

State of Illinois
Illinois Finance Authority

Financial Audit
For the Year Ended June 30, 2025

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

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

**Financial Audit
For the Year Ended June 30, 2025**

Table of Contents

| | <u>Page</u> |
|---|-------------|
| Introductory Section | |
| Agency Officials | 1 |
| Transmittal Letter | 2 - 6 |
| Financial Statement Report | |
| Summary | 7 |
| Independent Auditor's Report | 8 - 10 |
| Management's Discussion and Analysis (Unaudited) | 11 - 26 |
| Basic Financial Statements | |
| Statement of Net Position | 27 - 28 |
| Statement of Revenues, Expenses and Changes in Net Position | 29 |
| Statement of Cash Flows | 30 - 31 |
| Statement of Fiduciary Net Position – Custodial Fund | 32 |
| Statement of Changes in Fiduciary Net Position – Custodial Fund | 33 |
| Notes to the Basic Financial Statements | 34 - 63 |
| Supplementary Information: | |
| Combining Statement of Net Position – Nonmajor Funds | 64 - 67 |
| Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Funds | 68 - 69 |
| Combining Statement of Cash Flows – Nonmajor Funds | 70 - 71 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 72 – 73 |
| Schedule of Findings | |
| Prior Findings Not Repeated | 74 |

**State of Illinois
Illinois Finance Authority
(A Component Unit of the State of Illinois)
For the Year Ended June 30, 2025**

Agency Officials

| | |
|---|-----------------------------|
| Chair of the Authority | Mr. Will Hobert |
| Executive Director | Mr. Christopher Meister |
| Chief Operating Officer | Mr. Sanjay Patel |
| Deputy General Counsel (August 31, 2024- Present) | Mr. Matt Stonecipher |
| Senior Vice President of Finance & Administration | Ms. Ximena Granda |
| General Counsel (July 15, 2015 – February 11, 2025) | Ms. Elizabeth Fleming Weber |

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

| | |
|---|-------------------------|
| Member (August 28, 2023 – December 2, 2024) | Ms. Susan Abrams |
| Member | Mr. Drew Beres |
| Member | Ms. Karen Caldwell |
| Member (April 6, 2005 – November 10, 2025) | Mr. James J. Fuentes |
| Member | Mr. Will Hobert |
| Member | Ms. Arlene Juracek |
| Member | Mr. Steven Landek |
| Member | Ms. Lynn Sutton |
| Member | Ms. Roxanne Nava |
| Member | Mr. Ameya Pawar |
| Member | Mr. Roger E. Poole |
| Member | Mr. Timothy Ryan |
| Member | Mr. Michael Strautmanis |
| Member | Mr. J. Randal Wexler |
| Member | Mr. Bradley Zeller |

December 3, 2025

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 Illinois Finance Authority's (the "Authority") financial statements for the fiscal year ended June 30, 2025. The independent auditor's report is located at the beginning of the financial section of this report. The Authority's annual financial report for the fiscal year ended June 30, 2025, 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 Authority-wide level, the fund level, and are supplemented by notes to the financial statements.

Annual Statutory Reporting

Section 845-50 of the Illinois Finance Authority Act, as amended (20 ILCS 3501/801-1 *et seq.*) (the "Act" or the "IFA 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.

Relevant Illinois Law

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.* ("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.*;
- Public Act 103-187, an amendment to the Illinois Municipal Code regarding the ability of municipalities to borrow from the Authority;
- Public Act 103-1023, the Climate Bank Loan Financing Act, 30 ILCS 445/1, *et seq.*;
- Public Act 104-0006 provisions clarifying the Authority's powers to finance working capital under the Act and adding the definition of "climate resilience project" to the Climate Bank Loan Financing Act.

Impact on the State Budget

The Authority's ability to support its operations by generating revenue without State tax dollars appropriated by the General Assembly limits the impact of the State budget on the Authority's operations. 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.



Certain specific finance programs and transactions authorized under State law are tied to the State Budget:

- Authority- Illinois Environmental Protection Agency (“IEPA”) State of Illinois Clean Water Initiative Revolving Fund Revenue and Refunding Bonds, which make up the Authority’s only Primary Government debt;
- Fire truck and ambulance loan programs through the Office of the State Fire Marshall (“OSFM”); and
- Moral obligation/contingent State taxpayer guarantees (As of June 30, 2025, the amount of outstanding bonds or debt issued by the Authority with the State’s pledge of moral obligation or additional security was zero).

Purposes, Organization, and Powers 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 for the purposes of:

- Promoting a vigorously growing economy and avoiding involuntary unemployment for Illinois residents;
- Reducing the cost of indebtedness to State taxpayers and residents;
- Combating climate change by providing financial assistance in an equitable manner reflecting the geographic, racial, ethnic, gender, and income-level diversity of Illinois; and
- Otherwise enhancing 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.

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 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, and labor relations, with at least two Members having expertise in agribusiness or production agriculture.

The Authority reconstituted the Audit Committee of the Authority Board. The Authority Audit Committee consists of three Board Members and had its first meeting in March of 2025.

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 firms 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 and its direct accountability to the Governor and the General Assembly.

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 and can be viewed at <https://www.il-fa.com/public-access>.



Without limitation, the Authority possesses all the powers necessary and convenient to accomplish the Act's purposes, including but not limited to, issue bonds and notes; provide financial assistance; 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 (see, e.g., 20 ILCS 3501/801-30, 801-40, 850-5, *et. seq.*).

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.

The Authority fulfills its mission through the work of three complimentary internal business units or functions: **Public Finance** (conduit bond issuance), **Climate Bank** (CEJA-aligned grant, financial assistance, and loan programs) and **Economic Development** (direct loans that are leveraged with non-Authority assistance programs as part of the State of Illinois economic development strategy and related due diligence support). While the Public Finance function is nationally recognized, it is continually improving to effectively respond to the needs of private capital. The Climate Bank and Economic Development functions are still developing. Federal volatility with respect to congressionally approved and lawfully awarded federal funds is a barrier to the evolution of the Climate Bank.

Conduit Bonds Attract Private Capital on behalf of Third Parties

The Authority is subject to mandatory reporting duties on conduit debt with the Illinois Comptroller. Authority conduit bonds are annually reported by the Illinois Comptroller in the "Bonded Indebtedness and Long-Term Obligations Report", generally under the section entitled "Revenue Bonds: Conduit Debt" at <https://illinoiscomptroller.gov/financial-reports-data/find-a-report/budgetary-reporting/bond-indebtedness-and-long-term-obligations-report>.

Other than taxable conduit bond issuances (including Commercial Property Assessed Clean Energy ("C-PACE") bond issuances) from time to time, the economic benefit of conduit bonds issued by the Authority is a federal financing incentive, not a State financing incentive: interest paid on conduit bonds qualified under the federal tax code is exempt from federal income tax, generally resulting in bondholders willing to accept a lower interest rate from the conduit borrower than they would accept if the interest was taxable income.

The Authority may issue federally tax-exempt conduit bonds on behalf of 501(c)(3) organizations and other conduit borrowers (including first-time farmers acquiring farmland) to finance or refinance certain capital expenditures known as qualified purposes under federal tax law. Qualified purposes for 501(c)(3) organizations generally include facilities such as hospitals, healthcare systems, continuing care retirement communities, universities, colleges, PreK-12 schools, student housing, museums, and cultural institutions. Small manufacturing facilities, water furnishing facilities, solid waste disposal and recycling facilities, and surface freight transfer facilities are among the qualified purposes for other conduit borrowers. Moreover, subject to certain limitations, the equipping of such facilities and working capital are qualified purposes. The Authority may also issue 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.

The Authority may issue conduit bonds on behalf of public entities, such as the State, units of local government, and school districts, but no such conduit bonds were issued during the reporting period for public entities (other than the IEPA SRF Bonds).

Taxable C-PACE bond issuances by the Authority under the PACE Act and in accordance with the Act continue to be an emerging market for the Authority. Given the number, diversity, and complexity of Illinois municipalities and counties, and the desire of private capital providers for uniform market conditions in Illinois, the Authority views the emerging market as a strategic long-term opportunity to diversify revenues.



Conduit Debt Issued on behalf of the Primary Government and Component Units of the State also Attracts Private Capital

The IEPA SRF bonds are the Authority's very successful federal-State-local-private capital markets climate finance structure and partnership. Although similar to conduit bonds, the IEPA SRF bonds do not meet the definition of conduit debt under GAAP but are issued for the benefit of a third party that is part of the Authority's financial reporting entity, the State, 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 IEPA SRF Bonds are the Authority's only Primary Government, as opposed to component unit, debt (See Fund 270 at <https://www.auditor.illinois.gov/audit-reports/EPA-FUND-270-WATER-REVOLVING-FUND.asp>). The IEPA SRF program uses bond proceeds to make loans to local governments in Illinois to finance wastewater treatment and sanitary sewage facilities and drinking water facilities, enhancing human health outcomes, putting people to work, and saving taxpayers money in Illinois.

The Series 2025 IEPA SRF Green Bonds further illustrate the compounding benefits of Authority's contributions to the State of Illinois. The Series 2025 IEPA SRF Green Bonds attracted private capital to support critical infrastructure and, critically, were AAA-rated. According to a leading national underwriter that supported the transactions, "it is anticipated that these AAA-rated bonds will become a reference point for investors and could contribute to improved pricing for other State credits both in the primary and secondary markets." In other words, the Authority's efforts deliver private capital for clean water infrastructure while reducing borrowing costs for the State of Illinois.

Public Finance Modernization

In Fiscal Year 2025, the Authority issued approximately \$2.4 billion in conduit bonds (the majority of which was federally tax-exempt) across a variety of economic sectors, purposes, and statutory project definitions and generated \$2.6 million in related revenues.

Conduit bond issuances generally have four transaction structures: public offerings, limited public offerings, private placements, and direct purchases. Since July of 2023, the Authority has been restructuring its Public Finance function to streamline operations and increase effectiveness, cut costs, and optimize the ability to address market needs and practices. These key improvements include:

- Consolidating numerous, lengthy application forms into a single, one-page application form for all types of private activity bonds;
- Incorporating C-PACE financing wholly within the Public Finance function;
- Revising the fee schedule to reflect market trends and, among other changes, lower fees for conduit borrowers when issuing qualified 501(c)(3) bonds in par amounts of \$88 million or less while maintaining stabilized or increased revenues for the Authority;
- Modernizing the IFA Public Finance Handbook (*i.e.*, the governing policies and procedures and the standardized contractual language for bond and underwriting documents), including for the first time, a market-acceptable limited public offering transaction structure and private placement transaction structure; and
- Revitalizing the IEPA relationship and increasing the annual fee payable to the Authority by IEPA to better reflect services rendered by the Authority.

Legacy Authority Program – Office of the Fire Marshal

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 \$15.6 million through 136 individual loans. Six new loans were originated in a total amount of \$1.9 million, and additional fire truck and ambulance loans are expected to be originated during the upcoming fiscal year. To date, this legacy OSFM program has provided no significant financial contribution to the operations of the Authority although the Authority and OSFM have an agreement in principle to address this issue.



State Moral Obligation or State Additional Security Pledge

Under the IFA Act, 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 and interest on bonds entitled to such pledge or to restore any withdrawals from a debt service reserve fund established 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 Governor did not provide written approval for, and 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.

SIGNED ORIGINAL ON FILE

Christopher B. Meister

Executive Director

Illinois Finance Authority

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

For the Year Ended June 30, 2025

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 | <u>Current Report</u> | <u>Prior Report</u> |
|---|------------------------------|----------------------------|
| Findings | 0 | 1 |
| Repeated Findings | 0 | 1 |
| Prior Recommendations Implemented or Not Repeated | 1 | 0 |

Current Findings

None

Prior Year Findings Not Repeated

| <u>Item No.</u> | <u>Last/First Reported</u> | <u>Description</u> | <u>Finding Type</u> |
|------------------------|---------------------------------------|---|----------------------------|
| 2024-001 | 2024/2023 | Cybersecurity Incident Involving Unauthorized Access | Material Weakness |

Independent Auditor's Report

RSM US LLP

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 Assistance 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, 2025, 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, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining statement of net position – nonmajor funds, combining statement of revenues, expenses and change 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 auditing standards generally accepted in the United States of America. 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 December 3, 2025, 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 the Authority's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
December 3, 2025

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

**Management's Discussion and Analysis (Unaudited)
June 30, 2025**

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, 2025. 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 among the General Operating Fund, Other State of Illinois Debt Fund, and Nonmajor Funds equaled \$2.4 billion in Fiscal Year 2025, while Total Liabilities and Deferred Inflows of Resources across all three categories equaled \$2.3 billion. Total Assets increased by \$536.9 million and Total Liabilities similarly increased \$525.1 million from Fiscal Year 2024. These overall increases in Total Assets and Total Liabilities and Deferred Inflow of Resources primarily occurred in the Other State of Illinois Debt Fund and are attributable to the issuance of Illinois Finance Authority State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2025A & Series 2025B (Green Bonds) and subsequent refunding of the Series 2016 and Series 2017 Revenue bonds on behalf of the Illinois Environmental Protection Agency ("IEPA"), 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 \$58.8 million, representing a 15.0% increase from Fiscal Year 2024, while Total Expenses were \$47.0 million, up 3.7% from Fiscal Year 2024. Total Revenues increased by \$7.7 million, primarily due to grant income received under the State Small Business Credit Initiative ("SSBCI") loan program and higher operating interest on loans in the Other State of Illinois Debt Fund as a result of the Illinois Clean Water Initiative Bonds Series 2025A & Series 2025B. These increases were partially offset by a \$4.0 million decline in investment income. Operating expenses increased \$1.7 million, primarily due to greater interest expense in the Other State of Illinois Debt Fund as a result of the issuance of \$749 million of Illinois CWI Green Bonds Series 2025A and Series 2025B on behalf of the IEPA.

Net Position in the General Operating Fund and the Net Position in the Nonmajor Funds increased by \$9.2 million and \$2.6 million, respectively, resulting in a Total Net Position of \$143.9 million, which was an increase of 8.9% compared to Fiscal Year 2024.

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

**Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2025**

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, 2025, 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.

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

**Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2025**

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. There were no activities for this fund in fiscal year 2025.

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 | | | |
|--|---------------------------------|-------------|------------------------|-------------------|
| | 2025 | 2024 | Difference (\$) | Change (%) |
| Current assets | \$ 1,006,029 | \$ 525,393 | \$ 480,636 | 91.5% |
| Capital assets, net | 68 | 15 | 53 | 353.3% |
| Noncurrent assets | 1,424,103 | 1,367,892 | 56,211 | 4.1% |
| Total assets | 2,430,200 | 1,893,300 | 536,900 | 28.4% |
| Current liabilities | 290,195 | 169,641 | 120,554 | 71.1% |
| Noncurrent liabilities | 1,978,315 | 1,591,511 | 386,804 | 24.3% |
| Total liabilities | 2,268,510 | 1,761,152 | 507,358 | 28.8% |
| Total Deferred Inflow of Resources | 17,741 | - | 17,741 | 0.0% |
| Total Liabilities and Deferred Inflow of Resources | 2,286,251 | 1,761,152 | 525,099 | 29.8% |
| Investment in capital assets | 68 | 15 | 53 | 353.3% |
| Restricted | 67,950 | 64,909 | 3,041 | 4.7% |
| Unrestricted | 75,930 | 67,224 | 8,706 | 13.0% |
| Total net position | \$ 143,948 | \$ 132,148 | \$ 11,800 | 8.9% |

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

**Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2025**

Current assets of \$1,006 million increased \$480.6 million or 91.5%, primarily due to the increase in cash and cash equivalents of \$469.9 million due to the issuance of bonds on behalf of the IEPA and funds received through federal government grant award programs.

Capital assets, net of depreciation increased \$53 thousand or 353.3% due to the capitalization of lease and subscription contracts.

Noncurrent assets of \$1,424 million increased \$56.3 million or 4.1% primarily due to the increase in bonds and notes receivable from the primary government of \$44.2 million, while the long-term portion of the Authority's investment portfolio increased \$8.8 million, and loans receivable increased by \$3.8 million.

Current liabilities of \$290.2 million increased \$120.6 million or 71.1% primarily due to the increase in unearned revenue of \$118.4 million and in the current portion of bonds and notes payable of \$3.7 million.

Non-current liabilities of \$1,978 million increased \$386.8 million or 24.3%, due to the additional debt service payments due on outstanding debt on behalf of the IEPA and bond premium received on the new bond issuance.

Deferred Inflow of Resources of \$17.7 million due to the refunding of the Clean Water Initiative Series 2016 and Series 2017 Revenue Bonds.

Net position may serve, over a period of time, as a useful indicator of the Authority's financial position. As of June 30, 2025, total net position was \$143.9 million, an increase of \$11.8 million or 8.9% from the balance of \$132.1 million in Fiscal Year 2024. Of this amount, \$68 thousand represents the Authority's net investment in capital assets. Restricted net position of \$67.9 million is reported separately to present legal constraints from debt covenants, grantors and/or enabling legislation. The \$76.0 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, 2025.

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

Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2025

The following table presents the changes in net position from Fiscal Year 2024 to 2025:

Changes in Net Position
(Amounts in Thousands)

| | Business-type Activities | | | |
|---|---------------------------------|-------------|------------------------|-------------------|
| | 2025 | 2024 | Difference (\$) | Change (%) |
| Revenues: | | | | |
| Closing fees | \$ 2,035 | \$ 2,280 | \$ (245) | -10.7% |
| Annual fees | 177 | 181 | (4) | -2.2% |
| Administrative service fees | 331 | 103 | 228 | 221.4% |
| Application fees | 26 | 25 | 1 | 4.0% |
| Miscellaneous fees | 11 | 1 | 10 | 1000.0% |
| Interest income - loans | 21,732 | 16,169 | 5,563 | 34.4% |
| Transfer of funds and interest in program from the State of Illinois | 20 | 22 | (2) | -9.1% |
| Grant income | 7,764 | 1,609 | 6,155 | 382.5% |
| Bad debt recoveries and other | 1 | 5 | (4) | -80.0% |
| Interest and investment income | 26,743 | 30,791 | (4,048) | -13.1% |
| Total revenues | 58,840 | 51,186 | 7,654 | 15.0% |
| Expenses: | | | | |
| Employee related expenses | 2,171 | 2,047 | 124 | 6.1% |
| Professional services | 2,263 | 2,476 | (213) | -8.6% |
| Occupancy costs | 205 | 190 | 15 | 7.9% |
| General and administrative | 323 | 304 | 19 | 6.3% |
| Bad debt expense | 5 | 26 | (21) | -80.8% |
| Depreciation and amortization | 21 | 31 | (10) | -32.3% |
| Interest expense | 42,052 | 40,307 | 1,745 | 4.3% |
| Total expenses | 47,040 | 45,381 | 1,659 | 3.7% |
| Change in net position | 11,800 | 5,805 | 5,995 | 103.3% |
| Net position - beginning | 132,148 | 126,343 | 5,805 | 4.6% |
| Net position - ending | \$ 143,948 | \$ 132,148 | \$ 11,800 | 8.9% |

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

**Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2025**

Operating revenues included closing fees from conduit bond issuances of \$2.0 million, a decrease of \$245 thousand or 10.7%. This decrease in closing fees was mostly attributable to the Authority issuing a less 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 \$236 thousand or 221.4%, due to an increase in administrative service fees. The interest income on loans shows an increase from Fiscal Year 2024 of \$5.6 million, or 34.4%, due to the increase on outstanding loans on behalf of Other State of Illinois component units. Interest and investment income of \$26.7 million was lower than Fiscal Year 2024 due to a decrease in the return of investments on behalf of Other State Illinois component units. Grant income increased \$6.2 million when compared to Fiscal Year 2024, due to the issuance of loans under the State Small Business Credit Initiative ("SSBCI") program.

All expenses totaled \$47.0 million in Fiscal Year 2025, an increase of \$1.7 million due mainly from the increase 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, 2025, was \$68 thousand.

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

Amounts in Thousands

| | 2025 | 2024 | Difference (\$) | Change (%) |
|---------------------------------|--------|--------|-----------------|------------|
| Furniture and equipment | \$ 177 | \$ 176 | \$ 1 | 0.6% |
| Leases - building and equipment | 64 | - | 64 | 0.0% |
| Subscriptions | 48 | 38 | 10 | 26.3% |
| Computers | 151 | 151 | - | 0.0% |
| Software | 288 | 288 | - | 0.0% |
| Total capital assets | 728 | 653 | 75 | 11.5% |
| Less: accumulated depreciation | (660) | (638) | (22) | 3.4% |
| Total capital assets, net | \$ 68 | \$ 15 | \$ 53 | 353.3% |

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

**Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2025**

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 27 separate conduit bond debt transactions in Fiscal Year 2025, with an aggregate principal amount of \$2.4 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, 2025, the aggregate amount of intra-state debt outstanding is \$1.9 billion, an increase of \$373.2 million. This increase was primarily due to the issuance of the State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds Series 2025A & Series 2025B on April 16, 2025 on behalf of the IEPA State Revolving Fund, partial refunding on the Series 2016 & Series 2017 Revenues bonds.

In Fiscal Year 2025, 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, 2025, 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.

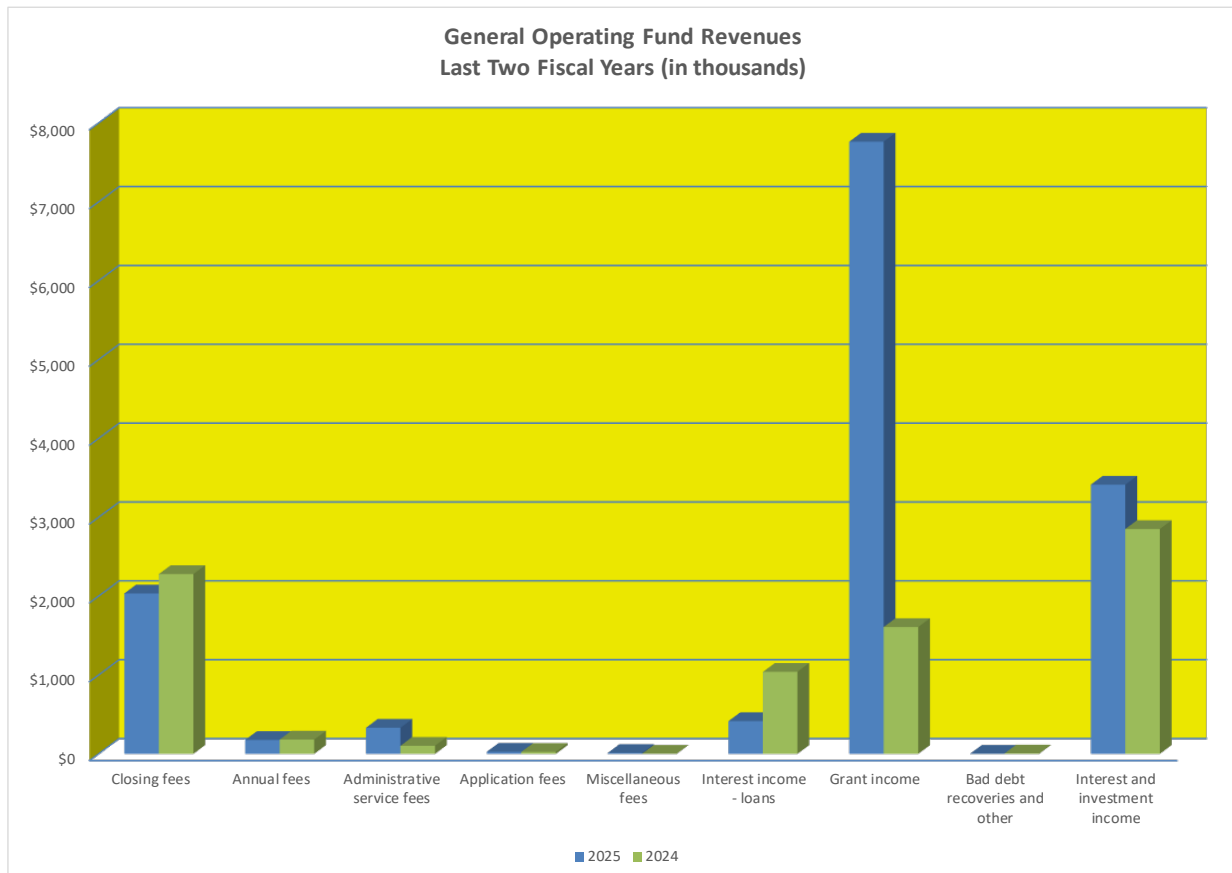
General Operating Fund – This fund is the primary operating fund of the Authority, which receives revenues from program applications, interest payments from direct loans, and investment income. All administrative expenses for establishing and monitoring the Authority's programs are paid out of this fund. In fiscal year 2025, closing fees accounted for 14.4% of total revenues in the fund, a decrease of \$245 thousand or 10.7% when compared to 2024, due to the Authority issuing lower 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. Interest income on loans decreased by \$625 thousand or 60.1%, due to no additional accrued interest being required under the Deferred Action for Childhood Arrivals ("DACA"). Administrative service fees totaled \$331 thousand, which is an increase of \$228 thousand or 221.4% from the prior fiscal year in this category. Interest and investment income increased by \$562 thousand or 19.7%, in fiscal year 2025 due to higher interest rates and funds available for investing. Grant Income totaled \$7.8 million, which is an increase of \$6.2 million or 382.5% when compared to 2024, due to the issuance of loans under the SSBCI loan program. Overall, revenues in the fund totaled \$14.2 million, which was \$6.1 million or 75.1% higher than fiscal year 2024 mainly due to an increase in interest and investment income and grant income.

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

Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2025

Amounts in Thousands

| | 2025 | 2024 | 2025 % of Total | Increase/ (Decrease) from 2024 (\$) | Increase/ (Decrease) from 2024 (%) |
|--------------------------------|------------------|-----------------|--------------------|---|--|
| Closing fees | \$ 2,035 | \$ 2,280 | 14.4% | \$ (245) | -10.7% |
| Annual fees | 177 | 181 | 1.2% | (4) | -2.2% |
| Administrative service fees | 331 | 103 | 2.3% | 228 | 221.4% |
| Application fees | 26 | 25 | 0.2% | 1 | 4.0% |
| Miscellaneous fees | 11 | 1 | 0.1% | 10 | 1000.0% |
| Interest income - loans | 415 | 1,040 | 2.9% | (625) | -60.1% |
| Grant income | 7,764 | 1,609 | 54.8% | 6,155 | 382.5% |
| Bad debt recoveries and other | 1 | 5 | 0.0% | (4) | 100.0% |
| Interest and investment income | 3,414 | 2,852 | 24.1% | 562 | 19.7% |
| Total revenues | \$ 14,174 | \$ 8,096 | 100.0% | \$ 6,078 | 75.1% |



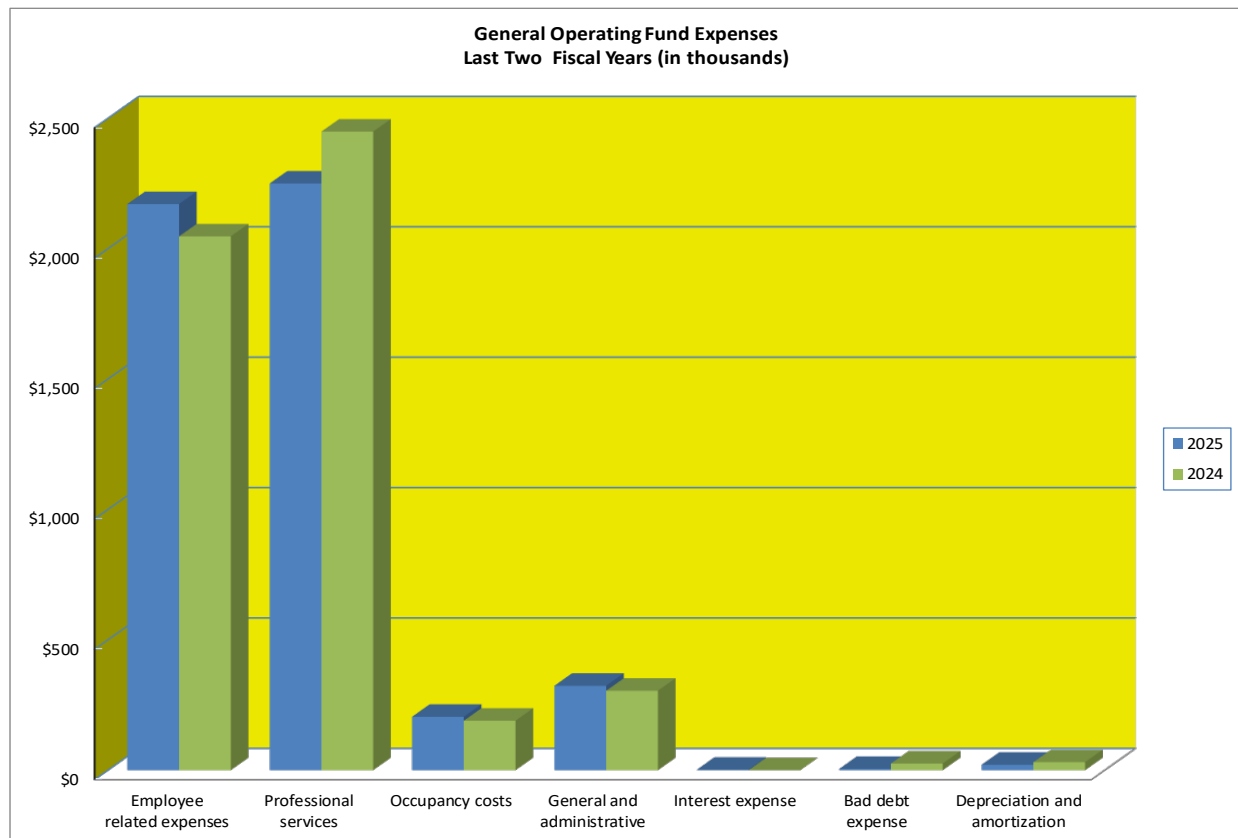
State of Illinois
Illinois Finance Authority
(A Component Unit of the State of Illinois)

Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2025

Employee related expenses increased \$124 thousand or 6.1% from Fiscal Year 2024. The increase in employee-related expenses was driven by an increase in the number of employees. Professional services costs decreased by \$199 thousand or 8.1%, primarily due to product and program start-up costs incurred in the prior fiscal year related to the Authority Transformation Initiative. Overall, expenses in the general operating fund decreased by \$70 thousand or 1.4%.

Amounts in Thousands

| | 2025 | 2024 | 2025 % of Total | Increase/ (Decrease) from 2023 (\$) | Increase/ (Decrease) from 2023 (%) |
|-------------------------------|-----------------|-----------------|--------------------|---|--|
| Employee related expenses | \$ 2,171 | \$ 2,047 | 43.6% | \$ 124 | 6.1% |
| Professional services | 2,250 | 2,449 | 45.2% | (199) | -8.1% |
| Occupancy costs | 205 | 190 | 4.1% | 15 | 7.9% |
| General and administrative | 324 | 305 | 6.5% | 19 | 6.2% |
| Interest expense | 2 | - | 0.0% | 2 | 0.0% |
| Bad debt expense | 5 | 26 | 0.1% | (21) | -80.8% |
| Depreciation and amortization | 21 | 31 | 0.4% | (10) | -32.3% |
| Total expenses | \$ 4,978 | \$ 5,048 | 100.0% | \$ (70) | -1.4% |



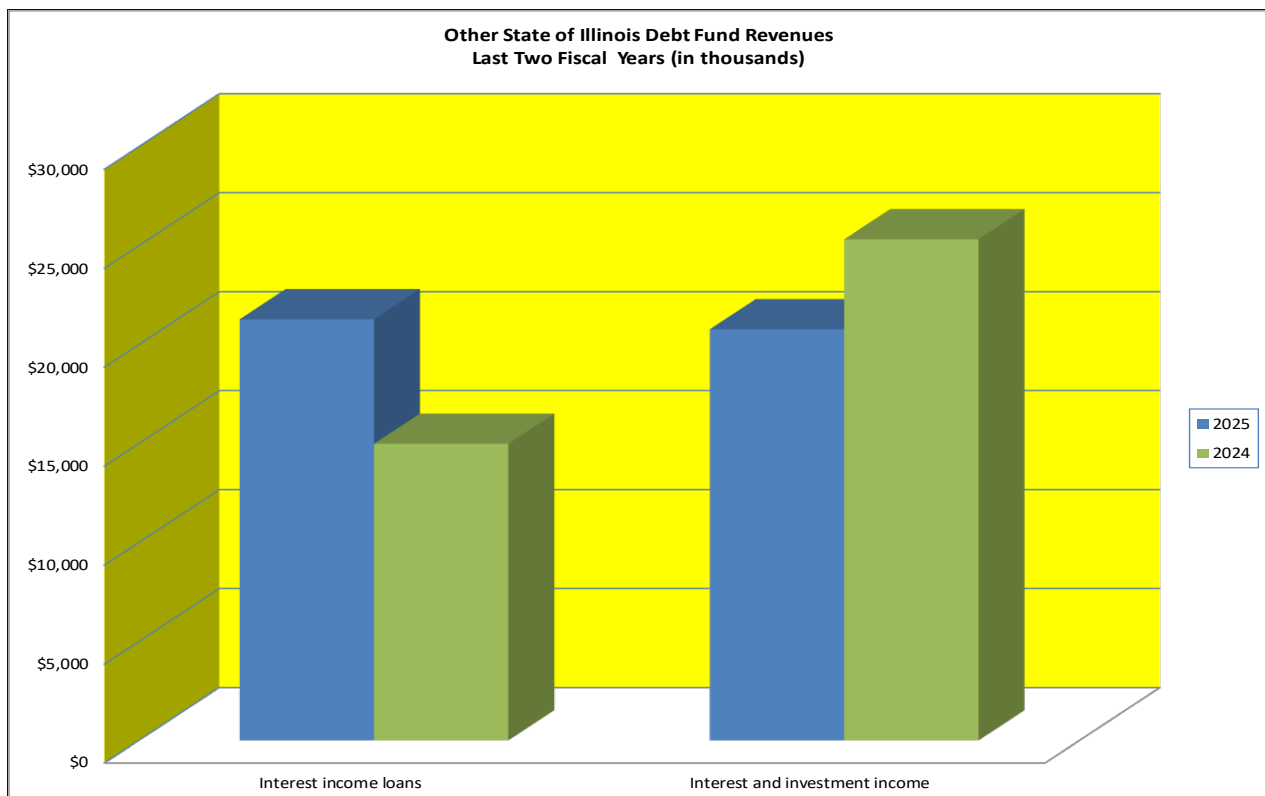
**State of Illinois
Illinois Finance Authority
(A Component Unit of the State of Illinois)**

**Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2025**

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 \$21.3 million versus \$15.0 million from Fiscal Year 2024, an increase of \$6.3 million or 42.0%. This increase results from the additional loans payments made in 2025 from the IEPA. Interest and investment income decreased in this fund by \$4.5 million or 18.0%, due to the reduction of funds invested. Less funds were available for investment due to the additional project loans funded in fiscal year 2025. Overall, revenues in this fund were \$1.7 million or 4.3% higher than Fiscal Year 2024. The ending net position for this fund is zero.

Amounts in Thousands

| | 2025 | 2024 | 2025 % of Total | Increase from 2024 (\$) | Increase from 2024 (%) |
|--------------------------------|------------------|------------------|--------------------|----------------------------|---------------------------|
| Interest income loans | \$ 21,276 | \$ 14,986 | 50.6% | \$ 6,290 | 42.0% |
| Interest and investment income | 20,774 | 25,321 | 49.4% | (4,547) | -18.0% |
| Total revenues | <u>\$ 42,051</u> | <u>\$ 40,307</u> | <u>100.00%</u> | <u>\$ 1,743</u> | <u>4.3%</u> |



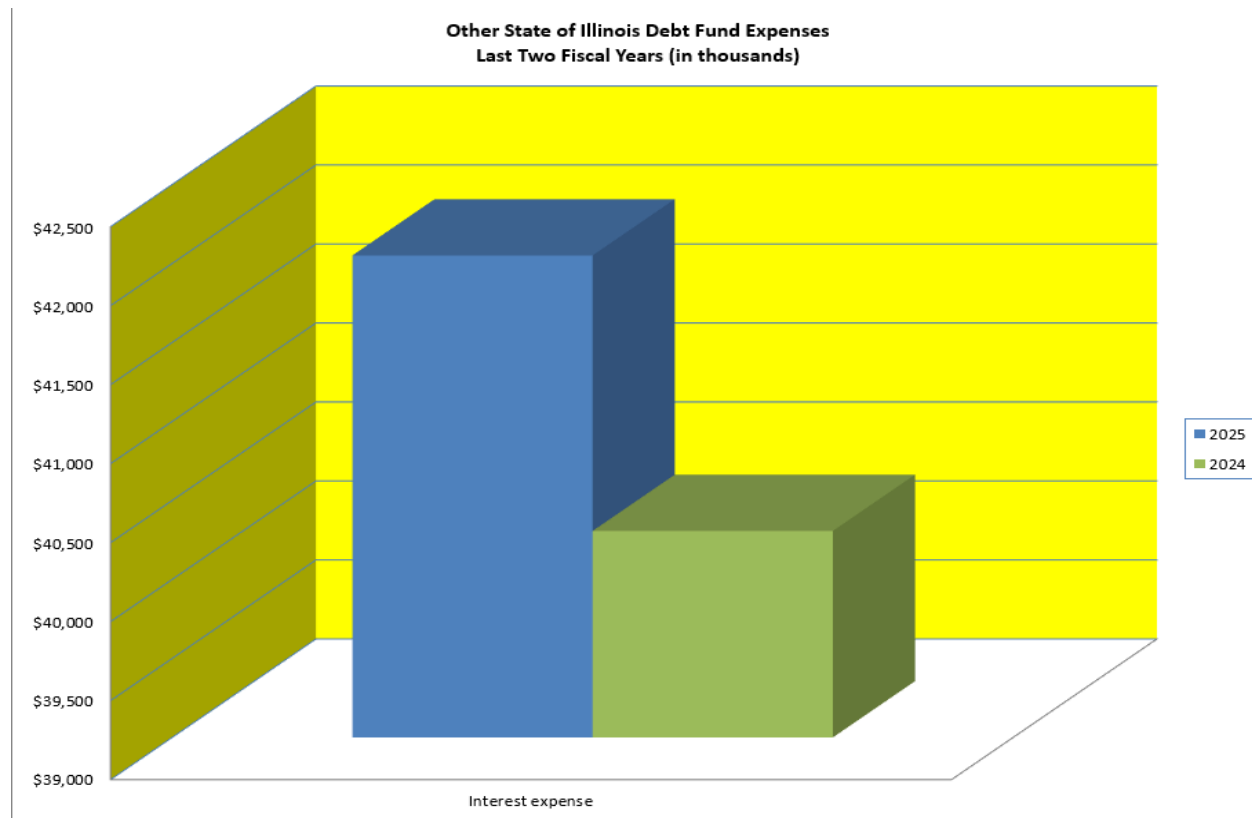
**State of Illinois
Illinois Finance Authority
(A Component Unit of the State of Illinois)**

**Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2025**

Interest expense in the fund totaled \$42.1 million, which is an increase of \$1.7 million or 4.3%, from fiscal year 2024. The increase is due to the issuance Illinois CWI Green Bonds Series 2025A & Series 2025B on behalf of the IEPA. Other financial activity of these State agencies is included on the financial statements of the primary government.

Amounts in Thousands

| | 2025 | 2024 | 2025 % of Total | Increase from 2024 (\$) | Increase from 2024 (%) |
|------------------|-----------|-----------|--------------------|----------------------------|---------------------------|
| Interest expense | \$ 42,050 | \$ 40,307 | 100.0% | \$ 1,743 | 4.3% |
| Total expenses | \$ 42,050 | \$ 40,307 | 100.0% | \$ 1,743 | 4.3% |



Nonmajor Funds - As of June 30, 2025, the Authority's nonmajor funds in aggregate reported unrestricted net position of \$5.3 million and restricted net position of \$67.3 million, for a total net position of \$72.6 million. The net position restricted in the nonmajor funds is for locally held agricultural guarantees, public safety, climate bank project loans and low-income community investments.

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

**Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2025**

Economic Factors, Decisions and Conditions

All Funds

The Authority reports an ending Fiscal Year 2025 net position of \$143.9 million, which represents an increase of \$11.8 million or 8.9% from the previous fiscal year. The increase in the Authority's net position in Fiscal Year 2025 primarily resulted from:

- \$6.1 million resulting from the conversion of unearned federal grant revenue into earned grant revenue through funding commercial participation loans and obtaining administrative cost recovery from the \$20 million grant to the Authority (from Illinois Department of Commerce and Economic Opportunity) under the United States Department of Treasury ("UST") State Small Business Credit Initiative ("SSBCI");
- \$1.7 million from reimbursable administrative expenses from grant programs administered by the following federal agencies:
 - United States Environmental Protection Agency ("US EPA")
 - Greenhouse Gas Reduction Fund - Solar For All ("GGRF-SFA");
 - Greenhouse Gas Reduction Fund - National Clean Investment Fund ("GGRF-NCIF"), via a subaward from the Coalition for Green Capital;
 - Climate Pollution Reduction Grant ("CPRG"), via a subaward from the Illinois Environmental Protection Agency ("IEPA");
 - United States Department of Transportation ("US DOT") Charging and Fueling Infrastructure ("CFI"), via a subaward from the Illinois Department of Transportation ("IDOT");
 - United States Department of Energy ("US DOE")
 - The Energy Efficient Revolving Loan Fund ("EE RLF"), via a subaward from IEPA;
 - The 40101(d) Electric Grid Formula ("GRID");
 - The Resilient and Efficient Codes Implementation ("RECI"), via a subaward from Elevate Energy;
- \$6.0 million in investment income:
 - \$3.4 million from General Fund;
 - \$2.6 million from Other Non-Major Funds; and
- \$2.0 million total operating loss from the General Operating Fund and Other Non-Major Funds.

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 – a revenue source that has become more important in recent years.

During this reporting period, the Authority has also received congressionally approved and lawfully, often competitively, awarded federal funds in material amounts for programs and products that also support Authority operations, including staff and vendors. The Authority expects a federal single audit. Since January 2025, the actions of the federal government with respect to the Authority's access to these funds may be described as volatile.

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

**Management's Discussion and Analysis (Continued)
June 30, 2025**

Collaboration With Other Agencies

The Authority also closely collaborated with colleague State agencies to contribute and receive resources and expertise to maximize the receipt of available (and now contested) federal resources for Illinois for climate and economic development purposes. Examples include the Authority's support of the \$51 million application to the U.S. Economic Development Administration's Tech Hubs Program, awarded to the Decatur and Champaign areas, and key early-stage investments through the engagement of vendors that laid the foundation for the State's competitive strengths in the quantum sector.

The Authority has received \$14.4 million from US DOE EE RLF and \$9.7 million in DCEO SSBCI funds for a total of \$24.1 million in federal grants funds as of the end of Fiscal Year 2025. The Authority has committed grants for \$10 million of \$24 million available in total awards for small utilities and \$8.3 million of \$14 million in total electric vehicle charging awards. These grants all benefit Illinois organizations, locations, and people where public finance traditionally has had limited reach. However, the finance needs of these Illinois beneficiaries could result in future markets for the Authority in its public finance and commercial lending work. The Authority is also on track to deploy, through participation loans with commercial lenders for solar and other climate-related purposes, the full \$20 million in federal SSBCI funding through DCEO. With this success, the Authority has requested another allocation of \$20 million to support the program. If the federal government and DCEO grant this request, the total allocation of SSBCI funds to the Authority will be \$40 million, which after deployment (and anticipated repayment as loans) will increase the Authority's General Fund balance sheet.

Relying on federal court orders, the Authority continues to work to deploy congressionally approved and lawfully awarded federal funds. The federal government has attempted to terminate two of the largest programs that provided grant awards and subawards to the Authority: GGRF-SFA and GGRF-NCIF. The Authority is contesting these terminations.

The prospects for the Authority to use the United States Department of Energy's Loan Programs Office ("LPO") or various federal tax credits under the Inflation Reduction Act, as modified by the One Big Beautiful Bill Act ("OBBBA"), to advance State of Illinois climate and economic development goals are diminished.

Public Finance

As an issuer of federally tax-exempt private activity bonds created by Illinois law, the Authority understands that every dollar allocated to federal tax-exemption supports approximately \$10 in infrastructure investment (see also, municipal bond FAQ at <https://www.gfoa.org/municipal-bond-faq>).

Despite volatility in the municipal bond market, the generally mature and predominately nonprofit sectors served by the Authority's Public Finance products remain robust, and thus future bond issuance and associated Authority revenue is anticipated to be consistent with recent historical trends. In Fiscal Year 2025, the Authority issued approximately \$2.4 billion in conduit bonds (nearly all federally tax-exempt) across a variety of economic sectors and statutory project definitions.

Significant bonds issuances and events for the Authority's public finance function include:

- On November 7, 2024, The Bond Buyer named the Authority's University of Chicago transaction as the Midwest Region Deal of the Year.
- On April 16, 2025, the IEPA and the Authority closed the State of Illinois Clean Water Initiative Revolving Fund Revenue and Refunding Bonds, Series 2025 (Green Bonds), and successfully yielded \$544.2 million proceeds for IEPA's SRF local government loan programs.

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

**Management's Discussion and Analysis (Continued)
June 30, 2025**

Examples of private activity bond issuances, sometimes referred to as conduit bond issuances, that closed in Fiscal Year 2025 include conduit borrowers such as **Silver Cross Hospital and Medical Centers, The University of Chicago Medical Center, Goodman Theatre, Special Olympics Illinois, Lincoln Park Zoo, and OSF Healthcare**, among others. The Authority had many new conduit borrowers in Fiscal Year 2025, including wholly owned subsidiaries of **New England Life Plan Communities Corp.**, which now operates the continuing care retirement community known as Wyndemere in Wheaton, **National University of Health Sciences, West End Tool & Die, Inc.**, as well as the return of **Northwestern University** for the first time since 2015. The Authority also closed five conduit bond issuances on behalf of first-time farmers in Illinois, thus financing the acquisition of new farmland totaling seven hundred and fourteen acres across five counties.

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. Private capital loaned to generally private borrowers for private purposes as authorized by the federal tax code and facilitated by the Authority. 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.

On behalf of the Primary Government and component units of the State, on April 16, 2025, the Illinois Environmental Protection Agency and the Authority closed the State of Illinois Clean Water Initiative Revolving Fund Revenue and Refunding Bonds, Series 2025 (Green Bonds) (the "Series 2025 IEPA SRF Green Bonds"), and successfully yielded \$544.2 million in proceeds for the IEPA's SRF programs. The Series 2025 IEPA SRF Green Bonds also refinanced \$379.1 million of previous bond issues for savings. This transaction, totaling over \$900 million, represents a significant and high-impact joint achievement for the people of Illinois. The transaction is consistent with the Authority's goals of reducing the cost of debt to Illinois taxpayers, residents, and ratepayers, in this case for water infrastructure, while putting qualified women and men to work building needed infrastructure and improving health outcomes for residents across the State.

Climate Bank: Contested Federal Funding in a Volatile Environment

As the Climate Bank designated by the Climate and Equitable Jobs Act ("CEJA"), between Fiscal Years 2023 and 2025, the Authority applied for, participated in, and was awarded multiple competitive and formula federal funding opportunities:

- \$156 million from the US EPA GGRF-SFA competitive grant program;
- \$24 million from the US DOE GRID program;
- \$0.6 million from the US DOE RECI program;
- \$14.4 million from the US DOE EE RLF program;
- \$15 million the US DOT CFI program;
- Over \$108 million as a sub-awardee of the Coalition for Green Capital's winning \$5 billion US EPA GGRF-NCIF application;
- Approximately \$57 million as a sub-awardee from the IEPA's winning \$430 million US EPA CPRG application; and

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

**Management's Discussion and Analysis (Continued)
June 30, 2025**

- \$20 million through the UST SSBCI program, via a grant from DCEO.

These awards and subawards totaled approximately \$395 million in federal funding, much of which is now generally under contest due to actions by the federal government.

Economic Development

The Authority strengthened its role in contributing to strategic Illinois economic development initiatives during Fiscal Year 25 in partnership with DCEO. The Authority, using internal and external resources at its own cost, provided material due diligence and other advice in support of multi-agency economic development initiatives. The Authority adopted resolutions authorizing two loans (totaling \$25 million) to businesses that are key components of the Illinois clean energy and innovation future. The loans are for (1) Pasqal, a company that is a global leader in neutral-atom quantum computing in the amount of \$15 million, and (2) Gotion, a battery and energy storage manufacturer in the amount of \$10 million. The Pasqal loan closed October 7, 2025, and the second is expected to close during the second quarter of Fiscal Year 26. These loans significantly contribute to bringing good jobs, new technology and manufacturing companies to Illinois.

Operations: Investment in Staff Capacity

Positive financial performance in Fiscal Year 2025 and Fiscal Year 2024 made possible staff and organizational investments. As of June 30, 2025, the Authority had a staff of 19, an increase of four since the end of Fiscal Year 2024. The Authority pays its staff and their benefits with locally held funds (and with some administrative cost support from grants), not with State tax dollars appropriated by the General Assembly. Authority staff do not participate in any State pension system or health insurance programs.

As of November 6, 2025, the Authority has:

- Hired a Senior Counsel, Public Finance;
- Hired a successor for the retiring Senior Vice President Commercial Lending (Economic Development and Climate Bank lending);
- Hired a Technology Lead to support and enhance necessary technology initiatives and IT planning work;
- Hired a Program & IT Associate to further support organizational technology needs;
- Hired a Procurement & Operations Lead to support the ongoing operations;
- Hired a Grants Manager to support Climate Bank operations and oversee State and federal reporting requirements;
- Hired an Associate Legal Counsel;
- Hired an Executive Assistant to support the Executive Director, the Authority Members, and various other Authority functions;
- Hired an Accounting and Debt Administration Specialist to further support finance and administration; and
- Hired a Small Business Consultant to assist with diversified procurement.

No risk to Illinois State Taxpayers

During this fiscal year, the Authority did not issue any bonds, loans, or debt with a pledge of the State's moral obligation, additional security, or any kind of contingent or direct State taxpayer guarantee.

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

**Management's Discussion and Analysis (Continued)
June 30, 2025**

During this fiscal period, the Authority did not receive any State taxpayer or other appropriations from the General Assembly in connection with CEJA, Climate Bank purposes, or Economic Development purposes.

During this fiscal period, the Authority did not receive any State taxpayer or other appropriations from the General Assembly in connection with CEJA, Climate Bank purposes, or Economic Development purposes.

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/2024> 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, 2025

| | 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 | \$ 46,871,973 | \$ - | \$ 4,264,572 | \$ 51,136,545 |
| Investments | 1,638,725 | - | 313,343 | 1,952,068 |
| Accounts receivable, net | 3,050 | - | - | 3,050 |
| Loans receivable, net | 2,080,536 | - | - | 2,080,536 |
| Accrued interest receivable | 793,102 | - | 8,990 | 802,092 |
| Bonds and notes receivable | 516,364 | - | - | 516,364 |
| Due from federal government | 733,209 | - | - | 733,209 |
| Prepaid expenses | 99,939 | - | - | 99,939 |
| Leases, right-of-use | 52,348 | - | - | 52,348 |
| Total current unrestricted assets | 52,789,246 | - | 4,586,905 | 57,376,151 |
| Current restricted assets: | | | | |
| Cash and cash equivalents | 128,007,676 | 561,372,960 | 26,458,735 | 715,839,371 |
| Investments | - | 213,679,949 | 1,105,082 | 214,785,031 |
| Securities lending collateral equity with the State Treasurer | - | - | 3,419,000 | 3,419,000 |
| Accrued interest receivable | - | 1,501,932 | 52,763 | 1,554,695 |
| Grant Advances | 11,000,000 | - | - | 11,000,000 |
| Loans receivable, net | - | - | 2,054,927 | 2,054,927 |
| Total current restricted assets | 139,007,676 | 776,554,841 | 33,090,507 | 948,653,024 |
| Total current assets | 191,796,922 | 776,554,841 | 37,677,412 | 1,006,029,175 |
| Noncurrent assets: | | | | |
| Noncurrent unrestricted assets: | | | | |
| Investments | 5,688,269 | - | 754,268 | 6,442,537 |
| Loans receivable, net | 10,073,236 | - | - | 10,073,236 |
| Bonds and notes receivable | 2,648,747 | - | - | 2,648,747 |
| Subscriptions, right-of-use | 16,070 | - | - | 16,070 |
| Total noncurrent unrestricted assets | 18,426,322 | - | 754,268 | 19,180,590 |
| Noncurrent restricted assets: | | | | |
| Cash and cash equivalents | - | - | 21,616,739 | 21,616,739 |
| Investments | - | - | 2,354,719 | 2,354,719 |
| Accrued interest receivable | - | - | 73,000 | 73,000 |
| Loans receivable, net | - | - | 13,552,109 | 13,552,109 |
| Bonds and notes receivable from primary government | - | 1,367,394,087 | - | 1,367,394,087 |
| Total noncurrent restricted assets | - | 1,367,394,087 | 37,596,567 | 1,404,990,654 |
| Total noncurrent assets | 18,426,322 | 1,367,394,087 | 38,350,835 | 1,424,171,244 |
| Total assets | \$ 210,223,244 | \$ 2,143,948,928 | \$ 76,028,247 | \$ 2,430,200,419 |

(Continued)

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

Statement of Net Position (Continued)
June 30, 2025

| | 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 | \$ 622,580 | \$ - | \$ 465 | \$ 623,045 |
| Accrued liabilities | 144,043 | - | - | 144,043 |
| Due to employees | 110,474 | - | - | 110,474 |
| Lease liability | 11,450 | - | - | 11,450 |
| Due to primary government | 1 | - | - | 1 |
| Total current liabilities payable from unrestricted current assets | 888,548 | - | 465 | 889,013 |
| Payable from restricted current assets: | | | | |
| Accounts payable | - | - | 1,719 | 1,719 |
| Due to other funds | - | - | - | - |
| Obligation under securities lending of the State Treasurer | - | - | 3,419,000 | 3,419,000 |
| Accrued interest payable | - | 34,882,396 | - | 34,882,396 |
| Bonds and notes payable, primary government | - | 113,015,000 | - | 113,015,000 |
| Unearned revenue, net of accumulated amortization | 137,951,333 | - | - | 137,951,333 |
| Other liabilities | - | 36,776 | - | 36,776 |
| Total current liabilities payable from restricted current assets | 137,951,333 | 147,934,172 | 3,420,719 | 289,306,224 |
| Total current liabilities | 138,839,881 | 147,934,172 | 3,421,184 | 290,195,237 |
| Noncurrent liabilities: | | | | |
| Payable from unrestricted noncurrent assets: | | | | |
| Noncurrent payables | 585 | - | - | 585 |
| Lease liability | 40,898 | - | - | 40,898 |
| Total noncurrent liabilities payable from unrestricted noncurrent assets | 41,483 | - | - | 41,483 |
| Payable from restricted noncurrent assets: | | | | |
| Bonds and notes payable, primary government | - | 1,772,270,000 | - | 1,772,270,000 |
| Unamortized bond premium | - | 206,003,363 | - | 206,003,363 |
| Total noncurrent liabilities payable from restricted noncurrent assets | - | 1,978,273,363 | - | 1,978,273,363 |
| Total noncurrent liabilities | 41,483 | 1,978,273,363 | - | 1,978,314,846 |
| Total liabilities | 138,881,364 | 2,126,207,535 | 3,421,184 | 2,268,510,083 |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| Deferred gain on refunding | - | 17,741,393 | - | 17,741,393 |
| Total deferred inflows of resources | - | 17,741,393 | - | 17,741,393 |
| Total liabilities and deferred inflows of resources | 138,881,364 | 2,143,948,928 | 3,421,184 | 2,286,251,476 |
| NET POSITION | | | | |
| Investment in capital assets | 68,418 | - | - | 68,418 |
| Restricted for: | | | | |
| Industrial revenue debt and agricultural guarantees | - | - | 14,238,908 | 14,238,908 |
| Public safety loans | - | - | 31,337,708 | 31,337,708 |
| Agricultural and rural development loans | - | - | 21,689,739 | 21,689,739 |
| Climate Bank Project Loans | 684,030 | - | - | 684,030 |
| Unrestricted | 70,589,432 | - | 5,340,708 | 75,930,140 |
| Total net position | \$ 71,341,880 | \$ - | \$ 72,607,063 | \$ 143,948,943 |

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, 2025

| | General Operating Fund | Other State of Illinois Debt Fund | Nonmajor Funds | Total Business-Type Activities |
|--|---------------------------------------|--|---------------------------|---|
| Operating revenues: | | | | |
| Closing fees | \$ 2,035,451 | \$ - | \$ - | \$ 2,035,451 |
| Annual fees | 177,219 | - | - | 177,219 |
| Administrative service fees | 331,030 | - | - | 331,030 |
| Application fees | 25,600 | - | - | 25,600 |
| Miscellaneous fees | 10,621 | - | - | 10,621 |
| Interest income - loans | 415,210 | 21,276,357 | 41,557 | 21,733,124 |
| Bad debt recoveries | 338 | - | - | 338 |
| Other revenue | 307 | - | - | 307 |
| Total operating revenues | <u>2,995,776</u> | <u>21,276,357</u> | <u>41,557</u> | <u>24,313,690</u> |
| Operating expenses: | | | | |
| Employee related expenses | 2,170,857 | - | - | 2,170,857 |
| Professional services | 2,250,130 | - | 12,401 | 2,262,531 |
| Occupancy costs | 204,852 | - | - | 204,852 |
| General and administrative | 323,019 | - | - | 323,019 |
| Interest expense | 1,769 | 42,050,675 | - | 42,052,444 |
| Bad debt expense | 5,462 | - | - | 5,462 |
| Depreciation and amortization | 21,146 | - | - | 21,146 |
| Total operating expenses | <u>4,977,235</u> | <u>42,050,675</u> | <u>12,401</u> | <u>47,040,311</u> |
| Operating (loss) income | <u>(1,981,459)</u> | <u>(20,774,318)</u> | <u>29,156</u> | <u>(22,726,621)</u> |
| Nonoperating revenues: | | | | |
| Transfers of funds and interest in program from the State of Illinois | - | - | 19,653 | 19,653 |
| Grant Income | 7,764,272 | - | - | 7,764,272 |
| Interest and investment income | 3,413,878 | 20,774,318 | 2,555,587 | 26,743,783 |
| Total nonoperating revenues | <u>11,178,150</u> | <u>20,774,318</u> | <u>2,575,240</u> | <u>34,527,708</u> |
| Change in net position | 9,196,691 | - | 2,604,396 | 11,801,087 |
| Net position - beginning of year | <u>62,145,189</u> | <u>-</u> | <u>70,002,667</u> | <u>132,147,856</u> |
| Net position - end of year | <u>\$ 71,341,880</u> | <u>\$ -</u> | <u>\$ 72,607,063</u> | <u>\$ 143,948,943</u> |

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, 2025

| | 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 | \$ 2,526,780 | \$ - | \$ - | \$ 2,526,780 |
| Cash payments for employee services | (2,134,568) | - | - | (2,134,568) |
| Cash payments to suppliers for goods and services | (2,333,645) | - | (17,803) | (2,351,448) |
| Net cash used in operating activities | (1,941,433) | - | (17,803) | (1,959,236) |
| Cash flows from noncapital financing activities: | | | | |
| Bonds and notes principal payments | - | (375,400,000) | - | (375,400,000) |
| Proceeds from issuance of bonds | - | 822,433,547 | - | 822,433,547 |
| Interest payments | - | (82,086,202) | - | (82,086,202) |
| Permanent capital transfer from the State | - | - | 19,653 | 19,653 |
| Grant Income | 125,507,628 | - | - | 125,507,628 |
| Grant advances | (11,000,000) | - | - | (11,000,000) |
| Transfer to other funds | - | - | - | - |
| Transfer from other funds | - | - | - | - |
| Due from other funds | - | - | (189,583) | (189,583) |
| Due to other funds | 45,018 | - | 144,565 | 189,583 |
| Net cash provided by (used in) noncapital financing activities | 114,552,646 | 364,947,345 | (25,365) | 479,474,626 |
| Cash flows from capital and related financing activities: | | | | |
| Purchase of capital assets | (279) | - | - | (279) |
| Lease payments | (13,904) | - | - | (13,904) |
| Subscription payments | (9,999) | - | - | (9,999) |
| Net cash used in capital and related financing activities | (24,182) | - | - | (24,182) |
| Cash flows from investing activities: | | | | |
| Purchase of investments | (9,244,633) | (1,635,730,646) | (5,850,975) | (1,650,826,254) |
| Maturity and sales of investments | 12,643,334 | 1,636,179,384 | 6,248,010 | 1,655,070,728 |
| Interest and dividends on investments | 3,349,768 | 19,297,684 | 2,500,168 | 25,147,620 |
| Cash received for interest on loans | 284,981 | 21,276,357 | 45,102 | 21,606,440 |
| Cash received on loans receivable and guarantees | 1,097,434 | 427,885,664 | 2,440,798 | 431,423,896 |
| Cash payments on loans receivable and guarantees | (6,082,812) | (472,126,363) | (1,817,501) | (480,026,676) |
| Net cash provided by (used in) investing activities | 2,048,072 | (3,217,920) | 3,565,602 | 2,395,754 |
| Net increase in cash and cash equivalents | 114,635,103 | 361,729,425 | 3,522,434 | 479,886,962 |
| Cash and cash equivalents - beginning of year | 60,244,546 | 199,643,535 | 48,817,612 | 308,705,693 |
| Cash and cash equivalents - end of year | \$ 174,879,649 | \$ 561,372,960 | \$ 52,340,046 | \$ 788,592,655 |

(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, 2025

| | 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 | \$ (1,981,459) | \$ (20,774,318) | \$ 29,156 | \$ (22,726,621) |
| Adjustments to reconcile operating (loss) income to net cash used in operating activities: | | | | |
| Depreciation and amortization | 566 | - | - | 566 |
| Interest on loans | (415,210) | (21,276,357) | (41,557) | (21,733,124) |
| Interest expense | 1,769 | 42,050,675 | - | 42,052,444 |
| Bad debt recoveries | (338) | - | - | (338) |
| Bad debt expense | 5,462 | - | - | 5,462 |
| Changes in assets and liabilities: | | | | |
| Accounts receivable | 9,050 | - | - | 9,050 |
| Prepaid expenses | (8,247) | - | - | (8,247) |
| Accounts payable and accrued liabilities | 423,880 | - | (5,402) | 418,478 |
| Due to employees | 23,094 | - | - | 23,094 |
| Net cash used in operating activities | <u>\$ (1,941,433)</u> | <u>\$ -</u> | <u>\$ (17,803)</u> | <u>\$ (1,959,236)</u> |

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, 2025

| | Metro East Police District Commission Fund |
|---------------------------|---|
| <hr/> | |
| Assets | |
| Current assets: | |
| Cash and cash equivalents | \$ 5,151 |
| | <hr/> <hr/> |
| Net Position | |
| Net position | \$ 5,151 |
| | <hr/> <hr/> |

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, 2025

| | Metro East Police District Commission Fund |
|--|---|
| Additions | |
| Interest earned | \$ 47 |
| Total additions | <u>47</u> |
| Deductions | - |
| Total deductions | <u>-</u> |
| Net increase in fiduciary net position | 47 |
| Net position - July 1, 2024 | <u>5,104</u> |
| Net position - June 30, 2025 | <u><u>\$ 5,151</u></u> |

See accompanying notes to the basic financial statements.

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

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. Launched in 2023, the State Small Business Credit Initiative 2.0 (SSBCI) helps socially and economically disadvantaged businesses access lower-interest loans to grow.
- Energy Efficiency Revolving Loan Fund Program (EE RFL) - Accounts for monies received through an IEPA intergovernmental agreement capitalized through a grant from the US Department of Energy. The EE RLF provides flexible financing solutions to support energy efficiency and clean energy projects in Illinois. The program offers Bridge Loans to cover gaps until disbursement of federal or state incentives, as well as Co-Lending/Participation Loans to support longer-term project financing.
- Charging and Fueling Infrastructure (CFI) – Accounts for monies received through the US Department of Transportation (USDOT), to deploy modern and sustainable infrastructure that is accessible to all driver of electric and alternative fuel vehicles.

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

- 4010d Grid Resilience – Accounts for monies received through the US Department of Energy (USDOE). The Illinois Climate Bank will distribute \$8 million annually for five years, prioritizing reliability, innovation, and disadvantaged communities. Funds support microgrids, weatherization, automation, and emission-reducing grid upgrades. Investments focus on equity, cost savings for low-income residents, workforce readiness, and sustainable infrastructure. Awards are based on population, land area, and risk factors to ensure effective mitigation and modernization.
- CPRG: Accounts for monies received through an intergovernmental agreement with IEPA for a subgrant under the U.S. Environmental Protection Agency (USEPA) Climate Pollution Reduction Grants program. IFA will be distributing grants for building code adoption and clean energy planning, establishing a low-cost loan program for electric vehicles, launching a new program for community geothermal projects, and more.
- NCIF: Accounts for monies received through a \$108 million subgrant from the Coalition for Green Capital for the National Clean Investment Fund portion of the Greenhouse Gas Reduction Fund. Monies are currently tied up in federal litigation, but would have been used to fund a variety low-interest loan programs to support clean energy projects.
- SFA: Accounts for monies received through the U.S. Environmental Protection Agency (USEPA) for the Greenhouse Gas Reduction Fund Solar for All award. Funds were to be used to support low-income solar projects and related improvements, but work is currently paused as the USEPA is attempting to terminate the program.
- RECI: Accounts for monies received through a subgrant for the Resilient and Efficient Codes Implementation Grant from Elevate Energy. Funds were used to support the development of new resources for the Building Energy Hub website. This grant was terminated on October 3, 2025.

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.

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

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 \$5,151 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 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 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.

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 and Cash Equivalents

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.

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Position (Continued)

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.

Grant Advances

The Authority provides financial assistance to various external organizations (“Grantees”) through grants. This assistance may be provided as advance to cover actual, immediate cash requirements of Grantees in carrying out the purpose of an approved program or project and prior to receiving detailed expenditure reports from the Grantees. As of June 30, 2025, the total amount of outstanding grant advances provided to Grantees was \$11,000,000. These advances are recorded as an asset (Grant Advances) and as a liability (Unearned Revenue). Grant revenue and expenses are recognized when Grantees incur eligible costs.

Issuance Costs and Premium and Revenue

The Authority received premiums on its Illinois Environmental Protection Agency Clean Water Bonds of \$512,390,711. The Authority is amortizing these issuance premiums using the effective interest method on all issued bond series. Amounts are presented net of accumulated amortization in the Statement of Net Position. In accordance with GASB statement No. 65, *Items Previously Reported as Assets and Liabilities*, 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, 2025, consisted of the following:

| Balance June 30, 2024 | Additions | Deletions | Balance June 30, 2025 |
|--------------------------|---------------|-----------------|--------------------------|
| \$ 188,745,400 | \$ 77,038,547 | \$ (59,780,584) | \$ 206,003,363 |

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.

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Position (Continued)

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.

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

During the fiscal year there were no due from/to other funds.

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:

| <u>Assets</u> | <u>Threshold</u> | <u>Years</u> |
|-------------------------|------------------|--------------|
| 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.

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

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, 2025, consisted of the following:

| Balance June 30, 2024 | Earned | Paid | Balance June 30, 2025 | Due Within One Year |
|--------------------------|------------|-------------|--------------------------|------------------------|
| \$ 87,380 | \$ 109,279 | \$ (86,185) | \$ 110,474 | \$ 110,474 |

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 a percentage of the cost of the premium at 90% for all employees across all categories. 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 2025.

Net Position

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

Investment in Capital Assets - This component consists of capital assets, net of accumulated depreciation. As of June 30, 2025, the Authority had investments in capital assets of \$68,418.

Restricted - 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, 2025, the Authority had restricted net position of \$67,950,385 of which \$67,266,355 is restricted by State law.

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, 2025, the Authority had unrestricted net position of \$75,930,140.

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Position (Continued)

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, 2025, the aggregate amount of conduit debt outstanding is approximately \$23.1 Billion.

Adopted Accounting Standards

During Fiscal Year 2025, the Authority adopted the following governmental accounting standards:

- 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. Adoption of this standard did not have a material impact on the Authority.
- GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition. Adoption of this standard did not have a material impact on the Authority.

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Position (Continued)

New Accounting Standards

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

- GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a governments accountability. The Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.
- GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of governmental financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures. Lease assets recognized in accordance with Statement No. 87, and intangible right of-to-use assets recognized in accordance with Statement No. 94, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, should also be separately disclosed. In addition, the Statement requires intangible assets other than those three types to be disclosed separately by major class and additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, 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.

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

Note 3. Cash, Deposits and Investments

Cash, Deposits and Investments

Cash and investments as of June 30, 2025, are classified in the accompanying basic financial statements as follows:

| | |
|--|--------------------------------|
| Cash and cash equivalents - unrestricted | \$ 51,136,545 |
| Cash and cash equivalents - fiduciary fund | 5,151 |
| Cash and cash equivalents - restricted current assets | 715,839,371 |
| Cash and cash equivalents - restricted noncurrent assets | 21,616,739 |
| Investments - unrestricted current assets | 1,952,068 |
| Investments - unrestricted noncurrent assets | 6,442,537 |
| Investments - restricted current assets | 214,785,031 |
| Investments - restricted noncurrent assets | 2,354,719 |
| Total | <u><u>\$ 1,014,132,161</u></u> |

Cash and investments as of June 30, 2025, consist of the following:

| | |
|---|--------------------------------|
| Deposits with financial institutions | \$ 392,555 |
| Deposits with State of Illinois Treasurer | 21,736,781 |
| Investments | <u>992,002,825</u> |
| Total | <u><u>\$ 1,014,132,161</u></u> |

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

Note 3. Cash, Deposits and Investments (Continued)

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;
- 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:

Federally Assisted Programs - 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.

Other State of Illinois Debt Fund - 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

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

Note 3. Cash, Deposits and Investments (Continued)

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.

As of June 30, 2025, the weighted average maturities of the Authority's investments were:

| Investment Type | June 30, 2025 | Weighted Average Maturity (in years) |
|-----------------------------------|-----------------------|---|
| U.S. Treasury notes | \$ 21,223,573 | 0.34 |
| U.S. Treasury bills | 85,083,962 | 0.10 |
| U.S. Government agency securities | 43,020,154 | 0.13 |
| Money market mutual funds | 766,363,600 | N/A |
| Commercial paper | 71,507,740 | 0.10 |
| Corporate debt securities | 4,698,927 | 0.14 |
| Repurchase agreements | 104,869 | N/A |
| Total | <u>\$ 992,002,825</u> | |

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.

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

Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

Note 3. Cash, Deposits and Investments (Continued)

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

| Investment Type | June 30, 2025 | Ratings | | |
|-----------------------------------|-----------------------|---------|---------|--------|
| | | S & P | Moody's | Fitch |
| U.S. Treasury notes | \$ 21,223,573 | AA+ | Aa1 | - |
| U.S. Treasury bills | 85,083,962 | AA+ | Aaa | - |
| U.S. Government agency securities | 43,020,154 | AA+ | Aa1 | - |
| Money market mutual funds | 565,491,769 | AAA | Aaa | - |
| Money market mutual funds | 90,452,365 | - | - | AAAmmf |
| Money market mutual funds | 110,419,466 | AAA | Aaa | - |
| Commercial Paper | 7,460,490 | AAA | Aaa | - |
| Commercial Paper | 4,991,705 | AA+ | Aaa | - |
| Commercial Paper | 4,948,765 | AA+ | Aa2 | - |
| Commercial Paper | 9,991,770 | AA | Aa2 | - |
| Commercial Paper | 3,464,136 | AA- | A1 | - |
| Commercial Paper | 3,962,868 | AA- | Aa3 | - |
| Commercial Paper | 7,928,152 | A | A1 | - |
| Commercial Paper | 9,966,320 | A | Aa2 | - |
| Commercial Paper | 18,793,534 | A | A2 | - |
| Corporate debt securities | 34,389 | AA- | - | - |
| Corporate debt securities | 103,798 | AA- | Aa2 | - |
| Corporate debt securities | 851,709 | AA- | Aa3 | - |
| Corporate debt securities | 581,590 | A+ | A1 | - |
| Corporate debt securities | 794,609 | A | A1 | - |
| Corporate debt securities | 1,330,200 | A | A2 | - |
| Corporate debt securities | 345,084 | A | Aa3 | - |
| Corporate debt securities | 657,548 | A- | A1 | - |
| Repurchase agreements | 104,869 | AAA | Aaa | - |
| Total | <u>\$ 992,002,825</u> | | | |

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

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 deposit.

As of June 30, 2025, there were no investments in any one issuer (other than U.S. Treasury securities and external investment pools) that represented 5% or more of the total Authority investments.

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.

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

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, 2025, the Authority had invested \$104,869 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.

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

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, 2025.

| Assets Investments | Total | Level 1 | Level 2 | Level 3 |
|-----------------------------------|----------------|----------------|----------------|---------|
| U.S. Treasury notes | \$ 21,223,573 | \$ 21,223,573 | \$ - | \$ - |
| U.S. Treasury bills | 85,083,962 | 85,083,962 | - | - |
| U.S. Government agency securities | 43,020,154 | - | 43,020,154 | - |
| Commercial paper | 71,507,740 | - | 71,507,740 | - |
| Corporate debt securities | 4,698,927 | - | 4,698,927 | - |
| Repurchase agreements | 104,869 | 104,869 | - | - |
| Money market mutual funds | 766,363,600 | 766,363,600 | - | - |
| Total Investments | \$ 992,002,825 | \$ 872,776,004 | \$ 119,226,821 | \$ - |

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 2025, 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 2025 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 2025 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal year 2025, 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.

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

Note 5. Securities Lending Transactions (Continued)

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 \$1,916,000 and \$1,503,000, respectively, as of June 30, 2025.

Note 6. Bonds, Notes and Loans 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.

Participation Loan Program - The Authority generally allows for the purchase of a portion of a bank loan to finance purposes and projects as allowed by law ("Participation Loan"). Terms and conditions of such Participation Loans are governed by the applicable loan documents and sources of funding. Total loans outstanding, from the General Operating Fund and not including sources of federal funds, as of June 30, 2025, were \$1,642,441 not including the allowance for doubtful accounts of \$35,956. 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, 2025, were \$3,225,757 not including the allowance for doubtful accounts of \$86,299. These loans are reported within the General Operating Fund.

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, six new loans were issued for aggregate amount of \$1,817,500. Total loans outstanding as of June 30, 2025, were \$14,181,416 within the Locally Held Fire Truck Revolving Loan Fund, a nonmajor fund.

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

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

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, 2025, were \$1,425,620 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, 2025, were \$3,165,111 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, 2025, were \$315,099 in the General Operating Fund.

Loans with Small Business Credit Initiative - Launched in 2023, the State Small Business Credit Initiative 2.0 (SSBCI) helps socially, and economically disadvantaged businesses access lower-interest loans to grow. Funded by the American Rescue Plan Act of 2021, and administered by the U.S. Department of Treasury, SSBCI builds on the original program, with Illinois set to receive up to \$354.6 million to support small businesses statewide. As part of this effort, the Illinois Climate Bank—designated under the Climate and Equitable Jobs Act (CEJA) created Climate Bank Finance (CBF) to drive private capital into clean energy projects while fostering economic growth. CBF's Loan Participation Program lowers interest rates (2% max, or 1% for [Socially and Economically Disadvantaged Individuals & Very Small Businesses](#)) and reduces lender risk, helping businesses expand, create jobs, and support Illinois' clean energy transition. Incentive amounts vary based on project type. The program offers very attractive interest rates at 1% or 2% flat per annum, with a maximum tenor of 7 years. The program minimum participation is \$25K and maximum participation is up to \$2MM. During the fiscal year, sixteen new loans were issued for aggregate amount of \$6,053,312. Total loans outstanding as of June 30, 2025, were \$7,092,727 in the General Operating Fund.

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, 2025, were \$1,367,394,087 in the Other State of Illinois Debt Fund.

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

Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

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

Due from Federal Government - 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, 2025, the Authority is owed \$1,074,646 not including the allowance for doubtful accounts of \$341,437.

Allowance for Doubtful Accounts

The allowance for doubtful accounts for all loans and notes receivable on June 30, 2025, 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. Grants due from the federal government that are under dispute are reserved at 100% of the amount due. 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, SSBCI, and Loans with Primary Government and Component Units of the State of Illinois and grants due from the federal government that are not under dispute 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, 2025, consisted of the following:

| Fund | | All Receivables June 30, 2025 | Allowance for Doubtful Accounts | Net Receivable June 30, 2025 |
|--|------------------------------|-------------------------------------|---------------------------------------|------------------------------------|
| Accounts Receivable | General Operating | \$ 10,088 | \$ (7,038) | \$ 3,050 |
| DACA Loan Program | General Operating | 3,225,760 | (86,299) | 3,139,461 |
| Direct Lending Participation Program | General Operating | 1,642,441 | (35,956) | 1,606,485 |
| Local Government Financing Assistance Program | General Operating | 3,165,111 | - | 3,165,111 |
| Local Government Borrowing Program | General Operating | 315,099 | - | 315,099 |
| SSBCI Loans | General Operating | 7,092,727 | - | 7,092,727 |
| Due from Federal Government | General Operating | 1,074,646 | (341,437) | 733,209 |
| Illinois Housing Partnership Program | Nonmajor | - | - | - |
| Industrial Project Insurance Fund | Nonmajor | - | - | - |
| Fire Truck Revolving Loan Program | Nonmajor | 14,181,416 | - | 14,181,416 |
| Ambulance Revolving Loan Program | Nonmajor | 1,425,620 | - | 1,425,620 |
| Loans with the Primary Government and Component Units of the State of Illinois | Other State of Illinois Debt | 1,367,394,087 | - | 1,367,394,087 |
| | | <u>\$ 1,399,526,995</u> | <u>\$ (470,730)</u> | <u>\$ 1,399,056,265</u> |

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

Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

Note 7. Capital Assets

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

| | Balance June 30, 2024 | Additions | Deletions | Balance June 30, 2025 |
|--|-----------------------------|-----------|-----------|-----------------------------|
| Capital assets being depreciated: | | | | |
| Furniture and equipment | \$ 176,902 | \$ 279 | \$ - | \$ 177,181 |
| Leases, right of use | - | 64,483 | - | 64,483 |
| Subscription, right of use | 37,755 | 9,999 | - | 47,754 |
| Computers | 150,827 | - | - | 150,827 |
| Software | 287,799 | - | - | 287,799 |
| Total capital assets being depreciated | 653,283 | 74,761 | - | 728,044 |
| Less: Accumulated depreciation | | | | |
| Furniture and equipment | 176,902 | 279 | - | 177,181 |
| Leases, right of use | - | 12,135 | - | 12,135 |
| Subscription, right of use | 23,239 | 8,445 | - | 31,684 |
| Computers | 150,627 | 200 | - | 150,827 |
| Software | 287,712 | 87 | - | 287,799 |
| Total accumulated depreciation | 638,480 | 21,146 | - | 659,626 |
| Capital assets, net of depreciation | \$ 14,803 | \$ 53,615 | \$ - | \$ 68,418 |

The Authority's records were reconciled to the records maintained by the Comptroller of the State of Illinois as of June 30, 2025. Depreciation and amortization expense was \$21,146.

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

Note 8. Long-term Obligations

Revenue Bonds Payable

The following schedule details the changes of all revenue bonds payable as of June 30, 2025:

| Revenue bonds payable: | Balance June 30, 2024 | Additions | (Retirements) | Balance June 30, 2025 | Amounts Due Within One Year |
|---|-----------------------------|-----------------------|-------------------------|-----------------------------|-----------------------------------|
| Illinois Environmental Protection Agency Clean Water Series 2016 | \$ 291,470,000 | \$ - | \$ (146,580,000) | \$ 144,890,000 | \$ 31,815,000 |
| Illinois Environmental Protection Agency Clean Water Series 2017 | 395,330,000 | - | (186,395,000) | 208,935,000 | 33,285,000 |
| Illinois Environmental Protection Agency Clean Water Series 2019 | 364,330,000 | - | (25,115,000) | 339,215,000 | 25,680,000 |
| Illinois Environmental Protection Agency Clean Water Series 2020 | 460,965,000 | - | (17,310,000) | 443,655,000 | 19,040,000 |
| Illinois Environmental Protection Agency Clean Water Series 2025 | - | 748,590,000 | - | 748,590,000 | 3,195,000 |
| | <u>\$ 1,512,095,000</u> | <u>\$ 748,590,000</u> | <u>\$ (375,400,000)</u> | <u>\$ 1,885,285,000</u> | <u>\$ 113,015,000</u> |

The future debt service requirements for revenue bonds as of June 30, 2025, including interest payments are as follows:

| Fiscal Year Ending June 30, | Total Outstanding Revenue Bonds | | |
|-----------------------------------|---------------------------------|-----------------------|-------------------------|
| | Principal | Interest | Total |
| 2026 | \$ 113,015,000 | \$ 79,396,600 | \$ 192,411,600 |
| 2027 | 121,655,000 | 84,693,362 | 206,348,362 |
| 2028 | 123,800,000 | 78,648,937 | 202,448,937 |
| 2029 | 126,915,000 | 72,424,812 | 199,339,812 |
| 2030 | 128,940,000 | 66,045,064 | 194,985,064 |
| 2031-2035 | 605,885,000 | 237,640,713 | 843,525,713 |
| 2036-2040 | 478,450,000 | 101,405,556 | 579,855,556 |
| 2041-2045 | 182,200,000 | 21,850,825 | 204,050,825 |
| 2046 | 4,425,000 | 110,625 | 4,535,625 |
| | <u>\$ 1,885,285,000</u> | <u>\$ 742,216,494</u> | <u>\$ 2,627,501,494</u> |

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

Note 8. 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 2046. Principal and interest payments on the bonds are expected to require approximately 100% of these loan revenues. All bonds outstanding at June 30, 2025, 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 2025, 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, 2025, 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 2025 (Clean Water Initiative/Green Bonds) – The original issue of \$748,590,000 dated April 16, 2025, on behalf of the Illinois Environmental Protection Agency's State Revolving Program provides for serial retirement of principal beginning July 1, 2025, and every January 1 and July 1, thereafter, and interest payable on January 1 and July 1 of each year at rate of 5.00%. Final maturity is July 1, 2045.

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

Note 8. Long-term Obligations (Continued)

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 Note 12 for additional information.

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 Note 12 for additional information.

On April 16, 2025, the Authority refunded \$152,815,000 principal amount of these bonds. See Note 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.

On April 16, 2025, the Authority refunded \$113,255,000 principal amount of these bonds. See Note 12 for additional information.

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.

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

Note 8. Long-term Obligations (Continued)

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.

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 2025, with regards to these deposits, the State of Illinois transferred capital of \$19,653 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 9. Lease Commitments

Total rent expense for two of the Illinois Finance Authority locations for the year ended June 30, 2025, was \$155,670 including utilities.

State of Illinois, Department of Central Management Services/Michael A. Bilandic Building – 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, 2025, was \$140,179.

One Oaks - 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, 2029. 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 \$13,904, with utilities charged per the rental agreement.

Equipment Leases - 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 \$13,360 for the year ended June 30, 2025.

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

Note 9. Lease Commitments (Continued)

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, 2025.

At June 30, 2025, right-to-use assets under leases are as follows:

| | | |
|-------------------------------|----|---------------|
| Buildings | \$ | 64,483 |
| Less accumulated amortization | | (12,135) |
| Total | \$ | <u>52,348</u> |
| | | |
| Subscription | \$ | 31,217 |
| Less accumulated amortization | | (15,147) |
| Total | \$ | <u>16,070</u> |

Annual requirements to amortize these lease liabilities as of June 30, 2025, are as follows:

| Fiscal Year | | | | |
|----------------|------------------|-----------------|------------------|--|
| Ending June 30 | Principal | Interest | Total | |
| 2026 | \$ 11,450 | \$ 1,296 | \$ 12,746 | |
| 2027 | 12,852 | 1,052 | 13,904 | |
| 2028 | 13,244 | 660 | 13,904 | |
| 2029 | 13,646 | 258 | 13,904 | |
| 2030 | 1,156 | 3 | 1,159 | |
| | <u>\$ 52,348</u> | <u>\$ 3,269</u> | <u>\$ 55,617</u> | |

The Authority has entered into several subscription-based information technology arrangements for a total of \$47,804. 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, 2025, there was no subscription liability on the subscription based information technology agreements as these have already been paid in full.

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

Note 9. Lease Commitments (Continued)

Annual requirements to amortize these subscription-based information technology arrangements liabilities as of June 30, 2025, are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|-------------------------------|------------------|-------------|------------------|
| 2026 | \$ 8,510 | \$ - | \$ 8,510 |
| 2027 | 5,606 | - | 5,606 |
| 2028 | 1,954 | - | 1,954 |
| | <u>\$ 16,070</u> | <u>\$ -</u> | <u>\$ 16,070</u> |

Note 10. Commitments and Contingencies

Current Federally Assisted Programs

Loan Guarantees

The Authority has a contingent liability regarding the loan guarantees outstanding at June 30, 2025. 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.

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

Note 10. 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, 2025 | | |
|--|---|--|---------------|
| | Illinois Agricultural Loan Guarantee Fund | Illinois Farmer Agribusiness Loan Guarantee Fund | Total |
| Cash Deposits | \$ 12,115,632 | \$ 9,501,107 | \$ 21,616,739 |
| <u>Maximum Outstanding Guarantees:</u> | | | |
| State Guarantee Program for Restructuring Agricultural Debt | \$ 383,809 | \$ - | \$ 383,809 |
| Specialized Livestock Loan Guarantee Program | - | 514,250 | 514,250 |
| Total | \$ 383,809 | \$ 514,250 | \$ 898,059 |

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 \$14,216,263 at June 30, 2025.

Note 11. 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.

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

Note 11. Refunding and Extinguishment of Debt (Continued)

Previously defeased bonds in escrow as of June 30, 2025, are as follows:

| | Amount Defeased as of June 30, 2025 | Amount Available to Pay Defeased Principal and Interest |
|---|---|---|
| Clean Water Initiative Revolving Fund Revenue Bonds | | |
| Series 2017 | \$ 1,605,000 | \$ 1,690,838 |
| Series 2019 | 470,000 | 522,960 |
| | <u>\$ 2,075,000</u> | <u>\$ 2,213,798</u> |

Current Refunding of Revenue Bonds

On April 16, 2025, the Authority issued \$248,590,000 in Revenue Bonds (Clean Water Initiative/Green Bonds) with an average interest rate of 5.0% to refund \$113,255,000 of outstanding Series 2016 bonds with an average interest rate of 4.305% and \$152,815,000 of outstanding Series 2017 bonds with an average interest rate of 5.0%. The net proceeds of the \$273,634,787 (after payment of \$1,971,427 in underwriting fees, and other cost of issuance plus receipt of \$27,016,214 in premium) plus an additional \$3,697,356 of sinking fund monies were used to purchase the tendered Series 2016 and Series 2017 Revenue Bonds.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$7,448,319 on the Series 2016 Bonds and \$10,612,622 on the Series 2017 Bonds. This difference totaling \$18,060,941, reported in the accompanying financial statements as deferred inflows of resources, is being charged to interest expense through year 2037 using the straight line method. The Authority completed the refunding to reduce its total debt service payments over the next 12 years by \$22,793,646 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$14,681,676.

Note 12. 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.

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

Note 13. 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 2025 are:

| <u>Maximum Contribution</u> | <u>Age 50 Catch Up</u> |
|-----------------------------|------------------------|
| \$23,500 | \$31,000 |

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 2025 were \$134,951 and \$154,990, respectively.

Note 14. 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, 2025. The Authority is indebted with CMS in the amount of \$3,072. This amount is a component of the amount reported as accounts payable in the Authority's General Operating Fund.

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

Note 15. Risks and Uncertainties

Termination of Federal Programs: Beginning in January 2025, President Trump signed several executive orders (EOs) ordering the pause or termination of federal assistance for programs that do not align with the new administration's policies. The Administration tasked federal departments with evaluating all federal programs they administer, to determine if the funding being provided falls under any of the EOs. In August 2025 the Illinois Finance Authority received communications from its federal funding agencies indicating the termination of the Authority's Solar for All grant award (see footnote 16 for additional information). Given continued uncertainty surrounding future federal funding actions, management is actively monitoring the situation and will continue to assess the potential effect, if any, on the Illinois Finance Authority financial statements.

Note 16. Subsequent Events

Public Act 104-0002, the State's FY2026 Budget Implementation Bill ("BIMP")— The BIMP (page 75) provided for the transfer of in total \$10 million from two IFA funds: \$6 million from the Illinois Agricultural Loan Guarantee Fund (#994) and \$4 million from the Illinois Farmer and Agribusiness Loan Guarantee Fund (#205). These transfers were made on or about July 1, 2025, and the funds were transferred to the State General Revenue Fund.

One Big Beautiful Bill Act ("OBBBA")— On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was enacted as Public Law No. 119-21. OBBBA largely preserved the economic benefits of federally tax-exempt conduit bonds, the Authority's primary product, but sunset or limited many federal tax credits and funding sources relating to Climate Bank purposes. In a time of federal volatility, the Authority notes that certain advocacy and policy organizations have a general dislike of federal tax exemption for debt and continue to advocate for its elimination.

U.S. Environmental Protection Agency ("EPA"), Solar for All ("SFA")— During FY25, unprecedented uncertainty and volatility at the federal level had an adverse impact on congressionally approved and lawfully awarded federal funds granted to IFA. The volatility has continued into FY26. In July 2024, IFA was awarded \$156,120,000 in federal funds under the SFA program. Beginning in January 2025, the current federal administration began efforts to terminate numerous federal programs. On August 7, 2025 (i.e., State Fiscal Year 2026), EPA terminated the SFA program, which IFA and other SFA recipients are contesting. In October 2025, IFA, by the Illinois Attorney General, and several other state green banks filed suits against the United States and the EPA challenging the termination of the SFA program. The continuation of the SFA program is under litigation pending judicial outcomes.

U.S. Environmental Protection Agency ("EPA"), National Clean Investment Fund ("NCIF") Program— During FY25 and continuing into FY26, unprecedented uncertainty and volatility at the federal level had an adverse impact on congressionally approved and lawfully awarded funds sub-granted to the Illinois Finance Authority ("IFA") in the amount of \$108.9 million. These funds were deposited into a Citibank account on January 30, 2025, and the funds were subsequently frozen by the EPA and other federal agencies in mid-February 2025. On March 8, 2025, Climate United Fund, a prime NCIF grant recipient, filed suit against EPA, the EPA administrator, and Citibank (the "Defendants"); other prime recipients and subrecipients, including IFA, joined in the litigation shortly thereafter. On March 11, 2025, EPA issued a letter to the prime grant recipients purporting to terminate the NCIF program. On April 15, 2025, the District Court granted the Plaintiffs' motion for a preliminary injunction. The Defendants appealed the District Court ruling, and arguments on the preliminary injunction were held on May 19, 2025.

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

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

Note 16. Subsequent Events (Continued)

On September 2, 2025, the United States Court of Appeals for the District of Columbia Circuit Court ruled in favor of the Defendants' appeal of the District Court ruling on the motion for preliminary injunction. The Plaintiffs are seeking an *en banc* review of the appellate panel's ruling, and IFA expects a ruling on that motion by the end of calendar year 2025. The outcome of this litigation is uncertain, and the continuation of the NCIF program is under litigation pending judicial outcomes.

SRF (October 7, 2025) – On April 16, 2025, IFA issued its \$108,935,000 State of Illinois Clean Water Initiative Revolving Fund Revenue Refunding Bonds, Series 2025C (Green Bonds) (Forward Delivery) (the "Series 2025C Green Bonds"). In accordance with the Forward Delivery Bond Purchase Agreement dated April 1, 2025, the Series 2025C Green Bonds were delivered on October 7, 2025, and on such date IFA deposited a portion of the net proceeds of the Series 2025C Green Bonds, to be held in escrow to the first optional redemption date of January 1, 2026, for the defeasance of the outstanding Illinois Finance Authority State of Illinois Clean Water Initiative Revolving Fund Revenue Bonds, Series 2016.

Economic Development Loan – On October 7, 2025, the Authority closed a \$15 million loan to Pasqal USA, Inc. with an initial disbursement of \$6 million on October 7, 2025, and subsequent disbursements in Fiscal Year 2026, Fiscal Year 2027 and Fiscal Year 2028.

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, 2025

| | 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 | - | - | - |
| Accrued interest receivable | - | - | - |
| Total current unrestricted assets | - | - | - |
| Current restricted assets: | | | |
| Cash and cash equivalents | 11,588,193 | 11,742,447 | 3,128,095 |
| Investments | 756,968 | 248,664 | 99,450 |
| Securities lending collateral equity with the State Treasurer | - | - | - |
| Accrued interest receivable | 23,332 | 24,904 | 4,527 |
| Loans receivable, net | - | 1,728,969 | 325,958 |
| Total current restricted assets | 12,368,493 | 13,744,984 | 3,558,030 |
| Total current assets | 12,368,493 | 13,744,984 | 3,558,030 |
| Noncurrent assets: | | | |
| Noncurrent unrestricted assets: | | | |
| Investments | - | - | - |
| Total noncurrent unrestricted assets | - | - | - |
| Noncurrent restricted assets: | | | |
| Cash and cash equivalents | - | - | - |
| Investments | 1,871,102 | 348,885 | 134,732 |
| Accrued interest receivable | - | - | - |
| Loans receivable, net | - | 12,452,448 | 1,099,661 |
| Total noncurrent restricted assets | 1,871,102 | 12,801,333 | 1,234,393 |
| Total noncurrent assets | 1,871,102 | 12,801,333 | 1,234,393 |
| Total assets | 14,239,595 | 26,546,317 | 4,792,423 |

| Illinois Agricultural Loan Guarantee Fund | Illinois Farmer Agribusiness Loan Guarantee Fund | Illinois Housing Partnership Program Fund | Total Nonmajor Funds |
|--|---|--|-------------------------------------|
| \$ - | \$ - | \$ 4,264,572 | \$ 4,264,572 |
| - | - | 313,343 | 313,343 |
| - | - | 8,990 | 8,990 |
| - | - | 4,586,905 | 4,586,905 |
| - | - | - | 26,458,735 |
| - | - | - | 1,105,082 |
| 1,916,000 | 1,503,000 | - | 3,419,000 |
| - | - | - | 52,763 |
| - | - | - | 2,054,927 |
| 1,916,000 | 1,503,000 | - | 33,090,507 |
| 1,916,000 | 1,503,000 | 4,586,905 | 37,677,412 |
| - | - | 754,268 | 754,268 |
| - | - | 754,268 | 754,268 |
| 12,115,632 | 9,501,107 | - | 21,616,739 |
| - | - | - | 2,354,719 |
| 41,000 | 32,000 | - | 73,000 |
| - | - | - | 13,552,109 |
| 12,156,632 | 9,533,107 | - | 37,596,567 |
| 12,156,632 | 9,533,107 | 754,268 | 38,350,835 |
| 14,072,632 | 11,036,107 | 5,341,173 | 76,028,247 |

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

Combining Statement of Net Position-Nonmajor Funds (Continued)
June 30, 2025

| | 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 | \$ - | \$ - | \$ - |
| Total current liabilities payable from unrestricted current assets | - | - | - |
| Payable from restricted current assets: | | | |
| Accounts payable | 687 | 633 | 399 |
| Obligation under securities lending of the State Treasurer | - | - | - |
| Total current liabilities payable from restricted current assets | 687 | 633 | 399 |
| Total current liabilities | 687 | 633 | 399 |
| NET POSITION | | | |
| Restricted for: | | | |
| Industrial revenue debt and agricultural guarantees | 14,238,908 | - | - |
| Public safety loans | - | 26,545,684 | 4,792,024 |
| Agricultural and rural development loans | - | - | - |
| Unrestricted | - | - | - |
| Total net position | \$ 14,238,908 | \$ 26,545,684 | \$ 4,792,024 |

| Illinois Agricultural Loan Guarantee Fund | Illinois Farmer Agribusiness Loan Guarantee Fund | Illinois Housing Partnership Program Fund | Total Nonmajor Funds |
|--|---|--|-------------------------------------|
| \$ - | \$ - | \$ 465 | \$ 465 |
| - | - | 465 | 465 |
| - | - | - | 1,719 |
| 1,916,000 | 1,503,000 | - | 3,419,000 |
| 1,916,000 | 1,503,000 | - | 3,420,719 |
| 1,916,000 | 1,503,000 | 465 | 3,421,184 |
| - | - | - | 14,238,908 |
| - | - | - | 31,337,708 |
| 12,156,632 | 9,533,107 | - | 21,689,739 |
| - | - | 5,340,708 | 5,340,708 |
| \$ 12,156,632 | \$ 9,533,107 | \$ 5,340,708 | \$ 72,607,063 |

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, 2025

| | Industrial Project Insurance Fund | Locally Held Fire Truck Revolving Loan Fund | Locally Held Ambulance Revolving Loan Fund |
|---|--|--|---|
| Operating revenues: | | | |
| Interest income - loans | \$ - | \$ 37,323 | \$ 4,234 |
| Total operating revenues | - | 37,323 | 4,234 |
| Operating expenses: | | | |
| Professional services | 4,128 | 2,877 | 2,419 |
| Total operating expenses | 4,128 | 2,877 | 2,419 |
| Operating (loss) income | (4,128) | 34,446 | 1,815 |
| Nonoperating revenues: | | | |
| Transfer of funds and interest in program from the State of Illinois | - | 19,653 | - |
| Interest and investment income | 663,873 | 583,378 | 147,750 |
| Total nonoperating revenues | 663,873 | 603,031 | 147,750 |
| Change in net position | 659,745 | 637,477 | 149,565 |
| Net position - beginning of year | 13,579,163 | 25,908,207 | 4,642,459 |
| Net position - end of year | \$ 14,238,908 | \$ 26,545,684 | \$ 4,792,024 |

| Illinois Agricultural Loan Guarantee Fund | Illinois Farmer Agribusiness Loan Guarantee Fund | Illinois Housing Partnership Program Fund | Total Nonmajor Funds |
|--|---|--|-------------------------------------|
| \$ - | \$ - | \$ - | \$ 41,557 |
| - | - | - | 41,557 |
| - | - | 2,977 | 12,401 |
| - | - | 2,977 | 12,401 |
| - | - | (2,977) | 29,156 |
| - | - | - | 19,653 |
| 510,759 | 399,891 | 249,936 | 2,555,587 |
| 510,759 | 399,891 | 249,936 | 2,575,240 |
| 510,759 | 399,891 | 246,959 | 2,604,396 |
| 11,645,873 | 9,133,216 | 5,093,749 | 70,002,667 |
| \$ 12,156,632 | \$ 9,533,107 | \$ 5,340,708 | \$ 72,607,063 |

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, 2025

| | 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 | \$ (5,765) | \$ (3,972) | \$ (3,660) |
| Net cash used in operating activities | (5,765) | (3,972) | (3,660) |
| Cash flows from noncapital financing activities: | | | |
| Permanent capital transfer from State | - | 19,653 | - |
| Transfer to other funds | - | - | - |
| Transfer from other funds | - | - | - |
| Due from other funds | (189,583) | - | - |
| Due to other funds | - | - | - |
| Net cash (used in) provided by noncapital financing activities | (189,583) | 19,653 | - |
| Cash flows from investing activities: | | | |
| Purchase of investments | (3,149,679) | (1,038,208) | (360,754) |
| Maturity and sales of investments | 4,215,000 | 446,425 | 129,585 |
| Interest and dividends on investments | 633,065 | 572,726 | 142,730 |
| Cash received for interest on loans | - | 39,969 | 5,133 |
| Cash received on loans receivable and guarantees | - | 2,038,243 | 402,555 |
| Cash payments on loans receivable and guarantees | - | (1,817,501) | - |
| Net cash provided by investing activities | 1,698,386 | 241,654 | 319,249 |
| Net increase in cash and cash equivalents | 1,503,038 | 257,335 | 315,589 |
| Cash and cash equivalents - beginning of year | 10,085,155 | 11,485,112 | 2,812,506 |
| Cash and cash equivalents - end of year | \$ 11,588,193 | \$ 11,742,447 | \$ 3,128,095 |
| Reconciliation of operating (loss) income to net cash used in operating activities: | | | |
| Operating (loss) income | \$ (4,128) | \$ 34,446 | \$ 1,815 |
| Adjustments to reconcile operating (loss) income to net cash used in operating activities: | | | |
| Interest on loans | - | (37,323) | (4,234) |
| Changes in assets and liabilities: | | | |
| Accounts payable | (1,637) | (1,095) | (1,241) |
| Net cash used in operating activities | \$ (5,765) | \$ (3,972) | \$ (3,660) |

| Illinois Agricultural Loan Guarantee Fund | Illinois Farmer Agribusiness Loan Guarantee Fund | Illinois Housing Partnership Program Fund | Total Nonmajor Funds |
|---|---|---|----------------------------|
| \$ - | \$ - | \$ (4,406) | \$ (17,803) |
| - | - | (4,406) | (17,803) |
| - | - | - | 19,653 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | (189,583) |
| - | - | 144,565 | 144,565 |
| - | - | 144,565 | (25,365) |
| - | - | (1,302,334) | (5,850,975) |
| - | - | 1,457,000 | 6,248,010 |
| 513,759 | 402,891 | 234,997 | 2,500,168 |
| - | - | - | 45,102 |
| - | - | - | 2,440,798 |
| - | - | - | (1,817,501) |
| 513,759 | 402,891 | 389,663 | 3,565,602 |
| 513,759 | 402,891 | 529,822 | 3,522,434 |
| 11,601,873 | 9,098,216 | 3,734,750 | 48,817,612 |
| \$ 12,115,632 | \$ 9,501,107 | \$ 4,264,572 | \$ 52,340,046 |
| \$ - | \$ - | \$ (2,977) | \$ 29,156 |
| - | - | - | (41,557) |
| - | - | (1,429) | (5,402) |
| \$ - | \$ - | \$ (4,406) | \$ (17,803) |

**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, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 3, 2025.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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*.

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
December 3, 2025

State of Illinois

**Illinois Finance Authority
(A Component Unit of the State of Illinois)
Schedule of Findings
For the Year Ended June 30, 2025**

Prior Findings Not Repeated

A. Finding: Cybersecurity Incident Involving Unauthorized Access

During the prior audit, the Authority experienced a network security incident that involved an unauthorized party gaining access to the Authority's network environment.

During the current audit, we noted the Authority strengthened its network controls with no reports of unauthorized system access. (Finding Code No. 2024-001, 2023-001)