	$69,438	$38,729	$126,564
Student Tuition and Fees[1]	1,193,322	1,193,419	1,233,646	1,232,010	1,340,843
Total Available for Debt Service	$1,288,894	$1,309,382	$1,303,084	$1,270,739	1,467,407
Coverage of Maximum Annual Net Debt Service for the Series 2023A Bonds and Prior Parity Bonds Net MADS[2]	14.43x	14.66x	14.59x	14.23x	16.43x

(1) Student Tuition and Fees is shown net of scholarships and fellowships.
(2) As of March 8, 2023, the Board estimates that, following the issuance of the Series 2023A Bonds and the refunding of the Refunded Bonds, the Maximum Annual Net Debt Service for the Series 2023A Bonds and all Prior Parity Bonds will be $89,300,423 in Fiscal Year 2030.

Source: Compiled by the Office of the Comptroller of the University of Illinois from audited Annual Financial Reports of the University for Fiscal Years 2018-2022.

[Remainder of page left blank]

Annual Debt Service Requirements on the Bonds

The table below shows assumed annual debt service on the Series 2023A Bonds and all Prior Parity Bonds (other than the Refunded Bonds) as of each Fiscal Year.

Fiscal Year (Ending 6/30)	Series 2023A Bonds Principal	Series 2023A Bonds Interest	Outstanding Debt Service	Total System Debt Service
2024	$16,685,000	$7,444,792	$62,211,779	$86,341,570
2025	17,335,000	6,823,250	62,628,529	86,786,779
2026	21,155,000	5,956,500	60,083,179	87,194,679
2027	19,535,000	4,898,750	63,386,429	87,820,179
2028	20,725,000	3,922,000	63,678,554	88,325,554
2029	6,300,000	2,885,750	79,916,204	89,101,954
2030	20,310,000	2,570,750	66,419,673	89,300,423
2031	15,130,000	1,555,250	60,862,473	77,547,723
2032	15,975,000	798,750	59,951,958	76,725,708
2033			73,684,259	73,684,259
2034			73,818,145	73,818,145
2035			69,493,933	69,493,933
2036			57,032,450	57,032,450
2037			39,955,640	39,955,640
2038			39,978,025	39,978,025
2039			38,576,805	38,576,805
2040			38,601,430	38,601,430
2041			38,829,335	38,829,335
2042			40,081,545	40,081,545
2043			38,196,774	38,196,774
2044			38,231,321	38,231,321
2045			14,073,331	14,073,331
2046			14,081,238	14,081,238
2047			12,916,488	12,916,488
2048			12,915,944	12,915,944
2049			4,313,175	4,313,175
2050			2,045,931	2,045,931
2051			972,563	972,563
TOTAL	$153,150,000	$36,855,792	$1,226,937,105	$1,416,942,897

Totals may not foot due to rounding.

AUXILIARY FACILITIES SYSTEM

Background

The University of Illinois Auxiliary Facilities System (the "*System*") was created in June of 1978 pursuant to the provisions of the Act which authorized the Board to combine and consolidate into a single System certain housing, parking, union, recreation/athletic, student-oriented health and miscellaneous facilities, the net revenues of which were then pledged to secure outstanding indebtedness of the Board. As described below, certain facilities of the Springfield campus of the University were transferred to and became part of the System during Fiscal Year 1996.

At the time of formation of the System, the Board refinanced, through advance refunding or exchange, all then outstanding indebtedness secured by the various buildings and facilities initially intended to form the System.

Since the creation of the System, the Board, in addition to providing for routine maintenance, has assessed one-half of one percent of the Replacement Value of its facilities annually for renewals and replacements, unusual or extraordinary maintenance or repairs, and renovation or replacement of fixed equipment to sustain the physical and operational integrity of the System. Approved mandatory transfers for such purposes approximated $17.6 million for fiscal year 2022.

Description of Facilities

The facilities comprising the System service various aspects of student campus life and include student residence halls, parking structures, student unions and recreational and athletic facilities. The University currently has residence hall and apartment facilities for about 12,754 single students and family housing for about 1,143 students and ten parking structures with a total capacity for approximately 10,072 cars. The University has four student union buildings, one at the Urbana-Champaign campus, one at the Springfield campus and two at the Chicago campus, which include lounges, food service, bowling and billiards facilities, meeting rooms, bookstores and other recreational facilities.

The development of recreational and athletic facilities dates back to 1925 on the Urbana-Champaign campus with the construction of Memorial Stadium, which seats approximately 60,670 persons, and the Ice Arena, which was originally constructed in 1930. The multi-purpose 15,500 seat State Farm Center, which provides a venue for entertainment and sporting events, was constructed in 1963 at Urbana-Champaign. The multi-purpose 9,500 seat Credit Union 1 Arena, which serves a similar function in Chicago, was constructed in 1982. The University's McKinley Health Center, originally constructed in 1925-26, provides clinical treatment for students and staff at the Urbana-Champaign campus.

Student Services buildings in Chicago and in Urbana-Champaign provide centralized locations for comprehensive programs of student services, including career development and placement, student financial aid, student activities and student counseling and assistance. Springfield campus facilities added to the System include a 56 unit on-campus housing complex known as University Court, food service operations, parking operations, bookstore operations, the 2,000 seat Sangamon Auditorium, a 10,000 square foot multi-purpose gymnasium and a child care center.

A recent addition to the Auxiliary Facilities System is the new student dining hall connected to the Townsend and Wardall residence halls at the Urbana-Champaign campus.

Housing Occupancy Rates

The average occupancy of existing housing facilities of the Board, included within the System, for the ten fiscal years leading up to the spring semester of 2020 exceeded 90%. Capacity limits implemented in response to COVID-19 negatively impacted the System's housing occupancy rates for the 2020-2021 academic year. System housing occupancy for the fall 2021 and 2022 semesters has returned to the historical norms of occupancy above 90%. Please refer to the COVID-19 discussion included in APPENDIX A regarding further discussion on the University's impact and response to the COVID-19 pandemic.

Financial Condition of the Auxiliary Facilities System

The financial statements of the System are presented in accordance with U.S. generally accepted accounting principles. Included in APPENDIX B is the most recent Annual Financial Report of the Auxiliary Facilities System for Fiscal Year 2022. The Annual Financial Report of the Auxiliary Facilities System set forth as APPENDIX B consists of the Statement of Net Position as of June 30, 2022, the Statement of Revenues, Expenses and Changes in Net Position for the Year Ended June 30, 2022, the Statement of Cash Flows for the Year Ended June 30, 2022, and the notes to financial statements.

[Remainder of page left blank]

Statement of Revenues, Expenses and Changes in Net Position of the Auxiliary Facilities System

The following table summarizes the Statement of Revenues, Expenses and Changes in Net Position of the System for the Fiscal Years Ended June 30, 2022, 2021, 2020 and 2019.

	Fiscal Year Ended June 30,			
	2022	**2021**	**2020**	**2019**
Operating revenues:				
Room and board, net	$154,493,734	$89,890,519	$116,734,613	$148,608,430
Merchandise and retail food sales	28,114,673	16,380,691	27,913,987	34,878,670
Student service fees	111,370,025	89,250,405	96,138,486	102,210,055
Public events and recreation fees	8,075,122	1,752,094	6,141,023	7,927,080
Parking income	27,628,522	20,645,351	22,453,215	26,864,427
Rental and lease income	28,885,694	29,923,272	30,806,303	32,272,604
Printing and vending income	-	1,448,215	3,415,664	3,998,271
Other operating revenue	9,534,891	2,854,226	9,446,414	10,062,006
Total operating revenues	**368,102,661**	**252,144,773**	**313,049,705**	**366,821,543**
Operating expenses:				
Salaries and wages	90,938,510	84,740,505	94,822,773	94,123,990
Merchandise and food for resale	31,511,637	19,463,823	26,611,808	32,970,719
Repair and maintenance	7,638,744	8,766,607	8,076,233	6,785,720
Professional and other contractual services	39,716,798	34,791,571	44,530,957	46,217,128
Utilities	28,341,863	25,698,030	28,687,537	32,739,902
Supplies	9,831,861	11,185,596	12,500,625	12,321,016
Noncapitalized renovation and equipment	12,035,952	14,284,143	14,459,735	13,763,365
Administrative services	15,748,752	14,226,051	14,612,526	16,735,632
Other operating expense	6,777,837	5,257,693	5,037,969	5,425,950
Depreciation	49,361,300	46,483,727	44,169,874	43,561,753
On behalf payments for fringe benefits and special funding situation for fringe benefits	45,588,784	64,436,165	44,074,742	41,387,049
Total operating expenses	**337,492,038**	**329,333,911**	**337,584,779**	**346,032,224**
Operating income (loss)	**30,610,623**	**(77,189,138)**	**(24,535,074)**	**20,789,319**
Non-operating revenues (expenses):				
On behalf payments for fringe benefits and special funding situation for fringe benefits	45,588,784	64,436,165	44,074,742	41,387,049
Federal Grant – CARES Act	23,701,070	45,663,954	19,305,362	-
Investment income (net of related expenses)	1,003,716	4,998,092	5,728,521	10,224,645
Net decrease in fair value of investments	(6,106,085)	-	-	-
Interest on capital asset-related debt	(37,654,605)	(33,352,424)	(45,346,750)	(49,585,042)
Loss on disposal of capital assets	(197,365)	(119,600)	(507,255)	(252,490)
Other non-operating revenues (expenses), net	(1,903,019)	(1,756,232)	(1,425,670)	(480,682)
Net non-operating revenues (expenses)	**24,432,496**	**79,869,955**	**21,828,950**	**1,293,480**
Increase in net position	**55,043,119**	**2,680,817**	**(2,706,124)**	**22,082,799**
Net position, beginning of year	**253,054,799**	**250,373,982**	**253,080,106**	**230,997,307**
Cumulative effect of change in accounting principle	**27,513**	**-**	**-**	**-**
Net position, end of year	**308,125,431**	**253,054,799**	**250,373,982**	**253,080,106**

For more detailed information, see "ANNUAL FINANCIAL REPORT FOR THE UNIVERSITY OF ILLINOIS AUXILIARY FACILITIES SYSTEM FOR THE YEAR ENDED JUNE 30, 2022" in APPENDIX B hereto.

TAX EXEMPTION

Federal tax law contains a number of requirements and restrictions which apply to the Series 2023A Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The Board has covenanted to comply with all requirements that must be satisfied in order for the interest on the Series 2023A Bonds to be excludible from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Series 2023A Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2023A Bonds.

Subject to the Board's compliance with the above referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Series 2023A Bonds is excludible from the gross income of the owners thereof for federal income tax purposes and is not includible as an item of tax preference in computing the federal alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended (the "*Code*"). For tax years beginning after December 31, 2022, interest on the Series 2023A Bonds may affect the corporate alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the Board with respect to certain material facts within the Board's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

Ownership of the Series 2023A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax exempt obligations. Prospective purchasers of the Series 2023A Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price for original issue discount (as further discussed below) and market discount purposes (the "*OID Issue Price*") for each maturity of the Series 2023A Bonds is the price at which a substantial amount of such maturity of the Series 2023A Bonds is first sold to the public (excluding bond houses and brokers and similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The OID Issue Price of a maturity of the Series 2023A Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

If the OID Issue Price of a maturity of the Series 2023A Bonds is less than the principal amount payable at maturity, the difference between the OID Issue Price of each such maturity, if any, of the Series 2023A Bonds (the "*OID Series 2023A Bonds*") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Series 2023A Bond in the initial public offering at the OID Issue Price for such maturity and who holds such OID Series 2023A Bond to its stated maturity, subject to the condition that the Board complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Series 2023A Bond constitutes interest which is excludible from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Series 2023A Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals under the Code; and (d) the accretion of original issue discount in each year may result in certain collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Based upon the stated position of the Illinois Department of Revenue under Illinois income tax law, accreted original issue discount on such OID Series 2023A Bonds is subject to taxation as it accretes, even though there may not be a corresponding cash payment until a later year. Owners of OID Series 2023A Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Series 2023A Bonds.

Owners of Series 2023A Bonds who dispose of Series 2023A Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Series 2023A Bonds in the initial public offering, but at a price different from the OID Issue Price or purchase Series 2023A Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Series 2023A Bond is purchased at any time for a price that is less than the Series 2023A Bond's stated redemption price at maturity or, in the case of an OID Series 2023A Bond, its OID Issue Price plus accreted original issue discount (the "*Revised Issue Price*"), the purchaser will be treated as having purchased a Series 2023A Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Series 2023A Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Series 2023A Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Series 2023A Bond. Purchasers of the Series 2023A Bonds should consult their own tax advisors regarding the potential implications of market discount with respect to the Series 2023A Bonds.

An investor may purchase a Series 2023A Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Series 2023A Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax exempt bond. The amortized bond premium is treated as a reduction in the tax exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Series 2023A Bond. Investors who purchase a Series 2023A Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Series 2023A Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Series 2023A Bond.

There are or may be pending in Congress legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Series 2023A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Series 2023A Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Service has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Series 2023A Bonds. If an audit is commenced, under current procedures the Service may treat the Board as a taxpayer and the Series 2023A Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Series 2023A Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Series 2023A Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Series 2023A Bond owner who fails to provide an accurate Form W 9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Series 2023A Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

Interest on the Series 2023A Bonds is not exempt from present State income taxes. Ownership of the Series 2023A Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Series 2023A Bonds. Prospective purchasers of the Series 2023A Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

The proposed form of opinion of Bond Counsel is set forth in APPENDIX E hereto.

LITIGATION

There is no litigation pending, or to the knowledge of the Board threatened, against the Board, the System or the University which in any way questions or affects the validity of the Series 2023A Bonds or any proceedings or transactions relating to their issuance, sale and delivery or the resolution of which would have a material adverse impact on the Board's ability to meet debt service on the Series 2023A Bonds or operate the System.

LEGAL MATTERS

Certain legal matters incidental to the authorization, issuance and sale of the Series 2023A Bonds by the Board are subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, as Bond Counsel ("*Bond Counsel*"), which has been retained by, and acts as, Bond Counsel to the Board. Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Series 2023A Bonds and assumes no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in its capacity as Bond Counsel, Chapman and Cutler LLP has, at the request of the Board, reviewed the statements describing its approving opinion and the statements under the captions "DESCRIPTION OF THE SERIES 2023A BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – General," "– Student Tuition and Fees," "– Repair and Replacement Reserve Account," "– Rate Covenant," "– Parity Bonds," and "– Amendments to the Bond Resolution," "TAX EXEMPTION," and "APPENDIX D – DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION", solely to determine whether such descriptions are accurate summaries in all material respects. This review was undertaken solely at the request and for the benefit of the Board and did not include any obligation to establish or confirm factual matters set forth in this Official Statement. The proposed form of the opinion of Bond Counsel is included as APPENDIX E.

Certain legal matters in connection with the Series 2023A Bonds will be passed upon for the Board by University Counsel, Thomas R. Bearrows, Esq. and its special issuer's and disclosure counsel, Katten Muchin Rosenman LLP, Chicago, Illinois. Certain legal matters will be passed upon for the Underwriters by their counsel, Nixon Peabody LLP, Chicago, Illinois.

UNDERWRITING

The Series 2023A Bonds are being purchased by J.P. Morgan Securities LLC ("*JPMS*"), on behalf of itself and as representative of Cabrera Capital Markets, LLC and Ramirez & Co., Inc. (collectively, the "*Underwriters*"). The Underwriters have agreed to purchase the Series 2023A Bonds from the Board at a purchase price of $167,019,218.69 (representing the aggregate principal amount of the Series 2023A Bonds less an underwriters' discount of $401,900.81 plus a bond premium of $14,271,119.50), pursuant to a Bond Purchase Agreement (the "*Purchase Contract*") entered into by the Underwriters and the Board. The obligation of the Underwriters to accept delivery of the Series 2023A Bonds is subject to various terms and conditions contained in the Purchase Contract and the approval of legal matters by counsel. The Series 2023A Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2023A Bonds into investment trust) at prices lower than the public offering prices set forth on the inside cover page of this Official Statement and such public offering prices may be changed, from time to time, by the Underwriters.

JPMS and its affiliates together comprise a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Such activities may involve or relate to assets, securities and/or instruments of the Board and/or the University (whether directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with (or that are otherwise involved with transactions by) the Board and/or the University. JPMS and its affiliates may have, from time to time, engaged, and may in the future engage, in transactions with, and performed and may in the future perform, various investment banking services for the Board and/or the University for which they received or will receive customary fees and expenses. Under certain circumstances, JPMS and its affiliates may have certain creditor and/or other rights against the Board and/or the University and any affiliates thereof in connection with such transactions and/or services. In addition, JPMS and its affiliates may currently have and may in the future have investment and commercial banking, trust and other relationships with parties that may relate to assets of, or be involved in the issuance of securities and/or instruments by, the Board and/or the University and any affiliates thereof. JPMS and its affiliates also may communicate independent investment recommendations, market advice or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short position in such assets, securities and instruments.

JPMS has entered into negotiated dealer agreements (each, a "*Dealer Agreement*") with each of Charles Schwab & Co., Inc. ("*CS&Co.*") and LPL Financial LLC ("*LPL*") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, if applicable to this transaction, each of CS&Co. and LPL will purchase Series 2023A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Any obligations of the Underwriters are their respective sole obligations and do not create any obligations on the part of any affiliate of any of the Underwriters, including any affiliated banks. Securities sold, offered or recommended by the Underwriters are not deposits, are not insured by the Federal Deposit Insurance Corporation, are not guaranteed by any affiliated banks of any of the Underwriters and are not otherwise an obligation or responsibility of any such affiliated banks.

MUNICIPAL ADVISOR

PFM Financial Advisors LLC has acted as Municipal Advisor to the Board in connection with the issuance of the Series 2023A Bonds. PFM Financial Advisors LLC is not obliged to undertake, and has not undertaken, an independent verification of, nor has assumed responsibility for the accuracy, completeness or fairness of the information obtained in this Official Statement. PFM Financial Advisors LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

INDEPENDENT AUDITORS

The financial statements of the System and the financial statements of the University as of and for the year ended June 30, 2022, are included in APPENDIX B and APPENDIX C, respectively and have been audited by RSM US LLP, independent auditors, as stated in their reports included in APPENDIX B and APPENDIX C, respectively. RSM US LLP has not been engaged to perform, and has not performed, since the date of its reports included herein, any procedures on the financial statements addressed in said reports. RSM US LLP also has not performed any procedures relating to this Official Statement.

RATINGS

S&P Global Ratings, Inc. ("*S&P*"), and Moody's Investors Service ("*Moody's*") have assigned their municipal bond ratings of "AA-" (stable outlook) and "Aa3" (stable outlook), respectively, to the Series 2023A Bonds. The ratings and an explanation of their significance may be obtained from the rating agency furnishing such ratings. Such ratings reflect only the views of the respective rating agency. The ratings are not recommendations to buy, sell or hold the Series 2023A Bonds. No rating was requested from any other rating service.

The Board and the University furnished to the above rating agencies certain information and materials, some of which have not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions furnished to and obtained and made by the rating agencies. There is no assurance that any rating will remain for any given period of time or that any rating will not be revised downward or withdrawn entirely. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price or marketability of the Series 2023A Bonds. The Underwriters have undertaken no responsibility either to bring to the attention of the owners of the Series 2023A Bonds any proposed revision or withdrawal of the rating of the Series 2023A Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such rating could have an adverse effect on the market price of the Series 2023A Bonds. Such rating should not be taken as a recommendation to buy or hold the Series 2023A Bonds.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with certain provisions of Rule 15c2-12 (the "*Rule*") of the Securities and Exchange Commission, the Board will agree in a Continuing Disclosure Agreement to provide to certain parties certain annual financial information and operating data and notices of certain events. The proposed form of the Continuing Disclosure Agreement is included as APPENDIX F to this Official Statement. The Continuing Disclosure Agreement may be enforced by any beneficial or registered owner of the Series 2023A Bonds, but the Board's failure to comply will not be a default under the Bond Resolution. A failure by the Board to comply with the Continuing Disclosure Agreement must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2023A Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2023A Bonds and their market price.

To the knowledge of the Board, there have been no instances in the past five years in which the Board failed to comply, in all material respects, with any of its prior continuing disclosure agreements.

Annual disclosure and notices of certain events will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system currently available at http://emma.msrb.org/.

ADDITIONAL INFORMATION

The agreement of the Board with the owners of the Series 2023A Bonds is fully set forth in the Bond Resolution, and neither any advertisement of the Series 2023A Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series 2023A Bonds. All of the summaries or descriptions of the Series 2023A Bonds, the Bond Resolution, opinions, contracts, agreements, financial and statistical data, and other related documents described in this Official Statement are made subject to the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are publicly available for inspection at the offices of the Board's Municipal Advisor, PFM Financial Advisors LLC, 99 Summer Street, Boston, Massachusetts 02113, or at the University's Office of the Vice President for Administration, 349 Henry Administration Building, 506 South Wright Street, Urbana, Illinois 61801.

Any statements made in this Official Statement indicated to involve matters of opinion or estimates are represented as opinion or estimates in good faith, but no assurance can be given that the facts will materialize as so opined or estimated.

The attached Appendices are integral parts of this Official Statement and must be read together with all of the foregoing statements.

CERTIFICATION

As of the date hereof, this Official Statement is, to the best of my knowledge, complete and correct in all material respects and does not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. The preparation of this Official Statement and its distribution have been authorized by the Board.

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

By: /s/ Paul Ellinger
Vice President, Chief Financial Officer
and Comptroller

APPENDIX A

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

Information Concerning

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

The information contained herein as Appendix A to the Official Statement has been obtained from The Board of Trustees of the University of Illinois and other sources deemed to be reliable.

INFORMATION IS PROVIDED HEREIN REGARDING THE BOARD OF TRUSTEES (THE "BOARD") OF THE UNIVERSITY OF ILLINOIS (THE "UNIVERSITY"). HOWEVER, AS DESCRIBED BELOW, THE SERIES 2023 BONDS DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE BOARD OR OF THE UNIVERSITY. THEREFORE, INFORMATION HEREIN REGARDING THE UNIVERSITY SHOULD BE CONSIDERED GENERAL BACKGROUND INFORMATION ONLY FOR THE PURPOSE OF EVALUATING AN INVESTMENT IN THE SERIES 2023 BONDS.

THE SERIES 2023 BONDS, TOGETHER WITH THE OUTSTANDING AUXILIARY FACILITIES SYSTEM REVENUE BONDS AND SUCH BONDS AS MAY BE ISSUED IN THE FUTURE (COLLECTIVELY WITH THE SERIES 2023 BONDS, THE "BONDS"), ARE SECURED BY A PLEDGE OF AN LIEN ON: (i) **THE NET REVENUES OF THE AUXILIARY FACILITIES SYSTEM,** (ii) **STUDENT TUITION AND FEES (SUBJECT TO PRIOR PAYMENT OF OPERATING AND MAINTENANCE EXPENSES OF THE SYSTEM, BUT ONLY TO THE EXTENT NECESSARY), AND** (iii) **THE BOND AND INTEREST SINKING FUND ACCOUNT. SINCE THE SYSTEM IS NOT A SEPARATE LEGAL ENTITY, BUT IS PART OF THE UNIVERSITY, INFORMATION CONCERNING THE UNIVERSITY IS SET FORTH IN THIS APPENDIX A.**

TABLE OF CONTENTS

The University of Illinois

Background

The Board of Trustees of the University of Illinois (the *"Board"*) is a body corporate and politic of the State of Illinois (the *"State" or "Illinois"*) created in 1867 by the Illinois General Assembly in response to the Federal Land Grant Act of 1862. The Board is responsible for the oversight and the governance of the University of Illinois System (the *"University"*), one of the nation's largest university systems. Complementing the University's primary missions of education, research, and public service is its role as an agent of economic development.

Education. The University of Illinois System has three universities, located in Urbana-Champaign, Chicago, and Springfield, as well as health professions regional campuses in Rockford and Peoria, with a combined total enrollment of 94,861 students (fall 2022). In addition, the University has continuing education centers in suburban and downstate Illinois, extension offices in many of the State's 102 counties, a major teaching hospital and multiple health clinics in Chicago, and research farms. Fall 2022 enrollment on the campus of the University of Illinois Urbana-Champaign (*"UIUC"*) totaled 56,916; on the campus of the University of Illinois Chicago (the *"UIC"*) totaled 33,747 (503 of whom are located at regional medical schools in Peoria and Rockford); and on the campus of the University of Illinois Springfield (*"UIS"*) totaled 4,198. Illinois residents comprise 55 percent of the student body on the UIUC campus; 80 percent at UIC; and 71 percent at UIS. The University awarded more than 24,700 undergraduate, graduate, and professional degrees in the 2021-2022 academic term. Graduation and retention rates are stable and other achievement indicators are improving at all three campuses. For the fall 2022 semester, the University received seven applications for each freshman slot.

There are 6,497 (full-time equivalent) faculty at the University, including members of the National Academy of Sciences, the American Academy of Arts and Sciences, and the National Academy of Engineering. The University faculty and alumni have won 24 Nobel Prizes, including John Bardeen who won in 1956 and 1972, the only person to have won the physics prize twice. In 2003, UIUC had two faculty members win Nobel Prizes: Paul C. Lauterbur shared the 2003 Nobel Prize in medicine for seminal discoveries concerning the use of magnetic resonance to visualize different structures and Anthony J. Leggett shared the 2003 Nobel Prize in physics for pioneering contributions to the theory of superconductors and super fluids. The University has had 18 National Medal of Science recipients on its faculty, including entomologist May Berenbaum in 2014, Charles Slichter in 2007, who was recognized for establishing nuclear magnetic resonance as a powerful tool, and microbiologist Carl Woese in 2000, whose discovery of a third form of life was also recognized with a Crafoord Prize in 2003. In 2018, entomologist Gene Robinson was awarded the 2018 Wolf Prize in Agriculture for his leadership in decoding the genomic secrets of the honeybee. Nick Holonyak Jr. received the 2021 Queen Elizabeth Prize for Engineering for his invention of the visible LED. And chemist Ralph Nuzzo was awarded the 2022 Kalvi Prize in Nanosciences. UIUC and UIC have had numerous MacArthur Fellows, individuals recognized for "extraordinary originality and dedication in their creative pursuits and a marked capacity for self-direction."

The three universities in the University of Illinois System offer a diversity of programs that lead to baccalaureate, graduate, and professional degrees as well as certificates. The University offers professional programs through colleges of dentistry, law, medicine, pharmacy, and veterinary medicine. The University also features a school of public health and five health sciences colleges: applied health sciences, dentistry, medicine, nursing, and pharmacy.

Research. UIUC and UIC have been recognized as research intensive institutions by the Carnegie Foundation. Total federal support for FY 2022 reached $1.1 billion for the entire system. UIUC attracts more than $630 million in federal support, with 20 percent from the National Science Foundation. UIC has more than $448 million in federal grant and contract expenditures. Because of its strong medical and healthcare research programs, over 52 percent of federal support to UIC comes from the Department of Health and Human Services.

The knowledge being generated and transmitted through University research has far-reaching implications for health, engineering, agriculture, and business, as well as for basic and applied research. Recent developments include the following:

- The University is working with the State to integrate next-generation technology to improve efficiencies, safeguard citizens, and accelerate innovation through a "Smart State" partnership. This collaboration is intended to help grow the State's economy, improve quality of life, and retain and attract residents.

- The University also maintains a variety of strategic international partnerships with institutions of higher education, governmental and non-governmental organizations, and private corporations. These relationships provide global opportunities for research collaboration and provide opportunities for diverse external funding sources.

- UIC's Freshwater Lab hosts summits of researchers, community and government leaders in the U.S. and Canada to address critical issues impacting the Great Lakes region.

- The United Nations predicts that by 2050 the world will need to produce 70 percent more food to feed its population. A genetic breakthrough from scientists at UIUC holds great promise to address this need. Researchers have been able to make photosynthesis more efficient by boosting levels of three proteins, effectively increasing plant yield. In field trials, the scientists saw increases of 14 percent to 20 percent in the growth of their modified tobacco plants and have since transitioned their focus to food crops.

- UIC is a hub of innovation with a proven track record in drug discovery and development. The University has several major drugs on the market today, including Tice BCG, a bladder cancer drug; Shingrix, a vaccine against the shingles virus; Phexxi, a hormone-free birth control gel; and Prezista, an anti-HIV treatment. UIC innovations generated nearly $30 million in licensing revenue in FY 2022.

- Battery researchers seeking to increase the energy and power densities of lithium battery systems are concentrating on improved electrode materials with "tunneled" structures that make it easier for charge-carrying ions to move in and out of the electrode. UIC is part of a global team that has focused on developing a cathode based on manganese dioxide, a very low cost and environmentally friendly material with high storage capacity and a lattice structure of tunnels.

- I-Share, the online public catalog system for the Consortium of Academic and Research Libraries in Illinois (CARLI), provides online management of 37.8 million items from 90 libraries throughout the State serving 600,000 students, faculty, and staff.

- A UIS College of Business and Management faculty member has been a driving force behind Innovate Springfield (iSPI), a new business incubator located in downtown Springfield.

- A team of community leaders and elected officials from an eleven-county region of southernmost Illinois have partnered with the University of Illinois Extension and Stronger Economics Together (SET, a USDA Rural Development program) to develop a rural regional economic development plan.

- Physicians at the University of Illinois Hospital and Health Sciences System (UI Health), located on the campus of UIC, are curing patients with sickle cell disease through stem cell transplantation and without the need for chemotherapy. The procedure – developed at the National Institutes of Health in Bethesda, Maryland, and validated at UI Health – relies on transplanted cells from a healthy, tissue-matched, full sibling.

- The Discovery Partners Institute (DPI) is a purpose-driven, collaborative research institute located in Chicago designed to address grand challenges, retain and attract talent, and drive economic vitality in Chicago, the State and beyond. Part of the University of Illinois System, DPI, along with Northwestern University, UIC, Illinois Institute of Technology, Argonne, and a network of leading international universities, is forging a new blueprint for university-industry-community partnerships. With a $500 million capital appropriation from the State for a facility in Chicago and Illinois Innovation Network hubs across the state, as well as a partnership with Chicago's P33 initiative, DPI is advancing Chicago and the State as a global center for R&D and talent.

- The Illinois Innovation Network (IIN) links universities, communities, and industry to drive innovation and economic development throughout the State. IIN hubs, based at all of the State's public universities, spur economic development through research, corporate and public-private partnerships, workforce training programs, and entrepreneurship initiatives. Hubs focus on areas including food systems, water, rural healthcare, aging, environmental sustainability, and technology.

The University has expanded its investment in research and development capabilities, and emphasizes the transfer of ideas to the marketplace. The University has research parks located on its UIUC and UIC campuses.

- The UIUC Research Park is home to innovation centers for multinational corporations and publicly traded firms including ADM, John Deere, Yahoo!, Rivian, Caterpillar, State Farm, Capital One, Nutrien Ag Solutions, CME Group and Abbott.

- The UIC Technology Innovation Lab, a 12,000 square-foot business incubator located in the Illinois Medical District, supports UIC and community entrepreneurs. It is one of the few incubators in Chicago that offers shared wet and dry laboratory space to support early-stage technology startups. TiLab offers programming and support services that help entrepreneurs create and grow sustainable businesses. TiLab members develop disruptive technologies across a wide range of areas – from therapeutics and medical devices to advanced manufacturing and clean energy technologies. UIC startups residing at TiLab have raised more than $20 million in outside investments.

New and refurbished facilities continue to enhance the resources of the University. Recent enhancements include:

- In July of 2019, UIC opened its new Engineering Innovation Building. The new facility houses engineers investigating phenomena on a scale from the very large, such as bridge and highway components, to the exceedingly small, such as nanoscale components that will drive the next generation of thermal batteries. It is the home to the only high-bay structural research laboratory in northeastern Illinois, which enables engineers and industry professionals to develop and test large and heavy infrastructural components. Here, researchers and government agencies are able to develop and test large-scale structural components and determine how they behave under various loads and conditions.

- In April of 2019, UIUC opened the Bruce D. Nesbitt African American Cultural Center. This new facility provides the opportunity for staff to continue serving students, faculty, staff, alumni and other stakeholders in new and innovative ways.

- In May of 2020, it was announced that the UIC L.P. Johnson Health Center had become an official component of the UI Health – Mile Square Health Center, one of the most progressive Federally Qualified Health Centers in the nation. Combining the efforts of the L.P. Johnson and Mile Square enterprise enables L.P. Johnson to broaden the depth of services it provides to the Rockford community.

- In August of 2019, the Henry Dale and Betty Smith Football Performance Center was opened at UIUC. This new facility includes expanded strength and conditioning and sports medicine offices, position meeting rooms, player development areas, locker rooms, and other areas for recruiting and prospect hosting.

- Also in August of 2019, UIC opened the Academic and Residential Complex, a mixed-use facility borne from a public-private partnership and home to classrooms, lecture halls, collaborative study spaces and residence space including 548 beds and student driven amenities.

- In the Fall of 2020, the Illinois Street Residence Dining Hall commenced operations. This new facility serves as the hub of two large residence halls (Townsend and Wardall) which are also undergoing or have planned major renovation projects to extend the life of the facilities and meet student demand.

- Two significant new collaborative, multidisciplinary facilities were completed and put into operation in 2020 and 2021.

    - The Seibel Center for Design facility was created to harness the potential of design thinking and design learning in our teaching, research and engagement. Students from across campus and all fields of study explore ideas and master skills through action – immersing, designing, making, and doing.

    - The Campus Instructional Facility on the north end of campus includes collaborative spaces on each of the four floors and basement, distant-learning classrooms and a “test kitchen” approach to classroom layouts, designed to evolve over time. This new facility has become a model for supporting education through pedagogy experiments, classroom technologies and professional development for the next generation.

- In September of 2022, the Specialty Care Building and Outpatient Surgery Center opened at UIC. The Specialty Care Building was designed to meet the growing need for specialized services and outpatient surgery in the Chicago metropolitan area. The state-of-the-art, 200,000 square foot facility features specialty clinics, imaging and diagnostic services, pharmacy services, and is home to the Bruno & Sallie Pasquinelli Outpatient Surgery Center. Designed with patients in mind, the Specialty Care Building features innovative technology at every touch point, from registration for clinic visits to the latest in robotic surgical treatments for world-class outcomes.

- UIS opened its first Student Union in 2018. The new building is a center of campus life, featuring multipurpose spaces and multiple dining options.

Economic Development. As both an employer and a consumer, the University contributes $18.9 billion annually to the State's economy through spending by its universities, employees, and students and the increased earning power of its graduates. In FY 2021 state and local taxpayers in Illinois paid $1.5 billion to support the operations, grants, and the normal cost of pensions and benefits for the University. The net present value of the added tax revenue stemming from the students' higher lifetime earnings and the increased output of businesses amounts to $2.5 billion in benefits to taxpayers, according to an external study released in June 2022. The University's total FY 2023 operating budget for day-to-day operations is $6.21 billion. An additional $1.44 billion is estimated for pension and fringe benefit paid on the University's behalf by the State.

The University makes an additional impact through its role as a creative force that generates new ideas. This role encompasses the four central missions of the University—teaching, research, service, and economic development—and engages it with the economic life of the State and the nation. The University works with Illinois government and business leaders on three primary research efforts that will have a significant impact on the Illinois economy. They are:

- National Center for Supercomputing Applications and the engineering and computer science fields that support information technology

- Biotechnology in the agricultural and life sciences

- Biotechnology in the health sciences

Existing strengths and major new capital investments in these areas by the State and private donors have positioned the University to leverage these strengths in the future.

Public Service. The University has a longstanding commitment to the communities it serves. Through its outreach units and programs, University faculty and staff provide expertise and resources in business and management, education, natural resources, health, engineering, and the arts. The University organizes and runs thousands of public services activities around the State, which are cataloged in the University's public engagement portal (www.uillinois.edu/engagement/).

Each of the universities has an Office of Continuing Education. Across the University of Illinois System, credit and non-credit courses, degree programs, online courses, conferences, professional development, summer session classes, and programs are offered (www.online.uillinois.edu/). UIUC offers courses in conjunction with Coursera, a “social entrepreneurship company” that works with universities around the globe to offer free, not-for-credit courses online. The University of Illinois Extension, a coordinating program offered through UIUC, provides practical, research-based information and programs to help individuals, families, farms, businesses, and communities throughout Illinois.

UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN (UIUC)

UIUC is the oldest and largest university within the University of Illinois System, enrolling more than 56,000 students each year in a wide variety of undergraduate, graduate, and professional programs offered by the colleges of agricultural, consumer, and environmental sciences, applied health sciences, business, education, engineering, fine and applied arts, law, liberal arts and sciences, media, and veterinary medicine. UIUC also has schools of library and information sciences, social work, and labor and employment relations. UIUC, which recently celebrated its 150^{th} anniversary, is internationally known for its leading-edge research programs, outstanding faculty, top-tier alumni, and its many contributions to the State, the United States, and the world. Recently, UIUC welcomed the inaugural class of its first new college in 60 years—the Carle Illinois College of Medicine.

UIUC was chartered in 1867 as one of the 37 original land grant universities. Today, UIUC’s campus consists of 653 total buildings (354 main campus buildings) spread across 2,295 acres. UIUC has more than 11,900 FTE faculty, academic and civil service staff. Near the campus are UIUC’s 1,700-acre Willard Airport, the 1,800-acre Allerton Park and Conference Center, an antenna research site, a radio telescope, an optical telescope, a radio direction finding and meteor radar site and about 100 acres of timber reserves. The University of Illinois Extension offers educational programs to residents of all of Illinois’ 102 counties coordinated by 27 unit offices—and far beyond through its many online education sites. Students can use the 70,000 computer connections across the campus and access the network wirelessly in over 360 buildings both on and off campus. All classroom seats have wireless access. Cultural offerings include the Krannert Art Museum with more than 9,000 works of art, the Krannert Center for the Performing Arts that hosts more than 350 performances annually, the Spurlock Museum with 46,000 artifacts, and the Sousa Archives and Center for American Music with 75 percent of Sousa’s original music manuscripts.

UIUC conferred more than 15,000 degrees in FY 2022. Doctoral degrees (professional practice) are offered in five fields, doctoral degrees (research/scholarship) in 99 fields, post-master’s certificates in 6 fields, master’s degrees in 169 fields, and bachelor’s degrees in 169 fields.

UIUC is the home of more than 150 research laboratories, institutes, and experiment stations, including the Institute for Genomic Biology, Beckman Institute for Advanced Science and Technology, the Center for Nanoscale Science and Technology, the National Soybean Research Laboratory, and the National Center for Supercomputing Applications. It has one of the largest public academic libraries in the country with more than 20 departmental libraries located across the campus. The library acquired its 14-millionth volume—*The University of Illinois: Engine of Innovation* commemorating the University’s sesquicentennial—in 2017. The extensive literary manuscripts and archives of Gwendolyn E. Brooks (1917-2000), Illinois Poet Laureate and the first African American writer to win the Pulitzer Prize, were acquired in 2013 and are in the Rare Book & Manuscript Library.

For multiple consecutive years, UIUC has been recognized by Insight Into Diversity magazine as a recipient of its Higher Education Excellence in Diversity (HEED) Award. The HEED Award is the only national recognition honoring colleges and universities that exhibit outstanding efforts and success in the area of diversity and inclusion throughout their campuses. The Division of Disability Resources and

Educational Services (DRES), the service unit of the UIUC College of Applied Health Sciences, was designated an official U.S. Paralympic Training Site in 2014.

In its most recent rankings, *U.S. News & World Report's* America's Best Colleges rated UIUC as the number 13 public university and the number 41 national university. According to the most recent *U.S. News & World Report's* undergraduate and graduate rankings: the Graduate School of Library and Information Science's program is first in the nation; the Department of Accountancy ranks second in undergraduate and third in graduate programs; the Department of Civil Engineering ranks third in undergraduate programs and second in graduate programs; the Department of Material Sciences and Engineering ranks second in undergraduate and sixth in graduate programs; the College of Engineering is seventh in undergraduate and tenth in graduate programs; and UIUC ranks first in the graduate study of condensed matter physics and sixth in undergraduate environmental/environmental health engineering.

UIUC is a global university. Currently, more than 12,700 international students attend UIUC and over 2,000 students study abroad on 300 programs in 45 countries. UIUC maintains 400 collaborative agreements to support education and research with institutions and partners in more than 60 countries. Faculty members have been named to the National Academy of Sciences, the National Academy of Engineering, and the American Academy of Arts and Sciences and are fellows of the American Association for the Advancement of Science. Faculty members and alumni have been awarded twenty-nine Pulitzer Prizes.

UNIVERSITY OF ILLINOIS CHICAGO (UIC)

UIC is Chicago's largest and only public research university. It is a thriving hub for research, education and innovation, and serves nearly 34,000 undergraduate, graduate and professional students in 16 academic colleges, including seven health sciences colleges and Chicago's first and only public law school. UIC is recognized as one of the most ethnically rich and culturally diverse universities in the nation and is an integral part of the educational, technological and cultural fabric of one of the world's greatest cities. Students benefit from renowned faculty scholars, researchers, artists and clinicians with ties to the corporate, civic and cultural institutions of the Chicago metropolitan area.

UIC is a U.S. Department of Education-designated Minority-Serving Institution (MSI), an Asian American and Native American Pacific Islander-Serving Institution (AANAPISI) and a Hispanic-Serving Institution (HSI)—one of only 21 HSIs classified as very high research status (R1) by the Carnegie Foundation for the Advancement of Teaching.

UIC offers degree programs in applied health sciences; architecture, design and the arts; business administration; dentistry; education; engineering; the graduate college; law; liberal arts and sciences; medicine; nursing; pharmacy; public health; social work; and urban planning and public affairs. Students can choose from 63 doctoral degrees, 119 master's degrees, 102 bachelor's degrees and 104 certificates. UIC is the State's principal educator of health professionals. In 2022, degrees were conferred upon 8,400 students at UIC.

UIC is ranked 25th among 341 U.S. public universities and the only Illinois university among the top 10 best value colleges in the nation by the *Wall Street Journal* and *Times Higher Education*. UIC ranked No. 11 for Social Mobility by *U.S. News & World Report* 2022-2023 Best Colleges and ranks in the top 45 (No. 42) among all public universities. Fifteen UIC graduate programs rank in the top 30 in the country according to the 2023 *U.S. News & World Report* Best Graduate Schools rankings.

UIC is one of 137 universities – and one of only four in Illinois – recognized nationally by the Carnegie Foundation in its top category of research universities. UIC reached a new research record in FY 2022 with a research award portfolio nearing $500 million. UIC is also home to several notable NIH research programs, such as the Center for Clinical and Translational Science, a $22 million center that provides a nucleus for basic, translational, data science and community-based research.

UIC conducts world-class research to solve real-world problems through innovation and discovery. Research conducted at UIC is re-shaping educational policy; developing cleaner more sustainable energy; helping to make sense of today's vast amounts of computer-generated data; and driving economic development by moving research to practical application. UIC currently manages 322 active licenses and has three major therapeutics on the market today, including a vaccine against the shingles virus, and a bladder cancer drug and a non-hormonal female contraceptive. Revenue generated from these drugs generated $30 million in fiscal year 2022. These funds are reinvested to support UIC research programs and infrastructure.

UI Health is part of UIC and provides comprehensive care, education, and research to train health care leaders and foster health communities in Illinois and beyond. As the academic health enterprise, UI Health integrates the activity of UIC's seven health sciences colleges that operate six locations across the State, a 462-bed tertiary care hospital in Chicago, more than 20 outpatient clinics, the University of Illinois Cancer Center and a network of federally qualified health centers located in neighborhoods throughout Chicago. As a leader in patient care, research, and education, from understanding the molecular basis of disease to improving the health of communities, researchers in the health sciences colleges routinely collaborate to move medical breakthroughs from the laboratory to new treatments, procedures, and preventive approaches to improve patient outcomes. UI Health is dedicated to the pursuit of health equity and is committed to training the health care leaders of the future. More than 30% of the students enrolled at UIC's health sciences colleges self-identify as part of different underrepresented groups.

UI Health provides a wide range of specialty, primary and emergency care services. As the State's only public academic health enterprise, UI Health remains committed to serving the diverse needs of all patients who seek their care among more than 40 care delivery locations. The hospital and clinics see more than 65% Medicare/Medicaid patients annually, and the College of Dentistry is among few Medicare/Medicaid providers of oral health services for the State.

To address UIC's continued growth, the University opened the Academic and Residential Complex, its first living-learning environment, in July 2019. The complex is made up of a two-story academic building with seven interactive classrooms, several small group study rooms, a tutoring center, computer stations and collaboration spaces, as well as a 10-story residence hall with skyline views of downtown and nearly 550 beds. UIC's new Engineering Innovation Building, which also opened in July 2019, has over a 50,000 square foot facility that houses instructional space, research labs, and faculty and staff offices. The building is home to the University's first high-bay structural research lab where engineers and industry professionals can carry out a wide range of tests on large-scale structural components. It provides students a unique opportunity to learn in a state-of-the-art space and positions the UIC College of Engineering to become a premier public urban engineering college. These buildings support scholarship and research and improve the student experience.

UIC's Innovation Center, a 10,000 square-foot collaboration space and research laboratory, serves as an incubator to develop and deliver ideas, products, and intellectual property on behalf of the University and industry sponsors such as Caterpillar, BMW, and the OSF Healthcare System, among others.

UIC is a partner in a federally funded energy research center combining the R&D firepower of five U.S. Department of Energy national laboratories, five universities and four private firms in a quest to achieve revolutionary advances in battery performance. UIC's engagement with the Chicago metropolitan area is embodied in the Great Cities Commitment, an umbrella name for the hundreds of teaching, research, and service programs that connect the campus with the community. Industry partnerships, internships, business and entrepreneurial development, infrastructure improvement, and neighborhood revitalization are examples of how the campus' partnership with Chicago benefits urban neighbors as well as faculty and students.

UIC traces its origins to medical colleges that opened in 1882. The Chicago-based colleges of pharmacy, dentistry, and physicians and surgeons officially affiliated with the University in 1896-97 and were incorporated into the University in 1913. A temporary, two-year branch campus of the University was established after World War II on Navy Pier and students completed their studies in Urbana. Demand in Chicago remained high and, in 1965, the Chicago Circle campus opened west of the Loop area, replacing the Navy Pier site. UIC was formed in 1982 by the consolidation of the Medical Center and the Chicago Circle campuses of the University. The campus received Carnegie Research 1 status in 1987.

The UIC campus occupies approximately 250 acres in a mid-city location southwest of Chicago's downtown business district. UIC also has smaller, regional campuses at Rockford and Peoria focused on the health-sciences. Today, the UIC campus has more than 15.7 million gross square feet in nearly 150 buildings (including the regional campuses). Almost 920,000 square feet is devoted to research.

UNIVERSITY OF ILLINOIS SPRINGFIELD (UIS)

UIS is a 700-acre regional university based in the State's capital city. UIS enrolls nearly 4,200 students (fall 2022) in 80 degree-granting programs, including 38 bachelor's degrees, 28 master's degrees and 18 graduate certificates, as well as one doctoral program in public administration. UIS is nationally recognized for excellence in online learning and teaching, and approximately one-third of UIS students pursue their degree through one of 66 online programs. UIS offers a four-year baccalaureate program for high-achieving students called the Capital Honors Program. UIS awarded 1,125 degrees during the 2021-22 academic year.

Academic programs range from traditional disciplines such as English, history, and biology to more career-oriented concentrations such as business administration, management information systems, criminal justice, accountancy, and social work. UIS also offers degrees in the health field, such as athletic training, exercise science, psychology, and public health. UIS has been a four-year university since 2006.

UIS ranked third among public regional universities in the 2023 *U.S. News & World Report's* Top Regional Universities (Midwest) ranking and first in Illinois. UIS was also named as one of the top best value schools in the Midwest category in 2023. The Norris L. Brookens Library supports UIS with a dynamic collection that supports campus curriculum and provides materials in print and electronic formats. The library participates in an 89-library consortium with a shared catalog. The library offers reflective and group spaces, as well as the technology to support on-campus and online students.

Other UIS resources include the Public Affairs Center with the 2,000-seat Sangamon Auditorium performing arts center, conference facilities, Sangamon Experience and the Center for Lincoln Studies. The Health and Sciences Building houses the Visual Arts Gallery, science laboratories and a number of computer labs. Students living at UIS can choose from spaces within four different living options - residence halls, townhouses, apartments, and family housing. A new student union opened in January 2018 and has received awards in excellence in design.

The Center for State Policy and Leadership is instrumental in carrying out UIS's unique public affairs focus by identifying and addressing issues of state and national public policy and promoting governmental effectiveness and civic engagement. Among the several units of the Center are the Graduate Public Service Internship Program, Illinois Innocence Project, Alliance for Experiential and Problem-Based Learning, Innovate Springfield, Institute for Illinois Public Finance, NPR Illinois, the Survey Research Office, Office of Electronic Media, and the Institute for Legal, Legislative and Policy Studies.

ACCREDITATIONS AND MEMBERSHIPS

The University is fully accredited in all of its departments and divisions by the Higher Learning Commission. In addition, University programs are individually accredited by more than 40 professional associations, including the American Library Association, American Psychological Association, American Bar Association, American Veterinary Medical Association, and Association to Advance Collegiate Schools of Business. The University is a member of the American Council of Education and the Association of American Universities.

BOARD OF TRUSTEES AND UNIVERSITY OFFICERS

The University is governed by the Board, which consists of 11 voting members, including one voting student member. The Governor of the State serves as an ex-officio member, and there are two non-voting student members. The Board is responsible for the general supervision and management of the educational program and the lands, buildings, and other properties of the University and the control of the revenues and expenditures in support thereof.

The following persons are members or officers of the Board of Trustees:

NAME	TRUSTEES OF THE BOARD	CURRENT TERM STARTED	CURRENT TERM ENDING+
Jay Robert Pritzker	Governor of the State of Illinois	*Ex-Officio*	*Ex-Officio*
Ramón Cepeda	Appointed Board Member	2021	2027
Tami Craig Schilling	Appointed Board Member	2021	2027
Donald J. Edwards	Appointed Board Member	2019	2025
Joseph Gutman	Appointed Board Member	2019	2025
Patricia Brown Holmes	Appointed Board Member	2019	2025
Sarah C. Phalen	Appointed Board Member	2021	2027
Rafael Camacho Jr.	Student Member, Urbana*	2022	2023
Mohammed A. Haq	Student Member, Chicago	2022	2023
Will Formea	Student Member, Springfield	2022	2023

Student members serve through the end of the academic year.

As of March 1, 2023, there are three vacant trustee seats.

* *Only one of the three student members is designated by the Governor as a voting member for each term. Rafael Camacho Jr. has been designated as a voting student member for the 2022-2023 academic year.*

NAME	OFFICERS OF THE BOARD
Donald J. Edwards	Chairman of the Board
Jeffrey A. Stein	Secretary of the Board, effective May 1, 2023
Gregory J. Knott	Secretary of the Board to May 1, 2023
Paul N. Ellinger	Comptroller of the Board
Lester H. McKeever, Jr.	Treasurer of the Board
Thomas R. Bearrows	University Counsel

The principal individuals (executive officers) responsible for the operations of the University are:

Timothy L. Killeen, Ph.D., President. Dr. Timothy L. Killeen is the 20th president of the University. He took office in May 2015 and received a new contract in 2020 that extends his term through 2024. Dr. Killeen has overseen a surge of growth across the State's flagship university system. Enrollment is at record highs, including increases among in-state and underrepresented students. Retention and graduation rates top national norms, while student debt rates are lower than U.S. averages. A leading researcher in geophysics and space sciences, Dr. Killeen champions efforts to expand research discovery that drives progress and job creation. That includes helping lead the creation of two pioneering initiatives to drive innovation and workforce development – Discovery Partners Institute, a world-class research, technology talent development and business-building center in downtown Chicago, and Illinois Innovation Network, a system of satellite hubs that combine research, public-private partnerships, entrepreneurship and workforce training to spur inclusive economic development across the state. When he joined the University, Dr. Killeen brought more than three decades of experience as an educator, researcher and administrator in public higher education and in leadership positions with national scientific research agencies. Earlier, he served as vice chancellor for research and president of the Research Foundation at the State University of New York, one of the nation's largest higher education systems. He also served as assistant director for geosciences at the National Science Foundation (NSF), as the Lyall Research Professor at the University of Colorado, and as director and senior scientist for the National Center for Atmospheric Research. Additionally, Dr. Killeen spent more than 20 years as a faculty member and researcher at the University of Michigan, where he also served as associate vice president for research.

Nicholas P. Jones, Executive Vice President and Vice President for Academic Affairs. Dr. Nicholas P. Jones began his role of Executive Vice President and Vice President for Academic Affairs in January 2023. Dr. Jones comes to the University from Pennsylvania State University, where he was special advisor to the president after serving as executive vice president and provost for nine years. As Penn State's chief academic officer, Dr. Jones led the development of the strategic plan which guides that university system today, provided direction during the COVID-19 pandemic and worked to strategically align resources in his role as the lead budget executive. Prior to joining Penn State, Dr. Jones served as the Benjamin T. Rome Dean of the Whiting School of Engineering at Johns Hopkins University from 2008-13 and was head of the Department of Civil & Environmental Engineering at UIUC from 2002-04. Dr. Jones received his PhD in civil engineering in 1986 and his master's degree in 1981, both from the California Institute of Technology. He completed his undergraduate work at The University of Auckland in New Zealand. Dr. Jones serves as second-in-command to the President of the University, with responsibilities as the chief operating officer and chief academic officer for all three of the University's campuses.

Marie Lynn Miranda Ph.D., Chancellor at the Chicago Campus/Vice President. Dr. Marie Lynn Miranda joined the University as chancellor of UIC and Vice President of the University in November 2022. Dr. Miranda served as provost of the University of Notre Dame through 2021 and remains a member of its faculty as a professor of applied and computational mathematics and statistics and director of the

Children's Environmental Health Initiative. Before joining Notre Dame in 2020, Dr. Miranda was provost at Rice University from 2015-19. She was responsible for all aspects of the university's academic, research, scholarly and creative programs, supported by a roughly $700 million annual budget. While at Rice, Dr. Miranda also led planning and implementation of $230 million in investments focused on areas such as molecular nanotechnology, data sciences, neuroengineering, inequities and inequalities and general research competitiveness. Her efforts at Rice also included providing a comprehensive set of programs for students from under-served backgrounds – an initiative which substantially closed graduation and time to degree gaps. At The University of Michigan, Dr. Miranda was dean of what was then the School of Natural Resources and Environment from 2012-15, restructuring the doctoral program and improving degree-completion metrics; developing data systems to support evidence-based decision-making in admissions and advising; and reinvigorating the department's alumni relations operation. Prior to her work at Michigan, Dr. Miranda spent 21 years as a member of the faculty at Duke University, including nine years as director of undergraduate programs for the Nicholas School of the Environment. She also was principal investigator of a research laboratory with roughly 30 full-time staff and 40-plus faculty collaborators. Over the course of her research career, Dr. Miranda has been principal investigator or co-principal investigator on over $75 million in research funding. Dr. Miranda earned her BA in mathematics and economics from Duke University and was named a Truman Scholar. Earning her PhD and MA from Harvard University, she held a National Science Foundation Graduate Research Fellowship. Dr. Miranda is also a Fellow of the American Association for the Advancement of Science.

Janet L. Gooch, Ph.D., Chancellor at the Springfield Campus/Vice President. Dr. Janet L. Gooch joined the University as chancellor of UIS and Vice President of the University in July 2022. Prior to joining the University, Dr. Gooch served as the executive vice president for academic affairs and provost at Truman State University since 2017 and was an administrator and member of the faculty there since 1995. She brings a wide range of experience to her new role as chancellor at UIS and its almost 4,200 students and more than 900 faculty and staff. As executive vice president and provost at Truman, Gooch led Academic Affairs through the successful completion of that university's five-year strategic plan for 2015-2020 and development of the new plan for 2021-2025. She also helped lead Truman through the redesign of its undergraduate liberal studies program and supported the development of new online graduate programs in mental health and school counseling, disability studies, data science and analytic storytelling and gifted education among others. New undergraduate programs were developed in music therapy, biochemistry and molecular biology, and a bachelor of science degree in philosophy and religion. Dr. Gooch received her bachelor's degree in speech-language pathology from the University of Kansas, master's degree from Kent State University and a doctorate from Case Western Reserve University also in speech-language pathology. She has served as co-chair on the membership committee for the Council of Public Liberal Arts Colleges (COPLAC) and as a member of the planning committee and facilitator for its Leadership Circle. She has also held numerous leadership positions on the board of directors for the Missouri Foundation for Health.

Robert J. Jones, Ph.D., Chancellor at the Urbana-Champaign Campus/Vice President. Dr. Robert J. Jones became chancellor of UIUC and Vice President of the University on September 26, 2016. He previously served as president of the University of Albany, State University of New York (SUNY) and is an experienced and accomplished scientist and research university leader. His tenure there followed a 34-year career at the University of Minnesota, a Big Ten land-grant institution where he began as a faculty agronomist and rose through a series of academic administrative appointments, serving as senior vice president for academic administration at the University of Minnesota System from 2004 to 2013. A Georgia native, Dr. Jones earned a bachelor's degree in agronomy from Fort Valley State College, a master's degree in crop physiology from the University of Georgia, and a doctorate in crop physiology from the University of Missouri, Columbia. He began his academic career as a faculty member at Minnesota in 1978 and became an internationally respected authority on plant physiology. He is a fellow of the American Society of Agronomy and the Crop Science Society of America. As Chancellor, he launched a year-long celebration of the University's Sesquicentennial that honored its history while establishing a new vision of the land-grant university for the 21st century. Under Dr. Jones the University completed its largest ever philanthropic campaign, raising $2.67 billion, over $400 million more than originally targeted. That campaign yielded two of the largest private gifts ever made to the University with $150 million to name the Gies College of Business and a $100 million gift to name the Grainger College of Engineering. Dr. Jones oversaw the creation of The Carle Illinois College of Medicine, the first engineering-based medical school in the world, as well as the hiring of an inaugural vice chancellor for diversity, equity and inclusion, a major step in fostering an even more open and collaborative community of students and faculty.

Thomas R. Bearrows, J.D., University Counsel. Thomas R. Bearrows joined the University in 1997 and is responsible for the management of the University's legal affairs at all three universities and at the system-level. Prior to joining the University, Mr. Bearrows spent 13 years in private practice with a Chicago law firm. He received his undergraduate and law degrees from the University and a master's degree in public policy from Harvard University. In addition to his work for the University, Mr. Bearrows serves as counsel for the University of Illinois Alumni Association and the University of Illinois Foundation.

Robert A. Barish, MD, MBA, Vice Chancellor for Health Affairs. Dr. Robert Barish joined UIC on January 1, 2016 to oversee UIC's seven health science colleges and regional campuses, the University's hospital and clinics, and multiple federally qualified health center sites to coordinate health science education and research, and health care delivery. During the earliest days of the COVID-19 pandemic in 2020, Dr. Barish was named chair of the system-wide COVID-19 planning and response team by President Killeen. This effort was established to help coordinate the University's response to the virus. UI Health has been a significant contributor to the discovery, treatment and care of COVID-19 patients throughout our communities across the state and has distributed more than 180,000 vaccinations and providing community testing locations. Dr. Barish has served as the Chair of the Board of the Association of Academic Health Centers since 2020. Most recently, in 2022, Dr. Barish was appointed to the Board of Directors for the Association of American Medical Colleges. Dr. Barish previously served as chancellor for the Louisiana State University Health Sciences Center at Shreveport for seven years. From 1985-2009, he held several positions at the University of Maryland School of Medicine in Baltimore, including chief of emergency medicine and associate dean, then vice dean, for clinical affairs. He helped lead a state-dispatched medical regiment to Jefferson Parish, Louisiana, to deliver emergency care to more than 6,000 Hurricane Katrina victims. While serving as flight surgeon in the Maryland Air National Guard, Dr. Barish was among a select group invited to become a NASA astronaut candidate in the early 1990s. Dr. Barish earned his medical degree from New York College and earned an MBA from Loyola College.

Adrienne Nazon, Vice President of External Relations and Communications. Adrienne Nazon joined the University on May 17, 2021. Mrs. Nazon comes to the University from The Ohio State University where she was Vice President of Marketing and Chief Marketing Officer since 2015. At Ohio State, Mrs. Nazon directed efforts that strengthened that university's brand and increased public awareness and engagement, supporting gains in both enrollment applications and fundraising. She also helped guide a collaborative initiative that brought together units from across the university – including athletics, regional campuses and the medical center – to create a strategic framework to grow efficiency, effectiveness and impact through the modernization of marketing and communications for today's evolving markets and audiences. From 2005 to 2015, she worked in marketing at the University of Chicago Booth School of Business, where she earned her MBA and rose to executive director of marketing before being recruited to join Ohio State. At Booth, she established digital marketing from the ground up, rearchitected the school's brand position and helped expand the global footprint of a top-ranked business school with ties to nine Nobel laureates, more than any business school in the world. In this newly created position at the University, Mrs. Nazon will lead and coordinate the Office for University Relations, which directs communications, marketing and public affairs, and the Office of Governmental Relations, which serves as a liaison to federal, State and local officials and also leads a grassroots network that advocates for the University's interests.

Gregory J. Knott, MSLIS, MBA, Secretary of the Board. Gregory J. Knott has served as Secretary of the Board since 2020 and will retire from the University on May 1, 2023, to be succeeded by Jeffrey A. Stein. Mr. Knott joined the University in 2002 as assistant head of the Department of Food Science and Human Nutrition in the College of Agricultural, Consumer and Environment Sciences, where he helped coordinate fiscal, human resources and facilities management. From 2006 until 2013, he also held a dual appointment as associate director for budget and human resources at the Center for Advanced Bio-Energy Research in Urbana. Mr. Knott was part of the team that established the center, now known as the Integrated Bioprocessing Research Laboratory, which bridges the gap from basic discovery to commercialization of products. In 2013, Mr. Knott moved to the University libraries, where he served as assistant dean of the UIUC libraries. Before joining the University, he worked as a team leader and counselor for the State Universities Retirement System of Illinois, the pension system for University employees, and as a planning and development analyst for the Teachers' Retirement System of Illinois, the State's K-12 pension system. Mr. Knott earned two degrees from the University after receiving his bachelor's in agribusiness from Illinois State University. He earned a master's degree in library and information science from UIUC, where he also was a student worker on the grounds crew, and an MBA from UIS, where he was a graduate assistant in the Department of Computer Services.

Jeffrey A. Stein, Ph.D., Secretary of the Board. Dr. Stein joined the University in 2002 as a research scientist and Creel Survey Program research director at the Natural History Survey, and will secede Gregory Knott to serve as Secretary of the Board upon Mr. Knott's retirement in May 2023. Dr. Stein served as the associate director for research at Prairie Research Institute (PRI), where he provided strategic direction for the $93 million research enterprise across the five State Scientific Surveys (Illinois Natural History Survey, Illinois State Water Survey, Illinois State Geological Survey, Illinois Sustainable Technology Center and Illinois State Archaeology Survey), which have facilities and projects in every county of Illinois. In his role as an assistant research scientist for the Illinois Natural History Survey, he served as research program leader of the Sport Fish Ecology lab. Dr. Stein also holds a faculty appointment in the Program in Ecology, Evolution and Conservation Biology and as an adjunct assistant professor in Natural Resources and Environmental Sciences at UIUC. He is a member of the inaugural cohort of the University's Professional Staff Leadership Academy. Dr. Stein earned a PhD from UIUC in natural resources and environmental sciences, a master of science in animal science, and a bachelor of science in biology.

Paul Ellinger, Ph.D., Vice President, Chief Financial Officer and Comptroller Dr. Paul Ellinger assumed the position of Vice President/Chief Financial Officer (CFO) in July 2021. The CFO serves as the senior University executive officer responsible for the operation of all financial functions for the University, including budget execution, financing, and execution of all capital projects. Together with the Vice President for Academic Affairs and senior staff in planning and administration, the CFO is responsible for budget development. The CFO serves as treasurer of the University of Illinois Foundation and in an ex-officio capacity with the University of Illinois Alumni Association. The Comptroller is an officer of the Board and approves all expenditures for which a general or specific appropriation has been made by the Board and signs contracts to which the University is a party. Prior to assuming the position as CFO, Dr. Ellinger served as the Associate Chancellor and Vice Provost for Budget and Resource Planning for UIUC. In this capacity, Dr. Ellinger provides strategic budget planning and allocation advice to the Chancellor and the Provost, guidance to the University in areas related to budget, finance, planning and resource allocation, leadership and management of the UIUC budget office, and served as the Chief Financial Officer of UIUC. Dr. Ellinger also served as the Head of the Department of Agricultural and Consumer Economics. He is a published expert in financial modeling, credit risk and financial management of institutions. Dr. Ellinger is a three- degree graduate of UIUC, earning a doctorate in finance, a master's degree in agricultural economics and a bachelor's degree in agricultural mechanization. He continues to hold the rank of Professor, College of Agricultural, Consumer and Environmental Sciences at UIUC on indefinite tenure.

Joseph "Jay" Walsh, Ph.D., Vice President for Economic Development and Innovation. Joseph "Jay' Walsh assumed this role in May 2020. He is a professor of bioengineering at UIUC. Dr. Walsh oversees the Illinois Innovation Network, a collaboration among the state's 12 public universities that drives inclusive and integrated research, innovation, and economic development across Illinois; he also serves on the executive committee of the Great Lakes Higher Education Consortium, a collaboration among six universities in the U.S. and Canada that promotes academic excellence, innovation, research, and education to inclusively enhance the public good for all people and areas of the Great Lakes. Dr. Walsh was the Northwestern University Vice President for Research from 2007 to 2019. During his tenure, Northwestern's externally sponsored awards grew 91% from $417 million in 2017 to $798 million in 2019, one of the largest increases of any university in the U.S. during that time period. In his dozen years as the VP for Research, Dr. Walsh grew the number of university-wide institutes and centers from fewer than 20 to more than 50 – each with significant external funding. Dr. Walsh joined Northwestern in 1988. He was a professor of biomedical engineering at the McCormick School of Engineering and Applied Sciences, where he later served as associate dean for graduate studies and research, and then senior associate dean. In 1997, he was recognized as the Engineering School's Teacher of the Year, and in 2005, he was selected as the Advisor of the Year. He earned his bachelor's and master's degrees in electrical engineering from the Massachusetts Institute of Technology, and his Ph.D. in medical engineering from a joint Harvard Medical School-MIT program.

FINANCIAL CONDITION OF THE UNIVERSITY

The following financial statements of the University are presented in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("*GASB*"). See APPENDIX B—ANNUAL FINANCIAL REPORT FOR THE UNIVERSITY OF ILLINOIS FOR THE YEAR ENDED JUNE 30, 2022 for additional information.

Statement of Net Position of the University

The following table summarizes the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2022, 2021 and 2020, but excludes the University Related Organizations (as defined in APPENDIX B–ANNUAL FINANCIAL REPORT FOR THE UNIVERSITY OF ILLINOIS FOR THE YEAR ENDED JUNE 30, 2022), which are discretely presented component units within the University's overall financial reporting entity:

STATEMENT OF NET POSITION
(IN THOUSANDS)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	FISCAL YEAR ENDED JUNE 30, 2022	FISCAL YEAR ENDED JUNE 30, 2021	FISCAL YEAR ENDED JUNE 30, 2020
CURRENT ASSETS:			
Cash and cash equivalents	$1,082,494	$877,442	$914,146
Cash and cash equivalents, restricted	154,592	72,340	62,357
Investments	410,405	278,048	340,042
Investments, restricted	129,165	81,066	78,947
Accrued investment income	7,728	6,975	8,728
Accounts receivable, net of allowance for uncollectible	711,534	616,036	498,310
Appropriations receivable from State of Illinois	16,989	1,378	170,740
Notes receivable, net of allowance for uncollectible	8,147	8,151	8,236
Leases Receivable	3,671		
Accrued interest on notes and leases receivable	4,022	5,380	5,374
Inventories	31,565	32,055	34,310
Prepaid expenses, deposits and other assets	49,992	51,566	45,929
Due from related organizations	——	381	298
Total Current Assets	$2,610,304	$2,030,818	$2,167,417
Noncurrent Assets:			
Cash and cash equivalents, restricted	8,478	16,114	22,403
Investments	1,541,487	1,744,730	1,569,870
Investments, restricted	892,060	930,626	639,712
Notes receivable, net of allowance for uncollectible	29,220	32,065	37,674
Leases Receivable	30,092		
Prepaid expenses and deposits			12,251
Capital assets, nondepreciable	435,765		
Depreciable and amortizable capital assets, net	3,908,025	4,286,102	4,123,333
Irrevocable trusts held by other trustees	21,069	21,685	19,903
Other assets	41,470	24,589	4,279
Total Noncurrent Assets	$6,907,666	$7,055,911	$6,429,425
Deferred outflows of resources	285,739	123,758	138,296
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$9,803,709	$9,210,487	$8,735,138

Liabilities, Deferred inflows of resources, and Net Position	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020
Current Liabilities:			
Accounts payable and accrued liabilities	$472,256	$473,706	$482,134
Accrued payroll	205,813	199,273	185,686
Accrued compensated absences, current portion	22,925	19,055	18,974
Accrued self-insurance, current portion	42,714	40,460	38,728
Unearned revenue and student deposits	239,902	320,536	218,983
Accrued interest payable	13,114	14,465	15,149
Bonds payable, current portion, net	50,215	72,813	71,975
Leaseholds payable and other obligations, current portion		38,669	125,009
Certificates of participation payable	9,765		
Leases payable	17,747		
Other obligations	10,485		
Other postemployment benefits, current portion	26,341	27,616	29,555
Assets held for others	____	24,060	32,772
Total Current Liabilities	$1,111,277	$1,230,653	$1,218,965
Noncurrent Liabilities:			
Bonds payable, net	$1,139,190	$1,171,744	$1,226,621
Leaseholds payable and other obligations		218,915	185,660
Certificates of participation payable, net	43,022		
Leases payable	55,153		
Other obligations	151,091		
Accrued compensated absences	227,310	234,750	212,687
Accrued self-insurance	249,551	232,272	240,731
Other postemployment benefits	1,041,741	1,072,703	1,241,431
Derivative instruments–liability	558	1,861	3,098
Total Noncurrent Liabilities	$2,907,616	$2,932,245	$3,110,228
Deferred inflows of resources	492,452	309,766	377,935
Total Liabilities and Deferred Inflows of Resources	$4,511,345	$4,472,664	$4,707,128
Net Position:			
Net investment in capital assets	$2,847,229	$2,826,150	$2,671,467
Restricted:			
Nonexpendable	142,367	165,340	114,654
Expendable	995,020	882,698	613,441
Unrestricted	1,307,748	863,635	628,448
Total Net Position	$5,292,364	$4,737,823	$4,028,010
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$9,803,709	$9,210,487	$8,735,138

Statement of Revenues, Expenses, and Changes in Net Position of the University

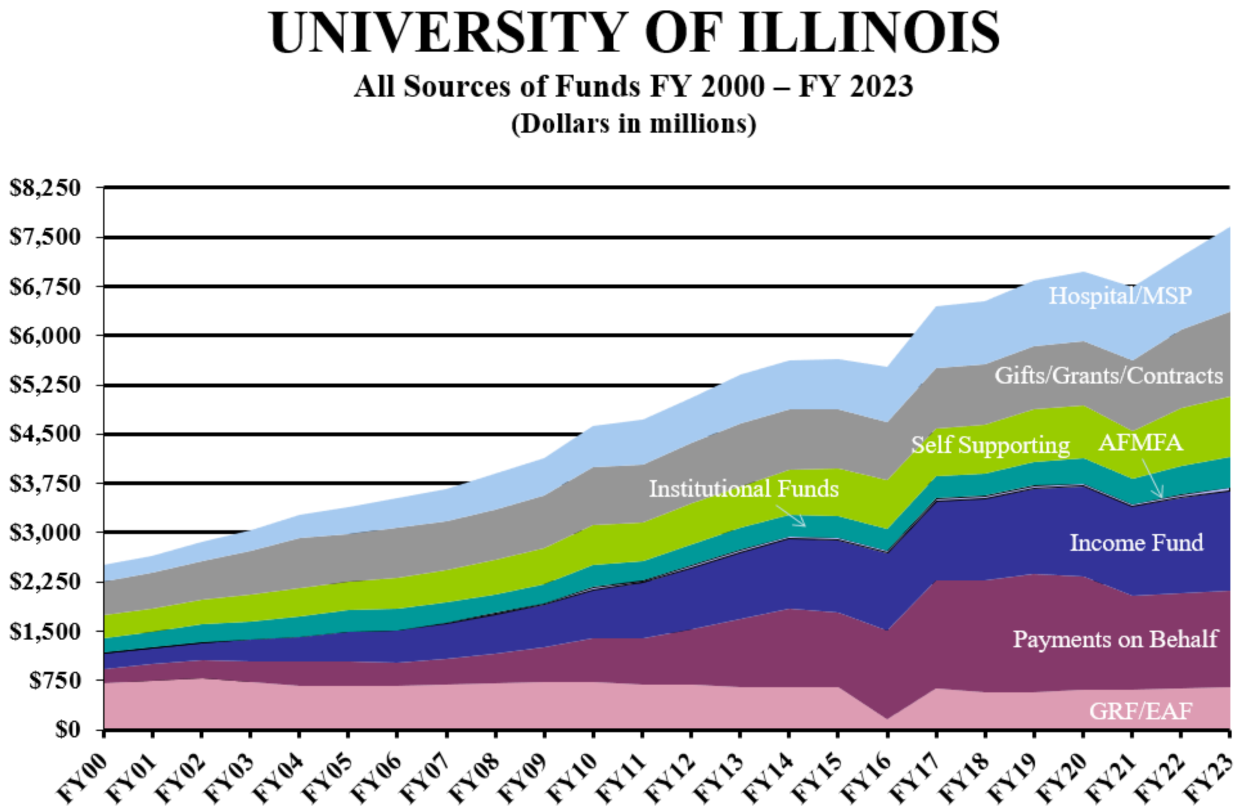
The following table presents the University's statement of revenues, expenses, and changes in net position of the University for fiscal years ended June 30, 2022, 2021, and 2020, but excludes the University Related Organizations, which are discretely presented component units within the University's overall financial reporting entity:

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(IN THOUSANDS)

	FISCAL YEAR ENDED JUNE 30, 2022	FISCAL YEAR ENDED JUNE 30, 2021	FISCAL YEAR ENDED JUNE 30, 2020
OPERATING REVENUES			
Student tuition and fees, net of scholarship allowance	$1,340,843	$1,232,010	$1,233,646
Federal appropriations	18,721	20,366	21,379
Federal grants and contracts	820,930	764,176	709,656
State of Illinois grants and contracts	86,440	77,515	74,399
Private and other governmental agency grants and contracts	181,852	157,162	144,118
Educational activities	593,679	362,824	348,692
Auxiliary enterprises, net	435,883	291,571	376,036
Hospital and other medical activities, net	1,023,211	871,063	828,741
Medical service plan	295,301	265,507	241,889
Independent operations	10,649	9,461	10,546
Interest and service charges on student loans		1,231	3,013
TOTAL OPERATING REVENUES	$4,807,509	$4,052,886	$3,992,115
OPERATING EXPENSES			
Instruction	$1,683,276	$1,866,922	$1,563,588
Research	1,010,241	1,003,939	882,048
Public service	631,864	539,448	445,437
Academic support	649,195	752,545	573,526
Student services	249,251	258,943	234,055
Institutional support	322,032	338,869	344,614
Operation and maintenance of plant	325,505	309,095	343,874
Scholarships and fellowships	156,563	128,851	90,761
Auxiliary enterprises	389,384	356,263	376,084
Hospital and medical activities	1,215,541	1,271,267	1,066,474
Independent operations	8,411	6,717	9,031
Depreciation and amortization	299,197	270,124	252,588
TOTAL OPERATING EXPENSES	$6,940,460	$7,102,983	$6,182,080
Operating Loss	$(2,132,951)	$(3,050,097)	$(2,189,965)

	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020
Nonoperating Revenues (Expenses)			
State appropriations	$665,024	$628,541	$628,629
Transfer of state appropriations to the Illinois Hospital Services Fund..	(27,000)	(26,250)	(20,000)
Private gifts...	218,231	241,031	206,509
Grants and contracts....................................	423,678	322,030	296,063
Federal and State COVID-19 Relief Funds for Healthcare Providers		90,249	
On behalf for fringe benefits.......................	336,416	311,498	215,358
Special funding situation for fringe benefits	1,019,286	1,619,308	972,302
Net investment income	62,473	57,490	146,389
Net (decrease) increase in the fair value of investments	(138,202)	188,423	(60,468)
Interest expense...	(53,747)	(44,953)	(58,181)
Loss on disposals of capital assets	(7,864)	(391)	(3,991)
Other nonoperating revenues, net	134,135	122,126	91,351
Net nonoperating revenues..........................	$2,632,430	$3,509,102	$2,413,961
Income before other revenues	499,479	459,005	223,996
Capital state appropriations.........................	29,985	2,647	3,751
Capital gifts and grants	23,142	24,943	7,063
Private gifts for endowment purposes..........	196	198	2,411
Increase In Net Position	$552,802	$486,793	$237,221
Net Position, Beginning of Year	4,737,823	4,028,010	3,790,789
Cumulative effect of change in Accounting principle	1,739	223,020	
Net Position, Beginning of Year, as Adjusted	4,739,562	4,251,030	3,790,789
Net Position, End of Year	$5,292,364	$4,737,823	$4,028,010

SOURCES OF FUNDS, FISCAL YEAR 2000 TO FISCAL YEAR 2023



Sources: Budget Summary for Operations, state payments on behalf, and RAMP. Waivers excluded. FY04 Payments on Behalf excludes one time proceeds from bond sale. GRF for FY02 – FY21 exclude $24.9 million for Health Insurance, Payments on Behalf adjusted to include the $24.9 million.

BUDGET AND STATE APPROPRIATIONS

The University receives a major portion of the revenues needed to sustain its educational and research activities from state appropriations, tuition revenues and the federal government.

In November 2022, the Board approved a final operating budget for FY 2023 that provided a 6.6% increase over the final FY 2022 operating budget. The following table shows the components of the FY 2023 budget compared with the final amounts from the FY 2022 budget.

University Budget for fiscal years 2022-2023

(in millions)

	2022	2023	% Increase (Decrease)
State Tax Appropriations (1)	$637.9	$669.4	4.9%
Payments on Behalf (2)	$1,416,5	$1,443.5	1.9%
Tuition & Fees (3)	$1,454.1	$1,528.3	5.1%
Local Funds (4)	$3,675.2	$4,013.2	9.2%
Total Budget	$7,183.7	$7,654.4	6.6%

(1) Includes General funds, Fire Prevention fund, Hazardous Waste Research fund, Emergency Public Health fund, Used Tire Management fund, Pet Population Control Fund, University Trust Fund, and General Professions Dedicated fund. FY 2022 reflects original budget and does not include the supplemental funding received in April 2022.
(2) Payments by the State for employee benefits that are not appropriated to the University but are paid on its behalf (such as pension funding) are included.
(3) Excludes all waivers (such as those for graduate assistants).
(4) Includes Institutional Cost Recovery, Royalties, Administrative Allowance, Sponsored Projects, Federal Appropriations, Private Gifts & Endowment Income, MSP, Auxiliary Enterprise Operations, Hospital, AFMFA and Department Activities.
Source: Compiled by the Office of Planning and Budgeting of the University.

The University annually receives appropriations from the General Assembly of the State, which are to be applied to the educational and general expenditures of the University. In addition, payments are made by the State on behalf of the University for employee benefits and retirement contributions. The State funding appropriated to the University for the past five fiscal years is set forth below:

	2018	2019	2020	2021	2022
Current Operating Funds	$888.4	$601.10	$628.6	$628.5	$665.0
Payments on Behalf(1)	$1,710.5	$1,045.5	$1,187.7	$1,930.8	$1,355.7
Total	$2,598.9	$1,646.5	$1,816.3	$2,559.3	$2,020.7

(1) The Governmental Accounting Standards Board (GASB) Statement 24 (Accounting and Financial Reporting for Certain Grants and Other Financial Assistance) requires Illinois state universities to recognize in their financial statements and notes the amount the State contributes to the State Universities Retirement System of Illinois (SURS) and the State Employees Group Insurance Program (SEGIP) on behalf of the University employees. For financial reporting purposes, Illinois state universities are under a special funding situation.
Source: Compiled by the Office of the Comptroller of the University.

Although there was no new capital appropriation in FY 2023, there were reappropriations from prior years. The FY 2020 appropriation contained significant new capital appropriations for the first time since FY 2010 with an expectation that funding would span a period of six years. Reappropriations from prior years include significant funding for repair and renovations as well as individual projects at each of the universities, including the follows: $100 million for the Math, Statistics, Data Science Collaborative Center at UIUC, $98 million for the Computer Design Research and Learning Center at UIC, $35 million for a new Library Learning Student Success Center at UIS, and $65 million for the Clinical Decision Unit at UI Health. Reappropriations of older projects that were also included: $5.5 million for the Public Safety Building at UIS and $68 million at UIC for the Chemical Sciences Building. Another $100 million was appropriated to UIUC for a Quantum Information Sciences & Technology project, a collaboration with the University of Chicago. Additionally, $500 million was re-appropriated to the Capital Development Board for the Discovery Partners Institute (DPI) and IIN projects. DPI is a joint education, research and innovation institute led by the University, along with our three universities, and other partners. DPI will establish collaborative partnerships to address 21st century societal grand challenges, promote entrepreneurship, and educate the next generation workforce, which will grow the State's economy.

OUTSTANDING INDEBTEDNESS AND LEASEHOLD OBLIGATIONS

The Board and the University had debt outstanding as of June 30, 2022, including:

University of Illinois Auxiliary Facilities System Revenue Bonds, Series 1999A, Series 2001A, Series 2003A, Series 2005A, Series 2013A, Series 2014A, Series 2014B, Series 2015A, Series 2016A, Series 2016B, Series 2018A, Series 2018B, Series 2019A, Series 2020A, Series 2020B and Series 2021A (together, the "*AFS Bonds*"). The AFS Bonds were issued to fund improvements to the University's Auxiliary Facilities System. The AFS Bonds are secured by Net Revenues of the Auxiliary Facilities System and a lien on Student Tuition and Fees prior to the HSFS Bonds and the South Campus Bonds (each as defined below). As of June 30, 2022, there were $1,029,780,524 AFS Bonds outstanding (including capital appreciation bonds at their compound accreted value at June 30, 2022).

University of Illinois Health Services Facilities System Revenue Bonds, Series 1997B, Series 2008 and Series 2013 (together the "*HSFS Bonds*"). The HSFS Bonds were issued to fund improvements to the University's Health Services Facilities System. The HSFS Bonds are secured by the Net Revenues of the Health Services Facilities System, MSP Revenues, College of Medicine Student Tuition, subordinate to the AFS Bonds, and moneys in the HSFS Bond and Interest Sinking Fund Account. As of June 30, 2022, there were $93,440,000 HSFS Bonds outstanding.

University of Illinois UIC South Campus Development Project Revenue Bonds, Series 2003 (the "*South Campus Bonds*") were issued to finance the cost of acquiring, equipping, and improving certain facilities and improvements at the University's South Campus Development Area (the "*Area*") in Chicago. The South Campus Bonds are secured by (a) certain incremental taxes to be received from the City of Chicago with respect to the Area, (b) Student Tuition and Fees, subordinate to the HSFS Bonds and the AFS Bonds, and (c) funds on deposit in the UIC South Campus Development Bond and Interest Sinking Fund Account (into which the Board may, but is not required, to deposit funds). As of January 17, 2023, no South Campus Bonds remain outstanding.

As of June 30, 2022, the University had a total principal amount of $1,195,210,402 of Bonds outstanding (including CABs at their compound accreted value as of June 30, 2022), which are summarized as follows:

Outstanding Bond Principal

SERIES	RATES ON OUTSTANDING DEBT	FISCAL YEAR MATURITY DATES	OUTSTANDING AT JUNE 30, 2022 (IN THOUSANDS)
AUXILIARY FACILITIES SYSTEM			
1999A (CABs)	6.000%-6.125%	2023-2030	14,700
2001A	5.50%	2023-2024	11,265
2003A	5.500%	2027-2034	28,015
2005A	5.50%	2023	10,415
2013A	3.250%-5.000%	2023-2032	177,230
2014A	5.00%	2024-2044	159,985
2014B (taxable)	3.926%	2023	2,225
2015A	3.000%-5.000%	2023-2038	84,310
2016A	4.000%-5.000%	2023-2036	119,890
2016B	3.000%-5.000%	2023-2046	18,530
2018A	4.000%-5.000%	2023-2048	130,650
2018B	3.000%-5.000%	2023-2048	18,435
2019A	3.000%-5.000%	2023-2049	40,380
2020A	4.000%-5.000%	2023-2050	56,170
2020B	2.950%-4.000%	2024-2044	31,175
2021A	2.125%-5.000%	2023-2051	126,405
HEALTH SERVICES FACILITIES SYSTEM			
1997B	Variable	2023-2027	6,800
2008	Variable (1)	2022-2027	15,855
2013	5.000%-6.250%	2028-2043	70,785
UIC SOUTH CAMPUS DEVELOPMENT PROJECT			
2003	5.00%	2023	770
TOTAL PRINCIPAL PAYABLE			$1,123,990

(1) Synthetically fixed through the use of swaps with a fixed rate of 3.534%.
Source: Compiled by the Office of Capital Financing of the University.

The University leases facilities, equipment, and services under various lease-purchase agreements or has purchased facilities or services through installment purchase contracts. Such leases and installment purchase contracts which were outstanding as of June 30, 2022 are subject to cancellation in any year during which the Illinois General Assembly does not make an appropriation to the University for such purpose and/or there are no other budgeted legally available funds for payment thereof.

The following table shows certificates of participation, other capital leases and energy service agreement installment purchase contracts that were outstanding as of June 30, 2022:

Outstanding Certificates of Participation,
Finance Purchases, Leases Payable and Energy Services Agreement Contracts

Certificates of Participation	Interest Rates	Fiscal Year Maturity Dates	Outstanding at June 30, 2022 (in thousands)
Series 2007A	5.000%-5.25%	2023-2027	15,300
Series 2014A	5.000%	2023-2027	8,175
Series 2014B	3.571%-3.721%	2023-2024	2,530
Series 2014C	5.000%	2023-2026	13,395
Series 2016B	5.000%	2028	4,495
Series 2016D	5.000%	2023-2028	6,465
Total Certificates of participation			$50,360
Finance purchases [1]			127,022
Leases payable			72,900
Energy services agreement installment purchase contracts			20,860
Total Certificates of participation, Finance purchases, Energy services agreement contracts and Leases payable			$271,142

(1) The Board has entered into several agreements with private enterprises in facilities which support the mission of the University. For detail regarding the structure, University financial contributions, duration and accounting treatment of these agreements, please refer to the attached APPENDIX C – Annual Financial Report for the University of Illinois for the Year Ended June 30, 2022
Source: Compiled by the Office of Capital Financing of the University.

FUTURE CAPITAL PLANS

The Board has an ongoing capital improvement program consisting of new construction and renovation of existing facilities. Capital improvements are expected to be funded from a variety of sources including gifts, State capital funds, revenue and lease financing and University funds. The capital budget request for FY 2024 is $683 million.

The Board may also from time to time refund or refinance its outstanding bonds, lease purchase obligations, or installment purchase obligations to restructure its indebtedness or to take advantage of more favorable interest rate levels.

FACULTY

The University has over 6,400 full time equivalent faculty. Over half of all faculty are in the tenure system, including those that are either tenure or tenure track. Of those in the tenure track, nearly three-fourths are fully tenured. Scores of faculty members have been elected to distinguished academic societies such as the American Academy of Arts and Sciences, the American Philosophical Society, the National Academy of Sciences, and the National Academy of Engineering.

STUDENT ENROLLMENT

Total campus enrollments for the past five academic years, based on fall semester registrations, are shown on the following table:

Campus Headcount

Fall Term	Undergraduate				Graduate/Professional (1)				Total			
	UIUC	UIC	UIS	Total	UIUC	UIC	UIS	Total	UIUC	UIC	UIS	Total
2022	35,120	21,807	2,393	59,320	21,796	11,940	1,805	35,541	56,916	33,747	4,198	94,861
2021	34,779	22,279	2,503	59,561	21,828	11,920	1,441	35,189	56,607	34,199	3,944	94,750
2020	33,683	21,921	2,654	58,258	18,996	11,597	1,492	32,085	52,679	33,518	4,146	90,343
2019	34,120	21,641	2,674	58,435	17,485	11,749	1,601	30,835	51,605	33,390	4,275	89,270
2018	33,915	20,783	2,814	57,512	15,787	10,900	1,761	28,448	49,702	31,683	4,575	85,960

Full Time Equivalent (2)

Fall Term	Undergraduate				Graduate/Professional				Total			
	UIUC	UIC	UIS	Total	UIUC	UIC	UIS	Total	UIUC	UIC	UIS	Total
2022	35,604	21,042	1,921	58,567	20,945	12,165	1,197	34,307	56,549	33,207	3,118	92,874
2021	35,372	21,674	2,022	59,068	20,942	12,320	879	34,141	56,314	33,994	2,901	93,209
2020	34,446	21,762	2,148	58,356	18,316	11,830	909	31,055	52,762	33,592	3,057	89,411
2019	34,784	21,300	2,151	58,235	17,461	12,115	950	30,526	52,245	33,415	3,101	88,761
2018	34,761	20,385	2,162	57,308	16,088	11,235	1,049	28,372	50,849	31,620	3,211	85,680

(1) The UIC Graduate/Professional enrollment excludes Medical Residents.
(2) Based on the Illinois Board of Higher Education's definition of full-time equivalency. Undergraduate student full-time equivalent is computed as the total number of the fall term, semester credit hours divided by 15. Graduate and Professional student full-time equivalent is computed as the total number of semester credit hours divided by 12. The calculation includes imputed credit hours for students enrolled in coursework for zero credit.
Source: Compiled by the Office of Planning and Budgeting of the University.

Despite the COVID-19 pandemic, total enrollment continued to increase in fall 2022, a tenth consecutive year of record enrollments. The enrollment exceeded the 93,000 target set in the University's strategic enrollment plan for fall 2021.

UIUC has had several consecutive years of record enrollment, as well as a six-year graduation rate of 85%. Because of space limitations, UIUC annually denies admission to a number of fully qualified applicants. Demand for programs at UIUC, especially those in engineering, the sciences, and business, continues to be extremely high, so that even if the number of high school graduates in its applicant pool declines, the campus is likely to be able to retain its current level of enrollment without any significant loss of the extremely high quality of the student body. UIUC also continues to attract significant interest from highly qualified applicants from outside the State. UIUC exceeded its strategic enrollment plan of 53,200 students by fall 2021 and now enrolls nearly 57,000 students and is focused on continuing growth in graduate and professional programs, with an emphasis in online programs.

UIC has also seen several consecutive years of record enrollments, particularly at the undergraduate level. UIC consistently has attracted students from a more diverse age group than the traditional 18- to 21-year-old undergraduates. These older students are typically employed full or part-time and represent a continuing source of new enrollment prospects. Enrollments in the programs for health professionals are limited by the capacity of the facilities available to serve such students. The demand for admission to the programs remains strong. UIC's six-year graduation rate has improving steadily over the 30 years and is equal to the national average for public 4-year institutions. UIC exceeded its strategic enrollment plan of 33,900 students by fall 2021 and now enrolls nearly 34,000 students. UIC is focused on continuing to grow in undergraduate programs with modest growth in existing graduate and professional programs that have capacity.

The student body of UIS is currently composed of 57% undergraduate students and the rest graduate students, a large proportion of whom are employed adults who attend part-time and appreciate the abundant class offerings in the evening. Most UIS students come from central Illinois, but a number of degree programs attract students from other regions of Illinois, other states, and other nations. UIS emphasizes excellence in teaching and active learning. Faculty are teacher-scholars who maintain strong connections to state government, business, and not-for-profit organizations, providing students with extraordinary internship opportunities. UIS is also a national leader in online education, offering select high-quality online degrees, particularly in the liberal arts. Looking forward, UIS's enrollment plan is to grow their overall enrollments by increasing the number of degree programs offered, expanding online offerings, and increasing recruiting efforts in downstate Illinois.

STUDENT ADMISSIONS

The tables below set forth the total number of freshman applications received and admitted, and the number of freshmen enrolled for the academic years indicated for University's Urbana-Champaign, Chicago, and Springfield universities:

UIUC

Fall Term	Applications Received(1)	Applicants Admitted	Percent Admitted	Admitted Enrolled	Percent of Admitted Enrolled	Percent of Applicants Enrolled
2022	63,257	28,354	44.8%	7,957	28.1%	12.6%
2021	47,593	28,395	59.7%	8,297	29.2%	17.4%
2020	43,473	27,520	63.3%	7,529	27.4%	17.3%
2019	43,509	25,684	59.0%	7,665	29.8%	17.6%
2018	39,406	24,496	62.2%	7,609	31.1%	19.3%

UIC

Fall Term	Applications Received(1)	Applicants Admitted	Percent Admitted	Admitted Enrolled	Percent of Admitted Enrolled	Percent of Applicants Enrolled
2022	23,562	18,541	78.7%	4,244	22.9%	18.0%
2021	22,791	17,960	78.8%	4,177	23.3%	18.3%
2020	22,798	16,558	72.6%	3,541	21.4%	15.5%
2019	22,696	16,501	72.7%	4,407	26.7%	19.4%
2018	21,106	15,945	75.5%	4,159	26.1%	19.7%

UIS

Fall Term	Applications Received(1)	Applicants Admitted	Percent Admitted	Admitted Enrolled	Percent of Admitted Enrolled	Percent of Applicants Enrolled
2022	3,634	2,981	82.0%	245	8.2%	6.7%
2021	2,496	1,984	79.5%	264	13.3%	10.6%
2020	3,634	2,810	77.3%	298	10.6%	8.2%
2019	2,117	1,626	76.8%	373	22.9%	17.6%
2018	2,374	1,254	52.8%	316	25.2%	13.3%

(1) Number of Applicants, not Applications.
Source: Compiled by the Office of Planning and Budgeting of the University.

TUITION AND FEES

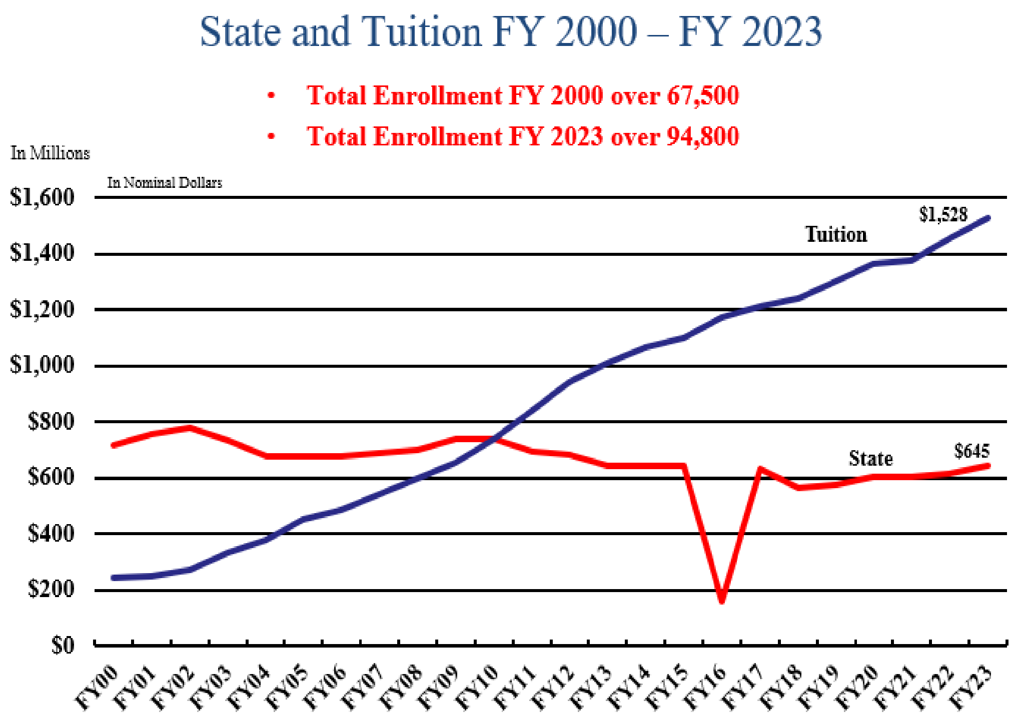
The University operates its programs on a two-semester and summer session basis. Fees, tuition, and other educational costs of attending the University vary by campus, program and resident status. General undergraduate tuition rates for the 2022-2023 academic year range from $18,930 to $30,446 for domestic non-residents and $9,405 to $12,474 for State residents depending primarily on the campus attended and the year of admittance. International undergraduate students are assessed an additional tuition surcharge. General graduate tuition rates range from $7,974 to $13,440 for State residents and $16,362 to $29,034 for non-residents depending on the campus attended.

Pursuant to the University of Illinois Act, subject to certain conditions, for an undergraduate student who is an Illinois resident and who first enrolls at the University after the 2003-2004 academic year, the tuition charged for four continuous academic years following initial enrollment shall not exceed the amount that the student was charged at the time the student enrolled in the University.

In January 2023, the Board approved a 1.9% increase for fall 2023 in the guaranteed tuition level for entering resident full-time general undergraduate students at UIUC, UIC, and a no increase at UIS. Non-resident and international undergraduate students at UIUC and UIC rates increased between 2.2% and 2.5%

with a higher increase for the international business differential at UIUC. The Board also approved a 2.5% increase in the base graduate rates at UIUC and UIC and increases in most graduate programs ranging from 0.9% to 3.8%. There was no general graduate tuition increase at UIS. Room and board rates for standard basic double room increased 5.0% at Urbana and UIC, and 2% increase room rates at UIS and 3% increases in meal plans.

Professional schools of law, medicine, veterinary medicine, dentistry, pharmacy, and physical therapy have separate tuition rate schedules, depending on the program of study.



FINANCIAL AID TO STUDENTS

Students at the University receive financial assistance in a variety of ways:

State and Federal Scholarships, Grants, Fellowships, and Traineeships. These come primarily through the Illinois Student Assistance Commission and Federal Pell Grant program. However, all are supplemented by a significant amount of private funds administered by the University.

The University received $111.2 million from the State's Monetary Award Program ("MAP") appropriation for awards granted to University students in academic year 2021-2022. Appropriations for MAP for the 2022-2023 academic year were increased $122 million or up 25% with some expansion of grants to cover certificates. We expect that total awards to our students for fiscal year 2021 will increase by a similar percent in fiscal year 2023.

Loans. Most loans are subsidized with respect to the timing and/or amount of the effective interest rate by the federal government, although many are administered through the Illinois Guaranteed Loan Program.

Tuition and Fee Waivers. Some are need-based, but the dollar value of most are related to the employment of graduate teaching and research assistants, who not only receive a stipend for their employment but also receive a waiver of tuition and fees.

University Provided Employment. The University employs both graduate assistants, for whom the stipend provides a major source of income, and undergraduates, who depend on the job as a significant component of their total college budget.

The below sources of financial aid totaled more than $1.8 billion in FY 2022, an average of more than $17,500 per student. The average does not reflect the fact that much of the aid was directed at needy undergraduates and at graduate assistants. Federal grants include funding related to the CARES act.

Financial Aid to University Students FY 2022

	Number of Awards	Amount (in thousands)
Scholarships, Grants, Fellowships and Traineeships		
Federal	84,091	$213,565.0
State	25,320	128,412.6
Private and Outside Agencies	5,145	31,654.6
University	47,115	310,860.7
Loans		
Federal or State Administered	29,835	520,590.2
University Administered	906	1,738.3
Tuition and Fee Waivers (1)	24,033	371,369.5
Employment		
Undergraduates	14,540	42,977.2
Graduates	15,960	214,140.3
Total	**246,945**	**$1,835,308.4**

(1) *Includes staff waivers. Source: Compiled by the Office of Planning and Budgeting of the University.*

RESEARCH FUNDING

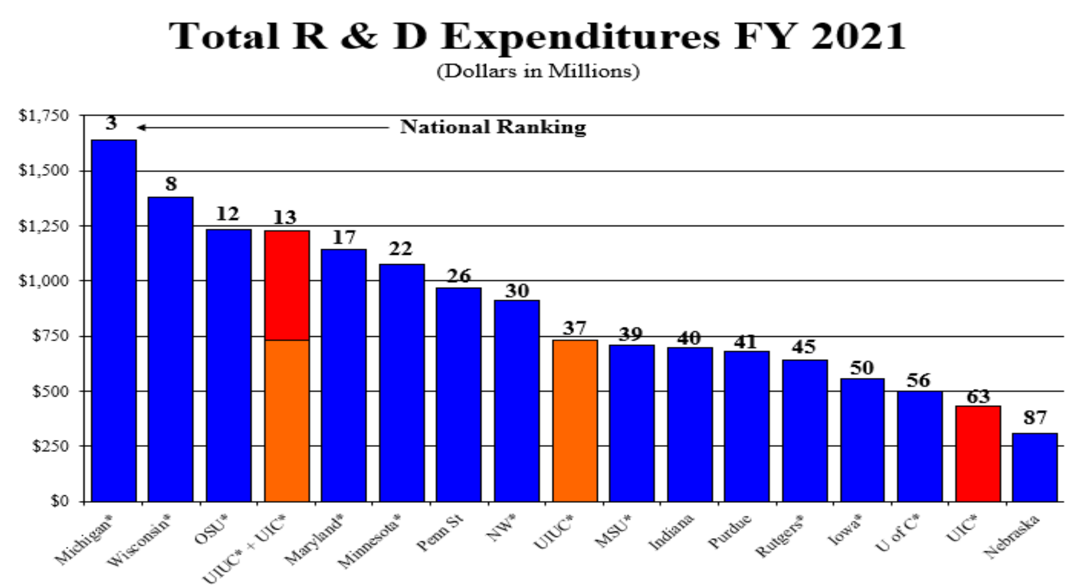
In the FY 2022, the University earned approximately $1,283.5 million in research funding from federal, State, and private sources. The University is consistently among the top universities in the nation in attracting federal contract dollars.

The following table itemizes research funding by source for the past five fiscal years:

	Fiscal year ended June 30 (in thousands)				
	2022	**2021**	**2020**	**2019**	**2018**
Federal Sources					
Department of Health and Human Services	$303,197	$290,663	$266,264	$249,873	$237,675
National Science Foundation	147,761	147,786	153,866	167,141	162,807
Department of Energy	102,073	92,981	82,559	73,226	56,178
Department of Defense	77,420	71,375	65,166	61,934	55,322
Department of Agriculture	20,583	15,170	13,997	14,569	13,771
Department of Education	285,442	233,618	180,281	115,251	110,460
Other Federal Agencies	78,718	48,641	48,202	48,304	49,231
Total Federal Sources(1)	1,015,194	$900,234	$810,335	$730,298	$685,444
Non-Federal Sources					
State of Illinois	86,440	77,515	74,399	72,473	64,942
Private and Non-Profit Sources(2)	181,852	157,162	144,118	138,791	143,041
Total Non-Federal Sources	$268,292	$234,677	$218,517	$211,264	$207,983
Total All Sources(3)	$1,283,486	$1,134,911	$1,028,852	$941,562	$893,427

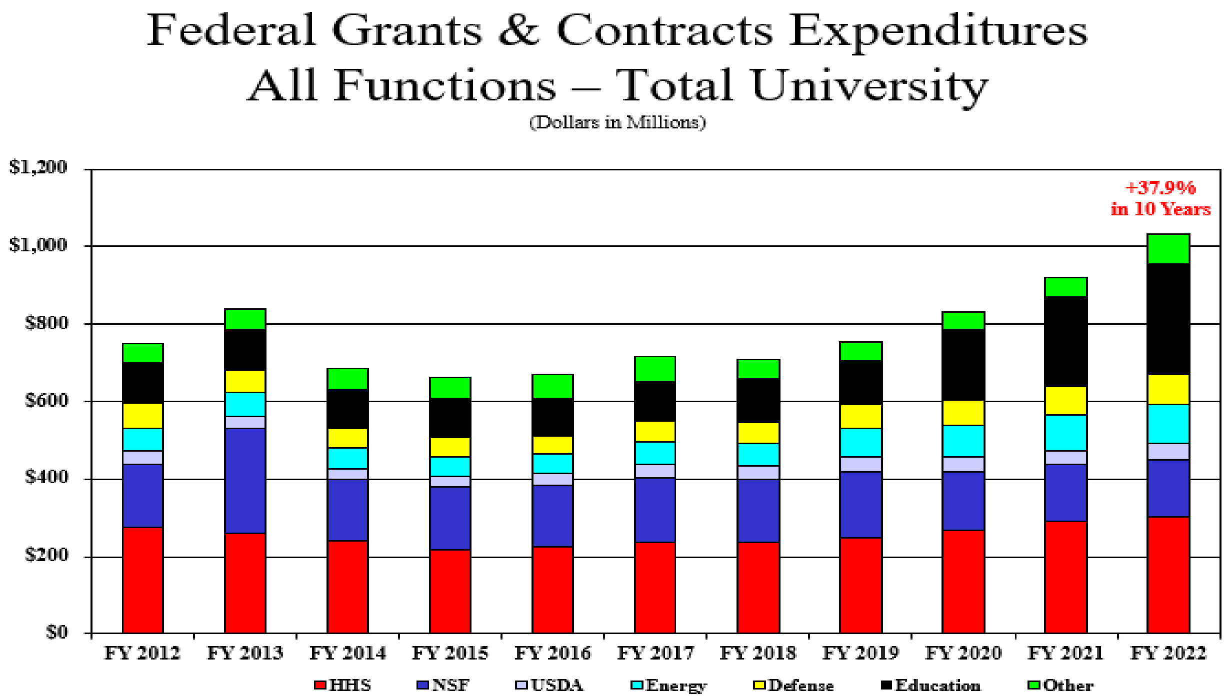
(1) Federal Sources are primarily research funds. Department of Education includes financial aid. Does not include federal agriculture appropriations. Does not include federal funds passed through other non-federal agencies.
(2) Includes private gifts.
(3) Total All Sources does not include pass through social service grants.
Source: Compiled by the Office of Planning and Budgeting of the University and University Accounting and Financial Reporting.

UIUC and UIC are major research universities. Combined, the FY 2021 total research and development expenditures of the two rank thirteenth among the nation's universities, with fiscal year 2021 being the most recent date the comparable data is available. The following chart shows the combined and standalone ranking of research and development expenditures for UIC and UIUC in comparison to other research universities.



*Source: NSF. **All Fields.** UI System combined ranking is an estimate. Maryland is now combined for College Park and Baltimore.*
**Have medical colleges.*

The following chart shows Federal grants and contracts expenditures of the University for the past eleven fiscal years:



Does not include federal funds passed through other entities to the University identified after fiscal close.

FY 2013 includes $133.9 million granted for the Blue Waters Super Computer. FY 2020-FY 2023 includes CARES funding within education.

VOLUNTARY SUPPORT

The University of Illinois Foundation (the "*Foundation*") is an independent nonprofit corporation that raises and receives private gifts, administers funds, and manages assets to enhance the quality of the University and its programs. The Foundation is a University Related Organization, which is a discretely presented component unit within the University's overall financial reporting entity. Gifts to the University and the Foundation totaled $371.5 million for FY 2022. During the five years ending June 30, 2022, the Foundation received more than $1.7 billion in gift income.

In October 2017, the University officially launched its largest and most ambitious comprehensive fundraising initiative that aimed to raise $3.1 billion over the following five years to support students, faculty, academic, and research programs and facilities. The campaign concluded on June 30, 2022, raising $3.6 billion, or 117% of the goal.

UNIVERSITY AND FOUNDATION INVESTMENTS

The University's investments provide funds to support University academic programs and student-related activities. The Endowment and Similar Funds category in the table below consist of both restricted and unrestricted funds, which are accounted for and invested as endowment. Income from endowments is distributed to unrestricted and restricted fund groups according to the designation of the donor. Income from other invested funds is distributed at the University's discretion. The Foundation held approximately $2,762 million in cash and investments as of June 30, 2022 which is included in Endowment and Similar Funds in the table below.

The fair value of the University's and the Foundation's investments at the end of each of the past four fiscal years are summarized as follows:

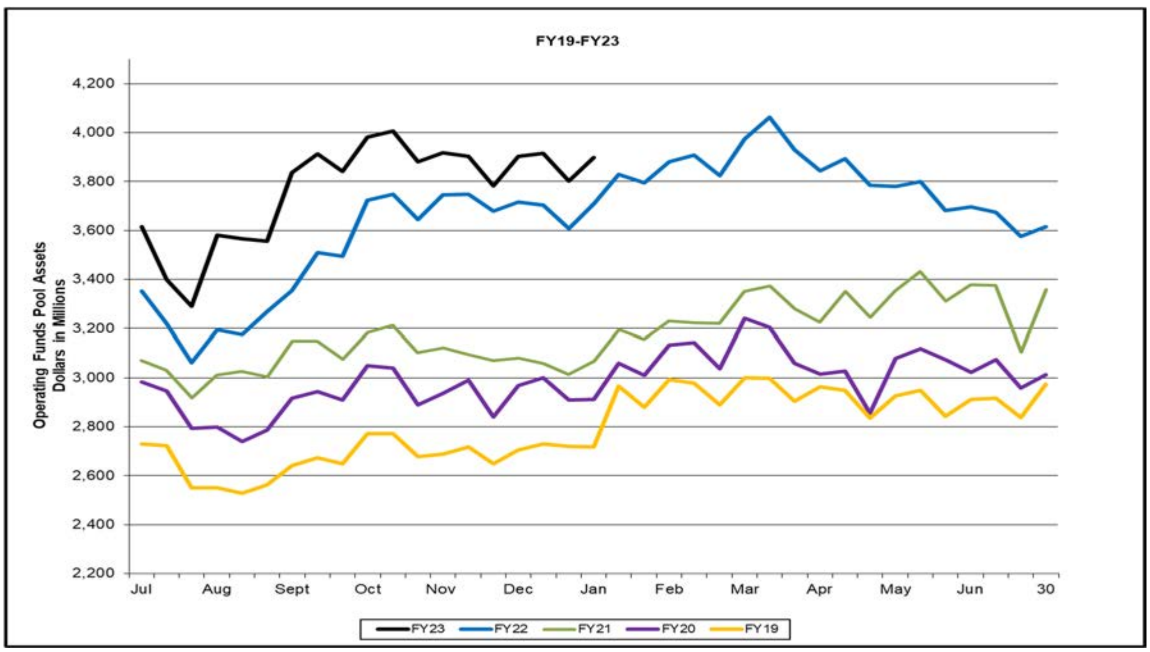
University and Foundation Cash and Investments
Fiscal year ended June 30
(in thousands)

	2022	2021	2020	2019
Current Funds	$2,559,864	$2,370,149	$2,019,497	$1,913,056
Fiduciary Funds				
Endowment & Similar Funds	3,234,130	3,418,177	2,638,312	2,583,921
Annuity, Life Income, & Other Funds	115,136	113,462	129,966	124,856
Plant Funds	1,071,579	1,041,928	1,107,878	1,195,774
Total Cash and Investments	$6,980,709	$6,943,716	$5,895,653	$5,817,607

Source: Compiled by the Office of the Comptroller of the University.

The University's Operating Funds Pool Invested Balances for each of the fiscal years 2019 through December 31, 2022 is shown below:

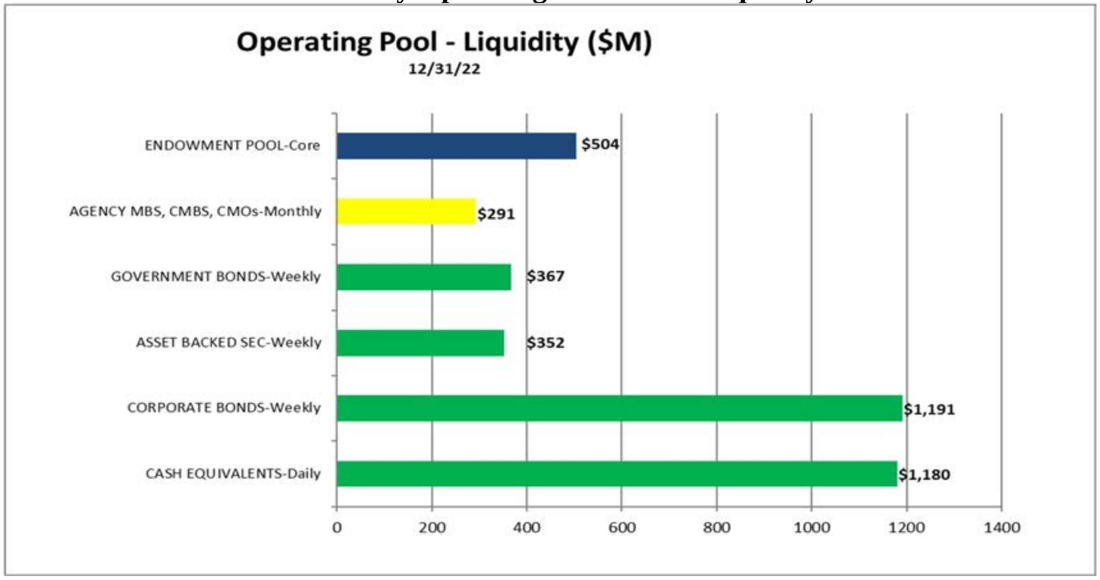
Operating Funds Pool Invested Balances
As of December 31, 2022



Source: Compiled by the Office of the Comptroller of the University.

At December 31, 2022, the Operating Funds Pool balance was $3.9 billion. The Operating Funds Pool has $1,180 million in daily liquidity as of December 31, 2022. The core component is the Endowment Pool investment. This core $504 million is invested in the $957 million Endowment Pool (preliminary valuation). The bars in the following chart reflect bond sectors and their respective liquidity.

University Operating Funds Pool Liquidity



Source: Compiled by the Office of the Comptroller of the University.

PHYSICAL PLANT

The following table sets forth, for each of the five previous fiscal years, the total investment in Plant of the University as reported or compiled for such years. For total investment in capital assets net of accumulated depreciation, see APPENDIX B, ANNUAL FINANCIAL REPORT FOR THE UNIVERSITY OF ILLINOIS FOR THE YEAR ENDED JUNE 30, 2020, Note (4): Capital Assets.

FISCAL YEAR ENDED JUNE 30	INVESTMENT IN PLANT (ORIGINAL COST IN THOUSANDS)
2022	$9,226,194
2021	$9,081,714
2020	$8,695,741
2019	$8,225,259
2018	$7,958,459

EMPLOYEE RELATIONS

Employees are generally covered by the State Universities Civil Service Act codified in the Illinois Compiled Statutes at 110 ILCS 70/36b (the "*Civil Service Act*"). The State Universities Civil Service System, a separate entity of the State under the control of the University Civil Service Merit Board, develops, maintains, and administers policies, rules and procedures for the higher education community. The Civil Service Act exempts members and officers of the Merit Board and the Board; the president and vice presidents; teaching, research, and extension faculties; principal administrative employees as determined by the merit board; and student workers from its coverage. Effective January 1, 1984, all employees of the University (including faculty) gained the right to bargain collectively with the University by virtue of the passage of the Illinois Educational Labor Relations Act. This act provides for the right to bargain on conditions of employment, the right to strike and the right to negotiate for a service fee for the elected employee representative group. Of the University's approximately 27,000 full time faculty and staff for FY 2023, approximately 41% are represented by over 45 separate collective bargaining units are covered by prevailing wage.

RETIREMENT BENEFITS

Retirement benefits are provided for all eligible employees under a separately created retirement plan administered by the State Universities Retirement System of Illinois (*"SURS"*). The State makes substantially all of the statutorily prescribed contributions on behalf of the participating employers, including the University. Contributions paid by the University are made for employees paid from "trust, federal, and other funds" as described under Section 15-155(b) of the Illinois Pension Code. The contributions paid by the University are sufficient to cover the accruing normal costs on behalf of applicable employees.

Including the University's share, the SURS total unfunded accrued actuarial liability was $28.5 billion at June 30, 2021, according to the SURS 2021 Comprehensive Annual Financial Report for FY 2021. The proportionate share of SURS' net pension liability associated with the University is approximately $12.8 billion. Since Section 15-155(b) of the Illinois Pension Code requires employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees and the normal cost does not include any allocation for the past unfunded liability or interest on the unfunded liability, the University has made all statutorily required contributions to SURS. The University does not recognize its proportionate share of the net pension liability due to the State being responsible for making contributions on behalf of the University for its proportionate share. For more detailed information, see Note 11 to the ANNUAL FINANCIAL REPORT FOR THE UNIVERSITY OF ILLINOIS FOR THE YEAR ENDED JUNE 30, 2022 in APPENDIX B.

OTHER POSTEMPLOYMENT BENEFITS

Other postemployment benefits (OPEB) are provided through the State Employees Group Insurance Program ("*SEGIP*") for all eligible (participating in SURS and one of the following: (1) a regular employee with a 50% or more appointment, or (2) a temporary employee with an appointment of 50% or more for at least 9 months, or (3) an employee hired for a period of four months or an academic term at 100% time) employees in accordance with the State Employees Group Insurance Act. The University has two separate components of OPEB administered within SEGIP. (1) The State and its public universities are under a special funding situation for employees who are not paid from trust, federal, and other similar funds, while (2) the University is responsible for OPEB employer contributions when University employees are paid from trust, federal, and other similar funds. 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 University reports a liability, expense, and related deferred inflows and outflows of resources for OPEB based on the University's proportionate share of amounts paid to SEGIP pursuant to the Act for its employees paid from trust, federal, and other funds.

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, which was $7 billion at June 30, 2021, and (2) the portion of OPEB liability recorded by the University for its employees paid from trust, federal, and other funds, which was

$1.1 billion at June 30, 2021. The total State OPEB liability related to SEGIP was $35 billion at June 30, 2021.

THE COVID-19 PANDEMIC

At the onset of the COVID-19 Pandemic in March 2020, the University transitioned all in-person classes to digital and remote modes of instruction that continued for the remainder of the Spring 2020 semester. All non-essential staff started working remotely. During this time, the University continued to offer modified housing, dining and other services to those who chose to remain on campus, including many international students who could not return home. The University of Illinois Health and Hospital System quickly expanded its number of Intensive Care Units to treat COVID patients and quickly became involved in clinical trials for both therapeutics to treat COVID as well as vaccines to prevent it. Throughout the pandemic, University leadership has been focused on ensuring the health and safety of students and the entire University communities, as well as to protect the communities in which our campuses are located. Concurrently, their goal was to maintain the academic and research excellence for which the University is known.

COVID-19 INNOVATIONS

During the pandemic, University researchers continued to perform critical research activities and initiated new research projects aimed at understanding the risk of pandemics and mitigating their impacts. Administrators and staff, except for essential workers whose physical presence was required on campus, continued to work remotely.

The University instituted an intensive twice weekly testing procedure using the saliva tests developed by UIUC researchers. Laboratories were established at UIUC and UIC to conduct these tests and necessary regulatory approvals were obtained. In conjunction with these tests an app-based communication system was developed to inform individuals of their test results and perform contact tracing as required, while maintaining privacy of individuals. The third element of system was targeting of specific groups (such as residents of a particular residence hall or these attending a specific class) based on sophisticated epidemiological models developed by university researchers to simulate potential spread of the virus. This comprehensive ecosystem—comprising Target, Test and Tell—called SHIELD has been highly effective in controlling the spread of the virus within the campuses to protect the health and safety of our communities. The SHIELD program has drawn national attention as a model for controlling virus spread among university students and featured in national media outlets from CBS and CNN to the Washington Post and New York Times, hailed as a national model by Fortune magazine and our success is being leveraged by the prestigious National Institutes of Health in its efforts to improve testing nationwide.

University researchers focused on new ways to help mitigate the virus. One group devised an easy to build, less expensive incubator for rapid deployment. Over 60 organizations throughout the world obtained licenses to make this device, which the university provided for free. Similarly, a group of researchers at UIUC devised a new saliva based COVID-19 test that was equally accurate but significantly less costly, quicker, and easier to deploy than nasal-based tests. The test has garnered widespread national attention (as described more below) and received Emergency Use Authorization from the Federal Drug Administration.

SHIELD Illinois and SHIELD T3. Given the success of its SHIELD program, the university rapidly mounted efforts in the summer of 2020 to help other institutions reopen using the SHIELD protocols including rapid and intensive saliva testing. The University established two separate organizations. The first, Shield Illinois, is focused on helping organizations within the State, especially universities. To date, Shield Illinois has established seven laboratories to conduct testing across the State and provided tests at over 50 locations for 40 universities, community colleges, school districts and private organizations, including the Federal Court House in Chicago and the State legislature. In the Fall of 2020, the Illinois Department of Public Health provided awarded a $20 million grant contract to the Shield Illinois to provide free tests to all of Illinois' public universities. This was followed by a second grant contract in March 2021 for the state to purchase an additional 20,000 tests per day from SHIELD Illinois on behalf of all community colleges and selected high schools. In addition, testing was provided for a fee, that is well below the market price, to several private colleges and business organizations.

Shield T3 is focused on providing saliva-based tests to organizations outside the State, using mobile testing laboratories developed by University researchers at the University. It also provides consultative services to organizations intending to establish their own capabilities to conduct testing using the saliva test developed at the University. T3 has provided services to organizations—universities, schools, businesses—located in eight states and District of Columbia.

FINANCIAL IMPACT OF COVID-19

In the Spring of 2020, the University undertook many cost control measures in reaction to uncertainty on the duration and financial impact of COVID-19 to the System's operations. Throughout the pandemic, the University has maintained enrollment growth consistent with existing enrollment plans which pre-dated the pandemic. While not all of the lost revenues and expenses were replaced, the University has received significant federal stimulus funding from various federal sources, including but not limited to, the Coronavirus Aid, Relief and Economic Security (CARES) Act, and the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA). The impact to the financial condition of the University is represented in the published audited financial statements of the University, the Auxiliary Facilities System, and the Health Services Facilities System. Most in-person operations, such as classroom instruction, performances, and other events resumed in fall 2021. As of Spring 2023, operations have returned to normal with most testing, vaccination requirements, capacity limits and mitigation efforts waived.

HOUSING OCCUPANCY

The average occupancy of existing housing facilities of the Board, included within the System, for the ten fiscal years leading up to the spring semester of 2020 exceeded 90%. Capacity limits implemented in response to COVID-19 negatively impacted said housing occupancy rates for the 2020-2021 academic year. System housing occupancy for the fall 2021 and 2022 semesters has returned to the historical norms of occupancy above 90%.

APPENDIX B

ANNUAL FINANCIAL REPORT FOR THE UNIVERSITY OF ILLINOIS AUXILIARY FACILITIES SYSTEM FOR THE YEAR ENDED JUNE 30, 2022

[THIS PAGE INTENTIONALLY LEFT BLANK]

UNIVERSITY OF ILLINOIS

AUXILIARY FACILITIES SYSTEM

Annual Financial Report

June 30, 2022

(With Independent Auditors' Report Thereon)

UNIVERSITY OF ILLINOIS
AUXILIARY FACILITIES SYSTEM

Annual Financial Report

June 30, 2022

Table of Contents

UNIVERSITY OF ILLINOIS SYSTEM

Office of the Vice President, Chief Financial Officer and Comptroller

February 3, 2023

Holders of University of Illinois
Auxiliary Facilities System Revenue Bonds
and The Board of Trustees of the University of Illinois:

I am pleased to transmit the Annual Financial Report of the University of Illinois Auxiliary Facilities System for the fiscal year ending June 30, 2022. This report supplements the Annual Financial Report of the University of Illinois.

The Auxiliary Facilities System includes housing, recreational and athletic facilities utilized by students, staff, faculty, alumni, and university guests. After a significant disruption of auxiliary operations in the fiscal year 2021 due to the COVID-19 pandemic, in-person activities resumed in the fall 2021. As a result, the Auxiliary Facilities System had positive financial results in the fiscal year 2022.

The 2022 financial statements, accompanying notes and required supplementary information appearing on pages 5 through 36 have been audited by RSM US LLP, Independent Certified Public Accountants, as special assistants to the Auditor General of the State of Illinois, whose report on the financial statements appears on pages 2 through 4.

Respectfully,

SIGNED ORIGINAL ON FILE

Paul Ellinger
Vice President, Chief Financial Officer, and Comptroller

349 Henry Administration Building • 506 South Wright Street • Urbana, Illinois 61801
Office (217) 333-1560 • Fax (217) 244-8108

RSM US LLP

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
University of Illinois

Report on the Audit of the Financial Statements

Opinion

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of the University of Illinois Auxiliary Facilities System (System), a segment of the University of Illinois, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1(a), the financial statements of the System are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the University of Illinois that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of the University of Illinois as of June 30, 2022, and the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1(r) to the financial statements of the System, in Fiscal Year 2022, the System adopted Governmental Accounting Standards Board's Statement No. 87, *Leases*. The adoption of this statement resulted in the inclusion of intangible right-to-use assets, lease receivable, deferred inflow of resources, and a lease liability. Our opinions are not modified with respect to this matter.

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

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 judgment made by a reasonable user based on the financial statements.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Schedule of University of Illinois Auxiliary Facilities System Proportionate Share of the Net Pension Liability on page 35 and the Notes to the Required Supplementary Information on page 36 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information
Management is responsible for the other information included in the annual report. The other information comprises the University Officials page and Transmittal Letter but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2023 on our consideration of the System'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 System'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 System's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
February 3, 2023

UNIVERSITY OF ILLINOIS
AUXILIARY FACILITIES SYSTEM

Statement of Net Position

June 30, 2022

Assets and Deferred Outflows of Resources		**2022**
Current assets:		
Claim on cash and pooled investments	$	199,990,377
Claim on cash and pooled investments, restricted		3,654,715
Cash and cash equivalents, restricted		8,621
Accrued investment income		395,670
Accounts receivable, net of allowance for uncollectible		7,605,870
Leases receivable		1,886,181
Inventories		3,509,371
Prepaid expenses		1,173,113
Total current assets		218,223,918
Noncurrent assets:		
Cash and cash equivalents		5,450,748
Cash and cash equivalents, restricted		8,478,009
Investments, restricted		13,379,175
Leases receivable		3,199,202
Capital assets, nondepreciable		45,192,073
Depreciable and amortizable capital assets, net		1,164,272,095
Total noncurrent assets		1,239,971,302
Deferred outflows of resources		10,959,583
Total assets and deferred outflows of resources	$	1,469,154,803
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Accounts payable	$	22,576,803
Accrued liabilities		4,142,305
Accrued compensated absences		594,383
Accrued interest		11,163,111
Unearned revenues		8,089,243
Leases payable		137,235
Notes payable to the University		2,190,985
Bonds payable, net		45,244,898
Total current liabilities		94,138,963
Noncurrent liabilities:		
Accrued compensated absences		6,173,164
Leases payable		172,666
Notes payable to the University		6,109,920
Bonds payable, net		1,049,404,395
Total noncurrent liabilities		1,061,860,145
Deferred inflows of resources		5,030,264
Total liabilities and deferred inflows of resources		1,161,029,372
Net investment in capital assets		158,014,674
Restricted - Expendable for debt service		3,663,335
Unrestricted		146,447,422
Total net position		308,125,431
Total liabilities, deferred inflows of resources and net position	$	1,469,154,803

See accompanying notes to financial statements.

UNIVERSITY OF ILLINOIS
AUXILIARY FACILITIES SYSTEM

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2022

		2022
Operating revenues:		
Room and board, net	$	154,493,734
Merchandise and retail food sales		28,114,673
Student service fees		111,370,025
Public events and recreation fees		8,075,122
Parking		27,628,522
Rental and lease		28,885,694
Other revenues		9,534,891
Total operating revenues		368,102,661
Operating expenses:		
Salaries, wages and benefits		90,938,510
Merchandise and food for resale		31,511,637
Repair and maintenance		7,638,744
Professional and other contractual services		39,716,798
Utilities		28,341,863
Supplies		9,831,861
Noncapitalized renovations and equipment		12,035,952
Administrative services		15,748,752
Other operating expense		6,777,837
Depreciation and amortization		49,361,300
On-behalf for fringe benefits		10,884,789
Special funding situation for fringe benefits		34,703,995
Total operating expenses		337,492,038
Operating income		30,610,623
Nonoperating revenues (expenses):		
On-behalf for fringe benefits		10,884,789
Special funding situation for fringe benefits		34,703,995
Federal grants		23,701,070
Investment income, net of related expenses		1,003,716
Net decrease in fair value of investments		(6,106,085)
Interest on capital asset-related debt		(37,654,605)
Loss on disposal of capital assets		(197,365)
Other nonoperating expenses, net		(1,903,019)
Net nonoperating revenues		24,432,496
Increase in net position		55,043,119
Net position, beginning of year		253,054,799
Cummulative effect of change in accounting principle		27,513
Net position, beginning of year, restated		253,082,312
Net position, end of year	$	308,125,431

See accompanying notes to financial statements.

UNIVERSITY OF ILLINOIS
AUXILIARY FACILITIES SYSTEM

Statement of Cash Flows

Year ended June 30, 2022

		2022
Cash flows from operating activities:		
Room and board	$	155,140,942
Merchandise and retail food sales		28,294,537
Student service fees		112,136,039
Public events and recreation fees		8,114,022
Parking		27,433,150
Rental and lease		29,005,631
Other revenue		9,602,595
Payments to employees and for benefits		(90,431,866)
Payments to suppliers		(146,248,501)
Net cash provided by operating activities		133,046,549
Cash flows from noncapital financing activities:		
Federal grants		23,701,070
Other receipts, net		2,088
Net cash provided by noncapital financing activities		23,703,158
Cash flows from capital and related financing activities:		
Proceeds from the issuance of bonds including premiums		158,320,817
Payment of bond issuance costs		(1,900,171)
Purchase of capital assets		(37,598,623)
Principal paid on bonds and leases		(189,868,902)
Proceeds from notes payable to the University		7,770,391
Repayment of notes payable to the University		(2,568,251)
Interest paid on bonds, notes payable, and leases		(48,278,371)
Net cash used in capital and related financing activities		(114,123,110)
Cash flows from investing activities:		
Interest and other earnings on investments		891,173
Pooled cash allocated from University related to unrealized losses		(6,081,952)
Proceeds from sales and maturities of investments		79,769,873
Purchase of investments		(87,323,560)
Net cash used by investing activities		(12,744,466)
Net increase in cash and cash equivalents		29,882,131
Cash and cash equivalents, beginning of year		187,700,339
Cash and cash equivalents, end of year	$	217,582,470

(Continued)

UNIVERSITY OF ILLINOIS
AUXILIARY FACILITIES SYSTEM

Statement of Cash Flows

Year ended June 30, 2022

		2022
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	30,610,623
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization		49,361,300
On-behalf for fringe benefits		10,884,789
Special funding situation for fringe benefits		34,703,995
Changes in assets, liabilities, and deferred inflows of resources:		
Accounts receivable (net)		(208,473)
Leases receivable		2,139,337
Inventories		1,521,821
Prepaid expenses		(406,984)
Accounts payable		4,240,106
Accrued liabilities		506,644
Unearned revenues		1,892,784
Deferred inflows of resources		(2,199,393)
Net cash provided by operating activities	$	133,046,549
Noncash investing, capital and financing activities:		
On-behalf for fringe benefits	$	10,884,789
Special funding situation for fringe benefits		34,703,995
Change in fair value of non-pooled investments		(24,133)
Decrease of capital assets obligations in accounts payable		(3,609,436)
Capital appreciation on bonds payable		1,018,830
Loss on disposal of capital assets		(197,365)
Capital assets leased	$	129,111

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

Organizational Background and Basis of Presentation

The University of Illinois (University) Auxiliary Facilities System (System) was created in June 1978 pursuant to the University of Illinois Revenue Bond Financing Act for Auxiliary Facilities, 110 ILCS 405/1, which authorized the University's Board of Trustees (Board) to combine and consolidate facilities into a single system. These financial statements have been prepared to satisfy the requirements of the System's Revenue Bonds master indenture. The financial balances and activities of the System, included in these financial statements, are included in the University's financial statements. The financial statements of the System are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The System is not a separate legal entity and has not presented management's discussion and analysis.

System financial activity mainly comprises housing, parking and student activities, which span across the three campuses of the University. The operating revenues of the System largely consist of student service fees, various user fees, room and board charges, sales from merchandise/vending and rental of certain facilities. Facilities primarily consist of buildings and other structures that have been constructed or remodeled with funding provided from issuance of related revenue bonds. System facilities include Memorial Stadium, the State Farm Center, student unions, housing residence halls, parking and other structures.

Certain System revenues are derived from the rental of Memorial Stadium and the State Farm Center, directly from the University's Division of Intercollegiate Athletics, and are reflected as rental income within the System's financial statements. Such rental payments are determined based on the amount of debt service requirements and/or certain operation and maintenance considerations that apply to the facilities. Ticket revenues received by the University for events occurring at these facilities are not included within the System's reporting structure, in accordance with the related bond indentures. Housing revenues consist of charges for room, board and meal plans. Student activities buildings consist of student unions, recreation and athletic facilities and student service buildings that generate lease and rental income, student fees and various other types of revenue. Operating expenses of the System include all necessary current maintenance charges, expenses of reasonable upkeep and repairs, allocations of a share of certain charges for insurance and other expenses incidental to the operations of all of the various activities and facilities of the System in accordance with the bond indentures.

Significant Accounting Policies

(a) Financial Statement Presentation and Basis of Accounting

The System prepared its financial statements as a business-type activity, as defined by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, using the economic resources measurement focus and the accrual basis of accounting. Business-type activities are those financed in whole or in part by fees charged to external parties for goods and services.

The financial statements of the System are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the University of Illinois that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2022, and its changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Under the accrual basis, revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grant and contract revenues, which are received or receivable from external sources, are recognized as revenues to the extent of related expenses and/or satisfaction of eligibility requirements. Advances are classified as unearned revenue.

(b) Cash and Cash Equivalents

The Statement of Cash Flows details the change in the cash and cash equivalents balance for the fiscal year. Cash and all liquid investments with original maturities of 90 days or less are defined as cash and cash equivalents.

(c) Investments

Investments are reported at fair value in accordance with guidelines defined by GASB Statement No. 72. Fair value is determined for the System's investments based upon a framework described in Note 2(f). Bank deposits and money market funds are recorded at cost.

Changes in fair value during the reporting period are reported as a net increase (decrease) in the fair value of investments. Net investment income includes interest, dividends, and realized gains and losses.

(d) Accounts Receivable

Accounts receivable are reported net of allowance for uncollectible. This allowance was $4,913,977 at June 30, 2022. Accounts receivable consists of the following.

- Housing operations – room and board
- Student fees – service and general fees (assessed with tuition)
- Parking operations – space rental and related fees
- Other miscellaneous – includes health and recreation fees

(e) Inventories

Inventories are stated at the lower of cost or market with cost determined as follows:

- Books and other merchandise for resale – principally the retail inventory method
- Food – average cost method
- Other inventories – principally the first-in, first-out method

(f) Capital Assets

Capital assets, which will be owned by the University, are recorded at cost or, if donated, at acquisition value at the date of a gift. Intangible right-of-use lease assets are recorded at cost based on the present value of expected payments over the term of the respective lease plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs that are ancillary charges necessary to place the lease asset into service. Depreciation and amortization of capital assets is calculated on a straight-line basis over the estimated useful lives (see below) of the assets, or over the shorter of the estimated useful lives or over the lease term and collection purchases regardless of cost, equipment and all intangible right-of-use assets over $5,000, software, easements, buildings and improvements over $250,000 and infrastructure over $1,000,000. The System does not capitalize collections, such as works of art or historical treasures, which are held for public exhibition, education or research in furtherance of public service rather than capital gain, unless they were previously capitalized as of June 30, 1999. Proceeds from the sale, exchange or other disposal of any item belonging to a collection must be applied to the acquisition of additional items for the same collection.

Estimated useful lives for capital assets are as follows:

	Useful life (in years)		Useful life (in years)
Buildings:		Improvements other than buildings:	
Shell	50	Site improvements	20
Service systems	25	Infrastructure	25
Fixed equipment	15		
Remodeling	25		
Intangibles:		Moveable equipment:	
Software	5 – 10	Equipment	3 – 20
Right-of-use lease	Shorter of the estimated useful lives or the lease term		

(g) Deferred Outflow of Resources

Unamortized losses on refundings for the System's bonds of $10,959,583 are reported as deferred outflow of resources on the accompanying Statement of Net Position. The losses on refundings are amortized over the life of the debt using the straight-line method.

(h) Deferred Inflows of Resources

Deferred inflows of resources of $5,030,264 related to leases in which the System is lessor are measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. The deferred inflows of resources are recognized as revenue over the term of the lease.

(i) Compensated Absences

Accrued compensated absences for System personnel are charged as an operating expense, using the vested method based on earned and unused vacation and sick leave days including the System's share of Medicare taxes.

Section 14a of the State Finance Act (30 ILCS 105/14a) provides that employees eligible to participate in the State Universities Retirement System or the Federal Retirement System are eligible for compensation at time of resignation, retirement, death or other termination of System employment for one-half (1/2) of the unused sick leave earned between January 1, 1984 and December 31, 1997. Any sick leave days that were earned before or after this period of time are noncompensable.

Changes in Compensated Absences Balance

Balance, beginning of year	$	6,882,933
Additions		528,658
Deductions		(644,044)
Balance, end of year		6,767,547
Less current portion		594,383
Balance, end of year – noncurrent portion	$	6,173,164

(j) Premiums

Premiums for the System's bonds are reported within bonds payable and amortized over the life of the debt issue using the effective interest method.

(k) Net Position

The System's resources are classified into net position categories and reported in the Statement of Net Position. These categories are defined as (a) Net investment in capital assets – capital assets net of accumulated depreciation and amortization and related outstanding debt balances attributable to the acquisition, construction, or improvement of those assets, (b) Restricted – net position subject to externally imposed restrictions that can be fulfilled by actions of the System pursuant to those stipulations or that expire by the passage of time, and (c) Unrestricted – net position not subject to externally imposed stipulations but may be designated for specific purposes by action of management or the Board. The System first applies resources included in restricted net position when an expense or outlay is incurred for purposes for which resources in both restricted and unrestricted net positions are available.

(l) Classification of Revenues

The Statement of Revenues, Expenses and Changes in Net Position classifies the System's fiscal year activity as operating and nonoperating. Operating revenues generally result from exchange transactions such as payments received for providing goods and services.

Certain revenue sources that the System relies on for operations, including on-behalf for fringe benefits, special funding situation for fringe benefits, certain federal grants and investment income, are defined by GASB Statement No. 35 as nonoperating. In addition, certain transactions related to capital and financing activities are components of net nonoperating revenue.

Housing charges billed or received in advance are unearned and recognized as revenue during the period of occupancy. Student service fees for the summer academic term are unearned and recognized as revenue over the summer semester.

(m) Classification of Expenses

The majority of the System's expenses are exchange transactions which GASB defines as operating expenses for financial statement presentation. Nonoperating expenses include capital financing costs.

(n) On-Behalf for Fringe Benefits

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the System has reported outside sources of financial assistance provided by other entities on behalf of the System during the year ended June 30, 2022, as described below.

Substantially all active employees participate in group health insurance plans provided by the State and administered by the Illinois Department of Central Management Services (CMS). The State contributed, on-behalf of the System, an estimated $10,884,789 which is reflected as nonoperating revenues and operating expenses within the System's financial statements.

(o) Pensions

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

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

(p) Other postemployment benefits (OPEB)

The State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375) authorizes the State Employees Group Insurance Program (SEGIP), which includes activity for both active employees and retirees, as a single-employer defined benefit OPEB plan not administered as a trust. Substantially all State and state public universities' unit employees become eligible for these OPEB plan benefits when they become annuitants of one of the State sponsored pension plans. CMS administers these benefits for the annuitants with the assistance of the public retirement systems sponsored by the State General Assembly Retirement System (GARS), Judges Retirement System (JRS), State Employees Retirement System (SERS), Teachers' Retirement System (TRS), and SURS.

In order to fund SEGIP's pay-as-you-go obligations for both current employees and retirees, the Act (5 ILCS 375/11) requires contributions based upon total employee compensation paid from any State fund, including the University's State Appropriations Funds. Additionally, the University shall not be required to make contributions for employees who are fully compensated from the System's operating funds. Pursuant to a long-standing State policy, the State's General Fund covers the contributions for employees who are fully compensated from the System's operating funds. 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.

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 not paid from trust, federal, and other similar funds, while (2) the University is responsible for OPEB employer contributions when University employees are paid from trust, federal, and other similar funds. The System is under a special funding situation since its employees are not paid from trust, federal, and other similar funds.

(Continued)

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, including the System) and the non-employer (the State) is the only entity with a legal obligation to make contributions directly to an OPEB plan. The System recognizes the proportionate share of the State's OPEB expense relative to the System's employees as non-operating revenue and special funding situation for fringe benefits operating expense.

(q) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(r) New Accounting Pronouncements

The System adopted the provisions of GASB Statement No. 87, *Leases*, which was effective for periods beginning after June 15, 2021. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-of-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The System has included lessee and lessor leases within the Statement of Net Position and within the Statement of Revenues, Expenses and Changes in Net Position. See note 1(s) for impact to fiscal year 2022 related to implementation of this standard.

The System adopted the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* which was effective for periods beginning after December 15, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Implementation of this pronouncement did not materially impact the System's financial statements.

The System adopted certain provisions of GASB Statement No. 92, *Omnibus 2020* which was effective for periods beginning after June 15, 2021. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about leases, intra-entity transfers, pensions, postemployment benefit arrangements, asset retirement obligations, public entity risk pool reporting, nonrecurring fair value measurements, and terminology related to derivative instruments. Implementation of this pronouncement did not materially impact the System's financial statements.

The System adopted the provisions of GASB Statement No. 93, *Replacement of Interbank Offered Rates,* which was effective for periods beginning after June 15, 2021 and certain provisions of GASB Statement No. 99, *Omnibus*, paragraph 26 related to the replacement of LIBOR. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases,* as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including re-measurement of the lease liability or lease receivable. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Once the LIBOR ceases to exist, this Statement will achieve that objective by removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap and identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap. Implementation of this pronouncement did not materially impact the System's financial statements.

The System adopted the provisions of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statement No.14 and No.84, and a supersession of GASB Statement No.32*, which was effective for periods beginning after June 15, 2021. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. Implementation of this pronouncement did not materially impact the System's financial statements.

(s) Change in Accounting Policy

Effective for the fiscal year ended June 30, 2022, the System adopted GASB Statement No. 87, *Leases*, (GASB 87). This statement superseded GASB Statement No. 62 and established new requirements for calculating and reporting the System's lease activities. The adoption of GASB

87 has been reflected as of July 1, 2021. As reported on the Statement of Revenues, Expenses, and Changes in Net Position, beginning net position as of July 1, 2021 was restated for the effects of the University's adoption of GASB 87.

Balances, including beginning net position, impacted by the adoption of GASB Statement No. 87, as of July 1, 2021, were as follows:

	July 1, 2021 as Previously Stated	GASB Statement No. 87 Impact	July 1, 2021 as Restated
Current assets	$ 174,122,044	$ 1,886,181	$ 176,008,225
Noncurrent assets	1,257,552,985	6,485,910	1,264,038,895
Total assets	1,431,675,029	8,372,091	1,440,047,120
Deferred outflows of resources	12,951,766		12,951,766
Total assets and deferred outflows of resources	$ 1,444,626,795	$ 8,372,091	$ 1,452,998,886
Current liabilities	$ 106,783,855	$ 43,751	$ 106,827,606
Noncurrent liabilities	1,084,788,141	186,047	1,084,974,188
Total liabilities	1,191,571,996	229,798	1,191,801,794
Deferred inflows of resources	-	8,114,780	8,114,780
Net position	253,054,799	27,513	253,082,312
Total liabilities, deferred inflows of resources, and net position	$ 1,444,626,795	$ 8,372,091	$ 1,452,998,886

(2) Cash, Cash Equivalents and Investments

The System has cash and certain investments that are pooled with other University funds for the purpose of securing a greater return on investment and providing an equitable distribution of investment return. Income is distributed based upon average quarterly balances invested in the investment pool.

Nearly all of the University's investments are managed by external professional investment managers, who have full discretion to manage their portfolios subject to investment policy and manager guidelines established by the University, and in the case of mutual funds and other commingled vehicles, in accordance with the applicable prospectus or limited partnership agreement.

The Board follows the State of Illinois Uniform Prudent Management of Institutional Funds Act, 760 ILCS 51/1-11, when managing the University's investments. The Board fulfills its fiduciary responsibility for the management of investments, including endowment farm real estate, by adopting policies to maximize investment return with a prudent level of risk.

The following details the carrying value of the System's cash, cash equivalents and investments as of June 30, 2022:

U.S. Treasury bonds and bills	$ 8,579,298
Money market funds	13,937,379
Commercial paper	4,799,876
Subtotal	27,316,553
Claim on cash and on pooled investments	203,645,092
Total cash, cash equivalents and investments	$ 230,961,645

(a) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the University employs multiple investment managers, of which each has specific maturity assignments related to the operating funds. The funds are structured with different layers of liquidity. Funds expected to be used within one year are invested using the Barclay's Capital 90-Day and Bank of America Merrill Lynch 12-month Treasury Bill Index as performance benchmarks. Core operating funds are invested in longer maturity investments. Core operating funds investment managers' performance benchmarks are the Barclays Capital one-year to three-year Government Bond Index, the Barclays Capital one-year-to-three-year Government Credit Bond Index, Barclays Capital Intermediate Government Credit Bond Index and the Barclays Capital Intermediate Aggregate Bond Index.

The System's nonpooled investments and maturities as of June 30, 2022 are illustrated as follows:

	Total	Less than 1	1 to 5 years
U.S. Treasury bonds and bills	$ 8,579,298	$ 1,332,695	$ 7,246,603
Money market funds	13,937,379	13,937,379	
Commercial paper	4,799,876	4,799,876	
Total cash equivalents and investments	$ 27,316,553	$ 20,069,950	$ 7,246,603

Claim on cash and on pooled investments represents the System's share of participation in the University's operating internal investment pool. At June 30, 2022, the University's operating funds internal investment portfolio had an effective duration for its interest bearing securities of 1.1 years.

(b) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy requires that the University's short-term operating funds be invested in fixed income securities and other short-term fixed income instruments (e.g. money markets). Fixed income securities shall be rated investment grade or better by one or more nationally recognized statistical rating organizations. Unrated securities are not allowed unless specifically permitted by an individual manager's guidelines. Securities that fall below the stated minimum credit requirements subsequent to initial purchase may be held at the manager's discretion.

The University reports the credit ratings of fixed income securities and short-term instruments using Standard and Poor's and Moody's ratings. Securities with split ratings or with a different rating assignment are disclosed using the rating indicative of the greatest degree of risk. At June 30, 2022, the University's operating internal investment pool securities had the following credit ratings (reported as a percent of the pool): AAA – 45.03%, AA – 19.49%, A – 15.04%, BBB – 10.23%, BB – 0.14% and less than BB or not rated – 10.07%. The System's non-pooled investments, U.S. Treasury bonds and bills are rated of AA, commercial paper is rated AA ($879,288) and A ($3,920,588) and money market funds have a credit rating of AAA.

(c) Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the University and are not registered in the University's name. The University's investment policy does not limit the value of investments that may be held by an outside party. At June 30, 2022, the System's investments and deposits had no custodial credit risk exposure.

(d) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University's investment policy provides that the total operating funds portfolio will be broadly diversified across securities in a manner that is consistent with fiduciary standards of diversification. Issuer concentrations are limited to 5% per issuer of the total market value of the portfolio at the time of purchase, or in the case of securitized investments (e.g. mortgage-backed securities), concentration is limited to an individual issuance trust (e.g. pooled receivables). These concentration limits do not apply to investments in pooled investment products, tri-party repurchase agreements or obligations of, or issues guaranteed by, the U.S. Treasury, U.S. agencies or U.S. government sponsored enterprises.

As of June 30, 2022, not more than 5% of the University's total investments were invested in securities of any one issuer, excluding pooled investment products, tri-party repurchase agreements or obligations of, or issues guaranteed by, the U.S. Treasury, U.S. agencies or U.S. government sponsored enterprises.

(e) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University's operating fund investments generally are not exposed to foreign currency risk. The University does not have an overarching policy related to foreign currency risk; however, under each investment manager's respective fund agreement, the portfolio's foreign currency exposure may be unhedged or hedged back into U.S. dollars.

The University invests in non-U.S. developed and emerging markets through commingled funds invested in non-U.S. equities, fixed income, private markets and hedge funds. As these funds are reported in U.S. dollars, both price changes of the underlying securities in local markets and changes to the value of local currencies relative to the U.S. dollar are embedded in investment returns.

(f) Investments and Fair Value Measurements

Accounting guidance for fair value establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is as follows:

Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the University has the ability to access as of the measurement date. Level 1 inputs would also include investments valued at prices in active markets that the University has access to where transactions occur with sufficient frequency and volume to provide reliable pricing information.

Level 2 - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect a reporting entity's own assumptions about what market participants would use in pricing an asset or liability.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Investments may be classified as Level 1 when the values are based upon unadjusted quoted prices in active markets for identical assets and generally include active listed equities. Publicly-traded investments that have no or insignificant restrictions are classified in Level 1 of the fair value hierarchy.

Investments may be classified as Level 2 when the values include inputs that are directly observable for an asset (including quoted prices for similar assets), as well as inputs that are not directly observable for the asset. These inputs are derived principally from or corroborated by observable market data through correlation or by other means (market corroborated inputs). The concept of market-corroborated inputs is intended to incorporate observable market data (such as interest rates and yield curves that are observable at commonly quoted intervals) based upon an assessment of factors relevant to the asset or liability.

Investments may be classified as Level 3 when the values include inputs that are unobservable and Level 1 and Level 2 inputs are not available. The values are based upon the best information available under the circumstances and may include management's own data.

The following table summarizes assets measured at fair value as of June 30, 2022, based on the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

Fair Value Measurements as of June 30, 2022

Investments in which fair value was measured based on significant other observable inputs (Level 2):		
U.S. Treasury bonds and bills	$	8,579,298
Commercial paper		4,799,876
Total subject to fair value hierarchy		13,379,174
Investments measured at cost:		
Money market funds		13,937,379
Total cash equivalents and investments	$	27,316,553

(3) Capital Assets

The capital assets of the System are not pledged to secure outstanding indebtedness of the Board. In accordance with GASB 87, the System records right-of-use assets based on the present value of expected payments over the term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, and are otherwise discounted using the System's incremental borrowing rate. The System does not have any leases subject to a residual value guarantee.

Capital asset activity for the year ended June 30, 2022 is summarized as follows:

Capital Assets

	Beginning balance, restated	Additions	Retirements	Transfers	Ending balance
Nondepreciable capital assets:					
Land	$ 19,249,334	$	$	$	$ 19,249,334
Construction in process	82,672,700	33,056,390		(89,786,351)	25,942,739
Total nondepreciable capital assets	101,922,034	33,056,390	—	(89,786,351)	45,192,073
Depreciable capital assets:					
Buildings	1,742,254,367			84,212,954	1,826,467,321
Improvements	64,325,381		(1,075,439)	5,573,397	68,823,339
Equipment	20,423,629	932,797	(746,155)		20,610,271
Total depreciable capital assets	1,827,003,377	932,797	(1,821,594)	89,786,351	1,915,900,931
Less accumulated depreciation:					
Buildings	643,975,022	46,284,329			690,259,351
Improvements	45,585,451	1,782,593	(1,075,439)		46,292,605
Equipment	14,770,095	1,163,357	(548,790)		15,384,662
Total accumulated depreciation	704,330,568	49,230,279	(1,624,229)	—	751,936,618
Total depreciable capital assets, net	1,122,672,809	(48,297,482)	(197,365)	89,786,351	1,163,964,313
Amortizable capital assets:					
Right-to-use buildings	111,224				111,224
Right-to-use equipment	198,468	129,111			327,579
Total amortizable capital assets	309,692	129,111	—	—	438,803
Less accumulated amortization:					
Right-to-use buildings		27,806			27,806
Right-to-use equipment		103,215			103,215
Total accumulated amortization	—	131,021	—	—	131,021
Total amortizable capital assets, net	309,692	(1,910)	—	—	307,782
Total net depreciable and amortizable capital assets	$ 1,122,982,501	$ (48,299,392)	$ (197,365)	$ 89,786,351	$ 1,164,272,095

(4) Bonds Payable

On July 8, 2021, the University issued $135,355,000 of Auxiliary Facilities System Revenue Bonds, Series 2021A. Proceeds of these bonds are or were being used to (1) renovate two parking garages at the University of Illinois Urbana Champaign, (2) currently refund the Series 2011A and 2011C Bonds, and (3) pay costs of issuing the Series 2021A Bonds. The refunding of Series 2021A resulted in a saving of $35,962,272 over the life of the issue at a present value of $29,852,390. The difference between the reacquisition price and the net carrying amount of the old debt, gain on refunding, was $425,055. This gain on refunding is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Bonds payable activity for the year ended June 30, 2022 was as follows:

Bonds payable

Series	Rate on June 30 outstanding debt	Fiscal year maturity dates	Beginning balance	Additions	Deductions	Ending balance	Current portion
1999A	6.29% to 6.33%	2023 – 2030	$ 22,100,000	$	$ 2,930,000	$ 19,170,000	$ 2,110,000
2001A	5.50%	2023 – 2024	17,425,000		6,160,000	11,265,000	5,395,000
2003A	5.50%	2027 – 2034	30,285,000		2,270,000	28,015,000	
2005A	5.50%	2023	18,220,000		7,805,000	10,415,000	10,415,000
2011A	n/a	NA	68,630,000		68,630,000		
2011C	n/a	NA	64,355,000		64,355,000		
2013A	3.25% to 5.00%	2023 – 2032	192,895,000		15,665,000	177,230,000	10,985,000
2014A	5.00%	2024 – 2044	159,985,000			159,985,000	
2014B	3.926%	2023	4,370,000		2,145,000	2,225,000	2,225,000
2015A	3.00% to 5.00%	2023 – 2038	85,815,000		1,505,000	84,310,000	1,545,000
2016A	4.00% to 5.00%	2023 – 2036	122,975,000		3,085,000	119,890,000	2,135,000
2016B	3.00% to 5.00%	2023 – 2046	18,990,000		460,000	18,530,000	485,000
2018A	4.00% to 5.00%	2023 – 2048	133,520,000		2,870,000	130,650,000	3,010,000
2018B	3.00% to 5.00%	2023 – 2048	18,840,000		405,000	18,435,000	420,000
2019A	3.00% to 5.00%	2023 – 2049	41,175,000		795,000	40,380,000	835,000
2020A	4.00% to 5.00%	2023 – 2050	57,880,000		1,710,000	56,170,000	1,800,000
2020B	2.95% to 4.00%	2024 --2044	31,175,000			31,175,000	
2021A	2.125% to 5.00%	2023 --2051	-	135,355,000	8,950,000	126,405,000	4,795,000
			1,088,635,000	135,355,000	189,740,000	1,034,250,000	46,155,000
Unaccreted appreciation			(5,488,306)	1,018,830		(4,469,476)	(910,102)
			1,083,146,694	136,373,830	189,740,000	1,029,780,524	45,244,898
Unamortized debt premium			54,700,990	22,965,817	12,798,038	64,868,769	
Total bonds payable			$ 1,137,847,684	$ 159,339,647	$ 202,538,038	$ 1,094,649,293	$ 45,244,898

Capital appreciation bonds (Series 1999A) of $19,170,000 outstanding at June 30, 2022 do not require current interest payments and have a net unappreciated value of $14,700,524. The University records the annual increase in the principal amount of these bonds as interest expense and accretion on bonds payable.

None of the System's bonds constitute obligations of the State of Illinois but are payable solely by the Board from net revenues of the System, student tuition and fees and debt service funds.

The resolutions authorizing the University of Illinois Auxiliary Facilities System Revenue Bonds provide for the establishment of separate funds as follows: Current Unrestricted Fund, Unexpended Fund, Repair and Replacement Reserve, Equipment Reserve, Bond and Interest Sinking Fund, and Development Reserve. All System revenues, including student tuition and fees as provided for by the Bond Resolutions are to be deposited in the Current Unrestricted Fund and used to pay necessary operation and maintenance expenses of the System. In the event of default, the bond owners may sue to command performance.

The Bond Resolutions also require transfers to funds as follows:

Unexpended Fund – amounts, as determined by the Board, not needed to complete construction and renovation projects specified in the Bond Resolutions are required to be transferred from the Unexpended Fund to the Bond and Interest Sinking Fund.

Repair and Replacement Reserve – an amount calculated as specified in the Bond Resolutions to provide for the cost of maintenance and repairs.

Equipment Reserve – an amount approved by the Board for the acquisition of movable equipment to be installed in the facilities constituting the System. The reserve may not exceed 20% of the book value of the movable equipment of the System. Additions of $1,548,281 were made to the Equipment Reserve and expenses of $144,283 were incurred to replace movable equipment during the year ended June 30, 2022. The fund balance of the Equipment Reserve was $8,162,336 at June 30, 2022.

Bond and Interest Sinking Fund – amounts are transferred into the Bond and Interest Sinking Fund sufficient to pay principal and interest as it becomes due on the outstanding bonds.

Development Reserve – an amount approved by the Board for System development. No transfers were authorized by the Board during the year ended June 30, 2022, and there was no balance in the reserve at June 30, 2022.

The System made all required transfers for the year ended June 30, 2022.

The table below shows the amount of revenues pledged for future principal and interest payments on the bonds:

Pledged revenues

Bond issue(s)	Purpose	Source of revenue pledged	Future revenues pledged[1]	Term of commitment	Debt service to pledged revenues (current year)
System	Refundings, various improvements and additions to the System	Net System revenue, student tuition and fees	$ 1,519,172,325	2051	7.47%

[1] Total future principal and interest payments

After fulfillment of the provisions described above, the surplus, if any, remaining in the Current Unrestricted Fund may be used (a) to redeem bonds of the System which are subject to early redemption, (b) to purchase any outstanding bonds for cancellation, or (c) to advance refund any bonds outstanding.

Debt Service Requirements

Future debt service requirements for all bonds outstanding at June 30, 2022 are as follows:

Debt service requirements		
	Principal	**Interest**
Years:		
2023	46,155,000	44,652,445
2024	45,155,000	42,425,941
2025	47,760,000	40,299,941
2026	50,200,000	38,269,341
2027	53,195,000	35,897,841
2028-2032	286,480,000	140,883,485
2033-2037	231,305,000	82,679,427
2038-2042	150,705,000	45,362,140
2043-2047	104,045,000	13,454,151
2048-2051	19,250,000	997,613
Total debt service	$ 1,034,250,000	$ 484,922,325
Unaccreted appreciation	(4,469,476)	
Unamortized debt premium	64,868,769	
Total bonds payable	$ 1,094,649,293	

(5) Leases

(a) Lessee Arrangements

The System leases office space and equipment with remaining lease terms ranging from less than one year to four years from external parties. The renewal and termination options are not included in the right-of-use assets or lease liability balance until they are reasonably certain of exercise. The lease term does not include periods of a lease that include a mutual termination option. Variable payments that are not fixed in nature and non-rent charges are not included in leases payable. The System did not have any leases with variable lease payments as of June 30, 2022.

In accordance with GASB 87, the System records lease liabilities based on the present value of expected payments over the term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, and are otherwise discounted using the System’s incremental borrowing rate.

Leases payable activity for the year ended June 30, 2022 was as follows:

Leases Payable	**Beginning balance, restated**	**Additions**	**Deductions**	**Ending balance**	**Current portion**
Leases payable	$ 309,692	$ 129,111	$ 128,902	$ 309,901	$ 137,235

As of June 30, 2022, the scheduled fiscal year maturities of lease liabilities and related interest expense are as follows:

		Principal	Interest
2023	$	137,235	6,989
2024		125,220	3,239
2025		46,824	699
2026		622	2
	$	309,901	10,929

(b) Lessor Arrangements

The System leases space within and attached to its buildings to external parties. These arrangements have terms ranging from less than one year to three years. In accordance with GASB 87, the System records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the interest rate charged on the lease. During the fiscal year ended June 30, 2022, the System recognized revenues related to these lease agreements totaling $2,385,040, including interest and other related revenues. Of these amounts recognized during the fiscal year ended June 30, 2022, the System recognized no revenue related to variable receipts that were not previously included in the measurement of the lease receivable.

(6) Related-Party Transactions

The University charged the System administrative service charges totaling $15,748,752 in 2022, based upon the gross expenditures and debt service transfers of various operations of the System. These charges represent a portion of estimated administrative and other service costs incurred by the University in support of the System and are reported as administrative services expense in the accompanying financial statements.

The System includes certain athletic facilities and office space utilized by the Division of Intercollegiate Athletics. Student fees provide the primary funding for the operation of these athletic facilities and office space. The Division of Intercollegiate Athletics transferred funds to the System of $15,215,492 in 2022 to fund the operations not covered by student fees. This transfer has been reported as rental and lease income in the accompanying financial statements.

At June 30, 2022, the System had borrowings under multiple internal financing notes with the University in order to finance acquisition, construction, and renovation of System facilities. The notes have repayment terms and interest rates ranging from 3.0% to 3.17%

Notes payable to the University

	Maturity date	Beginning balance	New debt	Principal paid/debt refunded	Ending balance	Current portion
Payable to the University	2023 – 2025	$ 3,098,765	7,770,391	2,568,251	$ 8,300,905	$ 2,190,985

Future debt service requirements for the outstanding notes payable as of June 30, 2022 are as follows:

Notes payable to the University
Debt service requirements

		Principal		Interest
Years:				
2023	$	2,190,985	$	252,491
2024		3,540,997		185,227
2025		2,568,923		77,487
Total	$	8,300,905	$	515,205

The University (including the System) is a defendant in a number of legal actions. These legal actions have been considered in estimating the University's accrued self-insurance liability, which covers hospital and medical professional/general liability; estimated general and contractual liability, and workers' compensation liability. At June 30, 2022, the University's total accrued self-insurance liability was $277,265,539.

Ultimate cost consists of amounts estimated by the University's risk management division and actuaries for asserted claims, unasserted claims arising from reported incidents, expected litigation expenses and amounts determined by actuaries using relevant industry data and System specific data to cover projected losses for claims incurred but not yet reported. The System contributes to the University's self-insurance reserve through annual assessments. The entire self-insurance liability is reflected in the University's financial statements.

(7) Retirement and Postemployment Benefits

(a) Defined Benefit Pension Plan

General Information about the Defined Benefit Pension Plan

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

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

Eligible employees must participate upon initial employment. Employees are ineligible to participate if (a) employed after having attained age 68; (b) employed less than 50% of full time; or (c) employed less than full time and attending classes with an employer. Of those University employees ineligible to participate, the majority are students at the University.

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 2021 and 2022 respectively, was 12.70% and 12.32% of employee payroll. The normal cost is equal to the value of current year’s pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary except for police officers and fire fighters who contribute 9.5% of their earnings. The contribution requirements of plan members and employers are established and may be amended by the State’s General Assembly.

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

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

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

Employer Proportionate Share of Net Pension Liability: The amount of the proportionate share of the NPL to be recognized for the System is $0. The proportionate share of the State’s NPL associated with the System is $435,926,154. This amount is not recognized in the System’s financial statements. The NPL and total pension liability as of June 30, 2021 was determined based on the June 30, 2020 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to the SURS during fiscal year 2021.

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

Employer Proportionate Share of Defined Benefit Pension Expense: The employer proportionate share of collective defined benefit pension expense is recognized as nonoperating revenue with matching operating expense (special funding situation for fringe 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 the SURS during fiscal year 2021. As a result, the University recognized revenue and defined benefit pension expense of $1,055,037,000 from this special funding situation during the year ended June 30, 2022, of which $35,793,679 was related to the System.

(Continued)

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

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources

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

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

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

Assumptions and Other Inputs

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

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

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

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

For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2021, these best estimates are summarized in the following table:

Defined Benefit Plan	Strategic Policy Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Traditional Growth		
Global Public Equity	41.0%	6.30%
Stabilizied Growth		
Credit Fixed Income	14.0%	1.82%
Core Real Assets	5.0%	3.92%
Options Strategies	6.0%	4.20%
Non-Traditional Growth		
Private Equity	7.5%	10.45%
Non-Core Real Assets	2.5%	8.83%
Inflation Sensitive		
U.S. TIPS	6.0%	-0.22%
Principal Protection		
Core Fixed Income	8.0%	-0.81%
Crisis Risk Offset		
Systematic Trend Following	3.5%	3.45%
Alternative Risk Premia	3.0%	2.30%
Long Duration	3.5%	0.91%
Total	**100.0%**	**4.43%**
Inflation		**2.25%**
Expected Arithmetic Return		**6.68%**

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

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

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

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

(b) Defined Contribution Pension Plan

General Information about the Defined Contribution 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 July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of State universities, certain affiliated organizations, and certain other State educational and scientific agencies and for survivors, dependents and other beneficiaries of such employees. SURS is governed by Chapter 40, Act 5, Article 15 of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.surs.org. The RSP and its benefit terms were established and may be amended by the State's General Assembly.

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

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

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

Pension Expense Related to Defined Contribution Pensions

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

Employer Proportionate Share of Defined Contribution Pension Expense: The employer proportionate share of collective defined contribution pension expense is recognized as nonoperating revenue with matching operating expense (special funding situation for fringe benefits) in the financial statements. The basis of allocation used in the proportionate share of collective defined contribution pension expense is the actual reported pensionable contributions made to the RSP during fiscal year 2021. The University's share of pensionable contributions was 55.9351%. As a result, the University recognized revenue and defined contribution pension expense of $42,667,741 from this special funding situation during the year ended June 30, 2022, of which $1,447,574 was related to the System. The amount that constituted forfeitures for the University was $3,287,513.

(c) Postemployment Benefits

Plan description: The State Employees Group Insurance Act of 1971 (Act), as amended, authorizes the 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 other post-employment benefits ("OPEB"). The eligibility provisions for the SURS members were defined within Note 7(a).

The State recognizes SEGIP OPEB benefits as a single-employer defined benefit plan, which does not issue a stand-alone financial report.

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

Funding policy and annual other postemployment benefit cost: OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retirement members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. The Director of CMS shall, on an annual basis, determine the amount the State shall contribute toward funding the basic program of group health benefits. State 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 health insurance benefit and a separate trust has not been established for the funding of OPEB.

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

Special funding situation of OPEB: The proportionate share of the State's OPEB expense relative to the System's former employees or retirees was estimated to be ($2,537,258) during the year ended June 30, 2022. The amount of the total proportionate share of the total OPEB liability to be recognized by the System related to the special funding situation is $0.

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

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

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

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

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

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

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

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

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

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

(8) Commitments

At June 30, 2022, the System had commitments on various construction projects and contracts for repairs and renovation of auxiliary facilities of $30,714,974.

(9) Subsequent Event

On November 17, 2022, the University entered into a public-private partnership in order to finance, design, develop, construct, equip, and own: (1) an instructional facility to be known as the South Campus Center for Interdisciplinary Learning, along with associated site development and various related amenities and improvements (Learning Facility); and (2) a standalone parking facility, along with associated site development and various related amenities and improvements (Parking Facility). The Parking Facility will replace existing System surface parking spaces that will be removed to allow for the construction of the Learning Facility. Once completed, the Parking Facility will be part of the System.

Schedule of University of Illinois Auxiliary Facilities System Proportionate Share of the Net Pension Liability

Measurement Date:	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
(a) Proportion Percentage of the Collective Net Pension Liability	0%	0%	0%	0%	0%	0%	0%	0%
(b) Proportion Amount of the Collective Net Pension Liability	$0	$0	$0	$0	$0	$0	$0	$0
(c) Portion of Nonemployer Contributing Entities' Total Proportion of Collective Net Pension Liability associated with Employer	$435,926,154	$463,708,982	$469,646,501	$481,127,752	$439,226,001	$454,842,862	$405,968,461	$376,037,733
Total (b) + (c)	$435,926,154	$463,708,982	$469,646,501	$481,127,752	$439,226,001	$454,842,862	$405,968,461	$376,037,733
Employer defined benefit covered payroll	$58,031,406	$62,611,182	$63,305,672	$61,876,367	$61,699,212	$60,763,503	$61,425,191	$60,842,520
Proportion of Collective Net Pension Liability associated with Employer as a percentage of defined benefit covered payroll	751.19%	740.62%	741.87%	777.56%	711.88%	748.55%	660.92%	618.05%
SURS Plan Net Position as a Percentage of Total Pension Liability	45.45%	39.05%	40.71%	41.27%	42.04%	39.57%	42.37%	44.39%

* GASB Statement #82 amended GASB Statements #67 & #68 to require the presentation of covered payroll, defined as payroll on which contributions to a pension plan are based, and ratios that use that measure. For the SURS plans, the covered payroll are those employees within the defined benefit plan.

(Continued)

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

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

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

- Salary increase. Change in the overall assumed salary increase rates, ranging from 3.00 percent to 12.75 percent based on years of service, while maintaining the underlying wage inflation rate of 2.25 percent.

- Investment return. Decrease the investment return assumption to 6.50 percent. This reflects decreasing the assumed real rate of return to 4.25 percent and maintaining the underlying assumed price inflation of 2.25 percent.

- Effective rate of interest. Decrease the long-term assumption for the effective rate of interest for crediting the money purchase accounts to 6.50 percent.

- Normal retirement rates. Establish separate rates for members in academic positions and non-academic positions to reflect that retirement rates for academic positions are lower than for non-academic positions.

- Early retirement rates. Establish separate rates for members in academic positions and non-academic positions to reflect that retirement rates for academic positions are lower than for non-academic positions.

- Turnover rates. Change rates to produce slightly lower expected turnover for most members, while maintaining a pattern of decreasing termination rates as years of service increase.

- Mortality rates. Change from the RP-2014 to the Pub-2010 mortality tables to reflect the latter's higher applicability to public pensions. Update the projection scale from the MP-2017 to the MP-2020 scale.

- Disability rates. Establish separate rates for members in academic positions and non-academic positions and maintain separate rates for males and females.

- Plan election. Change plan election assumptions to 75 percent Tier 2 and 25 percent Retirement Savings Plan (RSP) for non-academic members. Change plan election assumptions to 55 percent Tier 2 and 45 percent Retirement Savings Plan (RSP) for academic members.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

ANNUAL FINANCIAL REPORT FOR THE UNIVERSITY OF ILLINOIS FOR THE YEAR ENDED JUNE 30, 2022

[THIS PAGE INTENTIONALLY LEFT BLANK]

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)

Annual Financial Report

June 30, 2022

(With Independent Auditor's Report Thereon)

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)

Annual Financial Report

June 30, 2022

Table of Contents

UNIVERSITY OF ILLINOIS SYSTEM

Office of the Vice President, Chief Financial Officer and Comptroller

February 3, 2023

I am pleased to present the Annual Financial Report for the University of Illinois. The report provides information regarding the University of Illinois' financial position as of June 30, 2022, and the results of operations and cash flows for the fiscal year.

Although the University has endured the uncertainties of a global pandemic, its financial position remains strong. Diversified revenue sources and judicious spending have assisted the University in achieving positive financial results. The University of Illinois provides world-class education, delivers exceptional patient care, and performs innovative research activities. Additionally, the University helped to control the spread of the coronavirus throughout the entire state of Illinois during the fiscal year 2022 through its COVID-19 Shield testing. Through Shield and its other healthcare programs, the University of Illinois continues to contribute to the health and safety of communities throughout the state.

The University of Illinois' tradition of excellence in teaching, research, public service, healthcare, and economic development has made it a distinguished leader in higher education and an institution that makes the State, nation, and the entire world a better place.

Respectfully,

SIGNED ORIGINAL ON FILE

Paul Ellinger
Vice President, Chief Financial Officer, and Comptroller

349 Henry Administration Building • 506 South Wright Street • Urbana, Illinois 61801
Office (217) 333-1560 • Fax (217) 244-8108

RSM US LLP

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
University of Illinois

Report on the Audit of the Financial Statements

Opinions

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

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

We did not audit the financial statements of the University of Illinois Foundation; Wolcott, Wood, and Taylor, Inc.; Prairieland Energy, Inc.; Illinois Ventures, LLC; The University of Illinois Research Park, LLC, Illinois Global Gateway, LLC, and Shield T3, LLC, which represent 99%, 99%, and 99%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2022. 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 aggregate discretely presented component units, 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of all of the discretely presented component units were not audited in accordance with *Government Auditing Standards.*

Emphasis of Matters
As discussed in Note 1(u) to the financial statements of the University, in Fiscal Year 2022, the University adopted Governmental Accounting Standards Board's Statement No. 87, *Leases*. The adoption of this statement resulted in the inclusion of intangible right-to-use assets, lease receivable, deferred inflow of resources, and a lease liability.

Further, as discussed in Note 10 to the financial statements, in Fiscal Year 2022, the fiduciary fund statement net position as of July 1, 2021 was restated to correct a material misstatement.

Our opinions are not modified with respect to these matters.

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 judgment made by a reasonable user based on the financial statements.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 judgment, 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 on pages 5-12, the Schedule of the University's Share of the Net Pension Liability and the Schedule of Contributions for Pensions on page 76, the Schedule of the University's Proportionate Share of the Total OPEB Liability on page 78, and the Notes to the Required Supplementary Information on page 77 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Schedule of Operating Expenses on page 79 is 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 Schedule of Operating Expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information
Management is responsible for the other information included in the annual report. The other information comprises the University Officials page and Transmittal Letter but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

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

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
February 3, 2023

Introduction and Background

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the University of Illinois (University) for the year ended June 30, 2022. The MD&A should be read in conjunction with the audited financial statements and notes appearing in this report.

The University serves the people of Illinois through a commitment to excellence in teaching, research, public service, economic development and healthcare. With main campus locations in Urbana-Champaign, Chicago and Springfield, the University currently enrolls nearly 95,000 talented students in hundreds of programs-many of them ranked among the best in the nation. Faculty members are world leaders in research and discovery and contribute new knowledge and life changing breakthroughs in a variety of fields. In addition to the three main campuses, the University has teaching and service facilities, including regional campuses and extension offices, located throughout the State of Illinois.

Using the Financial Statements

The University's financial report includes: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; the Statement of Cash Flows; the Statement of Fiduciary Net Position; and the Statement of Changes in Fiduciary Net Position. The financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements focus on the University as a whole. The University's fiduciary activities are reported in the fiduciary financial statements.

The financial statements encompass the University and its discretely presented component units: University of Illinois Foundation; University of Illinois Alumni Association; Wolcott, Wood and Taylor, Inc.; Illinois Ventures, LLC; University of Illinois Research Park, LLC; Prairieland Energy, Inc.; Illinois Global Gateway, LLC; and Shield T3, LLC. This MD&A excludes the discretely presented component units. Condensed financial information regarding those component units is disclosed separately in Note 16 to the financial statements. In addition, the 2021 amounts disclosed in this MD&A do not reflect restated amounts for changes in accounting principles effective July 1, 2021.

Financial Highlights and Key Trends

The University ended fiscal year 2022 with positive financial results thanks to its diversified revenue sources, prudent financial decisions, and returning to in-person operations. Additionally, funding from federal stimulus programs and the State of Illinois helped with revenue losses and additional expenses associated with the COVID-19 pandemic. This funding also provided additional financial aid for University students. The University ended the fiscal year with a $553 million increase in net position after the restatement for the change in accounting principles.

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the University using the accrual basis of accounting. Net position is one indicator of the current financial condition of the institution. The changes in net position that occur over time indicate improvement or deterioration in financial condition. Generally, assets and liabilities are reported at cost with the exception of investments, which are reported at fair value. Capital assets are reported at historical cost less accumulated depreciation and amortization. A summarized comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, 2022 and 2021 is as follows:

	2022	2021
	(In thousands)	
Current assets:		
Cash and investments	$ 1,776,656	$ 1,308,896
Accounts, notes and lease receivable	723,352	624,187
Appropriations receivable from State of Illinois	16,989	1,378
Other current assets	93,307	96,357
Noncurrent assets:		
Cash and investments	2,442,025	2,691,470
Notes and lease receivable	59,312	32,065
Capital assets, net of accumulated depreciation and amortization	4,343,790	4,286,102
Other noncurrent assets	62,539	46,274
Deferred outflows of resources	285,739	123,758
Total assets and deferred outflows of resources	$ 9,803,709	$ 9,210,487
Current liabilities:		
Accounts payable, accrued liabilities and unearned revenue	$ 917,971	$ 993,515
Bonds payable	50,215	72,813
Certificates of participation, leases payable and other obligations	37,997	38,669
Other postemployment benefits	26,341	27,616
Other current liabilities	78,753	98,040
Noncurrent liabilities:		
Bonds payable	1,139,190	1,171,744
Certificates of participation, leases payable and other obligations	249,266	218,915
Other postemployment benefits	1,041,741	1,072,703
Other noncurrent liabilities	477,419	468,883
Deferred inflows of resources	492,452	309,766
Total liabilities and deferred inflows of resources	4,511,345	4,472,664
Net position	5,292,364	4,737,823
Total liabilities, deferred inflows of resources, and net position	$ 9,803,709	$ 9,210,487

Total assets and deferred outflows of resources increased by $593 million or 6.4% during fiscal year 2022. The University had an increase in cash and investments due to an increase in revenues from operating activities. In addition, there was an increase in lease receivables and capital assets due to the implementation of a new lease accounting standard.

Total liabilities and deferred inflows of resources increased $38 million, or 0.9% for fiscal year 2022. This change primarily resulted from an increase in deferred inflows of resources due to the implementation of a new lease accounting standard in fiscal year 2022.

Capital Assets and Long-Term Debt

The University's policy requires the capitalization of equipment and all intangible right-of-use assets at $5,000, software and other intangibles at $250,000, buildings and improvements at $250,000, infrastructure at $1,000,000 and all land and collection purchases regardless of cost. The University depreciates and amortizes capital and right-of-use assets on a straight-line basis, using estimated useful lives ranging from 3 to 50 years or over the lease term for intangible right-of-use assets. For more information on capital assets, please see Note 4. The following table illustrates the composition of the University's capital assets, net of accumulated depreciation and amortization, if applicable, by category:

Capital Assets, Net of Accumulated Depreciation and Amortization
(In thousands)

	2022		2021	
Buildings	$ 3,136,372	72.2%	$ 3,069,747	71.6%
Improvements and infrastructure	200,396	4.6	215,154	5.0
Construction in progress	257,935	5.9	321,926	7.5
Land	150,807	3.5	141,525	3.3
Equipment and software	381,081	8.8	394,796	9.2
Collections	145,066	3.3	142,954	3.4
Right-of-use	72,133	1.7		
	$ 4,343,790	100.0%	$ 4,286,102	100.0%

Capital assets, net of accumulated depreciation and amortization, increased by $58 million in fiscal year 2022. The increase primarily resulted from the addition of right-of-use assets due to the implementation of new lease accounting standards. The University also had significant improvements and additions to buildings in Urbana-Champaign including Wardall Hall, Townsend Hall, Siebel Center for Design, Talbot Laboratory, Sidney Lu Mechanical Engineering Building, Demirjian Park Stadium, and Veterinary Teaching Hospital, and, in Chicago, the University of Illinois Hospital (Hospital). In addition, land was donated for the future site of the Discovery Partners Institute building.

The University has historically utilized revenue bonds to finance capital projects related to the Auxiliary Facilities System (AFS), the Health Services Facilities System (HSFS) and the University of Illinois – Chicago (UIC) South Campus. For additional information about bonds payable see Note 7. The following table details the various bonded debt outstanding at June 30, 2022 and 2021.

Bonds Payable
(In thousands)

	2022	2021
AFS	$ 1,094,650	$ 1,137,848
HSFS	93,983	98,034
UIC South Campus	772	8,675
	$ 1,189,405	$ 1,244,557

The University has issued certificates of participation (certificates). The outstanding certificates have funded projects such as utility infrastructure, UIC College of Medicine facilities and deferred maintenance on medical, academic and research facilities. The outstanding balances of the certificates as of June 30, 2022 and 2021 were $52,787,000 and $79,990,000, respectively. The reduction in the outstanding balance of the certificates was due to scheduled redemptions.

Net Position

The University's resources are classified into net position categories on the Statement of Net Position. These categories are defined as (a) Net investment in capital assets, (b) Restricted nonexpendable – net position restricted by externally imposed stipulations, (c) Restricted expendable – net position subject to externally imposed restrictions that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time and (d) Unrestricted – net position not subject to externally imposed stipulations but may be designated for specific purposes by action of management or the Board of Trustees. The University's net position increased prior to the restatement by $555 million during fiscal year 2022. Net position balances are below:

Net Position
(In thousands)

	2022	2021
Net position:		
Net investment in capital assets	$ 2,847,229	$ 2,826,150
Restricted	1,137,387	1,048,038
Unrestricted	1,307,748	863,635
	$ 5,292,364	$ 4,737,823

The overall increase in net position after restatement of $553 million included growth in capital assets due to new construction and increased operating activities in several areas. The largest increase was in unrestricted net position in auxiliary enterprises, hospital and other medical activities, and educational and other activities.

Statement of Revenues, Expenses and Changes in Net Position

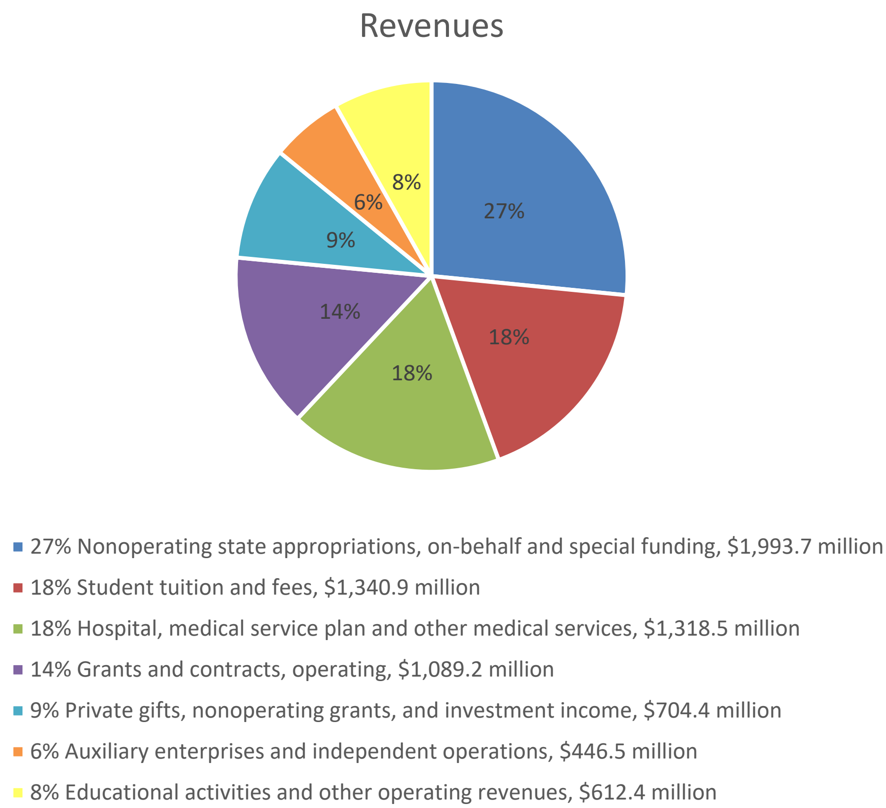
The Statement of Revenues, Expenses and Changes in Net Position presents the University's results of operations. In accordance with GASB reporting standards, revenues and expenses are classified as either operating or nonoperating. A summarized comparison of the University's Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2022 and 2021 is as follows:

	2022	2021
	(In thousands)	
Operating revenues:		
Student tuition and fees	$ 1,340,843	$ 1,232,010
Hospital, medical service plans and other medical activities	1,318,512	1,136,570
Grants and contracts	1,089,222	998,853
Auxiliary enterprises and independent operations	446,532	301,032
Educational and other activities	593,679	362,824
Other	18,721	21,597
Total operating revenues	4,807,509	4,052,886
Operating expenses	6,940,460	7,102,983
Operating loss	(2,132,951)	(3,050,097)
Nonoperating revenues (expenses):		
State appropriations, on behalf, and special funding situation	2,020,726	2,559,347
Transfer of state appropriation to the Illinois Hospital Services Fund	(27,000)	(26,250)
Private gifts	218,231	241,031
Grants, contracts, and COVID-19 relief funding	423,678	412,279
Investment income	62,473	57,490
Change in fair value of investments	(138,202)	188,423
Interest expense	(53,747)	(44,953)
Other nonoperating revenues, net	126,271	121,735
Net nonoperating revenues	2,632,430	3,509,102
Capital state appropriations and capital gifts and grants	53,127	27,590
Endowment gifts	196	198
Increase in net position	552,802	486,793
Net position, beginning of year	4,737,823	4,028,010
Restatements	1,739	223,020
Net position, beginning of year, as restated	4,739,562	4,251,030
Net position, end of year	$ 5,292,364	$ 4,737,823

Revenues

The University's revenues are generated from multiple sources, which supplement what is received from State appropriations and student tuition and fees. GASB reporting standards require revenues to be categorized as operating or nonoperating. Operating revenues are derived from activities associated with providing goods and services by the University and generally result from exchange transactions where each of the parties to the transaction either give up or receive something of equal or similar value. The University also relies on revenue, such as State appropriations, gifts, certain grants and investment income to support operations, which GASB reporting standards define as nonoperating.

The following graph illustrates the revenues by source (both operating and certain nonoperating), which were used to fund the University's operating activities for the year ended June 30, 2022:



Operating revenues experienced a net increase of $755 million in fiscal year 2022 due to growth in tuition and fees, educational and other activities, hospital and other medical activities and medical service plan revenue.

Nonoperating revenues decreased by $546 million in fiscal year 2022. The most significant reason for the decrease in nonoperating revenues resulted from a decrease in on-behalf and special funding revenues from the State of Illinois (State), which fluctuates each year based on many factors related to actuarial calculations. There was an increase in state appropriations of $36 million that partially offset the decrease noted above. Nonoperating revenues also include $164 million related to the Higher Education Emergency Relief Fund (HEERF) federal stimulus program, comprising $80 million for student financial aid and $84 million for the institutional portion.

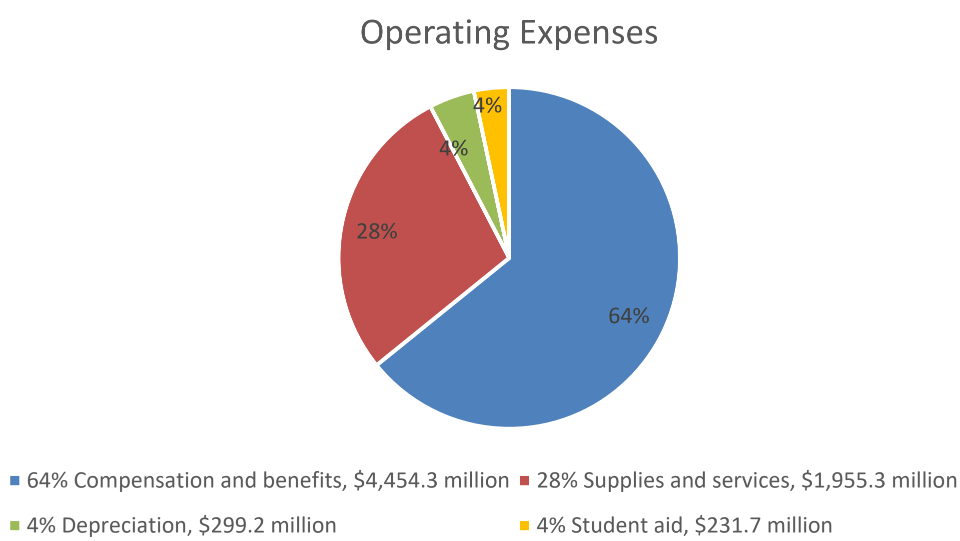
Expenses

The majority of the University's expenses are exchange transactions, which GASB standards define as operating expenses. Nonoperating expenses include capital financing and other costs related to capital assets.

	2022		2021	
	(In thousands)			
Operating expenses:				
Instruction	$ 1,683,276	24.3%	$ 1,866,922	26.3%
Research	1,010,241	14.6	1,003,939	14.1
Public service	631,864	9.1	539,448	7.6
Support services	1,220,478	17.6	1,350,357	19.0
Hospital and medical activities	1,215,541	17.5	1,271,267	17.9
Auxiliary enterprises and independent operations	397,795	5.7	362,980	5.1
Scholarships and fellowships	156,563	2.3	128,851	1.8
Operation and maintenance of plant	325,505	4.6	309,095	4.4
Depreciation	299,197	4.3	270,124	3.8
Total operating expenses	$ 6,940,460	100.0%	$ 7,102,983	100.0%

The University's operating expenses decreased by $163 million, or 2.3% in fiscal year 2022. This decrease was primarily due to a decrease in on-behalf and special funding from the State of $575 million. The University's proportionate share of special funding and on-behalf fringe benefits, including OPEB, is spread among various functional operating expenses. Users of these financial statements may find additional detail in this area helpful to better understand the components of total compensation and benefits and the impact on functional operating expenses. On page 79 of this report, the University has additional information detailing the impact of these allocations on the functional operating expenses. Excluding the decrease in special funding and on-behalf expenses, operating expenses increased by $413 million, or 8.0%, which was primarily due to increases in supplies and services related to foreign and domestic travel, scientific and laboratory supplies related to COVID-19 testing and the Coursera online learning platform.

The University reports its expenses by functional classifications in the Statement of Revenues, Expenses and Changes in Net Position. For the reader's information, the expenses are displayed in their natural classifications in Note 14. The following graph illustrates the $6,940.5 million of operating expenses by natural classification:



The University’s Economic Outlook

A strong financial position is critical to continued excellence of the University’s academic programs. The University continues to focus on maintaining its multiple sources of revenues in tandem with prudent financial management to manage these challenges.

A strong financial partnership with the State is an important component to the University's financial position since State appropriations provide essential operating support for programs across the University. The State passed a supplemental appropriation for general operations late in fiscal year 2022, increasing the appropriation to $666 million. An additional $3.5 million was added for fiscal year 2023 bringing the total appropriation for fiscal year 2023 to $669.5 million. The additional funding for fiscal year 2023 was primarily related to specific initiatives at the University of Illinois – Urbana - Champaign (UIUC) and the University of Illinois - Springfield.

Overall enrollment continues to rise despite the COVID-19 pandemic, setting yet another enrollment record for fall 2022. For fiscal year 2023, the University estimates tuition revenue to increase by $73 million. The incremental tuition revenue for fiscal year 2023 considers enrollment changes, including resident, non-resident, and international student mix, changes in enrollment patterns between programs, undergraduate guarantee tuition cohort increases from fall 2022, and increases to a select few graduate and professional programs.

UIUC and UIC consistently rank among the top universities in research and development expenditures in the country. Research leading to the development of new products and services is also an engine driving economic development, which is an important component of the University's mission. The University continues to advance the economic development mission by supporting research and innovation activities that transform ideas into sustainable businesses and global solutions.

Healthcare is an important mission of the University. The Hospital has always provided state-of-the-art, comprehensive medical care to patients from across the region, including some of the State’s most vulnerable citizens. The new Health Specialty Care Building, opening in September 2022, has expanded critical patient services by providing six floors of patient care space, with eight operating rooms and 24 pre-post bays for outpatient surgery, exam and treatment rooms.

The University is committed to maintaining the health and safety of its students, faculty and staff and preserving the excellence of its programs. The University's Board of Trustees, the administration, faculty, and staff are committed to upholding the University's outstanding academic reputation and strong financial position.

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)
Statement of Net Position
June 30, 2022
(In thousands)

Assets and Deferred Outflows of Resources	University 2022	Discretely Presented Component Units 2022
Current assets:		
Cash and cash equivalents	$ 1,082,494	$ 44,030
Cash and cash equivalents, restricted	154,592	1,725
Investments	410,405	286
Investments, restricted	129,165	
Accrued investment income	7,728	537
Accounts receivable, net of allowances for uncollectible	711,534	18,655
Appropriations receivable from State of Illinois	16,989	
Pledges receivable, net of allowance for uncollectible		62,305
Notes receivable, net of allowance for uncollectible	8,147	
Leases receivable	3,671	121
Accrued interest on notes and leases receivable	4,022	
Inventories	31,565	1,298
Prepaid expenses, deposits and other assets	49,992	4,820
Total current assets	2,610,304	133,777
Noncurrent assets:		
Cash and cash equivalents, restricted	8,478	860
Investments	1,541,487	33,331
Investments, restricted	892,060	2,753,022
Pledges receivable, net of allowance for uncollectible		170,695
Notes receivable, net of allowance for uncollectible	29,220	
Leases receivable	30,092	11,084
Capital assets, nondepreciable	435,765	330
Depreciable and amortizable capital assets, net	3,908,025	58,012
Irrevocable trusts held by other trustees	21,069	
Other assets	41,470	140
Total noncurrent assets	6,907,666	3,027,474
Deferred outflows of resources	285,739	63
Total assets and deferred outflows of resources	$ 9,803,709	$ 3,161,314
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Accounts payable and accrued liabilities	$ 472,256	$ 34,226
Accrued payroll	205,813	333
Accrued compensated absences	22,925	2,518
Accrued self-insurance	42,714	
Unearned revenue and student deposits	239,902	12
Accrued interest payable	13,114	
Bonds payable, net	50,215	
Certificates of participation payable	9,765	
Leases payable	17,747	405
Other obligations	10,485	16,427
Other postemployment benefits	26,341	
Total current liabilities	1,111,277	53,921
Noncurrent liabilities:		
Bonds payable, net	1,139,190	
Certificates of participation payable, net	43,022	
Leases payable	55,153	1,326
Notes payable		9,813
Other obligations	151,091	46,385
Accrued compensated absences	227,310	
Accrued self-insurance	249,551	
Other postemployment benefits	1,041,741	
Derivative instruments– liability	558	
Total noncurrent liabilities	2,907,616	57,524
Deferred inflows of resources	492,452	21,233
Total liabilities and deferred inflows of resources	4,511,345	132,678
Net position:		
Net investment in capital assets	2,847,229	46,798
Restricted:		
Nonexpendable	142,367	1,570,178
Expendable	995,020	1,295,491
Unrestricted	1,307,748	116,169
Total net position	5,292,364	3,028,636
Total liabilities, deferred inflows of resources and net position	$ 9,803,709	$ 3,161,314

See accompanying notes to financial statements.

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022
(In thousands)

	University 2022	Discretely Presented Component Units 2022
Operating revenues:		
Student tuition and fees, net of scholarship allowance of $483,673	$ 1,340,843	$
Federal appropriations	18,721	
Federal grants and contracts	820,930	
State of Illinois grants and contracts	86,440	
Private and other government agency grants and contracts	181,852	178,634
Educational and other activities	593,679	
Auxiliary enterprises, net	435,883	
Hospital and other medical activities, net	1,023,211	
Medical service plan	295,301	
Independent operations	10,649	
Allocation from the University		12,934
Other sources		176,936
Total operating revenues	4,807,509	368,504
Operating expenses:		
Instruction	1,683,276	
Research	1,010,241	
Public service	631,864	
Academic support	649,195	
Student services	249,251	
Institutional support	322,032	179,465
Operation and maintenance of plant	325,505	
Scholarships and fellowships	156,563	
Auxiliary enterprises	389,384	
Hospital and medical activities	1,215,541	
Independent operations	8,411	
Depreciation and amortization	299,197	5,263
Distributions to the University		240,115
Total operating expenses	6,940,460	424,843
Operating loss	(2,132,951)	(56,339)
Nonoperating revenues (expenses):		
State appropriations	665,024	
Transfer of state appropriations to the Illinois Hospital Services Fund	(27,000)	
Private gifts	218,231	
Grants and contracts	423,678	
On-behalf for fringe benefits	336,416	
Special funding situation for fringe benefits	1,019,286	
Net investment income (loss) (net of investment expense of $5,783)	62,473	(1,796)
Net decrease in the fair value of investments	(138,202)	(194,074)
Interest expense	(53,747)	(109)
Loss on disposal of capital assets	(7,864)	
Other nonoperating revenues (expenses), net	134,135	(5,983)
Net nonoperating revenues (expenses)	2,632,430	(201,962)
Income (loss) before other revenues	499,479	(258,301)
Capital state appropriations	29,985	
Capital gifts and grants	23,142	
Private gifts for endowment purposes	196	82,753
Increase (decrease) in net position	552,802	(175,548)
Net position, beginning of year	4,737,823	3,203,899
Restatement, change in accounting principle	1,739	285
Net position, beginning of year, as restated	4,739,562	3,204,184
Net position, end of year	$ 5,292,364	$ 3,028,636

See accompanying notes to financial statements.

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)
Statement of Cash Flows
Year ended June 30, 2022
(In thousands)

	University 2022
Cash flows from operating activities:	
Student tuition and fees	$ 1,333,972
Federal appropriations	17,492
Federal, state, and local grants and contracts	879,062
Other governmental agencies and private grants and contracts	160,691
Sales and services of educational and other activities	499,809
Auxiliary activities and independent operations	448,992
Hospital and other medical activities	985,562
Medical service plan	284,584
Receipt of cash held for others	74,687
Payment of cash held for others	(74,687)
Payments to employees and for benefits	(3,115,066)
Payments to suppliers	(1,926,931)
Payments for scholarships and fellowships	(226,937)
Student loans issued	(5,148)
Student loans collected	8,103
Net cash used in operating activities	(655,815)
Cash flows from noncapital financing activities:	
State appropriations	597,520
Gifts transferred from University of Illinois Foundation	218,231
Direct lending receipts	461,400
Direct lending payments	(463,075)
Grants, contracts and COVID-19 relief funds, nonoperating	463,912
Private gifts for endowment purposes	196
Other receipts	91,532
Other disbursements	(1,582)
Net cash provided by noncapital financing activities	1,368,134
Cash flows from capital and related financing activities:	
Proceeds from issuance of capital debt including premiums	158,321
State capital appropriations	550
Capital gifts and grants	7,733
Purchase of capital assets	(241,143)
Principal payments on bonds, capital leases, and other obligations	(251,352)
Interest payments on bonds, capital leases, and other obligations	(65,414)
Payment of capital debt issuance costs	(1,900)
Net cash used in capital and related financing activities	(393,205)
Cash flows from investing activities:	
Interest and dividends on investments, net	28,722
Proceeds from sales and maturities of investments	2,430,394
Purchase of investments	(2,498,562)
Net cash used in investing activities	(39,446)
Net increase in cash and cash equivalents	279,668
Cash and cash equivalents, beginning of year	965,896
Cash and cash equivalents, end of year	$ 1,245,564

(Continued)

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)
Statement of Cash Flows
Year ended June 30, 2022
(In thousands)

		University 2022
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(2,132,951)
Adjustments to reconcile operating loss to net cash used in operating activities:		
On-behalf and special funding situation for fringe benefits expense		1,355,702
Health insurance costs paid to Central Management Services by State Comptroller		24,893
Depreciation and amortization expense		299,197
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Accounts receivable, net		(119,615)
Notes receivable, net		2,849
Lease receivable		3,674
Inventories		490
Prepaid expenses and deposits		1,838
Deferred outflow of resources		(166,229)
Accounts payable and accrued liabilities		10,226
Accrued payroll		6,540
Unearned revenue and student deposits		(76,867)
Accrued compensated absences		(3,570)
Accrued self-insurance		19,533
Other postemployment benefits		(32,237)
Deferred inflows of resources		150,712
Net cash used in operating activities	$	(655,815)
Noncash investing, capital, and financing activities:		
On-behalf for fringe benefits nonoperating revenue	$	336,416
Special funding for fringe benefits nonoperating revenue		1,019,286
State appropriation		51,893
Transfers of state appropriations to Illinois Hospital Services Fund		(27,000)
State appropriation paid to Central Management Services by State Comptroller		(24,893)
Net decrease in fair value of investments		(138,202)
Gifts in kind and grants – capital assets		22,617
Decrease of capital asset obligations in accounts payable		(16,615)
Capital asset acquisitions by Capital Development Board		29,435
Capital assets leased		36,695
Other increases in capital assets		1,274
Loss on disposal of capital assets		(7,864)
Capital appreciation on bonds payable	$	1,019

See accompanying notes to financial statements.

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)
Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position
June 30, 2022 and Year ended June 30, 2022
(In thousands)

Statement of Fiduciary Net Position

		Custodial Funds
Assets:		
Current assets:		
Cash and cash equivalents	$	23,898
Right-of-use - building		332
Prepaid deductions and other current assets		909
Total assets	$	25,139
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	$	3,575
Unearned additions		112
Lease payable		122
Long-term lease payable		211
Total liabilities		4,020
Net position:		
Restricted - organizations		21,119
Total liabilities and net position	$	25,139

Statement of Changes in Fiduciary Net Position

		Custodial Funds
Additions:		
Collections from third party	$	29,865
Software and electronic licenses sales and fees		19,292
Other sources		4,398
Total additions		53,555
Deductions:		
Professional and other contractual services		9,154
Software and electronic licenses purchased for resale		40,344
Utilities and supplies		1,430
Amortization expense		127
Administrative services		50
Investment loss		247
Other		1,414
Total deductions		52,766
Increase in fiduciary net position		789
Net position, beginning of year		27,630
Restatement, correction of an error		(7,300)
Net position, beginning of year, restated		20,330
Net position, end of year	$	21,119

(1) Organization and Summary of Significant Accounting Policies

Organization

The University of Illinois (University), a federal land grant institution, founded in 1867, conducts education, research, public service, and related activities principally at its three locations in Urbana-Champaign, Chicago, which includes the Hospital and other healthcare facilities, and Springfield. In addition, the University has a Medical Service Plan for the University's College of Medicine faculty in Chicago, Rockford and Peoria, which allows the faculty to charge for their professional services. The governing body of the University is The Board of Trustees of the University of Illinois (Board).

As required by U.S. generally accepted accounting principles, as prescribed by the Governmental Accounting Standards Board (GASB), these financial statements present the financial position and financial activities of the University (the primary government) and its component units as well as certain activities and expenses funded by other State agencies on behalf of the University or its employees. GASB also requires the presentation of the financial position and financial activities of the University's fiduciary activities. These activities are purely custodial in nature and represent transactions in which the University is acting in an agent capacity for other organizations such as academic alliances, consortiums, and student groups.

The discretely presented component units column in the financial statements includes the financial data of the University Related Organizations (UROs). The University of Illinois Foundation (Foundation), the University of Illinois Alumni Association (Alumni Association), Wolcott, Wood and Taylor, Inc. (WWT), Prairieland Energy, Inc. (Prairieland), Illinois Ventures, LLC (Illinois Ventures), the University of Illinois Research Park, LLC (Research Park), Illinois Global Gateway, LLC (Illinois Global Gateway), and Shield T3, LLC (Shield T3) are included in the University's reporting entity (Entity) because of the significance of their operational or financial relationship with the University and is in accordance with GASB Statement No. 61. These component units are discretely presented in a separate column and are legally separate from the University.

The Foundation was formed for the purpose of providing fundraising and other assistance to the University in order to attract private gifts to support the University's instructional, research and public service activities. In this capacity, the Foundation solicits, receives, holds and administers gifts for the benefit of the University. Complete financial statements for the Foundation may be obtained by writing to the Chief Financial Officer, 400 Harker Hall, 1305 W. Green Street, Urbana, Illinois 61801.

The Alumni Association was formed to promote the general welfare of the University and to encourage and stimulate interest among students, former students and others in the University's programs. In this capacity, the Alumni Association offers memberships in the Alumni Association to former students, conducts various activities for students and alumni, and publishes periodicals for the benefit of alumni. Complete financial statements for the Alumni Association may be obtained by writing to the Chief Financial Officer, Alice Campbell Alumni Center, 601 S. Lincoln Avenue, Urbana, Illinois 61801.

WWT was formed to provide practice management support services and operate as a billing/collection entity for healthcare activities under the laws of the State. Complete financial information may be obtained by writing to the President and CEO, 200 W. Adams, Suite 225, Chicago, Illinois 60606.

Prairieland was approved by the Board of Trustees of the University in September 1996 to provide low-cost energy commodities and utility services for the benefit of the University and others. Prairieland provides an efficient vehicle for flexible, nimble and real-time participation in wholesale energy markets, resulting in cost savings and other benefits to the University. Complete financial information may be obtained by writing to the Controller, 807 S. Wright Street, Suite 340, Champaign, Illinois 61820.

Illinois Ventures exists to facilitate the development of new companies commercializing technology originated or developed by faculty, staff, students and/or alumni of the University and other organizations. The University desires Illinois Ventures to foster technology commercialization and economic development in accordance with the teaching, research and public service missions of the University. Complete financial information may be obtained by writing to the CEO and Managing Director, 200 S. Wacker Drive, 20th Floor, Chicago, Illinois 60606.

Research Park was formed to aid and assist the University and other organizations by establishing and operating a research park with offices located in Champaign, Illinois. Research Park's jurisdiction extends to oversight of the research park in Urbana-Champaign. This jurisdiction also extends to potential research parks in Illinois where the University has some operating responsibility by statute or contract. The Research Park was designed to promote the development of new companies, which commercialize University technologies and attract established companies to partner with the University in research and development activities and to prepare the workforce for the next generation. Complete financial information may be obtained by writing to the Associate Director of Administration, University of Illinois Research Park, LLC, 60 Hazelwood Drive, Champaign, Illinois 61820.

Illinois Global Gateway was formed to establish and to maintain physical presence in strategic locations throughout the world to pursue strategic objectives of the University. Complete financial information may be obtained by writing to the Treasurer, Illinois Global Gateway, LLC, 506 S. Wright Street, Suite 349, Urbana, Illinois 61801.

Shield T3 was formed to expand the reach of saliva-based coronavirus infectious disease 2019 (COVID-19) testing pioneered by University of Illinois researchers. Shield T3 aims to provide a quality test and testing system to curb the spread of the COVID-19 pandemic. Complete financial information may be obtained by writing to the Chief Financial Officer, 506 S. Wright Street, Urbana, Illinois 61801.

The Foundation, Alumni Association, WWT, Prairieland, Illinois Ventures, Research Park, Illinois Global Gateway, and Shield T3 are related organizations as defined under *University Guidelines* adopted by the State's Legislative Audit Commission.

The Entity is a component unit of the State for financial reporting purposes. The financial balances and activities included in these financial statements are, therefore, also included in the State's annual comprehensive financial report.

Significant Accounting Policies

(a) ***Financial Statement Presentation and Basis of Accounting***

University

The University prepared its financial statements as a business-type activity, as defined by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. Business-type activities are those financed in whole or in part by fees charged to external parties for goods and services.

The University financial statements including its fiduciary financial statements use the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grant and contract revenues, which are received or receivable from external sources, are recognized as revenues to the extent of related expenses and/or satisfaction of eligibility requirements. Advances are classified as unearned revenue. Appropriations made from the State for the benefit of the University are recognized as nonoperating revenues when eligibility requirements are satisfied.

UROs

The financial statements of WWT, Prairieland, Illinois Ventures, Research Park, Illinois Global Gateway, and Shield T3 are prepared using the same presentation and basis of accounting as the University, as described above. The University holds a majority equity interest in these UROs which is reported within other assets on the University financial statements.

The Foundation and Alumni Association are nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation or Alumni Association financial information in the University's financial reporting entity for these differences. Only certain reclassifications have been made for consistency with the University's GASB reporting format.

(b) ***Cash and Cash Equivalents***

The Statement of Cash Flows details the change in the cash and cash equivalents balance for the fiscal year. Cash and cash equivalents include bank accounts and investments with original maturities of ninety days or less at the time of purchase. Such investments consist primarily of money market funds.

(c) ***Inventories***

Inventories are stated at the lower of cost or market. Cost is determined principally by the average cost method or the first-in, first-out method, depending on the type of inventory.

(d) ***Investments***

Investments are reported at fair value in accordance with guidelines defined by GASB Statement No. 72. Fair value is determined for the University's investments based upon a framework described in Note 2(f). The fair values of farm properties held as investments are determined by a periodic appraisal of the property by a certified real estate appraiser. Fair value for investments in certain mutual funds, hedge funds and private equity is determined using net asset values (NAV) as provided by external investment managers. Bank deposits, money market funds, and Illinois public treasurer's investment pool are recorded at cost.

Changes in fair value during the reporting period are reported as a net increase (decrease) in the fair value of investments. Net investment income includes interest, dividends, and realized gains and losses.

(e) ***Endowments***

For donor-restricted endowments, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in Illinois, permits the respective Boards of both the University and the Foundation to appropriate an amount of realized and unrealized endowment appreciation as they determine to be prudent. The University's policy is to retain the realized and unrealized appreciation (net appreciation) within the endowment pool after spending rule distributions.

University

The University's endowment pool investment policy follows the total return concept. The focus is to preserve the real value or purchasing power of endowment pool assets and the annual support the assets provide. Distributions are made from the University Endowment Fund to the University entities that benefit from the endowment funds. The endowment spending rule provides for an annual distribution of 4.1% of the two-quarter lagged, six-year moving average market value of fund units. At June 30, 2022, net appreciation of $136,953,000 was available to be spent, of which $104,660,000 was restricted to specific purposes.

URO – Foundation

Interpretation of Relevant Law: The board of directors of the Foundation interprets UPMIFA to require consideration of the following factors, if relevant, in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund
- The purposes of the institution and the endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the institution
- The investment policy of the institution

In accordance with the Foundation's interpretation of UPMIFA, absent explicit donor stipulations to the contrary, the Foundation shall classify as permanently restricted net assets (restricted – nonexpendable) the original value of the gifts donated to the permanent endowment, but such classification does not limit the expenditures from the endowment fund only to income, interest, dividends or rents, issues, or profits. The portion of the fund's value spendable annually for the donor-designated purpose is to be determined, from time to time, by the Foundation's board of directors, acting in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, considering the above relevant factors. The Foundation's Board approved spending was $109,267,000 for fiscal year ended June 30, 2022.

(f) ***Capital Assets***

Capital assets, which will be or are owned by the University, are recorded at cost or, if donated, at acquisition value at the date of a gift. Intangible right-of-use lease assets are recorded at cost based on the present value of expected payments over the term of the respective lease plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs that are ancillary charges necessary to place the lease asset into service. Depreciation and amortization of the capital assets is calculated on a straight-line basis over the estimated useful lives (noted below) of the assets, or over the shorter of the estimated useful lives or over the lease term for intangible right-of-use lease assets. The University's policy requires the capitalization of land and collection purchases regardless of cost, equipment and all intangible right-of-use assets over $5,000, software, easements, buildings and improvements over $250,000 and infrastructure over $1,000,000. The University does not capitalize collections, such as works of art or historical treasures, which are held for public exhibition, education or research in furtherance of public service rather than capital gain, unless they were previously capitalized as of June 30, 1999. Proceeds from the sale, exchange or other disposal of any item belonging to a collection must be applied to the acquisition of additional items for the same collection.

Estimated useful lives for capital assets are as follows:

	Useful life (In years)		Useful life (In years)
Buildings:		Improvements other than buildings:	
Shell	50	Site improvements	20
Service systems	25	Infrastructure	25
Fixed equipment	15		
Remodeling	25	Moveable equipment	3 – 20
Intangibles:			
Software	5 – 10	Exhaustible collections	10
Right-of-use lease	Shorter of the estimated useful lives or the lease term		

(g) ***Deferred Outflows of Resources***

Under hedge accounting, the University has determined that its interest rate swap agreement on bonds payable, as hedging derivative instruments, is an effective hedge. Accordingly, changes in the fair values of the interest rate swap, since being associated with the related outstanding bonds, are reported as deferred outflows of resources on the accompanying Statement of Net Position. Additionally, an interest rate swap reassigned to new debt, after a refunding of debt that the swap was previously hedging, normally have an other than zero fair value upon the reassociation. For a swap with a fair value of other than zero upon reassociation with a hedgeable item, the fair value is amortized as an adjustment to interest expense in a systematic manner.

Losses on refunding of the University's bonds and certificates of participation are reported as deferred outflows of resources on the accompanying Statement of Net Position. The losses on refundings are amortized over the life of the debt using the straight-line method.

Employer pension contributions made in fiscal year 2022 are reported as deferred outflows of resources.

Deferred outflows of resources also include OPEB contributions subsequent to the measurement date of OPEB liability as well as other OPEB sources as disclosed in Note 12.

Deferred Outflows of Resources

(In thousands)

		Ending balance
Interest rate swap agreements	$	226
Unamortized deferred loss on refunding		14,413
Pension contributions		42,074
OPEB (Note 12)		229,026
Total deferred outflows of resources	$	285,739

(h) ***Compensated Absences***

Accrued compensated absences for University personnel are charged as an operating expense, using the vesting method, based on earned but unused vacation and sick leave days including the University’s share of Medicare taxes.

(i) ***Premiums***

Premiums for bonds and certificates of participation are reported within bonds payable and certificates of participation payable, respectively, and are amortized over the life of the debt issue using the effective interest method.

(j) ***Deferred Inflows of Resources***

The University has split-interest agreements where the University is a beneficiary. At the inception of these agreements the University recognizes assets, liabilities and deferred inflows of resources on the accompanying Statement of Net Position.

Deferred inflows of resources related to leases in which the University is lessor are measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. The deferred inflows of resources are recognized as revenue over the term of the lease.

Facilities constructed and operated through a service concession arrangement (SCA) are reported as deferred inflows of resources. In a SCA, the day-to-day operations of the facility, or a portion thereof, is managed by a third party. Deferred inflows of resources are recognized when the SCA becomes effective and are amortized using the straight-line method over the life of the SCA.

Deferred inflows of resources also include OPEB sources as disclosed in Note 12.

Deferred Inflows of Resources

(In thousands)

		Ending balance
Irrevocable trusts	$	21,069
Leases (Note 8)		29,823
SCA (Note 8)		65,737
OPEB (Note 12)		375,823
Total deferred inflows of resources	$	492,452

(k) ***Net Position***

The Entity's resources are classified into net position categories and reported in the Statement of Net Position. These categories are defined as (a) Net investment in capital assets – capital assets net of accumulated depreciation and amortization along with related outstanding debt balances attributable to the acquisition, construction, or improvement of those assets; (b) Restricted nonexpendable – net position restricted by externally imposed stipulations; (c) Restricted expendable – net position subject to externally imposed restrictions that can be fulfilled by actions of the Entity pursuant to those stipulations or that expire by the passage of time, and (d) Unrestricted – net position not subject to externally imposed stipulations but may be designated for specific purposes by action of management or the Board. The Entity first applies resources in restricted net position when an expense or outlay is incurred for purposes for which resources in both restricted and unrestricted net positions are available.

(l) ***Classification of Revenues***

The Statement of Revenues, Expenses and Changes in Net Position classifies the Entity's fiscal year activity as operating and nonoperating. Operating revenues generally result from exchange transactions such as payments received for providing goods and services, including tuition and fees, net of scholarships and fellowships, certain grants and contracts, sales and services of educational activities, hospital, medical service plans, and auxiliary enterprises revenues. Certain revenue sources that the Entity relies on to provide funding for operations including State appropriations, federal grants, gifts, on-behalf for fringe benefits, special funding situation for fringe benefits and investment income are defined by GASB Statement No. 35 as nonoperating revenues. In addition, transactions related to capital and financing activities are components of nonoperating revenues.

In fiscal year 2022, the University allocated $27,000,000 of State appropriations for transfer to the University of Illinois Hospital Services Fund, which is a special fund established in the State Treasury pursuant to the State Finance Act, 30 ILCS 105/6z-30. This fund is owned and operated by the Illinois Department of Healthcare and Family Services. It is not part, or a related organization, of the University.

(m) ***Tuition, Scholarships and Fellowships***

Scholarships and fellowships of $483,673,000 and $37,006,000 are netted against student tuition and fees and auxiliary enterprises revenues, respectively. Stipends and other payments made directly to students are reported as scholarship and fellowship expense. Graduate and other employment related remissions are included with compensation and benefits and presented in instruction, research and other functional categories of operating expenses. Net tuition and fees, except for summer session, are recognized as revenues as they are assessed. The portion of summer session tuition and fees applicable to the following fiscal year are unearned and recognized in the next fiscal year.

(n) ***Patient Services Revenue – Hospital***

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates, discounted charges and per diem payments. Hospital patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated adjustments under reimbursement agreements with third-party payors, some of which are subject to audit by administrating agencies. These adjustments are accrued on an estimated basis and are adjusted in future periods.

Approximately 94% of the Hospital's net patient service revenues were derived from Medicare, Medicaid and managed care programs for the year ended June 30, 2022. Reimbursement under these programs provided for payments to the Hospital at amounts different from its established rates, based on a specific amount per case, or a contracted price, for rendering services to program beneficiaries. The Hospital records contractual allowances in the current period representing the difference between charges for services rendered and the expected payments under these programs and adjusts them in future periods as final settlements through cost reports or other means are determined. For the year ended June 30, 2022, the contractual allowances totaled $2,220,098,000.

The policy of the Hospital is to treat patients in immediate need of medical services without regard to their ability to pay for such services. The Hospital provides care without charge or at amounts less than its established rates to patients who meet the criteria of its charity care policy. This policy defines charity care and provides guidelines for assessing a patient's ability to pay. Eligibility is based on patient qualification, financial resources and service criteria. Because the Hospital does not pursue collection of amounts determined to be charity care, they are not reported as revenue.

The Hospital maintains records to identify and monitor the level of charity care provided. These records include the amount of estimated costs for services rendered and supplies furnished under its charity care policy. The estimated cost of charity care using the Hospital's cost-to-charge ratio was $25,454,000 for fiscal year 2022. The ratio of costs to charges is calculated based on the Hospital's total operating expenses. Unreimbursed costs of providing care to Medicare and Medicaid patients are not included as charity care.

On March 28, 2020, the Federal Centers for Medicare and Medicaid Services expanded its Accelerated/Advanced Payment Program to provide liquidity support to Medicare providers during the COVID-19 pandemic. Repayment began one year from April 21, 2020 by offsetting Medicare payments by 25% for eleven months. After the eleven months, Medicare payments are to be offset at 50% for an additional six months with any remaining balance due at the conclusion of the offset period. As of June 30, 2022, $15,086,000 of the advance was remaining as due for repayment.

(o) ***Classification of Expenses***

The majority of the Entity's expenses are exchange transactions, which GASB defines as operating expenses for financial statement presentation. Nonoperating expenses include transfers of state appropriations and capital financing costs.

(p) ***Employment Contracts***

Employment contracts for certain academic personnel provide for twelve monthly salary payments, although the contracted services are rendered during a nine-month period. The liability for those employees who have completed their contracted services, but have not yet received final payment, was $77,296,000 at June 30, 2022 and is recorded in the accompanying financial statements as accrued payroll. This amount will be paid from revenues to be recognized in fiscal year 2023 rather than from the unrestricted net position available at June 30, 2022.

(q) ***On-behalf for fringe benefits***

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the University has reported outside sources of financial assistance provided by the State on behalf of the University during the year ended June 30, 2022, as described below.

Substantially all active employees participate in group insurance plans provided by the State and administered by the Department of Central Management Services (CMS), primarily providing healthcare benefits. In order to fund the group insurance plans' pay-as-you-go obligations for both current employees and retirees, State statutes require contributions based upon total employee compensation paid from any State fund, including the University's state appropriation funds. Additionally, the University shall not be required to make contributions for employees who are fully compensated from the 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 the University's Income Fund and auxiliary enterprises. This relationship may be modified through the enactment of a Public Act by the State's highest level of decision-making authority exercised by the Governor and the General Assembly pursuant to the State's Constitution.

During the year ended June 30, 2022, total estimated group insurance contributions for the University's employees paid from the University's Income Fund and auxiliary enterprises were $353,502,000. The University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $17,086,000 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 $336,416,000 on-behalf of the University to meet this obligation for current employees.

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

(r) ***Pensions***

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

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

(s) ***OPEB***

The State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375) 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 State public universities' employees become eligible for these OPEB plan benefits when they become annuitants of one of the State sponsored pension plans. CMS administers these benefits for the annuitants with the assistance of the public retirement systems sponsored by the State, including the General Assembly Retirement System (GARS), Judges Retirement System (JRS), State Employees Retirement System (SERS), Teachers' Retirement System (TRS), and SURS.

In order to fund SEGIP's pay-as-you-go obligations for both current employees and retirees, the Act (5 ILCS 375/11) requires contributions based upon total employee compensation paid from any State fund, including the University's State Appropriations Funds. Additionally, the University shall not be required to make contributions for employees who are fully compensated from the 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 the 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. (1) The State of Illinois and its public universities are under a special funding situation for employees who are not paid from trust, federal, and other similar funds, and (2) the University is responsible for OPEB employer contributions when University employees are paid from trust, federal, and other similar funds.

Special Funding Situation Portion of OPEB

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

During the OPEB measurement period ended June 30, 2021, the University made a voluntary appropriation repayment from either its State appropriation or locally-held resources that was not considered a contribution of $7,806,000 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 non-operating 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 the Act for its employees paid from trust, federal, and other funds compared to the collective amounts paid to SEGIP pursuant to the Act. The collective amounts paid to SEGIP pursuant to the Act 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.

(t) ***Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(u) ***New Accounting Pronouncements***

The University adopted the provisions of GASB Statement No. 87, *Leases*, which was effective for periods beginning after June 15, 2021. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-of-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The University has included lessee and lessor leases within the Statement of Net Position and within the Statement of Revenues, Expenses and Changes in Net Position. See Note 10 for the impact to the beginning balances for fiscal year 2022 related to implementation of this standard.

The University adopted the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which was effective for periods beginning after December 15, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Implementation of this pronouncement did not materially impact the University's financial statements.

The University adopted certain provisions of GASB Statement No. 92, *Omnibus 2020*, which was effective for periods beginning after June 15, 2021. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about leases, intra-entity transfers, pensions, postemployment benefit arrangements, asset retirement obligations, public entity risk pool reporting, nonrecurring fair value measurements, and terminology related to derivative instruments. Implementation of this pronouncement did not materially impact the University's financial statements.

The University adopted the provisions of GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which was effective for periods beginning after June 15, 2021 and certain provisions related to the replacement of London Interbank Offered Rate (LIBOR) within GASB Statement No. 99, *Omnibus*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR will cease to exist in its previous form, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases*, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including re-measurement of the lease liability or lease receivable. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Once LIBOR ceases to exist, these Statements will achieve that objective by removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap and identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap. Implementation of this pronouncement did not materially impact the University's financial statements.

The University adopted the provisions of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statement No.14 and No.84, and a supersession of GASB Statement No.32*, which was effective for periods beginning after June 15, 2021. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. Implementation of this pronouncement did not materially impact the University's financial statements.

(2) Cash, Cash Equivalents and Investments

The carrying amount of the University's cash on June 30, 2022 is disclosed below as cash deposits. The June 30, 2022 total bank account balances for the University aggregated $24,509,000 all of which was covered by federal depository insurance or by collateral held by an agent in the University's name.

The Board follows the State of Illinois Uniform Prudent Management of Institutional Funds Act, 760 ILCS 51/1-11, when managing the University's investments. The Board fulfills its fiduciary responsibility for the management of investments, including endowment farm real estate, by adopting policies to maximize investment return with a prudent level of risk. Nearly all of the University's investments are managed by external professional investment managers, who have full discretion to manage their portfolios subject to investment policy and manager guidelines established by the University, and in the case of mutual funds and other commingled vehicles, in accordance with the applicable prospectus or limited partnership agreement.

The following details the carrying value of the University's cash, cash equivalents and investments as of June 30, 2022:

University Cash, Cash Equivalents and Investments

(In thousands)

U.S. Treasury bonds and bills	$	353,522
U.S. government agencies		182,755
International government bonds and governmental agencies		23,287
Nongovernment mortgage-backed securities		95,485
Asset backed securities		342,900
Corporate bonds		1,033,854
Commercial paper		78,749
Municipal bonds		28,419
Global fixed income		10,128
Money market funds		1,242,218
Illinois Public Treasurer's Investment Pool		7,362
Subtotal before cash deposits, equities and other investments		3,398,679
Equities		18,336
Equity funds		403,542
Diversifying strategies		78,305
Private equity		116,430
Farm properties		167,230
Real assets		51,749
Cash deposits (net of outstanding balances)		(15,590)
Total	$	4,218,681

(a) ***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the University employs multiple investment managers, of which each has specific maturity assignments related to the operating funds. The funds are structured with different layers of liquidity. Funds expected to be used within one year are invested using the Barclay's Capital 90-Day and Bank of America Merrill Lynch 12 month Treasury Bill Index as performance benchmarks. Core operating funds are invested in longer maturity investments. Core operating funds investment managers' performance benchmarks are the Barclays Capital one-year to three-year Government Bond Index, the Barclays Capital one-year to three-year Government Credit Bond Index, the Barclays Capital Intermediate Government Credit Bond Index and the Barclays Capital Intermediate Aggregate Bond Index.

The University's cash equivalent and investment maturities as of June 30, 2022 are illustrated below:

University Cash Equivalent and Investment Maturities

(In thousands)

	Total	Less than 1 year	1 - 5 years	5 - 10 years	Greater than 10 years
U.S. Treasury bonds and bills	$ 353,522	67,709	189,404	75,283	21,126
U.S. government agencies	182,755	1,080	8,711	14,614	158,350
International government bonds and governmental agencies	23,287	17,527	3,945	1,494	321
Nongovernment mortgage-backed securities	95,485			2,156	93,329
Asset backed securities	342,900	2,522	276,958	38,820	24,600
Corporate bonds	1,033,854	387,348	541,298	93,388	11,820
Commercial paper	78,749	78,749			
Municipal bonds	28,419	8,205	11,989	5,906	2,319
Global fixed income	10,128				10,128
Subject to interest rate risk	2,149,099	563,140	1,032,305	231,661	321,993
Money market funds	1,242,218	1,242,218			
Illinois Public Treasurer's Investment Pool	7,362	7,362			
Total	$ 3,398,679	1,812,720	1,032,305	231,661	321,993

At June 30, 2022, the University's operating funds pool portfolio had an effective duration of 1.1 years.

(b) ***Credit Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy requires that the University's short-term operating funds be invested in fixed income securities and other short-term fixed income instruments (e.g., money markets). Fixed income securities shall be rated investment grade or better by one or more nationally recognized statistical rating organizations at purchase. Unrated securities are not allowed unless specifically permitted by an individual manager's guidelines. Securities that fall below the stated minimum credit requirements subsequent to initial purchase may be held at the manager's discretion.

The University reports the credit ratings of fixed income securities and short term instruments using Standard & Poor's and Moody's ratings. Securities with split ratings or with a different rating assignment are disclosed using the rating indicative of the greatest degree of risk.

The University's cash equivalent and investment quality ratings at June 30, 2022 are illustrated below:

University Cash Equivalent and Investment Quality Ratings

(In thousands)

	Total	AAA/Aaa	AA/Aa/ TSY/AGY[1]	A/A [2]	BBB/Baa	BB/Ba	Less than BB or not rated
U.S. Treasury bonds and bills	$ 353,522		353,522				
U.S. government agencies	182,755		182,755				
International government bonds and governmental agencies	23,287	16,840	4,646	848	794	159	
Nongovernment mortgage-backed securities	95,485	79,041	3,488	470	1,990		10,496
Asset backed securities	342,900	339,065	1,044	657	422		1,712
Corporate bonds	1,033,854	4,303	114,467	515,736	390,833	6,146	2,369
Commercial paper	78,749		38,006	40,743			
Municipal bonds	28,419	6,967	14,581	6,118	228		525
Global fixed income	10,128		90	14	18		10,006
Money market funds	1,242,218	1,242,218					
Illinois Public Treasurer's Investment Pool	7,362	7,362					
Total	$ 3,398,679	1,695,796	712,599	564,586	394,285	6,305	25,108

[1] TSY (U.S. Treasury Securities) & AGY (U.S. Agency Securities) is a reporting convention used by the University's custodian to identify investments that have not received individual security ratings. These securities have an explicit or implicit guarantee by the U.S. government which has been rated AA+ by Standard and Poor's and Aaa by Moody's. Short term Standard and Poor's ratings of A-1+ are placed in this category.

[2] Short term Standard and Poor's ratings of A-1 and A-2 and Moody's short-term ratings of P1 and P2 are placed in this category.

(c) *Custodial Credit Risk*

Custodial credit risk is the risk that in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the University and are not registered in the University's name. The University investment policy does not limit the value of investments that may be held by an outside party. At June 30, 2022, the University's investments were not subject to custodial credit risk.

(d) *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University's investment policy provides that the total operating funds portfolio will be broadly diversified across securities in a manner that is consistent with fiduciary standards of diversification. Issuer concentrations are limited to 5% per issuer of the total market value of the portfolio at the time of purchase, or in the case of securitized investments (e.g., mortgage-backed securities), concentration is limited to an individual issuance trust (e.g., pooled receivables). These concentration limits do not apply to investments in pooled investment products, tri-party repurchase agreements or obligations of, or issues guaranteed by, the U.S. Treasury, U.S. agencies or U.S. government sponsored enterprises.

As of June 30, 2022, not more than 5% of the University's total investments were invested in securities of any one issuer, excluding pooled investment products, tri-party repurchase agreements or obligations of, or issues guaranteed by, the U.S. Treasury.

(e) ***Foreign Currency Risk***

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University's operating fund investments generally are not exposed to foreign currency risk. The University does not have an overarching policy related to foreign currency risk; however, under each investment manager's respective fund agreement, the portfolio's foreign currency exposure may be unhedged or hedged back into U.S. dollars.

The University invests in non-U.S. developed and emerging markets through commingled funds invested in non-U.S. equities, fixed income, private markets and hedge funds. As these funds are reported in U.S. dollars, both price changes of the underlying securities in local markets and changes to the value of local currencies relative to the U.S. dollar are embedded in investment returns.

(f) ***Investments and Fair Value Measurements***

GASB standards established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is as follows:

Level 1 **-** Quoted prices (unadjusted) for identical assets or liabilities in active markets that the University has the ability to access as of the measurement date. Level 1 inputs would also include investments valued at prices in active markets that the University has access to where transactions occur with sufficient frequency and volume to provide reliable pricing information.

Level 2 **-** Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect a reporting entity's own assumptions about what market participants would use in pricing an asset or liability.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Investments may be classified as Level 1 when the values are based upon unadjusted quoted prices in active markets for identical assets and generally include active listed equities. Publicly-traded investments that have no or insignificant restrictions are classified in Level 1 of the fair value hierarchy.

Investments may be classified as Level 2 when the values include inputs that are directly observable for an asset (including quoted prices for similar assets), as well as inputs that are not directly observable for the asset. These inputs are derived principally from or corroborated by observable market data through correlation or by other means (market corroborated inputs). The concept of market-corroborated inputs is intended to incorporate observable market data (such as interest rates and yield curves that are observable at commonly quoted intervals) based upon an assessment of factors relevant to the asset or liability.

Investments may be classified as Level 3 when the values include inputs that are unobservable and Level 1 and Level 2 inputs are not available. The values are based upon the best information available under the circumstances and may include management's own data. For farm properties, a full appraisal is conducted by an independent agency at receipt of each farm and every five years thereafter. In the years between the full appraisal, the independent agency provides an estimate of market value which is derived by an annual updating of prior appraised values.

There have been no changes in valuation techniques used for any assets measured at fair value during the year ended June 30, 2022.

The following table summarizes assets measured at fair value as of June 30, 2022, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

University Fair Value Measurements as of June 30, 2022

(In thousands)

	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
U.S. Treasury bonds and bills	$ 353,522		353,522	
U.S. government agencies	182,755		182,755	
International government bonds and governmental agencies	23,287		23,287	
Nongovernment mortgage-backed securities	95,485		95,485	
Asset backed securities	342,900		342,900	
Corporate bonds	1,033,854		1,033,854	
Commercial paper	78,749		78,749	
Municipal bonds	28,419		28,419	
Global fixed income	121	121		
Equities	18,336	18,235	8	93
Equity funds	27,667	27,667		
Farm properties	167,230			167,230
Total subject to fair value hierarchy	2,352,325	46,023	2,138,979	167,323
Investments measured at the NAV				
Global fixed income	10,007			
Equity funds	375,875			
Diversifying strategies	78,305			
Private equity	116,430			
Real assets	51,749			
Total investments measured at NAV	632,366			
Investments measured at cost				
Money market funds	1,242,218			
Cash deposits (net of outstanding balances)	(15,590)			
Illinois Public Treasurer's Investment Pool	7,362			
Total investments measured at cost	1,233,990			
Total cash, cash equivalents and investments	$ 4,218,681			

The following table sets forth additional disclosure of the University’s investments whose fair value is estimated using NAV per share (or its equivalent) as of June 30, 2022:

	Fair value	Unfunded commitment	Redemption frequency	Redemption notice period
	(In thousands)			
Investments:				
Global fixed income (A)	$ 10,007	$ 15,971	(A)	(A)
Equity funds (B)	375,875		(B)	(B)
Diversifying strategies (C)	78,305	13,950	(C)	(C)
Private equity (D)	116,430	64,755	(D)	(D)
Real assets (E)	51,749	35,280	(E)	(E)
	$ 632,366	$ 129,956		

(A) The funds in this category invest in bonds and other debt instruments. Investments may include government, corporate, municipal and convertible bonds; mortgage-backed and asset-backed securities; mezzanine/subordinated debt partnerships; and restructuring/distressed debt partnerships. These investments cannot be redeemed during the life of the partnership; however, they may be able to be transferred to another eligible investor. Distributions will be received as the underlying investments of the funds are liquidated over time. The fair value of this investment has been estimated using the NAV provided by the fund manager and an adjustment determined by management for the period between the dates of the last available NAV and June 30, 2022.

(B) The funds in this category invest in marketable equities that are exchange traded in the United States of America (USA) and in countries outside of the USA. These funds can be redeemed with same business day to two business days redemption notification. Settlement may take up to three business days. The fair values of these investments have been estimated using the NAV per share provided by the fund manager.

(C) The funds in this category are generally not restricted in the types of securities in which they can invest. They may invest in limited partnership vehicles or directly in equity, fixed income and derivative instruments to achieve a stated investment objective. These funds can either be redeemed quarterly with notice periods of 60 to 65 days or cannot be redeemed during the life of the partnership; however, they may be able to be transferred to another eligible investor. Distributions will be received for the funds that cannot be redeemed as the underlying investments of the funds are liquidated over time. The fair values of these investments have been estimated using the NAV per share, or NAV, provided by the fund manager and an adjustment determined by management for the period between the dates of the last available NAV and June 30, 2022.

(D) The funds in this category invest in the following types of investments in the USA and outside of the USA: venture capital partnerships, buyout partnerships, mezzanine/subordinated debt partnerships, restructuring/distressed debt partnerships, special situation partnerships, and directly in portfolio companies. These investments cannot be redeemed during the life of the partnership; however, they may be able to be transferred to another eligible investor. Distributions will be received as the underlying investments of the funds are liquidated over time. The fair value of this investment has been estimated using the NAV provided by the fund manager and an adjustment determined by management for the time period between the dates of the last available NAV and June 30, 2022.

(E) The funds in this category invest in real assets. These investments can either be redeemed quarterly with up to a three-month notice period subject to general partner approval and available cash or cannot be redeemed during the life of the partnership; however, they may be able to be transferred to another eligible investor. Distributions will be received for the funds that cannot be redeemed as the underlying investments of the funds are liquidated over time. The fair values of these investments have been estimated using the NAV per share, or NAV, provided by the fund manager and an adjustment determined by management for the period between the dates of the last available NAV and June 30, 2022.

(g) ***URO – Foundation Investments***

As the investments of the University's URO-Foundation are considered material to the Entity's financial statements taken as a whole, the following disclosures are made:

The Foundation financial statements follow FASB standards; therefore, the required disclosures, within the Entity's statements, for the Foundation investments differ from GASB requirements.

FASB standards have established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is as follows:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Foundation has the ability to access as of the measurement date. Level 1 inputs would also include investments valued at prices in active markets that the Foundation has access to where transactions occur with sufficient frequency and volume to provide reliable pricing information.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Investments: Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds, exchange-traded equities and mutual funds.

If quoted market prices are not available, then the fair values are estimated by using pricing models, quoted prices of securities with similar characteristics and other valuation methodologies. Level 2 securities would include mortgage-backed agency securities, certain corporate securities and other certain securities. These securities are valued primarily through a multi-dimensional relational model including standard inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data.

In certain cases where there is limited activity or less transparency regarding inputs to the valuation, including alternative investments, securities are classified within Level 3 of the valuation hierarchy and may include equity and/or debt securities issued by private entities. Level 3 investments include direct private investments and co-investments using performance multiples applicable to the investment's industry, determined through the use of a market-based approach, which utilizes comparable companies' data and equity mutual funds that have underlying marketable securities but have significant redemption restrictions.

Farms: The fair market value of the Foundation's farms is determined by a contracted professional agricultural services company. The company employs the use of several inputs in determining a farm's fair market value. Quarterly and annual publications by the federal government, professional farm managers, and rural appraisers that discuss current farm values, lease trends, and credit conditions are used as one input. The Foundation also uses comparative sales data for farmland in the area surrounding each specific farm, assembled from in-house real estate transactions, county assessor data, and other local data sources. These inputs serve as benchmarks and each farm is then evaluated based on soil productivity, drainage quality, topography, and other physical characteristics to determine the fair market value.

Beneficial interest in trusts and trusts held by others: The values of the beneficial interest in trusts are derived from the underlying investments of the trusts. The value of those investments is determined in the same manner as investments described above. The value of trusts held by others is based on the Foundation owning an interest in trust and not the underlying investments. The estimated future value of that interest in the trust is based on management's estimate of the trusts' expected performance which is then present valued back to the date of the financial statements based on life expectancy factors published by the Internal Revenue Service.

The following table summarizes assets measured at fair value on a recurring basis as of June 30, 2022, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

URO – Foundation Fair Value Measurements as of June 30, 2022

(In thousands)

	Fair value	Level 1	Level 2	Level 3
Cash surrender value of life insurance	$ 6,032			6,032
Certificate of deposit	652		652	
Common stock:				
Domestic	54,241	54,241		
International	10,879	10,879		
Emerging markets equity	20,709			20,709
Emerging markets index linked equity	63,054	63,054		
Farms	95,859		95,859	
International government bonds	6,505		6,505	
International index linked government bonds	44,038		44,038	
Money market mutual funds	173,545	173,545		
Mutual Funds:				
Blended, domestic	9,170	9,170		
Bond	9,120	9,120		
Equity, domestic	29,869	29,869		
Equity, international	13,422	13,422		
Fixed income	8,888	8,888		
Non-U.S. developed markets equity	116,232			116,232
Private equity funds	101,159			101,159
Private real estate funds	43,696			43,696
U.S. treasury bonds and bills	1,776		1,776	
U.S. index linked government bonds	35,411		35,411	
Variable annuity contract	3,286		3,286	
Beneficial interest in trusts	43,987			43,987
Trusts held by others	23,649			23,649
	$ 915,179	372,188	187,527	355,464

There have been no changes in valuation techniques used for any assets measured at fair value during the year ended June 30, 2022.

The investments above exclude $7,532,000 of real estate and $18,612,000 of private equities and other assets, which are carried at cost, without a readily determinable fair value, and $1,811,669,000 of investments where values are based on NAV using the practical expedient.

The Foundation's Level 3 investments have been valued based on unadjusted account statement balances as reported by investment managers, insurance companies, or trustees. For Level 3, private real estate funds' appraisal values, as prepared by 3rd parties and reported by the investment fund manager, are used as the fair value measure. As a result, there were no unobservable inputs that have been internally developed by the Foundation in determining the fair values of its investments at June 30, 2022.

There are certain Level 3 investments subject to lock provisions that may limit the ability to redeem all or a portion of the investment for a given period, ranging from one to three years or, in the case of partnership investments, for the life of the partnership, which can be ten years or more. During the year ended June 30, 2022, the Foundation did not have any transfers of assets between any levels of the fair value hierarchy.

The following table presents additional information about investments measured at fair value on a recurring basis for which the URO – Foundation has utilized Level 3 inputs to determine fair value:

URO - Foundation Significant Unobservable Inputs (Level 3)

as of June 30, 2022

(In thousands)

		Purchases or additions		**Sales or deductions**
Private equity funds	$	8,572	$	(16,280)
Non-U.S. developed markets equity				(687)
Private real estate		7,527		(3,858)
Trusts held by others		135		(763)
Cash surrender value of life insurance		22		(467)
Total	$	16,256	$	(22,055)

The Foundation invests in alternative investment funds including limited partnerships, private capital funds, and private real estate funds. The fair values of these investments are valued utilizing the NAV, as a practical expedient, provided by the underlying private investment companies when the NAVs of the investments are determined using a measurement basis consistent with U.S. GAAP for investment companies. The Foundation may only utilize the practical expedient if the investment does not have a readily determinable fair value and the investee is an investment company within the scope of FASB Accounting Standards Codification Topic 946, *Financial Services – Investment Companies*.

The following table sets forth the Foundation's investments whose fair value is estimated using NAV per share (or its equivalent) as of June 30, 2022:

URO – Foundation Investments, Fair Value Estimated Using NAV (or its equivalent)

(In thousands)

	Fair value	Unfunded commitment	Redemption frequency	Redemption notice period
Investments:				
Credit (A)	$ 274,654	$	daily, monthly, quarterly, or annually **	5 to 90 days
Developed markets - non U.S. equity (B)	161,115	6,800	daily, monthly, quarterly, or annually **/***	5 to 90 days
Emerging markets (C)	110,975		daily, monthly, quarterly, or annually **	5 to 90 days
Global equity (D)	366,763		daily, monthly, quarterly, or annually **/***	5 to 90 days
Global fixed income (E)	48,154		daily, monthly, quarterly	5 to 90 days
Natural resources (F)	31,832		daily, monthly, quarterly, or annually	5 to 90 days
Private credit (G)	77,033	8,078	not eligible*	N/A
Private equity - entertainment/leisure (H)	18,709	11,122	not eligible*	N/A
Private equity - global growth (I)	83,853	7,149	not eligible*	N/A
Private equity - health care (J)	80,047	27,590	not eligible*	N/A
Private equity - industrials (K)	21,786		not eligible*	N/A
Private equity - middle market (L)	45,464	8,714	not eligible*	N/A
Private equity - venture capital (M)	79,349	54,212	not eligible*	N/A
Private natural resources (N)	126,201	8,273	not eligible*	N/A
Real estate (O)	70,770	37,080	not eligible*	N/A
U.S. equity (P)	214,994		daily, monthly, quarterly, or annually ***	5 to 90 days
	$ 1,811,699	$ 169,018		

* In the case of private funds, capital is returned as monetization events occur that may be infrequent in nature and the timing is not known. Generally, capital is committed to a partnership for a period of up to ten years with the ability of the general partner to extend the life of the fund one to three additional years. Generally, in the early years of a fund's life, the general partner, in order to facilitate its funding of investments, will call capital from the limited partners up to the amount of its commitment. As of June 30, 2022, there were $169,018,000 of unfunded commitments relating to private fund investments. The unfunded commitments at June 30, 2022, include $37,000,000 in commitments to funds that have not called any capital as of June 30, 2022, and therefore do not appear in the balances on the URO - Foundation

statement of financial position or activities or elsewhere in the URO - Foundation footnote disclosures.

** There are certain investments with fair value of $246,140,000 at June 30, 2022, in the above categories, that are subject to certain lock provisions that may limit the ability to redeem all or a portion of the investment for a given period of time, typically ranging from one to three years.

*** There are certain investments in the above categories for which redemption has been requested and will occur during fiscal year 2023. The fair value of the redemption requests at June 30, 2022, total $204,916,000.

(A) This category includes investments with both long and short positions in both debt and equity related to leveraged or distressed companies, residential mortgage-backed securities, risk arbitrage, and financial instruments that are subject to legal or contractual restrictions. These investments include both U.S. and non-U.S. securities/companies.

(B) This category includes investments with both long and short positions in equity or equity-related securities primarily in Western Europe and Asia.

(C) This category includes investments with both long and short positions in equity or equity-related securities in global emerging markets including Latin America and Asia.

(D) This category includes investments with both long and short positions in equity or equity-related securities listed or traded on an exchange or regulated market on a global basis.

(E) This category includes investments in primarily debt or debt-like securities that are globally diversified.

(F) This category includes investments with both long and short positions in both debt and equity or related securities in energy, gas, mining and oil fields. These investments include both public and private companies.

(G) This category includes investment positions in both distressed debt and equity securities and other event-driven investments such as broker merger or acquisition deals. These investments include both U.S. and non-U.S. securities/companies.

(H) This category includes investments in private equity related to travel, lodging, leisure, entertainment, and similar businesses.

(I) This category includes investments in private equity within growth sectors around the globe including China, Indonesia, and Sub-Saharan Africa.

(J) This category includes investments in private equity in the health care industry.

(K) This category includes investments in private equity related to the industrial sector.

(L) This category includes investments in private equity specializing in the acquisition and recapitalization of private middle-market companies.

(M) This category includes investments in venture capital private equity.

(N) This category includes investments in both debt and equity positions in the sectors of agriculture; oil and gas exploration; and power, utility, and energy infrastructure.

(O) This category includes investments in both debt and equity positions in real estate and real estate related securities and businesses.

(P) This category includes investments with both long and short positions in equity or equity-related securities in the U.S. in a range of industries.

(3) Accounts, Notes and Pledges Receivable

The University provides allowances for uncollectible accounts and notes receivable based upon management's best estimate considering type, age, collection history of receivables and any other factors as considered appropriate. Accounts and notes receivable are reported net of allowances at June 30, 2022.

The composition of accounts receivable and notes and pledges receivable at June 30, 2022 is summarized as follows:

University Accounts Receivable, Net of Allowances
(In thousands)

		Gross receivables	Allowances for uncollectible	Net receivables
Receivables from sponsoring agencies	$	272,331	(1,265)	271,066
Hospital and other medical activities		308,557	(156,622)	151,935
Student tuition and fees		71,959	(25,754)	46,205
Auxiliaries		18,291	(6,407)	11,884
Medical service plan		60,508	(9,957)	50,551
Educational and other activities		159,879	(21,881)	137,998
Other		42,825	(930)	41,895
Total	$	934,350	(222,816)	711,534

Notes and Pledges Receivable
(In thousands)

Student notes receivable – University:		
Student notes outstanding - Perkins loan program*	$	11,478
Student notes outstanding - other programs		28,533
Allowance for uncollectible loans		(2,644)
Total student notes receivable, net	$	37,367

* Perkins loan program expired on September 30, 2017. The University recorded a long-term obligation to recognize the federal contribution to the program that will be paid back as loans are paid off.

Gift pledges receivable, URO – Foundation:	$	245,215
Less:		
Allowance for doubtful pledges		(7,529)
Present value discount		(4,686)
Total gift pledges outstanding, net	$	233,000

(4) Capital Assets

Capital assets activity during the year ended June 30, 2022 is summarized as follows:

University Capital Assets
(In thousands)

	Beginning balance, restated	Additions	Retirements	Transfers	Ending balance
Nondepreciable capital assets:					
Land	$ 141,525	8,800		482	$ 150,807
Construction in progress	321,926	167,554		(231,545)	257,935
Inexhaustible collections	25,803	1,220			27,023
Total nondepreciable capital assets	489,254	177,574	—	(231,063)	435,765
Depreciable capital assets:					
Buildings	5,387,916	1,326		208,405	5,597,647
Improvements and infrastructure	776,326			8,639	784,965
Equipment	1,392,857	74,413	(212,593)	7,698	1,262,375
Software	301,579		(2,207)	6,321	305,693
Exhaustible collections	726,632	24,541	(2,159)		749,014
Total depreciable capital assets	8,585,310	100,280	(216,959)	231,063	8,699,694
Less accumulated depreciation:					
Buildings	2,318,169	143,106			2,461,275
Improvements and infrastructure	561,172	23,397			584,569
Equipment	1,104,233	75,184	(205,687)		973,730
Software	200,723	14,741	(2,207)		213,257
Exhaustible collections	609,481	23,649	(2,159)		630,971
Total accumulated depreciation	4,793,778	280,077	(210,053)	—	4,863,802
Total depreciable capital assets, net	3,791,532	(179,797)	(6,906)	231,063	3,835,892
Amortizable capital assets:					
Right-of-use land	15				15
Right-of-use buildings	45,480	36,055	(1,476)		80,059
Right-of-use equipment	10,021	640			10,661
Total amortizable capital assets	55,516	36,695	(1,476)	—	90,735
Less accumulated amortization:					
Right-of-use land		7			7
Right-of-use buildings		15,955	(518)		15,437
Right-of-use equipment		3,158			3,158
Total accumulated amortization	—	19,120	(518)	—	18,602
Total amortizable capital assets, net	55,516	17,575	(958)	—	72,133
Net depreciable and amortizable capital assets, net	$ 3,847,048	$ (162,222)	$ (7,864)	$ 231,063	$ 3,908,025

(5) Accrued Self-Insurance and Loss Contingency

The University's accrued self-insurance liability of $292,265,000 as of June 30, 2022 covers hospital patient liability; hospital and medical professional liability; public and veterinarian liability, board legal liability, and workers' compensation liability related to employees paid from local funds. The accrued self-insurance liability was discounted at rates of 2% to 4.5% at June 30, 2022. Amounts increasing the accrued self-insurance liability are charged as expenses based upon estimates made by actuaries and the University's risk management division.

The accrued self-insurance liability includes $185,108,000 at June 30, 2022 for the currently estimated ultimate cost of uninsured medical malpractice liabilities. Ultimate cost consists of amounts estimated by the University's risk management division and independent actuaries for asserted claims, unasserted claims arising from reported incidents, expected litigation expenses and amounts determined by actuaries using relevant industry data and hospital specific data to cover projected losses for claims incurred but not reported. Because the amounts accrued are estimates, the aggregate claims actually incurred could differ significantly from the accrued self-insurance liability at June 30, 2022. Changes in these estimates will be reflected in the Statement of Revenues, Expenses and Changes in Net Position in the period when additional information is available.

Changes in Accrued Self-Insurance
(In thousands)

		2022		2021
Balance, beginning of year	$	272,732	$	279,459
Claims incurred and changes in estimates		90,467		37,545
Claim payments and other deductions		(70,934)		(44,272)
Balance, end of year		292,265		272,732
Less current portion		(42,714)		(40,460)
Balance, end of year – noncurrent portion	$	249,551	$	232,272

An additional workers' compensation self-insurance liability included in the University's accounts payable at June 30, 2022 and 2021 was $20,789,000 and $23,198,000, respectively. Claims incurred and changes in estimates related to this liability were $5,126,000 and $3,924,000 in fiscal years 2022 and 2021, respectively. Claim payments and other deductions were $7,535,000 and $8,153,000 in fiscal years 2022 and 2021, respectively. These claims will be paid in the year in which the claims are finalized, rather than from unrestricted net position as of June 30, 2022.

The University has contracted with several commercial carriers to provide varying levels and upper limits of excess liability coverage. These coverages have been considered in determining the required accrued self-insurance liability. There were no material settlements that exceeded insurance coverage during the last three years.

The University purchases excess liability coverage for certain areas such as commercial general liability, Board legal liability, and hospital and medical professional liability.

(6) Accrued Compensated Absences

Accrued compensated absences includes personnel earned and unused vacation and sick leave, including the University's share of Medicare taxes, valued at the current rate of pay.

Section 14a of the State Finance Act (30 ILCS 105/14a) provides that employees eligible to participate in the State Universities Retirement System or the Federal Retirement System are eligible for compensation at time of resignation, retirement, death or other termination of University employment for one-half of the unused sick leave earned between January 1, 1984 and December 31, 1997. Any sick leave days that were earned before or after this period of time are noncompensable.

Changes in Compensated Absences Balance
(In thousands)

Balance, beginning of year	$	253,805
Additions		25,649
Deductions		(29,219)
Balance, end of year		250,235
Less current portion		(22,925)
Balance, end of year – noncurrent portion	$	227,310

(7) Bonds Payable

On July 8, 2021, the University issued $135,355,000 of AFS Revenue Bonds, Series 2021A. Proceeds of these bonds are or were being used to (1) renovate two parking garages at the University of Illinois Urbana Champaign, (2) refund the Series 2011A and 2011C Bonds, and (3) pay costs of issuing the Series 2021A Bonds.

The refundings of Series 2011A and Series 2011C resulted in a saving of $35,962,000 over the life of the issue at a present value of $29,852,000. The cumulative difference of the refundings between the reacquisition price and the net carrying amount of the old debt, gain on refunding, was $425,000. This gain on refunding is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Bonds payable activity for the year ended June 30, 2022 consists of the following:

	Maturity dates	Beginning balance	Additions	Deductions	Ending balance	Current portion
Auxiliary Facilities System:						
Current interest bonds	2023 – 2051	$ 1,066,535	135,355	(186,810)	$ 1,015,080	$ 44,045
Capital appreciation bonds	2023 – 2030	22,100		(2,930)	19,170	2,110
Health Services Facilities System	2023 – 2043	97,485		(4,045)	93,440	4,200
UIC South Campus	2023	8,665		(7,895)	770	770
		1,194,785	135,355	(201,680)	1,128,460	51,125
Unaccreted appreciation		(5,488)	1,019		(4,469)	(910)
		1,189,297	136,374	(201,680)	1,123,991	50,215
Unamortized debt premium		55,260	22,966	(12,812)	65,414	—
Total		$ 1,244,557	159,340	(214,492)	$ 1,189,405	$ 50,215

None of the University's bonds described above constitute obligations of the State.

Capital appreciation bonds of $19,170,000 outstanding at June 30, 2022 do not require current interest payments and have a net unappreciated value of $14,701,000. The University records the annual increase in the principal amount of these bonds as interest expense and accretion on bonds payable.

Included in bonds payable is $22,655,000 of variable rate demand bonds. These bonds mature serially through October 2026. These bonds have variable interest rates that are adjusted periodically (e.g., daily, weekly, or monthly), generally with interest paid at the beginning of each month. The bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days' notice and delivery to the University's several remarketing agents. The University pays the remarketing agent fees on the outstanding bond balance. If the remarketing agent is unable to resell any bonds that are "put" to the agent, the University has several letter of credit arrangements with liquidity facilities. The fees on the letters of credit are based on outstanding bonds plus pro forma interest. The University, in the event a liquidity facility is utilized, has reimbursement agreements with associated financial entities. Generally, the reimbursement provisions require repayment in eight equal quarterly installments, at an interest rate initially set at slightly above prime or the federal funds rate. The due date of the initial payment per the reimbursement agreements varies depending upon the variable rate bond issue. The reimbursement agreements require an initial payment due date of at least 366 days after a liquidity advance. The letter of credit agreements contain provisions that the University may terminate and replace the letter of credit agreements so long as the University has paid all of the obligations owed to the liquidity facility.

In the event of default, the bond owners may sue to command performance of the University. The liquidity facilities may cause the bonds to be subject to a mandatory tender or appropriate the pledged revenues by invoking the "set off" provisions in the bond documents.

The required future interest payments for these variable rate bonds have been calculated using the current interest rate, based upon short-term rates, or the synthetic fixed rate, as illustrated in the table below. Other outstanding bond issues bear interest at fixed rates ranging from 2.125% to 6.25%.

Variable Rate Bonds

				Liquidity facility			
Bond issues	**Interest rate at June 30, 2022**	**Remarketing agent**	**Remarketing fee**	**Bank**	**Expiration**	**Insured by**	**Liquidity fee**
HSFS, Series 1997B	0.95	JPMorgan Securities	0.070	Wells Fargo	5/30/2024	Letter of Credit	0.585
HSFS, Series 2008	0.91	Goldman Sachs	0.070	Wells Fargo	5/30/2024	Letter of Credit	0.585

(a) ***Interest Rate Swap Agreement on Bonds Payable***

The University is party to one pay-fixed/receive-variable interest rate swap agreement (swap). The objective of the swap was to effectively change the University's variable interest rate on the bonds to a synthetic fixed rate. The notional amount of the swap is equal to the par amount of the related bonds, except for which $130,000 is not covered by the swap. In addition, the swap was entered into at the same time as the original bonds were issued and terminates with maturity of the existing bonds. No cash was paid or received when the swap was entered into.

Credit Risk – As of June 30, 2022, the University was not exposed to credit risk because the swap had a negative fair value. If interest rates change and the fair value of the swap becomes positive, the University will be exposed to credit risk in the amount of the derivative's fair value. The terms, fair value and credit ratings of the outstanding swap as of June 30, 2022 are listed below:

Interest Rate Swaps
(In thousands)

Bond issues	Outstanding notional amount	Effective date	Fixed rate paid	Variable rate received	Level 2 Fair value	Swap termination date	Counterparty	Counterparty credit rating (S&P/Moody's)
HSFS 2008	$ 15,725	Nov 2008*	3.534%	68% of LIBOR**	$ (558)	Oct-2026	Deutsche Bank***	A-/A2

* Swap agreement was transferred from original issue to refunded bond issues.
** LIBOR – London Interbank Offered Rate
*** In May 2022, Loop exercised an option in the agreement to assign the swap to its credit support provider, Deutsche Bank AG

The University engaged a third-party consultant to determine the fair value of the swap. The fair values provided by the consultant were derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant market conditions. Since these are negative numbers, they represent an approximation of the amount of money that the University may have to pay a swap provider to terminate the swap. The counterparty may have to post collateral in the University's favor in certain conditions, and the University would never be required to post collateral in the counterparty's favor.

Interest Rate Risk – Since inception of the swap, declining interest rates exposed the University to interest rate risk, which adversely affected the fair values of the swap.

Termination Risk – The University has the option to terminate the swap early. The University or the counterparties may terminate a swap if the other party fails to perform under the terms of the contract. The University may terminate a swap if both credit ratings of the counterparties fall below BBB+ as issued by Standard & Poor's and Baa1 as issued by Moody's Investors Service. If a swap is terminated, the variable-rate bonds would no longer carry a synthetic fixed interest rate. In addition, if at the time of termination, a swap has a negative fair value, the University would be liable to the counterparties for a payment equal to the swap's fair value.

Basis Risk – The swap exposes the University to basis risk should the relationship between LIBOR and the variable weekly rate determined by remarketing agents change, changing the synthetic rate on the bonds. If a change occurs that results in the difference in rates widening, the expected cost savings may not be realized.

Other Risks – Since the swap extends to the maturity of the related bond, the University is not exposed to rollover risk. In addition, the University is not exposed to foreign currency risk or to market access risk as of June 30, 2022. However, if the University decides to issue refunding bonds and credit is more costly at that time, it could be exposed to market access risk.

(b) ***Pledged Revenues and Debt Service Requirements***

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

Pledged Revenues

Bond issues	**Purpose**	**Source of revenue pledged**	**Future revenues pledged [2]** (In thousands)	**Term of commitment**	**Debt service to pledged revenues (current year)**
AFS	Refunding, various improvements and additions to the System	Net AFS revenue, student tuition and fees	$ 1,519,172	2051	7.47%
HSFS	Additions to System and refunding	Net HSFS revenue, Medical Service Plan revenue net of bad debt expense, College of Medicine net tuition revenue	156,032	2043	2.19
UIC South Campus	South Campus Development Project[1] and refunding	Defined Tax Increment Financing District revenue, student tuition and fees, and sales of certain land in the UIC South Campus project	808	2023	1.99
		Total future revenues pledged	$ 1,676,012		

[1]An integrated academic, residential, recreational and commercial development south of UIC's main campus

[2]Total estimated future principal and interest payments on debt

Future debt service requirements for all bonds outstanding at June 30, 2022 are as follows:

Debt Service Requirements
(In thousands)

	Principal	**Interest**
2023	$ 51,125	$ 49,493
2024	49,515	47,110
2025	52,285	44,860
2026	54,895	42,702
2027	58,070	40,199
2028-2032	301,805	160,122
2033-2037	251,955	96,593
2038-2042	178,805	51,821
2043-2047	110,755	13,655
2048-2051	19,250	997
Total	$ 1,128,460	$ 547,552

Using the actual rates of .91% (Health Services Facilities System, Series 2008), in effect as of June 30, 2022, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will also vary.

Health Services Facilities System Revenue Bonds, Series 2008
Variable-Rate Debt Service Requirements
(In thousands)

	Variable-rate bonds		Interest rate	
	Principal	Interest	swaps, net	Total
2023	$ 2,900	127	362	$ 3,389
2024	3,060	99	284	3,443
2025	3,225	70	202	3,497
2026	3,295	41	116	3,452
2027	3,375	10	29	3,414
Total	$ 15,855	347	993	$ 17,195

(8) Certificates of Participation, Leases Payable and Other Obligations

Certificates of participation, leases payable and other obligations activity for the year ended June 30, 2022 consists of the following:

Certificate of Participation, Leaseholds Payable and Other Obligations
(In thousands)

	Beginning balance	Additions	Deductions	Ending balance	Current portion
University:					
Certificates of participation	$ 76,095		(25,735)	$ 50,360	$ 9,765
Unamortized debt premium	3,895		(1,468)	2,427	—
Total Certificates of participation	79,990	—	(27,203)	52,787	9,765
Finance purchases	129,089		(2,067)	127,022	3,327
Energy services agreement installment payment contracts	24,396		(3,535)	20,861	3,640
Environmental remediation	150		(150)	—	—
Perkins loans	20,270		(6,577)	13,693	3,518
Total Other obligations	173,905	—	(12,329)	161,576	10,485
Leases payable	55,516	36,695	(19,311)	72,900	17,747
Total Leases payable	55,516	36,695	(19,311)	72,900	17,747
URO – Foundation:					
Annuities payable	50,634	3,072	(6,231)	47,475	5,894
Other liabilities	3,635		(1,477)	2,158	
Total URO – Foundation	$ 54,269	3,072	(7,708)	$ 49,633	$ 5,894

(a) ***Certificates of Participation***

Future debt service requirements for all certificates of participation outstanding at June 30, 2022 are as follows:

Debt Service Requirements
(In thousands)

		Principal		**Interest**
2023	$	9,765	$	2,377
2024		9,990		1,894
2025		9,255		1,395
2026		9,700		922
2027		5,970		437
2028		5,680		142
Total	$	50,360	$	7,167

In the event of default on certificates of participation, the Trustee may pursue legal action for the payments in default or require the University to turn over possession of the financed assets to the Trustee bank. If the University exercises the option to terminate the agreement, the future installment payments are subject to mandatory prepayment.

(b) ***Leases - Lessee Arrangements***

The University leases land, office space, office equipment, medical equipment, and other right-of-use assets with remaining lease terms ranging from less than one year to ten years from external parties. The renewal and termination options are not included in the right-of-use asset or lease liability balance until they are reasonably certain of exercise. The lease term does not include periods of a lease that include a mutual termination option.

Certain University's leases contain both fixed and variable lease payments. These exist primarily within the leases for office facilities related to rent escalations based on the consumer price index (fixed in substance) and common area or other maintenance costs, which are paid based on actual costs paid by the lessor (not fixed). The remaining equipment and other leases do not contain variable lease payments. Variable payments that are not fixed in nature and non-rent charges are not included in leases payable. The total expenditures for variable payments not previously included in the measurement of the lease liability during the fiscal year ended June 30, 2022, were $293,000.

Additionally, the University recognized certain residual value guarantees and termination penalties for leases held at June 30, 2022. These amounts were not included in the measurement of the lease liability and were minimal.

As of June 30, 2022, the scheduled fiscal year maturities of lease liabilities and related interest expense are as follows:

(In thousands)

		Principal	Interest
2023	$	17,747	1,937
2024		14,075	1,451
2025		10,145	1,079
2026		6,597	828
2027		5,500	647
2028-2032		18,836	1,164
	$	72,900	7,106

(c) ***Leases - Lessor Arrangements***

The University leases space within and attached to its buildings to external parties. These agreements have terms ranging from less than one year to fifty-three years. In accordance with GASB 87, the University records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the interest rate charged on the lease. Variable payments are excluded from the valuations unless they are fixed in substance. During the fiscal year ended June 30, 2022, the University recognized revenues related to these lease agreements totaling $7,492,000, including interest and other related revenues. Of these amounts recognized during the fiscal year ended June 30, 2022, the University recognized $1,908,000 of revenue related to variable receipts that were not previously included in the measurement of the lease receivable.

Additionally, the University has certain leases of assets that are sublease transactions; however, these amounts are minimal.

(d) ***Other Obligations***

The University has entered into finance purchase obligations including the public-private partnerships disclosed in Note 8(e). As of June 30, 2022, future debt service requirements for all finance purchase obligations are as follows:

Debt Service Requirements

(In thousands)

		Principal	Interest
2023	$	3,327	5,901
2024		3,448	5,772
2025		3,584	5,637
2026		3,725	5,489
2027		3,891	5,323
2028-2032		22,307	23,727
2033-2037		15,802	19,071
2038-2042		19,642	14,939
2043-2047		24,789	9,698
2048-2052		26,507	3,177
	$	127,022	98,734

As part of energy services agreements, the University has entered into installment payment contracts to finance energy conservation measures. As of June 30, 2022, future debt service requirements for all installment payments under contracts are as follows:

Debt Service Requirements
(In thousands)

		Principal	Interest
2023	$	3,640	575
2024		3,749	467
2025		3,860	356
2026		3,203	241
2027		2,511	160
2028 – 2029		3,898	109
	$	20,861	1,908

In the event of default on energy services agreement installment payment contracts, the University may be required to pay all amounts due or relinquish possession of the financed assets. There are termination provisions that also require the University to pay all amounts due, return equipment, or pay rent on the equipment with a higher interest rate on amounts not paid.

At June 30, 2022, the URO – Foundation had annuities payable outstanding of $47,475,000. The Foundation recalculates the present value of these payments through the use of Internal Revenue Service (IRS) discount rates and IRS life expectancy tables.

(e) *Public-Private Partnerships*

The University entered into several agreements with private enterprises in order to construct a mixed-use facility providing student housing, academic and retail space. The University has partnered with an affiliate of the Collegiate Housing Foundation, CHF - Chicago, LLC (CHF), and its student housing developer, American Campus Communities SC Management, LLC (ACC). Through agreements among the parties, ACC has implemented the design, development, construction, equipment, and operations of the facility. The Illinois Finance Authority (IFA) provided financing through public bonds. CHF is the owner of the facility and debtor on the IFA bonds issued to finance the project. The IFA bonds have a service period of thirty-two years which included a two-year period for construction. The University provided an up-front deposit to the project of $8,535,000 and leased the land on which the facility lies to the CHF over a period of forty years. Upon the termination or expiration of the land lease, the facility, any improvements, fixtures, equipment, and all personal property attached to or within the facility shall be the absolute property of the University. The construction of this mixed-use facility was completed, and the facility was placed into service in fiscal year 2020. The University has subleased the academic portion of the facility from CHF and has a finance purchase obligation of $37,495,000 as of June 30, 2022, which is included in the amounts disclosed in Note 8(d). The student housing portion is reported as a SCA and recognized as a deferred inflow of resources which is disclosed in Note 1(j). The day-to-day operations of the student housing portion of the facility will be managed by ACC.

During fiscal year 2019, the University entered into several agreements with private enterprises in order to construct a feed technology center and a campus instructional facility. The University has partnered with Provident Group-UIUC Properties LLC (Provident Group) and its developer, Vermilion Campbell Development, LLC (Vermilion). Through agreements among the parties, Provident Group has implemented the design, development, and construction of the facilities. The Illinois Finance Authority (IFA) provided financing through public bonds. Provident Group is the owner of the facilities and debtor on the IFA bonds issued to finance the project. The IFA bonds have a service period of thirty-two years which includes a two-year period for construction. The University provided an up-front deposit to the projects of $9,738,000 and leased the land on which the facilities lie to Provident Group over a period of forty years. Upon the termination or expiration of the land lease, the facility, any improvements, fixtures, equipment and all personal property attached to or within the facility shall be the absolute property of the University. The construction of this mixed-use facility was completed, and the facility was placed into service in fiscal year 2021. The University has subleased the facilities from Provident and has a finance purchase obligation of $71,525,000 as of June 30, 2022, which is included in the amounts disclosed in Note 8(d).

(9) Net Position

As discussed in Note 1(k), the University's net position is classified for accounting and reporting purposes into one of four net position categories. The following tables include detail of the net position balances for the University and the URO-Foundation including major categories of restrictions and internal designation of unrestricted funds.

University Net Position
(In thousands)

Net investment in capital assets	$	2,847,229
Restricted – nonexpendable:		
Invested in perpetuity to produce income expendable for – scholarships, academic programs, fellowships and research		142,367
Restricted – expendable for:		
Scholarships, academic programs, fellowships and research		655,830
Auxilary Facilities System		36,322
Loans		52,059
Service plans		111,312
Retirement of indebtedness		4,103
Capital projects		135,394
Unrestricted:		
Designated		1,307,748
Total	$	5,292,364

URO – Foundation Net Position
(In thousands)

Net investment in capital assets	$	38,362
Restricted – nonexpendable:		
Invested in perpetuity to produce income expendable for academic programs, scholarships, fellowships and research		1,570,158
Restricted – expendable for:		
Academic programs, scholarships, fellowships and research		1,295,491
Unrestricted		69,828
Total	$	2,973,839

(10) Restatement of Beginning of Year Amounts

(a) *Change in Accounting Principles*

Effective for the fiscal year ended June 30, 2022, the University adopted GASB Statement No. 87, *Leases*, (GASB 87). This statement superseded GASB Statement No. 62 and established new requirements for calculating and reporting the University's lease activities. The adoption of GASB 87 has been reflected as of July 1, 2021. Beginning balances as of July 1, 2021 was restated for the effects of the University's adoption of GASB 87 as follows:

	University (In thousands)		
	July 1, 2021 as Previously Stated	GASB 87 Impact	July 1, 2021 as Restated
Current assets	$ 2,030,818	$ 3,673	$ 2,034,491
Noncurrent assets	7,055,911	83,967	7,139,878
Total assets	9,086,729	87,640	9,174,369
Deferred outflows of resources	123,758		123,758
Total assets and deferred outflows of resources	$ 9,210,487	$ 87,640	$ 9,298,127
Current liabilities	$ 1,230,653	$ 13,041	$ 1,243,694
Noncurrent liabilities	2,932,245	38,786	2,971,031
Total liabilities	$ 4,162,898	$ 51,827	$ 4,214,725
Deferred inflows of resources	309,766	34,074	343,840
Net position	4,737,823	1,739	4,739,562
Total liabilities, deferred inflows of resources, and net position	$ 9,210,487	$ 87,640	$ 9,298,127

	Discretely Presented Component Units (In thousands)		
	July 1, 2021 as Previously Stated	GASB 87 Impact	July 1, 2021 as Restated
Current assets	$ 100,434	$ (13)	$ 100,421
Noncurrent assets	3,191,612	1,503	3,193,115
Total assets	3,292,046	1,490	3,293,536
Deferred outflows of resources	265		265
Total assets and deferred outflows of resources	$ 3,292,311	$ 1,490	$ 3,293,801
Current liabilities	$ 38,007	$ (527)	$ 37,480
Noncurrent liabilities	48,926	1,732	50,658
Total liabilities	$ 86,933	$ 1,205	$ 88,138
Deferred inflows of resources	1,479	-	1,479
Net position	3,203,899	285	3,204,184
Total liabilities, deferred inflows of resources, and net position	$ 3,292,311	$ 1,490	$ 3,293,801

(b) ***Correction of an error***

During Fiscal Year 2022, an error correction resulted in a restatement to beginning net position for the University's fiduciary activities, as follows:

	University of Illinois Fiduciary Activities Affected by the Restatement to Beginning Balances, Net Position	
	(In thousands)	
07/01/2021, as previously reported	$	27,630
Error Correction		(7,300)
07/01/2021, as restated	$	20,330

The error correction occurred due to an error identified by the University during fiscal year 2022 after further inquiry of those outside entities that utilize the University's custodial funds to account for their operations. The error involved incorrect recognition of software subscriptions provided by third parties to member entities that were purchased by the custodial funds and reimbursed by the member entities during fiscal year 2021. The impact to the prior year change in net position was $106,000.

(11) State Universities Retirement System

Defined Benefit Pension Plans

(a) *General Information about the Defined Benefit Pension Plan*

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

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

Eligible employees must participate upon initial employment. Employees are ineligible to participate if (a) employed after having attained age 68; (b) employed less than 50% of full time; or (c) employed less than full time and attending classes with an employer. Of those University employees ineligible to participate, the majority are students at the University.

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 2021 and 2022, respectively, was 12.70% and 12.32% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary except for police officers and fire fighters who contribute 9.5% of their earnings. The contribution requirements of plan members and employers are established and may be amended by the State's General Assembly.

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

(b) ***Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions Related to Defined Benefit Pensions***

Net Pension Liability: The net pension liability (NPL) was measured as of June 30, 2021. At June 30, 2021, SURS reported a NPL of $28,528,477,000.

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 $12,849,146,000 or 45.0397%. The University's proportionate share changed by 0.0077% from 45.0320% since the last measurement date on June 30, 2020. This amount is not recognized in the financial statements. The NPL and total pension liability as of June 30, 2021 was determined based on the June 30, 2020 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during fiscal year 2020.

Defined Benefit Pension Expense: At June 30, 2021 SURS reported a collective net pension expense of $2,342,460,000.

Employer Proportionate Share of Defined Benefit Pension Expense: The employer proportionate share of collective defined benefit pension expense is recognized as nonoperating revenue with matching operating expense (compensation and benefits) in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS defined benefit plan during fiscal year 2020. As a result, the University recognized revenue and pension expense of $1,055,037,000 from this special funding situation during the year ended June 30, 2022.

Deferred Outflows of Resources 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 pension by SURS that is applicable to future reporting periods.

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources

(In thousands)

		Deferred Outflows of Resources		**Deferred Inflows of Resources**
Difference between expected and actual experience	$	113,468	$	
Changes in assumptions		776,968		
Net difference between projected and actual earnings on pension plan investments				2,283,515
Total	$	890,436	$	2,283,515

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

Year Ending June 30		Net Deferred Outflows and Inflows of Resources
2022	$	34,095
2023		(197,006)
2024		(538,343)
2025		(691,825)
2026		
Thereafter		
Total	$	(1,393,079)

(c) ***University Deferral of Fiscal Year 2022 Pension Contributions***

The University paid $42,074,000 in federal, trust or grant contributions to SURS defined benefit pension plan for the fiscal year ended June 30, 2022. These contributions were made subsequent to the pension liability measurement date of June 30, 2021 and are recognized as deferred outflows of resources as of June 30, 2022.

(d) ***Assumptions and Other Inputs***

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

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

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

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

Defined Benefit Plan	Strategic Policy Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Traditional Growth		
Global Public Equity	41.0%	6.30%
Stabilized Growth		
Credit Fixed Income	14.0%	1.82%
Core Real Assets	5.0%	3.92%
Options Strategies	6.0%	4.20%
Non-Traditional Growth		
Private Equity	7.5%	10.45%
Non-Core Real Assets	2.5%	8.83%
Inflation Sensitive		
U.S. TIPS	6.0%	(0.22%)
Principal Protection		
Core Fixed Income	8.0%	(0.81%)
Crisis Risk Offset		
Systematic Trend Following	3.5%	3.45%
Alternative Risk Premia	3.0%	2.30%
Long Duration	3.5%	0.91%
Total	**100.0%**	**4.43%**
Inflation		**2.25%**
Expected Arithmetic Return		**6.68%**

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

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

1% Decrease 5.12%	Current Single Discount Rate Assumption 6.12%	1% Increase 7.12%
	(In thousands)	
$35,000,704	$28,528,477	$23,155,086

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

Defined Contribution Pension Plan

(e) *General Information about the Defined Contribution 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 July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of State universities, certain affiliated organizations, and certain other State educational and scientific agencies and for survivors, dependents and other beneficiaries of such employees. SURS is governed by Chapter 40, Act 5. Article 15 of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.surs.org. The RSP and its benefit terms were established and may be amended by the State's General Assembly.

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

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

Forfeitures: Employees are not vested in employer contributions to the RSP until they have attained five years of service credit. Should an employee leave SURS-covered employment with less than five years of service credit, the portion of the employee's RSP account designated as employer contributions is forfeited. Employees who later return to SURS-covered employment will have their 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.

(f) ***Pension Expense Related to Defined Contribution Pensions***

Defined Contribution Pension Expense: For the year ended June 30, 2021, the State's contributions to the RSP on behalf of individual employers totaled $76,281,000. Of this amount, $70,404,000 was funded via an appropriation from the State and $5,877,000 was funded from previously forfeited contributions.

Employer Proportionate Share of Defined Contribution Pension Expense: The employer proportionate share of collective defined contribution pension expense is recognized as nonoperating revenue with matching operating expense (compensation and benefits) in the financial statements. The basis of allocation used in the proportionate share of collective defined contribution pension expense is the actual reported pensionable contributions made to the RSP during fiscal year 2021. The University's share of pensionable contributions was 55.9351%. As a result, the University recognized revenue and defined contribution pension expense of $42,668,000 from this special funding situation during the year ended June 30, 2022, of which $3,288,000 constituted forfeitures.

(12) OPEB

(a) ***Plan Description***

The State Employees Group Insurance Act of 1971 (Act), as amended, authorizes the 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 OPEB. The eligibility provisions for SURS are defined within Note 11.

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

(b) ***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 state public universities' employees in accordance with limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. Coverage through SEGIP becomes secondary to Medicare after Medicare eligibility has been reached. Members must enroll in Medicare Parts A and B to receive the subsidized SEGIP premium available to Medicare eligible participants. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time, the benefit amount becomes $5,000.

(c) ***Funding Policy and Annual Other Postemployment Benefit Cost***

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

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

(d) ***Special funding situation portion of OPEB***

The proportionate share of the State's OPEB expense relative to the University's retirees totaled ($78,419,000) during the year ended June 30, 2022. This amount was recognized by the University as non-operating special funding situation revenue and operating expense allocated to the related function performed by the employees during the year ended June 30, 2022.

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

(In thousands)		
Measurement Date:		**June 30, 2021**
State of Illinois' OPEB liability related to the University under the Special Funding Situation	$	6,726,947
SEGIP total OPEB liability	$	34,911,897
Proportionate share of the total OPEB liability		19.27%

(e) ***University's Portion of OPEB and Disclosures Related to SEGIP***

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

(In thousands)		
Measurement Date:		**June 30, 2021**
University's OPEB liability	$	1,068,082
SEGIP total OPEB liability	$	34,911,897
Proportionate share of the total OPEB liability		3.06%

The University's portion of the OPEB liability was based on the University's proportionate share amount determined under the methodology in Note 1(s) during the measurement year ended June 30, 2021. As of the current year measurement date of June 30, 2021, the University's proportion increased 0.46% from its proportion measured as of the prior year measurement date of June 30, 2020.

The University recognized OPEB expense for the year ended June 30, 2022, of negative $41.692 million.

At June 30, 2022, the University reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2021, from the following sources (amounts expressed in thousands):

Deferred outflows of resources		
Differences between expected and actual experience	$	7,802
Changes in assumptions		24,160
Changes in proportion and differences between employer contributions and proportionate share of contributions		170,725
University contributions subsequent to the measurement date		26,339
Total deferred outflows of resources	$	229,026
Deferred inflows of resources		
Differences between expected and actual experience	$	7,431
Changes of assumptions		293,952
Changes in proportion and differences between employer contributions and proportionate share of contributions		74,440
Total deferred inflows of resources	$	375,823

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

Year ended June 30,		
2023	$	(63,933)
2024		(41,645)
2025		(50,085)
2026		(15,563)
2027		(1,910)
Total	$	(173,136)

(f) ***Actuarial Methods and Assumptions***

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

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

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

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

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

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

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

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

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

(g) ***Discount Rate***

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

(h) ***Sensitivity of total OPEB liability to changes in the single discount rate***

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

	1% Decrease (0.92%)	Current Single Discount Rate Assumption (1.92%)	1% Increase (2.92%)
University's proportionate share of total OPEB liability	$ 1,261,397	$ 1,068,082	$ 915,129

(i) ***Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rate***

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

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
University's proportionate share of total OPEB liability	$ 891,281	$ 1,068,082	$ 1,302,034

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

(j) ***Total OPEB Liability Associated with the University, Regardless of Funding Source:***

The University is required to disclose all OPEB liabilities related to it, including (1) the portion of the State's OPEB liability related to the University's employees resulting from the special funding situation the University is not required to record and (2) the portion of OPEB liability recorded by the University for its employees paid from trust, federal, and other funds. The following chart displays the proportionate share of contributions, regardless of funding source, associated with the University's employees relative to all employer contributions during the years ended June 30, 2021 based on the June 30, 2020 and 2019, respectively, actuarial valuation rolled forward:

(In thousands)		
Measurement Date:		**June 30, 2021**
University's OPEB liability	$	1,068,082
State of Illinois' OPEB liability related to the University under the Special Funding Situation		6,726,947
Total OPEB liability associated with the University	$	7,795,029
SEGIP total OPEB liability	$	34,911,897
Proportionate share of the OPEB liability associated with the University		22.33%

(13) Commitments and Contingencies

At June 30, 2022, the University had commitments on various construction projects, contracts for repairs and renovation of facilities, software projects, and equipment purchases of $176,031,000.

The University purchases the majority of its natural gas and electricity from Prairieland and guarantees payment by Prairieland to its energy suppliers. Unconditional guaranty agreements are in place with Prairieland's energy suppliers for an aggregate amount not to exceed $68,700,000. The exposure related to Prairieland at June 30, 2022 is $43,627,000 for all energy suppliers. This exposure includes the mark-to-market positions on forward contracts and the accounts payable accrued for each vendor.

The University receives moneys from federal and state government agencies under grants and contracts for research and other activities. The costs, both direct and indirect, charged to these grants and contracts are subject to audit and disallowance by the granting agency. The University believes that any disallowances or adjustments would not have a material effect on the University's financial position.

The University also receives moneys under third-party payor arrangements for payment of medical services rendered at its hospital and clinics. Some of these arrangements allow for settlement adjustments based on costs and other factors. The University believes that any adjustments would not have a material effect on the University's financial position.

The University is a defendant in a number of legal actions primarily related to medical malpractice. These legal actions have been considered in estimating the University's accrued self-insurance liability. The total of amounts claimed under these legal actions, including potential settlements and amounts relating to losses incurred but not reported, could exceed the amount of the self-insurance liability. In the opinion of the University's administrative officers, the University's self-insurance liability and limited excess indemnity insurance coverage from commercial carriers are adequate to cover the ultimate liability of these legal actions, in all material respects.

The University has operational coal-fired boilers that produce steam heat for its facilities. The University will have legal and regulatory costs associated with environmental remediation activities as a result of their eventual disposals. In addition, the University utilizes classes of medical devices and x-ray machines that also have legally imposed costs associated with their eventual disposal. The University does not have sufficient information available to reasonably estimate the timing and/or cost related to these future retirement obligations.

Public-private partnership to construct new UI Health Specialty Care Building

In August 2020, the University entered into several agreements with private enterprises in order to construct the UI Health Specialty Care Building (SCB), which includes an outpatient surgery center and five specialty clinics. The University has partnered with Provident Group-UIC Surgery Center LLC (Provident) and a developer, UIH ASC Development, LLC (Developer). Through agreements among the parties, Provident is responsible for the design, development and construction of the SCB. The Illinois Finance Authority (IFA) issued $149,845,000 of tax-exempt bonds in August 2020 and loaned the proceeds to Provident to fund a portion of the SCB project cost. The University leased the land on which the SCB will be built to Provident over a period of 40 years and has entered into a sublease with Provident to lease the SCB facility from Provident upon completion. Upon the termination or expiration of the land lease, the SCB, any improvements, fixtures, equipment and all personal property attached to or within the SCB shall be owned by the University.

Construction began in August 2020 and will be completed in September 2022. Beginning in fiscal year 2023, the University will recognize an asset and corresponding long-term liability. The use of the SCB will be reported as a financed purchase in accordance with lease accounting standards.

(14) Operating Expenses by Natural Classification

Operating expenses by natural classification for the year ended June 30, 2022 for the University and the URO – Foundation are summarized as follows:

University Operating Expenses by Natural Classification
(In thousands)

	Compensation and benefits	Supplies and services	Student aid	Depreciation and Amortization	Total
Instruction	$ 1,558,212	117,213	7,851		$ 1,683,276
Research	683,512	315,007	11,722		1,010,241
Public service	315,189	304,840	11,835		631,864
Academic support	486,030	149,407	13,758		649,195
Student services	182,512	57,888	8,851		249,251
Institutional support	269,381	52,444	207		322,032
Operation and maintenance of plant	71,867	246,320	7,318		325,505
Scholarships and fellowships	3,016	918	152,629		156,563
Auxiliary enterprises	172,327	199,538	17,519		389,384
Hospital and medical activities	711,369	504,162	10		1,215,541
Independent operations	876	7,535			8,411
Depreciation and amortization				299,197	299,197
Total	$ 4,454,291	1,955,272	231,700	299,197	$ 6,940,460

URO – Foundation Operating Expenses by Natural Classification

(In thousands)

	Distributions on behalf of the University	Institutional support	Depreciation and Amortization	Total
Fund-raising	$	20,428		$ 20,428
Distributions on behalf of the University	240,115			240,115
General and administrative		14,496		14,496
Depreciation and amortization			1,299	1,299
Total	$ 240,115	34,924	1,299	$ 276,338

(15) Segment Information

The following information represents identifiable activities within the University financial statements for which one or more revenue bonds are outstanding.

(a) *The Auxiliary Facilities System (AFS)*

AFS financial activity mainly comprises housing, parking and student activities, which span across the three campuses of the University. The operating revenues of the AFS largely consist of student service fees, various user fees, room and board charges, sales from merchandise/vending and rental of certain facilities. Facilities primarily consist of buildings and other structures that have been constructed or remodeled with funding provided from issuance of related revenue bonds. AFS facilities include Memorial Stadium, the State Farm Center, student unions, housing residence halls, parking and other structures. Operating expenses of the AFS include all necessary current maintenance charges, expenses for reasonable upkeep and repairs, allocations of a share of certain charges for insurance and other expenses incidental to the operations of all of the various activities and facilities of the AFS in accordance with the bond indentures.

(b) *The Health Services Facilities System (HSFS)*

HSFS is comprised of the University of Illinois Hospital and associated clinical facilities providing patient care at, but not limited to, the University of Illinois at Chicago Medical Center. HSFS is a tertiary care facility located primarily in Chicago, Illinois offering a full range of clinical services. HSFS does not include the operations of the University Medical Service Plan or College of Medicine. Management of the HSFS is the responsibility of the University.

Condensed Statements of Net Position

June 30, 2022

(In thousands)

		AFS		**HSFS**		**Total**
Assets and deferred outflows of resources:						
Current assets	$	218,224		538,064	$	756,288
Noncurrent assets:						
Capital assets, nondepreciable		45,192		37,361		82,553
Capital assets, net of accumulated depreciation and amortization		1,164,272		272,143		1,436,415
Other noncurrent assets		30,507		22,601		53,108
Deferred outflows of resources		10,960		1,291		12,251
Total assets and deferred outflows of resources	$	1,469,155		871,460	$	2,340,615
Liabilities and deferred inflows of resources:						
Current liabilities	$	94,139		180,017	$	274,156
Noncurrent liabilities:						
Long-term debt		1,049,404		89,783		1,139,187
Other liabilities		12,457		37,157		49,614
Deferred inflows of resources		5,030		312		5,342
Total liabilities and deferred inflows of resources		1,161,030		307,269		1,468,299
Net position:						
Net investment in capital assets		158,015		223,884		381,899
Restricted:						
Expendable		3,663		22,425		26,088
Unrestricted		146,447		317,882		464,329
Total net position		308,125		564,191		872,316
Total liabilities, deferred inflows of resources, and net position	$	1,469,155		871,460	$	2,340,615

Condensed Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2022

(In thousands)

		AFS	HSFS		Total
Operating revenues	$	368,103	1,077,085	$	1,445,188
Operating expenses		288,131	1,277,839		1,565,970
Depreciation and amortization expense		49,361	32,276		81,637
Operating income (loss)		30,611	(233,030)		(202,419)
Nonoperating revenues, net and capital gifts		24,432	273,539		297,971
Increase in net position		55,043	40,509		95,552
Net position, beginning of year, as restated[1]		253,082	523,682		776,764
Net position, end of year	$	308,125	564,191	$	872,316

[1] The AFS beginning of year net position was restated from $253,054 to $253,082 due to a change in accounting principle. The HSFS beginning of year net position was restated from $524,625 to $523,682 due to a change in accounting principle.

Condensed Statement of Cash Flows

Year ended June 30, 2022

(In thousands)

		AFS	HSFS		Total
Net cash flows provided by operating activities	$	133,046	24,455	$	157,501
Net cash flows provided by noncapital financing activities		23,703	14,733		38,436
Net cash flows used in capital and related financing activities		(114,123)	(49,367)		(163,490)
Net cash flows used in investing activities		(12,744)	(11,069)		(23,813)
Net increase (decrease) in cash and cash equivalents		29,882	(21,248)		8,634
Cash and cash equivalents, beginning of year		187,700	414,447		602,147
Cash and cash equivalents, end of year	$	217,582	393,199	$	610,781

(16) University Related Organizations

The Entity's financial statements include the activities of the UROs, which are presented as discretely presented component units in the accompanying financial statements. Since these component units are discretely presented, the activities between them and the University are not eliminated on the Entity's financial statements. Conversely, the University and its component units are consolidated on the State's annual comprehensive financial report, therefore, the following disclosure is presented.

University and University Related Organizations Transactions
Presented to Facilitate State of Illinois Reporting
(In thousands)

	Distributions on behalf of University	(Advances to) Repayments from URO, net	Services/Goods Provided to University	Services/Goods Provided by University	Total
Foundation	$ 240,115		10,006	(10,006)	$ 240,115
Alumni Association			1,568	(1,568)	-
WWT			24,175	(24,175)	-
Illinois Ventures			1,368	(1,368)	-
Research Park			557	(557)	-
Prairieland			53,701	(53,701)	-
Shield T3, LLC			25,954	(25,954)	-
Illinois Global Gateway		21	353	(353)	21
Total	$ 240,115	21	117,682	(117,682)	$ 240,136

The transactions disclosed in the table above are not all inclusive and represent those transactions the University deemed significant. Additional details regarding these transactions are provided on the financial statements of each related organization.

Below are condensed financial statements by organization:

Condensed Statements of Net Position
June 30, 2022
(In thousands)

	Foundation	Alumni Association	WWT	Illinois Ventures
Assets and Deferred Outflows of Resources:				
Current assets	$ 76,458	3,240	2,257	2,360
Noncurrent assets:				
Capital assets, net	48,175	2,475	2,042	7
Other noncurrent assets	2,924,645	18,768		4,443
Deferred outflows of resources				
Total assets and deferred outflows of resources	$ 3,049,278	24,483	4,299	6,810
Liabilities and Deferred Inflows of Resources:				
Current liabilities	$ 21,741	422	2,108	218
Noncurrent liabilities	53,698		1,326	
Deferred inflows of resources				
Total liabilities and deferred inflows of resources	75,439	422	3,434	218
Net Position:				
Net investment in capital assets	38,362	2,475	311	7
Restricted:				
Nonexpendable	1,570,158			20
Expendable	1,295,491			
Unrestricted	69,828	21,586	554	6,565
Total net position	2,973,839	24,061	865	6,592
Total liabilities, deferred inflows of resources and net position	$ 3,049,278	24,483	4,299	6,810

Condensed Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2022
(In thousands)

	Foundation	Alumni Association	WWT	Illinois Ventures
Operating revenues	$ 206,536	3,128	23,760	1,459
Operating expenses	275,043	5,451	23,368	1,655
Depreciation expense	1,295	474	468	3
Operating (loss) income	(69,802)	(2,797)	(76)	(199)
Nonoperating (expenses) revenues, net	(195,888)	(2,001)	(28)	154
Contributions to endowments	82,753			
(Decrease) increase in net position	(182,937)	(4,798)	(104)	(45)
Net position, beginning of year	3,156,776	28,859	77	6,637
Restatements			892	
Net position, beginning of year, as restated			969	
Net position, end of year	$ 2,973,839	24,061	865	6,592

Condensed Statements of Net Position
June 30, 2022
(In thousands)

	Research Park	Prairieland	Shield T3	Illinois Global Gateway	Total
Assets and Deferred Outflows of Resources:					
Current assets	$ 636	20,772	26,132	1,922	$ 133,777
Noncurrent assets:					
Capital assets, net	2,058	1	3,559	25	58,342
Other noncurrent assets	11,084	10,142	50		2,969,132
Deferred outflows of resources		63			63
Total assets and deferred outflows of resources	$ 13,778	30,978	29,741	1,947	$ 3,161,314
Liabilities and Deferred Inflows of Resources:					
Current liabilities	$ 94	16,167	11,783	1,388	53,921
Noncurrent liabilities		2,500			57,524
Deferred inflows of resources	11,028	10,205			21,233
Total liabilities and deferred inflows of resources	11,122	28,872	11,783	1,388	132,678
Net Position:					
Net investment in capital assets	2,058	1	3,559	25	46,798
Restricted:					
Nonexpendable					1,570,178
Expendable					1,295,491
Unrestricted	598	2,105	14,399	534	116,169
Total net position	2,656	2,106	17,958	559	3,028,636
Total liabilities, deferred inflows of resources, and net position	$ 13,778	30,978	29,741	1,947	$ 3,161,314

Condensed Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2022
(In thousands)

	Research Park	Prairieland	Shield T3	Illinois Global Gateway	Total
Operating revenues	$ 1,108	53,600	75,842	3,071	$ 368,504
Operating expenses	1,070	56,458	53,473	3,062	419,580
Depreciation expense	115	1	2,882	25	5,263
Operating (loss) income	(77)	(2,859)	19,487	(16)	(56,339)
Nonoperating (expenses) revenues, net	422	2,897	(7,484)	(34)	(201,962)
Contributions to endowments					82,753
(Decrease) increase in net position	345	38	12,003	(50)	(175,548)
Net position, beginning of year	2,918	2,068	5,955	609	3,203,899
Restatements	(607)				285
Net position, beginning of year, as restated	2,311				3,204,184
Net position, end of year	$ 2,656	2,106	17,958	559	$ 3,028,636

(17) Subsequent Events

In September 2022, the University completed construction of the SCB. The new building, located adjacent to the Hospital, includes six floors of patient care space, with eight operating rooms and 24 pre-post bays for outpatient surgery, exam and treatment rooms for Gastroenterology, Transplant, Ophthalmology, Otolaryngology and Urology services and a pharmacy. The 200,000 square-foot facility opened to patients on September 26, 2022.

On November 17, 2022, the University entered into a public-private partnership in order to finance, design, develop, construct, equip, and own: (1) an instructional facility to be known as the South Campus Center for Interdisciplinary Learning, along with associated site development and various related amenities and improvements (Learning Facility); and (2) a standalone parking facility, along with associated site development and various related amenities and improvements (Parking Facility). The Parking Facility will replace existing surface parking spaces that will be removed to allow for the construction of the Learning Facility.

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)
Required Supplementary Information
Year Ended June 30, 2022
(In thousands)

Schedule of the University's Share of the Net Pension Liability

Measurement Date:	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
(a) University's Proportion Percentage of the Collective Net Pension Liability	0%	0%	0%	0%	0%	0%	0%	0%
(b) Proportionate Amount of the Collective Net Pension Liability	$0	$0	$0	$0	$0	$0	$0	$0
(c) Portion of Nonemployer Contributing Entities' Total Proportion of Collective Net Pension Liability associated with the University	$12,849,146	$13,788,569	$12,749,644	$12,228,864	$10,990,307	$10,996,379	$9,957,590	$8,995,845
Total (b) + (c)	$12,849,146	$13,788,569	$12,749,644	$12,228,864	$10,990,307	$10,996,379	$9,957,590	$8,995,845
Employer defined benefit Covered Payroll*	$1,721,034	$1,779,914	$1,615,691	$1,576,353	$1,542,724	$1,546,902	$1,546,992	$1,520,177
Proportion of Collective Net Pension Liability associated with the University as a percentage of defined benefit covered payroll	746.59%	774.68%	789.11%	775.77%	712.40%	710.86%	643.67%	591.76%
SURS Plan Net Position as a Percentage of Total Pension Liability	45.45%	39.05%	40.71%	41.27%	42.04%	39.57%	42.37%	44.39%

* GASB Statement #82 amended GASB Statements #67 & #68 to require the presentation of covered payroll, defined as payroll on which contributions to a pension plan are based, and ratios that use that measure. For the SURS plans, the covered payroll are those employees within the defined benefit plan.

Schedule of Contributions for Pensions	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Federal, trust, grant and other contribution	$ 42,074	$ 40,550	$ 38,900	$ 36,359	$ 37,139	$ 35,483	$ 34,753	$ 33,473	$ 34,200
Contributions in relation to required contribution	42,074	40,550	38,900	36,359	37,139	35,483	34,753	33,473	34,200
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
University's covered payroll	$ 2,485,229	$ 2,402,748	$ 2,414,572	$ 2,177,991	$ 2,094,807	$ 2,026,330	$ 2,000,474	$ 1,973,650	$ 1,902,256
Contributions as a percentage of covered payroll	1.69%	1.69%	1.61%	1.67%	1.77%	1.75%	1.74%	1.70%	1.80%

(Continued)

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

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

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

- Salary increase. Change in the overall assumed salary increase rates, ranging from 3.00 percent to 12.75 percent based on years of service, while maintaining the underlying wage inflation rate of 2.25 percent

- Investment return. Decrease the investment return assumption to 6.50 percent. This reflects decreasing the assumed real rate of return to 4.25 percent and maintaining the underlying assumed price inflation of 2.25 percent.

- Effective rate of interest. Decrease the long-term assumption for the effective rate of interest for crediting the money purchase accounts to 6.50 percent.

- Normal retirement rates. Establish separate rates for members in academic positions and non-academic positions to reflect that retirement rates for academic positions are lower than for non-academic positions.

- Early retirement rates. Establish separate rates for members in academic positions and non-academic positions to reflect that retirement rates for academic positions are lower than for non-academic positions.

- Turnover rates. Change rates to produce slightly lower expected turnover for most members, while maintaining a pattern of decreasing termination rates as years of service increase.

- Mortality rates. Change from the RP-2014 to the Pub-2010 mortality tables to reflect the latter's higher applicability to public pensions. Update the projection scale from the MP-2017 to the MP-2020 scale.

- Disability rates. Establish separate rates for members in academic positions and non-academic positions and maintain separate rates for males and females.

- Plan election. Change plan election assumptions to 75 percent Tier 2 and 25 percent RSP for non-academic members. Change plan election assumptions to 55 percent Tier 2 and 45 percent RSP for academic members.

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)
Required Supplementary Information
Year Ended June 30, 2022
(In thousands)

Schedule of the University's Proportionate Share of the Total OPEB Liability
For the Plan Year Ended June 30

Measurement Date:	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Proportionate percentage of the collective total OPEB liability	3.06%	2.60%	2.90%	2.89%	3.18%
Proportionate share of the collective total OPEB liability	$1,068,082	$1,100,319	$1,270,986	$1,160,539	$1,314,760
Estimated proportionate amount of collective total OPEB liability associated with the University - State supported portion	$6,726,947	$6,881,615	$7,564,028	$7,052,321	$10,142,951
Total OPEB liability associated with the University	$7,795,029	$7,981,934	$8,835,014	$8,212,860	$11,457,711
Covered employee payroll	$2,433,141	$2,354,324	$2,199,848	$2,106,226	$2,023,794
Proportionate share of the total OPEB liability as a percentage of its covered employee payroll	320.37%	339.03%	401.62%	389.93%	566.15%

*Note: The University implemented GASB No. 75 in fiscal year 2018; however, the amount reported for fiscal year 2018 was based on an actuarial date as of June 30, 2017. The information above is presented for as many years as available. The Schedule is intended to show information for 10 years.

**Note: The amounts disclosed for years ended June 30, 2019, 2018, and 2017 do not include the impact of the restatement of the OPEB liability due to the correction of an error.

UNIVERSITY OF ILLINOIS

(A Component Unit of the State of Illinois)
SUPPLEMENTARY INFORMATION

TABLE OF OPERATING EXPENSES
For the Year Ended June 30, 2022
(In thousands)

	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		
Educational and general:												
Instruction	899,049	128,020	(4,204)	9,135	1,032,000	135,430	(31,569)	422,351	526,212	1,558,212	125,064	1,683,276
Research	424,544	180,741	(20,964)	19,310	603,631	19,608	(4,571)	64,844	79,881	683,512	326,729	1,010,241
Public service	231,349	33,176	(13,709)	11,799	262,615	12,678	(2,955)	42,851	52,574	315,189	316,675	631,864
Academic support	290,095	17,079	(2,479)	3,523	308,218	42,696	(9,952)	145,068	177,812	486,030	163,165	649,195
Student services	107,653	12,479	(113)	710	120,729	15,759	(3,673)	49,697	61,783	182,512	66,739	249,251
Institutional support	161,681	5,298	(145)	1,021	167,855	24,660	(5,748)	82,614	101,526	269,381	52,651	322,032
Operation and maintenance of plant	47,173	985	(3)	105	48,260	5,637	(1,314)	19,284	23,607	71,867	253,638	325,505
Scholarships and fellowships	1,792	1,178	(57)	41	2,954	15	(4)	51	62	3,016	153,547	156,563
Auxiliary enterprises	106,530	9,277	(13)	124	115,918	13,418	(3,128)	46,119	56,409	172,327	217,057	389,384
Hospital and medical activities	429,273	5,909	-	659	435,841	66,444	(15,488)	224,572	275,528	711,369	504,172	1,215,541
Independent operations	318	29	(6)	227	568	71	(17)	254	308	876	7,535	8,411
Depreciation	-	-	-		-	-	-	-	-	-	299,197	299,197
Total	2,699,457	394,171	(41,693)	46,654	3,098,589	336,416	(78,419)	1,097,705	1,355,702	4,454,291	2,486,169	6,940,460

[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.

APPENDIX D

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

[THIS PAGE INTENTIONALLY LEFT BLANK]

DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain terms used but not previously defined in this Official Statement:

"*Annual Net Debt Service*" means an amount equal to the principal of and interest on all Bonds coming due in such Fiscal Year; provided, however that:

(i) in the case of any Bonds for which a sinking fund has been established, the principal due thereon will be deemed to mature in each year in which a payment is required to be made into such sinking fund in the amount of such payment;

(ii) payments on Bonds which have been refunded or which are to be made from funds escrowed or deposited with a third party will be excluded;

(iii) in the event Commercial Paper has been issued, at the option of the Comptroller as specified on the date of each issue of Commercial Paper, any computation of Annual Net Debt Service will exclude such Commercial Paper and will instead be calculated as if the Commercial Paper were Projected Long-Term Debt;

(iv) in the event any Bonds (other than Commercial Paper) are being issued which bear, or are to bear, interest at a variable rate, Annual Net Debt Service on such variable rate Bonds for any such Fiscal Year will be computed by assuming that the rate of interest applicable to such Fiscal Year or Fiscal Years is the highest of (A) the actual rate at the date of calculation, or if the Bonds are not yet Outstanding, the initial rate, (B) if the Bonds have been Outstanding for at least 12 months, the average rate over the 12 months immediately preceding the date of calculation, and (C)(1) if interest on the Bonds is issued as excludable from gross income under the applicable provisions of the Code, the rate of interest shown in the most recently published Revenue Bond Index or (2) if interest on the Bonds is not intended to be so excludable, the interest rate on Government Obligations with comparable maturities, but in each case not in excess of the rate authorized by law; and

(v) in the event the Board enters into a Hedging Transaction in connection with the issuance of any Bonds, the computation of the Annual Net Debt Service for such Bonds may, at the option of the Comptroller, include payments made and received by the Board or to be made and received by the Board under the related Hedging Transaction, provided that at the time such option is initially exercised the Comptroller delivers a certificate to the effect that (1) the institution other than the Board that is party to such Hedging Transaction (the "*Counterparty*") is obligated under such Hedging Transaction to make payments thereunder for the period for which the computation of the Annual Net Debt Service on such Bonds is being determined, and (2) as of the date the Board and the Counterparty entered into such Hedging Transaction, the long-term debt obligations of the Counterparty or of any guarantor of the Counterparty's obligations under such Hedging Transaction were rated "A" or better by Moody's or S&P.

"*Auxiliary Facilities System*" or "*System*" means the Existing Facilities and such additional facility or facilities as the same, or any part or portion of such facilities, are hereafter from time to time acquired and included in the System by the Board pursuant to the Bond Resolution, and excepting those parts of the System which from time to time may be disposed of or abandoned as provided in the Bond Resolution.

"*Bond Fund*" means the Bond and Interest Sinking Fund Account created by the Bond Resolution.

"*Bondholder*" or "*Owner*" or "*Holder*" means, as of any time, the registered owner of any Bonds as shown in the register kept by the Bond Registrar.

"*Bond Registrar*" means The Bank of New York Mellon Trust Company, N.A., Chicago, Illinois, and its successors and assigns.

"*Closing Date*" means the date of delivery of the Series 2023A Bonds to the Underwriters against payment therefor.

"*Commercial Paper*" means Bonds issued for any purpose in connection with a program of commercial paper, as such term is generally understood, maturing not later than 270 days from the date of issuance thereof.

"*Debt Service Reserve Account*" means the Debt Service Reserve Account established pursuant to the requirements of the Bond Resolution. ***The Series 2023A Bonds will not be secured by the Debt Service Reserve Account.***

"*Existing Facilities*" means the existing housing, parking, union, athletic, recreational, student-oriented health and other revenue producing buildings and facilities (including equipment) of the University described in the Bond Resolution, together with all improvements, repairs, extensions or replacements as may be constructed or acquired, that have not been abandoned as set forth in the Bond Resolution.

"*Fiscal Year*" means the period commencing July 1 and ending June 30 of each succeeding calendar year.

"*Government Obligations*" means securities which are direct obligations of the United States of America (including trust receipts evidencing an interest therein) and securities for which the United States of America has fully guaranteed the payment of principal and interest.

"*Hedging Transaction*" means an agreement, expressly identified in a certificate of the Comptroller as being entered into in order to hedge the interest payable on all or a portion of any Bonds, which agreement may include, without limitation, an interest rate swap, a forward or futures contract or an option (e.g., a call, put, cap, floor or collar) and which agreement does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof.

"*Maximum Annual Net Debt Service*" means the maximum Annual Net Debt Service payable in any future Fiscal Year. For purposes of determining Maximum Annual Net Debt Service for Bonds secured by the Debt Service Reserve Account, the income to be earned on the Debt Service Reserve Account will be estimated at no more than 9.0% per annum.

"*Net Revenues*" means that portion of the Operating Revenues remaining after providing sufficient funds for the reasonable and necessary cost of currently maintaining, repairing, insuring and operating the System.

"*Operating Revenues*" means all rentals, student service fees, charges, income and other revenues received from the continued use and operation of the System, but does not include Student Tuition and Fees or transfers from the Debt Service Reserve Account, Repair and Replacement Reserve Account, Equipment Reserve Account, or Non-Instructional Facilities (Development) Reserve Account.

"*Permitted Encumbrances*" means with respect to the sites of the System (i) liens for taxes and special assessments which are not then delinquent, or if then delinquent, are being contested in good faith;

(ii) utility, access and other easements and rights-of-way, restrictions and exceptions that will not interfere in any substantial way with or impair the operation of the System; (iii) any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right in respect thereof if payment is not due under the contract in question or if such lien or payment is being contested in good faith; (iv) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the property included in the System and do not materially impair the property affected thereby for the purpose for which it was acquired or is held; (v) zoning laws and similar restrictions and liens arising in connection with workmen's compensation, unemployment insurance, taxes, assessments, statutory obligations or liens, social security legislation, undetermined liens and charges incidental to construction, or other similar charges arising in the ordinary course of operations and not overdue, or if overdue, being contested in good faith; (vi) such other liens and charges at the time required by law as a condition precedent to the transaction of the activities of the Board or the exercise of any privileges or licenses necessary to the Board or the University; and (vii) existing leasehold and similar interests in connection with athletic and recreation facilities constituting a part of the System.

"*Projected Long-Term Debt*" means, as of the date of any determination thereof, Bonds maturing in substantially equal annual payments of principal and interest over a period of 30 years from the date of original issuance thereof and an average annual rate of interest equal to the then current rate of interest shown in the most recently published Revenue Bond Index, if interest on the Projected Long-Term Debt is issued as excludable from gross income under the applicable provisions of the Code, or, if the interest on any Projected Long-Term Debt is not intended to be so excludable, the interest rate on direct U.S. Treasury Obligations with a 30-year maturity.

"*Reserve Account Credit Instrument*" means, for Bonds secured by the Debt Service Reserve Account, an insurance policy, surety bond or irrevocable letter of credit which may be delivered to the Bond Registrar in lieu of or in partial substitution for cash or securities required to be on deposit in the Debt Service Reserve Account. In the case of an insurance policy or surety bond, the company providing the same will be an insurer which, at the time of issuance of the policy, has been assigned the highest rating accorded insurers by Moody's and S&P, and the policy or bond will be subject to the irrevocable right of the Bond Registrar to draw thereon in a timely fashion upon satisfaction of any conditions set forth in the Bond Resolution. In the case of a letter of credit, the letter of credit will be irrevocable and will be payable to the Bond Registrar and will be issued by a banking institution having a credit rating on its long-term unsecured debt within one of the two highest rating categories from Moody's and S&P.

"*Revenue Bond Index*" means the weekly index of interest rates on revenue bonds known as the "25-Bond Revenue Index" published by *The Bond Buyer* or, if such index is no longer being published, any other index of interest rates borne by revenue bonds, the interest of which is exempt from federal income taxation, having a maturity of 30 years.

"*Series 1999A Bonds*" means that series of presently outstanding Bonds authorized by the Board in the Bond Resolution.

"*Series 2001A Bonds*" means that series of presently outstanding Bonds authorized by the Board in the Bond Resolution.

"*Series 2003A Bonds*" means that series of presently outstanding Bonds authorized by the Board in the Bond Resolution.

"*Series 2005A Bonds*" means that series of presently outstanding Bonds authorized by the Board in the Bond Resolution.

"*Series 2013A Bonds*" means that series of presently outstanding Bonds authorized by the Board in the Bond Resolution.

"*Series 2014A Bonds*" means that series of presently outstanding Bonds authorized by the Board in the Bond Resolution.

"*Series 2015A Bonds*" means that series of presently outstanding Bonds authorized by the Board in the Bond Resolution.

"*Series 2016A Bonds*" means that series of presently outstanding Bonds authorized by the Board in the Bond Resolution.

"*Series 2016B Bonds*" means that series of presently outstanding Bonds authorized by the Board in the Bond Resolution.

"*Series 2018A Bonds*" means that series of presently outstanding Bonds authorized by the Board in the Bond Resolution.

"*Series 2018B Bonds*" means that series of presently outstanding Bonds authorized by the Board in the Bond Resolution.

"*Series 2019A Bonds*" means that series of presently outstanding Bonds authorized by the Board in the Bond Resolution.

"*Series 2020A Bonds*" means that series of presently outstanding Bonds authorized by the Board in the Bond Resolution.

"*Series 2021A Bonds*" means that series of presently outstanding Bonds authorized by the Board in the Bond Resolution.

"*Series 2023A Bond and Interest Subaccount*" means the subaccount of the Bond and Interest Sinking Fund Account established under the Twenty-Seventh Supplemental Resolution to secure the Series 2023A Bonds.

"*Series 2023A Costs of Issuance Fund*" means the accounting fund established under the Twenty-Seventh Supplemental Resolution to pay costs of issuance of the Series 2023A Bonds.

"*Student Tuition and Fees*" means the moneys collected from students matriculated, registered or otherwise enrolled at or attending the University for tuition, application, extension, registration, matriculation, admission, student activities and student services, excluding those fees assessed for the use and operation of the System.

"*Tax Agreement*" means the Tax Exemption Certificate and Agreement of the Board relating to the Series 2023A Bonds.

"*Taxable Series 2014B Bonds*" means that series of presently outstanding Bonds authorized by the Board in the Bond Resolution.

"*Taxable Series 2020B Bonds*" means that series of presently outstanding Bonds authorized by the Board in the Bond Resolution.

"*Twenty-Sixth Supplemental Resolution*" means the Amended and Restated Twenty-Sixth Supplemental System Revenue Bond Resolution adopted by the Board on March 11, 2021, among other things setting forth certain proposed amendments to the Bond Resolution as described under the caption "**PROPOSED AMENDMENTS TO BOND RESOLUTION**" below.

"*Twenty-Seventh Supplemental Resolution*" means the Twenty-Seventh Supplemental System Revenue Bond Resolution adopted by the Board on January 26, 2023, authorizing the issuance of the Series 2023A Bonds.

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The Series 2023A Bonds will be issued under the Bond Resolution adopted by the Board on September 20, 1984, as supplemented and amended, and particularly as supplemented by the Twenty-Seventh Supplemental Resolution. Reference is made to the Bond Resolution for complete details of the terms of the Series 2023A Bonds and the security for the Series 2023A Bonds. Certain provisions of the Bond Resolution are summarized under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in the forepart of this Official Statement. The following is a summary of certain additional provisions of the Bond Resolution and should not be considered as a full statement of the Bond Resolution.

BOND PROCEEDS

The proceeds of the Series 2023A Bonds will be used to (i) refund the Refunded Bonds as more fully described in the body of this Official Statement under the caption "PLAN OF FINANCE", and (ii) pay costs of issuing the Series 2023A Bonds and refunding of the Refunded Bonds.

An amount of the principal proceeds of the Series 2023A Bonds designated by the Comptroller will be deposited into a separate accounting fund to be known as the "*Series 2023A Costs of Issuance Fund*" and applied to the payment of the costs of issuance of the Series 2023A Bonds. If there are funds remaining in the Series 2023A Costs of Issuance Fund after all such costs have been paid, said funds, and any interest earned on the investment of moneys in such account, will be withdrawn by the Comptroller and deposited in the Series 2023A Bond and Interest Subaccount, to be used only to pay debt service on the Series 2023A Bonds, subject to the further provisions of the Tax Agreement.

FLOW OF FUNDS

The Operating Revenues of the System will be deposited as collected by the Comptroller in a general banking account of the University to the credit of a special fund created and designated as the Auxiliary Facilities System Revenue Fund (the "*Revenue Fund*") which fund will be maintained by the Bond Registrar. The Comptroller will also deposit in the Revenue Fund such Student Tuition and Fees as will be necessary together with Operating Revenues to meet (i) operating and maintenance expenses of the System and (ii) together with transfers, if any, of investment income from the Debt Service Reserve Account to the Bond and Interest Sinking Fund Account (which investment income will be applied to debt service only on those Bonds secured by the Debt Service Reserve Account), annual debt service on the Bonds and required deposits to the Debt Service Reserve Account and Repair and Replacement Reserve Account, all as required by the Bond Resolution.

All moneys in the funds and accounts established pursuant to the Bond Resolution will be used and held for use only in the manner and in the order designated below.

Operation and Maintenance. Current expenses of the System will be payable from the Revenue Fund as the same become due and payable and will include all necessary operating expenses, current maintenance charges, expenses of reasonable upkeep and repairs, fees due the Bond Registrar on the Bonds, a properly allocated share of charges for insurance and all other expenses incident to the operation of the System. At the end of each Fiscal Year, the Board may retain in the Revenue Fund moneys sufficient for operation and maintenance expenses for the next 30 days as an operating reserve.

Bond and Interest Sinking Fund Account. The Comptroller, after providing for the payment of current operating and maintenance expenses, will transfer from the Revenue Fund, and deposit to the credit of the Bond and Interest Sinking Fund Account such amounts, together with any investment income transferred from the Debt Service Reserve Account and deposited to the Bond and Interest Sinking Fund Account for the purpose of paying maturing principal and interest (which investment income will be applied to debt service only on those Bonds secured by the Debt Service Reserve Account and not to any other Bonds), as will be sufficient to pay the principal and interest on the Bonds as they become due.

The Bond and Interest Sinking Fund Account will be held in trust by the Bond Registrar for the benefit of the Owners of the Bonds. All moneys credited to such Account will be irrevocably pledged to and used solely for payment of interest on the Bonds and for payment, redemption, and retirement of principal of the Bonds; *provided* that moneys credited to the Debt Service Reserve Account are not pledged to, and will not be used to pay debt service on, the Series 2023A Bonds or any of the Prior Parity Bonds.

Pursuant to authorization contained in the Twenty-Seventh Supplemental Resolution, the Comptroller will create and establish the Series 2023A Bond and Interest Subaccount as a separate subaccount of the Bond and Interest Sinking Fund Account. For Parity Bonds, the supplemental resolution creating the issue will amend the provisions of the Bond Resolution summarized in the preceding paragraph, as necessary, to provide for the deposit of moneys in the Bond and Interest Sinking Fund in sufficient amounts to pay or redeem such Parity Bonds in accordance with the terms thereof.

Debt Service Reserve Account. None of the Series 2023A Bonds nor the Prior Parity Bonds have any claim upon the Debt Service Reserve Account.

With respect to the issuance of future Parity Bonds, the Board may create subaccounts in the Debt Service Reserve Account securing a particular series of Parity Bonds, or the Board may provide that a particular series of Parity Bonds to be issued (i) will not be secured by the Debt Service Reserve Account, (ii) will be secured by a separate subaccount in the Debt Service Reserve Account in an amount equal to or less than the Maximum Annual Net Debt Service on such Parity Bonds, or (iii) will be secured by a Reserve Account Credit Instrument.

Any subaccount securing any future issue of Parity Bonds will be maintained in an amount equal to the requirement provided in the supplemental Resolution authorizing the issuance of such Parity Bonds (the "*Reserve Requirement*") for the Parity Bonds secured by such subaccount. Funds on deposit in such subaccount will be transferred by the Bond Registrar to the Bond and Interest Sinking Fund Account and used to pay debt service on the Parity Bonds secured by such subaccount in the event funds on deposit in the Bond and Interest Sinking Fund Account are insufficient therefor. If at any time the amount on deposit in the subaccount exceeds the Reserve Requirement for the Parity Bonds secured thereby, the excess may be withdrawn and used to pay debt service on such Parity Bonds or to purchase or redeem such Parity Bonds.

The Debt Service Reserve Account will be held in trust by the Bond Registrar. All moneys credited to the Debt Service Reserve Account will be irrevocably pledged to and solely used as described in the Bond Resolution.

If at the end of any Fiscal Year the amount on deposit in a subaccount of the Debt Service Reserve Account (valued on the basis of market) is less than the Reserve Requirement for the Bonds secured thereby, the Comptroller will transfer funds from the Revenue Fund and deposit into the subaccount not later than the end of the next succeeding Fiscal Year an amount not less than that necessary to restore the subaccount to the Reserve Requirement for the Bonds secured thereby.

The Board may provide for the deposit of a Reserve Account Credit Instrument in lieu of cash to satisfy the Reserve Requirement in the Debt Service Reserve Account for any future Parity Bonds; provided that in such event the Board will create a separate subaccount in the Debt Service Reserve Account to secure such Parity Bonds, and such Parity Bonds will have no claim on any other cash or assets in the Debt Service Reserve Account.

Repair and Replacement Reserve Account. The Comptroller will transfer from the funds remaining in the Revenue Fund and deposit in the Repair and Replacement Reserve Account on or before the close of each Fiscal Year, an amount not less than ten percent (10%) of Maximum Annual Net Debt Service for a repair and replacement reserve. The maximum amount which may be accumulated in such Account will not exceed five percent (5%) of the replacement cost of the facilities constituting the System, as determined by the then current Engineering News Record Building Cost Index (or comparable index). All money and investments so held in said Account will be used and held for use to pay the cost of unusual or extraordinary maintenance or repairs, renewals and replacements, and renovating or replacement of fixed equipment not paid as part of the ordinary maintenance and operation of the System. Moneys on deposit in the Repair and Replacement Reserve Account are not pledged as security for the payment of the Bonds.

Non-Instructional Facilities (Development) Reserve Account. The Comptroller will transfer from funds remaining in the Revenue Fund and deposit into the Non-Instructional Facilities (Development) Reserve Account such funds as have been approved by the Board for expenditure or planned for expenditure for new space or construction in, or an addition to, a facility constituting a part of the System consistent with the purpose and mission of that facility. Moneys on deposit in the Non-Instructional Facilities (Development) Reserve Account are not pledged as security for the payment of the Bonds.

Equipment Reserve Account. Prior to the close of each Fiscal Year, the Comptroller will transfer from the funds remaining in the Revenue Fund and deposit to the Equipment Reserve Account such funds as have been approved by the Board for expenditure in connection with the acquisition of movable equipment to be installed in the facilities constituting the System. The maximum amount which may be accumulated in such Account will not exceed 20% of the book value of the movable equipment of the System. Moneys on deposit in the Equipment Reserve Account are not pledged as security for the payment of the Bonds.

Surplus Revenues. At the close of each Fiscal Year and after all transfers and maximum deposits have been made, and after any deficiencies in any such transfers and deposits which may exist from any previous Fiscal Year have been remedied, the balance of any excess funds in the Revenue Fund then remaining may be used by the Board: (i) to redeem, on the next interest payment date, the Bonds of any series then outstanding which are subject to redemption prior to maturity; (ii) to purchase Bonds of any series then outstanding for cancellation by the Bond Registrar; (iii) to advance refund any series of Bonds then outstanding or (iv) for any other System purpose permitted by law and applicable regulations.

Investment of Revenue Fund Accounts. Any moneys in the Debt Service Reserve Account may be invested or reinvested in Government Obligations having a maturity not exceeding ten years from the date of each such investment. Moneys held in the Bond and Interest Sinking Fund Account may be invested in Government Obligations. All such securities so purchased will mature or be redeemable on a date or dates prior to the time when such moneys so invested will be required for expenditure.

All other moneys held in the other accounts in the Revenue Fund may be invested or reinvested in any investments permitted by the Bond Resolution and the laws of the State of Illinois for the investment of public funds. All such securities so purchased will mature or be redeemable on a date or dates prior to the time when such moneys so invested will be required for expenditure.

Interest on each subaccount of the Debt Service Reserve Account will be deposited in the Bond and Interest Sinking Fund Account and used to pay the principal of and interest on the Bonds secured by the respective subaccount.

GENERAL COVENANTS

Under the provisions of the Bond Resolution, the Board covenants and agrees with the holders of the Bonds, as long as any of said Bonds remain outstanding, as follows:

Student Tuition and Fees. The Board will deposit annually to the Revenue Fund an amount of Student Tuition and Fees sufficient, together with Operating Revenues, to meet (i) operating and maintenance expenses of the System and (ii) together with transfers, if any, of investment income from the Debt Service Reserve Account to the Bond and Interest Sinking Fund Account (which investment income will be applied to debt service only on those Bonds secured by the Debt Service Reserve Account), annual debt service and required deposits to the Debt Service Reserve Account and Repair and Replacement Reserve Account, as provided in the Bond Resolution.

Insurance. The Board will keep the System continuously insured against loss or damage by fire and lightning, the perils covered by fire and extended coverage insurance, vandalism or malicious mischief, and boiler explosion on boilers in a facility within the System in an amount not less than $100,000, but with a deductible amount per occurrence not exceeding $25,000, by a responsible insurance company or companies authorized and qualified under the laws of the State to assume such risks. Coverage by such insurance, other than the boiler insurance hereinabove referred to, will be in amounts sufficient to provide for, at a minimum, the lesser of (i) full recovery whenever the loss from causes covered by such insurance does not exceed 80% of the full insurable value of the part of the System so damaged or (ii) the redemption price, plus accrued interest to the next available call date, of all outstanding Bonds after deducting therefrom any cash or investments held in the Debt Service Reserve Account (if the Debt Service Reserve Account secures such Bonds) but any such policy may have a deductible amount per occurrence not exceeding one-tenth of one percent of the full insurable value of the System. The Board may, upon (i) resolution adopted in good faith, (ii) the recommendation of an independent insurance consultant and (iii) the approval of an appropriate agency, if any, of the State, adopt reasonable equivalent alternative risk management programs. The Board will (i) use the proceeds from any insurance to reconstruct, repair or rehabilitate the part of the System damaged or destroyed or (ii) pay such proceeds into the Bond and Interest Sinking Fund Account, which funds may be used to redeem outstanding Bonds but will not offset or be counted as funds which are otherwise required to be deposited in such account.

Business Interruption Insurance. The Board will maintain in effect business interruption insurance on the System in an amount sufficient for the Board to deposit in the Bond and Interest Sinking Fund Account, out of the proceeds of such insurance, an amount equal to the sum that would normally be available for deposit in such account from the revenues of the damaged part of the System during the time the damaged part of the System is non-revenue producing as a result of loss of use caused by fire and lightning, the perils covered by fire and extended coverage insurance, vandalism or malicious mischief, and boiler explosion on boilers in a facility within the System.

Title-Disposition-Encumbrance. The Board has indefeasible title in fee simple to the sites of the System, except for certain leased parking spaces, subject to Permitted Encumbrances, and the Board will not sell, mortgage, pledge or otherwise dispose of or encumber the System, or its sites, or any part of the System, except for equipment, including any facility necessary to the operation and use of the System (unless the service provided by such facility will be provided by the same or an alternative source at reasonably equivalent costs), provided that any property, when determined by the Board not to be income producing because of being destroyed, worn out, obsolete, or otherwise physically or structurally unfit for the use and occupancy of such property for which the same was initially acquired, may be abandoned for economic nonfeasibility; or, when otherwise determined by the Board not to be suitable for the use and occupancy for which the same was initially acquired, may be converted for academic or administrative purposes. **Upon the receipt of the consent of the holders of a majority in aggregate original principal amount of Outstanding Bonds, the covenant of the Board described in this paragraph will be amended as described below under "–PROPOSED AMENDMENTS TO BOND RESOLUTION" (collectively, the "*Amendments*"). By purchasing the Series 2023A Bonds, the owners thereof will be deemed to have consented to the Amendments.**

Operation of Facilities. The Board will at all times continuously operate and manage the System in an efficient and economical manner and on a revenue-producing basis; and it will at all times, from income made available for such purpose, maintain, preserve and keep the System in good repair, working order and condition so that it will at all times be available for reasonable use and occupancy.

Records and Audit. The Board will keep proper books of records and accounts (separate from all other records and accounts of the Board) in which complete and correct entries will be made of all transactions relating to all income and revenues from and all expenditures for maintaining, operating and repairing the System. There will be furnished to any owner of the Bonds, upon written request to the Board not more than 120 days after the close of each Fiscal Year, copies of the audit reports prepared by an independent public accountant or by the Auditor General of the State of Illinois, reflecting in reasonable detail the financial condition of the Board with the operation of the System in accordance with the covenants of the Bond Resolution. Such audit reports will particularly include a schedule of all insurance then in force, the enrollment at the University, the occupancy of and the rates charged for the use of the System and the status of each account described in the Bond Resolution.

Pledge of Performance. The Board pledges punctually to perform all its duties and obligations with reference to the System as required by the Bond Resolution and the statutes under which the Bonds are issued; including the operation and maintenance of the System, the making and collecting of sufficient rates, fees, rentals and charges for the use and occupancy of the System and the making and collecting of reasonable and sufficient Student Tuition and Fees, the maintenance of the accounts as provided in the Bond Resolution, the segregation of all revenues and income and transfer to said accounts and the proper application of all moneys in said accounts and investments of such revenues and income.

Defeasance. The Bond Resolution provides that the Board may pay or provide for the payment of the entire indebtedness of all outstanding Bonds, or Bonds of a particular series or of any portion of a series of outstanding Bonds, by depositing with the Bond Registrar, in trust, moneys and/or Government Obligations in an amount as the Bond Registrar will determine will, together with the income or increment to accrue on such Government Obligations, without consideration of any reinvestment thereof, be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Bonds. In such case, if the Board will also pay or cause to be paid all other sums payable by the Board under the Bond Resolution with respect to such Bonds and, if such Bonds are to be redeemed prior to the maturity thereof or if provision for the payment of only a portion of the Bonds of a particular series is being made, notice of such redemption or of such provision, as the case may be, has been given or provided for, the liability of the Board in respect of such Bonds will continue, but the owners of such Bonds will thereafter be entitled to payment only out of the moneys or Government Obligations so deposited with the Bond Registrar.

Modification of the Bond Resolution. The Board may, from time to time and at any time, without the consent of or notice to the owners of the Bonds, amend the Bond Resolution as follows:

(a) to cure any formal defect, omission, inconsistency or ambiguity in the Bond Resolution;

(b) to add to the covenants and agreements of, and limitations and restrictions upon, the Board under the Bond Resolution other covenants, agreements, limitations and restrictions to be observed by the Board which are not contrary to or inconsistent with the Bond Resolution as previously in effect;

(c) to confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by, the Bond Resolution, of any moneys, securities or funds held under the Bond Resolution; or

(d) to provide for the issuance of any Parity Bonds.

The owners of a majority in aggregate original principal amount of the Bonds at any time outstanding (not including any Bonds which may then be held or owned by or for the account of the Board or the University), will have the right from time to time to consent to and approve the adoption by the Board of a resolution or resolutions modifying or amending any of the terms or provisions contained in the Bond Resolution, provided however, that the Bond Resolution may not be so modified or amended in such manner as to:

(a) Make any change in the maturity of any of the Bonds.

(b) Make any change in the rate of interest borne by any of the Bonds.

(c) Reduce the amount of the principal of, or redemption premium payable on, any of the Bonds.

(d) Modify the terms of payment of the principal of, or the interest or redemption premiums on, the Bonds or any of them, or impose any conditions with respect to such payment.

(e) Create any lien on or pledge of the income and revenues securing the Bonds ranking prior to the lien thereon and pledge thereof created by the Bond Resolution.

(f) Create any preference or priority of any Bond or Bonds of the same or different series, over any other Bond or Bonds of the same or different series, authorized under the Bond Resolution.

(g) Reduce the percentage of Bonds, the owners of which are required by the terms of the Bond Resolution for the approval of any amendatory resolution.

(h) Affect the rights of the owners of less than all of the Bonds then outstanding.

Any provision of the Bond Resolution expressly recognizing or granting rights in or to any bond insurer may not be amended in any manner that affects the rights of such bond insurer without its prior written consent.

The consent of each bond insurer providing insurance on a series of outstanding Bonds is generally required, in addition to the consent of the Bondholders, when required, for the following purposes: (i) execution and delivery of the amendment, supplement or change to or modification of the Bond Resolution, (ii) removal of the Bond Registrar or selection and appointment of *any* successor bond registrar, and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Bondholder consent.

Remedies. Any Owner of any Bond may by civil action compel the Board to perform all duties imposed upon it under the provisions of the Bond Resolution and under the provisions of the Act, including the making and collecting of sufficient rates, fees, rentals and charges for the use and occupancy of the System and Student Tuition and Fees and the performance of any and all covenants made by the Board in the Bond Resolution.

Upon the occurrence and continuance of an event of default under the Bond Resolution, the bond insurer for a series of outstanding Bonds may be entitled to control and direct the enforcement of all rights and remedies granted to the owners of the Bonds insured by such bond insurer under the Bond Resolution.

PROPOSED AMENDMENTS TO BOND RESOLUTION

UPON THE RECEIPT OF THE CONSENT OF THE HOLDERS OF A MAJORITY IN AGGREGATE ORIGINAL PRINCIPAL AMOUNT OF OUTSTANDING BONDS, THE COVENANT OF THE BOARD DESCRIBED ABOVE UNDER "GENERAL COVENANTS -- TITLE-DISPOSITION-ENCUMBRANCE" WILL BE AMENDED AS FOLLOWS:

Title-Disposition-Encumbrance. That at or prior to the issuance of any Bonds, the Board will have indefeasible title in fee simple to the sites of the System, except for certain leased parking spaces at the Chicago campus, subject to Permitted Encumbrances (as defined below) and to the provisions of the following paragraph:

The Board covenants that it will not, in any consecutive 12-month period, sell, lease or otherwise dispose (including without limitation any involuntary disposition) of any facilities of the System which, together with all other facilities of the System transferred by the Board in transactions other than those described in sections (i) through (v) below, totals for such 12-month period in excess of 7.5% of the Operating Revenues of the System for the Fiscal Year next preceding the date of such sale, lease or other disposition without a Comptroller's Certificate, except for transfers or other dispositions of facilities of the System (1) in the ordinary course of business, (2) required by law or guidelines applicable to the Board or (3) as follows:

(i) in return for other facilities for the System of equal or greater value and usefulness; or

(ii) if prior to such sale, lease or other disposition the Board determines that such facility has, or within the next succeeding 24 calendar months is reasonably expected to, become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining facilities of the System; or

(iii) upon fair and reasonable terms no less favorable to the Board than would obtain in a comparable arm's-length transaction; or

(iv) if such facility consists solely of assets which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use for payment on the Bonds; or

(v) upon delivery to the Bond Registrar of a Comptroller's Certificate.

For purposes of the provision described above, the value of the facilities of the System shall be based on a Certificate of Engineer or, if the Comptroller so elects, on the basis of Current Value.

"*Book Value*" means the value of the facilities of the System, net of accumulated depreciation and amortization, as reflected in a Certificate of Engineer.

"*Certificate of Engineer*" means a certificate, addressed to the Board, given by an individual or a co-partnership or a corporation engaged in the engineering profession, who may be regularly employed by the Board or the University.

"*Comptroller's Certificate*" means a certificate of the Comptroller, addressed to the Board, certifying that during the Fiscal Year immediately preceding the proposed sale, lease or other disposition of any facilities of the System, Net Revenues plus Student Tuition and Fees, taking into account such proposed sale, lease or other disposition, would have been sufficient such that the sum of Net Revenues, Pledged Fees and Pledged Tuition would have been at least equal to 200 percent (2.0 times) of Maximum Annual Debt Service.

"*CPI Index*" means the Consumer Price Index published by the United States Department of Labor, or, if such index is no longer published or its method of computation is substantially modified, such other index which is certified to be comparable and appropriate by the Comptroller in a certificate delivered to the Bond Registrar and which other index is acceptable to the Bond Registrar.

"*Current Value*" means (i) with respect to a facility of the System which is classified as property, plant and equipment under generally accepted accounting principles (a) the aggregate fair market value of the facility as reflected in the most recent written report of an appraiser selected by the Comptroller and, in the case of real property, who is a member of the Appraisal Institute (MAI), delivered to the Bond Registrar (which report shall be dated not more than three years prior to the date as of which Current Value is to be calculated) increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the CPI Index from the date of such report to the date as of which Current Value is to be calculated, minus the fair market value (as reflected in such most recent appraiser's report) of any facility disposed of since the last such report, increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the CPI Index from the date of such report to the date as of which Current Value is to be calculated; plus (b) the Book Value of any facility acquired since the last such report, increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the CPI Index from the date of such acquisition to the date as of which Current Value is to be calculated, minus (c) the Book Value of any such facility disposed of and (ii) with respect to any other facility of the System, the fair market value of such facility, which fair market value shall be evidenced by a Certificate of Engineer.

BY PURCHASING THE SERIES 2023A BONDS, THE OWNERS THEREOF WILL BE DEEMED TO HAVE CONSENTED TO THE FOREGOING AMENDMENTS.

APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

[THIS PAGE INTENTIONALLY LEFT BLANK]

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF CHAPMAN AND CUTLER LLP]

[TO BE DATED CLOSING DATE]

The Board of Trustees of
the University of Illinois
Urbana, Illinois

We hereby certify that we have examined a certified copy of the record of proceedings of The Board of Trustees of the University of Illinois (the *"Board"*) passed preliminary to the issue by the Board of its $153,150,000 aggregate principal amount University of Illinois Auxiliary Facilities System Refunding Revenue Bonds, Series 2023A (the *"Series 2023A Bonds"*). The Series 2023A Bonds are authorized and issued pursuant to the provisions of (i) the University of Illinois Revenue Bond Financing Act for Auxiliary Facilities, as amended and (ii) an authorizing resolution of the Board adopted September 20, 1984 (the *"Original Resolution"*), as supplemented on June 20, 1985, May 8, 1986, May 9, 1991, June 11, 1993, January 18, 1996, October 15, 1999, June 1, 2000, March 8, 2001, May 23, 2001, May 15, 2003, March 10, 2005, July 14, 2005, September 7, 2006, May 22, 2008, January 15, 2009, May 20, 2010, June 9, 2011, December 2, 2011, March 7, 2013, January 23, 2014, November 13, 2014, January 21, 2016, March 15, 2018, March 14, 2019, May 21, 2020, and March 11, 2021 and as further supplemented by the Twenty-Seventh Supplemental System Revenue Bond Resolution adopted by the Board on January 26, 2023 (the *"Twenty-Seventh Supplemental Resolution*"; the Original Resolution, as heretofore supplemented and amended, including by the Twenty-Seventh Supplemental Resolution, being referred to herein collectively as the *"Bond Resolution"*). Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Bond Resolution.

The Series 2023A Bonds are dated the date hereof, mature on April 1 of the years and in the amounts and bear interest payable on April 1 and October 1 of each year, commencing October 1, 2023, at the rates per annum as follows:

YEAR (APRIL 1)	PRINCIPAL AMOUNT ($)	INTEREST RATE (%)
2024	16,685,000	5.00
2025	17,335,000	5.00
2026	21,155,000	5.00
2027	19,535,000	5.00
2028	20,725,000	5.00
2029	6,300,000	5.00
2030	20,310,000	5.00
2031	15,130,000	5.00
2032	15,975,000	5.00

The Series 2023A Bonds are being issued to refund certain outstanding indebtedness of the Board and to pay costs of issuance of the Series 2023A Bonds.

We are of the opinion that such proceedings show lawful authority for the issuance of the Series 2023A Bonds under the laws of the State of Illinois now in force. We further certify that we have examined the form of Series 2023A Bond prescribed for said issue and find the same in due form of law, and in our opinion the Series 2023A Bonds, to the amount named, are valid and legally binding limited obligations of the Board, payable from and, together with the Series 1999A Bonds, the Series 2001A Bonds, the Series 2003A Bonds, the Series 2005A Bonds, the Series 2013A Bonds, the Series 2014A Bonds, the Taxable Series 2014B Bonds, the Series 2015A Bonds, the Series 2016A Bonds, the Series 2016B Bonds, the Series 2018A Bonds, the Series 2018B Bonds, the Series 2019A Bonds, the Series 2020A Bonds, the Taxable Series 2020B Bonds, the Series 2021A Bonds and such bonds as may be issued on a parity therewith in the future pursuant to the Bond Resolution, secured by a pledge of and lien on (i) the Net Revenues of the System, (ii) Student Tuition and Fees (subject to prior payment of operating and maintenance expenses of the System, but only to the extent necessary) and (iii) the Bond and Interest Sinking Fund Account established pursuant to the Bond Resolution. The rights of the registered owners of the Series 2023A Bonds and the enforceability of provisions of the Bond Resolution and the Series 2023A Bonds may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by the availability of equitable remedies, including the exercise of judicial discretion whether to grant any particular form of relief.

It is our opinion that, subject to the Board's compliance with certain covenants, under present law, interest on the Series 2023A Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended. For tax years beginning after December 31, 2022, interest on the Series 2023A Bonds may affect the corporate alternative minimum tax for certain corporations. Failure to comply with certain of such Board covenants could cause interest on the Series 2023A Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2023A Bonds. Ownership of the Series 2023A Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Series 2023A Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Series 2023A Bonds.

In rendering this opinion, we have relied upon certifications of the Board with respect to certain material facts within the Board's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

[THIS PAGE INTENTIONALLY LEFT BLANK]

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the "*Agreement*") is executed and delivered by The Board of Trustees of the University of Illinois (the "*Board*") in connection with the issuance by the Board of its $153,150,000 University of Illinois Auxiliary Facilities System Refunding Revenue Bonds, Series 2023A (the "*Series 2023A Bonds*"). The Series 2023A Bonds are being issued pursuant to a Resolution of the Board approved September 20, 1984, as supplemented and amended (the "*Bond Resolution*"). The Board covenants, undertakes and agrees as follows:

1. **Purpose of the Agreement**. This Agreement is being executed and delivered by the Board for the benefit of registered and beneficial owners of the Series 2023A Bonds and in order to assist the Participating Underwriters (as defined below) in complying with the Rule (as defined below). The Board represents that it will be the only "obligated person" with respect to the Series 2023A Bonds within the meaning of the Rule. As required by the Rule, this Agreement is enforceable by registered and beneficial owners of the Series 2023A Bonds, as further provided in Section 10 of this Agreement.

2. **Definitions**. Initially capitalized terms used but not otherwise defined in this Agreement have the same meanings given them in the Bond Resolution. In addition, the following terms have the following meanings:

"*Board Annual Report*" means the annual report of the Board described in Section 3 below.

"*EMMA*" means the Electronic Municipal Market Access system established by the MSRB.

"*MSRB*" means the Municipal Securities Rulemaking Board.

"*Participating Underwriters*" means any of the original purchasers of the Series 2023A Bonds required to comply with the Rule in connection with the offering of the Series 2023A Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission ("*SEC*") under the Securities Exchange Act of 1934, as the same may be amended from time to time ("*1934 Act*").

"*Significant Event(s)*" means anyone or more of the events described in Section 5 hereof.

"*State*" means the State of Illinois.

3. **Board Annual Report**. Within 180 days after each fiscal year of the Board, the Board shall provide to the MSRB through EMMA certain financial information and operating data (the "*Board Annual Report*"), which shall contain:

(a) Financial information and operating data relating to the Board updating the financial information and operating data presented in the Official Statement under the following captions (provided, however, that the updating information may be provided in such format as the Board deems appropriate):

"AUXILIARY FACILITIES SYSTEM

– Housing Occupancy Rates," and

– Statement of Revenues, Expenses and Changes in Net Position of the Auxiliary Facilities System," and

"APPENDIX A - THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

– Financial Aid to Students,"

– Financial Condition of the University,"

– Physical Plant,"

– Student Admissions,"

– Student Enrollment,"

– Tuition and Fees,"

– University and Foundation Investments,"

– Voluntary Support," and

– Budget and State Appropriations."

(b) Audited financial statements of the Board and the System for the most recently ended fiscal year, prepared in conformity with U.S. generally accepted accounting principles and audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States. The Board may from time to time, in order to comply with Federal or State legal requirements, modify the basis upon which its financial statements are prepared. Notice of any such modification shall be provided to the MSRB through EMMA and shall include a reference to the specific Federal or State law or regulation describing such accounting basis.

If audited financial statements are not available by the 180th day after the end of the applicable fiscal year, then they shall be provided when available, and unaudited financial statements shall be filed in place of audited financial statements by such date. If the Board changes its fiscal year, the Board shall send, or cause to be sent, notice of such change to the MSRB through EMMA.

If the Board does not provide the Board Annual Report by the date required in Section 3 to the parties described therein, the Board shall send a notice to such effect, in a timely manner, to the MSRB through EMMA.

If a change is made to the basis on which financial statements are prepared, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

The Board will also provide, in a timely manner, to the MSRB through EMMA, if any, notice of a failure to satisfy the requirements of this Section.

The Board Annual Report shall be submitted in such manner and format and accompanied by identifying information as is prescribed by the MSRB at the time of delivery of such information. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format.

If any part of the Board Annual Report can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Board will disseminate a statement to such effect as part of the Board Annual Report for the year in which such event first occurs.

If any amendment is made to this Agreement, the Board Annual Report for the year in which such amendment or waiver is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

4. **Incorporation by Reference**. Any or all of the items listed in Section 3 above may be incorporated by reference from other documents, including other official statements of the Board or related public entities, which have been submitted to EMMA or filed with the SEC. If the document incorporated by reference is a final official statement, it must be available via EMMA. The Board shall clearly identify each such other document so incorporated by reference in the Board Annual Report.

5. **Reporting of Significant Events**. The Board will also provide, in a timely manner (not in excess of ten business days after the occurrence thereof) to the MSRB through EMMA, in such manner and format and accompanied by such identifying information as is prescribed by the MSRB at the time of delivery of such information, notice of the occurrence of any of the following events (a "*Significant Event*") with respect to the Series 2023A Bonds:

5.1 principal and interest payment delinquencies;

5.2 non-payment related defaults, if material;

5.3 unscheduled draws on debt service reserves reflecting financial difficulties;

5.4 unscheduled draws on credit enhancements reflecting financial difficulties;

5.5 substitution of credit or liquidity providers, or their failure to perform;

5.6 adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

5.7 modifications to rights of holders of the Series 2023A Bonds, if material;

5.8 bond calls, if material, and tender offers (other than scheduled mandatory redemptions);

5.9 defeasances;

5.10 release, substitution or sale of property securing repayment of the Series 2023A Bonds, if material;

5.11 rating changes;

5.12 bankruptcy, insolvency, receivership or similar event of the Board;[1]

5.13 the consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

5.14 appointment of a successor or additional trustee or the change of name of a trustee, if material;

5.15 incurrence of a financial obligation of the Board, if material, or agreement to covenants, events of default, remedies priority rights, or other similar terms of a financial obligation of the Board, any of which affect security holders, if material;[2] and

5.16 default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the Board and any of which reflect financial difficulties.[2]

For purposes of this section, materiality is interpreted in accordance with the 1934 Act.

6. **Management Discussion of Items Disclosed in Board Annual Reports or as Significant Events.** If any item required to be disclosed in the Board Annual Report under Section 3, or as a Significant Event under Section 5, would be misleading without further discussion, the Board shall additionally provide a statement clarifying the disclosure in order that the statement made will not be misleading in light of the circumstances in which it is made.

7. **Termination of Reporting Obligation**. The Board's obligations under this Agreement will terminate if the Board no longer has any legal liability for any obligation on or relating to repayment of the Series 2023A Bonds under the Bond Resolution.

8. **Amendment; Waiver.** Notwithstanding any other provision of this Agreement, the Board may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver (i) is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Board; (ii) is supported by an opinion of counsel expert in federal securities laws, acceptable to the Board, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into

[1] This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or Federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board.

[2] For the purposes of the events identified in clauses 5.15 and 5.16, the term "financial obligation" means any (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

account any subsequent change in or official interpretation of the Rule or adjudication of the Rule by a final decision of a court of competent jurisdiction; and (iii) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the issuer or obligated person (such as external counsel), or by approving vote of Bondholders pursuant to the terms of the Bond Resolution.

9. **Centralized Post Office**. Any filing required to be made with the MSRB through EMMA under this Agreement may be made solely through a central post office, government agency or similar entity other than EMMA or in lieu of EMMA (a "*CPO*") by transmitting such filing to the CPO, provided that (i) such CPO has received interpretive advice or some other approval from the SEC with respect to its status as a CPO satisfying the requirement of the Rule or (ii) an opinion from counsel has been issued stating that such filing meets the requirements of the Rule.

10. **Additional Information**. Nothing in this Agreement shall be deemed to prevent the Board from disseminating any information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Board Annual Report or notice of occurrence of a Significant Event, in addition to that which is required by this Agreement. If the Board chooses to include any information from any document or notice of occurrence of a Significant Event in addition to that which is specifically required by this Agreement, the Board shall have no obligation under this Agreement to update such information or include it in any future disclosure or notice of occurrence of a Significant Event.

11. **Default.** The intent of the Board's undertaking is to provide on a continuing basis the information described and required in the Rule. In the event of a failure of the Board to comply with any provision of this Agreement, any registered or beneficial owner of Series 2023A Bonds may take action to compel performance by the Board under this Agreement. A default under this Agreement shall not be deemed a default or event of default under the Bond Resolution, and the sole remedy under this Agreement in the event of any failure of the Board to comply with this Agreement shall be an action to compel performance.

12. **Beneficiaries**. This Agreement shall inure solely to the benefit of the Board, the Participating Underwriters and registered and beneficial owners from time to time of the Series 2023A Bonds, and shall create no rights in any other person or entity.

13. **Governing Law**. This Agreement shall be governed by the laws of the State.

IN WITNESS WHEREOF, the Board has executed and delivered this Agreement as of the date set forth below.

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

By: ____
Vice President,
Chief Financial Officer and Comptroller

The Board of Trustees of the University of Illinois
349 Henry Administration Building MC-352
506 S. Wright Street
Urbana, Illinois 61801

Dated: April 11, 2023

EXHIBIT I
CUSIP NUMBERS

Series 2023A Bonds

Maturity	CUSIP Number
04/01/2024	9143536N2
04/01/2025	9143536P7
04/01/2026	9143536Q5
04/01/2027	9143536R3
04/01/2028	9143536S1
04/01/2029	9143536T9
04/01/2030	9143536U6
04/01/2031	9143536V4
04/01/2032	9143536W2

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS • UNIVERSITY OF ILLINOIS AUXILIARY FACILITIES SYSTEM REFUNDING REVENUE BONDS, SERIES 2023A

UIC UIS | UNIVERSITY OF ILLINOIS SYSTEM

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: ImageMaster, LLC
www.imagemaster.com