State of Illinois
Illinois Finance Authority

Financial Audit
For the Year Ended June 30, 2023

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

State of Illinois
Illinois Finance Authority
(A Component Unit of the State of Illinois)

Financial Audit
For the Year Ended June 30, 2023

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Agency Officials

Chair of the Authority (July 17, 2020 – Present)	Mr. William Hobert
Executive Director	Mr. Christopher Meister
Manager of Finance & Administration	Ms. Ximena Granda
General Counsel	Ms. Elizabeth Fleming Weber

Members of the Illinois Finance Authority during the period were as follows:

Member (August 28, 2023 – Present)	Ms. Suan Abrams
Member (September 14, 2020 – January 6, 2023)	Mr. Peter Amaro
Member	Mr. Drew Beres
Member (May 12, 2023 – Present)	Ms. Karen Caldwell
Member	Mr. James J. Fuentes
Member	Mr. William Hobert
Member	Ms. Arlene Juracek
Member (August 28, 2023 – Present)	Mr. Steven Landek
Member (May 20, 2023 – Present)	Ms. Lynn Sutton
Member	Ms. Roxanne Nava
Member (July 8, 2016 – August 3, 2022)	Mr. George Obernagel
Member	Mr. Ameya Pawar
Member	Mr. Roger E. Poole
Member	Mr. Timothy Ryan
Member	Mr. Michael Strautmanis
Member (September 25, 2020 – January 10, 2023)	Mr. Eduardo Tobon
Member (October 5, 2021 – June 2, 2023)	Ms. Jennifer Watson
Member	Mr. J. Randal Wexler
Member	Mr. Bradley Zeller

ILLINOIS FINANCE AUTHORITY

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January 22, 2024

Will Hobert, Chair
Members of the Illinois Finance Authority
and Residents of the State of Illinois

The independent audit firm RSM US LLP has issued an unmodified opinion on the Authority's financial statements for the year ended June 30, 2023. The independent auditor's report is located at the front of the financial section of this report. The annual financial report for the Illinois Finance Authority ("Authority") for the year ended June 30, 2023, is hereby submitted.

Responsibility for the accuracy of the data in this report and the completeness of its presentation lies solely with the Authority's management. The Authority has established internal controls that are designed to protect the Authority's assets from loss, theft, and misuse and to compile complete and reliable information. As the cost of internal control should not exceed its benefits, the controls in place have been designed to provide reasonable, rather than absolute assurance, that the financial statements presented are free from material misstatements. To the best of our knowledge, this financial report is accurate and complete in all material aspects and fairly reflects the Authority's financial position and changes in the financial position of the various funds of the Authority and the Authority as a whole.

Included with the financial statements is a narrative overview and analysis of the financial statements in the form of a Management Discussion and Analysis ("MD&A"). The MD&A complements this Transmittal Letter and should be read in conjunction with it. The financial statements include a view at the government-wide level, the fund level, and are supplemented by notes to the financial statements.

Annual Reporting and Other Relevant Illinois Law

Section 845-50 of the Illinois Finance Authority Act, as amended (20 ILCS 3501/801-1 *et seq.*) (the "Act"), mandates that the Authority prepare a complete report and financial statement of its operations and of its assets and liabilities for distribution to interested persons and for filing with the Governor, the Secretary of State, the State Comptroller, the Secretary of the Senate and the Clerk of the House of Representatives. This Transmittal Letter combined with the audited financial statements meets the mandate of Section 845-50 of the Act.

In addition to the Act, other relevant Illinois law to the Authority with respect to financing and financial assistance include (without limitation):

- the Property Assessed Clean Energy Act, 50 ILCS 50/1 *et seq.* (the "PACE Act")
- the Illinois Environmental Facilities Financing Act, 20 ILCS 3515/1 *et seq.*;
- the Higher Education Loan Act, 110 ILCS 945/0.01 *et seq.*; and
- Public Act 101-610 which created the Firefighters' Pension Investment Fund ("FPIF"), 40 ILCS 5/22C-101, and the Police Officers' Pension Investment Fund ("POPIF"), 40 ILCS 5/3-132.1; and
- the Climate and Equitable Jobs Act ("CEJA"), Public Act 102-662.

Net Position and Overall Positive Financial Impact to Illinois

Since the first full audit period in 2005 through Fiscal Year 2023, the Authority's General Operating Fund has earned $118.2 million without public appropriation or material State public resources and spent $85.3 million on operations, for a profit of $33 million. During this time, the Authority also spent a minimum of $3.6 million (likely more) on state-mandated costs and successfully removed unnecessary legacy risk – both to State taxpayer and Authority public funds – of $101.4 million. The Authority's profit and public risk elimination understates the overall financial benefits of the Authority to the people of Illinois, including and without limitation assisting with the deployment of billions of dollars in conduit bond proceeds (a federal, not a state subsidy, described more fully below) and the positive impact to local property taxpayers and the personal financial situations of thousands of active and retired first responders as a result of the Authority loans to FPIF and POPIF.

Due to legacy arrangements the Authority subsidizes other State appropriated entities, such as finance programs through the Illinois Environmental Protection Agency ("IEPA") and the Office of the State Fire Marshal ("OSFM") as well as certain legacy reporting and supervisory arrangements through the Office of the Illinois Comptroller and other State Constitutional Offices. It is my personal view that these legacy subsidy arrangements unnecessarily divert vital Authority resources from the Authority's essential public purposes highlighted below.

The Authority reports an ending Fiscal Year 2023 net position of $126.3 million, which represents an increase of $2.5 million or 2.0% from the previous fiscal year. The increase in the Authority's net position in Fiscal Year 2023 resulted from:

- A $2.975 million total increase in investment income from the General Operating Fund and Other Non-Major funds
- A $465 thousand total operating loss from the General Operating Fund and Other Non-Major Funds

Purposes, Accomplishments, Organization, Powers, and Revenues of the Authority

The exercise of the Authority's powers under the Act is an essential public function (20 ILCS 3501/801-15). Generally, under the Act, the Authority provides financing and financial assistance to:

- combat climate change through finance and financial assistance;
- promote a vigorous growing economy and avoid involuntary unemployment for Illinois residents;
- reduce the cost of indebtedness to State taxpayers and residents; and
- otherwise enhance the quality of life in Illinois by benefiting the health, welfare, safety, trade, commerce, industry, and economy of the people of Illinois consistent with its statutory declarations of policy.

In calendar year 2022, the first 12 months of the Authority's Climate Bank designation the Authority mobilized approximately $256 million (preliminary and unaudited) in private capital for climate-related projects. Of this amount, approximately $233 million supported public water quality infrastructure from IEPA State Revolving Fund ("SRF") bond proceeds in partnership with the Illinois Environmental Protection Agency ("IEPA"). Another approximately $23 million in Commercial PACE ("C-PACE"; no public subsidy) bond proceeds support commercial energy and water efficiency projects. Of these combined investments, approximately 65% were made in or benefited low-income and disadvantaged communities (preliminary and unaudited).

In Fiscal Year 2023, the Authority issued more than $1.9 billion in conduit (nearly all federally tax-exempt) bonds to finance projects across a variety of economic sectors and statutory project definitions. Notable new borrowers during Fiscal Year 2023 include: ***mHUB Support Corporation,*** a Chicago-based not-for-profit manufacturing incubator; ***City of Hope***, a not-for-profit healthcare provider; and ***DePaul College Prep***, a high school on the north side of Chicago. Other notable projects in 2023 include a refinancing for ***Fenwick High School***, facility upgrades and a new animal welfare site for ***Shedd Aquarium***, an educational project for the ***University of Chicago***, and a new instructional facility with offsite geothermal improvements for the University of Illinois in Urbana-Champaign through the ***Provident Resources Group***. The Authority also issued 16 beginning farmer bonds across 13 counties in Illinois, totaling approximately one thousand acres of farmland. Lastly, the Authority issued a C-PACE bond for a multifamily property in the principal amount of $2.6 million on behalf of a project located in the Village of Mount Prospect that was purchased by PACE Loan Group.

The Authority is a body politic and corporate created by State law. The Authority consists of 15 volunteer Members, who are appointed by the Governor for staggered three-year terms with the advice and consent of the Senate. The Governor directly appoints the Authority Chair for a two-year term. Members of the Authority shall be persons of recognized ability and experience in one or more of the following areas:

economic development, finance, banking, industrial development, small business management, real estate development, housing, health facilities financing, local government financing, community development, venture finance, construction, labor relations, agribusiness and production agriculture, with at least two Members having expertise in agribusiness or production agriculture. The Executive Director serves for a one-year term and is selected by the Members from nominations provided by the Governor. The consensus among bond counsel is that the Governor must submit more than one qualified candidate for the office of Executive Director to the Authority Members for their consideration. There is no contract between the Authority and the Executive Director. The powers and maximum term of the Executive Director are set by the Act. The appointment and compensation of the Executive Director are adopted by the Authority Members by resolution. The Executive Director shall be a person knowledgeable in the areas of financial markets and instruments. The Executive Director shall be the chief administrative and operational officer of the Authority and shall direct and supervise its administrative affairs and general management and perform such other duties as may be prescribed from time to time by the Members (20 ILCS 3501/801-15). The Authority's transparent and accountable governance structure is inherent with its organization as a body politic and corporate as is its direct accountability to the Governor and the General Assembly.

As of June 30, 2023, the Authority had a staff of 13, a reduction of 1 since the end of Fiscal Year 2022. The Authority pays its staff and their benefits with locally held funds, not with State tax dollars appropriated by the General Assembly. Authority staff do not participate in any State pension system or health insurance programs.

The Authority generally holds public meetings on the second Tuesday of each month and may hold special meetings from time to time. Authority actions require the approval of at least eight Members (20 ILCS 3501/801-25). Public meeting materials and minutes are posted on the Authority's website, linked here. Without limitation, the Authority possesses all the powers necessary and convenient to accomplish the Act's purposes, including, to enter into loans, contracts, agreements and mortgages; to sue and be sued; to employ agents, employees and independent contractors and to fix their compensation, benefits and terms and conditions of employment; to have and use a common seal; to adopt all needful ordinances, resolutions, bylaws, rules and regulations; and to exercise all powers necessary to effectuate the Act (20 ILCS 801-30; 801-40).

On September 15, 2021, CEJA designated the Authority as the Climate Bank and clarified its powers but did not provide additional funding. On November 10, 2022, Members of the Authority adopted a resolution requiring the Executive Director to report to the Members on all material Climate Bank actions taken between meetings in the Climate Bank Plan Standing Report. The resolution also requires the Executive Director to report on all modifications made to the Climate Bank Plan between meetings in the Climate Bank Modification Plan. The Members may then affirm, modify, or disapprove of any modifications to the Climate Bank Plan.

Conduit Debt – Not the Obligation of the Authority or the State

The issuance of long-term debt is the current primary public function of the Authority. Long-term debt is incurred to raise the capital necessary to provide financing or refinancing for projects, including, but not limited to, industrial projects, clean energy projects (including PACE projects), conservation projects, housing projects, public purpose projects, higher education projects, health facility projects, cultural institution projects, municipal bond program projects and agricultural facility or agribusiness projects.

Other than PACE projects and the occasional taxable conduit bond, the economic benefit of conduit bonds issued by the Authority is federal, not State: interest paid on conduit bonds qualified under the federal tax code is exempt from federal income tax, generally resulting in a lower interest rate for the conduit borrower and federally tax-exempt income for the bondholder. Historically, the Authority supported its operations with fees charged in connection with the issuance of conduit bonds, interest payments on loans, and returns on the investment of its locally held funds. As noted above, for the first time in many years, the Authority received material federal funds for a participation loan program (SSBCI) which will also support Authority operations, although for this reporting period, this amount is below the federal single audit threshold. The Authority's ability to generate revenue without State tax dollars appropriated by the General Assembly generally limits the impact of any State budget issues on the Authority's operations, except for certain specific finance programs and transactions authorized under State law: IEPA SRF conduit bonds, agricultural guarantee programs; State component units; moral obligation/contingent State taxpayer pledges; and fire truck and ambulance loan programs through the OSFM. Despite this degree of autonomy from the State budget, the Authority's financial operations are included within and reported as a component unit of the State.

Currently, the Authority's primary product and revenue source is the issuance of federally tax-exempt conduit bonds as permitted by the federal tax code and State law, on behalf of not-for-profit borrowers generally in the hospital, healthcare, education, cultural, and senior living sectors. The issuance of conduit revenue bonds generally has four structures: public offerings, limited public offerings, private placements, and direct purchases. Bond proceeds from tax-exempt qualified private activity financings and C-PACE financings lent to borrowers under each of these conduit financing structures are not from public funds but are instead from private funds. The Authority may issue conduit bonds on behalf of public entities, local governments, and, notably the IEPA SRF, a very successful federal-State-local-capital markets climate finance structure and partnership. The Authority may issue federally tax-exempt conduit bonds on behalf of certain individuals and for-profit companies such as beginning farmers, mid-sized manufacturing companies (industrial revenue bonds), privately-owned water utilities, and operators of solid waste projects and/or other "exempt facilities" defined by the federal tax code. The Authority issues taxable conduit bonds (without federal exemption on interest earnings) in certain circumstances to meet specific objectives of a particular borrower with respect to a specific project.

Taxable C-PACE bonds, issued by the Authority under the PACE Act and in accordance with the Act, continue to be an emerging conduit financial product for the Authority. C-PACE financing provides enhanced security for the lender compared to the security provided by a mortgage, represented by a special assessment lien on parity with a property tax without relying on any federal or State public subsidy, and generally a lower interest rate for the borrower. As discussed in prior audits, C-PACE financing is a focus of the Authority's role as the State's Climate Bank. All record owners that utilize C-PACE financing are new borrowers to the Authority.

Authority conduit bonds are annually reported by the Illinois Comptroller in her "Bonded Indebtedness and Long-Term Obligations Report" (https://illinoiscomptroller.gov/financial-reports-data/find-a-report/budgetary-reporting/bond-indebtedness-and-long-term-obligations-report), generally under the section entitled "Revenue Bonds: Conduit Debt."

Under Generally Accepted Accounting Principles ("GAAP") promulgated by the Governmental Accounting Standards Board ("GASB"), conduit debt refers to certain limited-obligation revenue bonds issued for the express purpose of providing capital financing for a specific third party. Importantly, conduit debt does not constitute an indebtedness or an obligation, general or moral, or a pledge of the full faith or a loan of credit of the Authority, the State, or any political subdivision thereof. All the Authority's conduit debt is payable solely from revenues or funds pledged or available for their repayment from the project or by the borrower, not the Authority or the State or any political subdivision thereof, as authorized by the Act and as reflected by the applicable bond indenture or loan agreement for an applicable project or transaction. Most of the Authority's debt is classified as conduit debt. Accordingly, the Authority's conduit debt obligations are not reported as liabilities in the Authority's basic financial statements.

Federal Law, the Receipt of Federal Funds, and the Potential for More Federal Financial Activity

The federal Tax Cuts and Jobs Act of 2017 ("TCJA") did generally negatively impact the conduit bond issuance and thus the Authority's revenues and its ability to fulfill its essential public function. The Authority responded to the adverse impact of TCJA by beginning its *Transformation Initiative* in February 2018, which then evolved into the *Climate Process* in February 2020. Despite COVID-19 disruptions, work continued under the *Transformation Initiative/Climate Process* resulting in CEJA designating the Authority as the Illinois Climate Bank on September 15, 2021.

The Authority's designation as the Illinois Climate Bank allows the pursuit of federal funding opportunities and financing products that have become available through recent federal legislation such as the American Rescue Plan ("ARPA"), Bipartisan Infrastructure Law ("BIL") and the Inflation Reduction Act ("IRA").

Federal funding and other resource opportunities through ARPA, BIL, and IRA have, and in the future, are expected to be positive for the Authority's balance sheet and its ability to fulfill its essential public function. For example, through ARPA, Illinois is eligible to receive up to $354.6 million through the reauthorized SSBCI formula funding from the UST, and the Authority received $3.1 million through a DCEO grant for SSBCI funding during the reporting period to further the purposes of the Climate Bank under CEJA. Similarly, during the reporting period the Authority applied for or participated in four competitive federal funding opportunities and engaged in negotiations with IEPA with a fifth federal funding opportunity for certain United States Department of Energy ("USDOE") formula funding. These applications include the USDOE 40101(d) Grid Resilience Grant, the USDOE Resilient and Efficient Codes Implementation ("RECI") grant, the USDOE Energy Efficiency Revolving Loan Fund ("EE RLF"; with IEPA), the USDOE Grid Resilience and Innovation Partnerships ("GRIP") Program, and the United States Department of Transportation ("USDOT") Charging and Fueling Infrastructure ("CFI") program. The Authority expects to receive funding from some of these applications in Fiscal Year 2024.

Under the leadership of Governor Pritzker, the Authority closely collaborated with colleague state agencies to both contribute and receive resources and expertise to maximize the receipt of available federal resources for Illinois for climate and economic development purposes. For example, the Authority contributed material resources to the IEPA's electric vehicle roadmap, a document expected to become public in the next reporting period and to assist with State climate and economic development efforts. The Authority also received material contributions of technical expertise from the Illinois Commerce Commission ("ICC") regarding the federal funding opportunities mentioned above. DCEO and the Authority closely partnered on a variety of economic development efforts, including C-PACE scaling and a coordinated foundational effort for the State to apply for the Greenhouse Gas Reduction Fund from the United States Environmental Protection Agency ("USEPA") and other available federal funding in the upcoming reporting period.

Recognizing the potential of available federal funds to help relieve the burden on Illinois taxpayers and to advance Illinois equitable climate goals through CEJA, as well as based on the lessons of the pilot Natural Gas Municipal Loan program in Fiscal Year 2021, the Authority sought the help of the Governor and the General Assembly to facilitate borrowing by Illinois municipalities from the Authority. The result was Public Act 103-187 signed by Governor Pritzker on June 30, 2023, with an effective date of January 1, 2024 (HB 3340, Burke - Delgado - Egofske - Meyers-Martin; Cunningham).

Debt Issued on behalf of the Primary Government and Component Units of the State

The Authority issues federally tax-exempt bonds for the purpose of providing loans to other public agencies of the Primary Government, here, the State of Illinois, and component units of the State. Like conduit bonds, these bonds are issued for the benefit of third parties that are part of the Authority's financial reporting entity, the State. However, these bonds do not meet the definition of conduit debt under GAAP and thus are reported as liabilities on the Authority's basic financial statements. Since this type of debt is also reported as a receivable on the Authority's basic financial statements, the impact on the Authority's net position is zero. Currently, the only Authority "component unit" debt is the IEPA SRF bonds. The Authority issued no IEPA SRF bonds during this fiscal year.

Other Authority Funds, Loans, and Guarantees

Despite ongoing litigation involving FPIF, POPIF, the Authority, and other parties, direct start-up working capital loans made by the Authority to FPIF and POPIF under P.A. 101-610 have performed as anticipated. POPIF fully repaid early all principal and interest to the Authority on April 3, 2023, in the approximate amount of $5.7 million. The FPIF loan continues to perform without issue and is anticipated to pay-off in the next reporting period.

During the fiscal year, the Authority experienced no material issues with respect to its outstanding non-conduit loans and guarantees made under the Act, including and without limitation, the Natural Gas Municipal Loan program, municipal direct loans, the remaining participation loan, the pilot Deferred Action for Childhood Arrivals ("DACA") medical student loan program (borrowers moving into service obligation and repayment), and the few remaining outstanding agricultural guarantees. It is noted that the remaining agricultural guarantees are supported both by private collateral and a high-level/over-collateralized State taxpayer guarantee, unlike the portfolio of conduit bonds (private funds, no obligation by the Authority or the State) and the Authority's loan portfolio (Authority locally held funds). During the audit period, no new loans or taxpayer guarantees allowed by the Act and described above were originated.

The Authority's legacy statutory partnership with the OSFM for the subsidized fire truck and ambulance direct loan program represents a material percentage of the Authority's net position and a substantial commitment of Authority operational resources. The combined outstanding fire truck and ambulance direct loan program is approximately $16.2 million through 159 individual loans. There were no performance issues with the fire truck and ambulance loan portfolio during the fiscal year and two new loans were originated in a total amount of approximately $470,000. Additional fire truck and ambulance loans are expected to be originated during the upcoming fiscal year.

Continuing COVID-19 Pandemic Impact

The lingering negative impact of COVID-19 generally kept the Authority operating on a remote basis during the audit period. The Authority is proud that health measures connected with COVID-19 did not impact the ability of the Authority to fulfill its essential public function or serve its borrowers. The Authority returned to fully in-person public meetings of its Members in June 2023.

Moral Obligation or Additional Security Pledge

If the Governor has provided written approval, the Authority may issue revenue bonds with the State's pledge of moral obligation or additional security. This credit enhancement is a contingent State taxpayer guarantee. If project revenues are insufficient to pay the principal of or and interest on bonds entitled to such pledge or to restore any withdrawals from a debt service reserve fund establish for such bonds, the Authority Chair shall certify to the Governor the amount necessary to make up the shortfall. As soon as practicable, the Governor then must submit the certified amount to the General Assembly no later than the end of the current State fiscal year. The General Assembly, however, is under no obligation to appropriate the amount to make up the shortfall necessary to pay the principal of and interest on, or to restore the debt service reserve fund of, bonds with such a pledge.

During this fiscal year, the Authority did not issue any bonds or debt with a pledge of the State's moral obligation, additional security, or any kind of contingent State taxpayer guarantee. As of June 30, 2023, the amount of outstanding bonds or debt issued by the Authority with the State's pledge of moral obligation or additional security was zero.

Respectfully Submitted,

SIGNED ORIGINAL ON FILE

Christopher B. Meister
Executive Director
Illinois Finance Authority

Financial Statement Report

Summary

The audit of the financial statements of the Illinois Finance Authority (Authority) was performed by RSM US LLP in accordance with *Government Auditing Standards*. This report is an integral part of that audit.

Based on their audit, the auditors expressed unmodified opinions on the Authority's basic financial statements.

Summary of Findings

Number of	Current Report	Prior Report
Findings	1	0
Repeated Findings	0	0
Prior Recommendations Implemented or Not Repeated	0	0

Schedule of Findings

Item No.	Page	Last/First Reported	Description	Finding Type
			Current Findings	
2023-001	72	New	Cybersecurity Incident Involving Unauthorized Access	Material Weakness

Exit Conference

The finding and recommendation appearing in this report were discussed with Authority personnel at an exit conference on January 16, 2024.

Attending were:

Illinois Finance Authority	
Christopher Meister	Executive Director
Ximena Granda	Manager of Finance & Administration
John Paul	Accountant
Office of the Auditor General	
Thomas Kizziah	Senior Audit Manager
RSM US LLP	
Joseph Evans	Partner
Dan Sethness	Partner
Paige Morgano	Manager
Jonathon Morrelli	Senior

The response to the recommendation was provided by Christopher Meister, Executive Director, in a correspondence dated January 16, 2024.

RSM

RSM US LLP

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Directors
Illinois Finance Authority

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, each major fund, and the aggregate remaining fund information of the Illinois Finance Authority (Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Authority, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and 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 Authority's ability to continue as a going concern for 12 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 Authority'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 Authority’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 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 GAAS, 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 Authority’s basic financial statements. The combining statement of net position – nonmajor funds, combining statement of revenues, expenses and changes in net position – nonmajor funds, and combining statement of cash flows – nonmajor funds (collectively, the supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the

underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information 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 introductory section, as listed in the table of contents, 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 January 22, 2024, on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
January 22, 2024

Our discussion and analysis of the financial performance of the Illinois Finance Authority (the "Authority"), a component unit of the State of Illinois, provides an overview of financial activities for the fiscal year ended June 30, 2023. Because the intent of this management discussion and analysis is to look at financial performance as a whole, readers should also review the financial statements, and notes to the basic financial statements, to further enhance their understanding of the Authority's financial performance.

Financial Highlights

The Authority has two major funds - the General Operating Fund and the Other State of Illinois Debt Fund. All other funds are aggregated and reported as Nonmajor funds. The Other State of Illinois Debt Fund accounts for debt obligations issued on behalf of borrowers who are part of the State of Illinois' reporting entity. Thus, although similar to conduit debt issues, these debt issues must be included in the Authority's financial statements.

On the basic financial statements under Statement of Net Position, Total Assets and Deferred Outflows of Resources among the General Operating Fund, Other State of Illinois Debt Fund, and Nonmajor Funds equaled $2.0 billion in Fiscal Year 2023, while Total Liabilities across all three categories equaled $1.9 billion. Total Assets decreased by $138.7 million and Total Liabilities similarly decreased $141.2 million from Fiscal Year 2022. These overall decreases in Total Assets and Total Liabilities primarily occurred in the Other State of Illinois Debt Fund and are attributable to a decrease in accrued interest payable of $2.6 million, the amortization of bond premium of $36.5 million, and the retirement of $105.5 million of Illinois Finance Authority State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds (the Series 2013, 2016, 2017 and 2019 Green Bonds, collectively "SRF Bonds"), which is part of the primary government of the State of Illinois.

On the Statement of Revenues, Expenses and Changes in Net Position, Total Revenues were $48.5 million or 2.1% higher than Fiscal Year 2022, while Total Expenses were $46.0 million or 3.9% lower than Fiscal Year 2022. The increase in interest and investment income was offset by a decrease in interest income on loans of $22.9 million. Operating expenses decreased $1.9 million, primarily due to lower interest expense in the Other State of Illinois Debt Fund.

Net Position in the General Operating Fund and the Net Position in the Nonmajor Funds increased by $0.7 million and $1.8 million respectively, resulting in a Total Net Position of $126.3 million, which was an increase of 2.0% compared to Fiscal Year 2022.

Overview of the Financial Statements

The basic proprietary fund financial statements, including the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, Statement of Fiduciary Net Position-Custodial Fund, and Statement of Changes in Net Fiduciary Position, provide both short-term and long-term information about the Authority's financial status. The accompanying notes to the financial statements provide essential information that is not disclosed on the face of the financial statements, and as such, are an integral part of the basic financial statements.

Proprietary Funds

These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge user fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds use the accrual basis of accounting and provide both long and short-term financial information. The proprietary fund financial statements provide separate information for the Authority's two major Funds which consist of the General Operating Fund and the Other State of Illinois Debt Fund and also the remaining aggregated nonmajor proprietary funds and are included on:

- The **Statement of Net Position** presents the financial position of the Authority as of June 30, 2023, and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Authority.

- The **Statement of Revenues, Expenses and Changes in Net Position** presents the Authority's results of operations. The Authority's revenues and expenses are classified into three categories: operating, nonoperating, or fund transfers.

- The **Statement of Cash Flows** provides additional information about the Authority's financial results by reporting the major sources and uses of the Authority's cash.

Fiduciary Funds

Fiduciary funds are used primarily to account for resources held for the benefit of parties outside of the primary government. The Authority is the agent, or fiduciary, for specific transactions attributable to the Metro East Police District Commission ("MEPDC"). The Authority uses a fiduciary fund to account for transactions for assets held by the Authority as agent for MEPDC.

For the transactions authorized by the Metro East Police District Act (70 ILCS 1750/15) and the Illinois Finance Authority Act (20 ILCS 3501/825-115), the Authority is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are reported in a separate statement of fiduciary net position with the fund accounting being much like that used for proprietary funds. The Metro East Police District Act was repealed by operation of law on December 31, 2019. The Authority has no statutory powers or duties with respect to the wind-up of the Commission and is not the statutory successor of the Commission. Until the General Assembly directs the Authority with respect to the disposition of the remaining dollars in this Fund, the Authority will continue to act in a custodial capacity with respect to the remaining dollars in this fiduciary fund.

Authority Component Unit

The Illinois Finance Authority Illinois C-PACE Open Market Initiative Not-for-profit ("NFP") is reported as a blended component unit. Activities for this fund are presented in the combining schedules for the nonmajor funds.

Notes to the Basic Financial Statements

The notes provide additional information that is essential for a full understanding of data provided in the Authority's financial statements. The notes to the basic proprietary fund financial statements can be found immediately following the fiduciary fund basic financial statements and complement the financial statements by describing qualifying factors and changes throughout the fiscal year.

Additional Information

The combining statements, which include nonmajor funds, are presented immediately following the notes to the basic financial statements.

Condensed Statement of Net Position
(Amounts in Thousands)

	Business-type Activities			
	2023	**2022**	**Difference ($)**	**Change (%)**
Current assets	$ 697,939	$ 724,546	$ (26,607)	-3.7%
Capital assets, net	32	51	(19)	-37.3%
Noncurrent assets	1,316,397	1,428,500	(112,103)	-7.8%
Total assets	2,014,368	2,153,097	(138,729)	-6.4%
Current liabilities	153,882	149,067	4,815	3.2%
Noncurrent liabilities	1,734,143	1,880,197	(146,054)	-7.8%
Total liabilities	1,888,025	2,029,264	(141,239)	-7.0%
Investment in capital assets	32	51	(19)	-37.3%
Restricted	62,418	60,787	1,631	2.7%
Unrestricted	63,893	62,995	898	1.4%
Total net position	$ 126,343	$ 123,833	$ 2,510	2.0%

Current assets of $697.9 million decreased $26.6 million or 3.7%, primarily due to the decrease in cash and cash equivalents of $96.9 million and an increase in investments of $65.8 million due to the purchases of investments. The decrease in current assets was offset by an increase of $3.1 million due from the primary government and an increase of $2.0 million on all other current assets.

Capital assets, net of depreciation decreased $19 thousand or 37.3% due to annual depreciation and amortization of asset.

Noncurrent assets of $1,316.4 million decreased $112.1 million or 7.8% primarily due to the decrease in bonds and notes receivable from the primary government of $106.2 million, while the long-term portion of the Authority's unrestricted investment portfolio increased $7.5 million, loans receivable decreased by $13.5 million and bonds and notes receivable from Authority's local bond program decreased by $572 thousand.

Current liabilities of $153.9 million increased $4.8 million or 3.2% primarily due to the increase in the current portion of bonds and notes payable of $4.0 million, which was offset by a decrease in interest payable of $2.6 million.

Non-current liabilities of $1,734.1 million decreased $146.1 million or 7.8%, due to the decrease in the long-term portion of bonds and notes payable of $109.5 million and $36.5 million in the noncurrent unamortized bond premium.

Net position may serve, over a period of time, as a useful indicator of the Authority's financial position. As of June 30, 2023, total net position was $126.3 million, an increase of $2.5 million or 2.0% from the balance of $123.8 million in Fiscal Year 2022. Of this amount, $32 thousand represents the Authority's net investment in capital assets. Restricted net position of $62.4 million is reported separately to present legal constraints from debt covenants, grantors and/or enabling legislation. The $63.9 million of unrestricted net position represents the excess the Authority would experience if it had to liquidate all of its non-capital liabilities as of June 30, 2023.

The following table presents the changes in net position from Fiscal Year 2022 to 2023:

Changes in Net Position
(Amounts in Thousands)

	Business-type Activities			
	2023	**2022**	**Difference ($)**	**Change (%)**
Revenues:				
Closing fees	$ 1,763	$ 2,155	$ (392)	-18.2%
Annual fees	334	187	147	78.6%
Administrative service fees	191	206	(15)	-7.3%
Application fees	20	23	(3)	-13.0%
Miscellaneous fees	1	2	(1)	-50.0%
Interest income - loans	21,252	44,199	(22,947)	-51.9%
Transfer of funds and interest in program from the State of Illinois	38	48	(10)	-20.8%
Grant income	113	-	113	100.0%
Bad debt recoveries and other	2	-	2	100.0%
Interest and investment income	24,799	675	24,124	3573.9%
Total revenues	48,513	47,495	1,018	2.1%
Expenses:				
Employee related expenses	1,722	1,882	(160)	-8.5%
Professional services	1,361	1,036	325	31.4%
Occupancy costs	164	162	2	1.2%
General and administrative	281	305	(24)	-7.9%
Bad debt expense	218	81	137	169.1%
Depreciation and amortization	44	41	3	7.3%
Interest expense	42,213	44,363	(2,150)	-4.8%
Total expenses	46,003	47,870	(1,867)	-3.9%
Change in net position	2,510	(375)	2,885	-769.3%
Net position - beginning	123,833	124,208	(375)	-0.3%
Net position - ending	$ 126,343	$ 123,833	$ 2,510	2.0%

Operating revenues included closing fees from conduit bond issuances of $1.8 million, a decrease of $392 thousand or 18.2%. This decrease in closing fees was mostly attributable to the Authority issuing a lower aggregate principal amount of conduit debt for its exempt facilities and C-PACE economic sectors year-over-year, and such economic sectors have either no fee cap or higher fee cap in comparison to the Authority's other economic sectors. Annual, administrative service, application, and miscellaneous fees showed a collective increase of $128 thousand or 30.5%, due to an increase in all annual fees. The interest income on loans shows a decrease from Fiscal Year 2022 of $22.9 million, or 51.9%, due to the decrease on outstanding loans. Interest and investment income of $24.8 million was higher than Fiscal Year 2022 due to an increase in the return of investments.

All expenses totaled $46.0 million in Fiscal Year 2023, a decrease of $1.9 million due mainly from the decrease in interest expense caused by the bond payments on behalf of the other State of Illinois component units.

Capital Assets

The Authority has established a policy of capitalizing assets as described in Note 1 to the financial statements. The Authority's investment in capital assets, net of accumulated depreciation/amortization, for business-type activities as of June 30, 2023, was $32 thousand.

Additional information about capital assets can be found in Note 8 to the financial statements.

Amounts in Thousands

	2023	2022	Difference ($)	Change (%)
Furniture and equipment	$ 196	$ 194	$ 2	1.0%
Leases - building and equipment	92	92	-	0.0%
Subscriptions	24	-	24	100.0%
Computers	152	152	-	0.0%
Software	288	288	-	0.0%
Total capital assets	752	726	26	3.6%
Less: accumulated depreciation	(720)	(675)	(45)	6.7%
Total capital assets, net	$ 32	$ 51	$ (19)	-37.3%

Long-Term Debt Obligations

The Authority's primary product and revenue source is the issuance of federally tax-exempt conduit bonds as allowed by the federal tax code and State law. In limited circumstances, the Authority may also issue taxable conduit bonds. Conduit bonds are not the debt or obligation of the Authority, the State or any subdivision thereof, but are solely the debt of the conduit borrower. The Authority issued bonds in connection with 36 separate conduit bond debt transactions in Fiscal Year 2023, with an aggregate principal amount of $1.9 billion.

The Authority also issues federally tax-exempt bonds for the purpose of providing loans to other public agencies of the Primary Government and component units of the State of Illinois. Although similar to conduit bonds, these bonds are issued for the benefit of third parties that are part of the Authority's financial reporting entity the State of Illinois. They do not meet the definition of conduit debt under GAAP and thus are reported as liabilities on the Authority's basic financial statements. Since this type of debt is also reported as receivable on the Authority's basic financial statements, the impact to the Authority's net position is zero.

As of June 30, 2023, the aggregate amount of intra-state debt outstanding is $1.6 billion, a decrease of $105.5 million due to the retirement of certain SRF Bonds. The SRF Bonds leveraged debt does not constitute an indebtedness of the Authority, the IEPA, or the State of Illinois or any political subdivision thereof.

In Fiscal Year 2023, the Authority did not issue any bonds with a pledge of the State's moral obligation, additional security or any kind of contingent State taxpayer guarantee. As of June 30, 2023, the amount of bonds issued by the Authority with the State's pledge of moral obligation or additional security was zero.

Long-term debt information can be found in Note 1 and Note 9 to the financial statements

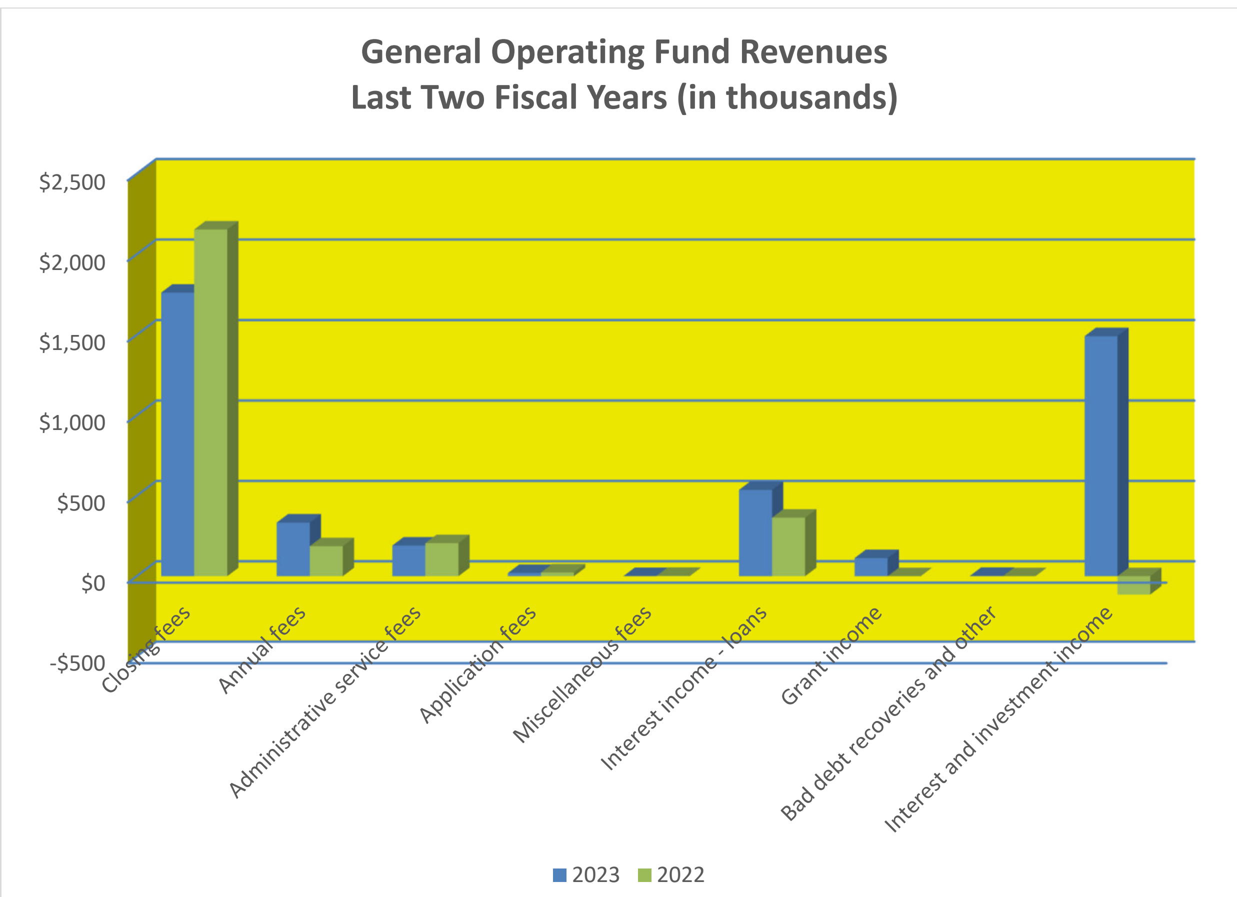
Financial Analysis of the Authority's Funds

The Authority has two major enterprise funds.

General Operating Fund – This fund is the primary operating fund of the Authority, which receives revenues from program applications, interest payments from direct loans, and investment income. All administrative expenses for establishing and monitoring the Authority's programs are paid out of this fund. In fiscal year 2023, closing fees accounted for 39.6% of total revenues in the fund, a decrease of $392 thousand or 18.2% when compared to 2022, due to a decrease in the number of closings and/or bonds issued in fiscal year 2023. Interest income on loans increased by $173 thousand or 47.5%, as a result of additional accrued interest under the Deferred Action for Childhood Arrivals ("DACA"). Administrative service fees totaled $191 thousand, which is a decrease of $15 thousand or 7.3% from the prior fiscal year in this category. Interest and investment income increased by $1.6 million or 1,409.3%, in fiscal year 2023 due to higher interest rates. Overall, revenues in the fund totaled $4.5 million, which was $1.6 million or 57.8% higher than fiscal year 2022 mainly due to an increase in interest and investment income. On June 23, 2023, the Authority entered into a grant agreement with the Department of Commerce and Economic Opportunity ("DCEO"). The Authority has been designated as Illinois Climate Bank and is charged with providing financial assistance, programs, and products to finance and otherwise develop and facilitate opportunities to develop clean energy and provide clean water, drinking water, and wastewater treatment in Illinois. The Authority will use grant funds to carry out its Climate Bank purposes by purchasing participating interests in loans made to Illinois small businesses in accordance with all requirements of the program and to support administrative cost for its administration of the program. As of June 30, 2023, the Authority is owed $3.1 million. With spending of $3.8 million, the General Operating Fund realized an increase in net position of $0.7 million.

Amounts in Thousands

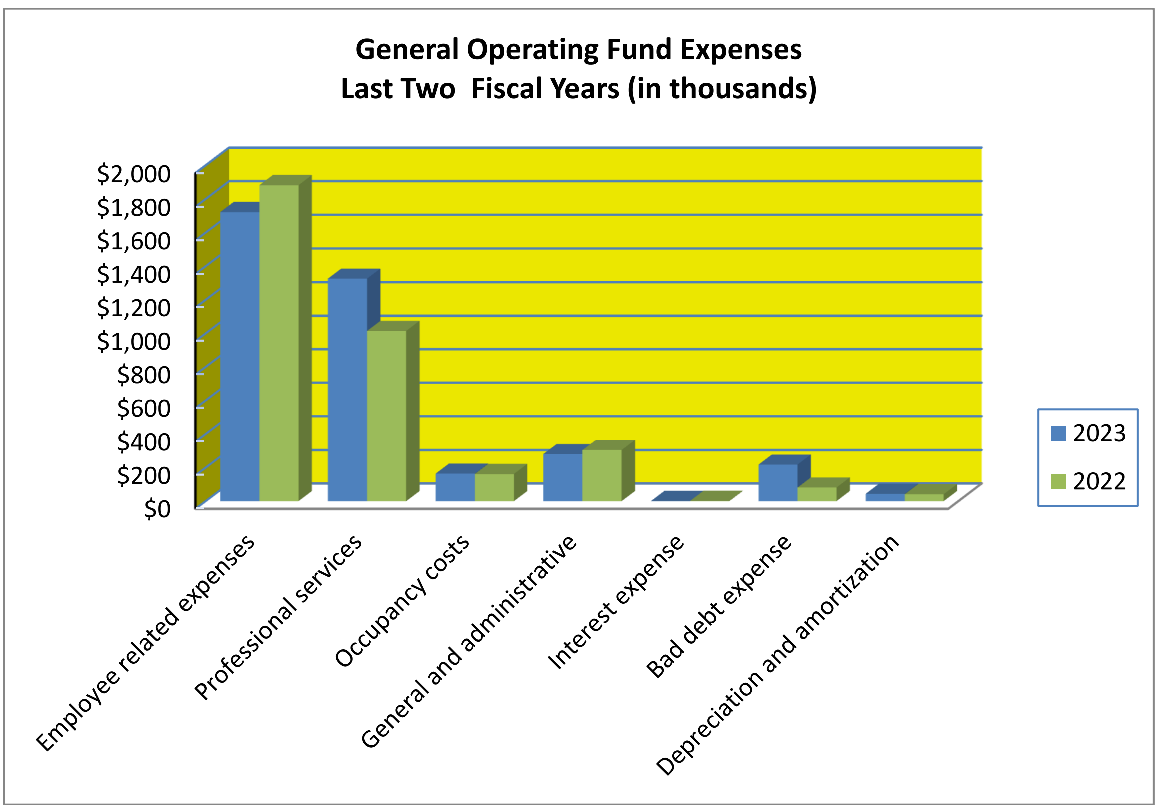
	2023	2022	2023 % of Total	Increase/ (Decrease) from 2022 ($)	Increase/ (Decrease) from 2022 (%)
Closing fees	$ 1,763	$ 2,155	39.6%	$ (392)	-18.2%
Annual fees	334	187	7.5%	147	78.6%
Administrative service fees	191	206	4.3%	(15)	-7.3%
Application fees	20	23	0.4%	(3)	-13.0%
Miscellaneous fees	1	2	0.0%	(1)	-50.0%
Interest income - loans	537	364	12.1%	173	47.5%
Grant income	113	-	2.5%	113	100.0%
Bad debt recoveries and other	2	-	0.0%	2	100.0%
Interest and investment income	1,493	(114)	33.5%	1,607	-1409.3%
Total revenues	$ 4,454	$ 2,823	100.0%	$ 1,631	57.8%



Employee related expenses decreased $160 thousand or 8.5% from Fiscal Year 2022. The majority of the decline in the employee related expense line is attributable to the departure of various employees. Professional services costs increased by $311 thousand or 30.6%. The increase in professional services was attributable to product and program start-up costs attributable to the Authority Transformation Initiative. Overall, expenses in the general operating fund increased by $268 thousand or 7.7%.

Amounts in Thousands

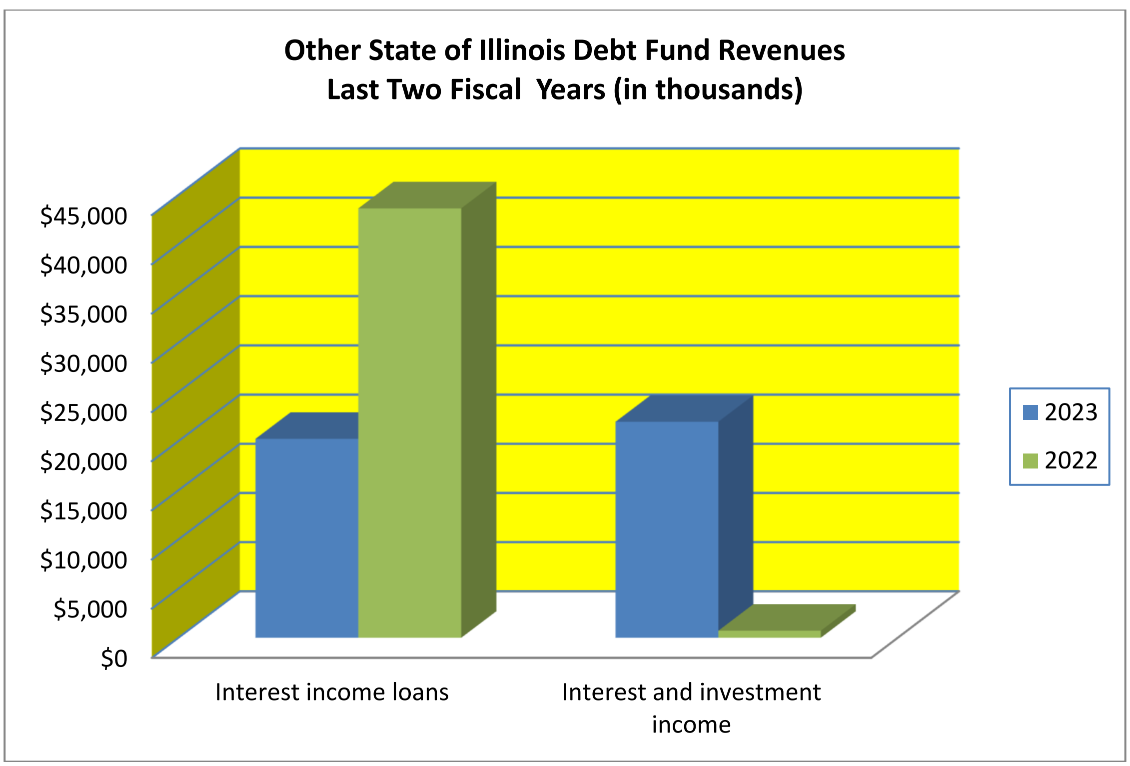
	2023	2022	2023 % of Total	Increase/ (Decrease) from 2022 ($)	Increase/ (Decrease) from 2022 (%)
Employee related expenses	$ 1,722	$ 1,882	45.8%	$ (160)	-8.5%
Professional services	1,326	1,015	35.3%	311	30.6%
Occupancy costs	164	162	4.4%	2	1.2%
General and administrative	281	305	7.5%	(24)	-7.9%
Interest expense	1	2	0.0%	(1)	-54.1%
Bad debt expense	218	81	5.8%	137	169.1%
Depreciation and amortization	44	41	1.2%	3	7.3%
Total expenses	$ 3,756	$ 3,488	100.0%	$ 268	7.7%



Other State of Illinois Debt Fund – The purpose of this fund is to account for bond proceeds, principal and interest payments, bonds and notes receivable transactions, and other debt related activity for other entities within the State of Illinois' reporting entity. The vast majority of the transactions of this debt fund are attributable to the SRF Bonds conduit bonds. The fund also collects interest and principal payments from the participating borrowers and makes debt service payments on the bonds. All activity in this fund is of a conduit nature (but not within the definition of conduit debt under GAAP) on behalf of the other State agencies and/or component units. Interest income from loans totaled $20.2 million versus $43.6 million from Fiscal Year 2022, a decrease of $23.4 million or 53.6%. This decrease results from the additional loans payments made in 2023 from the IEPA. Interest and investment income increased in this fund by $21.3 million or 2,969.2%, due to the increase in interest rates. Overall, revenues in this fund were $42.2 million or 4.8% lower than Fiscal Year 2022. The ending net position for this fund is zero.

Amounts in Thousands

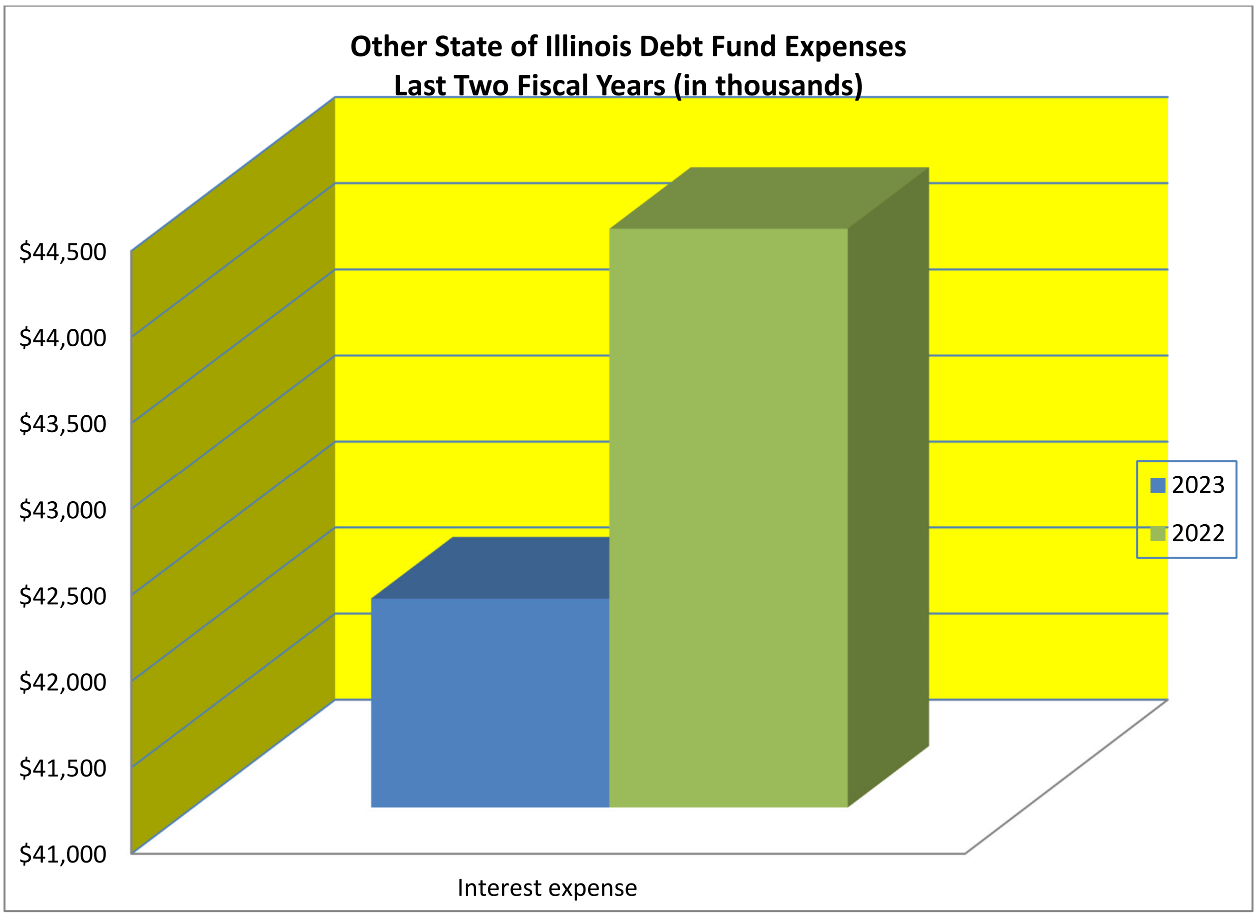
	2023	2022	2023 % of Total	Increase from 2022 ($)	Increase from 2022 (%)
Interest income loans	$ 20,237	$ 43,645	47.9%	$ (23,408)	-53.6%
Interest and investment income	21,975	716	52.1%	21,259	2969.2%
Total revenues	$ 42,212	$ 44,361	100.00%	$ (2,149)	-4.8%



Interest expense in the fund totaled $42.2 million, which is a decrease of $2.1 million or 4.8%, from fiscal year 2022. The decrease is attributable to the retirement of SRF Bonds. Other financial activity of these State agencies is included on the financial statements of the primary government.

Amounts in Thousands

	2023	2022	2023 % of Total	Increase from 2022 ($)	Increase from 2022 (%)
Interest expense	$ 42,212	$ 44,361	100.0%	$ (2,149)	-4.8%
Total expenses	$ 42,212	$ 44,361	100.0%	$ (2,149)	-4.8%



Nonmajor Funds - As of June 30, 2023, the Authority's nonmajor funds in aggregate reported unrestricted net position of $4.8 million and restricted net position of $62.4 million, for a total net position of $67.2 million. The net position restricted in the nonmajor funds is for locally held agricultural guarantees, public safety, and low-income community investments.

Economic Factors, Decisions and Conditions

All Funds - The Authority receives revenues from the issuance of conduit bonds, generally federally tax-exempt; the occasional issuance of taxable conduit bonds; interest on loans; and investment income. Other than Commercial Property Assessed Clean Energy ("C-PACE") bonds and the occasional taxable conduit bond, the economic benefit of conduit bonds issued by the Authority is federal, not State: interest paid on conduit bonds qualified under the federal tax code is exempt from federal income tax, generally resulting in a lower interest rate for the conduit borrower and federally tax-exempt income for the bondholder. This economic benefit tends to increase with higher interest rates. Conduit bond debt does not constitute indebtedness or an obligation, general or moral, or a pledge of the full faith or a loan of credit of the Authority, the State, or any political subdivision thereof.

Fiscal Year 2023 saw generally higher interest rates than in the recent past. The higher interest rate environment resulted in increased investment revenues for the Authority's funds. However, even with the more favorable interest rate environment for conduit bonds, the Authority's Fiscal Year 2023 issuance volume of conduit bonds was lower than in Fiscal Year 2022.

In Fiscal Year 2023, the Authority issued more than $1.9 billion in conduit (nearly all federally tax-exempt) bond projects across a variety of economic sectors and statutory project definitions. Notable new borrowers during Fiscal Year 2023 include: ***mHUB Support Corporation,*** a Chicago-based not-for-profit manufacturing incubator; ***City of Hope***, a not-for-profit healthcare provider; and ***DePaul College Prep***, a high school on the north side of Chicago. Other notable projects in 2023 include a refinancing for ***Fenwick High School***, facility upgrades and a new animal welfare site for ***Shedd Aquarium***, an educational project for the ***University of Chicago***, and a new instructional facility with offsite geothermal improvements for the University of Illinois in Urbana-Champaign through the ***Provident Resources Group***. The Authority also issued 16 beginning farmer bonds across 13 counties in Illinois, totaling approximately one thousand acres of farmland. Lastly, the Authority issued a C-PACE bond for a multifamily property in the principal amount of $2.6 million on behalf of a project located in the Village of Mount Prospect that was purchased by PACE Loan Group.

Taxable C-PACE bonds, issued by the Authority under the PACE Act and in accordance with the Act, continue to be an emerging conduit financial product for the Authority. C-PACE financing provides enhanced security for the lender compared to the security provided by a mortgage, represented by a special assessment lien on parity with a property tax without relying on any federal or State public subsidy, and generally a lower interest rate for the borrower. C-PACE financing is a focus of the Authority's role as the Illinois Climate Bank and its economic development mission. All record owners that utilize C-PACE financing are new borrowers to the Authority.

The Authority reports an ending Fiscal Year 2023 net position of $126.3 million, which represents an increase of $2.5 million or 2.0% from the previous fiscal year. The increase in the Authority's net position in Fiscal Year 2023 resulted from:

- A $2.975 million total increase in investment income from the General Operating Fund and Other Non-Major funds
- A $465 thousand total operating loss from the General Operating Fund and Other Non-Major Funds

The federal Tax Cuts and Jobs Act of 2017 ("TCJA") did generally negatively impact the conduit bond issuance and thus the Authority's revenues and its ability to fulfil its essential public function. The Authority responded to the adverse impact of TCJA by beginning its *Transformation Initiative* in February 2018, which then evolved into the *Climate Process* in February 2020. Despite COVID-19 disruptions, work continued under the *Transformation Initiative/Climate Process* resulting in the Climate and Equitable Jobs Act ("CEJA"; Public Act 102-662) designating the Authority as the Illinois Climate Bank on September 15, 2021.

The Authority's designation as the Illinois Climate Bank allows the pursuit of federal funding opportunities and financing products that have become available through recent federal legislation such as the American Rescue Plan ("ARPA"), Bipartisan Infrastructure Law ("BIL") and the Inflation Reduction Act ("IRA"). Federal funding and other resource opportunities through ARPA, BIL, and IRA have, and in the future, are expected to be positive for the Authority's balance sheet and its ability to fulfill its essential public function. For example, through ARPA, Illinois is eligible to receive up to $354.6 million through the reauthorized SSBCI formula funding from the UST, and the Authority received $3.1 million through a DCEO grant for SSBCI funding during the reporting period to further the purposes of the Climate Bank under CEJA. Similarly, during the reporting period the Authority applied for or participated in four competitive federal funding opportunities and engaged in negotiations with IEPA with a fifth federal funding opportunity for certain United States Department of Energy ("USDOE") formula funding. These applications include the USDOE 40101(d) Grid Resilience Grant, the USDOE Resilient and Efficient Codes Implementation ("RECI") grant, the USDOE Energy Efficiency Revolving Loan Fund ("EE RLF"; with IEPA), the USDOE Grid Resilience and Innovation Partnerships ("GRIP") Program, and the United States Department of Transportation ("USDOT") Charging and Fueling Infrastructure ("CFI") program. The Authority expects to receive funding from some of these applications in Fiscal Year 2024.

TCJA and the COVID-19 Pandemic exacerbated existing negative trends with respect to the issuance of conduit bonds across the Authority's various economic sectors. Not-for-profit healthcare traditionally is a major driver of the Authority's conduit bond issuance volume and revenues. The aftermath of the COVID-19 Pandemic has continued to generally challenge the healthcare, senior living, and nonprofit sectors – all of which have been negatively impacted by inflation, supply chain issues, and rising operational costs. The years-long and ongoing national trend towards consolidation in the non-profit healthcare sector as well as the shift in consumer preference from traditional hospital-based care to lower cost alternatives such as urgent or ambulatory care, has reduced the number of individual potential healthcare borrowers with projects that qualify for federally tax-exempt conduit bonds. Not-for-profit education, both at the college/university level and the pre-K through grade 12 levels, continues to be strained due to rising costs/tuition and declining demographic trends. As noted, a higher interest rate environment may enhance the economic benefit of tax-exempt conduit bonds leading to higher bond issuance by the Authority and potentially increased revenues.

During this fiscal year, the Authority did not receive any State appropriations from the Illinois General Assembly in connection with CEJA or to otherwise support its operations, products, and programs[1].

[1] The Authority's locally-held General Fund represents both retained earnings since the creation of the Authority and funds transferred by operation of law from predecessor entities, both effective as of January 1, 2004. See, Public Act 93-205. The following Authority funds originated in legacy appropriations: (1) Illinois Housing Partnership, originally appropriated to predecessor, Illinois Development Finance Authority ("IDFA"); (2) Industrial Project Insurance Bond Fund, originally appropriated to predecessor, IDFA; (3) Illinois Agricultural Loan Guarantee Fund – with State Treasury, originally appropriated to predecessor, Illinois Farm Development Authority; (4) Illinois Farmer Agribusiness Loan Guarantee Fund – with State Treasury, originally appropriated to predecessor, Illinois Farm Development Authority; (5) Fire Truck Revolving Loan Fund; Public Act 097-091 with prior legislation, and (6) Ambulance Revolving Loan Fund; Public Act 097-091, with prior legislation.

Requests for Information

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the funds it receives. Additional details may be requested by mail at the following address:

Illinois Finance Authority
Department of Finance
160 N. LaSalle Street
Suite S-1000
Chicago, Illinois, 60601

Or visit our website at: https://www.il-fa.com/public-access/financial-reports/IllinoisAuditorGeneral for a complete copy of this report and other financial information.

State of Illinois
Illinois Finance Authority
(A Component Unit of the State of Illinois)

Statement of Net Position
June 30, 2023

	General Operating Fund	Other State of Illinois Debt Fund	Nonmajor Funds	Total Business-Type Activities
ASSETS				
Current assets:				
Current unrestricted assets:				
Cash and cash equivalents	$ 1,771,100	$ -	$ 18,012	$ 1,789,112
Investments	38,106,244	-	3,446,028	41,552,272
Accounts receivable, net	181,435	-	-	181,435
Loans receivable, net	3,491,297	-	568,578	4,059,875
Accrued interest receivable	480,475	-	29,516	509,991
Bonds and notes receivable	572,300	-	-	572,300
Due from primary government	3,148,776	-	-	3,148,776
Prepaid expenses	74,508	-	-	74,508
Total current unrestricted assets	47,826,135	-	4,062,134	51,888,269
Current restricted assets:				
Cash and cash equivalents	-	403,087,820	13,589,666	416,677,486
Investments	-	211,286,079	8,650,532	219,936,611
Securities lending collateral equity with the State Treasurer	-	-	3,570,000	3,570,000
Accrued interest receivable	-	1,623,560	106,276	1,729,836
Loans receivable, net	-	-	4,136,963	4,136,963
Total current restricted assets	-	615,997,459	30,053,437	646,050,896
Total current assets	47,826,135	615,997,459	34,115,571	697,939,165
Noncurrent assets:				
Noncurrent unrestricted assets:				
Investments	7,885,734	-	766,994	8,652,728
Loans receivable, net	3,566,787	-	-	3,566,787
Bonds and notes receivable	3,684,547	-	-	3,684,547
Capital assets, net of accumulated depreciation	4,271	-	-	4,271
Subscriptions, right-of-use	10,193	-	-	10,193
Leases, right-of-use	17,693	-	-	17,693
Total noncurrent unrestricted assets	15,169,225	-	766,994	15,936,219
Noncurrent restricted assets:				
Cash and cash equivalents	-	-	19,781,582	19,781,582
Investments	-	-	2,111,313	2,111,313
Accrued interest receivable	-	-	71,000	71,000
Loans receivable, net	-	-	13,974,415	13,974,415
Bonds and notes receivable from primary government	-	1,264,553,817	-	1,264,553,817
Total noncurrent restricted assets	-	1,264,553,817	35,938,310	1,300,492,127
Total noncurrent assets	15,169,225	1,264,553,817	36,705,304	1,316,428,346
Total assets	$ 62,995,360	$ 1,880,551,276	$ 70,820,875	$ 2,014,367,511

(Continued)

State of Illinois
Illinois Finance Authority
(A Component Unit of the State of Illinois)

Statement of Net Position (Continued)
June 30, 2023

	General Operating Fund	Other State of Illinois Debt Fund	Nonmajor Funds	Total Business-Type Activities
LIABILITIES				
Current liabilities:				
Payable from unrestricted current assets:				
Accounts payable	$ 51,662	$ -	$ 1,300	$ 52,962
Accrued liabilities	630,541	-	-	630,541
Due to employees	97,147	-	-	97,147
Lease liability	17,693	-	-	17,693
Due to primary government	1	-	-	1
Unearned revenue, net of accumulated amortization	3,100,831	-	-	3,100,831
Total current liabilities payable from unrestricted current assets	3,897,875	-	1,300	3,899,175
Payable from restricted current assets:				
Accounts payable	-	-	3,400	3,400
Obligation under securities lending of the State Treasurer	-	-	3,570,000	3,570,000
Accrued interest payable	-	38,759,354	-	38,759,354
Bonds and notes payable, primary government	-	107,425,000	-	107,425,000
Other liabilities	-	224,700	-	224,700
Total current liabilities payable from restricted current assets	-	146,409,054	3,573,400	149,982,454
Total current liabilities	3,897,875	146,409,054	3,574,700	153,881,629
Noncurrent liabilities:				
Payable from unrestricted noncurrent assets:				
Noncurrent payables	585	-	-	585
Total noncurrent liabilities payable from unrestricted noncurrent assets	585	-	-	585
Payable from restricted noncurrent assets:				
Bonds and notes payable, primary government	-	1,512,095,000	-	1,512,095,000
Unamortized bond premium	-	222,047,222	-	222,047,222
Total noncurrent liabilities payable from restricted noncurrent assets	-	1,734,142,222	-	1,734,142,222
Total noncurrent liabilities	585	1,734,142,222	-	1,734,142,807
Total liabilities	3,898,460	1,880,551,276	3,574,700	1,888,024,436
NET POSITION				
Investment in capital assets	32,157	-	-	32,157
Restricted for:				
Industrial revenue debt and agricultural guarantees	-	-	12,860,806	12,860,806
Public safety loans	-	-	29,704,959	29,704,959
Agricultural and rural development loans	-	-	19,852,582	19,852,582
Unrestricted	59,064,743	-	4,827,828	63,892,571
Total net position	$ 59,096,900	$ -	$ 67,246,175	$ 126,343,075

See accompanying notes to the basic financial statements.

State of Illinois
Illinois Finance Authority
(A Component Unit of the State of Illinois)

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2023

	General Operating Fund	Other State of Illinois Debt Fund	Nonmajor Funds	Total Business-Type Activities
Operating revenues:				
Closing fees	$ 1,763,295	$ -	$ -	$ 1,763,295
Annual fees	333,843	-	-	333,843
Administrative service fees	191,000	-	-	191,000
Application fees	20,100	-	-	20,100
Miscellaneous fees	697	-	-	697
Interest income - loans	537,044	20,236,723	478,646	21,252,413
Bad debt recoveries	802	-		802
Other revenue	949	-	-	949
Total operating revenues	2,847,730	20,236,723	478,646	23,563,099
Operating expenses:				
Employee related expenses	1,722,345	-	-	1,722,345
Professional services	1,325,554	-	35,561	1,361,115
Occupancy costs	164,026	-	-	164,026
General and administrative	281,034	-	-	281,034
Interest expense	918	42,212,133	-	42,213,051
Bad debt expense	217,922	-	-	217,922
Depreciation and amortization	44,153	-	-	44,153
Total operating expenses	3,755,952	42,212,133	35,561	46,003,646
Operating (loss) income	(908,222)	(21,975,410)	443,085	(22,440,547)
Nonoperating revenues:				
Transfers of funds and interest in program from the State of Illinois	-	-	37,904	37,904
Transfer to other funds	-	-	11,458	11,458
Transfer from other funds	-	-	(11,458)	(11,458)
Grant income	113,776	-	-	113,776
Interest and investment income	1,492,632	21,975,410	1,331,386	24,799,428
Total nonoperating revenues	1,606,408	21,975,410	1,369,290	24,951,108
Change in net position	698,186	-	1,812,375	2,510,561
Net position - beginning of year	58,398,714	-	65,433,800	123,832,514
Net position - end of year	$ 59,096,900	$ -	$ 67,246,175	$ 126,343,075

See accompanying notes to the basic financial statements.

State of Illinois
Illinois Finance Authority
(A Component Unit of the State of Illinois)

Statement of Cash Flows
For the Year Ended June 30, 2023

	General Operating Fund	Other State of Illinois Debt Fund	Nonmajor Funds	Total Business-Type Activities
Cash flows from operating activities:				
Cash received for fees and other	$ 2,129,322	$ -	$ -	$ 2,129,322
Cash payments for employee services	(1,723,687)	-	-	(1,723,687)
Cash payments to suppliers for goods and services	(1,245,554)	-	(40,981)	(1,286,535)
Net cash used in operating activities	(839,919)	-	(40,981)	(880,900)
Cash flows from noncapital financing activities:				
Bonds and notes principal payments	-	(105,535,000)	-	(105,535,000)
Interest payments	-	(81,310,738)	-	(81,310,738)
Permanent capital transfer from the State	-	-	37,905	37,905
Transfer to other funds	-	-	(11,458)	(11,458)
Transfer from other funds	-	-	11,458	11,458
Due from other funds	787,031	-	-	787,031
Due to other funds	-	-	(787,031)	(787,031)
Net cash (used in) provided by noncapital financing activities	787,031	(186,845,738)	(749,126)	(186,807,833)
Cash flows from capital and related financing activities:				
Purchase of capital assets	(1,458)	-	-	(1,458)
Lease payments	(20,679)	-	-	(20,679)
Subscription payments	(15,788)	-	-	(15,788)
Net cash used in capital and related financing activities	(37,925)	-	-	(37,925)
Cash flows from investing activities:				
Purchase of investments	(69,615,044)	(1,503,570,572)	(40,340,171)	(1,613,525,787)
Maturity and sales of investments	65,147,041	1,436,953,636	39,775,088	1,541,875,765
Interest and dividends on investments	892,532	19,555,520	1,082,515	21,530,567
Cash received for interest on loans	267,546	20,236,723	482,075	20,986,344
Cash received on loans receivable and guarantees	4,533,666	410,246,288	12,459,693	427,239,647
Cash payments on loans receivable and guarantees	(2,896,643)	(303,933,135)	(470,000)	(307,299,778)
Net cash provided by (used in) investing activities	(1,670,902)	79,488,460	12,989,200	90,806,758
Net (decrease) increase in cash and cash equivalents	(1,761,715)	(107,357,278)	12,199,093	(96,919,900)
Cash and cash equivalents - beginning of year	3,532,815	510,445,098	21,190,167	535,168,080
Cash and cash equivalents - end of year	$ 1,771,100	$ 403,087,820	$ 33,389,260	$ 438,248,180

(Continued)

State of Illinois
Illinois Finance Authority
(A Component Unit of the State of Illinois)

Statement of Cash Flows (Continued)
For the Year Ended June 30, 2023

	General Operating Fund	Other State of Illinois Debt Fund	Nonmajor Funds	Total Business-Type Activities
Reconciliation of operating (loss) income to net cash used in operating activities:				
Operating (loss) income	$ (908,222)	$ (21,975,410)	$ 443,085	$ (22,440,547)
Adjustments to reconcile operating (loss) income to net cash used in operating activities:				
Depreciation and amortization	44,153	-	-	44,153
Interest on loans	(537,044)	(20,236,723)	(478,646)	(21,252,413)
Interest expense	918	42,212,133	-	42,213,051
Bad debt recoveries	(802)	-	-	(802)
Bad debt expense	217,922		-	217,922
Changes in assets and liabilities:		-		
Accounts receivable	(180,562)		-	(180,562)
Prepaid expenses	12,619	-	-	12,619
Accounts payable and accrued liabilities	529,972	-	(5,420)	524,552
Due to employees	(18,873)	-	-	(18,873)
Net cash used in operating activities	$ (839,919)	$ -	$ (40,981)	$ (880,900)

See accompanying notes to the basic financial statements.

State of Illinois
Illinois Finance Authority
(A Component Unit of the State of Illinois)

Statement of Fiduciary Net Position - Custodial Fund
June 30, 2023

	Metro East Police District Commission Fund
Assets	
Current assets:	
Cash and cash equivalents	$ 5,058
Net Position	
Restricted for Metro East Police District	$ 5,058

See accompanying notes to the basic financial statements.

State of Illinois
Illinois Finance Authority
(A Component Unit of the State of Illinois)

Statement of Changes in Fiduciary Net Position - Custodial Fund
June 30, 2023

	Metro East Police District Commission Fund
Additions	
Fines	$ 31
Total additions	31
Deductions	-
Total deductions	-
Net increase in fiduciary net position	31
Net position - July 1, 2022	5,027
Net position - June 30, 2023	$ 5,058

See accompanying notes to the basic financial statements.

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Illinois Finance Authority ("Authority") is a body politic and corporate created on July 17, 2003, by Public Act 93-205, effective January 1, 2004. Public Act 93-205 consolidated seven of the State's existing finance authorities into the Authority. The Authority succeeded to the rights and duties of the existing finance authorities as of January 1, 2004. Public Act 93-205 also repealed the existing finance authorities' authorizing legislation. The Authority is composed of 15 volunteer Members appointed by the Governor and confirmed with the advice and consent of the Senate. The Governor directly appoints the Authority Chair.

Component units are separate legal entities for which the primary government is legally accountable. The Authority is a component unit of the State of Illinois for financial reporting purposes because its exclusion would cause the State's financial statements to be misleading. These financial statements are included in the State's Annual Comprehensive Financial Report. The Authority reports one blended component unit, the Illinois C-PACE Open Market Initiative Fund NFP, which is presented as a nonmajor fund beginning in Fiscal Year 2023, as the Authority is the sole member of the corporation that compromises the activity of the fund.

Basis of Presentation

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, net position, revenues, transfers, and expenses, as appropriate. The emphasis on fund financial statements is on major proprietary funds (enterprise), with each fund displayed in a separate column. All remaining proprietary funds are aggregated and reported as nonmajor funds. The Authority has the following major proprietary funds:

General Operating Fund - This fund of the Authority receives all revenues from program applications. All administrative expenses for establishing and monitoring the Authority's programs are paid out of this fund as set forth in the Illinois Finance Authority Act (20 ILCS 3501/801-40(j)). It is made up of the following programs:

- General Fund - Accounts for the main operations of the Authority;
- Local Government Borrowing Fund - Accounts for monies received from local governments formerly participating in the Illinois Rural Bond Bank Program;
- Deferred Action for Childhood Arrivals - Accounts for monies held for the purposes of providing student loans for eligible applicants to medical and dental schools in Illinois; and
- State Small Business Credit Initiative (SSBCI) – Accounts for monies received through a DCEO grant for the purpose of providing participation loans for eligible applicants

Other State of Illinois Debt Fund - Each bond issue is comprised of several accounts as required by the bond indenture. The accounts of the State of Illinois agencies and component unit bond issues have been aggregated and reported as the Other State of Illinois Debt Fund. These are non-appropriated accounts maintained by the trustee. The purpose of the fund is to collect bond proceeds, purchase participating institutions' securities, and remit bond issuance costs paid for with bond proceeds. The fund also collects interest and principal payments from the participating institutions and makes payments on the bonds payable.

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Metro East Police District Fund - In accordance with the Metro East Police District Act (70 ILCS 1750/15) and the Illinois Finance Authority Act (20 ILCS 3501/825-115), the Authority established the Metro East Police District ("Fund"), a fiduciary custodial fund of the Authority. All moneys received by the Metro East Police District Commission ("Commission") were deposited into the Fund. The Authority and the Commission entered into an Intergovernmental Agreement to use the moneys deposited into the Fund solely for the purposes set forth in Public Act 97-0971. Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. Fiduciary funds include pension trust funds, private-purpose trust funds, investment trust funds, and custodial funds.

Custodial funds, such as the Fund are used to report resources held in a purely custodial capacity. Custodial funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. The Metro East Police District Act, Public Act 97-971, was repealed by operation of law on December 31, 2019. Public Act 97-971 did not provide for a successor entity following the repeal of this Act. The Authority maintains the remaining funds in the amount of $5,058 in a custodial capacity until such time as the General Assembly provides further direction to the Authority with respect to the disposition of the remaining funds originally authorized under Public Act 97-971. Neither the Authority Act nor Public Act 97-971 grant power to the Authority to use or direct the remaining funds following the repeal of Public Act 97-971.

Illinois Finance Authority Development Fund NFP - In August 2013, the Authority approved a resolution authorizing the creation of a special purpose entity to be formed for the express purpose of applying for an allocation of New Markets Tax Credits ("NMTCs"). This program is administered by the U.S. Department of the Treasury's Community Development Financial Institutions Fund ("CDFI Fund"). In order for an entity to apply for an allocation of New Markets Tax Credits, the entity must first apply for and receive a license to be designated as a "Community Development Entity", or "CDE", by the CDFI Fund. To qualify as a CDE, however, an organization must be a domestic corporation or partnership at the time of the CDE certification application. Because the Authority is a body politic and corporate entity, it was necessary to form an affiliated corporation to be certified as a CDE. The Illinois Finance Authority Development Fund NFP was dissolved in Fiscal Year 2023.

Illinois C-Pace Open Market Initiative NFP Fund was formed on April 20, 2022, to (i) administer property assessed clean energy programs (each a "PACE Program") as authorized pursuant to the Property Assessed Clean energy act, 50 ILCS 50/1 et.seq, as amended (the "PACE Act") on behalf of or at the discretion of counties and municipalities throughout the Illinois in order to finance or refinance "energy projects" (as defined in the PACE Act), and (ii) to aid in all respect with providing financial assistance, programs, and products to finance and otherwise develop and facilitate opportunities to develop clean energy and provide clean water, drinking water, and wastewater treatment in Illinois.

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Basis of Accounting

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

Assets, Liabilities, and Net Position

Cash, Cash Equivalents and Investments

Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of 90 days or less at time of purchase. Cash equivalents consist principally of Money Market Mutual Funds and repurchase agreements and are stated at cost. Per the Authority's investment policy, safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to preserve the investment principal by minimizing credit and interest rate risk, provide liquidity for working capital needs and grow unencumbered portfolio balances through prudent management.

Restricted Assets

Certain resources have been classified as restricted assets on the Statement of Net Position because their use is limited by applicable bank and loan agreements. For additional disclosures, see Note 3 – cash, deposits and investments, Note 9 - long-term obligations and Note 11 - commitments and contingencies.

Investments

Investments in marketable securities are reported at fair value based on quoted market prices.

Issuance Costs and Premium and Revenue

Since 2013, the Authority received premiums on its Illinois Environmental Protection Agency Clean Water Bonds of $435,352,165. The Authority is amortizing these issuance premiums using the approximate effective interest method on all issued bond series except for the State of Illinois Revolving Fund, Series 2013 (Clean Water Initiative) for which the bond outstanding method is used. Amounts are presented net of accumulated amortization in the Statement of Net Position. In accordance with GASB statement No. 65, bond issuance costs and the bond issue related fee revenues are not deferred or amortized but recognized in the current periods.

Activity related to unamortized premium for the year ended June 30, 2023, consisted of the following:

Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
$ 258,586,153	$ -	$ (36,538,931)	$ 222,047,222

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Position (Continued)

Interfund Transactions

The Authority has the following types of interfund transactions:

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

Reimbursements – This represents repayments from the funds responsible for particular expenses to the funds that initially paid for them. Reimbursements are reported as expenses in the reimbursing fund and as a reduction of expenses in the reimbursed fund.

Transfers – This represents amounts provided to other funds which will not be repaid.

Capital Assets

Capital assets, which include property and equipment, are reported at historical cost. Capital assets are depreciated using the straight-line method. Depreciation of property and equipment used by the Authority is charged as an expense against the Authority's General Operating Fund. Capital assets and accumulated depreciation is reported in Note 8 to the financial statements.

Capitalization thresholds and the estimated useful lives are as follows:

Assets	Threshold	Years
Furniture and equipment	$500	5
Computer equipment	$5,000	5
Software	$10,000	3

Vacation and Sick Leave

The Authority's current vacation and sick leave pay policy, effective July 1, 2011, provides for employees to earn vacation pay at a rate based upon the employee's length of service with the Authority. Vacation time is accrued monthly and employees are allowed to accumulate vacation time up to one and half times their annual vacation allowance. Once an employee has accumulated the maximum amount of vacation days, the employee will no longer accrue any further vacation days. Vacation days will resume accruing once the employee uses accumulated vacation days.

Earned vacation days are accrued at fiscal year-end for financial statement purposes and recorded as Due to Employees in the Statement of Net Position in the General Operating Fund. Sick leave earned by employees must be taken during the fiscal year and cannot be accumulated and carried over to the next fiscal year.

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Position (Continued)

Activity related to accrued vacation leave for the year ended June 30, 2023, consisted of the following:

Balance June 30, 2022	Earned	Paid	Balance June 30, 2023	Due Within One Year
$ 116,020	$ 71,739	$ (90,612)	$ 97,147	$ 97,147

Full-time employees are awarded five full days of paid sick leave for use in that year. Full-time employees hired between July 1st and December 31st will receive five full days of paid sick leave for use in that year. Full-time employees hired between January 1st and June 30th will receive three full days of paid sick leave.

Healthcare Benefits

The Authority offers healthcare, dental, and vision benefits to employees and their dependents. Employees can choose either an HMO plan or a PPO plan. The Authority pays for a percentage of the cost of the premium ranging from 82.50% for employees choosing family coverage to 90% for employees choosing coverage for themselves only. The employees pay the remaining premium cost.

The Authority's retirees are not eligible to participate in the Authority's healthcare plan. Thus, the Authority does not have a post-employment benefit obligation.

Termination Benefits

Termination, or severance benefits, are specified and detailed in separation agreements between the Authority and former employees. These benefits may include continued payments of the employee's salary for a specified duration of time. The cost of these benefits is calculated based on the employee's last salary amount and includes salary related costs (e.g. Social Security and Medicare tax). No termination and/or severance payments were authorized or disbursed in Fiscal Year 2023.

Net Position

In the financial statements, net position is displayed in three components as follows:

<u>Investment in Capital Assets</u> - This component consists of capital assets, net of accumulated depreciation. As of June 30, 2023, the Authority had investments in capital assets of $32,157.

<u>Restricted</u> - This component consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, then unrestricted resources when they are needed. As of June 30, 2023, the Authority had restricted net position of $62,418,347 of which is restricted by State law.

Note 1. Summary of Significant Accounting Policies (Continued)

Unrestricted - This component consists of all other net position that do not meet the definition of "restricted" or "investment in capital assets." As of June 30, 2023, the Authority had unrestricted net position of $63,892,571.

Classification of Revenues

The Authority has classified its revenues as either operating or nonoperating. Operating revenue includes activities that have the characteristics of exchange transactions including interest on loans, application fees, annual fees, and administrative service fees. Nonoperating revenue includes activities that have the characteristics of non-exchange transactions or activities that are ancillary to the operations of the Authority, including interest and investment income.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Conduit Debt Obligations

In accordance with the Illinois Finance Authority Act (20 ILCS 3501/801-40(c)), the Authority issues limited obligation revenue bonds and participated in lending and leasing agreements to provide low-cost financing to businesses, agribusinesses, health care facilities, educational facilities, municipalities, and other organizations in order to stabilize and strengthen the Illinois economy in areas of job creation and job retention. The bonds and leases are secured by the property financed. Upon repayment of the debt, ownership of the acquired facilities transfers to the entity served by the issuance. In regards to these conduit issuances, neither the Authority or the State, nor any political subdivision thereof, is obligated in any manner for repayment of the debt. Accordingly, the bonds and leases are not reported as liabilities in the Authority's basic financial statements. As of June 30, 2023, the aggregate amount of conduit debt outstanding is approximately $21.5 billion.

Adopted Accounting Standards

During Fiscal Year 2023, the Authority adopted the following governmental accounting standards:

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

Note 1. Summary of Significant Accounting Policies (Continued)

New Accounting Standards

Accounting standards the Authority is currently reviewing for applicability and potential impact on the financial statements include:

- GASB Statement No. 99, *Omnibus 2022.* This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The Statement addresses a variety of topics. This Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022 except for the requirements related to financial guarantees and the classification and reporting of derivative instruments which are effective for reporting periods beginning after June 15, 2023. There was no impact on the Authority for portion of the standard adopted in fiscal year 2023.

- GASB Statement No. 100, *Accounting Changes and Error Corrections-An Amendment of GASB Statement No. 62.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. It will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections. The requirements of this Statement are effective for accounting changes and error corrections made in reporting periods beginning after June 15, 2023.

- GASB Statement No. 101, *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2023 and all reporting periods thereafter.

Note 2. Stewardship, Compliance and Accountability

The Authority does not receive any State-appropriated tax dollars to support its operations. The Authority supports its operations from fees charged when the Authority issues conduit, primarily federally tax-exempt bonds as well as from interest and fees collected from certain loans and investments. The Authority adopts an annual budget for the General Operating Fund at its June meeting in advance of the next fiscal year.

The Authority is the steward of two State of Illinois non-appropriated funds, the Illinois Agricultural Loan Guarantee Fund (Fund 994) and the Illinois Farmer Agribusiness Loan Guarantee Fund (Fund 205) held by the Illinois State Treasurer. Fund 994 and Fund 205 are restricted by State law and back the Authority's loan guarantee programs that support Illinois agriculture. The Authority is also the steward for the locally held Fire Truck Revolving Loan Fund and Ambulance Revolving Loan Fund also restricted by State law. The Authority administers the Illinois Housing Partnership Fund and the Industrial Project Insurance Fund which are locally held and restricted by State law.

The Authority participates in an annual financial audit and a biennial compliance examination conducted by the State of Illinois Office of the Auditor General. The Authority's full-time program of internal audit is conducted by the Bureau of Internal Audit of the Illinois Department of Central Management Services ("CMS") under an agreement between the Authority and CMS. It is an ongoing Authority priority to maintain and enhance appropriate internal controls and to appropriately comply with all regulatory and statutory mandates.

Note 3. Cash, Deposits and Investments

Cash, Deposits and Investments

Cash and investments as of June 30, 2023, are classified in the accompanying basic financial statements as follows:

Cash and cash equivalents - unrestricted	$ 1,789,112
Cash and cash equivalents - fiduciary fund	5,058
Cash and cash equivalents - restricted current assets	416,677,486
Cash and cash equivalents - restricted noncurrent assets	19,781,582
Investments - unrestricted current assets	41,552,272
Investments - unrestricted noncurrent assets	8,652,728
Investments - restricted current assets	219,936,611
Investments - restricted noncurrent assets	2,111,313
Total	$ 710,506,162

Cash and investments as of June 30, 2023, consist of the following:

Deposits with financial institutions	$ 78,352
Deposits with State of Illinois Treasurer	19,808,167
Investments	690,619,643
Total	$ 710,506,162

Allowable Investments

The Authority is permitted by the Illinois Finance Authority Act (20 ILCS 3501/801-30(a)) and by its investment policy to invest any of its funds in:

a. U.S. Government securities, including securities of the federal agencies;
b. Securities guaranteed by the federal government;
c. Savings accounts, certificates of deposit, and time deposits in banks or savings and loans insured by the Federal Deposit Insurance Corporation (FDIC), with any deposits in excess of amounts insured by the FDIC collateralized;
d. Short-term obligations of U.S. corporations with assets exceeding $500,000,000 and rated investment grade and which mature not later than 180 days from the date of purchase, provided that such obligations do not exceed 10% of the corporation's outstanding obligations and no more than one-third of the Authority's funds are invested in such obligations;
e. Money market mutual funds registered under the Investment Company Act of 1940, provided the portfolio is limited to either U.S. government or government-backed securities;
f. Shares of other forms of securities legally issued by savings banks or savings and loan associations, if such securities are insured by the FDIC;
g. Dividend-bearing share accounts, share certificate accounts or class of share accounts of a credit union, if insured under applicable law;
h. The Illinois Funds;

Note 3. Cash, Deposits and Investments (Continued)

Allowable Investments (Continued)

i. A fund managed, operated, and administered by a bank, subsidiary of a bank, or subsidiary of a bank holding company or uses the services of such an entity to hold, invest or advise on investments; and,

j. Repurchase agreements of government securities.

In addition, the Authority is authorized by its enabling legislation to invest in obligations issued by any State, unit of local government, or school district that carry investment grade ratings, and equity securities of a registered investment company.

The Authority's investment policy excludes funds committed to credit enhancement, federally assisted programs, and funds held by bond trustees that are governed by the provisions of bond agreements. The allowable investments are as follows:

<u>Federally Assisted Programs</u> - Federally assisted program fund reserves and other cash shall be deposited in accounts in banks or other financial institutions. Such accounts will be fully covered by Federal Deposit Insurance Corporation or fully collateralized with U.S. Government obligations, and must be interest bearing.

<u>Other State of Illinois Debt Fund</u> - Investment of bond funds shall be made in investment obligations, including federal securities; bonds, notes, debentures, or similar obligations; interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing deposits or any other investments constituting direct obligations of any bank, as defined by the Illinois Banking Act, which is fully insured by the Federal Deposit Insurance Corporation or collateralized with federal securities; short-term obligations of corporations organized in the U.S. with assets exceeding $500,000,000; money market mutual funds registered under the Investment Company Act of 1940; short-term discount obligations of the Federal National Mortgage Association; shares or other forms of securities legally issuable by savings and loan associations; obligations the interest upon which is tax-exempt under Section 103 of the Internal Revenue Code; repurchase agreements of government securities; and any other investment which is permitted by the Bond Trust Indenture.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of fixed income investment securities, the more sensitive they are to changes in interest rates. The Authority manages its exposure to interest rate risk by basing its investment decisions regarding maturity dates and rates on an analysis of the Authority's short-, mid-, and long-term cash needs and keeping the portfolio sufficiently liquid to enable the Authority to meet its operating requirements. In addition, the Authority's investment policy limits any new investments to maturities of five years or less unless approved by the Executive Director.

Note 3. Cash, Deposits and Investments (Continued)

Interest Rate Risk (Continued

As of June 30, 2023, the weighted average maturities of the Authority's investments were:

Investment Type	June 30, 2023	Weighted Average Maturity (in years)
U.S. Treasury notes	$ 7,138,561	0.81
U.S. Treasury bills	158,095,105	0.27
U.S. Government agency securities	47,112,974	0.43
Money market mutual funds	417,703,335	N/A
Commercial paper	42,026,927	0.18
Corporate debt securities	17,879,358	0.76
Repurchase agreements	663,383	N/A
Total	$ 690,619,643	

Note 3. Cash, Deposits and Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of a debt investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority's investment policy on credit risk is limiting the investments to high rated securities and diversifying the portfolio to limit exposure.

Presented below is the rating as of year-end for each investment type:

Investment Type	June 30, 2023	Ratings S & P	Ratings Moody's	Ratings Fitch
U.S. Treasury notes	$ 7,138,561	AA+	Aaa	-
U.S. Treasury bills	158,095,105	AA+	Aaa	-
U.S. Government agency securities	47,112,974	AA+	Aaa	-
Money market mutual funds	416,664,641	AAA	Aaa	-
Money market mutual funds	1,038,694	-	-	AAAmmf
Commercial Paper	10,389,635	AA	Aa2	-
Commercial Paper	10,442,029	A+	A2	-
Commercial Paper	10,805,345	A	A2	-
Commercial Paper	10,389,918	-	-	F-1+
Corporate debt securities	49,273	AA+	Aaa	-
Corporate debt securities	497,548	AA	Aa2	-
Corporate debt securities	1,575,969	AA-	Aa2	-
Corporate debt securities	1,103,888	A+	A1	-
Corporate debt securities	2,916,087	A+	A2	-
Corporate debt securities	1,677,007	A+	A3	-
Corporate debt securities	654,530	A	A1	-
Corporate debt securities	3,045,902	A	A2	-
Corporate debt securities	3,889,832	A-	A1	-
Corporate debt securities	1,046,065	A-	A2	-
Corporate debt securities	577,617	A-	A3	-
Corporate debt securities	845,640	A-	Baa1	-
Repurchase agreements	663,383	AAA	Aaa	-
Total	$ 690,619,643			

Note 3. Cash, Deposits and Investments (Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the concentration of an entity's investment in a single issuer. To reduce the risk of loss resulting in excess concentrations in a specific type, maturity, issuer or class of securities, the Authority's investment policy places the following restrictions on concentrations of investments:

- Certificates of deposit from any single financial institution may not comprise more than 20% of the Authority's portfolio or 5% of the financial institution's total deposits.
- Commercial paper purchases may not exceed 20% of the Authority's portfolio in total and 5% of Authority's portfolio in any single issuer's name.
- No investment category shall exceed 30% of the Authority's portfolio, with the exception of U.S. Treasury securities and cash equivalents, including certificates of deposits.

As of June 30, 2023, investments in any one issuer (other than U.S. Treasury securities and external investment pools) that represent 5% or more of the total Authority investments are as follows:

Issuer	Investment Type	Amount
Federal Home Loan Bank	U.S. Government Agency Securities	$ 36,799,336

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Authority's investment policy requires that any deposits in excess of amounts insured by the FDIC or SAIF (Savings Association Insurance Fund) be secured by an eligible form of collateral equal to 110% of the uninsured deposit. Eligible collateral instruments are any of the following:

1. U.S. Government securities;
2. Securities guaranteed by the federal government;
3. Obligations of the State of Illinois;
4. Letters of credit issued by the Federal Home Loan Bank of Chicago or equivalent entity; and,
5. Surety bonds issued by Municipal Bond Insurance Association ("MBIA") or equivalent entity.

Third party safekeeping is required for collateral items 1, 2, and 3 above. The Authority's investment policy does not specifically address the collateralization requirements for investments.

Note 3. Cash, Deposits and Investments (Continued)

Custodial Credit Risk (Continued)

The Authority has entered into a repurchase agreement with Bank of America ("Bank"). Under the terms of this agreement, at the end of each business day, the Bank will sell the Authority government securities. The Bank promises to repurchase these same securities at the beginning of the next banking day for the amount invested plus interest. The interest rate is established each day by the Bank. If, on the maturity date, the Bank defaults on its obligation to repurchase the securities, the Bank will transfer the securities to a custodian to hold for the benefit of the Authority. If this occurs, the Authority could incur a loss if the value of the securities declines. At June 30, 2023, the Authority had invested $663,383 under this agreement. The underlying securities are held by Bank of America's safekeeping department.

Note 4. Fair Value Measurement

In accordance with GASB 72, the Authority's investments are measured and reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments are classified according to the following hierarchy.

Level 1 – Investments reflect prices quoted in active markets.
Level 2 – Investments reflect prices that are based on similar observable assets either directly or indirectly, which may include inputs in markets that are not considered to be active.
Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Fair value of the Authority's U.S. Treasury notes, repurchase agreements, and money market mutual funds are determined by the Authority from observable market quotations as provided by the Authority's custodian bank.

Fair value of the Authority's U.S. Government agency securities, municipal debt and corporate debt securities are provided by its custodial bank. The prices are derived from inputs that are directly observable for an asset based on similar assets, as well as inputs that are not directly observable and are derived from observable market data.

Note 4. Fair Value Measurement (Continued)

The following table presents the Authority's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2023.

Assets Investments	Total	Level 1	Level 2	Level 3
U.S. Treasury notes	$ 7,138,561	$ 7,138,561	$ -	$ -
U.S. Treasury bills	158,095,105	158,095,105	-	-
U.S. Government agency securities	47,112,974	-	47,112,974	-
Commercial paper	42,026,927	-	42,026,927	-
Corporate debt securities	17,879,358	-	17,879,358	-
Repurchase agreements	663,383	663,383	-	-
	272,916,308	165,897,049	107,019,259	-
Money market mutual funds	417,703,335			
Total Investments	$ 690,619,643	$ 165,897,049	$ 107,019,259	$ -

Note 5. Securities Lending Transactions

Securities Lending Transactions: The State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The State Treasurer has, through a Securities Lending Agreement, authorized Deutsche Bank AG to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

During fiscal year 2023, Deutsche Bank AG lent U.S. Agency securities and U.S. Treasury securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

The State Treasurer did not impose any restrictions during fiscal year 2023 on the amount of the loans of available, eligible securities. In the event of borrower default, Deutsche Bank AG provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank AG is obligated to indemnify the State Treasurer if Deutsche Bank AG loses any securities, collateral or investments of the State Treasurer in Deutsche Bank AG's custody. There were no losses during fiscal year 2023 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal year 2023, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent.

The securities lending collateral received that was invested in repurchase agreements allocated to the Illinois Agricultural Loan Guarantee and Illinois Farmer Agribusiness Loan Guarantee Fund was $2,001,000 and $1,569,000, respectively, as of June 30, 2023.

Note 6. Bonds, Notes, Loans and Grants Receivable

The Authority administers a variety of lending programs including direct lending and participation loans. Bonds and notes receivable from local governmental units represent amounts loaned to the units through the purchase of their securities.

Illinois Housing Partnership Program - The Authority administers the Illinois Housing Partnership Program ("IHPP") which was established by the Illinois General Assembly in 1985 in order to finance the acquisition and renovation of multi-family housing units. The fund is also authorized to make loans per Public Act 100-919. On November 14, 2019, Senate Bill 1300 (Public Act 101-0610, effective date, January 1, 2020, "SB 1300") passed both chambers of the Illinois General Assembly. SB 1300 created two new investment funds: the Police Officers' Pension Investment Fund and the Firefighters' Pension Investment Fund. Through the creation of these funds, and the consolidation of the $14.2 billion of associated pension assets, the downstate and suburban police and fire fund system went from 650 investment portfolios, to two. The Authority plays a critical role in consolidation of these funds. SB 1300 authorized the Authority to lend, and each of two funds to borrow, up to $7.5 million in capital (for a combined total up to $15 million) to be used for start-up expenses. Loans to the Police Officers' Pension Investment Fund and the Firefighters' Pension Investment Fund were made during the year and the total loan outstanding as of June 30, 2023 was $568,578.

Industrial Project Insurance Fund - The Authority administers the Industrial Project Insurance Fund which was established to give small and midsize businesses access to Industrial Revenue Bond funds at advantageous rates as set forth in Public Act 93-205 (as originally established by Public Act 83-965) (the Fund). The Fund is also authorized to make loans per Public Act 100-919. Additionally, the Industrial Project Insurance Fund is one of the funds allowed to originate loans to the Police Officers' Pension Investment Fund and the Firefighters' Pension Investment Fund under SB 1300. Loans to the Firefighters' Pension Investment Fund were made during the year and the total loan outstanding as of June 30, 2023, was $1,940,287.

Participation Loan Program - The Authority allows for the purchase of a bank loan to finance the purchase of land and/or buildings or fixtures as well as the construction, or renovation of a building, and acquisition of machinery and equipment up to the lesser of $500,000 or 50% of the project. By purchasing a participation of the bank at a lower interest rate than the borrower would receive on its own, the Authority requires the bank to pass savings directly to the borrower. The Authority participations are on a pro-rata 50/50 basis with the bank. Loans under this program carry a variable interest rate that is up to 100 basis points less than the bank's rate with maturity dates up to ten years. Total loans outstanding as of June 30, 2023, were $360,968, not including the allowance for doubtful accounts of $10,326. These loans are reported within the General Operating Fund.

Deferred Action for Childhood Arrivals (DACA) Loan Program - The Deferred Action for Childhood Arrivals Loan Program is the Authority's direct loan pilot program designed to provide student loans for eligible applicants to medical and dental schools in Illinois. The loans are offered at zero percent interest provided a student meets a service obligation of practicing full-time in a qualified, medically underserved Illinois community in certain medical specialties for each year of medical school financed by the loan program. If the service obligation is not fulfilled, the interest rate of the loan increases to 10.82% retroactively to the date of each disbursement. Loan payments commence upon completion of a student's service obligation and full payment is due within 10 years of completion of the service obligation. There are no loan payments due yet under this program. This program was funded by $1.6 million in unrestricted monies transferred from the Authority's General Operating Fund, in July 2014, and another $1.2 million transferred in March 2016. Total loans outstanding as of June 30, 2023, were $3,143,032, not including the allowance for doubtful accounts of $84,862. These loans are reported within the General Operating Fund.

Note 6. Bonds, Notes, Loans and Grants Receivable (Continued)

Natural Gas Loan Program - At a Special Board Meeting held on February 25, 2021, the Members of the Authority responded to Governor Pritzker's Gubernatorial Disaster Proclamation and a call to assist communities facing unprecedented spikes in natural gas prices during the month of February by passing a resolution authorizing the $15,000,000 Local Government Energy Loan Program. This loan program allows impacted municipalities to spread the payment across a more manageable timeframe without placing an overwhelming burden on their residents or businesses. This loan program provides 1% interest rate loans and must be repaid within 3 years. In Fiscal Year 2021, 14 loans were issued for an aggregate amount of $7,922,000. Total loans outstanding as of June 30, 2023, were $3,049,087.

Fire Truck Revolving Loan Program - This program provides zero and low interest rate loans for the purchase of fire trucks by fire departments, fire protection districts, or township fire departments. Public Act 97-900, effective August 6, 2012, expanded this program to include loans for "brush trucks". Brush truck loans under the program will bear interest at 2% simple interest if both the chassis and the apparatus are built outside Illinois, 1% simple interest if either the chassis or the apparatus is built in Illinois, or zero interest if both the chassis and apparatus are built in Illinois. The loans to each department, district or township may not exceed $350,000 and must be repaid within 20 years. A loan for the purchase of brush trucks may not exceed $100,000 per truck. The program was originally funded by a transfer of $19,000,000 from the State of Illinois and administered by the Authority, through a Locally Held Fund. This transfer of funds was converted to program interest for the Authority, as recorded on the financial statements for the fiscal year ended June 30, 2014. Current and future program transfers are funded from State of Illinois collections on outstanding loans and fines from traffic violations. Public Act 100-987, effective August 20, 2018, amended the Illinois Vehicle Code by repealing, among others, Sections 16-104d, and 16-104d-1 (625 ILCS 5/16-104d and 625 ILCS 5/16-104d-1). During the fiscal year, two new loans were issued for aggregate amount of $470,000. Total loans outstanding as of June 30, 2023, were $14,536,394 within the Locally Held Fire Truck Revolving Loan Fund, a nonmajor fund.

Ambulance Revolving Loan Program - This program provides zero and low interest rate loans for the purchase of ambulances by fire departments, fire protection districts, township fire departments, and non-profit ambulance services. The loans may not exceed $200,000 and must be repaid within 10 years. The program was originally funded by an appropriation of $4,000,000 received from the State of Illinois and administered by the Authority, through a Locally Held Fund. This transfer of funds was converted to program interest for the Authority, as recorded on the financial statements for the Fiscal Year ended June 30, 2014. Current and future program transfers are funded from State of Illinois collections on outstanding debt. During the fiscal year, no new loans were issued. Total loans outstanding as of June 30, 2023, were $1,634,697 within the Locally Held Ambulance Revolving Loan Fund, a nonmajor fund.

Local Government Financing Assistance Program - This program provides financing to units of local government located in the State of Illinois by purchasing the securities of the local governments. These loans are typically used by the local governments to finance short-term financing needs until a longer term financing solution becomes available under the Bond Bank Lending Program. Total loans outstanding as of June 30, 2023, were $4,256,846 in the General Operating Fund.

Local Government Borrowing Program - This program facilitates the financing needs of a broad array of governmental units located throughout the State. The loans are used by the local governments to finance long-term water and sewer infrastructure improvements and general capital improvement projects. The local government units make payments on the loans from taxes, revenues, rates, charges, or assessments, in an amount sufficient to pay the principal of and interest on its local government securities when due. This program was funded by the issuance of revenue bonds, which were fully paid off in a prior fiscal year. Total loans outstanding as of June 30, 2023, were $600,186 in the General Operating Fund.

Note 6. Bonds, Notes, Loans and Grants Receivable (Continued)

Loans with the Primary Government and Component Units of the State of Illinois - The Authority has provided financing to the State of Illinois and to component units of the State of Illinois. The loans under this program were used to expand capacity for and to fund the Illinois Clean Water and Drinking Water revolving loan program administered by the State of Illinois, Environmental Protection Agency. This program was funded by the issuance of revenue bonds. Further information on these revenue bonds can be found in Note 9 to the financial statements. The borrowers make payments in an amount sufficient to pay the principal of and interest on the bonds when due. Total loans outstanding as of June 30, 2023, were $1,264,553,817 in the Other State of Illinois Debt Fund.

Grants Receivable - On June 23, 2023, the Authority entered into a grant agreement with the Department of Commerce and Economic Opportunity ("DCEO"). The Authority has been designated as Illinois Climate Bank and is charged with providing financial assistance, programs, and products to finance and otherwise develop and facilitate opportunities to develop clean energy and provide clean water, drinking water, and wastewater treatment in Illinois. The Authority will use grant funds to carry out its Climate Bank purposes by purchasing participating interests in loans made to Illinois small businesses in accordance with all requirements of the program and to support administrative cost for its administration of the program. As of June 30, 2023 the Authority is owed $3,148,776.

Note 6. Bonds, Notes, Loans and Grants Receivable (Continued)

Allowance for Doubtful Accounts

The allowance for doubtful accounts for all loans and notes receivable on June 30, 2023, is comprised of two components: a general reserve and a reserve for delinquencies. Loans which are delinquent greater than 90 days are reserved for at 100% of principal outstanding. In addition, the Authority provides a general reserve at approximately 2% for the principal balance of all other loans outstanding. Under the DACA Loan Program, the Authority provides a general reserve at approximately 2.7% of the principal balance. Loans in the Fire Truck Revolving Loan Program, Ambulance Revolving Loan Program, Local Government Financing Assistance Program, Local Government Borrowing Program, and Loans with Primary Government and Component Units of the State of Illinois have not experienced a default; therefore, the allowance for doubtful accounts based on prior experience is zero.

The Authority's accounts, bonds, notes and loans receivable for the year ended June 30, 2023, consisted of the following:

	Fund	All Receivables June 30, 2023	Allowance for Doubtful Accounts	Net Receivable June 30, 2023
Accounts Receivable	General Operating	$ 188,473	$ (7,038)	$ 181,435
DACA Loan Program	General Operating	3,143,032	(84,862)	3,058,170
Direct Lending Participation Program	General Operating	360,968	(10,326)	350,642
Local Government Financing Assistance Program	General Operating	4,256,846	-	4,256,846
Local Government Borrowing Program	General Operating	600,186	-	600,186
Natural Gas Loan Program	General Operating	3,049,087	-	3,049,087
Due from Primary Government	General Operating	3,148,776	-	3,148,776
Illinois Housing Partnership Program	Nonmajor	568,578	-	568,578
Industrial Project Insurance Fund	Nonmajor	1,940,287	-	1,940,287
Fire Truck Revolving Loan Program	Nonmajor	14,536,394	-	14,536,394
Ambulance Revolving Loan Program	Nonmajor	1,634,697	-	1,634,697
Loans with the Primary Government and Component Units of the State of Illinois	Other State of Illinois Debt	1,264,553,817	-	1,264,553,817
		$1,297,981,141	$ (102,226)	$1,297,878,915

Note 7. Interfund Transfers and Balances

Interfund Transfers

Interfund transfers are defined as the flow of assets, such as cash or goods, without equivalent flows of assets in return. Interfund borrowings are reflected as "Due to/from Other Funds" on the accompanying financial statements. All other interfund transfers are reported as transfers in/out.

Balances Due From/To Other Funds

The following amounts represent balances due to/from major and also nonmajor funds as of June 30, 2023:

	Due from		
Funds	Major Funds	Nonmajor Funds	Description/Purpose
General Operating Fund	$ -	$ 11,458	Due from Illinois C-Pace Open Market Initiative NFP Fund for the payment of start up costs
Total	$ -	$ 11,458	

	Due to		
Funds	Major Funds	Nonmajor Funds	Description/Purpose
Nonmajor Funds	$ 11,458	$ -	Due to the General Operating Fund for start up costs
Total	$ 11,458	$ -	

Note 8. Capital Assets

Capital assets activity for the year ended June 30, 2023, was as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets being depreciated:				
Furniture and equipment	$ 193,874	$ 1,458	$ -	$ 195,332
Leases - Building	58,917	-	-	58,917
Leases - Equipment	33,373	-	-	33,373
Subscriptions	-	24,137	-	24,137
Computers	152,450	-	-	152,450
Software	287,799	-	-	287,799
Total capital assets being depreciated	726,413	25,595	-	752,008
Less: Accumulated depreciation				
Furniture and equipment	194,095	1,237	-	195,332
Leases - Building	33,880	12,331	-	46,211
Leases - Equipment	20,956	7,430	-	28,386
Subscriptions	-	13,944	-	13,944
Computers	139,055	9,211	-	148,266
Software	287,712	-	-	287,712
Total accumulated depreciation	675,698	44,153	-	719,851
Capital assets, net of depreciation	$ 50,715	$ (18,558)	$ -	$ 32,157

The Authority’s records were reconciled to the records maintained by the Comptroller of the State of Illinois as of June 30, 2023. Depreciation and amortization expense was $44,153.

Note 9. Long-term Obligations

Revenue Bonds Payable

The following schedule details the changes of all revenue bonds payable as of June 30, 2023:

Revenue bonds payable:	Balance June 30, 2022	Additions	(Retirements)	Balance June 30, 2023	Amounts Due Within One Year
Illinois Environmental Protection Agency Clean Water Series 2013	$ 7,620,000	$ -	$ (5,840,000)	$ 1,780,000	$ 1,780,000
Illinois Environmental Protection Agency Clean Water Series 2016	355,610,000	-	(31,190,000)	324,420,000	32,950,000
Illinois Environmental Protection Agency Clean Water Series 2017	460,555,000	-	(32,470,000)	428,085,000	32,755,000
Illinois Environmental Protection Agency Clean Water Series 2019	410,725,000	-	(22,540,000)	388,185,000	23,855,000
Illinois Environmental Protection Agency Clean Water Series 2020	490,545,000	-	(13,495,000)	477,050,000	16,085,000
	$1,725,055,000	$ -	$ (105,535,000)	$1,619,520,000	$ 107,425,000

The future debt service requirements for revenue bonds as of June 30, 2023, including interest payments are as follows:

Fiscal Year Ending June 30,	Total Outstanding Revenue Bonds Principal	Interest	Total
2024	$ 107,425,000	$ 76,188,837	$ 183,613,837
2025	109,330,000	70,773,337	180,103,337
2026	109,820,000	65,560,687	175,380,687
2027	113,660,000	60,187,012	173,847,012
2028	113,960,000	54,576,337	168,536,337
2029-2033	550,890,000	188,333,189	739,223,189
2034-2038	422,200,000	68,970,831	491,170,831
2039-2042	92,235,000	5,307,000	97,542,000
	$ 1,619,520,000	$ 589,897,230	$ 2,209,417,230

Note 9. Long-term Obligations (Continued)

Each revenue bond issue is payable only out of the trust estate established for each issue. The trust estate is comprised of all rights, title, and interest of the Authority in the loan securities, the purchase agreements, the intercept proceedings, and all moneys and securities held in all funds and accounts under the indenture, except moneys and securities on deposit in the redemption fund which are for the payment of the principal and interest of bonds called for redemption prior to maturity. The Authority has pledged future loan revenues to repay the outstanding principal of the revenue bonds. Proceeds from the bonds provided financing for various loan programs. The bonds are payable solely from principal and interest revenues under the related loans and are payable through the final maturity of the bonds in 2042. Principal and interest payments on the bonds are expected to require approximately 100% of these loan revenues. All bonds outstanding at June 30, 2023, are revenue bonds of the Authority and are payable solely from the revenues or funds pledged or available for their payment as authorized by the Illinois Finance Authority Act (20 ILCS 3501/801-40(c)). Neither the faith and credit nor the taxing power of the State of Illinois is pledged to the payment of the principal or interest on the bonds.

Moral Obligation - If the Governor has provided written approval, the Authority may issue revenue bonds with the State's pledge of moral obligation or additional security. This credit enhancement is a contingent State taxpayer guarantee. In the event that projected revenues with this pledge are insufficient to pay the principal and interest of or to restore the debt service reserve fund of bonds, the Authority Chair shall certify to the Governor the amount necessary to make up the shortfall. As soon as practicable, the Governor then must submit the certified amount to the General Assembly no later than the end of the current State fiscal year. The General Assembly, however, is under no obligation to appropriate the amount to make up the shortfall necessary to pay the principal and interest of or to restore the debt service reserve fund of bonds with such a pledge.

In Fiscal Year 2023, the Authority did not issue any bonds with a pledge of the State's moral obligation, additional security or any kind of contingent State taxpayer guarantee. As of June 30, 2023, the amount of outstanding bonds issued by the Authority with the State's pledge of moral obligation or additional security was zero.

Component Units and Primary Government - The revenue bonds of the component units and primary government of the State of Illinois issued by the Authority were not enhanced with the State Moral Obligation. Bonds issued by the Authority for the benefit of other agencies and component units of the State of Illinois follow:

State of Illinois Revolving Fund, Series 2020 (Clean Water Initiative/Green Bonds) – The original issue of $500,000,000 dated December 30, 2020, on behalf of the Illinois Environmental Protection Agency's State Revolving Program provides for serial retirement of principal beginning July 1, 2021, and every January 1 and July 1, thereafter, and interest payable on January 1 and July 1 of each year at rates of 4.00% to 5.00%. Final maturity is July 1, 2041.

State of Illinois Revolving Fund, Series 2019 (Clean Water Initiative/Green Bonds) – The original issue of $450,000,000 dated April 3, 2019, on behalf of the Illinois Environmental Protection Agency's State Revolving Program provides for serial retirement of principal beginning July 1, 2020, and every January 1 and July 1, thereafter, and interest payable on January 1 and July 1 of each year at rates of 5.00%. Final maturity is July 1, 2041.

On November 7, 2022, the Authority defeased $470,000 principal amount of these bonds see footnote 12 for additional information.

Note 9. Long-term Obligations (Continued)

State of Illinois Revolving Fund, Series 2017 (Clean Water Initiative) – The original issue of $560,025,000 dated September 12, 2017, on behalf of the Illinois Environmental Protection Agency's State Revolving Program provides for serial retirement of principal beginning July 1, 2018, and every January 1 and July 1, thereafter, and interest payable on January 1 and July 1 of each year at rates of 5.00%. Final maturity is July 1, 2037.

On November 7, 2022, the Authority defeased $1,605,000 principal amount of these bonds. See footnote 12 for additional information.

State of Illinois Revolving Fund, Series 2016 (Clean Water Initiative) – The original issue of $500,000,000 dated September 12, 2016, on behalf of the Illinois Environmental Protection Agency's State Revolving Program provides for serial retirement of principal beginning July 1, 2017, and every January 1 and July 1, thereafter, and interest payable on January 1 and July 1 of each year at rates of 1.00% to 5.00%. Final maturity is July 1, 2036.

State of Illinois Revolving Fund, Series 2013 (Clean Water Initiative) – The original issue of $141,700,000 dated December 5, 2013, on behalf of the Illinois Environmental Protection Agency's State Revolving Program provides for serial retirement of principal beginning July 1, 2014, and every January 1 and July 1, thereafter, and interest payable on January 1 and July 1 of each year at rates of 1.00% to 5.00%. Final maturity is July 1, 2023.

Revolving Loans

Locally Held Fire Truck Revolving Loan Fund - The Fire Truck Revolving Loan program was authorized by the Illinois Finance Authority Act (20 ILCS 3501/825-80). The loan program is jointly administered by the Authority and the Office of the Illinois State Fire Marshal. The Fire Prevention Fund and Build Illinois Bond Fund originally loaned $9 million and $10 million, respectively, to the Authority, to fund zero-interest or low-interest loans for the purchase of fire trucks and brush trucks by fire departments, fire protection districts, or township fire departments based on need as determined by the State Fire Marshal. This transfer of funds was converted to program interest for the Authority, through a Locally Held Fund, as recorded on the financial statements for the fiscal year ended June 30, 2014. Under the terms of the program, the loans to any fire department, fire protection district, or township fire department may not exceed $350,000. A loan for the purchase of brush trucks may not exceed $100,000. The repayment period for each loan may not exceed 20 years and requires that a minimum of 5% of the principal amount borrowed is repaid each year.

Locally Held Ambulance Revolving Loan Fund - The Ambulance Revolving Loan program was authorized by the Illinois Finance Authority Act (20 ILCS 3501/825-85). The loan program is jointly administered by the Authority and the Office of the Illinois State Fire Marshal. The State's Fire Prevention Fund originally loaned $4 million to the Authority, to fund zero-interest or low-interest loans for the purchase of ambulances by fire departments, fire protection districts, township fire departments, or non-profit ambulance services based on need as determined by the State Fire Marshal. This transfer of funds was converted to program interest for the Authority, through a Locally Held Fund, as recorded on the financial statements for the fiscal year ended June 30, 2014. Under the terms of the program, the loans to any fire department, fire protection district, or non-profit ambulance service may not exceed $200,000. Loan repayment periods may not exceed 10 years and requires a minimum 5% of principal borrowed to be repaid each year.

Note 9. Long-term Obligations (Continued)

In April 2014, the Authority and the Office of the State Fire Marshal entered into an intergovernmental agreement to jointly administer the Fire Truck, Fire Station, and Ambulance Revolving Loan programs. Shortly after the adoption of this intergovernmental agreement, the Office of the State Fire Marshal paid all moneys on deposit in these funds to the Authority for the sole purpose of funding loans under the loan programs as required by the Illinois Finance Authority Act. In addition, all moneys deposited in the future into the State Treasury's Fire Truck Revolving Loan and Ambulance Revolving Loan Funds, will be paid to the Authority to provide future funding for loans. In Fiscal Year 2023, with regards to these deposits, the State of Illinois transferred capital of $37,904 for the Fire Truck Revolving Loan program to the Authority.

In addition, per the implementation of Public Act 97-0901, the Authority, for financial reporting purposes only, does not report balances due to the primary government within the Authority's funds. As the principal and interest amounts collected from the local governments and non-profit entities will ultimately be retained by the Authority, the Authority no longer possesses a present obligation to sacrifice the resources represented by the loans and interest receivable from the local governments and non-profit entities to the State.

Note 10. Lease Commitments

Total rent expense for two of the Illinois Finance Authority locations for the year ended June 30, 2023, was $122,216 including utilities.

<u>State of Illinois, Department of Central Management Services/Michael A. Bilandic Building</u> – The Authority leases on a month-to-month basis office space on the tenth floor of the Michael A. Bilandic building (a State-owned facility) at 160 N. LaSalle Street, Suite S-1000 in Chicago, Illinois 60601. As the building is managed by the Department of Central Management Services, the Authority compensates the State of Illinois for the use of its office space. Total rent expense for the year ended June 30, 2023, was $105,889.

<u>State of Illinois, Department of Commerce and Economic Opportunity</u> - The Authority entered into an interagency agreement with the Department of Commerce and Economic Opportunity to lease office space in Springfield, with no charge to the Authority, effective July 1, 2019, until June 30, 2023.

<u>One Oaks</u> - The Authority entered into a rental lease agreement for office space for its Mount Vernon Office at 2929 Broadway, Suite #7B in Mount Vernon, Illinois 62864. The initial term of the lease expires on June 30, 2024. The lessee has the right to renew the lease for a further period of 60 months, at the rate in effect during the final month of the lease term, beginning in 2024. Annual base rent payments are approximately $12,914, with utilities charged per the rental agreement.

<u>Equipment Leases</u> - The Authority entered into an equipment lease agreement. The annual base rental payments for this lease are approximately $11,646. The Authority has a total of four equipment lease agreements for its Chicago office and one equipment lease for its Mount Vernon office, totaling approximately $19,774 for the year ended June 30, 2023.

At the time of the initial measurement of these leases, there was no interest rate specified in the original lease agreements. The Authority has used the Authority's effective interest rate of 3.0% to discount the annual lease payments to recognize the intangible right to use asset and the lease liabilities as of June 30, 2023.

Note 10. Lease Commitments (Continued)

At June 30, 2023, right-to-use assets under leases are as follows:

Buildings	$ 58,917
Equipment	33,373
Subtotal	92,290
Less accumulated amortization	(74,597)
Total	$ 17,693

Subscription	$ 24,137
Less accumulated amortization	(13,944)
Total	$ 10,193

Annual requirements to amortize these lease liabilities as of June 30, 2023, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2024	$ 17,693	$ 257	$ 17,950
	$ 17,693	$ 257	$ 17,950

The Authority has entered into several subscription-based information technology arrangements for a total of $42,976. At the time of the initial subscriptions arrangements no interest rate was specified in the original subscription agreements. The Authority used the effective interest rate of 3% to discount annual subscription payments. As of June 30, 2023 there was no subscription liability on the subscription based information technology agreements. No subscription liability on the SBITAs as these have already been paid in full.

Note 11. Commitments and Contingencies

Current Federally Assisted Programs

Loan Guarantees

The Authority has a contingent liability regarding the loan guarantees outstanding at June 30, 2023. When a guaranteed loan defaults, the Authority is responsible for 85% of the liability, with the participating lender being responsible for the remaining 15%. Any guarantee that must be paid out by the State of Illinois because of a claim properly filed by a bank that has a guaranteed loan that has defaulted, becomes a receivable on the books of the Authority. The State Treasurer maintains the cash and cash equivalents of the Illinois Agricultural Loan Guarantee Fund and the Illinois Farmer Agribusiness Loan Guarantee Fund which are restricted by enabling legislation to secure the State guarantees. The Authority must first liquidate the loan collateral and absorb any loss due to uncollectible amounts. Any recoveries on the defaulted loan are first used to repay the Authority's guarantee and then used to repay the lender. These future liabilities, if any, cannot be estimated.

Note 11. Commitments and Contingencies (Continued)

According to the certifications received by the Authority from lenders, the maximum guarantees outstanding and the corresponding cash deposits used to secure the liabilities are as follows:

	Balance at June 30, 2023		
	Illinois Agricultural Loan Guarantee Fund	Illinois Farmer Agribusiness Loan Guarantee Fund	Total
Cash Deposits	$ 11,087,074	$ 8,694,508	$ 19,781,582
Summary of Guaranteed Loans			
State Guarantee Program for Restructuring Agricultural Debt	$ 476,545	$ -	$ 476,545
Specialized Livestock Loan Guarantee Program	-	608,600	608,600
Total	$ 476,545	$ 608,600	$ 1,085,145

Approved payouts specific to the Specialized Livestock Loan Guarantee Program, the Young Farmer Loan Guarantee Program, and the Farm Purchase Program, may be made from either the Illinois Agricultural Loan Guarantee Fund or the Illinois Farmer Agribusiness Loan Guarantee Fund per statute. In addition to the loan guarantee funds held by the State Treasury, the Illinois Finance Authority Act (20 ILCS 3501/805-20(j)), authorizes the Authority to make payments on State guarantees from the Industrial Project Insurance Fund. This fund has cash and investments totaling $10,846,764 at June 30, 2023.

Note 12. Refunding and Extinguishment of Debt

Defeasance of Revenue Bonds

On November 7, 2022, the Authority deposited $2,362,378 in irrevocable trust to defease a portion of the Clean Water 2017 and Clean Water 2019 revenue bonds, with the par value of $2,075,000. As a result, these bonds are considered to be defeased. The liability for these bonds has been removed from the Statement of Net Position, because related assets were placed in an irrevocable trust that, together with interest earned, will provide amounts sufficient for payment of all principal and interest.

Note 12. Refunding and Extinguishment of Debt (Continued)

Previously defeased bonds in escrow as of June 30, 2023, are as follows:

	Amount Defeased as of June 30, 2023	Amount Available to Pay Defeased Principal and Interest
Clean Water Initiative Revolving Fund Revenue Bonds		
Series 2013	$ 80,000	$ 84,400
Series 2017	1,605,000	1,772,657
Series 2019	470,000	544,635
	$ 2,155,000	$ 2,401,692

Note 13. Risk Financing Activities

The Authority addresses the possibility of loss due to certain business-related operations such as theft, asset damage, employee injuries, or natural disasters through the purchase of commercial insurance coverage. The Authority's coverage under its current risk management policy has not experienced any significant changes nor has the impact of any settlements exceeded coverage over the past three years. The Authority maintains sufficient cash balances and/or liquidity in its General Operating Fund to appropriately handle any associated financial obligations that may occur due to the above-mentioned risks.

Note 14. Defined Contribution Plan

The Authority's members approved the Illinois Finance Authority Deferred Compensation Plan ("Plan"). The Authority's members have the power to amend the Plan. The Plan is administered through the State of Illinois, Department of Central Management Services and the Plan is considered a defined contribution plan. This plan allows participants to invest a portion of their salary in a choice of investment programs. Federal and State income taxes are deferred on the total amount through the plan as well as on investment earnings. However, the total contributions are subject to FICA taxes. The program provides a tax-sheltered retirement account. The employee may begin participating in the Plan after 30 days of employment have been completed.

The maximum contributions through the calendar year 2023 are:

Maximum Contribution	Age 50 Catch Up
$22,500	$30,000

The contribution schedule requires the Authority to match $2 for every $1 deferred by an eligible employee up to a maximum of 5% of an employee's salary. In order to participate in this plan an employee must contribute a minimum of 1% of their salary.

Total employer and employee contributions for Fiscal Year 2023 were $110,692 and $123,073, respectively.

Note 15. Transactions with the Primary Government

The issuance of long-term debt is the primary public function of the Authority. The Authority supports its operations with fees charged in connection with the issuance of conduit bonds, as well as interest payments and investment returns, not with State tax dollars appropriated by the General Assembly. The Authority's ability to generate revenue without State tax dollars appropriated by the General Assembly generally limits the impact of any State budget issues on the Authority's operations, with the exception of certain specific finance programs and transactions (see agricultural guarantee programs; State component units; moral obligation/contingent State taxpayer guarantees; and fire truck and ambulance loan programs). Despite this degree of autonomy from the State budget, the Authority's financial operations are included within and reported as a component unit of the State of Illinois. Nevertheless, from time to time, the Authority engages in certain business transactions with the primary government of the State of Illinois as set forth below.

Due to primary government ("CMS") – The Department of Central Management Services ("CMS") is the manager of real property for the State of Illinois. As such, amounts due for monthly rent expense and telecommunications costs for the Chicago Office have been incurred by the Authority and owed to CMS as of June 30, 2023. The Authority is indebted with CMS in the amount of $17,677. This amount is a component of the amount reported as accounts payable in the Authority's General Operating Fund.

Note 16. Subsequent Events

With respect to the pilot Deferred Action for Childhood Arrivals ("DACA") medical student loan program, the Authority notes that it has been notified by Loyola University of Chicago as the loan servicer (the "Servicer") that there are several student borrowers that may not complete the service obligation required under the DACA Loan Agreement. Under the DACA Loan Agreement between the Servicer, the Authority and each individual student borrower, the student borrower is required under the conditions of the service obligation to practice full-time clinical service in specific primary care specialties within the State of Illinois for one year for each year a DACA Loan is made by the Authority to the DACA student borrower. The service obligation is required to commence no later than 30 calendar days after the student borrower's completion of a residency or fellowship, as applicable. In the event the student borrower does not fulfill the service obligation, the student borrower is required to repay the principal loan amount as well as compounded interest calculated back to the date of the loan disbursement. The Authority is in the process of issuing a formal notification to student borrowers to confirm their intent to complete the service obligation and, if confirmed that the student borrower at issue will not be completing the service obligation, the Authority will retroactively record the interest and loan amount owed to the Authority under the DACA Loan Agreement.

On September 19, 2023, the Authority was awarded over $16 million in federal funding through the Department of Energy ("DOE")'s Bipartisan Infrastructure Law ("BIL") Section 40101(d) Grid Resilience Formula Grant ("GRID").

Note 16. Subsequent Events (continued)

On November 6, 2023, the Authority became aware of a network security incident that involved an unauthorized party gaining access to the Authority's network environment. Upon detecting the incident, the Authority shut off all access to the network and engaged a specialized third-party forensic incident response firm to assist with securing the network environment and investigating the extent of unauthorized activity. The Authority believes its network is secure; however, the investigation is ongoing. As of January 22, 2024, the investigation has determined that the unauthorized third party may have acquired at least one data file from the Authority's network which contained certain personal information of approximately 33 current and former employees. The Authority has provided written notices to the impacted individuals. As of January 22, 2024, the Authority is not aware of any claims related to the incident; however, it is possible that claims may arise in the future. The Authority has also informed all required regulatory bodies. On November 21 and 22, 2023, the Authority filed notices regarding the incident with the Illinois General Assembly pursuant to 815 ILCS 530/25, with the Office of the Chief Information Security Officer of the Illinois Department of Innovation and Technology pursuant to 815 ILCS 530/12(g), and with the Illinois Attorney General's Office pursuant to 815 ILCS 530/1 et seq, assuming in each case the applicability of the statutory provisions to the Authority.

On or about November 29, 2023, the Executive Director signed an intergovernmental agreement with the Illinois Environmental Protection Agency ("IEPA") in connection with federal formula funding of approximately $15.9 million through the DOE Energy Efficiency Revolving Loan Fund Program of the BIL ("EE RLF IGA"). The Authority expects to receive some amount of federal funding through the EE RLF IGA before June 30, 2024.

SUPPLEMENTARY INFORMATION

State of Illinois
Illinois Finance Authority
(A Component Unit of the State of Illinois)

Combining Statement of Net Position-Nonmajor Funds
June 30, 2023

	Industrial Project Insurance Fund	Locally Held Fire Truck Revolving Loan Fund	Locally Held Ambulance Revolving Loan Fund
ASSETS			
Current assets:			
Current unrestricted assets:			
Cash and cash equivalents	$ -	$ -	$ -
Investments	-	-	-
Loans receivables, net	-	-	-
Accrued interest receivable	-	-	-
Due from other funds	-	-	-
Total current unrestricted assets	-	-	-
Current restricted assets:			
Cash and cash equivalents	84,919	10,663,753	2,840,994
Investments	8,650,532	-	-
Securities lending collateral equity with the State Treasurer	-	-	-
Accrued interest receivable	75,555	26,397	4,324
Loans receivable, net	1,940,287	1,875,578	321,098
Total current restricted assets	10,751,293	12,565,728	3,166,416
Total current assets	10,751,293	12,565,728	3,166,416
Noncurrent assets:			
Noncurrent unrestricted assets:			
Investments	-	-	-
Loans receivable, net	-	-	-
Total noncurrent unrestricted assets	-	-	-
Noncurrent restricted assets:			
Cash and cash equivalents	-	-	-
Investments	2,111,313	-	-
Accrued interest receivable	-	-	-
Loans receivable, net	-	12,660,816	1,313,599
Total noncurrent restricted assets	2,111,313	12,660,816	1,313,599
Total noncurrent assets	2,111,313	12,660,816	1,313,599
Total assets	12,862,606	25,226,544	4,480,015

Illinois Agricultural Loan Guarantee Fund	Illinois Farmer Agribusiness Loan Guarantee Fund	Illinois Housing Partnership Program Fund	Illinois Finance Authority Development Not-for-Profit Fund	Illinois C-Pace Open Market Initiative Not-for-Profit Fund	Total Nonmajor Funds
$ -	$ -	$ 18,012	$ -	$ -	$ 18,012
-	-	3,446,028	-	-	3,446,028
-	-	568,578	-	-	568,578
-	-	29,516	-	-	29,516
-	-	-	-	-	-
-	-	4,062,134	-	-	4,062,134
-	-	-	-	-	13,589,666
-	-	-	-	-	8,650,532
2,001,000	1,569,000	-	-	-	3,570,000
-	-	-	-	-	106,276
-	-	-	-	-	4,136,963
2,001,000	1,569,000	-	-	-	30,053,437
2,001,000	1,569,000	4,062,134	-	-	34,115,571
-	-	766,994	-	-	766,994
-	-	-	-	-	-
-	-	766,994	-	-	766,994
11,087,074	8,694,508	-	-	-	19,781,582
-	-	-	-	-	2,111,313
40,000	31,000	-	-	-	71,000
-	-	-	-	-	13,974,415
11,127,074	8,725,508	-	-	-	35,938,310
11,127,074	8,725,508	766,994	-	-	36,705,304
13,128,074	10,294,508	4,829,128	-	-	70,820,875

State of Illinois
Illinois Finance Authority
(A Component Unit of the State of Illinois)

Combining Statement of Net Position-Nonmajor Funds (Continued)
June 30, 2023

	Industrial Project Insurance Fund	Locally Held Fire Truck Revolving Loan Fund	Locally Held Ambulance Revolving Loan Fund
LIABILITIES			
Current liabilities:			
Payable from unrestricted current assets:			
Accounts payable	$ -	$ -	$ -
Due to other funds	-	-	-
Total current liabilities payable from unrestricted current assets	-	-	-
Payable from restricted current assets:			
Accounts payable	1,800	800	800
Due to other funds	-	-	-
Obligation under securities lending of the State Treasurer	-	-	-
Total current liabilities payable from restricted current assets	1,800	800	800
Total current liabilities	1,800	800	800
NET POSITION			
Restricted for:			
Industrial revenue debt and agricultural guarantees	12,860,806	-	-
Public safety loans	-	25,225,744	4,479,215
Agricultural and rural development loans	-	-	-
Low income community investments	-	-	-
Unrestricted	-	-	-
Total net position	$ 12,860,806	$ 25,225,744	$ 4,479,215

Illinois Agricultural Loan Guarantee Fund	Illinois Farmer Agribusiness Loan Guarantee Fund	Illinois Housing Partnership Program Fund	Illinois Finance Authority Development Not-for-Profit Fund	Illinois C-Pace Open Market Initiative Not-for-Profit Fund	Total Nonmajor Funds
$ -	$ -	$ 1,300	$ -	$ -	$ 1,300
-	-	-	-	-	-
-	-	1,300	-	-	1,300
-	-	-	-	-	3,400
-	-	-	-	-	-
2,001,000	1,569,000	-	-	-	3,570,000
2,001,000	1,569,000	-	-	-	3,573,400
2,001,000	1,569,000	1,300	-	-	3,574,700
-	-	-	-	-	12,860,806
-	-	-	-	-	29,704,959
11,127,074	8,725,508	-	-	-	19,852,582
-	-	-	-	-	-
-	-	4,827,828	-	-	4,827,828
$ 11,127,074	$ 8,725,508	$ 4,827,828	$ -	$ -	$ 67,246,175

State of Illinois
Illinois Finance Authority
(A Component Unit of the State of Illinois)

Combining Statement of Revenues, Expenses and Changes in Net Position-Nonmajor Funds
For the Year Ended June 30, 2023

	Industrial Project Insurance Fund	Locally Held Fire Truck Revolving Loan Fund	Locally Held Ambulance Revolving Loan Fund
Operating revenues:			
Interest income - loans	$ 338,256	$ 37,757	$ 6,937
Total operating revenues	338,256	37,757	6,937
Operating expenses:			
Professional services	6,517	7,285	4,920
Total operating expenses	6,517	7,285	4,920
Operating (loss) income	331,739	30,472	2,017
Nonoperating revenues:			
Transfer of funds and interest in program from the State of Illinois	-	37,904	-
Transfers to other funds	-	-	-
Transfers from other funds	-	-	-
Interest and investment income	187,529	333,505	87,184
Total nonoperating revenues	187,529	371,409	87,184
Change in net position	519,268	401,881	89,201
Net position - beginning of year	12,341,538	24,823,863	4,390,014
Net position - end of year	$ 12,860,806	$ 25,225,744	$ 4,479,215

Illinois Agricultural Loan Guarantee Fund	Illinois Farmer Agribusiness Loan Guarantee Fund	Illinois Housing Partnership Program Fund	Illinois Finance Authority Development Not-for-Profit Fund	Illinois C-Pace Open Market Initiative Not-for-Profit Fund	Total Nonmajor Funds
$ -	$ -	$ 95,696	$ -	$ -	$ 478,646
-	-	95,696	-	-	478,646
-	-	5,381	-	11,458	35,561
-	-	5,381	-	11,458	35,561
-	-	90,315	-	(11,458)	443,085
-	-	-	-	-	37,904
-	-	-	(11,458)	-	(11,458)
-	-	-	-	11,458	11,458
354,786	277,716	90,666	-	-	1,331,386
354,786	277,716	90,666	(11,458)	11,458	1,369,290
354,786	277,716	180,981	(11,458)	-	1,812,375
10,772,288	8,447,792	4,646,847	11,458	-	65,433,800
$ 11,127,074	$ 8,725,508	$ 4,827,828	$ -	$ -	$ 67,246,175

State of Illinois
Illinois Finance Authority
(A Component Unit of the State of Illinois)

Combining Statement of Cash Flows-Nonmajor Funds
For the Year Ended June 30, 2023

	Industrial Project Insurance Fund	Locally Held Fire Truck Revolving Loan Fund	Locally Held Ambulance Revolving Loan Fund
Cash flows from operating activities:			
Cash payments to suppliers for goods and services	$ (5,182)	$ (15,527)	$ (4,420)
Net cash used in operating activities	(5,182)	(15,527)	(4,420)
Cash flows from noncapital financing activities:			
Permanent capital transfer from State	-	37,905	-
Transfer to other funds	-	-	-
Transfer from other funds	-	-	-
Due to other funds	(485,000)	-	-
Net cash provided by noncapital financing activities	(485,000)	37,905	-
Cash flows from investing activities:			
Purchase of investments	(14,479,993)	(15,041,345)	(4,755,865)
Maturity and sales of investments	6,771,498	22,107,134	6,856,337
Interest and dividends on investments	69,092	309,452	79,784
Cash received for interest on loans	338,256	40,283	7,840
Cash received on loans receivable and guarantees	7,828,537	2,111,094	336,097
Cash payments on loans receivable and guarantees		(470,000)	-
Net cash provided by (used in) investing activities	527,390	9,056,618	2,524,193
Net increase (decrease) in cash and cash equivalents	37,208	9,078,996	2,519,773
Cash and cash equivalents - beginning of year	47,711	1,584,757	321,221
Cash and cash equivalents - end of year	$ 84,919	$ 10,663,753	$ 2,840,994
Reconciliation of operating (loss) income to net cash used in operating activities:			
Operating (loss) income	$ 331,739	$ 30,472	$ 2,017
Adjustments to reconcile operating (loss) income to net cash used in operating activities:			
Interest on loans	(338,256)	(37,757)	(6,937)
Changes in assets and liabilities:			
Accounts payable	1,335	(8,242)	500
Net cash used in operating activities	$ (5,182)	$ (15,527)	$ (4,420)

Illinois Agricultural Loan Guarantee Fund	Illinois Farmer Agribusiness Loan Guarantee Fund	Illinois Housing Partnership Program Fund	Illinois Finance Authority Development Not-for-Profit Fund	Illinois C-Pace Open Market Initiative Not-for-Profit Fund	Total Nonmajor Funds
$ -	$ -	$ (4,394)		$ (11,458)	$ (40,981)
-	-	(4,394)	-	(11,458)	(40,981)
-	-	-	-	-	37,905
-	-	-	(11,458)	-	(11,458)
-	-	-	-	11,458	11,458
-	-	(302,000)	(31)	-	(787,031)
-	-	(302,000)	(11,489)	11,458	(749,126)
-	-	(6,062,968)	-	-	(40,340,171)
-	-	4,040,119	-	-	39,775,088
324,786	254,716	44,685	-	-	1,082,515
-	-	95,696	-	-	482,075
-	-	2,183,965	-	-	12,459,693
-	-	-	-	-	(470,000)
324,786	254,716	301,497	-	-	12,989,200
324,786	254,716	(4,897)	(11,489)	-	12,199,093
10,762,288	8,439,792	22,909	11,489	-	21,190,167
$ 11,087,074	$ 8,694,508	$ 18,012	$ -	$ -	$ 33,389,260
$ -	$ -	$ 90,315	$ -	$ (11,458)	$ 443,085
-	-	(95,696)	-	-	(478,646)
-	-	987	-	-	(5,420)
$ -	$ -	$ (4,394)	$ -	$ (11,458)	$ (40,981)

**Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Directors
Illinois Finance Authority

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Illinois Finance Authority (Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and we have issued our report thereon dated January 22, 2024.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings as item 2023-001 that we consider to be a material weakness.

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

Authority's Response to the Finding
Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the finding identified in our audit and described in the accompanying Schedule of Findings. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
January 22, 2024

Current Finding – *Government Auditing Standards*

Finding 2023-001 Cybersecurity Incident Involving Unauthorized Access

The Illinois Finance Authority (Authority) experienced a network security incident that involved an unauthorized party gaining access to the Authority's network environment.

On or about November 6, 2023, the Authority experienced a network security incident that involved an unauthorized party gaining access to the Authority's network environment. Upon detecting the incident, the Authority disabled all access to the network and engaged a specialized third-party forensic incident response firm to assist with securely restoring the network environment and investigating the extent of unauthorized activity. As of the date of the report, the investigation is ongoing.

T*he Framework for Improving Critical Infrastructure Cybersecurity and the Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology requires entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives and constraints in order to ensure the security of their applications, data, and continued business mission.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

Authority officials stated they are working with third-party specialists to investigate the incident to determine the root cause.

The incident, which involved unauthorized access to the Authority's environment, resulted in the loss of data. (Finding Code No. 2023-001)

Recommendation

We recommend the Authority continue to investigate the incident to determine the root cause.

Authority Response

The Authority accepts this finding.