

ILLINOIS INSTITUTE OF TECHNOLOGY
CONSOLIDATED FINANCIAL STATEMENTS
(Including Single Audit)
May 31, 2021 and 2020

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CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Illinois Institute of Technology:
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Illinois Institute of Technology and Subsidiaries (the "University"), which comprise the consolidated statements of financial position as of May 31, 2021 and 2020, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Illinois Institute of Technology and Subsidiaries as of May 31, 2021 and 2020, 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.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the University has adopted Accounting Standards Update 2016-02 - *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2021, except as to note 18, which is as of February 17, 2022, on our consideration of Illinois Institute of Technology'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 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 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 Illinois Institute of Technology's internal control over financial reporting and compliance.


Crowe LLP

Chicago, Illinois
November 23, 2021, except as to note 18, which is
as of February 17, 2022

ILLINOIS INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
May 31, 2021 and 2020
(In thousands of dollars)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 12,091	\$ 6,464
Notes and accounts receivable:		
Grants and contracts, less allowance of \$292 in 2021 and \$253 in 2020	15,896	10,664
Students:		
Tuition, less allowance of \$1,243 in 2021 and \$918 in 2020	8,583	8,250
Notes, less allowance of \$680 in 2021 and 2020	5,595	6,883
Other, less allowance of \$661 in 2021 and 2020	4,207	641
Pledges, net	14,539	30,238
Inventories, prepaid expenses, and deferred charges	4,844	3,235
Investments	310,607	259,722
Physical properties, less accumulated depreciation	346,281	330,268
Beneficial interest in perpetual trusts	<u>26,811</u>	<u>21,204</u>
Total assets	<u>\$ 749,454</u>	<u>\$ 677,569</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 16,890	\$ 15,579
Accrued salaries and wages	21,995	18,685
Deferred revenue	24,934	14,487
Deposits by students and others	1,947	1,354
Accrued postretirement benefit obligation	966	1,056
Obligation under split-interest agreements	642	684
Lease liability	4,317	1,422
Advances from the U.S. government for student loans	4,082	5,356
Asset retirement obligation	903	937
Debt:		
Bonds payable	161,133	166,089
Notes payable	33,075	19,775
Bond premium payable	13,323	14,938
Cost of issuance	<u>(1,785)</u>	<u>(1,855)</u>
Total debt	<u>205,746</u>	<u>198,947</u>
Total liabilities	<u>282,422</u>	<u>258,507</u>
Net assets:		
Without donor restrictions	175,713	163,467
With donor restrictions	<u>291,319</u>	<u>255,595</u>
Total net assets	<u>467,032</u>	<u>419,062</u>
Total liabilities and net assets	<u>\$ 749,454</u>	<u>\$ 677,569</u>

See accompanying notes to the consolidated financial statements.

ILLINOIS INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended May 31, 2021
(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 \$131,103	\$ 113,372	\$ -	\$ 113,372
Government grants and contracts	59,985	-	59,985
Private grants and contracts	22,858	-	22,858
Private gifts	17,460	3,530	20,990
Endowment spending distribution	11,945	-	11,945
Sales and services of auxiliary enterprises, net	9,849	-	9,849
Other sources	20,156	-	20,156
Net assets released from restrictions	<u>16,707</u>	<u>(16,707)</u>	<u>-</u>
Total operating revenue	<u>272,332</u>	<u>(13,177)</u>	<u>259,155</u>
Operating expenses:			
Faculty salaries	60,419	-	60,419
Administrative salaries	45,083	-	45,083
Part-time salaries	12,307	-	12,307
Employee benefits	24,969	-	24,969
Operations and maintenance	19,865	-	19,865
Supplies and services	48,123	-	48,123
Professional fees and advertising	12,840	-	12,840
IITRI research	24,796	-	24,796
Interest on indebtedness	5,625	-	5,625
Depreciation	<u>20,034</u>	<u>-</u>	<u>20,034</u>
Total operating expenses	<u>274,061</u>	<u>-</u>	<u>274,061</u>
Decrease in net assets from operating activities	<u>(1,729)</u>	<u>(13,177)</u>	<u>(14,906)</u>
Nonoperating revenue and expenses:			
Private gifts	-	4,420	4,420
Change in donor designation	173	(173)	-
Return on investments, net	14,342	48,541	62,883
Net gain on beneficial interest on perpetual trusts	-	5,607	5,607
Endowment spending distribution	(2,901)	(9,044)	(11,945)
Net assets released from restrictions	459	(459)	-
Restructuring expenses	(535)	-	(535)
Other	<u>2,437</u>	<u>9</u>	<u>2,446</u>
Increase in net assets from nonoperating activities	<u>13,975</u>	<u>48,901</u>	<u>62,876</u>
Increase in net assets	12,246	35,724	47,970
Net assets at beginning of year	<u>163,467</u>	<u>255,595</u>	<u>419,062</u>
Net assets at end of year	<u>\$ 175,713</u>	<u>\$ 291,319</u>	<u>\$ 467,032</u>

See accompanying notes to the consolidated financial statements.

ILLINOIS INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended May 31, 2020
(In thousands of dollars)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue:			
Tuition and fees, net of scholarships of \$122,722	\$ 125,495	\$ -	\$ 125,495
Government grants and contracts	52,323	-	52,323
Private grants and contracts	13,874	-	13,874
Private gifts	37,958	23,605	61,563
Endowment spending distribution	12,105	-	12,105
Sales and services of auxiliary enterprises, net	14,502	-	14,502
Other sources	17,745	-	17,745
Net assets released from restrictions	4,243	(4,243)	-
Total operating revenue	<u>278,245</u>	<u>19,362</u>	<u>297,607</u>
Operating expenses:			
Faculty salaries	63,191	-	63,191
Administrative salaries	45,554	-	45,554
Part-time salaries	13,830	-	13,830
Employee benefits	26,206	-	26,206
Operations and maintenance	21,638	-	21,638
Supplies and services	40,449	-	40,449
Professional fees and advertising	13,382	-	13,382
IITRI research	19,574	-	19,574
Interest on indebtedness	7,894	-	7,894
Depreciation	16,335	-	16,335
Total operating expenses	<u>268,053</u>	<u>-</u>	<u>268,053</u>
Increase in net assets from operating activities	<u>10,192</u>	<u>19,362</u>	<u>29,554</u>
Nonoperating revenue and expenses:			
Private gifts	-	8,493	8,493
Change in donor designation	(708)	708	-
Return on investments, net	1,175	5,012	6,187
Endowment spending distribution	(2,688)	(9,417)	(12,105)
Net assets released from restrictions	4,413	(4,413)	-
Gain on extinguishment of debt	822	-	822
Restructuring expenses	(1,938)	-	(1,938)
Net gain on disposal of assets	404	-	404
Other	171	252	423
Increase in net assets from nonoperating activities	<u>1,651</u>	<u>635</u>	<u>2,286</u>
Increase in net assets	11,843	19,997	31,840
Net assets at beginning of year	<u>151,624</u>	<u>235,598</u>	<u>387,222</u>
Net assets at end of year	<u>\$ 163,467</u>	<u>\$ 255,595</u>	<u>\$ 419,062</u>

See accompanying notes to the consolidated financial statements.

ILLINOIS INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended May 31, 2021 and 2020
(In thousands of dollars)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Increase in net assets	\$ 47,970	\$ 31,840
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Private gifts restricted for long-term investment	(20,128)	(9,042)
Depreciation	20,034	16,335
Amortization	(1,862)	(615)
Net (gain) on disposal of assets	-	(404)
Net (gain) on investments	(60,400)	(679)
Net (gain) on beneficial interest in perpetual trust	(5,607)	-
Gain on extinguishment of debt	-	(822)
Accretion on asset retirement obligation	187	740
Bond interest paid through escrow	-	1,881
Changes in assets and liabilities:		
Receivables: tuition, grants, pledges, and other	6,568	(13,332)
Inventories, prepaid expenses, and deferred charges	(1,609)	(698)
Accounts payable and accrued expenses	(384)	829
Accrued salaries and wages	3,310	1,274
Deferred revenue	10,447	1,738
Deposits by students and others	593	(241)
Accrued postretirement benefit obligation	(90)	(754)
Obligations under split-interest agreements	(42)	(67)
Asset retirement obligation	(221)	(1,260)
Net cash from operating activities	<u>(1,234)</u>	<u>26,723</u>
Cash flows from investing activities		
Proceeds from sale of investments	550,095	80,983
Purchase of investments	(540,580)	(87,283)
Purchase of physical properties	(30,680)	(30,298)
Issuance of notes receivable	(142)	(224)
Payments received on notes receivable	1,430	1,815
Net cash from investing activities	<u>(19,877)</u>	<u>(35,007)</u>
Cash flows from financing activities		
Private gifts restricted for long-term investment	20,128	9,042
Advances from the U.S. government for student loans	(1,274)	(1,295)
Payments on capital lease	(460)	(448)
Proceeds on notes and bonds payable	13,300	5,775
Payments on notes and bonds payable	(4,956)	(2,476)
Net cash from financing activities	<u>26,738</u>	<u>10,598</u>
Change in cash	5,627	2,314
Cash at:		
Beginning of year	<u>6,464</u>	<u>4,150</u>
End of year	<u>\$ 12,091</u>	<u>\$ 6,464</u>
Supplemental disclosure of cash flow information:		
Refunding of debt	\$ -	\$ 138,526
Cash paid for interest	4,332	6,333
Construction payable	1,695	1,317

See accompanying notes to the consolidated financial statements.

ILLINOIS INSTITUTE OF TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2021 and 2020
(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, 2021 and 2020
 (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, 2021 and 2020, tuition and fees revenue was reduced by approximately \$131,103 and \$122,722, 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, 2021 and 2020, auxiliary revenue was reduced by approximately \$3,221 and \$3,257, 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>2021</u>	<u>2020</u>
Housing services, net	\$ 4,409	\$ 7,901
Housing proration due to shift to online learning	(3)	(947)
Food services	4,868	6,521
Food service proration due to shift to online learning	(3)	(818)
Other	<u>578</u>	<u>1,845</u>
Total	<u>\$ 9,849</u>	<u>\$ 14,502</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. Accounts receivables as of the years ended May 31, 2021 and May 31, 2020 were \$9,826, and \$9,168, respectively. The University's contract liabilities are presented as deferred revenue and student deposits in the consolidated statement 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 statement 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.

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2021 and 2020
(In thousands of dollars)

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

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.

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.

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2021 and 2020
(In thousands of dollars)

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

At May 31, 2021, the University and IITRI also had unexpended grant awards of approximately \$14,140 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.

Funding from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act): In March of 2020, the University was allocated \$3,730 in funding through the Higher Education Emergency Relief Fund (HEERF I) as authorized in the CARES Act. As required by the Act, 50% of that allocation was directed to provide emergency financial aid grants to students and 50% to cover costs incurred by the university in connection with the coronavirus pandemic. At May 31, 2021 and 2020, the University awarded \$1,681 and \$184, respectively, in emergency financial aid grants to students. The University therefore recognized revenue of \$1,681 and \$184 from the institutional portion of the funding to the extent that it met the conditions to incur allowable expenses. At May 31, 2021 the University has recognized all revenue from the institutional allocation of the CARES Act as all conditions have been met.

Funding from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA): In January of 2021, the University was allocated \$5,464 in funding through the Higher Education Emergency Relief Fund (HEERF II) as authorized in the CRRSAA Act. As required by the Act, \$1,865 of that allocation was directed to provide emergency financial aid grants to students and \$3,599 to defray university expenses associated with the coronavirus pandemic, including lost revenue. At May 31, 2021, the University awarded \$1,692 in emergency financial aid grants to students. The University recognized a pro rata share of revenue of \$3,265 from the institutional portion of the funding to the extent that it met the conditions to incur allowable expenses.

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. At May 31, 2021, the University had not yet begun awarding emergency financial aid grants to students and therefore has recorded the institutional portion as deferred revenue 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 \$535 and \$1,938 for the fiscal years ended May 31, 2021 and 2020, respectively. The expenses included consulting services, retirement incentives, system/software improvements and restructuring/reorganization of departments.

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2021 and 2020
(In thousands of dollars)

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

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 hedged 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.

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.

Notes Receivable: Student notes receivable consist of Perkins loans and University loans. The University establishes valuation allowances for notes receivable based on estimates of future collectability.

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.

(Continued)

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

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.

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, 2021 and 2020, 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 2018.

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.

Reclassifications: Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

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

(Continued)

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

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 balance sheet.

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 of those assets in upon adoption.

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 Organization's consolidated financial statements for the year ended May 31, 2021. The Organization's lease agreements do not contain material restrictive covenants.

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

Recent Accounting Guidance: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This ASU affects any entity that enters into a lease, with some specified scope exemptions. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The University has implemented this ASU for the year ended May 31, 2021 using the modified retrospective approach. The University elected the optional practical expedient package which, among other things, includes retaining the historical classification of leases.

COVID-19 Risk Factors: The coronavirus pandemic, which surfaced in 2020 continues to wreak havoc around the world, with resulting business and social disruption. The overall operating cashflow generated by the university could be materially adversely affected. The extent to which the coronavirus (or any other disease or pandemic) may impact business activity will depend on future developments. These future developments are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and emergent variants and the actions required to contain the coronavirus or treat its impact, among others. The University is aware of these risks, and has put a number of plans in place to mitigate them. The University resumed in person classes at the beginning of the fall 2021 semester, and continues to offer hybrid and remote learning options as appropriate. Dormitories and food services are fully open and operational, and on campus resources including the library are open with modifications to allow for social distancing. The University has also partnered with several organizations to offer online learning options to international students unable to travel to campus.

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ILLINOIS INSTITUTE OF TECHNOLOGY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 May 31, 2021 and 2020
 (In thousands of dollars)

NOTE 2 - INVESTMENTS

Investments consist of the following at May 31:

	2021 <u>Fair Value</u>	2020 <u>Fair Value</u>
Cash equivalents	\$ 23,330	\$ 16,431
Stocks	1,268	896
Equity mutual funds	175,305	144,954
Bonds (IITRI)	4,834	4,764
Fixed income mutual funds	65,549	61,319
Alternative funds	22,539	15,423
Hedge equity funds	1,339	12,119
Private equity and venture capital funds	<u>16,443</u>	<u>3,816</u>
Total investments	<u>\$ 310,607</u>	<u>\$ 259,722</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 hedge equity, private equity, and venture capital funds are longer-lived, and include an overall investment strategy designed to enhance return and diversify risk. The real estate asset is held for strategic purposes supporting the educational objectives of the University.

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

	<u>2021</u>	<u>2020</u>
Return on investments:		
Interest and dividends	2,483	5,607
Net realized and unrealized gain on investments	<u>60,400</u>	<u>580</u>
Net return on investments	<u>\$ 62,883</u>	<u>\$ 6,187</u>

The return on investments reflects income from investments held by IITRI of \$72 and \$179 for 2021 and 2020, 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 2021 and 2020, 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, bond proceeds, mutual funds, stocks, and money market funds, whose value is based on quoted market prices published by a financial institution or exchange funds, 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, and real estate are reported at the 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, 2021 and 2020, the University had no plans to sell investments at amounts different from NAV. The University has \$94,915 and \$31,358 for 2021 and 2020, respectively, of investments in alternative investment funds, which are reported at fair value. The University has concluded

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NOTE 3 - FAIR VALUE MEASUREMENT (Continued)

that the NAV reported by the underlying fund approximates the fair value for these investments. These 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. 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.

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 \$26,163 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, 2021 and 2020, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	2021					Redemption or Liquidation	Days' Notice
	Level 1	Level 2	Level 3	NAV	Total		
Investments:							
Cash and cash equivalents	\$ 23,330	\$ -	\$ -	\$ -	\$ 23,330	Daily	One
Fixed income:							
Fixed income (IIT)	63,997	970	-	-	64,967	Daily	One, Trade Day + 2
Fixed income (IITRI)	4,834	-	-	-	4,834	Daily	One
Total	<u>68,831</u>	<u>970</u>	<u>-</u>	<u>-</u>	<u>69,801</u>		
Domestic equities:							
Large cap equity	63,821	-	-	-	63,821	Daily	One, Trade Day + 2
Adams Fund - Adage Series	-	-	-	13,983	13,983	12 months lock-up, Quarterly	60
State Street Global	2,109	-	-	-	2,109	Daily	One, Trade Day + 2
Real estate	1,873	-	-	-	1,873	Daily	One, Trade Day + 2
Other	1,268	-	-	-	1,268	Daily	One
Total	<u>69,071</u>	<u>-</u>	<u>-</u>	<u>13,983</u>	<u>83,054</u>		
Global (ex-U.S.) equities:							
Developed international	36,087	-	-	-	36,087	Daily	One, Trade Day + 2
Emerging markets international	14,705	-	-	-	14,705	Daily	One, Trade Day + 2
Adams Fund - Ownership Series	-	-	-	5,000	5,000	Monthly	5
Egerton	-	-	-	5,626	5,626	Daily	7
Emerging Variant	-	-	-	2,483	2,483	Monthly	45
Generation IM	-	-	-	11,000	11,000	12 months lock-up, Quarterly	30
Hillhouse China Value Feeder	-	-	-	4,943	4,943	Quarterly	60
Kalorama Ichigo	-	-	-	2,905	2,905	Every 18 months	60
Lone Cascade	-	-	-	5,126	5,126	12 months lock-up, Quarterly	30
The Children's Investment Fund	-	-	-	5,644	5,644	Every 24 months	120
Total	<u>50,792</u>	<u>-</u>	<u>-</u>	<u>42,727</u>	<u>93,519</u>		

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NOTE 3 - FAIR VALUE MEASUREMENT (Continued)

	2021					Redemption or Liquidation	Days' Notice
	Level 1	Level 2	Level 3	NAV	Total		
Global (ex-U.S.) fixed income:							
Emerging markets international	582	-	-	-	582	Daily	One, Trade Day + 2
Total	<u>582</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>582</u>		
Alternative funds:							
HC Select Equity	-	-	-	1,966	1,966	Locked-up	90
Deerfield Partners	-	-	-	2,083	2,083	36 months lock-up, Quarterly	90
Kalorama Diameter	-	-	-	2,572	2,572	Quarterly	90
Kalorama Laurion	-	-	-	7,270	7,270	12 months lock-up, Quarterly	45
Kalorama VK	-	-	-	6,676	6,676	Annual	45
Insurance Linked Interval Fund	1,972	-	-	-	1,972	Daily	90
Total	<u>1,972</u>	<u>-</u>	<u>-</u>	<u>20,567</u>	<u>22,539</u>		
Hedged equity funds of funds:							
Multiple strategies:							
Total return	-	-	-	1,339	1,339	Locked-up (1, 2)	60
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,339</u>	<u>1,339</u>		
Private equity and venture							
capital funds:							
Common fund:							
Capital venture	\$ -	\$ -	\$ -	\$ 323	\$ 323	None (2)	N/A
Bond Capital Fund II	-	-	-	200	200	None (2)	N/A
Coatue Growth V Offshore Feeder	-	-	-	303	303	None (2)	N/A
Georgetown Opportunistic - Series 2016 Sub-Series 44	-	-	-	467	467	None (2)	N/A
Georgetown Opportunistic - Series 2016 Sub-Series 45	-	-	-	1,600	1,600	None (2)	N/A
Georgetown Opportunistic - Series 2016 Sub-Series 47	-	-	-	7	7	None (2)	N/A
Georgetown Opportunistic - Series 2016 Sub-Series 51	-	-	-	2,700	2,700	None (2)	N/A
Georgetown Opportunistic - Series 2016 Sub-Series 53	-	-	-	2,000	2,000	None (2)	N/A
Georgetown Opportunistic - Series 2016 Sub-Series 54	-	-	-	500	500	None (2)	N/A
Georgetown Opportunistic - Series 2016 Sub-Series 56	-	-	-	310	310	None (2)	N/A
Georgetown Opportunistic - Series 2020 Sub-Series 1	-	-	-	506	506	None (2)	N/A
IIA	-	-	144	-	144	None (2)	N/A
HC Private Equity XI	-	-	-	5,055	5,055	None (2)	N/A
HC Private Equity XII	-	-	-	2,049	2,049	None (2)	N/A
IPI Partners II	-	-	-	82	82	None (2)	N/A
Jen 7 Parallel	-	-	-	196	196	None (2)	N/A
Roundtable	-	-	-	1	1	None (2)	N/A
Total	<u>-</u>	<u>-</u>	<u>144</u>	<u>16,299</u>	<u>16,443</u>		
Total investments	<u>214,578</u>	<u>970</u>	<u>144</u>	<u>94,915</u>	<u>310,607</u>		
Other assets:							
Cash	9,052	-	-	-	9,052		
Perpetual trust	-	-	26,811	-	26,811	None	N/A
Total other assets	<u>9,052</u>	<u>-</u>	<u>26,811</u>	<u>-</u>	<u>35,863</u>		
Total	<u>\$ 223,630</u>	<u>\$ 970</u>	<u>\$ 26,955</u>	<u>\$ 94,915</u>	<u>\$ 346,470</u>		

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NOTE 3 - FAIR VALUE MEASUREMENT (Continued)

	2020					Redemption or Liquidation	Days' Notice
	Level 1	Level 2	Level 3	NAV	Total		
Investments:							
Cash and cash equivalents	\$ 16,431	\$ -	\$ -	\$ -	\$ 16,431	Daily	One
Fixed income:							
Fixed income (IIT)	59,308	1,054	-	-	60,362	Daily	One, Trade Day + 2
Fixed income (IITRI)	4,764	-	-	-	4,764	Daily	One
Total	<u>64,072</u>	<u>1,054</u>	<u>-</u>	<u>-</u>	<u>65,126</u>		
Domestic equities:							
Large cap equity	82,855	-	-	-	82,855	Daily	One, Trade Day + 2
State Street Global	669	-	-	-	669	Daily	One, Trade Day + 2
Real estate	2,793	-	-	-	2,793	Daily	One, Trade Day + 2
Other	896	-	-	-	896	Daily	One
Total	<u>87,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,213</u>		
Global (ex-U.S.) equities:							
Developed international	42,401	-	-	-	42,401	Daily	One, Trade Day + 2
Emerging markets international	16,236	-	-	-	16,236	Daily	One, Trade Day + 2
Total	<u>58,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,637</u>		
Global (ex-U.S.) fixed income:							
Emerging markets international	957	-	-	-	957	Daily	One, Trade Day + 2
Total	<u>957</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>957</u>		
Alternative funds:							
HC Select Equity	-	-	-	13,476	13,476	Locked-up	90
Insurance Linked Interval Fund	-	-	-	1,947	1,947	Quarterly	90
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,423</u>	<u>15,423</u>		
Hedged equity funds of funds:							
Multiple strategies:							
Total return	-	-	-	12,119	12,119	Locked-up (1, 2)	60
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,119</u>	<u>12,119</u>		

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NOTE 3 - FAIR VALUE MEASUREMENT (Continued)

	2020					Redemption or Liquidation	Days' Notice
	Level 1	Level 2	Level 3	NAV	Total		
Private equity and venture							
capital funds:							
Common fund:							
Capital international	\$ -	\$ -	\$ -	\$ 2	\$ 2	None (2)	N/A
Capital venture	-	-	-	302	302	None (2)	N/A
Capital private equity	-	-	-	10	10	None (2)	N/A
IIA	-	-	-	162	162	None (2)	N/A
HC Private Equity XI	-	-	-	2,883	2,883	None (2)	N/A
HC Private Equity XII	-	-	-	454	454	None (2)	N/A
Roundtable	-	-	-	3	3	None (2)	N/A
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,816</u>	<u>3,816</u>		
Total investments	<u>227,310</u>	<u>1,054</u>	<u>-</u>	<u>31,358</u>	<u>259,722</u>		
Other assets:							
Cash	6,464	-	-	-	6,464		
Perpetual trust	-	-	21,204	-	21,204	None	N/A
Total other assets	<u>6,464</u>	<u>-</u>	<u>21,204</u>	<u>-</u>	<u>27,668</u>		
Total	<u>\$ 233,774</u>	<u>\$ 1,054</u>	<u>\$ 21,204</u>	<u>\$ 31,358</u>	<u>\$ 287,390</u>		

(1) One year from the initial investment

(2) 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. 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, 2021 and 2020, is presented below based on redemption or sale period:

	<u>2021</u>	<u>2020</u>
Investment redemption or sale period:		
Daily	\$ 221,174	\$ 228,364
Monthly	7,483	-
Quarterly	7,515	1,947
Annual	6,676	-
Subject to rolling lock-ups	51,316	25,595
Redemptions not permitted	<u>16,443</u>	<u>3,816</u>
Total	<u>\$ 310,607</u>	<u>\$ 259,722</u>

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NOTE 3 - FAIR VALUE MEASUREMENT (Continued)

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, 2021 and 2020:

	<u>Beneficial Interest in Perpetual Trusts</u>
Beginning balance, June 1, 2020	21,204
Net unrealized gains losses	5,607
Purchase of investment	<u>-</u>
Ending balance, May 31, 2021	<u>\$ 26,811</u>

The amount of total loss for the period included in net return on investments attributable to the change in unrealized gain relating to assets still held at May 31, 2021	\$ 5,607
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	<u>Beneficial Interest in Perpetual Trusts</u>
Beginning balance, June 1, 2019	21,204
Net unrealized gains losses	-
Sale of investment	<u>-</u>
Ending balance, May 31, 2020	<u>\$ 21,204</u>

The amount of total loss for the period included in net return on investments attributable to the change in unrealized gain relating to assets still held at May 31, 2020	\$ -
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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.

(Continued)

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NOTE 4 - ENDOWMENTS (Continued)

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.

Endowment net assets consist of the following as of May 31, 2021:

	Without Donor Restrictions	With Donor Restrictions			Total Endowment Funds
		Other Funds	Underwater Funds	Total	
Board-designated funds	\$ 69,402	\$ -	\$ -	\$ -	\$ 69,402
Donor-restricted endowment corpus					
Original donor-restricted gifts	-	173,668	31,403	205,071	205,071
Accumulated gains (losses)	-	33,265	(5,077)	28,188	28,188
Donor-restricted endowment pledges	-	1,664	-	1,664	1,664
Total	<u>\$ 69,402</u>	<u>\$ 208,597</u>	<u>\$ 26,326</u>	<u>\$ 234,923</u>	<u>\$ 304,325</u>

Endowment net assets consist of the following as of May 31, 2020:

	Without Donor Restrictions	With Donor Restrictions			Total Endowment Funds
		Other Funds	Underwater Funds	Total	
Board-designated funds	\$ 63,272	\$ -	\$ -	\$ -	\$ 63,272
Donor-restricted endowment corpus					
Original donor-restricted gifts	-	61,158	138,357	199,515	199,515
Accumulated gains (losses)	-	9,706	(18,450)	(8,744)	(8,744)
Donor-restricted endowment pledges	-	1,920	-	1,920	1,920
Total	<u>\$ 63,272</u>	<u>\$ 72,784</u>	<u>\$ 119,907</u>	<u>\$ 192,691</u>	<u>\$ 255,963</u>

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
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NOTE 4 - ENDOWMENTS (Continued)

Changes in endowment net assets for the year ended May 31, 2021, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, beginning of year	\$ 63,272	\$ 192,691	255,963
Endowment-related investment return:			
Endowment-related investment income, net	552	1,856	2,408
Endowment-related net realized and unrealized gain	<u>13,741</u>	<u>46,185</u>	<u>59,926</u>
Total endowment-related investment return, net	14,293	48,041	62,334
Contributions:			
Additions to endowment	4,641	3,188	7,829
Change in pledges with donor restrictions	-	(256)	(256)
Liquidations	(9,534)	-	(9,534)
Appropriation	(2,901)	(9,044)	(11,945)
Net stock receipts/distributions	-	(69)	(69)
Other	-	3	3
Reclassification	<u>(369)</u>	<u>369</u>	<u>-</u>
Net assets, end of year	<u>\$ 69,402</u>	<u>\$ 234,923</u>	<u>\$ 304,325</u>

(Continued)

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NOTE 4 - ENDOWMENTS (Continued)

Changes in endowment net assets for the year ended May 31, 2020, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, beginning of year	\$ 54,055	\$ 188,940	\$ 242,995
Endowment-related investment return:			
Endowment-related investment income, net	1,282	3,866	5,148
Endowment-related net realized and unrealized gain	<u>355</u>	<u>1,071</u>	<u>1,426</u>
Total endowment-related investment return, net	1,637	4,937	6,574
Contributions:			
Additions to endowment	10,542	8,574	19,116
Change in pledges with donor restrictions	-	(526)	(526)
Appropriation	(2,687)	(9,453)	(12,140)
Net stock receipts/distributions	-	(58)	(58)
Other	-	2	2
Reclassification	<u>(275)</u>	<u>275</u>	<u>-</u>
Net assets, end of year	<u>\$ 63,272</u>	<u>\$ 192,691</u>	<u>\$ 255,963</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 community 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 community 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. The board of trustees set endowment distribution expenditure is \$11,945 for fiscal year 2021 and \$12,140 for fiscal year 2020. The board of trustees budgeted endowment distribution is \$12,365 for fiscal year 2022.

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
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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.

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 \$2,315 in fiscal year 2021 and \$7,256 in fiscal year 2020 included in the total endowment distribution from the underwater endowment funds for the expenditure on the donor restricted program purposes.

The University made a board approved \$10,000 draw from its restricted endowment to finance the renovation of Kacek Hall (formerly Bailey Hall). The amount was paid back in May of 2021.

NOTE 5 - PLEDGES RECEIVABLE

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

	<u>2021</u>	<u>2020</u>
Pledges receivable	\$ 15,414	\$ 31,149
Discount to present value future cash flows	<u>(875)</u>	<u>(911)</u>
Net pledges receivable	<u>\$ 14,539</u>	<u>\$ 30,238</u>

The following is a summary showing the expected timing of collection of total gross unconditional pledges receivable outstanding as of May 31, 2021:

<u>Fiscal Year(s)</u>	<u>Amount</u>
Less than one year	\$ 5,670
1 to 5 years	9,694
More than 5 years	<u>50</u>
	<u>\$ 15,414</u>

Conditional pledges receivable as of May 31, 2021 total approximately \$16,254.

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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 \$4,082 are ultimately refundable to the government and are classified as a liability in the consolidated statements of financial position as of May 31, 2021 and 2020, respectively.

Balances of financing receivables as of May 31, 2021, consist of the following:

	Perkins <u>Loans</u>	Institutional <u>Loans</u>	<u>Total</u>
Gross balance	\$ 3,860	\$ 2,415	\$ 6,275
Allowances	<u>-</u>	<u>(680)</u>	<u>(680)</u>
Balance at May 31, 2021	<u>\$ 3,860</u>	<u>\$ 1,735</u>	<u>\$ 5,595</u>

Balances of financing receivables as of May 31, 2020, consist of the following:

	Perkins <u>Loans</u>	Institutional <u>Loans</u>	<u>Total</u>
Gross balance	\$ 4,970	\$ 2,593	\$ 7,563
Allowances	<u>-</u>	<u>(680)</u>	<u>(680)</u>
Balance at May 31, 2020	<u>\$ 4,970</u>	<u>\$ 1,913</u>	<u>\$ 6,883</u>

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, 2021. The delinquency status is updated monthly by the University's loan servicer.

	Perkins <u>Loans</u>	Institutional <u>Loans</u>	<u>Total</u>
Performing	\$ 3,116	\$ 940	\$ 4,056
Nonperforming (defaulted)	<u>744</u>	<u>1,475</u>	<u>2,219</u>
Balance at May 31, 2021	<u>\$ 3,860</u>	<u>\$ 2,415</u>	<u>\$ 6,275</u>

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

The delinquency status as of May 31, 2020, is as follows:

	Perkins Loans	Institutional Loans	Total
Performing	\$ 4,225	\$ 1,190	\$ 5,415
Nonperforming (defaulted)	<u>745</u>	<u>1,403</u>	<u>2,148</u>
Balance at May 31, 2020	<u>\$ 4,970</u>	<u>\$ 2,593</u>	<u>\$ 7,563</u>

The aging of financing receivables as of May 31, 2021, is presented as follows:

Aging	31-60	61-90	91+	Total Past Due	Total Current	Total
Perkins	\$ 85	\$ 84	\$ 819	\$ 988	\$ 2,872	\$ 3,860
Institutional	<u>56</u>	<u>1</u>	<u>1,507</u>	<u>1,564</u>	<u>851</u>	<u>2,415</u>
Total	<u>\$ 141</u>	<u>\$ 85</u>	<u>\$ 2,326</u>	<u>\$ 2,552</u>	<u>\$ 3,723</u>	<u>\$ 6,275</u>

The aging of financing receivables as of May 31, 2020, is presented as follows:

Aging	31-60	61-90	91+	Total Past Due	Total Current	Total
Perkins	\$ 63	\$ 150	\$ 882	\$ 1,095	\$ 3,875	\$ 4,970
Institutional	<u>20</u>	<u>49</u>	<u>1,537</u>	<u>1,606</u>	<u>987</u>	<u>2,593</u>
Total	<u>\$ 83</u>	<u>\$ 199</u>	<u>\$ 2,419</u>	<u>\$ 2,701</u>	<u>\$ 4,862</u>	<u>\$ 7,563</u>

Allowances for estimated losses are established based on prior collection experience and observed trends in the rate of default, as well as a consideration of current economic trends and indicators. Loan balances are written off when they are deemed to be ultimately uncollectible. 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 as of May 31, 2021, are presented as follows:

Balance at June 1, 2020	\$ 680
Write-off	-
Increase reserve	<u>-</u>
Balance at May 31, 2021	<u>\$ 680</u>

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

Changes in allowance for estimated losses on financing receivables as of May 31, 2020 are presented as follows:

Balance at June 1, 2019	\$ 655
Write-off	-
Increase reserve	<u>25</u>
Balance at May 31, 2020	<u>\$ 680</u>

NOTE 7 - PHYSICAL PROPERTIES

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

	<u>2021</u>	<u>2020</u>
Land and land improvements	\$ 24,082	\$ 24,092
Building and building improvements	537,444	508,467
Equipment	108,753	106,032
Right of use asset	6,040	2,369
Construction in progress	<u>27,339</u>	<u>27,592</u>
Total physical properties	703,658	668,552
Less accumulated depreciation	<u>357,377</u>	<u>338,284</u>
Physical properties, net	<u>\$ 346,281</u>	<u>\$ 330,268</u>

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, 2021 and 2020, the share of these trusts from which the University derives income had a combined fair value of \$26,811 and \$21,204, respectively. These trusts provided investment income without donor restrictions of \$738 and \$1,310 in fiscal years 2021 and 2020, respectively.

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ILLINOIS INSTITUTE OF TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 - NOTES AND BOND PAYABLE

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

		<u>2021</u>	<u>2020</u>
IFA Bonds, Series 2018 payable in varying installments through 2034	3.60%	\$ 37,168	\$ 38,774
IFA Bonds, Series 2019, payable in varying installments through 2042	5% and 4%	120,085	122,915
IITRI - IFA Series 2014, payable in varying installments through 2034	Variable	3,880	4,400
Bond premium payable - series 2019		<u>13,323</u>	<u>14,938</u>
		174,456	181,027
Short-term line of credit	Variable	33,075	19,775
Bond issuance costs		<u>(1,785)</u>	<u>(1,855)</u>
		<u>\$ 205,746</u>	<u>\$ 198,947</u>

The following is a summary of required principal payments on outstanding secured obligations as of May 31, 2021:

<u>Fiscal year ending:</u>	<u>Bond Principal</u>	<u>LOC Principal</u>	<u>Total</u>
2022	\$ 5,161	\$ 33,075	\$ 38,236
2023	5,376	-	5,376
2024	5,596	-	5,596
2025	5,831	-	5,831
2026	6,071	-	6,071
2027 and beyond	<u>133,098</u>	<u>-</u>	<u>133,098</u>
	<u>\$ 161,133</u>	<u>\$ 33,075</u>	<u>\$ 194,208</u>

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ILLINOIS INSTITUTE OF TECHNOLOGY
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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 rate on the Series 2019 Bonds is 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. Principal payments on the Bond commenced on February 1, 2015 in the amount of \$520 per year and continue until the bond matures in 2034. The interest rate is variable and reset by North Shore Community Bank on a monthly basis. At May 31, 2021 and 2020 the rates were 1.00% and 1.00%, respectively.

The University maintains a line-of-credit agreement that allow borrowings up to \$20,000 in 2021 and 2020. Borrowings under the line of credit will bear interest at the prime commercial rate or adjusted LIBOR with interest being payable on a monthly basis. 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 \$13,300 and \$19,775 as of May 31, 2021 and 2020. The line of credit agreement is renewable annually in February of each fiscal year.

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 prime commercial rate or adjusted LIBOR with interest being payable on a monthly basis. 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 \$19,775 as of May 31, 2021. The line of credit agreement is renewable annually in August of each fiscal year and expires in August 2022.

The University and IITRI are subject to certain debt covenants. As of May 31, 2021, management believes those covenants have been met.

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ILLINOIS INSTITUTE OF TECHNOLOGY
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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, 2021 and 2020 were \$4,877 and \$7,198 by the University and \$453 and \$399 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 used on employees' service rendered through the measurement date:

	<u>2021</u>	<u>2020</u>
Change in accumulated postretirement benefit obligations at beginning of the period	\$ 1,056	\$ 1,810
Service cost	12	10
Interest cost	28	64
Actuarial gain	(15)	(679)
Actuarial benefit payments net contributions	<u>(115)</u>	<u>(149)</u>
Accumulated postretirement benefit obligation at end of the period	<u>\$ 966</u>	<u>\$ 1,056</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 consists of amounts that have not yet been recognized in net periodic benefit cost at May 31, are as follows:

	<u>2021</u>	<u>2020</u>
Change in fair value of plan assets:		
Fair value of plan assets at beginning of period	\$ -	\$ -
Employer contribution	115	149
Participant contributions	<u>28</u>	<u>27</u>
Total benefit payments	<u>(143)</u>	<u>(176)</u>
Fair value of plan assets at end of the period	<u>\$ -</u>	<u>\$ -</u>
Funded status	<u>\$ (966)</u>	<u>\$ (1,056)</u>

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 \$13, \$28, and \$72, respectively.

The components of net periodic postretirement benefit cost for the years ended May 31, are as follows:

	<u>2021</u>	<u>2020</u>
Service cost	\$ 12	\$ 10
Interest cost	<u>28</u>	<u>64</u>
Net periodic postretirement benefit cost	<u>\$ 40</u>	<u>\$ 74</u>

(Continued)

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NOTE 10 – EMPLOYEE BENEFIT PLANS (Continued)

Actuarial Assumptions

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

	<u>2021</u>	<u>2020</u>
Discount rate (expense)	2.78 %	3.69 %
Discount rate (obligation)	3.08	2.78
Healthcare cost trend rates:		
Healthcare cost trend rate assumed for next year	4.90	5.90
Ultimate rate	5.69	4.50
Year that the ultimate rate is reached	2029	2023

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>2021</u>	<u>2020</u>
Effect on total service cost and interest cost:		
One-percentage point increase	\$ 4	\$ 8
One-percentage point decrease	(4)	(8)
Effect on year-end postretirement benefit obligation:		
One-percentage point increase	\$ 44	\$ 71
One-percentage point decrease	(36)	(65)

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>		
2022	\$ 117	\$ 115
2023	94	114
2024	90	93
2025	86	90
2026	83	86
2027-2029	352	367

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NOTE 10 - EMPLOYEE BENEFIT PLANS (Continued)

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>2021</u>	<u>2020</u>
Board-designated endowment	\$ 69,402	\$ 63,272
Undesignated	<u>106,311</u>	<u>100,195</u>
Total	<u>\$ 175,713</u>	<u>\$ 163,467</u>

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

	<u>2021</u>	<u>2020</u>
General operations	\$ 19,760	\$ 32,207
Endowment	233,259	190,771
Endowment pledges	1,664	1,920
Donor-designated for plant	1,955	2,289
Donor-restricted revolving loan funds	4,571	4,709
Scholarships	1,827	1,493
Split-interest annuity agreements	1,472	1,002
Beneficial interest in perpetual trusts	<u>26,811</u>	<u>21,204</u>
Total	<u>\$ 291,319</u>	<u>\$ 255,595</u>

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ILLINOIS INSTITUTE OF TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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>2021</u>	<u>Program</u> <u>Activities</u>	<u>Supporting</u> <u>Activities</u>	<u>Fundraising</u>	<u>Total</u>
Operating expenses:				
Faculty salaries	\$ 58,855	\$ 1,564	\$ -	\$ 60,419
Administrative salaries	23,749	15,735	5,599	45,083
Part-time salaries	11,380	831	96	12,307
Employee benefits	19,360	4,725	884	24,969
Operations and maintenance	12,469	7,396	-	19,865
Supplies and services	39,711	8,010	402	48,123
Professional fees and advertising	9,638	2,971	231	12,840
IITRI research	21,902	2,894	-	24,796
Interest on indebtedness	3,857	1,768	-	5,625
Depreciation	<u>14,197</u>	<u>5,837</u>	<u>-</u>	<u>20,034</u>
 Total operating expenses	 215,118	 51,731	 7,212	 274,061
Restructuring expenses	<u>-</u>	<u>535</u>	<u>-</u>	<u>535</u>
 Total expenses	 <u>\$ 215,118</u>	 <u>\$ 52,266</u>	 <u>\$ 7,212</u>	 <u>\$ 274,596</u>

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
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NOTE 12 – FUNCTIONAL CLASSIFICATION OF EXPENSES (Continued)

<u>2020</u>	<u>Program</u> <u>Activities</u>	<u>Supporting</u> <u>Activities</u>	<u>Fundraising</u>	<u>Total</u>
Operating expenses:				
Faculty salaries	\$ 61,264	\$ 1,927	\$ -	\$ 63,191
Administrative salaries	23,665	16,843	5,046	45,554
Part-time salaries	12,571	1,132	128	13,831
Employee benefits	21,385	3,902	919	26,206
Operations and maintenance	14,342	7,296	-	21,638
Supplies and services	32,276	6,982	1,191	40,449
Professional fees and advertising	10,818	2,352	211	13,381
IITRI research	17,106	2,468	-	19,574
Interest on indebtedness	5,432	2,462	-	7,894
Depreciation	<u>11,641</u>	<u>4,694</u>	<u>-</u>	<u>16,335</u>
Total operating expenses	210,500	50,058	7,495	268,053
Restructuring expenses	<u>834</u>	<u>1,104</u>	<u>-</u>	<u>1,938</u>
Total expenses	<u>\$ 211,334</u>	<u>\$ 51,162</u>	<u>\$ 7,495</u>	<u>\$ 269,991</u>

NOTE 13 - LEASES

The University has obligations as a lessee for research and development building space, 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. The University's research and development building space require 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 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 5 years.

Operating leases and the finance lease are included in physical properties, less accumulated depreciation and lease liabilities in our consolidated balance sheets.

The components of lease expense were as follows:

<u>Year Ending May 31:</u>	<u>2021</u>
Operating lease cost	<u>\$ 999</u>
Financing lease cost	
Amortization of right-of-use asset	\$ 338
Interest on lease liability	<u>39</u>
Total finance lease cost	<u>\$ 377</u>

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2021 and 2020
(In thousands of dollars)

NOTE 13 – LEASES (Continued)

Supplemental cash flow information related to leases is as follows:

<u>Year Ending May 31:</u>	<u>2021</u>
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 1,051
Operating cash flows from finance lease	\$ 461
Financing cash flows from finance lease	\$ 39
Right-of-use assets obtained in exchange for lease obligations	
Operating leases	\$ -
Finance lease	\$ -

Supplemental balance sheet information related to leases is as follows:

<u>Year Ending May 31:</u>	<u>2021</u>
Operating leases	
Right of use asset, net of accumulated depreciation	<u>\$ 2,775</u>
Lease liability	<u>\$ 3,354</u>
Finance lease	
Right of use asset, net of accumulated depreciation	<u>\$ 1,439</u>
Lease liability	<u>\$ 963</u>
Weighted average remaining lease terms	
Operating leases	3 years
Finance lease	2 years
Weighted average discount rate	
Operating leases	1.4%
Finance lease	2.8%

(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
2022	\$ 1,095	\$ 500
2023	1,118	500
2024	1,144	-
2025	22	-
2026	<u>18</u>	<u>-</u>
Total lease payments	3,397	1,000
Less imputed interest	<u>(43)</u>	<u>(37)</u>
Total	<u>\$ 3,354</u>	<u>\$ 963</u>

In January 2006, the University entered into a 55-year ground lease agreement with Townsend Chicago, LLC (Townsend). On June 1, 2020, the University recorded \$3,879 in other receivables that represents the present value of the future minimum lease payments to be received from Townsend.

Future minimum lease payments to be received for the next five years are as follows:

<u>Year Ending May 31:</u>	
2022	\$ 173
2023	176
2024	180
2025	183
2026	187

In May 2012, the University entered into an agreement with Chicagoland Entrepreneurial Center (d/b/a 1871) for space on the twelfth floor of the Merchandise Mart through April 30, 2013. Prior to its expiration, the University elected to exercise its option to extend the agreement through June 30, 2020. The agreement was not renewed in fiscal year 2021.

NOTE 14 - BROADBAND LICENSE AND EXCESS CAPACITY LEASES

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.

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
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(In thousands of dollars)

NOTE 14 - BROADBAND LICENSE AND EXCESS CAPACITY LEASES (Continued)

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 2021, the University entered into an agreement to sell its remaining license in its EBS channel to Clearwire Spectrum Holdings III LLC subject to approval by the FCC. The total consideration to be paid for the license was \$55,000. The consideration is payable by Clearwire to the University according to the following payment schedule:

<u>Year Ending May 31:</u>	
2022	\$ 28,000
2023	3,000
2024	3,000
2025	3,000
2026	3,000
Thereafter	<u>15,000</u>
	<u>\$ 55,000</u>

This is expected to be a transaction accounted for in fiscal year May 31, 2022 once approved by the FCC.

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, 2021 and 2020. 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.

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ILLINOIS INSTITUTE OF TECHNOLOGY
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May 31, 2021 and 2020
(In thousands of dollars)

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:

	2021			2020
	University	IITRI	Consolidated	Consolidated
Financial assets:				
Cash and cash equivalents	\$ 3,303	\$ 8,788	\$ 12,091	\$ 6,464
Non-endowment investments	3,105	4,834	7,939	13,232
Accounts receivable, net	17,631	11,055	28,686	19,555
Pledge payments available for operations	5,670	-	5,670	18,950
Subsequent year's endowment payout	12,365	-	12,365	11,978
Total financial assets available within one year	42,074	24,677	66,751	70,179
Liquidity resources:				
Bank lines of credit	11,925	-	11,925	-
Total financial assets and liquidity resources available within one year	\$ 53,999	\$ 24,677	\$ 78,676	\$ 70,179

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. As of May 31, 2021 and 2020, the amount outstanding under the lines of credit amounted to \$33,075 and \$19,775, respectively.

In addition, as of May 31, 2021 and 2020 the University has \$66,531 and \$60,371, respectively, in funds functioning as endowment net of subsequent year appropriation, which is available for general expenditure with Board approval.

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, 2021 through February 17, 2022, which was the date the consolidated financial statements were issued.

July 19, 2021 the University entered into a 40 year agreement with Harrison Street Energy Partners, LLC under which Harrison Street agrees to operate, maintain, and improve the utility system and to provide Illinois Tech with utility services including steam, chilled water, and electricity. The agreement includes a long term equipment lease. In consideration for the right to operate the system, provide power to Illinois Tech and lease certain equipment, the University received payment of \$35,000. This amount, less the portion allocated to the long-term equipment lease, will be amortized over the term of the agreement.

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2021 and 2020
(In thousands of dollars)

NOTE 17 - SUBSEQUENT EVENTS (Continued)

On May 18, 2021 the University entered into an asset purchase agreement with Clearwire Spectrum Holdings III LLC to assign and transfer the license for a certain Educational Broadband Service. The assignment and transfer of license will be effective on the closing date. Total consideration to be paid for the license will be \$55,000 with \$28,000 to be paid in fiscal year 2022 and the remainder to be paid in installments over the subsequent 9 years.

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	\$ 238,387
2	Other net assets with donor restrictions (not perpetually restricted):	
	a. Annuities with donor restrictions	\$ 810
	b. Term endowments	-
	c. Life income funds (trusts)	-
	d. Total annuities, term endowments and life income funds with donor restrictions	<u>\$ 810</u>

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, 2020 financial statement)	\$ 301,377
	b. Reclassify capital lease assets previously included in PP&E, net prior to the implementation of ASU 2016-02 leases standards	(1,777)
	c. Less subsequent depreciation and disposals	<u>(17,668)</u>
	d. Balance pre-implementation property, plant and equipment, net	<u>281,932</u>
4	Debt Financed post-implementation property, plant and equipment, net	
	Long-lived assets acquired with debt subsequent to May 31, 2020:	
	a. Equipment	-
	b. Land improvements	-
	c. Building	-
	d. Total property, plant and equipment, net acquired with debt exceeding 12 months	<u>-</u>
5	Construction in progress - acquired subsequent to May 31, 2020	27,339
6	Post-implementation property, plant and equipment, net, acquired without debt:	
	a. Long-lived assets acquired without use of debt - post implementation	33,927
	b. Less subsequent depreciation and disposals	<u>(1,131)</u>
	d. Balance post-implementation property, plant and equipment, net	<u>32,796</u>
7	Lease right-of-use assets - Pre-implementation	4,141
8	Lease right-of-use assets - Post-implementation	73
9	Total Property, Plant and Equipment, net - May 31, 2021	<u>\$ 346,281</u>

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2021 and 2020
(In thousands of dollars)

NOTE 18 - UNITED STATES DEPARTMENT OF EDUCATION SUPPLEMENTAL DISCLOSURES
(Continued)

Long-term debt

10	Pre-implementation debt:	
	a. Ending balance of last financial statements submitted to the Department of Education (May 31, 2020):	\$ 179,172
	b. Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standards.	-
	c. Less subsequent debt repayments and amortization of premiums and bond issuance costs	<u>(4,716)</u>
	d. Balance Pre-implementation Debt	<u>174,456</u>
11	Allowable post-implementation debt used for capitalized long-lived assets:	
	a. Equipment - all capitalized	-
	b. Land improvements	-
	c. Buildings	-
12	Construction in progress (CIP) financed with short term debt	13,300
13	Long-term debt not for the purchase of property, plant and equipment or liability greater than assets value	<u>19,775</u>
14		<u>\$ 207,531</u>

Right-of-use Asset Liability

15	Lease right-of-use asset liability pre-implementation	\$ 4,244
16	Lease right-of-use liability post-implementation	73
17	Total right-of-use asset liability	<u>\$ 4,317</u>

Total Revenues and gains

18	Revenue - Statement of Activities	\$ 272,332
19	Return on investments	14,342
20	Endowment spending distribution	(2,901)
21	Net assets released from restrictions, net of change in donor designation	632
22	Net gain on disposal of assets	-
23	Other	<u>2,437</u>
24		<u>\$ 286,842</u>

Total Expenses

25	Total operating expenses	\$ 274,061
26	Restructuring expenses	535
27		<u>\$ 274,596</u>

Unsecured related party receivable

28	Unsecured related party receivable (board member pledges receivable)	<u>\$ 9,131</u>
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SUPPLEMENTARY INFORMATION

ILINOIS INSTITUTE OF TECHNOLOGY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended May 31, 2021

	Award number additional award <u>identification</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	\$ 90,647	\$ -	\$ 90,647	\$ -
Agriculture and Food Research Initiative (AFRI)	2017-67018-26230	10.310	8,974	-	8,974	-
Agriculture and Food Research Initiative (AFRI)	2019-67017-29254	10.310	82,806	-	82,806	-
Agriculture and Food Research Initiative (AFRI)	2020-67017-30780	10.310	74,960	-	74,960	-
Agriculture and Food Research Initiative (AFRI)	2020-67018-30783	10.310	75,552	-	75,552	-
Agriculture and Food Research Initiative (AFRI) - passed through:						
Michigan State University	RC104967IIT	10.310	-	165,703	165,703	-
Michigan State University	RC111302A	10.310	-	11,650	11,650	-
Tennessee State University	332 77-20.1523	10.310	-	1,532	1,532	-
Food Safety Cooperative Agreements	FSIS-C-01-2021	10.479	19,986	-	19,986	-
			<u>352,925</u>	<u>178,885</u>	<u>531,810</u>	<u>-</u>
Department of Defense:						
Basic and Applied Scientific Research	N00014-19-1-2280	12.300	97,145	-	97,145	-
Military Medical Research and Development - passed through:						
Boston VA Research Institute Inc.	0137FEDbMicrocoilbasedProsthesis	12.420	-	33,187	33,187	-
Michigan State University	RC107586-IIT	12.420	-	5,583	5,583	-
Air Force Defense Research Sciences Program	FA-9550-17-1-0240	12.800	113,029	-	113,029	-
Air Force Defense Research Sciences Program - passed through:						
University of California Los Angeles	0205 G WA701	12.800	-	96,750	96,750	-
Department of Defense Contracts - passed through:						
Corvid Technologies	17-030/W81XWH-17-C-0207	12.RD	-	(15,854)	(15,854)	-
Qunav LLC	IIT-2019-01/W31P4Q-20-C-0006	12.RD	-	48,453	48,453	-
Qunav LLC	IIT-IGEM-01/W31P4Q-21-C-0006	12.RD	-	63,343	63,343	-
University of Illinois	089750-16890/H98230-18-D-0007	12.RD	-	10,590	10,590	-
University of Notre Dame	278IIT/2018-JU-2776/HR0011-18-3-00	12.RD	-	199,844	199,844	-
			<u>210,174</u>	<u>441,896</u>	<u>652,070</u>	<u>-</u>
Department of Housing and Urban Development:						
Healthy Homes Technical Studies Grants	ILHHU0031-16	14.906	142,500	-	142,500	54,722
Healthy Homes Technical Studies Grants	ILHHU0049-19	14.906	30,948	-	30,948	-
			<u>173,448</u>	<u>-</u>	<u>173,448</u>	<u>54,722</u>

(Continued)
See notes to Schedule of Expenditures of Federal Awards.
See Accompanying Independent Auditor's Report.

ILINOIS INSTITUTE OF TECHNOLOGY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended May 31, 2021

	Award number additional award identification	AL Number	Federal expenditures direct awards	Federal expenditures indirect awards	Total federal expenditures	Passed through to subrecipients
Department of Transportation:						
Aviation Research Grants	DTFAWA-16-A-00004	20.108	\$ 210,079	\$ -	\$ 210,079	\$ 55,911
Department of Transportation and Highway Administration Grants	693KA8-21-T-00027	20.RD	56,527	-	56,527	-
			<u>266,606</u>	<u>-</u>	<u>266,606</u>	<u>55,911</u>
National Aeronautics and Space Administration:						
Science	NNX15AV01G	43.001	58,823	-	58,823	-
Science	80NSSC19K0086	43.001	149,872	-	149,872	49,278
Science - passed through						
International Space Station National Laboratory	GA-2015-207	43.001	-	47,317	47,317	-
University of Colorado Boulder	1556932	43.001	-	41,595	41,595	-
University of Florida	SUB00002258	43.001	-	58,061	58,061	-
Exploration	80NSSC20K1598	43.003	1,559	-	1,559	-
Education - passed through						
University of Illinois	078131-15651	43.008	-	25,462	25,462	-
University of Illinois	099286-17920	43.008	-	96,299	96,299	-
			<u>210,254</u>	<u>268,734</u>	<u>478,988</u>	<u>49,278</u>
National Science Foundation:						
Engineering Grants	CBET-1545560	47.041	(5,496)	-	(5,496)	-
Engineering Grants	CBET-1653627	47.041	94,436	-	94,436	-
Engineering Grants	CBET-1917130	47.041	68,402	-	68,402	-
Engineering Grants	CMMI-1553823	47.041	82,234	-	82,234	-
Engineering Grants	CMMI-1554033	47.041	81,045	-	81,045	-
Engineering Grants	CMMI-1637899	47.041	121,896	-	121,896	70,287
Engineering Grants	CMMI-1660572	47.041	192,398	-	192,398	-
Engineering Grants	CMMI-1663068	47.041	94,851	-	94,851	-
Engineering Grants	CMMI-1762774	47.041	67,281	-	67,281	-
Engineering Grants	CMMI-1825354	47.041	56,940	-	56,940	-
Engineering Grants	CMMI-1917112	47.041	10,214	-	10,214	-
Engineering Grants	ECCS-1554576	47.041	101,275	-	101,275	-
Engineering Grants	ECCS-1610874	47.041	(1,479)	-	(1,479)	-
Engineering Grants	ECCS-1711485	47.041	142,803	-	142,803	-
Engineering Grants	ECCS-1810105	47.041	36,720	-	36,720	-
Engineering Grants	ECCS-1927432	47.041	90,858	-	90,858	-

(Continued)
See notes to Schedule of Expenditures of Federal Awards.
See Accompanying Independent Auditor's Report.

ILLINOIS INSTITUTE OF TECHNOLOGY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended May 31, 2021

	Award number additional award <u>identification</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>
National Science Foundation, continued						
Engineering Grants	EEC-1757989	47.041	\$ 1,698	\$ -	\$ 1,698	\$ -
Engineering Grants	EEC-1937116	47.041	26,793	-	26,793	2,685
Engineering Grants	EFMA-1830939	47.041	746,250	-	746,250	338,155
Engineering Grants	IIP-1918991	47.041	91,558	-	91,558	-
Engineering Grants	IIP-1922937	47.041	(521)	-	(521)	-
Mathematical and Physical Sciences	CHE-1753012	47.049	88,104	-	88,104	-
Mathematical and Physical Sciences	CHE-1905324	47.049	63,525	-	63,525	-
Mathematical and Physical Sciences	CHE-1952803	47.049	105,721	-	105,721	-
Mathematical and Physical Sciences	DMR-1708596	47.049	72,902	-	72,902	-
Mathematical and Physical Sciences	DMR-1709959	47.049	43,125	-	43,125	-
Mathematical and Physical Sciences	DMR-1945380	47.049	8,779	-	8,779	-
Mathematical and Physical Sciences	DMR-2050916	47.049	1,509	-	1,509	-
Mathematical and Physical Sciences	DMS-1620449	47.049	10,632	-	10,632	-
Mathematical and Physical Sciences	DMS-1720420	47.049	39,525	-	39,525	-
Mathematical and Physical Sciences	DMS-1759535	47.049	89,833	-	89,833	-
Mathematical and Physical Sciences	DMS-1855309	47.049	82,757	-	82,757	-
Mathematical and Physical Sciences	DMS-1907568	47.049	61,968	-	61,968	-
Mathematical and Physical Sciences	DMS-1916467	47.049	48,090	-	48,090	-
Mathematical and Physical Sciences	DMS-1950868	47.049	18,649	-	18,649	-
Mathematical and Physical Sciences	PHY-1535676	47.049	1,348	-	1,348	-
Mathematical and Physical Sciences - passed through:						
University of Maine Orono	UMS-1114	47.049	-	6,581	6,581	-
Geosciences	AGS-1352602	47.050	1,639	-	1,639	-
Geosciences	AGS-1651465	47.050	13,907	-	13,907	-
Geosciences	AGS-1924736	47.050	52,178	-	52,178	-
Computer and Information Science and Engineering	CCF-1618776	47.070	69,136	-	69,136	-
Computer and Information Science and Engineering	CCF-2028274	47.070	85,768	-	85,768	-
Computer and Information Science and Engineering	CCF-2028958	47.070	1,129	-	1,129	-
Computer and Information Science and Engineering	CCF- 2029014	47.070	4,042	-	4,042	-
Computer and Information Science and Engineering	CNS-1526638	47.070	3,438	-	3,438	-
Computer and Information Science and Engineering	CNS-1717763	47.070	108,931	-	108,931	-
Computer and Information Science and Engineering	CNS-1718252	47.070	152,094	-	152,094	-
Computer and Information Science and Engineering	CNS-1730488	47.070	75,017	-	75,017	-

(Continued)
See notes to Schedule of Expenditures of Federal Awards.
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Year ended May 31, 2021

	Award number additional award <u>identification</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>
National Science Foundation, continued						
Computer and Information Science and Engineering	CNS-1730689	47.070	\$ 43,476	\$ -	\$ 43,476	\$ -
Computer and Information Science and Engineering	CNS-1745894	47.070	139,752	-	139,752	-
Computer and Information Science and Engineering	CNS-1757964	47.070	(15,535)	-	(15,535)	-
Computer and Information Science and Engineering	CNS-1763612	47.070	58,937	-	58,937	-
Computer and Information Science and Engineering	CNS-1814872	47.070	132,982	-	132,982	-
Computer and Information Science and Engineering	CNS-1816908	47.070	129,110	-	129,110	-
Computer and Information Science and Engineering	CNS-1854077	47.070	124,302	-	124,302	-
Computer and Information Science and Engineering	CNS-1937929	47.070	2,804	-	2,804	-
Computer and Information Science and Engineering	IIS-1350337	47.070	26,354	-	26,354	-
Computer and Information Science and Engineering	IIS-1927407	47.070	98,489	-	98,489	-
Computer and Information Science and Engineering	IIS-1956123	47.070	37,460	-	37,460	-
Computer and Information Science and Engineering	IIS-2022227	47.070	186	-	186	-
Computer and Information Science and Engineering	OAC-1835764	47.070	690,885	-	690,885	382,147
Computer and Information Science and Engineering	OAC-1940114	47.070	58,210	-	58,210	-
Computer and Information Science and Engineering - passed through: State University of New York at Buffalo (SUNY)	R1045974	47.070	-	205	205	-
Biological Sciences	MCB-1552743	47.074	103,144	-	103,144	-
Biological Sciences	MCB-1716099	47.074	59,774	-	59,774	-
Biological Sciences	MCB-2031762	47.074	106,738	-	106,738	-
Social, Behavioral, and Economic Sciences	SES-1635661	47.075	13,333	-	13,333	-
Social, Behavioral, and Economic Sciences	SES-1830642	47.075	177,776	-	177,776	-
Social, Behavioral, and Economic Sciences - passed through National Academy of Sciences	2000010186	47.075	-	3,501	3,501	-
University of Virginia	GA11551.PO#2304943	47.075	-	855	855	-
Education and Human Resources	DGE-2041783	47.076	23,389	-	23,389	-
Education and Human Resources	DUE-2044444	47.076	6,140	-	6,140	-
Education and Human Resources - passed through Chicago State University	53114	47.076	-	16,348	16,348	-
Chicago State University	53953	47.076	-	5,899	5,899	-
Polar Programs	OPP-1940483	47.078	55,921	-	55,921	-
			<u>5,477,529</u>	<u>33,389</u>	<u>5,510,918</u>	<u>793,274</u>

(Continued)
See notes to Schedule of Expenditures of Federal Awards.
See Accompanying Independent Auditor's Report.

ILINOIS INSTITUTE OF TECHNOLOGY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended May 31, 2021

	Award number additional award identification	AL Number	Federal expenditures direct awards	Federal expenditures indirect awards	Total federal expenditures	Passed through to subrecipients
Environmental Protection Agency:						
Great Lakes Program - passed through:						
Indiana University	8214-IIT	66.469	\$ -	\$ 34,725	\$ 34,725	\$ -
P3 Award: National Student Design Competition for Sustainability (B)	SU-84018001-0	66.516	13,483	-	13,483	-
			<u>13,483</u>	<u>34,725</u>	<u>48,208</u>	<u>-</u>
Department of Energy:						
Office of Science Financial Assistance Program	DE-SC0008347	81.049	466,082	-	466,082	-
Office of Science Financial Assistance Program	DE-SC0015479	81.049	82,097	-	82,097	-
Office of Science Financial Assistance Program	DE-SC0019264	81.049	64,314	-	64,314	-
Office of Science Financial Assistance Program	DE-SC0020379	81.049	371,322	-	371,322	169,718
Office of Science Financial Assistance Program - passed through:						
University of Massachusetts Amherst	17-009619 B 00	81.049	-	18	18	-
Conservation Research and Development	DE-EE0007798	81.086	85,959	-	85,959	109
Conservation Research and Development	DE-EE0008713	81.086	174,992	-	174,992	-
Conservation Research and Development - passed through:						
Magna Services of America Inc.	DE-EE0008869	81.086	-	47,735	47,735	-
Renewable Energy Research and Development - passed through:						
Commonwealth Edison Company	27040764	81.087	-	10,519	10,519	-
Texas A&M Engineering Experiment Station	M2100081	81.087	-	175,801	175,801	-
Fossil Energy Research and Development	DE-FE0031931	81.089	98,765	-	98,765	41,112
Fossil Energy Research and Development - passed through:						
Gas Technology Institute (GTI)	S939	81.089	-	73,675	73,675	-
Nuclear Energy Research, Development and Demonstration (B)	DE-NE0000105	81.121	34,636	-	34,636	-
Electricity Delivery and Energy Reliability, Research, Development and Analysis - passed through						
Commonwealth Edison Company	33069656	81.122	-	54,585	54,585	-
Advanced Research Projects Agency - Energy	DE-AR0000890	81.135	942,910	-	942,910	391,789
Advanced Research Projects Agency - Energy - passed through:						
Eaton Corporation	PO# 0011-43302/DE-AR0001111	81.135	-	86,890	86,890	-
Eaton Corporation	PO# 0011-44171/DE-AR0001111	81.135	-	83,806	83,806	-
Department of Energy Contracts - passed through						
Argonne National Laboratory	1J-60054/DE-AC02-06CH11357	81.RD	-	202,561	202,561	-
Argonne National Laboratory	5J-30021/DE-AC02-06CH11357	81.RD	-	218,425	218,425	-

(Continued)
See notes to Schedule of Expenditures of Federal Awards.
See Accompanying Independent Auditor's Report.

ILINOIS INSTITUTE OF TECHNOLOGY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended May 31, 2021

	Award number additional award <u>identification</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 Energy, continued						
Argonne National Laboratory	8J-30001/DE-AC02-06CH11357	81.RD	\$ -	\$ 1,117,794	\$ 1,117,794	\$ -
Fermi National Laboratory	637986/DE-AC02-07CH11359	81.RD	-	25,730	25,730	-
Fermi National Laboratory	645955/DE-AC02-07CH11359	81.RD	-	(3,983)	(3,983)	-
Fermi National Laboratory	661774/DE-AC02-07CH11359	81.RD	-	24,467	24,467	-
Fermi National Laboratory	665022/DE-AC02-07CH11359	81.RD	-	28,743	28,743	-
Fermi National Laboratory	665206/DE-AC02-07CH11359	81.RD	-	76,749	76,749	-
Fermi National Laboratory	668493/DE-AC02-07CH11359	81.RD	-	50,957	50,957	-
Fermi National Laboratory	672111/DE-AC02-07CH11359	81.RD	-	73,331	73,331	-
Fermi National Laboratory	672116/DE-AC02-07CH11359	81.RD	-	60,527	60,527	-
Fermi National Laboratory	676409/DE-AC02-07CH11359	81.RD	-	22,704	22,704	-
Georgia Institute of Technology	RK579-S1/DE-AC07-05ID14517	81.RD	-	29,546	29,546	-
SLAC National Accelerator Laboratory	193430/DE-AC02-76SF00515	81.RD	-	73,397	73,397	-
			2,321,077	2,533,977	4,855,054	602,728
Department of Health and Human Services:						
Food and Drug Administration - Research	2U19FD005322-06	93.103	428,506	-	428,506	-
Food and Drug Administration - Research	5U19FD005322-07	93.103	2,477,797	-	2,477,797	-
Food and Drug Administration - Research	5U19FD005322	93.103	627,236	-	627,236	15,052
Mental Health Research Grants - passed through:						
University of Michigan	SUBK00014718	93.242	-	23,119	23,119	-
Discovery and Applied Research for Technological Innovations to Improve Human Health	5R01EB023969-03	93.286	507,554	-	507,554	19,307
Discovery and Applied Research for Technological Innovations to Improve Human Health	1R01EB029800-01A1	93.286	281,808	-	281,808	48,929
Discovery and Applied Research for Technological Innovations to Improve Human Health - passed through:						
University of Massachusetts Worcester	OSP30847-02	93.286	-	152,149	152,149	-
Minority Health and Health Disparities Research	5R01MD010541	93.307	512,319	-	512,319	283,350
Minority Health and Health Disparities Research	5U01MD010541	93.307	4,899	-	4,899	-

(Continued)
See notes to Schedule of Expenditures of Federal Awards.
See Accompanying Independent Auditor's Report.

ILLINOIS INSTITUTE OF TECHNOLOGY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended May 31, 2021

	Award number additional award <u>identification</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						
National Center for Advancing Transitional Services - passed through:						
Rush University Medical Center	19042401-Sub01	93.350	\$ -	\$ 5,975	\$ 5,975	\$ -
University of Chicago	FP065282-C	93.350	-	68,621	68,621	-
University of Chicago	FP065282-K	93.350	-	(1,806)	(1,806)	-
Cancer Treatment Research	5R01CA112503	93.395	2,612	-	2,612	-
ACL National Institute on Disability, Independent Living, and Rehabilitation Research (B	90DPHF0008-01-00	93.433	71,892	-	71,892	10,808
Cardiovascular Diseases Research	1K25HL141634-01A1	93.837	147,546	-	147,546	-
Cardiovascular Diseases Research	1R01HL154687-01	93.837	363,858	-	363,858	90,153
Cardiovascular Diseases Research - passed through						
University of Wisconsin Madison	832K005	93.837	-	3,469	3,469	-
Lung Diseases Research - passed through						
Oregon Health & Science University	1011201_ILLINOIS-IT	93.838	-	50,995	50,995	-
Arthritis, Musculoskeletal and Skin Diseases Research	1R21AR074072-01A1	93.846	134,452	-	134,452	-
Arthritis, Musculoskeletal and Skin Diseases Research - passed through:						
University of Massachusetts Worcester	OSP2018019	93.846	-	22,405	22,405	-
Diabetes, Digestive and Kidney Diseases Extramural Research	5F31DK116524-02	93.847	40,806	-	40,806	-
Diabetes, Digestive and Kidney Diseases Extramural Research - passed through:						
University of Chicago	FP35726-03-PR	93.847	-	1,778	1,778	-
University of Chicago	AWD047431-01-PR (SUB00000337)	93.847	-	6,159	6,159	-
Viocare Inc.	1R43DK121665-01	93.847	-	9,806	9,806	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	5R01NS092760-05	93.853	251,058	-	251,058	228,797
Extramural Research Programs in the Neurosciences and Neurological Disorders	5UG3NS095557-02	93.853	(22,002)	-	(22,002)	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	4UH3NS095557-03	93.853	933,321	-	933,321	679,994
Extramural Research Programs in the Neurosciences and Neurological Disorders passed through:						
Rush University Medical Center	16050403-Sub02	93.853	-	327,226	327,226	-
Allergy and Infectious Diseases Research	1R15AI128627-01	93.855	59,559	-	59,559	-
Allergy and Infectious Diseases Research	1R15AI130988-01A1	93.855	84,563	-	84,563	-
Biomedical Research and Research Training	5P41GM103622	93.859	772,722	-	772,722	-
Biomedical Research and Research Training	1P30GM138395-01	93.859	1,171,772	-	1,171,772	-
Biomedical Research and Research Training	2R15GM110632-02	93.859	124,861	-	124,861	-
Biomedical Research and Research Training	1R15GM131292-01	93.859	80,812	-	80,812	-
Biomedical Research and Research Training	5R01GM127712-02	93.859	152,810	-	152,810	-

(Continued)

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

ILINOIS INSTITUTE OF TECHNOLOGY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended May 31, 2021

	Award number additional award identification	AL Number	Federal expenditures direct awards	Federal expenditures indirect awards	Total federal expenditures	Passed through to subrecipients
Department of Health and Human Services, continued						
Biomedical Research and Research Training	5R35GM119647	93.859	\$ 350,292	\$ -	\$ 350,292	\$ -
Biomedical Research and Research Training - passed through:						
DeNovX LLC	IIT-AJH-2020	93.859	-	69,421	69,421	-
Child Health and Human Development Extramural Research	1R15HD096410-01A1	93.865	124,201	-	124,201	-
Aging Research	5R01AG052200-03	93.866	401,898	-	401,898	119,348
Aging Research	1R01AG064233-01	93.866	364,372	-	364,372	257,698
Aging Research - passed through						
Rush University Medical Center	5P30AG010161-30	93.866	-	1,616	1,616	-
Vision Research	1R01EY029298-01A1	93.867	688,837	-	688,837	500,480
			<u>11,140,361</u>	<u>740,933</u>	<u>11,881,294</u>	<u>2,253,916</u>
Total Research and Development Cluster			<u>20,165,857</u>	<u>4,232,539</u>	<u>24,398,396</u>	<u>3,809,829</u>
Student Financial Assistance Cluster:						
Department of Education:						
Federal Supplemental Educational Opportunity Grants	P007A201173	84.007	511,488	-	511,488	-
Federal Work-Study Program - FY20	P033A191173	84.033	262,504	-	262,504	-
Federal Work-Study Program - FY21	P033A201173	84.033	506,064	-	506,064	-
Federal Perkins Loan Program		84.038	4,970,321	-	4,970,321	-
Federal Pell Grant Program - FY19	P063P181349	84.063	(2,032)	-	(2,032)	-
Federal Pell Grant Program - FY20	P063P191349	84.063	162,213	-	162,213	-
Federal Pell Grant Program - FY21	P063P201349	84.063	4,502,010	-	4,502,010	-
Federal Direct Student Loans	P268K201349	84.268	491,458	-	491,458	-
Federal Direct Student Loans	P268K211349	84.268	20,776,126	-	20,776,126	-
Federal Direct Student Loans	P268K206726	84.268	491,035	-	491,035	-
Federal Direct Student Loans	P268K216726	84.268	15,276,257	-	15,276,257	-
Total Student Financial Assistance Cluster			<u>47,947,444</u>	<u>-</u>	<u>47,947,444</u>	<u>-</u>

(Continued)
See notes to Schedule of Expenditures of Federal Awards.
See Accompanying Independent Auditor's Report.

ILINOIS INSTITUTE OF TECHNOLOGY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended May 31, 2021

	Award number additional award <u>identification</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>
Other Awards:						
Department of Education:						
Rehabilitation Long-Term Training Grant Program: MS in Rehabilitation Counseling	H129B200029	84.129B	\$ 2,421	\$ -	\$ 2,421	\$ -
Long-Term Training for Rehabilitation of Individuals Who Are Mentally Ill	H129H190019	84.129H	160,064	-	160,064	-
Graduate Assistance in Areas of National Need	P200A190080	84.200A	251,123	-	251,123	-
Teacher Quality Partnership Grants - passed through: National Lewis University	513094	84.336S	-	112,759	112,759	-
COVID-19 Higher Education Emergency Relief Fund - Coronavirus Act, Relief, and Economic Security Act - Student Aid Funds	P425E201018	84.425E	3,373,300	-	3,373,300	-
COVID-19 Higher Education Emergency Relief Fund - Coronavirus Act, Relief, and Economic Security Act - Institutional Funds	P425F200886	84.425F	8,437,456	-	8,437,456	-
Total Department of Education			<u>12,224,364</u>	<u>112,759</u>	<u>12,337,123</u>	<u>-</u>
Other Awards			<u>12,224,364</u>	<u>112,759</u>	<u>12,337,123</u>	<u>-</u>
Total Federal Awards			<u>\$ 80,337,665</u>	<u>\$ 4,345,298</u>	<u>\$ 84,682,963</u>	<u>\$ 3,809,829</u>

(Continued)
See notes to Schedule of Expenditures of Federal Awards.
See Accompanying Independent Auditor's Report.

ILINOIS INSTITUTE OF TECHNOLOGY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended May 31, 2021

The following table represents subtotals by each individual AL number:

AL Number	Federal expenditures <u>direct awards</u>	Federal expenditures <u>indirect awards</u>	Total federal <u>expenditures</u>	Passed through to <u>subrecipients</u>
Total 10.001	\$ 90,647	\$ -	\$ 90,647	\$ -
Total 10.310	242,292	178,885	421,177	-
Total 10.479	19,986	-	19,986	-
Total 12.300	97,145	-	97,145	-
Total 12.420	-	38,770	38,770	-
Total 12.800	113,029	96,750	209,779	-
Total 12.RD	-	306,376	306,376	-
Total 14.906	173,448	-	173,448	54,722
Total 20.108	210,079	-	210,079	55,911
Total 20.RD	56,527	-	56,527	-
Total 43.001	208,695	146,973	355,668	49,278
Total 43.003	1,559	-	1,559	-
Total 43.008	-	121,761	121,761	-
Total 47.041	2,100,156	-	2,100,156	411,127
Total 47.049	736,467	6,581	743,048	-
Total 47.050	67,724	-	67,724	-
Total 47.070	2,026,967	205	2,027,172	382,147
Total 47.074	269,656	-	269,656	-
Total 47.075	191,109	4,356	195,465	-
Total 47.076	29,529	22,247	51,776	-
Total 47.078	55,921	-	55,921	-
Total 66.469	-	34,725	34,725	-
Total 66.516	13,483	-	13,483	-
Total 81.049	983,815	18	983,833	169,718
Total 81.086	260,951	47,735	308,686	109
Total 81.087	-	186,320	186,320	-
Total 81.089	98,765	73,675	172,440	41,112
Total 81.121	34,636	-	34,636	-
Total 81.122	-	54,585	54,585	-
Total 81.135	942,910	170,696	1,113,606	391,789
Total 81.RD	-	2,000,948	2,000,948	-
Total 84.007	511,488	-	511,488	-
Total 84.033	768,568	-	768,568	-
Total 84.038	4,970,321	-	4,970,321	-

(Continued)
See notes to Schedule of Expenditures of Federal Awards.
See Accompanying Independent Auditor's Report.

ILINOIS INSTITUTE OF TECHNOLOGY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended May 31, 2021

AL Number	Federal expenditures <u>direct awards</u>	Federal expenditures <u>indirect awards</u>	Total federal <u>expenditures</u>	Passed through to <u>subrecipients</u>
Total 84.063	\$ 4,662,191	\$ -	\$ 4,662,191	\$ -
Total 84.129B	2,421	-	2,421	-
Total 84.129H	160,064	-	160,064	-
Total 84.200A	251,123	-	251,123	-
Total 84.268	37,034,876	-	37,034,876	-
Total 84.336S	-	112,759	112,759	-
Total 84.425E	3,373,300	-	3,373,300	-
Total 84.425F	8,437,456	-	8,437,456	-
Total 93.103	3,533,539	-	3,533,539	15,052
Total 93.242	-	23,119	23,119	-
Total 93.286	789,362	152,149	941,511	68,236
Total 93.307	517,218	-	517,218	283,350
Total 93.350	-	72,790	72,790	-
Total 93.395	2,612	-	2,612	-
Total 93.433	71,892	-	71,892	10,808
Total 93.837	511,404	3,469	514,873	90,153
Total 93.838	-	50,995	50,995	-
Total 93.846	134,452	22,405	156,857	-
Total 93.847	40,806	17,743	58,549	-
Total 93.853	1,162,377	327,226	1,489,603	908,791
Total 93.855	144,122	-	144,122	-
Total 93.859	2,653,269	69,421	2,722,690	-
Total 93.865	124,201	-	124,201	-
Total 93.866	766,270	1,616	767,886	377,046
Total 93.867	688,837	-	688,837	500,480

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

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, 2021. The Schedule excludes expenditures of federal awards of IIT Research Institute, a subsidiary of the University. Expenditures of federal awards for IIT Research Institute will be 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 \$84,683,000 do not directly agree to the revenue line items on the University's May 31, 2021 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 \$43,303,000 in federal expenditure and indirect cost revenue of approximately \$4,345,000, relate to the University. Government grants and contracts consist of approximately \$1,203,000 of awards received from states and local sources, with the balance of approximately \$11,145,000 related to IIT Research Institute, a consolidated separate legal entity. Federal student loans activity in the Schedule of approximately \$37,035,000 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.

NOTE 2 - INDIRECT COSTS

The University has four-year predetermined fixed indirect cost rates, effective June 1, 2019 through May 31, 2023, 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 54%, 24%, and 11% of modified total direct costs, respectively. Approximately \$4,345,000 of indirect costs were reimbursed to the University during the year ended May 31, 2021. The University does not use the de minimus indirect cost rate permitted under the Uniform Guidance.

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended May 31, 2021

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, 2021 are summarized as follows:

Perkins	\$ (2,000)
FDL	<u>37,034,876</u>
Total federal student loan program	<u>\$ 37,032,876</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, 2020	\$ 4,970,321
Loans disbursed	(2,000)
Repayment	(1,104,621)
Cancellations	<u>(3,665)</u>
Outstanding balance as of May 31, 2021	<u>\$ 3,860,035</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, 2021.

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 consolidated financial statements of Illinois Institute of Technology and Subsidiaries (the "University"), which comprise the consolidated statement of financial position as of May 31, 2021, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 23, 2021, except as to note 18, which is as of February 17, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 University's consolidated 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 may exist that have not been identified.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free of 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 consolidated 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 over financial reporting 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
November 23, 2021, except as to note 18, which is
as of February 17, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

The Board of Trustees
Illinois Institute of Technology
Chicago, Illinois

Report on Compliance for Each Major Federal Program

We have audited Illinois Institute of Technology's (University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended May 31, 2021. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The University's consolidated financial statements include the operations of IIT Research Institute, which received federal awards and are not included in the University's schedule of expenditures of federal awards during the year ended May 31, 2021. Our audit, described below, did 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, 2021.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

(Continued)

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2021.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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 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.

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

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance and Report on Financial Responsibility Supplemental Schedule Required by US Department of Education

We have audited the consolidated financial statements of Illinois Institute of Technology as of and for the year ended May 31, 2021, and have issued our report thereon dated November 23, 2021, except as to note 18, which is as of February 17, 2022, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Uniform Guidance and the Financial Responsibility Supplemental Schedule as required by the US Department of Education, is presented for purposes of additional analysis and is 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 additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to

(Continued)

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 schedule of expenditures of federal awards and Financial Responsibility Supplemental Schedule are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Crowe LLP

Crowe LLP

Chicago, Illinois
February 17, 2022

ILLINOIS INSTITUTE OF TECHNOLOGY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended May 31, 2021

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
84.425E	COVID-19 Higher Education Emergency Relief Fund
84.425F	Student Aid Funds Institutional Funds

Dollar threshold used to distinguish between type A and type B programs: \$2,540,489

Auditee qualified as low-risk auditee? Yes No

(Continued)

ILLINOIS INSTITUTE OF TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 2021

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):

None.

ILLINOIS INSTITUTE OF TECHNOLOGY
 FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE –
 UNITED STATES DEPARTMENT OF EDUCATION
 May 31, 2021

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	\$ 175,713,000
Net assets with donor restrictions	Statement of Financial Position	291,318,000
Secured and Unsecured related party receivable	Not applicable	9,131,000
Unsecured related party receivable	Not applicable	-
<u>Property, plant and equipmen, net (includes contruction in progress)</u>		
Property, plant and equipment pre-implementation	Statement of Financial Position Note 18, line 3d	346,281,000 281,932,000
Property, plant and equipment post-implementation with outstanding debt for original purchase	Not applicable	-
Property, plant and equipment post-implementation without outstanding debt for original purchase	Note 18, line 6a	32,796,000
Construction in progress	Note 18, line 5	27,339,000
Lease right-of-use asset, pre-implementation	Note 18, line 7	4,141,000
Lease right-of-use asset, post-implementation	Note 18, line 8	73,000
<u>Long-term debt - for long term purposes</u>		
Long-term debt - for long term purposes pre-implementation	Note 18, line 10d	174,456,000
Long-term debt - for long term purposes post-implementation	Not applicable	-
Line of Credit for Construction in progress	Note 18, line 12	13,300,000
<u>Lease right-of-use asset liability</u>		
Pre-implementation right-of-use asset liability	Note 18, line 15	4,244,000
Post-implementation right-of-use asset liability	Note 18, line 16	73,000
Annuities with donor restrictions	Note 18, line 2a	810,000
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	238,387,000
<u>Total Expenses and Losses without Donor Restrictions</u>		
Total operating expenses without donor restriction	Statement of Activities	274,061,000
Total non-operating losses without donor restrictions	Statement of Activities	535,000
Pension-related changes other than net periodic costs	Not applicable	-
Net investment loss	Not applicable	-

(Continued)
 See Accompanying Independent Auditor's Report

ILLINOIS INSTITUTE OF TECHNOLOGY
 FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE –
 UNITED STATES DEPARTMENT OF EDUCATION
 May 31, 2021

Equity Ratio

Modified Net Assets

Net assets without donor restrictions	Statement of Financial Position	175,713,000
Net assets with donor restrictions	Statement of Financial Position	291,318,000
Intangible assets	Not applicable	-
Secured and unsecured related party receivables	Note 18, line 28	9,131,000
Unsecured related party receivables	Note 18, line 28	9,131,000

Modified Assets

Total assets	Statement of Financial Position	749,454,000
Intangible assets	Not applicable	-
Secured and Unsecured related party receivable	Note 18, line 28	9,131,000
Unsecured related party receivable	Note 18, line 28	9,131,000

Net Income Ratio

Change in net assets without donor restrictions	Statement of Activities	12,246,000
Total revenue and total gains without donor restrictions	Note 18, line 24	286,842,000