

ILLINOIS INSTITUTE OF TECHNOLOGY
CONSOLIDATED FINANCIAL STATEMENTS
(Including Single Audit)
May 31, 2024 and 2023

ILLINOIS INSTITUTE OF TECHNOLOGY
CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Illinois Institute of Technology
Chicago, Illinois

Report on the Audit of the Financial Statements***Opinion***

We have audited the consolidated financial statements of Illinois Institute of Technology and Subsidiaries (the "University"), which comprise the consolidated statements of financial position as of May 31, 2024 and 2023, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as of May 31, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated 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 consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Financial Responsibility Supplemental Schedule required by the United States Department of Education are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2024, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Chicago, Illinois
September 16, 2024

ILLINOIS INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
May 31, 2024 and 2023
(In thousands of dollars)

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash	\$ 15,408	\$ 8,869
Notes and accounts receivable:		
Grants and contracts, less allowance of \$525 in 2024 and \$390 in 2023, in respectively	13,246	12,636
Students:		
Tuition, less allowance of \$1,357 and \$1,167 in 2024 and 2023, respectively	17,993	14,190
Notes, less allowance of \$638 and \$644 in 2024 and 2023, respectively	2,757	3,492
Other, less allowance of \$634 and \$666 in 2024 and 2023, respectively	23,529	26,451
Pledges, net	17,276	11,183
Inventories, prepaid expenses, and deferred charges	5,953	6,037
Investments	270,089	261,019
Physical properties, less accumulated depreciation	342,623	354,684
Beneficial interest in perpetual trusts	<u>25,255</u>	<u>22,505</u>
 Total assets	 <u>\$ 734,129</u>	 <u>\$ 721,066</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 25,820	\$ 23,215
Accrued salaries and wages	18,155	18,654
Deferred revenue	18,925	26,713
Deposits by students and others	3,094	2,911
Accrued postretirement benefit obligation	727	750
Obligation under split-interest agreements	573	599
Lease liability	34	1,169
Advances from the U.S. government for student loans	1,589	2,284
Asset retirement obligation	452	468
Deferred vendor incentive	17,072	17,533
Debt:		
Bonds payable	145,000	150,596
Notes payable	64,725	64,725
Bond premium payable	8,478	10,093
Cost of issuance	<u>(1,465)</u>	<u>(1,562)</u>
Total debt	<u>216,738</u>	<u>223,852</u>
Total liabilities	<u>303,179</u>	<u>318,148</u>
Net assets:		
Without donor restrictions	145,971	140,708
With donor restrictions	<u>284,979</u>	<u>262,210</u>
Total net assets	<u>430,950</u>	<u>402,918</u>
 Total liabilities and net assets	 <u>\$ 734,129</u>	 <u>\$ 721,066</u>

See accompanying notes to consolidated financial statements.

ILLINOIS INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended May 31, 2024
(In thousands of dollars)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenue:			
Tuition and fees, net of scholarships of \$158,524	\$ 152,990	\$ -	\$ 152,990
Government grants and contracts	59,666	-	59,666
Private grants and contracts	20,803	-	20,803
Private gifts	17,923	6,655	24,578
Endowment spending distribution	23,810	-	23,810
Sales and services of auxiliary enterprises, net	18,817	-	18,817
Other sources	15,016	-	15,016
Net assets released from restrictions	4,722	(4,722)	-
Total operating revenue	<u>313,747</u>	<u>1,933</u>	<u>315,680</u>
Operating expenses:			
Faculty salaries	65,577	-	65,577
Administrative salaries	51,636	-	51,636
Part-time salaries	17,567	-	17,567
Employee benefits	21,302	-	21,302
Operations and maintenance	27,393	-	27,393
Supplies and services	49,456	-	49,456
Professional fees and advertising	20,660	-	20,660
IITRI research	21,907	-	21,907
Interest on indebtedness	10,126	-	10,126
Depreciation	23,313	-	23,313
Total operating expenses	<u>308,937</u>	<u>-</u>	<u>308,937</u>
Increase in net assets from operating activities	4,810	1,933	6,743
Nonoperating revenue and expenses:			
Private gifts	-	18,190	18,190
Change in donor designation	(283)	283	-
Return on investments, net	6,700	20,881	27,581
Net gain on beneficial interest in perpetual trusts	-	2,750	2,750
Endowment spending distribution	(5,486)	(18,324)	(23,810)
Additional endowment distribution	2,944	(2,944)	-
Restructuring expenses	(3,538)	-	(3,538)
Other	116	-	116
Increase in net assets from nonoperating activities	<u>453</u>	<u>20,836</u>	<u>21,289</u>
Increase in net assets	5,263	22,769	28,032
Net assets at beginning of year	<u>140,708</u>	<u>262,210</u>	<u>402,918</u>
Net assets at end of year	<u>\$ 145,971</u>	<u>\$ 284,979</u>	<u>\$ 430,950</u>

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended May 31, 2023
(In thousands of dollars)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Operating revenue:			
Tuition and fees, net of scholarships of \$141,649	\$ 120,063	\$ -	\$ 120,063
Government grants and contracts	52,650	-	52,650
Private grants and contracts	24,443	-	24,443
Private gifts	7,770	2,515	10,285
Endowment spending distribution	13,258	-	13,258
Sales and services of auxiliary enterprises, net	16,399	-	16,399
Other sources	14,599	-	14,599
Net assets released from restrictions	4,279	(4,279)	-
Total operating revenue	253,461	(1,764)	251,697
Operating expenses:			
Faculty salaries	62,199	-	62,199
Administrative salaries	51,597	-	51,597
Part-time salaries	16,479	-	16,479
Employee benefits	27,187	-	27,187
Operations and maintenance	26,405	-	26,405
Supplies and services	48,269	-	48,269
Professional fees and advertising	18,838	-	18,838
IITRI research	20,156	-	20,156
Interest on indebtedness	8,448	-	8,448
Depreciation	21,648	-	21,648
Total operating expenses	301,226	-	301,226
Decrease in net assets from operating activities	(47,765)	(1,764)	(49,529)
Nonoperating revenue and expenses:			
Private gifts	-	5,602	5,602
Change in donor designation	(724)	724	-
Return on investments, net	(951)	(3,085)	(4,036)
Net loss on beneficial interest in perpetual trusts	-	(1,551)	(1,551)
Endowment spending distribution	(3,015)	(10,243)	(13,258)
Additional endowment distribution	8,000	(8,000)	-
Restructuring expenses	(1,985)	-	(1,985)
Other	(366)	(5)	(371)
Increase (decrease) in net assets from nonoperating activities	959	(16,558)	(15,599)
Decrease in net assets	(46,806)	(18,322)	(65,128)
Net assets at beginning of year	187,514	280,532	468,046
Net assets at end of year	\$ 140,708	\$ 262,210	\$ 402,918

See accompanying notes to consolidated financial statements.

ILLINOIS INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended May 31, 2024 and 2023
(In thousands of dollars)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ 28,032	\$ (65,128)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Private gifts restricted for long-term investment	(11,012)	(7,062)
Depreciation	23,313	21,648
Amortization	(1,517)	(1,516)
Net (gain) loss on investments	(25,312)	5,404
Net (gain) loss on beneficial interest in perpetual trust	(2,750)	1,551
Accretion on asset retirement obligation	129	431
Changes in assets and liabilities:		
Receivables: tuition, grants, pledges, and other	(7,409)	(903)
Inventories, prepaid expenses, and deferred charges	84	(1,383)
Accounts payable and accrued expenses	3,371	3,379
Accrued salaries and wages	(499)	(2,887)
Deferred revenue	(7,788)	8,006
Lease liability	(1,135)	(1,107)
Deposits by students and others	183	411
Accrued postretirement benefit obligation	(23)	(83)
Obligations under split-interest agreements	(26)	218
Asset retirement obligation	(145)	(732)
Deferred vendor incentive	(461)	(462)
Net cash from operating activities	<u>(2,965)</u>	<u>(40,215)</u>
Cash flows from investing activities		
Proceeds from sale of investments	205,537	220,312
Purchase of investments	(189,295)	(202,011)
Purchase of physical properties	(12,017)	(22,160)
Proceeds from endowment loan	-	15,000
Issuance of notes receivable	(75)	(63)
Payments received on notes receivable	633	1,223
Net cash from investing activities	<u>4,783</u>	<u>12,301</u>
Cash flows from financing activities		
Private gifts restricted for long-term investment	11,012	7,062
Return of capital to the U.S. government for student loans	(695)	(780)
Payments on capital lease	-	(486)
Proceeds on notes and bonds payable	-	26,175
Payments on notes and bonds payable	(5,596)	(5,376)
Net cash from financing activities	<u>4,721</u>	<u>26,595</u>

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended May 31, 2024 and 2023
(In thousands of dollars)

	<u>2024</u>	<u>2023</u>
Change in cash	\$ 6,539	\$ (1,319)
Cash at:		
Beginning of year	<u>8,869</u>	<u>10,188</u>
End of year	<u>\$ 15,408</u>	<u>\$ 8,869</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 10,152	\$ 8,901
Construction payable	1,086	1,851

See accompanying notes to consolidated financial statements.

ILLINOIS INSTITUTE OF TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2024 and 2023
(In thousands of dollars)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

Basis of Presentation: Illinois Institute of Technology (the University or Illinois Tech) is a private not-for-profit coeducational technical institution that is dedicated to superior teaching and excellent scholarship. Located in Chicago, Illinois, the University enrolls a diverse student body from across the nation and a number of foreign countries.

IIT India is a private not-for-profit entity headquartered in Bangalore, India. The entity has been created to facilitate IIT's ability to deliver long distance internet-based educational programs to residents of various cities in India.

IIT Research Institute (IITRI) is a not-for-profit corporation working for the advancement of knowledge and the beneficial application of science to meet the needs of society. IITRI's articles of incorporation provide that, in addition to its primary purpose, it will support and assist the University, and in the event of dissolution, IITRI's assets would be distributed to the University. Members of the executive committee of the Board of Trustees of the University are members of the IITRI Corporation. Four officers of the University serve ex officio as members of the IITRI Board of Governors. IITRI also prepares separate annual financial statements as of September 30, its fiscal year end.

The accompanying consolidated financial statements are as of May 31, which have been prepared on the accrual basis of accounting, include the accounts of Illinois Institute of Technology, IIT India, and IITRI as of May 31. All significant intercompany transactions between these entities have been eliminated from the accompanying consolidated financial statements.

Net Asset Categories: The University maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

For financial statement reporting purposes, however, the University's consolidated financial statements have been prepared to focus on the organization as a whole and to present balances and transactions in accordance with donor-imposed restrictions.

Net assets and related activity are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

With Donor Restrictions – Net assets that are subject to donor-imposed restrictions that will be met either by actions of the University or the passage of time. Items that affect this net asset category include gifts for which restrictions have not been satisfied and annuity and life income gifts for which the ultimate purpose of the proceeds is restricted temporarily.

Additionally, net assets that are subject to donor-imposed restrictions that require them to be maintained permanently by the University are considered net assets with donor restriction. Items that affect this net asset category include gifts and pledges wherein donors stipulate that the corpus be held in perpetuity (primarily gifts for endowment and providing loans to students) and only the income be made available for program operations, and annuity and life income gifts for which the ultimate purpose of the proceeds is permanently restricted.

Operations: Operating results in the consolidated statements of activities reflect all transactions increasing or decreasing net assets except those items associated with gifts and income relating to long-term investment, endowment spending, and other infrequent gains, losses, revenues, and expenses.

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2024 and 2023
(In thousands of dollars)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Continued)

Revenue Recognition:

Tuition, Fees, and Auxiliary Services

Tuition and fees are derived from academic services rendered by the University on campus and online, as well as from related educational resources that the University provides to its students, such as access to course and online materials. The University recognizes revenue for academic services over the applicable academic term. Scholarships provided to students by the University are reflected as a reduction of gross tuition and fees. For the years ended May 31, 2024 and 2023, tuition and fees revenue was reduced by approximately \$158,524 and \$141,649, respectively, due to scholarships the University provided to students. Tuition and fees received in advance of services are reported as deferred revenue and student deposits in the consolidated statements of financial position.

Sales and services of auxiliary enterprises include housing services, food services, a bookstore, parking operations, and events. The University recognizes revenue for housing and certain food services proportionately over the applicable academic term. For the years ended May 31, 2024 and 2023, auxiliary revenue was reduced by approximately \$7,014 and \$7,041, respectively, due to scholarships the University provided to students.

Fees related to housing and food received in advance of services are reported as deferred revenue and student deposits in the consolidated statements of financial position. The University typically recognizes revenue from other sales and services of auxiliary enterprises at the point in time sales occur or as services are rendered.

Sales and services of auxiliary enterprises consist of the following:

	<u>2024</u>	<u>2023</u>
Housing services, net	\$ 7,824	\$ 6,709
Food services	9,253	8,321
Other	<u>1,740</u>	<u>1,369</u>
 Total	 <u>\$ 18,817</u>	 <u>\$ 16,399</u>

The University's receivables represent unconditional rights to consideration from its contracts with customers. Typically, once a customer is invoiced for tuition, fees, and auxiliary services, payment is due immediately. Gross accounts receivables as of the years ended May 31, 2024 and 2023 were \$19,350 and \$15,357, respectively. The University's contract liabilities are presented as deferred revenue and student deposits in the consolidated statements of financial position. Deferred revenue and student deposits in any period represent the excess of tuition, fees, and other student payments received over amounts recognized as revenue on the statements of activities. The University's education programs have starting and ending dates that differ from its fiscal year end. Therefore, at fiscal year-end, a portion of revenue from these programs is not yet earned. The University does not present information about outstanding performance obligations as of year-end because its contracts with students all had original terms of less than one year.

The University maintains an institutional tuition refund policy, which provides for all or a portion of tuition and fees to be refunded if a student withdraws during the stated refund period.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Continued)

The University had no costs that were capitalized to obtain or to fulfill a contract with a customer.

Exchange Transactions from Grants and Contracts

Revenue from exchange transactions for applied research is recognized over time as the University's contractual performance obligations are satisfied. Revenue from cost-plus contracts is recognized as costs are incurred and includes a proportionate share of the fees earned. The percentage-of-completion method is used to recognize revenue on fixed price contracts based on various performance measures. From time to time, facts develop that require the University to revise its estimated total costs or revenues expected. The cumulative effect of revised estimates is recorded in the period in which the facts requiring revisions become known. Under time-and-materials contracts, labor and related costs are reimbursed at negotiated, fixed hourly rates. Revenue on time-and-materials contracts is recognized at contractually billable rates as labor hours and direct expenses are incurred. The full amount of anticipated losses on any type of contract is recognized in the period in which they become known.

Contributions from Gifts, Grants, and Contracts

Private gifts and government grants that are not considered exchange transactions, including pledges, are recognized in the period received. Conditional gifts, with a barrier and right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor. Contributions of assets other than cash are recorded at estimated fair value. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible pledges receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

Contributions received with donor-imposed restrictions that are met in the same year as the gifts are received are reported in the net asset without donor restrictions class. Contributions of land, building, and equipment without donor-imposed restrictions concerning the use of such long-lived assets are reported in the net asset without donor restrictions class. Contributions of cash or other assets to be used to acquire land, building, and equipment with such donor restrictions are reported in the net asset with donor restrictions class; the restrictions are considered to be released at the time the long-lived assets are placed in service.

Grants and contracts for basic research and other sponsored programs are generally subject to restrictions and conditions that must be met before the University is entitled to funding. Accordingly, advances from granting agencies are generally considered refundable in the unlikely event specified services are not performed. The University recognizes contribution revenue on grants for basic research and other sponsored programs as the awards for such programs are expended, since expenditure in accordance with award terms typically results in the simultaneous release of restrictions and conditions imposed by the grantor.

At May 31, 2024 and 2023, the University and IITRI also had unexpended grant awards of approximately \$5,757 and \$11,009, respectively, for which revenue has not been recognized pending fulfillment of conditions associated with the awards, which generally coincides with expenditure.

Indirect cost recovery by the University on U.S. government grants and contracts is based upon predetermined negotiated rates or provisional rates and is recorded as grants and contracts revenue.

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2024 and 2023
(In thousands of dollars)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Continued)

Funding from the American Rescue Plan (ARP): In May of 2021, the University was allocated \$9,727 in funding through the Higher Education Emergency Relief Fund (HEERF III) as authorized in the ARP Act. As required by the Act, \$4,869 of that allocation was directed to provide emergency financial aid grants to students and \$4,858 to defray University expenses associated with the coronavirus pandemic, including lost revenue. During the years ended May 31, 2024 and 2023, the University awarded \$8 and \$1,395, respectively, in emergency financial aid grants to students. During the years ended May 31, 2024 and 2023, the University recognized a pro rata share of revenue of \$8 and \$1,646, respectively, from the institutional portion of the funding to the extent that it met the conditions to incur allowable expenses.

Restructuring Expenses: In May of 2018, the University, under the direction of the Finance Committee, began an administrative assessment to find operational cost savings. The core areas of opportunity related to four items: (1) organizational restructuring to optimize service, realize process efficiencies and avoid redundancy of services, (2) elimination of policies and programs that were not cost effective, (3) redirect resources to mission centric and revenue generating activities and (4) consolidate the physical footprint and monetize rentable space. Restructuring expenses amounted to \$3,538 and for \$1,985 for the fiscal years ended May 31, 2024 and 2023, respectively. The expenses included consulting services, retirement incentives, system/software improvements and restructuring/reorganization of departments.

Cash and Cash Equivalents: Cash and cash equivalents are reported at cost, which approximates fair value. Cash equivalents represent short-term investments with original maturities of three months or less. The University maintains its cash balance in financial institutions which, at times, may exceed federally insured limits. The University has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable: Accounts receivable consist primarily of amounts due from students, net of an allowance for credit losses. The University estimates the credit loss allowance balance by performing an aging analysis and determining the probability of default using relevant available internal and external information, considering past and current conditions and reasonable and supportable forecasts. Accounts receivable are charged to the allowance for credit losses when the University determines the receivable is not collectible. The accounts receivable shown are net of allowance for credit losses of \$1,357 and \$1,167 as of May 31, 2024 and 2023, respectively.

Notes Receivable: Student notes receivable consist of Perkins loans and University loans, net of an allowance for credit losses. The University estimates the credit loss allowance balance by performing an aging analysis and determining the probability of default using relevant available internal and external information, considering past and current conditions and reasonable and supportable forecasts. Notes receivable are charged to the allowance for credit losses when the University determines the receivable is not collectible. The notes receivable shown are net of allowance for credit losses of \$638 and \$644 as of May 31, 2024 and 2023, respectively.

Investments: Investments are reported at fair value. The fair values of investments in stocks, equity mutual funds, bonds, and fixed-income mutual funds are generally determined based on quoted market prices. Management's estimate of the fair value of private equity, venture capital, alternative funds and hedge fund investments is determined based on net asset values (NAV) provided by the external investment managers, as a practical expedient in measuring fair value. The valuations for these investments involve estimates, appraisals, assumptions, and methods, which are reviewed by the University.

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2024 and 2023
(In thousands of dollars)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(Continued)

Cash equivalents, consisting primarily of fixed-income securities and money market accounts with original maturities of three months or less, related to endowment funds are classified as investments. Investment transactions are recorded on the trade date. Realized gains and losses on the sale of investments are calculated on the basis of specific identification of the securities sold. Investment management fees and service charges are netted against investment income for financial reporting purposes.

Inventory: Inventories are stated at cost, which is determined by the first-in, first-out method for both the University and IITRI.

Physical Properties: The University's and IITRI's fixed assets are recorded at cost of construction or acquisition. The University and IITRI depreciate their land improvements, buildings, and equipment on the straight-line method over their estimated useful lives, which range from 3 to 50 years.

Upon sale or retirement of an asset, a gain or loss is recorded based on the net book value at the time of sale or retirement. Minor expenditures for renovations, construction, and replacement of equipment are charged to current operations and are not capitalized.

Impairment of Long-Lived Assets: The University and IITRI account for long-lived assets in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 360 Subtopic 10, *Impairment or Disposal of Long-Lived Assets*. FASB ASC Section 360 Subtopic 10 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Management does not believe there are any impairments to long-lived assets.

Beneficial Interest in Perpetual Trusts: The University has a beneficial interest in certain perpetual trusts that are held by third parties and are reported at fair value. The University recognizes contribution revenue equal to its proportionate share of the fair value of the trust assets upon notification and determination that its right to receive benefits under the agreement is unconditional. Changes in the fair value of the University's interest in the trust assets are reflected as gains or losses in the period they occur.

Split-Interest Agreements: The University's split-interest agreements with donors consist of irrevocable charitable remainder trusts, annuity trusts, and charitable gift annuities for which the University is either the remainder beneficiary or both the trustee and the remainder beneficiary.

Assets held in trust for which the University serves as trustee are included in investments. In addition, the present value of the estimated future payments to be made to the donors and/or other beneficiaries is reported as an obligation under split-interest agreements. The liabilities are adjusted during the term of the agreements for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future benefits.

Assets held in trust for which the University does not serve as trustee are not reported as investments in the consolidated financial statements. However, contribution revenue and a receivable are recognized at the date the trusts are established at the fair value of the trust assets, which represents the estimated present value of the expected future cash flows to be received.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Continued)

Income Taxes: The University and IITRI have each received a determination letter from the Internal Revenue Service (IRS) stating that they are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code except for tax on unrelated business income. It is management's belief that none of its activities have produced material unrelated business income, and that the University has operated in a manner that qualifies it for tax-exempt status.

U.S. generally accepted accounting principles require University management to evaluate tax positions taken by the University and IITRI and recognize a tax liability (or asset) if the University and IITRI have taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed tax positions taken by the University and IITRI and has concluded that as of May 31, 2024 and 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The University and IITRI are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The University and IITRI management believes it is no longer subject to income tax examinations for years prior to 2021.

Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Right of Use Assets and Lease Liabilities: Right of use ("ROU") assets represent the University's right to use the underlying assets for the lease term and lease liabilities represent the net present value of the University's obligation to make payments arising from these leases. The lease liabilities are based on the present value of fixed lease payments over the lease term using the University's incremental borrowing rate on the lease commencement date or June 1, 2020 for leases that commenced prior to that date. If the lease includes one or more options to extend the term of the lease, the renewal option is considered in the lease term if it is reasonably certain the University will exercise the options. Operating lease expense is recognized on a straight-line basis over the term of the lease. As permitted by ASC 842, leases with an initial term of twelve months or less ("short-term leases") are not recorded on the accompanying statements of financial position.

The University has lease agreements with lease and non-lease components, which are accounted for as a single lease component under the practical expedient provisions of the standard. The University has lease agreements with terms less than one year. For the qualifying short-term leases, the University elected the short-term lease recognition exemption in which the Organization will not recognize ROU assets or lease liabilities, including the ROU assets or lease liabilities for existing short-term leases.

Variable lease payments consist primarily of common area maintenance, utilities and taxes, which are not included in the recognition of ROU assets and related lease liabilities. Variable lease payments and short-term lease expenses were immaterial to the University's consolidated financial statements for the years ended May 31, 2024 and 2023. The University's lease agreements do not contain material restrictive covenants. The University includes ROU assets within physical properties, less accumulated depreciation, on the consolidated statements of financial position.

The University is a lessee in several non-cancellable operating leases for networking and copier equipment. The finance lease is for the University's wireless system. The University determines if an arrangement is a lease at inception.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Continued)

Recently Adopted Accounting Pronouncements: In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments-Credit Losses Topic 326* (“Topic 326”), which requires entities to measure all expected credit losses for financial instruments held at the reporting date. The University adopted this standard effective June 1, 2022. The new expected loss measurement model, known as the current expected credit loss (“CECL”) model, is based on expected losses rather than incurred losses.

The adoption of this standard did not have a significant impact on the University’s consolidated financial statements.

NOTE 2 – INVESTMENTS

Investments consist of the following at May 31:

	<u>2024</u> <u>Fair Value</u>	<u>2023</u> <u>Fair Value</u>
Cash equivalents	\$ 23,488	\$ 19,824
Equity mutual funds	111,202	110,513
Bonds (IITRI)	3,436	4,712
Fixed income mutual funds	29,689	30,755
Alternative funds	46,970	50,302
Private equity and venture capital funds	55,304	44,913
Total investments	<u>\$ 270,089</u>	<u>\$ 261,019</u>

For investment purposes, the University pools substantially all assets of its endowment accounts. Each account owns “units” of the consolidated investment pool. The pooled assets are valued on an annual basis and a fair value per unit is determined, which is used to calculate the number of units purchased by accounts entering the pool and redeemed by accounts withdrawing from the pool. Income (interest, dividends, and rents) earned by the investment pool is distributed to the individual accounts on the basis of average units owned by each account in the pool during the year. The University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and interest and dividend income. The objective is to provide a stable source of funds to help and support the ongoing operation and activities of the University. The hedged equity, private equity, and venture capital funds are longer-lived, and include an overall investment strategy designed to enhance return and diversify risk.

Return on investments consists of the following for the years ended May 31:

	<u>2024</u>	<u>2023</u>
Return on investments:		
Interest and dividends	\$ 2,269	\$ 1,368
Net realized and unrealized gain (loss) on investments	25,312	(5,404)
Net return on investments	<u>\$ 27,581</u>	<u>\$ (4,036)</u>

The return on investments reflects income (loss) from investments held by IITRI of \$253 and \$(7) for 2024 and 2023, respectively.

(Continued)

NOTE 3 – FAIR VALUE MEASUREMENT

FASB ASC Section 820, *Fair Value Measurement*, defines fair value as the price that could be received for an asset or paid to transfer a liability in the University's principal or most advantageous market in an orderly transaction between market participants on the measurement date.

FASB ASC Section 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. In 2024 and 2023, the University used the following valuation techniques to measure the financial instruments fair value:

Level 1 consists of financial instruments, such as cash and cash equivalents, bonds, mutual funds, stocks, and money market funds, whose value is based on quoted market prices published by a financial institution or exchange, exchange-traded instruments, and listed equities.

Level 2 consists of fixed income securities that use pricing inputs other than quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, or inputs other than quoted prices that are observable including model-based valuation techniques.

Level 3 consists of investments for which there are no active markets. The University has beneficial interests in perpetual trusts as Level 3. Beneficial interests in perpetual trusts are held by various financial institutions. These values are based on the University's proportionate share of the investments. The fair values of the investments in these trusts are based on quoted market prices published by financial institutions.

The University's interests in alternative investment funds, such as hedged equity funds, private equity, venture capital funds, certain global equities and real estate are reported at NAV, which is used as a practical expedient to estimate fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of May 31, 2024 and 2023, the University had no plans to sell investments at amounts different from NAV. The University has \$160,309 and \$167,554 for 2024 and 2023, respectively, of investments in alternative investment funds, which are reported at fair value. The University has concluded that the NAV reported by the underlying fund approximates the fair value for these investments. Certain investments are redeemable with the fund at NAV under the original terms of the partnership agreements and/or subscription agreements and operations of the underlying funds.

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NOTE 3 – FAIR VALUE MEASUREMENT (Continued)

However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the University's interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the University's interest in the funds, and the University's ability to withdraw from the funds.

Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions occur in this limited secondary market, they may occur at discounts to the reported NAV. Therefore, if the redemption rights in the funds were restricted or eliminated and the University were to sell these investments in the secondary market, it is reasonably possible that a buyer in the secondary market may require a discount to the reported NAV, and the discount could be significant. The University has \$24,463 in unfunded commitments relative to private equity, venture capital and hedged equity alternative investments.

Assets Measured on a Recurring Basis

The following tables present information about the University's financial assets that are measured at fair value on a recurring basis as of May 31, 2024 and 2023, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	2024					Redemption or Liquidation	Lock up Expiration	Days' Notice
	Level 1	Level 2	Level 3	NAV (1)	Total			
Investments:								
Cash and cash equivalents	\$ 23,488	\$ -	\$ -	\$ -	\$ 23,488	Daily		One
Domestic fixed income:								
Fixed income (IIT)	963	-	-	-	963	Daily		One, Trade Day + 2
Fixed income (IITRI)	3,436	-	-	-	3,436	Daily		One
iShares Core U.S. Aggregate Bond ETF	12,738	-	-	-	12,738	Daily		One, Trade Day + 2
iShares TIPS Bond ETF	3,453	-	-	-	3,453	Daily		One, Trade Day + 2
iShares U.S. Treasury Bond ETF	7,742	-	-	-	7,742	Daily		One, Trade Day + 2
JPMorgan Ultra-Short Income ETF	4,793	-	-	-	4,793	Daily		One, Trade Day + 2
Total	<u>33,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,125</u>			
Domestic equities:								
State Street Global	1,574	-	-	-	1,574	Daily		One, Trade Day + 2
Adams Fund - Adage Series	-	-	-	14,656	14,656	Quarterly		60
Heard High Conviction Long Only Fund LLC	-	-	-	6,844	6,844	Quarterly		45
Invesco S&P 500 Equal Weight ETF	6,771	-	-	-	6,771	Daily		One, Trade Day + 2
iShares Core S&P Total U.S. Stock Market ETF	22,223	-	-	-	22,223	Daily		One, Trade Day + 2
Total	<u>30,568</u>	<u>-</u>	<u>-</u>	<u>21,500</u>	<u>52,068</u>			

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NOTE 3 – FAIR VALUE MEASUREMENT (Continued)

	2024					Redemption or Liquidation	Lock up Expiration	Days' Notice
	Level 1	Level 2	Level 3	NAV (1)	Total			
Global equities:								
AKO European Long Only Fund, Ltd	\$ -	\$ -	\$ -	\$ 6,776	\$ 6,776	Quarterly		30
Adams Fund - Ownership Series	-	-	-	13,229	13,229	Monthly		5
Children's Investment Fund, Ltd (The)	-	-	-	13,862	13,862	Every 24 months	2/1/2024	120
iShares Core MSCI Emerging Markets ETF	2,083	-	-	-	2,083	Daily		One, Trade Day + 2
iShares Core MSCI International Developed Markets ETF	6,874	-	-	-	6,874	Daily		One, Trade Day + 2
iShares MSCI Japan Index Fund	8,486	-	-	-	8,486	Daily		One, Trade Day + 2
Kalorama Separate Account Ichigo	-	-	-	3,635	3,635	Every 18 months		60
Kalorama Separate Account Overlook	-	-	-	4,189	4,189	Quarterly		60
Total	17,443	-	-	41,691	59,134			
Alternative funds:								
Kalorama Separate Account CBRE Segregated Portfolio	-	-	-	6,700	6,700	Quarterly		60
Clarion Lion Properties Fund, LP	-	-	-	4,633	4,633	Quarterly		90
Deerfield Partners, L.P.	-	-	-	785	785	36 months, Quarterly	4/1/2024	90
EcoR1 Capital Offshore Fund, Ltd.	-	-	-	3,260	3,260	Every 6 months	1/1/2024	60
Kalorama Separate Account Braidwell	-	-	-	792	792	Quarterly		90
Kalorama Separate Account Diameter	-	-	-	5,865	5,865	Quarterly		90
Kalorama Separate Account Laurion	-	-	-	5,823	5,823	12 months, Quarterly		45
Kalorama Separate Account Relative Value	-	-	-	6,908	6,908	Annual	1/1/2025	45
Mariner Atlantic Multi-Strategy Fund, Ltd	-	-	-	7,030	7,030	12 months, Quarterly		60
SPDR Gold Trust (ETF)	5,012	-	-	-	5,012	Daily		One, Trade Day + 2
StoneCastle FICA	-	-	-	45	45	Daily		One, Trade Day + 2
Wilson Fund SPC, Ltd (FJ Capital)	-	-	-	117	117	Daily		60
Total	5,012	-	-	41,958	46,970			
Private equity and venture								
Base10 Advancement Initiative I, L.P.	-	-	-	401	401	None		N/A
Bond II, LP	-	-	-	1,595	1,595	None		N/A
Bond III, LP	-	-	-	129	129	None		N/A
Coatue Growth V Offshore Feeder Fund LP	-	-	-	612	612	None		N/A
Commonfund Endowment Venture	-	-	-	1	1	None		N/A
Deerfield Private Design Fund V, L.P.	-	-	-	1,242	1,242	None		N/A
Foundation Capital X, L.P.	-	-	-	1,172	1,172	None		N/A
Georgetown Opportunistic Fund Series LLC - Series 2016	-	-	-	15,492	15,492	None		N/A
Georgetown Opportunistic Fund Series LLC - Series 2020 - A	-	-	-	2,941	2,941	None		N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - A	-	-	-	2,553	2,553	None		N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - B	-	-	-	1,836	1,836	None		N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - C	-	-	-	661	661	None		N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - D	-	-	-	1,972	1,972	None		N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - E	-	-	-	626	626	None		N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - F	-	-	-	243	243	None		N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - G	-	-	-	2,546	2,546	None		N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - H	-	-	-	330	330	None		N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - I	-	-	-	125	125	None		N/A
Georgetown Opportunistic Fund Series LLC - Series 2022 - A	-	-	-	1	1	None		N/A
Georgetown Opportunistic Fund Series LLC - Series 2022 - C	-	-	-	57	57	None		N/A
Georgetown Opportunistic Fund Series LLC - Series 2022 - D - Sub-	-	-	-	185	185	None		N/A
Georgetown Opportunistic Fund Series LLC - Series Core	-	-	-	98	98	None		N/A
Hirtle Callaghan PE Fund XII	-	-	-	7,152	7,152	None		N/A
Hirtle Callaghan Private Equity Fund XI, L.P.	-	-	-	5,360	5,360	None		N/A
iNovia Growth Fund II-A, L.P.	-	-	-	614	614	None		N/A
IPI Partners Fund II, LP	-	-	-	2,946	2,946	None		N/A
Jen 7 Parallel Fund	-	-	-	566	566	None		N/A
Luminate Capital Partners III, LP	-	-	-	508	508	None		N/A
Peppertree Capital Fund IX QP LP	-	-	-	1,624	1,624	None		N/A
Peppertree Capital Fund XQP, LP	-	-	-	300	300	None		N/A
RockCreek Impact Fund - Private	-	-	-	1,228	1,228	None		N/A
RoundTable Healthcare Partners Fund I	-	-	-	44	44	None		N/A
IIA	-	-	144	-	144	None		N/A
Total	-	-	144	55,160	55,304			
Total investments	109,636	-	144	160,309	270,089			
Other assets:								
Cash	15,408	-	-	-	15,408			
Perpetual trust	-	-	25,255	-	25,255			
Total other assets	15,408	-	25,255	-	40,663			
Total	\$ 125,044	\$ -	\$ 25,399	\$ 160,309	\$ 310,752			

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	2023				Redemption or Liquidation	Lock up Expiration	Days' Notice
	Level 1	Level 2	Level 3	NAV(1)			
Investments:							
Cash and cash equivalents	\$ 19,824	\$ -	\$ -	\$ -	\$ 19,824	Daily	One
Domestic fixed income:							
Fixed Income (IIT)	897	-	-	-	897	Daily	One, Trade Day + 2
Fixed Income (IITR)	4,712	-	-	-	4,712	Daily	One
Eaton Vance Advantage Floating Rate Fund	3,627	-	-	-	3,627	Daily	One, Trade Day + 2
Ellington Enhanced Income Fund, Ltd	-	-	-	4,553	4,553	Monthly	30
iShares Core U.S. Aggregate Bond ETF	12,706	-	-	-	12,706	Daily	One, Trade Day + 2
iShares TIPS Bond ETF	3,630	-	-	-	3,630	Daily	One, Trade Day + 2
JPMorgan Ultra-Short Income ETF	5,342	-	-	-	5,342	Daily	One, Trade Day + 2
Total	30,914	-	-	4,553	35,467		
Domestic equities:							
State Street Global	1,408	-	-	-	1,408	Daily	One, Trade Day + 2
Adams Fund - Adage Series	-	-	-	14,554	14,554	Quarterly	60
Heard High Conviction Long Only Fund LLC	-	-	-	5,171	5,171	Quarterly	45
iShares Core S&P Total U.S. Stock Market ETF	24,687	-	-	-	24,687	Daily	One, Trade Day + 2
Other	1,281	-	-	-	1,281	Daily	One
Total	27,376	-	-	19,725	47,101		
Global equities:							
AKO European Long Only Fund, Ltd	-	-	-	5,942	5,942	Quarterly	30
Adams Fund - Ownership Series	-	-	-	4,124	4,124	Monthly	5
Children's Investment Fund, Ltd (The)	-	-	-	10,396	10,396	Every 24 months	120
Generation IM Global Equity Fund	-	-	-	13,011	13,011	Quarterly	30
GMO Climate Change Fund	-	-	-	4,447	4,447	Daily	One, Trade Day + 2
Hillhouse China Value Fund (HHLR CF, LP)	-	-	-	3,443	3,443	Quarterly	60
iShares Core MSCI Emerging Markets ETF	968	-	-	-	968	Daily	One, Trade Day + 2
iShares Core MSCI International Developed Markets ETF	10,379	-	-	-	10,379	Daily	One, Trade Day + 2
Kalorama Separate Account Ichigo	-	-	-	3,240	3,240	Every 18 months	60
Kalorama Separate Account Overlook	-	-	-	4,172	4,172	Quarterly	60
Lone Cascade, LP	-	-	-	3,290	3,290	Quarterly	30
Total	11,347	-	-	52,065	63,412		
Alternative funds:							
Kalorama Separate Account CBRE Segregated Portfolio	-	-	-	7,405	7,405	Quarterly	60
Clarion Lion Properties Fund, LP	-	-	-	6,781	6,781	Quarterly	90
Deerfield Partners, L.P.	-	-	-	854	854	36 months, Quarterly	4/1/2024
EcoR1 Capital Offshore Fund, Ltd.	-	-	-	4,193	4,193	Every 6 months	1/1/2024
Kalorama Separate Account Braidwell	-	-	-	3,099	3,099	Quarterly	90
Kalorama Separate Account Diameter	-	-	-	5,441	5,441	Quarterly	90
Kalorama Separate Account Laurion	-	-	-	5,768	5,768	12 months, Quarterly	45
Kalorama Separate Account Relative Value	-	-	-	6,195	6,195	Annual	1/1/2025
Mariner Atlantic Multi-Strategy Fund, Ltd	-	-	-	6,539	6,539	12 months, Quarterly	60
SPDR Gold Trust (ETF)	3,860	-	-	-	3,860	Daily	One, Trade Day + 2
StoneCastle FICA	-	-	-	36	36	Daily	One, Trade Day + 2
Wilson Fund SPC, Ltd (FJ Capital)	-	-	-	131	131	Daily	60
Total	3,860	-	-	46,442	50,302		

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	2023				Redemption or Liquidation	Lock up Expiration	Days' Notice
	Level 1	Level 2	Level 3	NAV (1)			
Private equity and venture							
Base10 Advancement Initiative I, L.P.	\$ -	\$ -	\$ -	\$ 366	\$ 366	None	N/A
Bond II, LP	-	-	-	1,759	1,759	None	N/A
Bond III, LP	-	-	-	553	553	None	N/A
Coastal Growth V Offshore Feeder Fund LP	-	-	-	2	2	None	N/A
Commonfund Endowment Venture	-	-	-	2	2	None	N/A
Deerfield Private Design Fund V, L.P.	-	-	-	1,060	1,060	None	N/A
Foundation Capital X, L.P.	-	-	-	889	889	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2016 - Sub-Series 44	-	-	-	2,139	2,139	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2016 - Sub-Series 45	-	-	-	3,397	3,397	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2016 - Sub-Series 46	-	-	-	1,459	1,459	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2016 - Sub-Series 47	-	-	-	687	687	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2016 - Sub-Series 50	-	-	-	470	470	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2016 - Sub-Series 51	-	-	-	2,447	2,447	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2016 - Sub-Series 53/62	-	-	-	3,565	3,565	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2016 - Sub-Series 54	-	-	-	629	629	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2016 - Sub-Series 58	-	-	-	415	415	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2016 - Sub-Series 65	-	-	-	15	15	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2020 - A - Sub-Series 1	-	-	-	487	487	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2020 - A - Sub-Series 4	-	-	-	1,496	1,496	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - A - Sub-Series 1	-	-	-	1,955	1,955	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - A - Sub-Series 2	-	-	-	241	241	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - A - Sub-Series 3	-	-	-	124	124	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - B - Sub-Series 1	-	-	-	1,327	1,327	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - C - Sub-Series 1	-	-	-	698	698	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - D - Sub-Series 1	-	-	-	1,062	1,062	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - D - Sub-Series 2	-	-	-	67	67	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - E - Sub-Series 1	-	-	-	58	58	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - E - Sub-Series 2	-	-	-	311	311	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - F - Sub-Series 1	-	-	-	17	17	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - F - Sub-Series 2	-	-	-	48	48	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - F - Sub-Series 3	-	-	-	49	49	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - H - Sub-Series 3	-	-	-	160	160	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - H - Sub-Series 4	-	-	-	30	30	None	N/A
Georgetown Opportunistic Fund Series LLC - Series 2022 - D - Sub-Series 1	-	-	-	79	79	None	N/A
Hirtle Callaghan PE Fund XII	-	-	-	5,877	5,877	None	N/A
Hirtle Callaghan Private Equity Fund XI, L.P.	-	-	-	5,344	5,344	None	N/A
iNovia Growth Fund II-A, L.P.	-	-	-	503	503	None	N/A
IPI Partners Fund II, LP	-	-	-	1,745	1,745	None	N/A
Jen 7 Parallel Fund	-	-	-	694	694	None	N/A
Luminate Capital Partners III, LP	-	-	-	416	416	None	N/A
Pappertree Capital Fund IX QP, LP	-	-	-	1,087	1,087	None	N/A
RockCreek Impact Fund - Private	-	-	-	1,039	1,039	None	N/A
RoundTable Healthcare Partners Fund I	-	-	-	1	1	None	N/A
IIA	-	-	144	-	144	None	N/A
Total	-	-	144	44,769	44,913		
Total investments	93,321	-	144	167,554	261,019		
Other assets:							
Cash	8,869	-	-	-	8,869		
Perpetual trust	-	-	22,505	-	22,505		
Total other assets	8,869	-	22,505	-	31,374		
Total	\$ 102,190	\$ -	\$ 22,649	\$ 167,554	\$ 292,393		

(1) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

Investment Strategy: The investments above include multiple strategies in investments that are intended to either protect capital through unique investment opportunities while finding value when markets are less than optimal or to maximize returns greater than, while providing less correlation to, the volatility of the overall stock markets. Hedge and absolute return investments which seek to protect capital may include strategies such as equity long/short, relative value, even-driven, etc.

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NOTE 3 – FAIR VALUE MEASUREMENT (Continued)

The investment portfolio is diversified to minimize the concentration risk of any single security, class of securities, or asset class. Except as disclosed above, there is no provision for redemption during the life of these funds, and the timing of liquidation is unknown.

Aggregate investment liquidity as of May 31, 2024 and 2023, is presented below based on redemption or sale period:

	<u>2024</u>	<u>2023</u>
Investment redemption or sale period:		
Daily	\$ 109,798	\$ 97,934
Monthly	13,229	8,677
Quarterly	64,093	72,309
Annual	6,908	6,195
Subject to rolling lock-ups	20,757	30,991
Redemptions not permitted	<u>55,304</u>	<u>44,913</u>
Total	<u>\$ 270,089</u>	<u>\$ 261,019</u>

The tables below present a reconciliation and income statement classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended May 31, 2024 and 2023:

	<u>Beneficial Interest in Perpetual Trusts</u>
Beginning balance, June 1, 2023	\$ 22,505
Net investment return	2,750
Purchase of investment	<u>-</u>
Ending balance, May 31, 2024	<u>\$ 25,255</u>

The amount of total return for the period included in net return on investments attributable to the change in unrealized gain relating to assets still held at May 31, 2024	\$ 2,750
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ILLINOIS INSTITUTE OF TECHNOLOGY
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NOTE 3 – FAIR VALUE MEASUREMENT (Continued)

	<u>Beneficial Interest in Perpetual Trusts</u>
Beginning balance, June 1, 2022	\$ 24,056
Net investment return	(1,551)
Purchase of investment	<u>-</u>
Ending balance, May 31, 2023	<u>\$ 22,505</u>
The amount of total return for the period included in net return on investments attributable to the change in unrealized loss relating to assets still held at May 31, 2023	\$ (1,551)

NOTE 4 – ENDOWMENTS

The University endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by applicable standards, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the University has interpreted the State of Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Notwithstanding the foregoing, this determination is not intended to, and shall not, affect the University's authority under UPMIFA to spend any amounts from an endowment fund on a short-term basis even if the market value of the endowment fund is below the original value of the gifts by the donor. As the result of this interpretation, the University classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment; (b) the original value of the subsequent gifts to the permanent endowments; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund including unrealized gains and losses attributable to those gifts is classified as net assets with donor restrictions as there are specific purpose restrictions that have not been met by the University.

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NOTE 4 – ENDOWMENTS (Continued)

Endowment net assets consist of the following as of May 31, 2024:

	Without Donor Restrictions	With Donor Restrictions			Total Endowment Funds
		Other Funds	Underwater Funds	Total	
Board-designated funds	\$ 61,947	\$ -	\$ -	\$ -	\$ 61,947
Donor-restricted endowment corpus					
Original donor-restricted gifts	-	58,708	150,419	209,127	209,127
Accumulated gains (losses)	-	9,690	(16,961)	(7,271)	(7,271)
Donor-restricted endowment pledges	-	10,082	-	10,082	10,082
Total	\$ 61,947	\$ 78,480	\$ 133,458	\$ 211,938	\$ 273,885

Endowment net assets consist of the following as of May 31, 2023:

	Without Donor Restrictions	With Donor Restrictions			Total Endowment Funds
		Other Funds	Underwater Funds	Total	
Board-designated funds	\$ 60,814	\$ -	\$ -	\$ -	\$ 60,814
Donor-restricted endowment corpus					
Original donor-restricted gifts	-	62,820	140,262	203,082	203,082
Accumulated gains (losses)	-	9,805	(18,781)	(8,976)	(8,976)
Donor-restricted endowment pledges	-	3,879	-	3,879	3,879
Total	\$ 60,814	\$ 76,504	\$ 121,481	\$ 197,985	\$ 258,799

Changes in endowment net assets for the year ended May 31, 2024, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 60,814	\$ 197,985	\$ 258,799
Endowment-related investment return:			
Endowment-related investment income, net	470	1,530	2,000
Endowment-related net realized and unrealized gain	5,879	19,159	25,038
Total endowment-related investment return, net	6,349	20,689	27,038
Additions to endowment	1,089	8,903	9,992
Change in pledges with donor restrictions	-	6,203	6,203
Additional endowment distribution	-	(2,944)	(2,944)
Appropriation	(5,562)	(18,248)	(23,810)
Other	(743)	(650)	(1,393)
Endowment net assets, end of year	\$ 61,947	\$ 211,938	\$ 273,885

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
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NOTE 4 – ENDOWMENTS (Continued)

Changes in endowment net assets for the year ended May 31, 2023, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 66,888	\$ 227,090	\$ 293,978
Endowment-related investment return:			
Endowment-related investment income, net	291	926	1,217
Endowment-related net realized and unrealized loss	<u>(1,326)</u>	<u>(4,234)</u>	<u>(5,560)</u>
Total endowment-related investment return, net	(1,035)	(3,308)	(4,343)
Contributions and other items			
Additions to endowment	1,195	3,568	4,763
Change in pledges with donor restrictions	-	(977)	(977)
Additional endowment distribution	-	(8,000)	(8,000)
Appropriation	(3,015)	(10,243)	(13,258)
Net stock receipts/distributions	-	(3)	(3)
Other - Loan to Operations	(3,578)	(11,422)	(15,000)
Other	<u>359</u>	<u>1,280</u>	<u>1,639</u>
Endowment net assets, end of year	<u>\$ 60,814</u>	<u>\$ 197,985</u>	<u>\$ 258,799</u>

Spending Policy and Strategies Employed for Achieving Objectives: The University has adopted an investment policy to provide a stable source of funds to help and support the ongoing operations and activities of the University. Pursuant to this objective, the University seeks to earn a long-term total rate of return sufficient to produce growth of endowment assets, net of spending requirements of 5%, inflation, and investment expenses.

The purpose of the endowment funds is to facilitate donors' desires to make substantial long-term gifts to the University and to develop a new and significant source of revenue for the University. In doing so, the endowment fund will provide a secure, long-term source of funds to: (a) fund special programs; (b) ensure long-term growth; (c) enhance the University's ability to meet changing University needs; and (d) support the administrative expenses of the University as deemed appropriate.

To achieve these goals, the University's spending policy utilizes the total return concept of endowment spending. Under the method adopted by the University, interest and dividends as well as appreciation on investments held by the investment pool are made available for spending. The University's total endowment fund spending is based upon a target percentage of a subset of investments. The target percentage set by the Board of Trustees is 5% of the average quarterly endowment balance for the prior 12 quarters. In fiscal year 2024 the Board of Trustees increased the target percentage to 8.725% compared to 5% in fiscal year 2023. The endowment distribution expenditures were \$23,810 for fiscal year 2024 and \$13,258 for fiscal year 2023. The Board of Trustees budgeted endowment distribution is \$13,780 for fiscal year 2025.

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ILLINOIS INSTITUTE OF TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4 – ENDOWMENTS (Continued)

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor gave to the University to retain as a fund of perpetual duration. These deficiencies are the result of unfavorable investment returns in prior fiscal years, as well as appropriations deemed prudent, for certain programs, by the Board of Trustees. For the year ended May 31, 2024, there were 235 donor-restricted funds with deficiencies totaling approximately \$16,961. The original value of these funds was \$150,419. The aggregate fair value of these funds was \$133,458. For the year ended May 31, 2023, there were 228 donor-restricted funds with deficiencies totaling approximately \$18,781. The original value of these funds was \$140,262. The aggregate fair value of these funds was \$121,461.

The University has a policy that permits distribution for expenditure from underwater endowment funds, unless otherwise precluded by the donor intent or relevant laws and regulations. The target percentage set by the Board of Trustees is 5% of the average quarterly endowment balance for the prior 12 quarters. So as not to suspend certain programs, it was deemed prudent to appropriate 8.725% and 5% in for the years ending May 31, 2024 and 2023, respectively. In fiscal year 2024 the total endowment distribution from the underwater endowment funds was \$12,315 and \$17,340 in fiscal year 2023 for the expenditure on the donor restricted program purposes.

In fiscal year 2022, the University made a board approved loan of \$15,000 to fund a voluntary retirement incentive plan of \$3,314, and in fiscal year 2023 approved the balance of the loan, \$11,686, for operations. The Executive Committee considered and passed that the remaining loan could be used for operations. In fiscal year 2023, the University spent an additional \$8,000 on an individual endowment for scholarships.

NOTE 5 - PLEDGES RECEIVABLE

Pledges receivable consist of unconditional promises to give and are summarized as follows at May 31:

	<u>2024</u>	<u>2023</u>
Pledges receivable	\$ 21,095	\$ 14,089
Discount to present value future cash flows	(1,249)	(487)
Allowance for doubtful pledges receivable	<u>(2,570)</u>	<u>(2,419)</u>
Net pledges receivable	<u>\$ 17,276</u>	<u>\$ 11,183</u>

The following is a summary showing the expected timing of collection of total gross unconditional pledges receivable outstanding as of May 31:

	<u>2024</u>	<u>2023</u>
Less than one year	\$ 10,087	\$ 7,459
1 to 5 years	10,108	6,093
More than 5 years	<u>900</u>	<u>537</u>
	<u>\$ 21,095</u>	<u>\$ 14,089</u>

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
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NOTE 5 - PLEDGES RECEIVABLE (Continued)

As of May 31, 2024 and 2023, the University had received communications from certain donors that they intended to give approximately \$9,486 and \$12,027, respectively, to the University. However, these gifts are not deemed unconditional promises to give and, therefore, have not been recorded as revenue or pledges receivable for fiscal years 2024 and 2023.

NOTE 6 – FINANCING RECEIVABLES

The University's financing receivables consist of a revolving loan fund for Federal Perkins Loans for which the University acts as an agent for the federal government and institutional loan funds created by the University to assist students in funding their education. These loans are valued based on the outstanding principal balance, less an allowance for estimated losses. Interest earned on outstanding loan balances is recorded based on the terms of the individual loan agreements and continues to accrue even when past due.

The availability of funds for loans under the Federal Perkins Loan program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds held in the federal loan programs of \$1,589 and \$2,284 are ultimately refundable to the government and are classified as a liability in the consolidated statements of financial position as of May 31, 2024 and 2023, respectively.

Balances of financing receivables as of May 31, 2024, consist of the following:

	<u>Perkins Loans</u>	<u>Institutional Loans</u>	<u>Total</u>
Gross balance	\$ 1,368	\$ 2,027	\$ 3,395
Allowance for credit losses	<u>-</u>	<u>(638)</u>	<u>(638)</u>
Balance at May 31, 2024	<u>\$ 1,368</u>	<u>\$ 1,389</u>	<u>\$ 2,757</u>

Balances of financing receivables as of May 31, 2023, consist of the following:

	<u>Perkins Loans</u>	<u>Institutional Loans</u>	<u>Total</u>
Gross balance	\$ 2,008	\$ 2,128	\$ 4,136
Allowance for credit losses	<u>-</u>	<u>(644)</u>	<u>(644)</u>
Balance at May 31, 2023	<u>\$ 2,008</u>	<u>\$ 1,484</u>	<u>\$ 3,492</u>

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ILLINOIS INSTITUTE OF TECHNOLOGY
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NOTE 6 – FINANCING RECEIVABLES (Continued)

For each class of financing receivables, the following table presents the credit quality indicator as determined by the delinquency status of the loan as of May 31, 2024. The delinquency status is updated monthly by the University's loan servicer.

	Perkins <u>Loans</u>	Institutional <u>Loans</u>	<u>Total</u>
Performing	\$ 1,147	\$ 623	\$ 1,770
Nonperforming (defaulted)	<u>221</u>	<u>1,404</u>	<u>1,625</u>
Balance at May 31, 2024	<u>\$ 1,368</u>	<u>\$ 2,027</u>	<u>\$ 3,395</u>

The delinquency status as of May 31, 2023, is as follows:

	Perkins <u>Loans</u>	Institutional <u>Loans</u>	<u>Total</u>
Performing	\$ 1,736	\$ 697	\$ 2,433
Nonperforming (defaulted)	<u>272</u>	<u>1,431</u>	<u>1,703</u>
Balance at May 31, 2023	<u>\$ 2,008</u>	<u>\$ 2,128</u>	<u>\$ 4,136</u>

The aging of financing receivables as of May 31, 2024, is presented as follows:

<u>Aging</u>	<u>31-60</u>	<u>61-90</u>	<u>91+</u>	<u>Total Past Due</u>	<u>Total Current</u>	<u>Total</u>
Perkins	\$ 37	\$ 43	\$ 392	\$ 472	\$ 896	\$ 1,368
Institutional	<u>16</u>	<u>43</u>	<u>1,497</u>	<u>1,556</u>	<u>471</u>	<u>2,027</u>
Total	<u>\$ 53</u>	<u>\$ 86</u>	<u>\$ 1,889</u>	<u>\$ 2,028</u>	<u>\$ 1,367</u>	<u>\$ 3,395</u>

The aging of financing receivables as of May 31, 2023, is presented as follows:

<u>Aging</u>	<u>31-60</u>	<u>61-90</u>	<u>91+</u>	<u>Total Past Due</u>	<u>Total Current</u>	<u>Total</u>
Perkins	\$ 73	\$ 13	\$ 335	\$ 421	\$ 1,587	\$ 2,008
Institutional	<u>21</u>	<u>-</u>	<u>1,475</u>	<u>1,496</u>	<u>632</u>	<u>2,128</u>
Total	<u>\$ 94</u>	<u>\$ 13</u>	<u>\$ 1,810</u>	<u>\$ 1,917</u>	<u>\$ 2,219</u>	<u>\$ 4,136</u>

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
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NOTE 6 – FINANCING RECEIVABLES (Continued)

The University estimates the credit loss allowance balance by performing an aging analysis and determining the probability of default using relevant available internal and external information, considering past and current conditions and reasonable and supportable forecasts. Notes receivable are charged to the allowance for credit losses when the University determines the receivable is not collectible. Since student loans under the Perkins loan program can be assigned to the government when no longer collectible, a Perkins loan write-off will reduce the amount refundable to the government.

Changes in allowance for estimated losses on financing receivables for the year ended May 31, 2024, are as follows:

Balance at June 1, 2023	\$	644
Write-off		(31)
Increase reserve		<u>25</u>
Balance at May 31, 2024	\$	<u><u>638</u></u>

Changes in allowance for estimated losses on financing receivables for the year ended May 31, 2023, are as follows:

Balance at June 1, 2022	\$	655
Write-off		(11)
Increase reserve		<u>-</u>
Balance at May 31, 2023	\$	<u><u>644</u></u>

NOTE 7 – PHYSICAL PROPERTIES

The University's consolidated physical properties consisted of the following as of May 31:

	<u>2024</u>	<u>2023</u>
Land and land improvements	\$ 24,092	\$ 24,092
Building and building improvements	589,352	580,672
Equipment	118,748	115,690
Right of use asset	5,919	6,040
Construction in progress	<u>11,703</u>	<u>12,161</u>
Total physical properties	749,814	738,655
Less accumulated depreciation	<u>407,191</u>	<u>383,971</u>
Physical properties, net	<u><u>\$ 342,623</u></u>	<u><u>\$ 354,684</u></u>

The estimated cost to complete construction in progress at May 31, 2024 was approximately \$1,085.

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ILLINOIS INSTITUTE OF TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 – BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The University is an income beneficiary of certain irrevocable trusts that are held and controlled by independent trustees. The University has no equity interest in the principal of these trusts. At May 31, 2024 and 2023, the share of these trusts from which the University derives income had a combined fair value of \$25,255 and \$22,505, respectively. These trusts provided investment income without donor restrictions of \$1,096 and \$993 in fiscal years 2024 and 2023, respectively.

NOTE 9 – NOTES AND BOND PAYABLE

Notes and bonds payable consist of the following at May 31:

		<u>2024</u>	<u>2023</u>
IFA Bonds, Series 2018 payable in varying installments through 2034	3.60%	\$ 31,550	\$ 33,566
IFA Bonds, Series 2019, payable in varying installments through 2042	5% and 4%	111,130	114,190
IITRI - IFA Series 2014, payable in varying installments through 2034	Variable	2,320	2,840
Bond premium payable - series 2019		8,478	10,093
		<u>153,478</u>	<u>160,689</u>
Lines of credit	Variable	44,725	44,725
Trustee loans	Variable	20,000	20,000
Bond issuance costs		<u>(1,465)</u>	<u>(1,562)</u>
		<u>\$ 216,738</u>	<u>\$ 223,852</u>

The following is a summary of required principal payments on outstanding secured obligations as of May 31, 2024:

<u>Fiscal year ending:</u>	<u>Bond</u> <u>Principal</u>	<u>Notes Payable</u> <u>Principal</u>	<u>Total</u>
2025	\$ 5,543	\$ 64,725	\$ 70,268
2026	5,783	-	5,783
2027	6,038	-	6,038
2028	6,298	-	6,298
2029	6,573	-	6,573
2030 and thereafter	<u>114,765</u>	<u>-</u>	<u>114,765</u>
	<u>\$ 145,000</u>	<u>\$ 64,725</u>	<u>\$ 209,725</u>

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
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May 31, 2024 and 2023
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NOTE 9 – NOTES AND BOND PAYABLE (Continued)

In June of 2018, the University issued \$40,250 in fixed rate revenue bonds through the Illinois Finance Authority (IFA Series 2018) and Wintrust Bank. Proceeds from the bonds were used to reimburse the University for the costs of the acquisition of on campus student resident facilities, refund the IFA Series 2009 Bonds issued in the original principal amount of \$30,000, of which \$25,440 remained outstanding, and to finance or reimburse the University for certain of the costs incurred in connection with the issuance of IFA Series 2018 and the refunding of the IFA Series 2009. The fixed rate on the Series 2018 Bonds is 3.6% per annum.

In December of 2019, the University issued \$122,915 in fixed rate revenue bonds through the Illinois Finance Authority (IFA Series 2019). The bonds were issued at a premium of \$15,611, which is being amortized against interest expense over the call period of ten years. Proceeds from the bonds were used to refund the IFA Series 2006 Bonds issued in the original principal amount of \$160,000, of which \$135,125 remained outstanding, and to finance or reimburse the University for certain of the costs incurred in connection with the issuance of IFA Series 2019 and the refunding of the IFA Series 2006. The refunding lowered principal and resulted in an effective interest rate of 3.52%. The fixed rates on the Series 2019 Bonds are 5% and 4% with serial bonds maturing from September 2020 through 2041.

In August 2004, IITRI issued an \$18,820 bond issue of adjustable-rate demand debt under the tax-exempt authority of the Illinois Finance Authority (IFA Series 2004). The proceeds from the sale were used to renovate and construct lab and office space; establish a debt service reserve fund and pay certain costs incurred in connection with the bond issue. In February 2014, IITRI entered into a bond and loan agreement with the Illinois Finance Authority and North Shore Community Bank. IITRI issued a \$10,400 Revenue Refunding Bond (IFA Series 2014) that was sold to North Shore Community Bank and Trust. IITRI used the proceeds and certain other funds to refund and redeem the Series 2004 Bond. In February 2024, North Shore Community Bank and Trust agreed to continue to hold the bond to maturity. Starting February 1, 2025, and continue until the bond matures in 2034, the new principal payments on the Bond will be reduced from \$520 per a year to \$232 per a year. The interest rate is variable and reset by North Shore Community Bank on a monthly basis. The interest rate is based on an applicable factor of 74% times the sum of the Secured Overnight Financing Rate (“SOFR”) plus the applicable margin of 105 basis points on May 31, 2024 and 2023 the rates were 4.79% and 4.52%, respectively.

The University maintains a line-of-credit agreement that allow borrowings up to \$19,725 in 2024 and 2023. Borrowings under the line of credit will bear interest at the daily SOFR rate plus two hundred and fifty basis points. The borrowing under the line of credit will be payable on demand, but if no demand is made, borrowing shall automatically mature on the next interest payable date following the date the loan is made. The amount outstanding under the agreement was \$19,725 for each year ended May 31, 2024 and 2023. The line of credit agreement expires on June 27, 2025.

In August 2020, the University entered into an additional line-of-credit agreement that allows borrowings up to \$25,000 in 2021. Borrowings under the line of credit will bear interest at the daily SOFR rate plus two hundred and fifty basis points. The borrowing under the line of credit will be payable on demand, but if no demand is made, borrowing shall automatically mature on the next interest payable date following the date the loan is made. The amount outstanding under the agreement was \$25,000 for each year ended May 31, 2024 and 2023. The line of credit agreement expires on June 27, 2025.

The University has utilized a portion of these lines of credit to fund the purchase of construction in progress. It is expected that the lines of credit will be extended or refinanced into long-term debt.

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 – NOTES AND BOND PAYABLE (Continued)

In December 2022, the University entered into two subordinated promissory note agreements totaling \$20,000 with two trustee affiliated organizations. The notes accrue interest at the short-term applicable federal rate less one hundred basis points determined as of the date of the loan. Repayment of the principal amount and any unpaid interest is due on or before the first anniversary date. However, the University has extensions of time for payment, renewals of the notes and acceptance of partial payments, whether before, at, or after maturity, all or any of which may be made without notice and without affecting the University's liability to the trustee affiliated organizations. At May 31, 2024, the interest rate was 2.57%. The promissory notes mature on June 30, 2025.

The University and IITRI are subject to certain debt covenants. As of May 31, 2024, management believes those covenants have been either met or waived by the lender.

NOTE 10 – EMPLOYEE BENEFIT PLANS

Retirement Plan: Substantially all full-time employees of the University and IITRI are participants in defined contribution retirement plans that are funded by contributions from the University, IITRI, and participating employees. Total contributions made under the plans for the years ended May 31, 2024 and 2023 were \$406 and \$6,868 by the University and \$814 and \$692 by IITRI, respectively.

Healthcare Benefits Plans: The University maintains a healthcare benefits plan (the Plan) that provides for certain major medical, surgical, and other benefits for all eligible employees and dependents. The Plan is partially self-funded by the University, subject to stop-loss arrangements. Under this Plan, the University makes contributions to cover benefits not funded by employees, limited by stop-loss amounts.

IITRI offers a healthcare benefits plan (the Plan) that provides for certain medical and dental expense coverage, including certain vision discounts for all eligible employees and dependents. The Plan is fully insured and underwritten by Blue Cross Blue Shield of Illinois and Dearborn National. Under this Plan, premium contributions are shared by both IITRI and plan participants.

Accrued Postretirement Benefit Obligation: The University created a retirement incentive program for tenured faculty in November 2006. As part of the incentive program, certain medical benefits are offered to participants. A reconciliation of the plan's funded status with the accrued benefit cost reported on the consolidated statements of financial position at May 31, is presented below. The accumulated postretirement benefit obligation disclosed below is the actuarial value of future benefits for employees' service rendered through the measurement date:

	<u>2024</u>	<u>2023</u>
Accumulated postretirement benefit obligations at beginning of the period	\$ 750	\$ 833
Service cost	10	10
Interest cost	35	33
Actuarial loss	66	11
Actuarial benefit payments net contributions	<u>(134)</u>	<u>(137)</u>
Accumulated postretirement benefit obligation at end of the period	<u>\$ 727</u>	<u>\$ 750</u>

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
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NOTE 10 – EMPLOYEE BENEFIT PLANS (Continued)

The University follows FASB ASC Section 715 Subtopic 60, *Defined Benefit Plans – Other Postretirement*. The accumulated change to net assets without donor restrictions consisting of amounts that have not yet been recognized in net periodic benefit cost at May 31, are as follows:

	<u>2024</u>	<u>2023</u>
Service cost	\$ 10	\$ 10
Interest cost	35	33
	\$ 45	\$ 43
Net periodic postretirement benefit cost	\$ 45	\$ 43

These amounts will be subsequently recognized in future years as components of net periodic pension cost. The estimated amortization of transition obligation, prior service cost, and net losses in the next fiscal year is \$0, and \$11, and \$53, respectively.

Actuarial Assumptions

The weighted average assumptions used in the accounting for the postretirement plan for the years ended May 31, are shown below:

	<u>2024</u>	<u>2023</u>
Discount rate (expense)	4.98%	4.22%
Discount rate (obligation)	5.42	4.98
Healthcare cost trend rates:		
Healthcare cost trend rate assumed for next year	5.28	5.10
Ultimate rate	5.69	5.69
Year that the ultimate rate is reached	2029	2029

Assumed healthcare cost trend rates have a significant effect on the amounts reported for healthcare plans. A one-percentage point change in assumed healthcare cost trend rates would have the following effects for the fiscal years ended May 31:

	<u>2024</u>	<u>2023</u>
Effect on total service cost and interest cost:		
One-percentage point increase	\$ (3)	\$ (4)
One-percentage point decrease	3	3
Effect on year-end postretirement benefit obligation:		
One-percentage point increase	\$ (48)	\$ (47)
One-percentage point decrease	41	40

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
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NOTE 10 – EMPLOYEE BENEFIT PLANS (Continued)

Estimated Future Benefits Payments

The following benefit payments, which reflect expected future service, are expected to be paid for each of the fiscal years ending May 31:

<u>Fiscal Year:</u>		
2025	\$	101
2026		94
2027		88
2028		84
2029		76
2030-2034		305

Plan Amendment

Effective August 1, 2007, the plan was amended to eliminate post-65 benefits for all retirees, both current and future. There was also a group of faculty participants who were offered a special option under which the University would reimburse their premiums for post-65 retiree coverage. This special benefit option was only available through May 31, 2008. Participants had to sign up by this date in order to participate.

NOTE 11 – NET ASSETS

Certain net assets without donor restrictions are designated for specific purposes by the Board of Trustees of the University and are summarized as follows at May 31:

	<u>2024</u>	<u>2023</u>
Board-designated endowment	\$ 61,947	\$ 60,814
Net investment in physical properties	125,885	130,832
Undesignated	<u>(41,861)</u>	<u>(50,938)</u>
Total	<u>\$ 145,971</u>	<u>\$ 140,708</u>

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 11 – NET ASSETS (Continued)

Net assets with donor restrictions consist of the following at May 31:

	<u>2024</u>	<u>2023</u>
General operations	\$ 28,888	\$ 26,384
Endowment	201,856	194,106
Endowment pledges	10,082	3,879
Donor-designated for plant	8,855	6,594
Donor-restricted revolving loan funds	4,732	4,769
Scholarships	3,195	2,053
Split-interest annuity agreements	2,116	1,920
Beneficial interest in perpetual trusts	<u>25,255</u>	<u>22,505</u>
 Total	 <u>\$ 284,979</u>	 <u>\$ 262,210</u>

NOTE 12 – FUNCTIONAL CLASSIFICATION OF EXPENSES

Operating and nonoperating expenses are reported in the consolidated statements of activities by natural business category. The University's primary program services are instruction and research. Expenses reported as academic support, student services, institutional support, and auxiliary enterprises are incurred in support of these primary program services. Expenses are allocated based on square footage.

Consolidated expenses by functional classification are as follows for the years ended May 31:

<u>2024</u>	<u>Program Activities</u>	<u>Supporting Activities</u>	<u>Fundraising</u>	<u>Total</u>
Operating expenses:				
Faculty salaries	\$ 63,895	\$ 1,682	\$ -	\$ 65,577
Administrative salaries	27,928	16,100	7,608	51,636
Part-time salaries	16,457	1,047	63	17,567
Employee benefits	13,934	5,836	1,532	21,302
Operations and maintenance	19,100	8,293	-	27,393
Supplies and services	39,023	9,530	903	49,456
Professional fees and advertising	15,257	5,198	205	20,660
IITRI research	20,567	1,340	-	21,907
Interest on indebtedness	6,963	3,163	-	10,126
Depreciation	<u>16,868</u>	<u>6,445</u>	<u>-</u>	<u>23,313</u>
Total operating expenses	239,992	58,634	10,311	308,937
Restructuring expenses	<u>-</u>	<u>3,538</u>	<u>-</u>	<u>3,538</u>
 Total expenses	 <u>\$ 239,992</u>	 <u>\$ 62,172</u>	 <u>\$ 10,311</u>	 <u>\$ 312,475</u>

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 – FUNCTIONAL CLASSIFICATION OF EXPENSES (Continued)

<u>2023</u>	<u>Program</u> <u>Activities</u>	<u>Supporting</u> <u>Activities</u>	<u>Fundraising</u>	<u>Total</u>
Operating expenses:				
Faculty salaries	\$ 61,032	\$ 1,167	\$ -	\$ 62,199
Administrative salaries	27,583	16,277	7,737	51,597
Part-time salaries	15,127	1,263	89	16,479
Employee benefits	18,202	7,657	1,328	27,187
Operations and maintenance	18,569	7,836	-	26,405
Supplies and services	37,443	9,205	1,621	48,269
Professional fees and advertising	14,363	4,058	417	18,838
IITRI research	18,464	1,692	-	20,156
Interest on indebtedness	5,809	2,639	-	8,448
Depreciation	15,655	5,993	-	21,648
Total operating expenses	<u>232,247</u>	<u>57,787</u>	<u>11,192</u>	<u>301,226</u>
Restructuring expenses	<u>-</u>	<u>1,985</u>	<u>-</u>	<u>1,985</u>
 Total expenses	 <u>\$ 232,247</u>	 <u>\$ 59,772</u>	 <u>\$ 11,192</u>	 <u>\$ 303,211</u>

NOTE 13 – LEASES

The University has obligations as a lessee for networking and copier equipment, and a wireless system. The wireless system is classified as a finance lease while the other leases are classified as operating leases. Payments due under the lease contracts include fixed payments plus variable payments. These variable lease payments are not included in lease payments used to determine lease liability and are recognized as variable costs when incurred.

These leases have remaining lease terms of 1 year to 2 years.

In October 2023, the University entered into a 15-year lease with Zoe Life 400 Aberdeen LLC for approximately 424,642 square feet of laboratory, research, office, and retail area. This lease also includes the rental of 33,972 square feet for a chemical and product storage area. The rent is fully abated in months one through fifteen and partially abated in months sixteen to thirty. The anticipated lease commencement date is October 1, 2024, at which time a right of use asset and lease liability will be recorded for \$21,937.

The University's research and development building space requires it to make variable payments for the University's share of the building's property taxes, insurance, and common area maintenance. These variable lease payments will not be included in lease payments used to determine lease liability and will be recognized as variable costs when incurred.

Operating leases and the finance lease are included in physical properties, less accumulated depreciation and lease liabilities in the consolidated statements of financial position.

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2024 and 2023
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NOTE 13 – LEASES (Continued)

The components of lease expense were as follows:

<u>Year Ending May 31:</u>	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ <u>1,135</u>	\$ <u>1,094</u>
Financing lease cost		
Amortization of right-of-use asset	\$ 338	\$ 338
Interest on lease liability	<u>-</u>	<u>13</u>
Total finance lease cost	<u>\$ 338</u>	<u>\$ 351</u>

Supplemental cash flow information related to leases is as follows:

<u>Year Ending May 31:</u>	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 1,135	\$ 1,094
Financing cash flows from finance lease	-	486
Operating cash flows from finance lease	-	13

Supplemental balance sheet information related to leases is as follows:

<u>Year Ending May 31:</u>	<u>2024</u>	<u>2023</u>
Operating leases		
Right of use asset, net of accumulated depreciation	\$ <u>39</u>	\$ <u>949</u>
Lease liability	<u>\$ 34</u>	<u>\$ 1,169</u>
Finance lease		
Right of use asset, net of accumulated depreciation	\$ <u>415</u>	\$ <u>762</u>
Lease liability	<u>\$ -</u>	<u>\$ -</u>
Weighted average remaining lease terms		
Operating leases	2 year	1 year
Finance lease	-	-
Weighted average discount rate		
Operating leases	1.4%	1.4%
Finance lease	N/A	N/A

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13 – LEASES (Continued)

Maturities of lease liabilities were as follows:

<u>Year Ending May 31:</u>	Operating Leases	Finance Lease
2025	\$ 22	\$ -
2026	19	-
Total lease payments	<u>41</u>	<u>-</u>
Less imputed interest	<u>(7)</u>	<u>-</u>
Total	<u>\$ 34</u>	<u>\$ -</u>

In January 2006, the University entered into a 55-year ground lease agreement with Townsend Chicago, LLC (Townsend). Future minimum lease payments to be received for the next five years are as follows:

2025	\$ 183
2026	187
2027	191
2028	195
2029	199

NOTE 14 – BROADBAND LICENSE AND COGEN

The University had held two licenses with the Federal Communications Commission (FCC) since 1976. The license period for each channel is 10 years in duration and requires the payment of a nominal licensing fee with each renewal. In 2005, the FCC split the channels into two categories: Educational Broadband Services (EBS), and Broadband Radio Services (BRS). The FCC allows commercial entities to own the licensing to BRS channels, but only educational institutions can own the licensing to EBS channels.

The University had leased the excess capacity on its two licensed channels to Clearwire Spectrum Holdings III, LLC (Clearwire). In December 2017, the University entered into an agreement with Clearwire to cancel one of its existing license with the FCC on the BRS channel and terminate the related lease agreement with Clearwire for that channel's excess capacity to permit Clearwire to obtain the channel from the FCC. In February 2018 the license on that channel was cancelled with the FCC.

In May 2022, the University entered into an agreement to sell its license in its EBS channel to Clearwire Spectrum Holdings III LLC. The total consideration paid for the license was \$55,000. The consideration is payable by Clearwire to the University according to the following payment schedule:

2024	\$ 3,000
2025	3,000
2026	3,000
2027	3,000
2028	3,000
2029 and thereafter	<u>9,000</u>
	<u>\$ 24,000</u>

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
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NOTE 14 – BROADBAND LICENSE AND COGEN (Continued)

The University accounted for the sale of the Utility System assets with IIT Energy Tech Partners, LLC, as a sales type lease and recognized a gain on sale of fixed asset of \$8,228 for the year ended May 31, 2022. The University accounted for the right to operate the Utility System as a deferred vendor incentive of \$18,378. As of May 31, 2024 and 2023, the deferred vendor incentive was \$17,072 and \$17,533, respectively. For the years ended May 31, 2024 and 2023, the University amortized, on a straight-line basis, \$461 and \$462, respectively, as a reduction of operation and maintenance expense. The term of the agreement is 40 years. The University continues to evaluate alternatives for funding additional energy projects through the current contract.

NOTE 15 – CONTINGENCIES

The University is a defendant in legal proceedings arising in the ordinary course of its business. Although the outcome of these proceedings cannot presently be determined, in the opinion of management, disposition of these proceedings will not have a material adverse effect on the financial position of the University.

The amount of grants and contracts reflected in the consolidated financial statements is subject to review and adjustment by contracting agencies, principally, the federal government. The amount, if any, of expenses that may be disallowed by the contracting agencies cannot be determined at this time. It is the opinion of management that such disallowances, if any, will not be significant.

The University received student financial aid and CARES Act, CRRSAA, and ARP funding from the U.S. Department of Education for the fiscal years ended May 31, 2024 and 2023. The disbursement of funds received under such programs generally requires compliance with terms and conditions specified in federal regulations and are subjected to audit by U.S. Department of Education and possible disallowance of certain expenditures. The University has not had any significant disallowance of student financial aid in the past and expects such amounts, if any, to be immaterial.

NOTE 16 – LIQUIDITY AND AVAILABILITY

The University's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2024			2023
	<u>University</u>	<u>IITRI</u>	<u>Consolidated</u>	<u>Consolidated</u>
Financial assets:				
Cash and cash equivalents	\$ 14,220	\$ 1,188	\$ 15,408	\$ 8,869
Non-endowment investments	2,849	3,436	6,285	6,099
Accounts receivable, net	27,353	6,355	33,708	32,277
Pledge payments available for operations	4,373	-	4,373	7,459
Subsequent year's endowment payout	13,780	-	13,780	13,687
Total financial assets available within one year	<u>62,575</u>	<u>10,979</u>	<u>73,554</u>	<u>68,391</u>
Total financial assets and liquidity resources available within one year	<u>\$ 62,575</u>	<u>\$ 10,979</u>	<u>\$ 73,554</u>	<u>\$ 68,391</u>

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
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NOTE 16 – LIQUIDITY AND AVAILABILITY (Continued)

The University's cash flows have seasonal variations during the year attributable to tuition billing and a concentration of contributions received at calendar and fiscal year end. To manage liquidity, the University maintains a line of credit that is drawn upon as needed during the year to manage cash flows. For each year ended May 31, 2024 and 2023, the amount outstanding under the lines of credit amounted to \$44,725.

In addition, as of May 31, 2024 and 2023 the University has approximately \$58,000 and \$48,000, respectively, in funds functioning as endowment net of subsequent year appropriation, which is available for general expenditure with Board approval.

Management's Plan for Ongoing Liquidity

The University realized operating losses without donor restriction of approximately \$47,800 in fiscal year 2023 and \$38,000 in fiscal year 2022. These operating losses were attributable to increased expenses related to inflation, rising interest rates, and certain strategic investments. These strategic investments included improvements in enrollment management and advancement activities to increase tuition, contributions to the endowment and unrestricted funds, and cybersecurity investments in the IT Infrastructure. The University was notified on May 10, 2024, that its composite score ratio (CSR) for fiscal year 2023 was below the minimum score of 1.5 necessary to meet the requirement of the financial responsibility standards. For the University to continue to participate in the Title IV Higher Education Act (HEA) programs, the University elected to submit financial protection for \$12,352 (See Note 17) to the Department of Education (ED), which represents 50% of the Title IV HEA program funds received by the University in the most recently completed fiscal year.

In March 2023, the University obtained a debt covenant waiver from Wintrust Bank related to violations on the University's 2018 IFA Bonds. In conjunction with the waiver, the University also agreed to a revised monthly cash flow available for debt service covenant requirement beginning with the accounting period ending January 31, 2023 and continuing through the accounting period ending May 31, 2024. Starting with the accounting period ending August 31, 2024, and continuing through the accounting period ending May 31, 2025, the University will maintain a debt service coverage ratio of 1.00 as of each August 31, November 30, February 28 and May 31, each calculated on a rolling twelve-month basis. Commencing with the fiscal year ending May 31, 2026, the University will maintain a DSCR equal to at least 1.00 as of the end of each fiscal year.

During the financial statement audit for the year ended May 31, 2023, the University was not in compliance with the restructured DSCR, however the University has met its monthly cash flow available for debt service covenant requirements for fiscal year May 31, 2024.

For the year ended May 31, 2024, the University reported an increase in net assets from operating activities without donor restrictions of approximately \$4,800. The increase in net assets without donor restrictions in fiscal year 2024 is attributable to an increase in net tuition and fees of approximately \$32,900 as new enrollment strategies were implemented. The University also saw significant growth in operating private gifts of approximately \$10,500 over fiscal year 2023. The University's management also engaged consultants to assist in the implementation of zero-based budgeting for the fiscal year 2024 budget, which resulted in an increase in overall operating expenses of approximately \$7,700, or 2%, from fiscal year 2023 to fiscal year 2024. During fiscal year 2025, Management will continue implementing cost savings and revenue strategies with the goal of achieving positive operating results before depreciation in fiscal year 2026.

To increase liquidity, the Board approved an increase in the fiscal year 2024 annual endowment draw and an advance of the fiscal year 2025 annual endowment draw for cash flow purposes, if needed. The University drew a total of \$23,810 for fiscal year 2024. The University drew its standard 5% from the endowment on June 1, 2024 for fiscal year 2025.

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
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NOTE 16 – LIQUIDITY AND AVAILABILITY (Continued)

The University's banks, Wintrust and PNC, have renewed the lines of credit through June 27, 2025. It is expected that the lines of credit will be extended or refinanced into long-term debt. In addition, should the University be required to repay any of the 2018 IFA Bonds or the Wintrust or PNC lines of credit prior to maturity, the Board of Trustees approved that the University may enter a financing transaction with the University's endowment assets such that these endowment assets would purchase from the University a 12-month Promissory Note in an amount sufficient to make any necessary debt principal repayments and on such terms as are commercially reasonable to manage overall University liquidity.

NOTE 17 – SUBSEQUENT EVENTS

In connection with the preparation of the consolidated financial statements and in accordance with FASB ASC Topic 855, *Subsequent Events*, management evaluated subsequent events after the statement of financial position date of May 31, 2024 through September 16, 2024, which was the date the consolidated financial statements were issued. Identified subsequent events are discussed below.

The University was notified on May 10, 2024, that its composite score ratio (CSR) for fiscal year 2023 was below the minimum score of 1.5 necessary to meet the requirement of the financial responsibility standards. For the University to continue to participate in the Title IV Higher Education Act (HEA) programs, the University elected to submit financial protection for \$12,352 to the Department of Education (ED), which represents 50% of the Title IV HEA program funds received by the University in the most recently completed fiscal year. By choosing this option, the University qualifies as a financially responsible institution.

In June 2024, the University received an unrestricted gift of \$12,500 from a Trustee donor. To meet the financial responsibility standards discussed above, the University made the decision to provide \$12,352 from this Trustee gift to the Department of Education for this purpose. The cash deposit will be released once the University meets the minimum CSR threshold of 1.5.

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
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NOTE 18 – UNITED STATES DEPARTMENT OF EDUCATION SUPPLEMENTAL DISCLOSURES

The Department of Education issued regulations on September 23, 2019, which became effective July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV.

Net Assets

1	Net assets with donor restrictions: restricted in perpetuity	\$ 251,002
2	Other net assets with donor restrictions (not perpetually restricted):	
a.	Annuities with donor restrictions	\$ 980

Property, Plant and Equipment, net

3	Pre-implementation property, plant and equipment, net (PP&E, net)	
a.	Ending balance of last financial statements submitted to the Department of Education (May 31, 2023 financial statement)	\$ 242,231
b.	Less subsequent depreciation and disposals	<u>(15,667)</u>
c.	Balance pre-implementation property, plant and equipment, net	<u>226,564</u>
4	Debt financed post-implementation property, plant and equipment, net	
	Long-lived assets acquired with debt subsequent to May 31, 2023:	
a.	Construction in progress	<u>11,703</u>
b.	Total property, plant and equipment, net acquired with debt exceeding 12 months	11,703
5	Post-implementation property, plant and equipment, net, acquired without debt:	
a.	Ending balance of last financial statements submitted to the Department of Education (May 31, 2023 financial statement)	99,270
b.	Long-lived assets acquired without use of debt subsequent to May 31, 2023	11,252
c.	Less subsequent depreciation and disposals	<u>(6,200)</u>
d.	Balance post-implementation property, plant and equipment, net	104,322
6	Lease right-of-use assets - Pre-implementation	34
7	Lease right-of-use assets - Post-implementation	<u>-</u>
8	Total property, plant and equipment, net - May 31, 2024	<u>\$ 342,623</u>

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
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NOTE 18 – UNITED STATES DEPARTMENT OF EDUCATION SUPPLEMENTAL DISCLOSURES
(Continued)

Long-term Debt

9	Pre-implementation debt:	
	a. Ending balance of last financial statements submitted to the Department of Education (May 31, 2023):	\$ 160,689
	b. Less subsequent debt repayments and amortization of premiums and bond issuance costs	<u>(7,211)</u>
	c. Balance pre-implementation debt	<u>153,478</u>
10	Allowable post-implementation debt used for capitalized long-lived assets:	
	a. Buildings	11,703
11	Debt, not for the purchase of property, plant, and equipment	
	a. Trustee loan	20,000
	b. Other line of credit	33,022
12	Bond issuance cost	<u>(1,465)</u>
13	Total long-term debt - May 31, 2024	<u>\$ 216,738</u>

Right-of-use Asset Liability

14	Lease right-of-use asset liability pre-implementation	<u>\$ 34</u>
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Total Revenues and Gains

15	Revenue - Statement of Activities	\$ 313,747
16	Endowment spending distribution	(5,486)
17	Additional endowment distribution	2,944
18	Return on investments	6,700
19	Other distribution	<u>116</u>
20	Total revenues and gains	<u>\$ 318,021</u>

Total Expenses and Losses

21	Total operating expenses	\$ 308,937
22	Change in donor designation	283
23	Other	-
24	Restructuring expenses	<u>3,538</u>
25	Total expenses and losses	<u>\$ 312,758</u>

Unsecured related party receivable

26	Unsecured related party receivable (board member pledges receivable)	<u>\$ 4,174</u>
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NOTE 19 – RELATED PARTY TRANSACTIONS

The University has certain members of its Board of Trustees who have financial interests in entities which engage in business transactions with the University. These entities include Forward Space LLC, Collegis Education, Airgas USA LLC, and Global Grounds. The terms of the agreements and contracts with these entities are consistent with the University's policy and code of ethics. The terms are no more or less favorable to the University than could have been obtained from unrelated entities.

The consolidated financial statements include IIT, IITRI and IIT India. Transactions between these related organizations included reimbursement for purchases of goods or services or sharing of facilities. All inter-organizational balances have been eliminated in the consolidated financial statements. The University had contributions from Board members of \$8,132 and \$9,557 as of May 31, 2024 and 2023, respectively. The University had outstanding pledges receivable from Board members of \$4,174 and \$8,340 as of May 31, 2024 and 2023, respectively.

SUPPLEMENTARY INFORMATION

ILLINOIS INSTITUTE OF TECHNOLOGY
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	Pass-Through Entity (or Other) <u>Identifying Number</u>	AL <u>Number</u>	Federal Expenditures <u>Direct Awards</u>	Federal Expenditures <u>Indirect Awards</u>	Total Federal <u>Expenditures</u>	Passed Through to <u>Subrecipients</u>
Research and Development Cluster						
Department of Agriculture:						
Agricultural Research Basic and Applied Research	58-3060-9-047	10.001	\$ 137,641	\$ -	\$ 137,641	\$ -
Wholesale Farmers and Alternative Market Development - passed through:						
Virginia Polytechnic Institute and State University	549203-19G37	10.164	-	11,254	11,254	-
Acer Access Development Program- passed through:						
Northwestern University	60063642 IIT	10.174	-	10,305	10,305	-
Agriculture and Food Research Initiative (AFRI)	2019-67017-29254	10.310	83,767	-	83,767	-
Agriculture and Food Research Initiative (AFRI)	2020-67017-30780	10.310	108,881	-	108,881	(12,222)
Agriculture and Food Research Initiative (AFRI)	2020-67018-30783	10.310	89,791	-	89,791	-
Agriculture and Food Research Initiative (AFRI)	2024-67022-41533	10.310	66,651	-	66,651	-
Agriculture and Food Research Initiative (AFRI) - passed through:						
Michigan State University	RC111302A	10.310	-	126,538	126,538	-
National Food Safety Training, Education, Extension, Outreach, and Technical Assistance Competitive Grants Program - passed through:						
Iowa State University	024575A	10.328	-	15,033	15,033	-
Food Safety Cooperative Agreements	FSIS-C-01-2022	10.479	164,793	-	164,793	134,144
Food Safety Cooperative Agreements	IL-FSIS-C-01-2023	10.479	9,088	-	9,088	-
Food Safety Cooperative Agreements	IL-FSIS-C-01-2024	10.479	29,116	-	29,116	-
Technical Assistance for Specialty Crops Program - passed through:						
International Fresh Produce Association	IFPA2023	10.604	-	157,226	157,226	-
			<u>689,728</u>	<u>320,356</u>	<u>1,010,084</u>	<u>121,922</u>

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Department of Defense:						
Basic and Applied Scientific Research	N00014-22-1-2552	12.300	\$ 234,951	\$ -	\$ 234,951	\$ 40,250
Basic and Applied Scientific Research	N00014-23-1-2293	12.300	129,196	-	129,196	50,215
Basic and Applied Scientific Research - passed through:						
Florida State University	R000003085	12.300	-	25,395	25,395	-
Military Medical Research and Development - passed through:						
Boston VA Research Institute Inc.	0137FEDbMicrocoilbasedProsthesis	12.420	-	(2,188)	(2,188)	-
Michigan State University	RC107586- IIT	12.420	-	3,824	3,824	-
Air Force Defense Research Sciences Program	FA9550-23-1-0169	12.800	51,882	-	51,882	-
Air Force Defense Research Sciences Program	FA9550-23-1-0269	12.800	324,517	-	324,517	227,257
Air Force Defense Research Sciences Program - passed through:						
California Institute of Technology	S557616	12.800	-	93,962	93,962	-
Florida State University	R000003070	12.800	-	(2,917)	(2,917)	-
University of Florida	SUB00003590	12.800	-	95,818	95,818	-
Department of Defense Contracts - passed through:						
Charles River Analytics, Inc.	SC2211601/HR00112290100	12.RD	-	36,140	36,140	-
Corvid Technologies	SA21-017/W81XWH-21-C-0054	12.RD	-	256,558	256,558	-
Qunav LLC	IIT-IGEM-01/W31P4Q-21-C-0006	12.RD	-	(5,048)	(5,048)	-
Riverside Research Institute	DRC.11223.03.RR002188.21/FA8650-14-D-1737	12.RD	-	41,469	41,469	-
Starfish Space Inc.	FA864923P1238	12.RD	-	191,585	191,585	-
University of Alberta	RES0047579-S001/W81XWH2010875	12.RD	-	198,832	198,832	4,005
University of Notre Dame	203278IIT/2018-JU-2776/HR0011-18-3-0004	12.RD	-	66,288	66,288	-
University of Pennsylvania	578727/PO-0018618/HR001119C0106	12.RD	-	101,308	101,308	-
			<u>740,546</u>	<u>1,101,026</u>	<u>1,841,572</u>	<u>321,727</u>
Department of Housing and Urban Development:						
Healthy Homes Technical Studies Grants	ILHUU0049-19	14.906	<u>518,879</u>	<u>-</u>	<u>518,879</u>	<u>237,032</u>
			<u>518,879</u>	<u>-</u>	<u>518,879</u>	<u>237,032</u>
Department of Interior:						
Assistance to State Water Resources Research Institutes - passed through:						
Oklahoma State University	1-508472-IIT	15.805	-	27,897	27,897	-
University of Illinois	106053-19204	15.805	-	17,626	17,626	-
University of Illinois	111876-19372	15.805	-	49,459	49,459	-
			<u>-</u>	<u>94,982</u>	<u>94,982</u>	<u>-</u>

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Department of Transportation:						
Aviation Research Grants	693KA8-21-T-00027	20.108	\$ 324,828	\$ -	\$ 324,828	\$ 75,211
Highway Planning and Construction- passed through						
University of Illinois	087795- 18539	20.205	-	75,352	75,352	-
University of Illinois	087795- 19604	20.205	-	19,790	19,790	-
University of Illinois	087795- 19614	20.205	-	16,641	16,641	-
University Transportation Centers Program	69A3552348324	20.701	405,194	-	405,194	172,558
			<u>730,022</u>	<u>111,783</u>	<u>841,805</u>	<u>247,769</u>
National Aeronautics and Space Administration:						
Science	80NSSC19K0086	43.001	58,115	-	58,115	34,402
Science - passed through						
Embry- Riddle Aeronautical University	61684- 01	43.001	-	85,854	85,854	-
University of Colorado Boulder	1556932	43.001	-	2,242	2,242	-
University of Florida	SUB00002258	43.001	-	6,920	6,920	-
The University of Texas at Dallas	22010082	43.001	-	18,289	18,289	-
Aeronautics - passed through						
Florida State University	R000003037	43.002	-	149,107	149,107	-
Exploration	80NSSC20K1598	43.003	52,241	-	52,241	-
Education - passed through						
University of Illinois	099286- 17920	43.008	-	48,187	48,187	-
National Aeronautics and Space Administration Contracts - passed through						
Space Telescope Science Institute	HST-GO- 17134.008- A/NAS5-26555	43.RD	-	1,925	1,925	-
University of Michigan	SUBK00019738/80GSFC23CA042	43.RD	-	7,215	7,215	-
			<u>110,356</u>	<u>319,739</u>	<u>430,095</u>	<u>34,402</u>

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National Science Foundation:						
Engineering Grants	CBET-2135173	47.041	\$ 194,934	\$ -	\$ 194,934	\$ -
Engineering Grants	CBET-2238770	47.041	113,391	-	113,391	-
Engineering Grants	CBET-2240045	47.041	6,947	-	6,947	-
Engineering Grants	CBET-2241333	47.041	27,368	-	27,368	-
Engineering Grants	CBET-2303915	47.041	301,912	-	301,912	-
Engineering Grants	CBET-2332390	47.041	463	-	463	-
Engineering Grants	CMMI-1762774	47.041	15,923	-	15,923	-
Engineering Grants	CMMI-2135735	47.041	227,744	-	227,744	-
Engineering Grants	CMMI-2219203	47.041	100,622	-	100,622	-
Engineering Grants	CMMI-2222870	47.041	81,264	-	81,264	-
Engineering Grants	ECCS-1810105	47.041	29,231	-	29,231	-
Engineering Grants	ECCS-1927432	47.041	122,226	-	122,226	-
Engineering Grants	ECCS-2130718	47.041	63,027	-	63,027	-
Engineering Grants	EFMA-1830939	47.041	111	-	111	-
Engineering Grants	IIP-1918991	47.041	79,581	-	79,581	-
Engineering Grants - passed through:						
American University	31663-A220027-S12	47.041	-	110,654	110,654	-
Boron Nitride Power LLC	IIP-2109286	47.041	-	25,053	25,053	-
The Research Foundation for the State University of New York	98421-IIT	47.041	-	24,082	24,082	-
Mathematical and Physical Sciences	CHE-1905324	47.049	17,108	-	17,108	-
Mathematical and Physical Sciences	DMR-1945380	47.049	21,444	-	21,444	-
Mathematical and Physical Sciences	DMR-2050916	47.049	168,332	-	168,332	-
Mathematical and Physical Sciences	DMR-2213441	47.049	110,604	-	110,604	-
Mathematical and Physical Sciences	DMS-1855309	47.049	8,048	-	8,048	-
Mathematical and Physical Sciences	DMS-1907568	47.049	1,869	-	1,869	-
Mathematical and Physical Sciences	DMS-1916467	47.049	10,878	-	10,878	-
Mathematical and Physical Sciences	DMS-1950868	47.049	14,554	-	14,554	-
Mathematical and Physical Sciences	DMS-2027725	47.049	80,769	-	80,769	-
Mathematical and Physical Sciences	DMS-2118181	47.049	19,860	-	19,860	-
Mathematical and Physical Sciences	DMS-2153029	47.049	57,991	-	57,991	-

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National Science Foundation, continued						
Mathematical and Physical Sciences	DMS-2205751	47.049	\$ 61,702	\$ -	\$ 61,702	\$ -
Mathematical and Physical Sciences	DMS-2244553	47.049	107,210	-	107,210	-
Mathematical and Physical Sciences	DMS-2309798	47.049	29,654	-	29,654	-
Mathematical and Physical Sciences	DMS-2316011	47.049	38,879	-	38,879	-
Mathematical and Physical Sciences	ECCS-2216926	47.049	111,752	-	111,752	-
Computer and Information Science and Engineering	CCF-2008907	47.070	153,323	-	153,323	-
Computer and Information Science and Engineering	CCF-2107289	47.070	(41,283)	-	(41,283)	-
Computer and Information Science and Engineering	CCF-2109316	47.070	71,359	-	71,359	-
Computer and Information Science and Engineering	CCF-2119294	47.070	22,010	-	22,010	-
Computer and Information Science and Engineering	CCF-2319243	47.070	3,570	-	3,570	-
Computer and Information Science and Engineering	CNS-1814872	47.070	41,212	-	41,212	-
Computer and Information Science and Engineering	CNS-1816908	47.070	2,915	-	2,915	-
Computer and Information Science and Engineering	CNS-2008092	47.070	118,842	-	118,842	-
Computer and Information Science and Engineering	CNS-2109982	47.070	2,356	-	2,356	-
Computer and Information Science and Engineering	CNS-2152497	47.070	2,064	-	2,064	-
Computer and Information Science and Engineering	CNS-2239757	47.070	106,864	-	106,864	-
Computer and Information Science and Engineering	CNS-2241713	47.070	18,661	-	18,661	-
Computer and Information Science and Engineering	CNS-2245627	47.070	38,172	-	38,172	-
Computer and Information Science and Engineering	CNS2310422	47.070	29,955	-	29,955	-
Computer and Information Science and Engineering	IIS-1956123	47.070	54,047	-	54,047	-
Computer and Information Science and Engineering	IIS-2022227	47.070	5,479	-	5,479	-
Computer and Information Science and Engineering	IIS-2107107	47.070	29,572	-	29,572	-
Computer and Information Science and Engineering	IIS-2246157	47.070	11,646	-	11,646	-
Computer and Information Science and Engineering	IIS-2309142	47.070	2,499	-	2,499	-
Computer and Information Science and Engineering	IIS2333695	47.070	14,986	-	14,986	-
Computer and Information Science and Engineering	OAC-1835764	47.070	114,522	-	114,522	73,416
Computer and Information Science and Engineering	OAC-1940114	47.070	25,407	-	25,407	-
Computer and Information Science and Engineering	OAC-2104013	47.070	549,342	-	549,342	-
Computer and Information Science and Engineering	OAC-2107548	47.070	48,827	-	48,827	-
Computer and Information Science and Engineering	OAC-2150500	47.070	144,217	-	144,217	-
Computer and Information Science and Engineering	OAC-2313154	47.070	6,545	-	6,545	-
Computer and Information Science and Engineering - passed through:						
Carnegie Mellon University	1122801-438378	47.070	-	102,082	102,082	-
Texas A&M Engineering Experiment Station	M2300570	47.070	-	23,600	23,600	-
Texas State University - San Marcos	21024-83303-1	47.070	-	107	107	-

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National Science Foundation, continued						
Biological Sciences	DBI- 2120626	47.074	\$ 13,190	\$ -	\$ 13,190	\$ 3,560
Biological Sciences	MCB- 2123593	47.074	2,453	-	2,453	-
Biological Sciences - passed through:						
Baker University	DBI- 2002763	47.074	-	3,964	3,964	-
Social, Behavioral, and Economic Sciences	BCS- 2040422	47.075	109,996	-	109,996	-
Social, Behavioral, and Economic Sciences	BCS- 2324487	47.075	82,882	-	82,882	-
Social, Behavioral, and Economic Sciences	SES- 1922391	47.075	339	-	339	-
Social, Behavioral, and Economic Sciences - passed through						
University of Virginia	GA11551.PO#2304943	47.075	-	27,748	27,748	-
Education and Human Resources	DUE- 2044444	47.076	79,066	-	79,066	-
Education and Human Resources - passed through						
Chicago State University	53114	47.076	-	20,332	20,332	-
National Louis University	2150961(503221)	47.076	-	18,165	18,165	-
Polar Programs	OPP- 1940483	47.078	82,255	-	82,255	-
Office of International Science and Engineering	OISE- 2230770	47.079	399,665	-	399,665	75,173
NSF Technology, Innovation, and Partnerships	DMR- 2328827	47.084	38,956	-	38,956	-
NSF Technology, Innovation, and Partnerships	ITE- 2322772	47.084	4,162	-	4,162	-
NSF Technology, Innovation, and Partnerships	ITE- 2331458	47.084	23,235	-	23,235	-
			<u>4,638,706</u>	<u>355,787</u>	<u>4,994,493</u>	<u>152,149</u>
Office of the Director of National Intelligence:						
Office of the Director of National Intelligence Contracts - passed through:						
Charles River Analytics, Inc.	SC2205801/2022-22072200001	54.RD	-	221,935	221,935	-
			<u>-</u>	<u>221,935</u>	<u>221,935</u>	<u>-</u>
Environmental Protection Agency:						
Great Lakes Program - passed through:						
Indiana University	8214- IIT	66.469	-	17,025	17,025	-
Science To Achieve Results (STAR) Research Program - passed through:						
Public Health Institute	03244- AR04042	66.509	-	507	507	-
Public Health Institute	03244- AR59484	66.509	-	68,228	68,228	-
P3 Award: National Student Design Competition for Sustainability (B)	SU- 84018001-0	66.516	64,809	-	64,809	-
			<u>64,809</u>	<u>85,760</u>	<u>150,569</u>	<u>-</u>

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Department of Energy:						
Cybersecurity, Energy Security & Emergency Response (CESER) - passed through:						
University of Illinois						
	19189	81.008	\$ -	\$ 49,242	\$ 49,242	\$ -
Office of Science Financial Assistance Program	DE- SC0008347	81.049	360,569	-	360,569	-
Office of Science Financial Assistance Program	DE- SC0015479	81.049	(1,530)	-	(1,530)	-
Office of Science Financial Assistance Program	DE- SC0019264	81.049	131,554	-	131,554	-
Office of Science Financial Assistance Program	DE- SC0020379	81.049	177,479	-	177,479	118,534
Office of Science Financial Assistance Program	DE- SC0022057	81.049	43,563	-	43,563	-
Office of Science Financial Assistance Program	DE- SC0022276	81.049	217,846	-	217,846	101,900
Office of Science Financial Assistance Program	DE- SC0023263	81.049	256,101	-	256,101	-
Office of Science Financial Assistance Program	DE- SC0024593	81.049	58,429	-	58,429	-
Office of Science Financial Assistance Program	DE- SC0024594	81.049	135,885	-	135,885	-
Office of Science Financial Assistance Program - passed through:						
University of Illinois						
	19764	81.049	-	43,146	43,146	-
Conservation Research and Development	DE- EE0008713	81.086	326,128	-	326,128	-
Conservation Research and Development - passed through:						
Magna Services of America Inc.						
	DE- EE0008869	81.086	-	3,221	3,221	-
Pennsylvania State University	S002939- USDOE	81.086	-	32,044	32,044	-
WM International Engineering LLC	2474- 1513	81.086	-	187,737	187,737	-
Renewable Energy Research and Development - passed through:						
Texas A&M Engineering Experiment Station						
	M2100081	81.087	-	204,075	204,075	-
Fossil Energy Research and Development	DE- FE0031931	81.089	276,699	-	276,699	157,225
Defense Nuclear Nonproliferation Research - passed through:						
University of Michigan						
	SUBK00021023	81.113	-	39,411	39,411	-
Nuclear Energy Research, Development and Demonstration (B)	DE- NE0000105	81.121	7,050	-	7,050	-

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Department of Energy, continued						
Advanced Research Projects Agency - Energy	DE- AR0001463	81.135	\$ 290,200	\$ -	\$ 290,200	\$ 54,022
Advanced Research Projects Agency - Energy	DE- AR0001581	81.135	872,826	-	872,826	-
Advanced Research Projects Agency - Energy - passed through:						
University of Texas at Arlington	2023GC0321	81.135	-	27,425	27,425	-
Department of Energy Contracts - passed through						
Argonne National Laboratory	1J- 60054/DE- AC02- 06CH11357	81.RD	-	48,000	48,000	-
Argonne National Laboratory	3J- 60004/DE- AC02- 06CH11357	81.RD	-	1,182,233	1,182,233	-
Argonne National Laboratory	8J- 30001/DE- AC02- 06CH11357	81.RD	-	594,030	594,030	-
Argonne National Laboratory	ANL- JA/DE- AC02- 06CH11357	81.RD	-	32,380	32,380	-
Argonne National Laboratory	PRJ1008284/DE- AC02- 06CH11357	81.RD	-	12,180	12,180	-
Fermi National Laboratory	672111/DE- AC02- 07CH11359	81.RD	-	116,547	116,547	-
Fermi National Laboratory	672116/DE- AC02- 07CH11359	81.RD	-	12,566	12,566	-
Fermi National Laboratory	674607/DE- AC02- 07CH11359	81.RD	-	138,168	138,168	-
Fermi National Laboratory	680132/DE- AC02- 07CH11359	81.RD	-	41,750	41,750	-
Fermi National Laboratory	687798/DE- AC02- 07CH11359	81.RD	-	1,013	1,013	-
Fermi National Laboratory	687811/DE- AC02- 07CH11359	81.RD	-	75,043	75,043	-
Fermi National Laboratory	687862/DE- AC02- 07CH11359	81.RD	-	73,194	73,194	-
Fermi National Laboratory	692034/DE- AC02- 07CH11359	81.RD	-	23,074	23,074	-
Fermi National Laboratory	693611/DE- AC02- 07CH11359	81.RD	-	95,656	95,656	-
Fermi National Laboratory	700082/DE- AC02- 07CH11359	81.RD	-	75,034	75,034	-
Fermi National Laboratory	705531/DE- AC02- 07CH11359	81.RD	-	40,309	40,309	-
Fermi National Laboratory	705792/DE- AC02- 07CH11359	81.RD	-	67,205	67,205	-
Fermi National Laboratory	706263/DE- AC02- 07CH11359	81.RD	-	24,637	24,637	-
Fermi National Laboratory	707945/DE- AC02- 07CH11359	81.RD	-	34,275	34,275	-
Lawrence Livermore National Laboratory	B652514/DE- AC52- 07NA27344	81.RD	-	159,760	159,760	-
Lawrence Livermore National Laboratory	B655958/DE- AC52- 07NA27344	81.RD	-	52,326	52,326	-
Lawrence Livermore National Laboratory	B662106/DE- AC52- 07NA27344	81.RD	-	28,752	28,752	-
Los Alamos National Laboratory	C4129/89233218CNA000001	81.RD	-	3,513	3,513	-
Oak Ridge National Laboratory	CW45254/4000208616/DE- AC05- 00OR22725	81.RD	-	42,618	42,618	-
Pacific Northwest National Laboratory	651178/DE- AC05- 76RL01830	81.RD	-	27,624	27,624	-
			<u>3,152,799</u>	<u>3,588,188</u>	<u>6,740,987</u>	<u>431,681</u>

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended May 31, 2024

	Pass-Through Entity (or Other) <u>Identifying Number</u>	AL <u>Number</u>	Federal Expenditures <u>Direct Awards</u>	Federal Expenditures <u>Indirect Awards</u>	Total Federal <u>Expenditures</u>	Passed Through to <u>Subrecipients</u>
Department of Health and Human Services:						
Food and Drug Administration - Research	5U19FD005322	93.103	\$ 4,983,417	\$ -	\$ 4,983,417	\$ -
Oral Diseases and Disorders Research	5R01DE031832-02	93.121	323,529	-	323,529	7,1353
Oral Diseases and Disorders Research	1R01DE033449-01	93.121	48,361	-	48,361	-
Oral Diseases and Disorders Research- passed through:						
Dartmouth College	R1769	93.121	-	81,300	81,300	-
Research Related to Deafness and Communication Disorders - passed through:						
Florida State University	R000003190	93.173	-	44,001	44,001	-
Mental Health Research Grants - passed through:						
University of Michigan	SUBK00014712	93.242	-	74,470	74,470	-
University of Michigan	SUBK00014718	93.242	-	329,076	329,076	-
Discovery and Applied Research for Technological Innovations to Improve Human Health - passed through:						
University of Massachusetts Worcester	OSP30847-02	93.286	-	73,152	73,152	-
Trans- NIH Research Support - passed through:						
Northwestern University	60060945 IIT	93.310	-	1,326,577	1,326,577	-
National Center for Advancing Transitional Services - passed through:						
University of Chicago	AWD103248 (SUB00000742)	93.350	-	320,190	320,190	-
Cancer Detection and Diagnosis Research - passed through:						
Dartmouth College	R1727	93.394	-	58,667	58,667	-
Oregon Health & Science University	1020173_IIT	93.394	-	32,689	32,689	-
University of California - San Diego	705193	93.394	-	180,936	180,936	-
Cancer Treatment Research - passed through:						
Rush University Medical Center	22013102-Sub01	93.395	-	9,998	9,998	-
ACL National Institute on Disability, Independent Living, and Rehabilitation Research (B)	90DPHF0008-01-00	93.433	174,157	-	174,157	174,157
ACL National Institute on Disability, Independent Living, and Rehabilitation Research (B)	90DPHF0008-02-00	93.433	59,396	-	59,396	46,904
ACL National Institute on Disability, Independent Living, and Rehabilitation Research (B)	90DPHF0008-03-00	93.433	235,828	-	235,828	46,114
ACL National Institute on Disability, Independent Living, and Rehabilitation Research (B)	90DPHF0008-04-00	93.433	84,537	-	84,537	9,957
ACL National Institute on Disability, Independent Living, and Rehabilitation Research (B)	90IFDV0026-01-00	93.433	10,606	-	10,606	-
ACL National Institute on Disability, Independent Living, and Rehabilitation Research (B)	90IFDV0026-02-00	93.433	127,093	-	127,093	-
ACL National Institute on Disability, Independent Living, and Rehabilitation Research (B) - passed through:						
University of Illinois	18485	93.433	-	79,296	79,296	-
University of South Florida	5820-1333-00-B	93.433	-	5,298	5,298	-
Cardiovascular Diseases Research	5K25HL141634-05	93.837	61,977	-	61,977	-
Cardiovascular Diseases Research	5R01HL154687-04	93.837	765,583	-	765,583	477,902
Cardiovascular Diseases Research	1R01HL171657-01	93.837	173,936	-	173,936	-
Cardiovascular Diseases Research - passed through						
University of Washington	UWSC13679	93.837	-	23,834	23,834	-
Wayne State University	WSU21028	93.837	-	18,841	18,841	-

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended May 31, 2024

	Pass-Through Entity (or Other) <u>Identifying Number</u>	AL <u>Number</u>	Federal Expenditures <u>Direct Awards</u>	Federal Expenditures <u>Indirect Awards</u>	Total Federal <u>Expenditures</u>	Passed Through to <u>Subrecipients</u>
Department of Health and Human Services, continued						
Arthritis, Musculoskeletal and Skin Diseases Research - passed through:						
University of Arizona	678728	93.846	\$ -	\$ 19,370	\$ 19,370	\$ -
University of Arizona	731229	93.846	-	9,758	9,758	-
Diabetes, Digestive and Kidney Diseases Extramural Research	1R01DK130049-02	93.847	399,088	-	399,088	173,399
Diabetes, Digestive and Kidney Diseases Extramural Research	1R01DK135116-01	93.847	119,160	-	119,160	-
Diabetes, Digestive and Kidney Diseases Extramural Research - passed through:						
University of Chicago	AWD035726 (SUB00000589)	93.847	-	(169)	(169)	-
University of Chicago	AWD103902 (SUB00000945)	93.847	-	60,401	60,401	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	4UH3NS095557-03	93.853	217,842	-	217,842	149,133
Extramural Research Programs in the Neurosciences and Neurological Disorders passed through:						
Rush University Medical Center	16050403- Sub03	93.853	-	43,433	43,433	-
Rush University Medical Center	16050403- Sub06	93.853	-	181,669	181,669	-
Allergy and Infectious Diseases Research	5R01AI151152-02	93.855	355,247	-	355,247	111,449
Allergy and Infectious Diseases Research - passed through:						
Sloan-Kettering Institute for Cancer Research	C22337651	93.855	-	181,331	181,331	-
Biomedical Research and Research Training	5P30GM138395	93.859	1,821,767	-	1,821,767	-
Biomedical Research and Research Training	1R15GM131292-01	93.859	69,515	-	69,515	-
Biomedical Research and Research Training	5R01GM127712-04	93.859	149,481	-	149,481	-
Biomedical Research and Research Training	5R01GM144555-02	93.859	399,088	-	399,088	154,450
Biomedical Research and Research Training	1R01GM147247-01	93.859	43,831	-	43,831	-
Biomedical Research and Research Training	5R35GM119647-08	93.859	440,225	-	440,225	-
Biomedical Research and Research Training- passed through:						
University of Missouri	C00083823-1	93.859	-	14,867	14,867	-
Child Health and Human Development Extramural Research	1R15HD096410-01A1	93.865	27,715	-	27,715	(280)
Aging Research	5R01AG064233-04	93.866	580,329	-	580,329	327,526
Vision Research - passed through:						
Stevens Institute of Technology	2103355-01	93.867	-	84,186	84,186	-
			<u>11,671,708</u>	<u>3,253,171</u>	<u>14,924,879</u>	<u>1,742,064</u>
Department of Homeland Security:						
Centers for Homeland Security - passed through:						
Arizona State University	ASUB00001561	97.061	-	20,636	20,636	-
Department of Homeland Security Contracts - passed through:						
SHRR Consulting, Inc.	ICLN FY2024-001	97.RD	-	30,205	30,205	-
			<u>-</u>	<u>50,841</u>	<u>50,841</u>	<u>-</u>
Total Research and Development Cluster			<u>22,317,553</u>	<u>9,503,568</u>	<u>31,821,121</u>	<u>3,288,746</u>

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended May 31, 2024

	Pass-Through Entity (or Other) <u>Identifying Number</u>	AL <u>Number</u>	Federal Expenditures <u>Direct Awards</u>	Federal Expenditures <u>Indirect Awards</u>	Total Federal <u>Expenditures</u>	Passed Through to <u>Subrecipients</u>
Student Financial Assistance Cluster:						
Department of Education:						
Federal Supplemental Educational Opportunity Grants	P007A231173	84.007	\$ 511,488	\$ -	\$ 511,488	\$ -
Federal Work- Study Program - FY23	P033A221173	84.033	336,571	-	336,571	-
Federal Work- Study Program - FY24	P033A231173	84.033	537,082	-	537,082	-
Federal Perkins Loan Program		84.038	2,008,401	-	2,008,401	-
Federal Pell Grant Program - FY23	P063P221349	84.063	74,853	-	74,853	-
Federal Pell Grant Program - FY24	P063P231349	84.063	5,710,513	-	5,710,513	-
Federal Direct Student Loans	P268K231349	84.268	275,307	-	275,307	-
Federal Direct Student Loans	P268K241349	84.268	16,617,589	-	16,617,589	-
Federal Direct Student Loans	P268K236726	84.268	230,143	-	230,143	-
Federal Direct Student Loans	P268K246726	84.268	15,885,794	-	15,885,794	-
Total Student Financial Assistance Cluster			<u>42,187,741</u>	<u>-</u>	<u>42,187,741</u>	<u>-</u>
Other Awards:						
Library of Congress:						
Teaching with Primary Sources - passed through:						
Illinois State University	A08-0002-S066	42.010	-	5,793	5,793	-
			<u>-</u>	<u>5,793</u>	<u>5,793</u>	<u>-</u>

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended May 31, 2024

	Pass-Through Entity (or Other) <u>Identifying Number</u>	AL <u>Number</u>	Federal Expenditures <u>Direct Awards</u>	Federal Expenditures <u>Indirect Awards</u>	Total Federal <u>Expenditures</u>	Passed Through to <u>Subrecipients</u>
Department of Education:						
Fund for the Improvement of Postsecondary Education (FIPSE): Open Textbooks						
Pilot Program - passed through:						
University of Illinois						
	104953- 19307	84.116T	\$ -	\$ 14,096	\$ 14,096	\$ -
Rehabilitation Long- Term Training Grant Program: MS in Rehabilitation Counseling	H129B200029	84.129B	182,615	-	182,615	-
Long- Term Training for Rehabilitation of Individuals Who Are Mentally Ill	H129H190019	84.129H	165,987	-	165,987	-
Graduate Assistance in Areas of National Need	P200A190080	84.200A	133,744	-	133,744	-
American History and Civics Education: National Activities Grants	S422B230055- 23A	84.422B	25,496	-	25,496	-
COVID- 19 Higher Education Emergency Relief Fund - Coronavirus Act, Relief, and Economic Security Act - Student Aid Funds	P425E201018	84.425E	8,411	-	8,411	-
Total Department of Education			<u>516,253</u>	<u>14,096</u>	<u>530,349</u>	<u>-</u>
Department of Homeland Security:						
Disaster Grants - Public Assistance (Presidentially Declared Disasters) - passed through:						
Illinois Emergency Management Agency						
	031-057A0-00	97.036	-	3,807	3,807	-
			<u>-</u>	<u>3,807</u>	<u>3,807</u>	<u>-</u>
Other Awards			<u>516,253</u>	<u>23,696</u>	<u>539,949</u>	<u>-</u>
Total Federal Awards			<u>\$ 65,021,547</u>	<u>\$ 9,527,264</u>	<u>\$ 74,548,811</u>	<u>\$ 3,288,746</u>

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended May 31, 2024

The following table represents subtotals by each individual AL number:

<u>AL Number</u>	<u>Federal Expenditures Direct Awards</u>	<u>Federal Expenditures Indirect Awards</u>	<u>Total Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
Total 10.001	\$ 137,641	\$ -	\$ 137,641	\$ -
Total 10.164	-	11,254	11,254	-
Total 10.174	-	10,305	10,305	-
Total 10.310	349,090	126,538	475,628	(12,222)
Total 10.328	-	15,033	15,033	-
Total 10.479	202,997	-	202,997	134,144
Total 10.604	-	157,226	157,226	-
Total 12.300	364,147	25,395	389,542	90,465
Total 12.420	-	1,636	1,636	-
Total 12.800	376,399	186,863	563,262	227,257
Total 12.RD	-	887,132	887,132	4,005
Total 14.906	518,879	-	518,879	237,032
Total 15.805	-	94,982	94,982	-
Total 20.108	324,828	-	324,828	75,211
Total 20.205	-	111,783	111,783	-
Total 20.701	405,194	-	405,194	172,558
Total 42.010	-	5,793	5,793	-
Total 43.001	58,115	113,305	171,420	34,402
Total 43.002	-	149,107	149,107	-
Total 43.003	52,241	-	52,241	-
Total 43.008	-	48,187	48,187	-
Total 43.RD	-	9,140	9,140	-
Total 47.041	1,364,744	159,789	1,524,533	-
Total 47.049	860,654	-	860,654	-
Total 47.070	1,577,109	125,789	1,702,898	73,416
Total 47.074	15,643	3,964	19,607	3,560
Total 47.075	193,217	27,748	220,965	-
Total 47.076	79,066	38,497	117,563	-
Total 47.078	82,255	-	82,255	-
Total 47.079	399,665	-	399,665	75,173
Total 47.084	66,353	-	66,353	-
Total 54.RD	-	221,935	221,935	-
Total 66.469	-	17,025	17,025	-
Total 66.509	-	68,735	68,735	-
Total 66.516	64,809	-	64,809	-
Total 81.008	-	49,242	49,242	-
Total 81.049	1,379,896	43,146	1,423,042	220,434
Total 81.086	326,128	223,002	549,130	-
Total 81.087	-	204,075	204,075	-

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended May 31, 2024

AL Number	Federal Expenditures Direct Awards	Federal Expenditures Indirect Awards	Total Federal Expenditures	Passed Through to Subrecipients
Total 81.089	\$ 276,699	\$ -	\$ 276,699	\$ 157,225
Total 81.113	-	39,411	39,411	-
Total 81.121	7,050	-	7,050	-
Total 81.135	1,163,026	27,425	1,190,451	54,022
Total 81.RD	-	3,001,887	3,001,887	-
Total 84.007	511,488	-	511,488	-
Total 84.033	873,653	-	873,653	-
Total 84.038	2,008,401	-	2,008,401	-
Total 84.063	5,785,366	-	5,785,366	-
Total 84.116T	-	14,096	14,096	-
Total 84.129B	182,615	-	182,615	-
Total 84.129H	165,987	-	165,987	-
Total 84.200A	133,744	-	133,744	-
Total 84.268	33,008,833	-	33,008,833	-
Total 84.422B	25,496	-	25,496	-
Total 84.425E	8,411	-	8,411	-
Total 93.103	4,983,417	-	4,983,417	-
Total 93.121	371,890	81,300	453,190	71,353
Total 93.173	-	44,001	44,001	-
Total 93.242	-	403,546	403,546	-
Total 93.286	-	73,152	73,152	-
Total 93.310	-	1,326,577	1,326,577	-
Total 93.350	-	320,190	320,190	-
Total 93.394	-	272,292	272,292	-
Total 93.395	-	9,998	9,998	-
Total 93.433	691,617	84,594	776,211	277,132
Total 93.837	1,001,496	42,675	1,044,171	477,902
Total 93.846	-	29,128	29,128	-
Total 93.847	518,248	60,232	578,480	173,399
Total 93.853	217,842	225,102	442,944	149,133
Total 93.855	355,247	181,331	536,578	111,449
Total 93.859	2,923,907	14,867	2,938,774	154,450
Total 93.865	27,715	-	27,715	(280)
Total 93.866	580,329	-	580,329	327,526
Total 93.867	-	84,186	84,186	-
Total 97.036	-	3,807	3,807	-
Total 97.061	-	20,636	20,636	-
Total 97.RD	-	30,205	30,205	-
	<u>\$ 65,021,547</u>	<u>\$ 9,527,264</u>	<u>\$ 74,548,811</u>	<u>\$ 3,288,746</u>

See notes to Schedule of Expenditures of Federal Awards.
See Independent Auditor's Report.

ILLINOIS INSTITUTE OF TECHNOLOGY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended May 31, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying schedule of expenditures of federal awards (the Schedule) summarizes the federal awards received by the Illinois Institute of Technology (the University) under programs of the federal government for the fiscal year ended May 31, 2024. The Schedule excludes expenditures of federal awards of IIT Research Institute, a subsidiary of the University. Expenditures of federal awards for IIT Research Institute are audited in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) separately.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between the University and agencies and departments of the federal government and all subawards to the University by nonfederal organizations pursuant to federal grants, contracts, and similar agreements. The University's federal programs include:

Student Financial Assistance Cluster - Includes certain awards to provide financial assistance to students primarily under the Federal Pell Grant (Pell), Federal Work Study (FWS), and the Federal Supplemental Educational Opportunity Grant (FSEOG) programs of the U.S. Department of Education. Also, the University receives awards to make loans to eligible students under the Federal Direct Student Loan Program (FDL).

Research and Development Cluster - Includes awards for research and development activities at the University sponsored by various agencies of the federal government and pass-through entities.

Other Federal Awards - Includes awards for program activities at the University sponsored by various agencies of the federal government and pass-through entities.

Total expenditures in the Schedule of approximately \$74,549,000 do not directly agree to the revenue line items on the University's May 31, 2024 consolidated statement of activities. Federal expenditures and indirect cost revenue are classified in the accompanying consolidated statement of activities as government grants and contracts revenue, totaling approximately \$39,532,000 in federal expenditure and indirect cost revenue of approximately \$6,524,000, relate to the University. Government grants and contracts consist of approximately \$2,767,000 of awards received from states and local sources and \$8,000 in conditional Higher Education Emergency Relief Funds monies recognized as revenue during the year ended May 31, 2024 but presented on the Schedule for the year ended May 31, 2023. The remaining balance of approximately \$10,239,000 related to IIT Research Institute, a consolidated separate legal entity. Federal student loans activity in the Schedule of approximately \$33,009,000 is not included in the consolidated statement of activities.

Expenditure Recognition: Expenditures are recognized in the period they are incurred. Award reporting periods do not necessarily coincide with the fiscal reporting period of the University. The existence of certain credit balances on the Schedule is primarily due to the reclassification of expenditures incurred recorded in the University's prior fiscal reporting period.

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended May 31, 2024

NOTE 2 – INDIRECT COSTS

The University has four-year predetermined fixed indirect cost rates, effective June 1, 2019 through May 31, 2024, which have been negotiated with its cognizant agency, U.S. Department of Health and Human Services. The predetermined fixed rates were based on the University's financial information for fiscal year 2018. The base rates for on and off campus and US Food and Drug Administration research were 55%, 24%, and 12% of modified total direct costs, respectively. Approximately \$6,524,000 of indirect costs were reimbursed to the University during the year ended May 31, 2024. The University does not use the de minimus indirect cost rate permitted under the Uniform Guidance.

NOTE 3 – FEDERAL STUDENT LOAN PROGRAMS

Loans made by the University to eligible students under federal student loan programs and federally guaranteed loans issued to students of the University during the fiscal year ended May 31, 2024 are summarized as follows:

Perkins	\$	-
FDL		33,008,833
		<u>33,008,833</u>
Total federal student loan program	\$	<u>33,008,833</u>

The Perkins program is administered directly by the University and balances and transactions relating to this program are included in the University's consolidated financial statements. The balance of loans outstanding consist of the following amounts:

Outstanding balance as of May 31, 2023	\$	2,008,401
Loans disbursed		-
Origination fee receivable		16,003
Repayment		(616,430)
Cancellations		<u>(40,123)</u>
Outstanding balance as of May 31, 2024	\$	<u>1,367,852</u>

The University is responsible only for the performance of certain administrative duties with respect to the FDL, and accordingly, these loans are not included in its consolidated financial statements, and it is not practical to determine the balance of loans outstanding to students and former students of the University under these programs at May 31, 2024.

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

The Board of Trustees
Illinois Institute of Technology
Chicago, Illinois

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, the financial statements of Illinois Institute of Technology and Subsidiaries (the "University"), which comprise the consolidated statement of financial position as of May 31, 2024, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 16, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

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

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University'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.

Crowe LLP

Crowe LLP

Chicago, Illinois
September 16, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE

The Board of Trustees
Illinois Institute of Technology
Chicago, Illinois

Report on Compliance for Major Federal Program***Opinion on Major Federal Program***

We have audited Illinois Institute of Technology's (the "University") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the University's major federal program for the year ended May 31, 2024. The University's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended May 31, 2024.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Other Matter – Federal Expenditures Not Included in the Compliance Audit

The University's consolidated financial statements include the operations of the IIT Research Institute, which expended approximately \$10,239,000 in federal awards which is not included in the University's schedule of expenditures of federal awards during the year ended May 31, 2024. Our compliance audit, described in the "Opinion on Major Federal Program," does not include the operations of IIT Research Institute because their federal expenditures were included in a separate Single Audit for their fiscal year ended September 30, 2023.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the University's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of the major federal program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

(Continued)

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The University is responsible for preparing a corrective action plan to address the audit finding included in our auditor's report. The University's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Chicago, Illinois
September 16, 2024

ILLINOIS INSTITUTE OF TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 2024

SECTION I. SUMMARY OF AUDITOR'S RESULTS:

Financial statements:

The type of report issued on the financial statements: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major programs:

<u>AL Numbers</u>	<u>Name of Federal Program or Cluster</u>
Various	Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs: \$2,236,464

Auditee qualified as low risk auditee? Yes No

(Continued)

SECTION II. FINDINGS RELATED TO FINANCIAL STATEMENTS THAT ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS:

None.

SECTION III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DESCRIBED IN *OMB COMPLIANCE SUPPLEMENT 2 CFR 200.516(A)*:

Finding 2024-001 – Effort Certification

Information on the federal program: Research and Development Cluster

Criteria: Section 200.430 of the Uniform Guidance stipulates that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated. The non-Federal entity's system of internal controls should include processes to review after-the-fact interim charges made to a Federal award based on budget estimates.

Condition: The University did not complete an after the fact review of amounts charged to their research and development grants through their effort reporting process for the fall 2023 and spring 2024 terms until September of 2024.

Cause: The University employee previously responsible for this process passed away unexpectedly and the need to have another individual take over ownership of this process was not immediately identified.

Effect: There exists the potential that personnel costs charged to grants could require modifications and not be identified and adjusted on a timely basis.

Questioned costs: None

Context: The University typically conducts effort reporting certifications after the conclusion of each academic term. When documentation was requested to test the University's after-the-fact certification of personnel costs charged to research and development grants it was discovered that this process had not yet been conducted at the time of the request. The University subsequently conducted the effort certification process and related audit testing was performed.

Recommendation: We recommend the University evaluate the sufficiency of controls and oversight in place over critical processes that serve to ensure adherence to federal grant requirements. Should the University identify areas where additional oversight or redundancy is necessary, steps should be taken to implement the required improvements.

Views of responsible officials and planned corrective actions: Management agrees with the finding that Time and Effort reporting was not completed in a timely manner. The Research Administration Services (RAS) team has identified specific team members to ensure that semester certifications are processed in a timely manner going forward. The plan is now in place.

ILLINOIS INSTITUTE OF TECHNOLOGY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 2024

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding 2023-001 – Accounting for Borrowing from University Endowment

Condition: During the year ended May 31, 2023, the University borrowed funds from their endowment in the amount of \$15 million and accounted for this transaction as a realized gain in unrestricted and temporarily restricted return on investment, as well as an increase in their overall investment balance. This resulted in investment assets and investment return being overstated by \$15 million. Under accounting principles generally accepted in the United States of America (GAAP), when an institution borrows from their endowment it does not represent an asset of the institution as a whole. Rather the loan is tracked internally to ensure the balance is ultimately repaid to the endowment.

Recommendation: We recommend that management track and record funds borrowed from the endowment in a manner that will allow for the proper accounting for the loan while not simultaneously increasing assets of the institution.

Corrective Actions Taken: The appropriate accounting entry was recorded.

Status: This is corrected.

Finding 2023-002 – Revenue Recognition Related to Summer Term

Condition: The University calculated the percentage of summer tuition revenue that should be recognized in the year ended May 31, 2023, and conversely the amount that should be deferred as of May 31, 2023, and recognized during the fiscal year ended May 31, 2024, based on the add/drop class date. This methodology resulted in approximately 40% of the net tuition related to the 2023 summer term being recognized as revenue in fiscal 2023 and 60% of the summer tuition revenue being deferred until fiscal 2024.

According to Accounting Standards Codification (ASC) 606 and AICPA interpretive guidance related to the recognition of tuition revenue in higher education, institutions provide instruction throughout the academic period indicating it would be appropriate for institutions to recognize revenue over time as opposed to at a point in time. Furthermore, in the case of the Institute and similar to the other institutions of higher education, it is judged that instruction services are provided ratably over the academic period which dictates that it would be appropriate for revenue to be recognized ratably over the period based on the time elapsed as opposed to relying on the add/drop date to determine the percentage of tuition to recognize versus defer.

Recognizing summer tuition ratably over the academic term resulted in the need to record an audit adjustment decreasing revenue recognized for the year ended May 31, 2023, and increasing deferred revenue (liability) as of May 31, 2023, by approximately \$4.1 million. If a similar methodology were applied as of May 31, 2022, fiscal 2023 revenue would have been less by approximately \$988 thousand.

Recommendation: We recommend that the University record summer term revenue ratably over the term in accordance with GAAP as described above.

Corrective Actions Taken: The appropriate accounting entry was recorded.

Status: This is corrected.

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 2024

Finding 2023-003 – Analysis and Reconciliation of Certain General Ledger Accounts

Condition: The University had a debit balance of approximately \$1.2 million in a general ledger liability account titled insurance payable. Related audit inquiries were conducted to ascertain the source of the debit balance and whether it represented an asset of the institution. Management investigated the balance and ultimately determined that this debit balance represented overpayments to the institution's insurance carrier related to student health insurance. Management, at the time of audit, had not had the opportunity to fully analyze and reconcile the related account.

Recommendation: We recommend all general ledger accounts be analyzed and reconciled on a periodic basis. This process should be conducted to identify potential errors in accounts as well as circumstances that may require institutional action to ensure any risk of loss is mitigated.

Corrective Actions Taken: Procedures are now in place to remedy this issue.

Status: This is corrected.

Finding 2023-004 – Timely Execution of Financial Close Procedures

Condition: In conducting audit testing related to the University's accounts receivable we noted that the University was approximately six months behind in billing outstanding amounts under certain partner or collaborative arrangements totaling approximate \$3.9 million. Based on discussions with management, the amounts owed should have been billed in the March or April timeframe but were still not yet billed as of the time of audit testing in October of 2023.

Recommendation: We recommend that the University ensure the proper level of resources are in place to execute billings timely. Furthermore, we recommend that additional checks and balances are implemented so that in the event turnover is experienced critical functions performed by departing employees continue to be conducted.

Corrective Actions Taken: Procedures are now in place to remedy this issue.

Status: This is corrected.

ILLINOIS INSTITUTE OF TECHNOLOGY
 FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE –
 UNITED STATES DEPARTMENT OF EDUCATION
 Year Ended May 31, 2024

Ratio Element	Reference to Financial Statements and/or Notes	Element Amount
Primary Reserve Ratio		
<u>Expendable Net Assets:</u>		
Net assets without donor restrictions	Statement of Financial Position	\$ 145,971,000
Net assets with donor restrictions	Statement of Financial Position	284,979,000
Secured and unsecured related party receivable	Note 18, line 26	4,174,000
Unsecured related party receivable	Note 18, line 26	4,174,000
<u>Property, plant and equipment, net (includes construction in progress)</u>		
Property, plant and equipment pre-implementation	Note 18, line 3c	226,564,000
Property, plant and equipment post-implementation with outstanding debt for original purchase	Note 18, line 4b	11,703,000
Property, plant and equipment post-implementation without outstanding debt for original purchase	Note 18, line 5d	104,322,000
Lease right-of-use asset, pre-implementation	Note 18, line 6	34,000
Lease right-of-use asset, post-implementation	Note 18, line 7	-
<u>Debt - for long term purposes</u>		
Debt - for long term purposes pre-implementation	Note 18, line 9c	153,478,000
Debt - for long term purposes post-implementation	Not applicable	-
Line of credit for construction in progress	Note 18, line 10a	11,703,000
<u>Lease right-of-use asset liability</u>		
Pre-implementation right-of-use asset liability	Statement of Financial Position	34,000
Post-implementation right-of-use asset liability	Not applicable	-
Annuities with donor restrictions	Note 18, line 2a	980,000
Term endowments with donor restrictions	Not applicable	-
Life income funds with donor restrictions	Not applicable	-
<u>Net assets with donor restrictions: restricted in perpetuity</u>	Note 18, line 1	251,002,000
<u>Total Expenses and Losses without Donor Restrictions</u>	Note 18, line 25	312,758,000
Equity Ratio		
<u>Modified Net Assets</u>		
Net assets without donor restrictions	Statement of Financial Position	145,971,000
Net assets with donor restrictions	Statement of Financial Position	284,979,000
Intangible assets	Not applicable	-
Secured and unsecured related party receivables	Note 18, line 26	4,174,000
Unsecured related party receivables	Note 18, line 26	4,174,000
<u>Modified Assets</u>		
Total assets	Statement of Financial Position	734,129,000
Intangible assets	Not applicable	-
Secured and unsecured related party receivable	Note 18, line 26	4,174,000
Unsecured related party receivable	Note 18, line 26	4,174,000
Net Income Ratio		
Change in net assets without donor restrictions	Statement of Activities	5,263,000
Total revenue and total gains without donor restrictions	Note 18, line 20	318,021,000

See Independent Auditor's Report.