ILLINOIS INSTITUTE OF TECHNOLOGY

CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2019 and 2018

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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 statement of financial position as of May 31, 2019, and the related consolidated statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2019, and the changes in their net assets and cash flows for the year 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 financial statements, the University has adopted ASU 2016-14 - *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities;* ASU 2014-09 - *Revenue from Contracts with Customers (Topic 606)*; and ASU 2018-08 - *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* Our opinion is not modified with respect to these matters.

Other Matters

The consolidated financial statements of Illinois Institute of Technology and Subsidiaries as of May 31, 2018, were audited by other auditors whose report dated October 25, 2018, expressed an unmodified opinion on those statements.

Our 2019 audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position, activities, and cash flows are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual entities, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain 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 the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Crowe LLP

Crowe LLP

Chicago, Illinois
November 1, 2019

ILLINOIS INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
May 31, 2019 and 2018
(In thousands of dollars)

	2019	2018
ASSETS		
Cash	$ 4,150	$ 26,863
Notes and accounts receivable:		
Grants and contracts, less allowance of $294 in 2019 and $252 in 2018	12,703	8,943
Students:		
Tuition, less allowance of $679 in 2019 and $916 in 2018	6,365	5,141
Notes, less allowance of $655 in 2019 and $620 in 2018	8,474	9,514
Other, less allowance of $695 in 2019 and $636 in 2018	1,051	1,051
Pledges, net	16,342	9,124
Inventories, prepaid expenses, and deferred charges	3,703	4,062
Investments	252,743	257,422
Bond proceeds held by trustees	-	2,817
Physical properties, less accumulated depreciation	317,785	300,226
Beneficial interest in perpetual trusts	21,204	22,012
Total assets	$ 644,520	$ 647,175
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 18,229	$ 13,988
Accrued salaries and wages	17,411	16,709
Deferred revenue	12,749	19,680
Deposits by students and others	1,595	2,336
Accrued postretirement benefit obligation	1,810	2,199
Obligation under split-interest agreements	751	726
Notes and bonds payable	194,775	185,945
Capital lease liability	1,870	-
Advances from the U.S. government for student loans	6,651	6,651
Asset retirement obligation	1,457	1,625
Total liabilities	257,298	249,859
Net assets:		
Without donor restrictions	151,624	133,954
With donor restrictions	235,598	263,362
Total net assets	387,222	397,316
Total liabilities and net assets	$ 644,520	$ 647,175

See accompanying notes to the consolidated financial statements.

ILLINOIS INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended May 31, 2019
(In thousands of dollars)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue:			
Tuition and fees, net of scholarships of $115,091	$ 128,974	$ -	$ 128,974
Government grants and contracts	50,872	-	50,872
Private grants and contracts	14,457	-	14,457
Private gifts	18,361	6,839	25,200
Endowment spending distribution	12,282	-	12,282
Sales and services of auxiliary enterprises, net	16,764	-	16,764
Other sources	16,423	-	16,423
Net assets released from restrictions	6,673	(6,673)	-
Total operating revenue	264,806	166	264,972
Operating expenses:			
Faculty salaries	63,976	-	63,976
Administrative salaries	46,706	-	46,706
Part-time salaries	14,089	-	14,089
Employee benefits	25,730	-	25,730
Operations and maintenance	21,471	-	21,471
Supplies and services	43,237	-	43,237
Professional fees and advertising	15,896	-	15,896
IITRI research	15,085	-	15,085
Interest on indebtedness	9,387	-	9,387
Depreciation	15,773	-	15,773
Total operating expenses	271,350	-	271,350
(Decrease) increase in net assets from operating activities	(6,544)	166	(6,378)
Nonoperating revenue and expenses:			
Private gifts	-	14,350	14,350
Change in donor designation	(37)	37	-
Return on investments, net	846	1,528	2,374
Net loss on beneficial interest on perpetual trusts	-	(808)	(808)
Endowment spending distribution	(2,756)	(9,526)	(12,282)
Net assets released from restrictions	32,702	(32,702)	-
Loss on extinguishment of debt	(772)	-	(772)
Restructuring expenses	(5,996)	-	(5,996)
Change in value of split-interest agreements	(31)	(25)	(56)
Other	258	(784)	(526)
Increase (decrease) in net assets from nonoperating activities	24,214	(27,930)	(3,716)
Increase (decrease) in net assets	17,670	(27,764)	(10,094)
Net assets at beginning of year	133,954	263,362	397,316
Net assets at end of year	$ 151,624	$ 235,598	$ 387,222

See accompanying notes to the consolidated financial statements.

ILLINOIS INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended May 31, 2018
(In thousands of dollars)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue:			
Tuition and fees, net of scholarships of $104,630	$ 139,693	$ -	$ 139,693
Government grants and contracts	50,955	-	50,955
Private grants and contracts	12,423	-	12,423
Private gifts	11,144	3,363	14,507
Endowment spending distribution	12,500	-	12,500
Sales and services of auxiliary enterprises, net	12,577	-	12,577
Other sources	18,170	-	18,170
Net assets released from restrictions	2,857	(2,857)	-
Total operating revenue	260,319	506	260,825
Operating expenses:			
Faculty salaries	62,753	-	62,753
Administrative salaries	47,284	-	47,284
Part-time salaries	13,891	-	13,891
Employee benefits	27,242	-	27,242
Operations and maintenance	23,977	-	23,977
Supplies and services	43,137	-	43,137
Professional fees and advertising	13,500	-	13,500
IITRI research	15,252	-	15,252
Interest on indebtedness	9,426	-	9,426
Depreciation	14,322	-	14,322
Total operating expenses	270,784	-	270,784
(Decrease) increase in net assets from operating activities	(10,465)	506	(9,959)
Nonoperating revenue and expenses:			
Private gifts	-	4,268	4,268
Change in donor designation	(793)	793	-
Return on investments, net	3,637	11,572	15,209
Net gain on beneficial interest on perpetual trusts	-	1,195	1,195
Endowment spending distribution	(2,819)	(9,681)	(12,500)
Net assets released from restrictions	756	(756)	-
Gain on sale of broadband channel	65,000	-	65,000
Change in value split interest agreements	(76)	(25)	(101)
Other	(660)	238	(422)
Increase in net assets from nonoperating activities	65,045	7,604	72,649
Increase in net assets	54,580	8,110	62,690
Net assets at beginning of year	67,652	266,974	334,626
Cumulative effect of adoption of change in accounting principle	11,722	(11,722)	-
Net assets at end of year	$ 133,954	$ 263,362	$ 397,316

See accompanying notes to the consolidated financial statements.

ILLINOIS INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended May 31, 2019 and 2018
(In thousands of dollars)

	2019	2018
Cash flows from operating activities:		
(Decrease) increase in net assets	$ (10,094)	$ 62,690
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Private gifts restricted for long-term investment	(2,209)	(6,631)
Depreciation	15,773	14,322
Loss (gain) on beneficial interest in perpetual trusts	808	(1,195)
Gain on sale of broadband channel	-	(65,000)
Net loss (gain) on investments	3,169	(9,449)
Accretion on asset retirement obligation	515	388
Changes in assets and liabilities:		
Receivables: tuition, grants, pledges, and other	(12,202)	2,257
Inventories, prepaid expenses, and deferred charges	359	131
Accounts payable and accrued expenses	1,040	125
Accrued salaries and wages	702	(944)
Deferred revenue	5,373	(791)
Deposits by students and others	(741)	(80)
Accrued postretirement benefit obligation	(389)	(209)
Obligations under split-interest agreements	25	112
Advances from the U.S. government for student loans	-	(988)
Asset retirement obligation	(683)	(614)
Net cash from operating activities	1,446	(5,876)
Cash flows from investing activities:		
Proceeds from sale of investments	79,246	54,283
Purchase of investments	(77,736)	(52,609)
Change in bond proceeds held by trustees, net	2,817	(23)
Purchase of physical properties	(40,065)	(44,670)
Sale of broadband channel	-	65,000
Issuance of notes receivable	(552)	(2,205)
Payments received on notes receivable	1,592	1,922
Net cash from investing activities	(34,698)	21,698
Cash flows from financing activities:		
Private gifts restricted for long-term investment	2,209	6,631
Payments on capital lease	(500)	-
Proceeds on notes and bonds payable	40,250	-
Payments on notes and bonds payable	(31,420)	(6,615)
Net cash from financing activities	10,539	16
Change in cash	(22,713)	15,838
Cash at:		
Beginning of year	26,863	11,025
End of year	$ 4,150	$ 26,863
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 8,932	$ 9,201
Construction payable	3,201	2,521
Proceeds from capital lease	2,370	-
Release of conditional gift for purchase of property and equipment	12,304	-

See accompanying notes to the consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

Basis of Presentation: Illinois Institute of Technology (the University) 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.

(Continued)

(In thousands of dollars)

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

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.

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, 2019 and 2018, tuition and fees revenue was reduced by approximately $115,091 and $104,630, 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, 2019 and 2018, auxiliary revenue was reduced by approximately $3,043 and $2,188, 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:

	2019	2018
Housing services, net	$ 7,768	$ 5,195
Food services	6,896	2,043
Other	2,100	$ 5,339
Total	$ 16,764	$ 12,577

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, 2019, May 31, 2018, and May 31, 2017 were $7,044, $6,057 and $4,477, respectively.

(Continued)

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

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.

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 does not record revenue on amounts that are expected to be refunded. Refunds are estimated based on historical experience.

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.

(Continued)

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

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

At May 31, 2019, the University also had unexpended grant awards of approximately $4,458 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.

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 $5,996 for the fiscal year. The expenses included consulting services, a voluntary retirement incentive plan, system/software improvements and restructuring/reorganization of departments.

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. Direct investments in real estate included in the investment portfolio are recorded at fair value using the income-capitalization and sale-comparison methodology. 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.

(Continued)

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

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.

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

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

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

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

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.

(Continued)

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

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, 2019 and 2018, 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 2016.

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.

Accounting Guidance: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers Topic (606)*. This ASU supersedes the revenue recognition requirements in *Topic 605, Revenue Recognition*, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The University adopted this ASU on June 1, 2018.

The University implemented ASU 2014-09 using a full retrospective method of application. The adoption of ASU 2014-09 resulted in changes to the disclosure of revenue. There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2014-09. As a result, no cumulative effect adjustment was recorded upon adoption.

In June 2018, the FASB issued (ASU) 2018-08, *Not-for-Profit Entities: Topic 958*. The amendments in this Update provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional. The University adopted this ASU on June 1, 2018.

The University implemented ASU 2018-08 using a full retrospective method of application. The adoption of ASU 2018-08 resulted in changes to the disclosure of revenue. There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2018-08. As a result, no cumulative effect adjustment was recorded upon adoption.

(Continued)

(In thousands of dollars)

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

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities: Topic 958.* The amendments in this ASU affect not-for-profit entities (NFPs) and the users of their general purpose financial statements. The amendments in this ASU make certain improvements to the current net asset classification requirements and the information presented in financial statements and notes about a NFP's liquidity, financial performance, and cash flows. The amendments in the ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The University has implemented the provisions of this ASU for the year end May 31, 2019.

The University implemented ASU 2016-14 using a full retrospective method of application. The adoption of ASU 2016-14 resulted in changes to presentation and certain disclosures. There was a material change to the presentation of underwater endowments upon application of ASU 2016-14 resulting a cumulative effect adjustment to beginning net assets that was recorded upon adoption.

In February 2016, the FASB issued ASU. No. 2016-02, Leases which provides accounting guidance to establish increased transparency and comparability of lease reporting by recognizing lease assets and liabilities on the statement of financial position and disclosing key information about leasing activities. The significant change from previous GAAP and the new guidance is the recognition of lease assets and liabilities that arise from operating leases with terms greater than one year are to be recognized in the statement of financial position. The standard is effective in fiscal year 2020 and its impact on policies, procedures and the consolidated financial statements is under evaluation.

NOTE 2 - INVESTMENTS

Investments consist of the following at May 31:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	$ 14,276	$ 14,276	$ 23,752	$ 23,752
Stocks	386	782	339	720
Equity mutual funds	125,930	128,168	130,458	147,176
Bonds (IITRI)	5,983	5,928	5,850	5,728
Fixed income mutual funds	63,602	63,791	52,348	51,154
Alternative funds	14,500	14,484	-	-
Hedge equity funds	19,671	22,388	12,171	14,514
Private equity and venture capital funds	2,983	2,926	2,439	2,478
Real estate	-	-	12,900	11,900
Total investments	$ 247,331	$ 252,743	$ 240,257	$ 257,422

(Continued)

(In thousands of dollars)

NOTE 2 – INVESTMENTS (Continued)

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 a monthly 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:

	2019	2018
Return on investments:		
Interest and dividends	$ 5,543	$ 5,760
Net realized and unrealized (loss) gain on investments	(3,169)	9,449
Net return on investments	$ 2,374	$ 15,209

The return on investments reflects income from investments held by IITRI of $201 and $54 for 2019 and 2018, respectively.

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.

(Continued)

NOTE 3 - FAIR VALUE MEASUREMENT (Continued)

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 2019 and 2018, 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 real estate investments and beneficial interests in perpetual trusts as Level 3. The May 31, 2018 real estate is valued utilizing the income-capitalization and sale-comparison methodology completed by an independent real estate appraiser. 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.

(Continued)

NOTE 3 - FAIR VALUE MEASUREMENT (Continued)

The University's interests in alternative investment funds, such as hedged equity funds and private equity and venture capital funds, 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, 2019 and 2018, the University had no plans to sell investments at amounts different from NAV. The University has $39,798 and $16,892 for 2019 and 2018, respectively, of investments in alternative investment funds, which are reported at fair value. The University has concluded that the NAV reported by the underlying fund approximates the fair value for these investments. 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 $4,565 in unfunded commitments relative to HC Private Equity XI and no unfunded commitments relative to the Commonfund and Roundtable private equity, venture capital and hedged equity alternative investments.

(In thousands of dollars)

NOTE 3 - FAIR VALUE MEASUREMENT (Continued)

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, 2019 and 2018, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	2019					Redemption	Days'
	Level 1	Level 2	Level 3	NAV	Total	or Liquidation	Notice
Investments:							
Cash and cash equivalents	$ 14,276	$ -	$ -	$ -	$ 14,276	Daily	One
Fixed income:							
Fixed income (IIT)	55,994	6,557	-	-	62,551	Daily	One, Trade Day + 2
Fixed income (IITRI)	5,928	-	-	-	5,928	Daily	One
Total	61,922	6,557	-	-	68,479		
Domestic equities:							
Large cap equity	53,052	-	-	-	53,052	Daily	One, Trade Day + 2
Mid cap	561	-	-	-	561	Daily	One, Trade Day + 2
Small cap	2,859	-	-	-	2,859	Daily	One, Trade Day + 2
Tactical opportunities	2,428	-	-	-	2,428	Daily	One, Trade Day + 2
State Street Global	1,904	-	-	-	1,904	Daily	One, Trade Day + 2
Real estate	622	-	-	-	622	Daily	One, Trade Day + 2
Other	782	-	-	-	782	Daily	One
Total	62,208	-	-	-	62,208		
Global (ex-U.S.) equities:							
Developed international	49,007	-	-	-	49,007	Daily	One, Trade Day + 2
Emerging markets international	17,735	-	-	-	17,735	Daily	One, Trade Day + 2
Total	66,742	-	-	-	66,742		
Global (ex-U.S.) fixed income:							
Developed international	771	-	-	-	771	Daily	One, Trade Day + 2
Emerging markets international	469	-	-	-	469	Daily	One, Trade Day + 2
Total	1,240	-	-	-	1,240		
Alternative funds:							
HC Select Equity	-	-	-	12,500	12,500	Locked-up	90
Insurance Linked Interval Fund	-	-	-	1,984	1,984	Quarterly	90
Total	-	-	-	14,484	14,484		
Hedged equity funds of funds:							
Multiple strategies:							
Total return	-	-	-	22,388	22,388	Locked-up (1, 2)	60
Total	-	-	-	22,388	22,388		

(Continued)

(In thousands of dollars)

NOTE 3 - FAIR VALUE MEASUREMENT (Continued)

	2019					Redemption	Days'
	Level 1	Level 2	Level 3	NAV	Total	or Liquidation	Notice
Private equity and venture capital funds:							
Common fund:							
Capital international	$ -	$ -	$ -	$ 190	$ 190	None (2)	N/A
Capital venture	-	-	-	490	490	None (2)	N/A
Capital private equity	-	-	-	374	374	None (2)	N/A
IIA	-	-	-	294	294	None (2)	N/A
HC Private Equity XI	-	-	-	1,574	1,574	None (2)	N/A
Roundtable	-	-	-	4	4	None (2)	N/A
Total	-	-	-	2,926	2,926		
Total investments	206,388	6,557	-	39,798	252,743		
Other assets:							
Cash	4,150	-	-	-	4,150		
Perpetual trust	-	-	21,204	-	21,204	None	N/A
Total other assets	4,150	-	21,204	-	25,354		
Total	$ 210,538	$ 6,557	$ 21,204	$ 39,798	$ 278,097		

(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.

(In thousands of dollars)

NOTE 3 - FAIR VALUE MEASUREMENT (Continued)

	2018					Redemption	Days'
	Level 1	Level 2	Level 3	NAV	Total	or Liquidation	Notice
Investments:							
Cash and cash equivalents	$ 23,752	$ -	$ -	$ -	$ 23,752	Daily	One
Fixed income:							
Fixed income (IIT)	51,154	-	-	-	51,154	Daily	One
Fixed income (IITRI)	5,728	-	-	-	5,728	Daily	One
Total	56,882	-	-	-	56,882		
Domestic equities:							
Large cap equity	57,614	-	-	-	57,614	Daily	One
Tactical opportunities	3,167	-	-	-	3,167	Daily	One
State Street Global	1,936	-	-	-	1,936	Daily	One
Small cap	5,176	-	-	-	5,176	Daily	One
Other	720	-	-	-	720	Daily	One
Total	68,613	-	-	-	68,613		
Global (ex-U.S.) equities:							
Developed international	61,581	-	-	-	61,581		
Emerging markets international	17,702	-	-	-	17,702	Daily	One
Total	79,283	-	-	-	79,283	Daily	One
Hedged equity funds of funds:							
Multiple strategies:							
Total return	-	-	-	14,514	14,514	Locked-up (1,3)	60
Total	-	-	-	14,514	14,514		
Private equity and venture capital funds:							
Common fund:							
Capital international	-	-	-	300	300	None (3)	N/A
Capital venture	-	-	-	719	719	None (3)	N/A
Capital private equity	-	-	-	545	545	None (3)	N/A
IIA	-	-	-	316	316	None (3)	N/A
HC Private Equity XI	-	-	-	598	598	None (3)	N/A
Total	-	-	-	2,478	2,478		
Real assets:							
IIT Tower	-	-	11,900	-	11,900	Illiquid (2)	N/A
Total	-	-	11,900	11,900	11,900		
Total investments	228,530	-	11,900	28,892	257,422		
Other assets:							
Cash	26,863	-	-	-	26,863		
Bond proceeds	2,817	-	-	-	2,817	Daily	One
Perpetual trust	-	-	22,012	-	22,012	None	N/A
Total other assets	29,680	-	22,012	-	51,692		
Total	$ 258,210	$ -	$ 33,912	$ 28,892	$ 309,114		

(Continued)

(In thousands of dollars)

NOTE 3 - FAIR VALUE MEASUREMENT (Continued)

(1) One year from the initial investment
(2) Real estate property owned by endowment
(3) 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.

Aggregate investment liquidity as of May 31, 2019 and 2018, is presented below based on redemption or sale period:

	2019	2018
Investment redemption or sale period:		
Daily	$ 212,945	$ 228,530
Quarterly	1,984	-
Subject to rolling lock-ups	34,888	14,514
Illiquid	-	11,900
Redemptions not permitted	2,926	2,478
Total	$ 252,743	$ 257,422

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, 2019 and 2018:

	Real Estate	Beneficial Interest in Perpetual Trusts	Total
Beginning balance, June 1, 2018	$ 11,900	22,012	$ 33,912
Net realized and unrealized gains losses	-	(808)	(808)
Sale of investment	(11,900)	-	(11,900)
Ending balance, May 31, 2019	$ -	$ 21,204	$ 21,204
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, 2019	$ -	$ (808)	$ (808)

During fiscal year 2019, the University purchased the Tower from its investment portfolio with cash and placed it into physical properties (see Note 7).

(Continued)

(In thousands of dollars)

NOTE 3 - FAIR VALUE MEASUREMENT (Continued)

	Real Estate	Beneficial Interest in Perpetual Trusts	Total
Beginning balance, June 1, 2017	$ 11,965	20,817	$ 32,782
Net realized and unrealized gains (losses)	(65)	1,195	1,130
Purchases	-	-	-
Distributions	-	-	-
Ending balance, May 31, 2018	$ 11,900	$ 22,012	$ 33,912
The amount of total gain (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, 2018	$ (65)	$ 1,195	$ 1,130

NOTE 4 - ENDOWMENTS

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

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

The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions as there are specific purpose restrictions that have not been met by the University.

(In thousands of dollars)

NOTE 4 - ENDOWMENTS (Continued)

Endowment net assets consist of the following as of May 31, 2019:

		With Donor Restrictions			Total
	Without Donor Restrictions	Other Funds	Underwater Funds	Total	Endowment Funds
Board-designated funds	$ 54,055	$ -	$ -	$ -	$ 54,055
Donor-restricted endowment corpus					
Original donor-restricted gifts	-	67,483	123,251	190,734	190,734
Accumulated gains (losses)	-	11,528	(15,768)	(4,240)	(4,240)
Donor-restricted endowment pledges	-	2,446	-	2,446	2,446
Total	$ 54,055	$ 81,457	$ 107,483	$ 188,940	$ 242,995

Endowment net assets consist of the following as of May 31, 2018:

		With Donor Restrictions			Total
	Without Donor Restrictions	Other Funds	Underwater Funds	Total	Endowment Funds
Board-designated funds	$ 54,881	$ -	$ -	$ -	$ 54,881
Donor-restricted endowment corpus					
Original donor-restricted gifts	-	98,683	89,912	188,595	188,595
Accumulated gains (losses)	-	16,033	(10,952)	5,081	5,081
Donor-restricted endowment pledges	-	3,242	-	3,242	3,242
Total	$ 54,881	$ 117,958	$ 78,960	$ 196,918	$ 251,799

(Continued)

(In thousands of dollars)

NOTE 4 - ENDOWMENTS (Continued)

Changes in endowment net assets for the year ended May 31, 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	$ 54,881	$ 196,918	$ 251,799
Endowment-related investment return:			
Endowment-related investment income, net	1,164	4,015	5,179
Endowment-related net realized and unrealized loss	(698)	(2,407)	(3,105)
Total endowment-related investment return, net	466	1,608	2,074
Contributions:			
Additions to endowment	39	2,106	2,145
Change in pledges with donor restrictions	-	(796)	(796)
Appropriation	(2,756)	(9,526)	(12,282)
Other	55	-	55
Reclassification	1,370	(1,370)	-
Net assets, end of year	$ 54,055	$ 188,940	$ 242,995

(Continued)

(In thousands of dollars)

NOTE 4 - ENDOWMENTS (Continued)

Changes in endowment net assets for the year ended May 31, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year as previously reported	$ 42,943	200,804	$ 243,747
Cumulative effect adjustment	11,723	(11,723)	-
Net assets, beginning of year as adjusted	54,666	189,081	243,747
Endowment-related investment return:			
Endowment-related investment income, net	1,117	3,943	5,060
Endowment-related net realized and unrealized gain	2,134	7,533	9,667
Total endowment-related investment return, net	3,251	11,476	14,727
Contributions:			
Additions to endowment	80	4,368	4,448
Change in pledges with donor restrictions	-	1,377	1,377
Appropriation	(2,819)	(9,681)	(12,500)
Reclassification	(297)	297	-
Net assets, end of year	$ 54,881	$ 196,918	$ 251,799

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, dividends, and rents 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 $12,282 for fiscal year 2019 and $12,500 for fiscal year 2018. The board of trustees budgeted endowment distribution is $12,140 for fiscal year 2020.

(In thousands of dollars)

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 investments 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 $5,442 in fiscal year 2019 and $4,018 in fiscal year 2018 included in the total endowment distribution from the underwater endowment funds for the expenditure on the donor restricted program purposes.

NOTE 5 - PLEDGES RECEIVABLE

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

	2019	2018
Pledges receivable	$ 16,829	$ 9,434
Discount to present value future cash flows	(487)	(310)
Net pledges receivable	$ 16,342	$ 9,124

The following is a summary showing the expected timing of collection of total gross unconditional pledges receivable outstanding as of May 31, 2019:

Fiscal Year(s)	Amount
Less than one year	$ 6,110
1 to 5 years	10,344
More than 5 years	375
	$ 16,829

(Continued)

(In thousands of dollars)

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 $6,651 are ultimately refundable to the government and are classified as a liability in the consolidated statements of financial position as of May 31, 2019 and 2018, respectively.

Balances of financing receivables as of May 31, 2019, consist of the following:

	Perkins Loans	Institutional Loans	Total
Gross balance	$ 6,331	$ 2,798	$ 9,129
Allowances	-	(655)	(655)
Balance at May 31, 2019	$ 6,331	$ 2,143	$ 8,474

Balances of financing receivables as of May 31, 2018, consist of the following:

	Perkins Loans	Institutional Loans	Total
Gross balance	$ 7,396	$ 2,738	$ 10,134
Allowances	-	(620)	(620)
Balance at May 31, 2018	$ 7,396	$ 2,118	$ 9,514

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, 2019. The delinquency status is updated monthly by the University's loan servicer.

	Perkins Loans	Institutional Loans	Total
Performing	$ 5,614	$ 1,424	$ 7,038
Nonperforming (defaulted)	717	1,374	2,091
Balance at May 31, 2019	$ 6,331	$ 2,798	$ 9,129

(Continued)

(In thousands of dollars)

NOTE 6 - FINANCING RECEIVABLES (Continued)

The delinquency status as of May 31, 2018, is as follows:

	Perkins Loans	Institutional Loans	Total
Performing	$ 6,690	$ 1,390	$ 8,080
Nonperforming (defaulted)	706	1,348	2,054
Balance at May 31, 2018	$ 7,396	$ 2,738	$ 10,134

The aging of financing receivables as of May 31, 2019, is presented as follows:

Aging	31-60	61-90	91+	Total Past Due	Total Current	Total
Perkins	$ 77	$ 143	$ 811	$ 1,031	$ 5,300	$ 6,331
Institutional	21	45	1,520	1,586	1,212	2,798
Total	$ 98	$ 188	$ 2,331	$ 2,617	$ 6,512	$ 9,129

The aging of financing receivables as of May 31, 2018, is presented as follows:

Aging	31-60	61-90	91+	Total Past Due	Total Current	Total
Perkins	$ 189	$ 126	$ 822	$ 1,137	$ 6,259	$ 7,396
Institutional	14	30	1,426	1,470	1,268	2,738
Total	$ 203	$ 156	$ 2,248	$ 2,607	$ 7,527	$ 10,134

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, 2019, are presented as follows:

Balance at June 1, 2018	$ 620
Write-off	-
Increase reserve	35
Balance at May 31, 2019	$ 655

(In thousands of dollars)

NOTE 6 - FINANCING RECEIVABLES (Continued)

Changes in allowance for estimated losses on financing receivables as of May 31, 2018 are presented as follows:

Balance at June 1, 2017	$ 603
Write-off	(4)
Increase reserve	21
Balance at May 31, 2018	$ 620

NOTE 7 - PHYSICAL PROPERTIES

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

	2019	2018
Land and land improvements	$ 24,165	$ 24,165
Building and building improvements	502,707	447,822
Equipment	103,818	101,143
Capital lease asset	2,369	-
Construction in progress	6,675	33,406
Total physical properties	639,734	606,536
Less accumulated depreciation	321,949	306,310
Physical properties, net	$ 317,785	$ 300,226

In May 2018, the University purchased the three five-story buildings commonly referred to as State Street Village for $17,900.

In September of 2018, the University transferred the nineteen story building located at 35th and State commonly known as the "Tower" for $11,900. The Tower was previously held in the University's endowment fund as an investment at an appraised value of the same amount. The University placed the asset in service with a twenty year useful life.

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, 2019 and 2018, the share of these trusts from which the University derives income had a combined fair value of $21,204 and $22,012, respectively. These trusts provided investment income without donor restrictions of $675 and $660 in fiscal years 2019 and 2018, respectively.

(Continued)

(In thousands of dollars)

NOTE 9 - NOTES AND BOND PAYABLE

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

		2019	2018
IFA Bonds, Series 2006, payable in varying installments through 2036	5.00%	$ 135,125	$ 140,105
IFA Bonds, Series 2009, payable in varying installments through 2034	4.750% to 7.125%	-	25,440
IFA Bonds, Series 2018 payable in varying installments through 2034	3.60%	40,250	-
IITRI - IFA Series 2014, payable in varying installments through 2034	Variable	5,400	6,400
Short-term line of credit	Variable	14,000	14,000
		$ 194,775	$ 185,945

The following is a summary of required principal payments on outstanding secured obligations as of May 31, 2019:

Fiscal year ending:	
2020	$ 21,226
2021	7,621
2022	8,021
2023	8,436
2024	8,896
2025 and beyond	140,575
	$ 194,775

In March 2006, the University issued $160,000 in fixed rate revenue bonds through the Illinois Finance Authority (IFA) consisting of $153,600 (IFA Series 2006A) and $6,340 (IFA Series 2006B). Proceeds from the bonds were used to advance refund the IEFA Series 1999 Bonds, refund the outstanding IEFA Series 2000 Bonds, refund the outstanding IEFA Series 2004 Bonds, and finance a portion of the costs of the construction, renovation, and equipping of certain of the educational facilities of the University and pay for certain expenses incurred in conjunction with the issuance of the Series 2006A and 2006B Bonds. The fixed rate on the Series 2006A Bonds is 5% with serial bonds maturing from April 2016 through 2036 and term bonds due April 1, 2031 and April 1, 2036.

In July 2009, the University issued $30,000 in fixed rate revenue bonds through the Illinois Finance Authority (IFA Series 2009). Proceeds from the bonds were used to finance a portion of the costs of the renovation of the educational facilities of the University, establish a debt service reserve fund, and pay certain costs incurred in connection with the bond issue. The fixed rates on the Series 2009 Bonds are 4.75% and 5.25% serial bonds maturing in February 2014 and 6.25%, 6.50%, and 7.125% term bonds maturing in February 1, 2019, 2023, and 2034. These bonds were refunded in February 2019.

(Continued)

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 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.

The University maintains a line-of-credit agreement that allow borrowings up to $20,000 in 2019 and in 2018. 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 $14,000 as of May 31, 2019 and 2018. The line of credit agreement is renewable annually in February of each fiscal year.

The University and IITRI are subject to certain debt covenants. As of May 31, 2019, management believes those covenants have been met.

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, 2019 and 2018 were $7,318 and $7,391 by the University and $377 and $388 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.

(Continued)

(In thousands of dollars)

NOTE 10 – EMPLOYEE BENEFIT PLANS (Continued)

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:

	2019	2018
Change in accumulated postretirement benefit obligations at beginning of the period	$ 2,199	$ 2,408
Service cost	10	13
Interest cost	84	90
Actuarial loss	(305)	(109)
Actuarial benefit payments net contributions	(178)	(203)
Accumulated postretirement benefit obligation at end of the period	$ 1,810	$ 2,199

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:

	2019	2018
Change in fair value of plan assets:		
Fair value of plan assets at beginning of period	$ -	$ -
Employer contribution	178	203
Participant contributions	21	13
Total benefit payments	(199)	(216)
Fair value of plan assets at end of the period	$ -	$ -
Funded status	$ (1,810)	$ (2,199)
Composition of amounts reported in the consolidated statements of financial position consist of:		
Current liabilities	$ 176	$ 176
Noncurrent liabilities	1,634	2,023
Accrued postretirement benefit obligation	$ 1,810	$ 2,199

These amounts will be subsequently recognized in future years as components of net periodic pension cost. The estimated amortization of transition obligation, prior service cost, and net losses in the next fiscal year is $0, $0, and $7, respectively.

(Continued)

(In thousands of dollars)

NOTE 10 – EMPLOYEE BENEFIT PLANS (Continued)

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

	2019	2018
Service cost	$ 10	$ 13
Interest cost	84	90
Net periodic postretirement benefit cost	$ 94	$ 103

Actuarial Assumptions

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

	2019	2018
Discount rate (expense)	4.00 %	4.00 %
Discount rate (obligation)	3.69	4.02
Healthcare cost trend rates:		
Healthcare cost trend rate assumed for next year	5.83	6.17
Ultimate rate	4.50	4.50
Year that the ultimate rate is reached	2023	2027

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:

	2019	2018
Effect on total service cost and interest cost:		
One-percentage point increase	$ 9	$ 9
One-percentage point decrease	(8)	(9)
Effect on year-end postretirement benefit obligation:		
One-percentage point increase	$ 124	$ 188
One-percentage point decrease	(112)	(165)

(Continued)

(In thousands of dollars)

NOTE 10 – EMPLOYEE BENEFIT PLANS (Continued)

Estimated Future Benefits Payments

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

Fiscal Year:		
2020	$	176
2021		174
2022		170
2023		167
2024		162
2025-2028		698

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:

	2019	2018
Board-designated endowment	$ 54,055	$ 54,881
Undesignated	97,569	79,073
Total	$ 151,624	$ 133,954

(Continued)

(In thousands of dollars)

NOTE 11 - NET ASSETS (Continued)

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

	2019	2018
General operations	$ 13,088	$ 12,217
Endowment	186,494	193,676
Endowment pledges	2,446	3,242
Donor-designated for plant	6,112	24,512
Donor-restricted revolving loan funds	3,834	3,827
Scholarships	1,493	2,843
Split-interest annuity agreements	927	1,033
Beneficial interest in perpetual trusts	21,204	22,012
Total	$ 235,598	$ 263,362

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:

2019	Program Activities	Supporting Activities	Fundraising	Total
Operating expenses:				
Faculty salaries	$ 61,957	$ 2,019	$ -	$ 63,976
Administrative salaries	24,810	15,695	6,201	46,706
Part-time salaries	12,951	926	212	14,089
Employee benefits	20,600	4,009	1,121	25,730
Operations and maintenance	20,155	1,316	-	21,471
Supplies and services	37,657	4,911	669	43,237
Professional fees and advertising	12,505	2,659	732	15,896
IITRI research	13,118	1,967	-	15,085
Interest on indebtedness	6,464	2,923	-	9,387
Depreciation	11,226	4,547	-	15,773
Total operating expenses	221,443	40,972	8,935	271,350
Restructuring expenses	2,258	3,738	-	5,996
Total expenses	$ 223,701	$ 44,710	$ 8,935	$ 277,346

(Continued)

(In thousands of dollars)

NOTE 12 - FUNCTIONAL CLASSIFICATION OF EXPENSES (Continued)

2018	Program Activities	Supporting Activities	Fundraising	Total
Operating expenses:				
Faculty salaries	$ 60,532	$ 2,221	$ -	$ 62,753
Administrative salaries	25,356	14,957	6,971	47,284
Part-time salaries	12,419	1,279	193	13,891
Employee benefits	19,060	6,990	1,192	27,242
Operations and maintenance	21,110	2,867	-	23,977
Supplies and services	36,087	6,549	501	43,137
Professional fees and advertising	9,172	3,262	1,066	13,500
IITRI research	13,323	1,929	-	15,252
Interest on indebtedness	6,483	2,943	-	9,426
Depreciation	10,208	4,114	-	14,322
	$ 213,750	$ 47,111	$ 9,923	$ 270,784

NOTE 13 - LEASES

In December 1999, the University leased its undeveloped property, located at 32nd Street between Michigan Avenue and Indiana Avenue, to Michigan Place LLC for a term of 100 years. The agreement requires Michigan Place LLC to pay the University $815 in total lease payments. The University has received these payments.

In May 2002, the University entered into a 40-year ground lease agreement with IIT State Street, NFP (State Street Corp) to lease property on the University's campus for the purpose of building housing to lease to students, faculty, and staff of the University or employees of other not-for-profit educational institutions in the area. IIT State Street, NFP is a 501(c)(3) corporation that is affiliated with, but not controlled by, the University and, accordingly, is not included in the University's consolidated financial statements.

In December 2003, the University entered into a five-year operating lease with State Street Corp whereby the University committed to lease unoccupied beds at the leased property sufficient to allow State Street Corp to achieve a debt service ratio of 1.0. On August 30, 2006, the operating lease was amended to extend the expiration date to September 30, 2013; thereafter, the operating lease will automatically renew for successive one-year periods. For year ended May 31, 2018, it was not necessary for the University to lease unoccupied beds due to State Street Corp achieving a 1.0 debt service ratio.

In May 2018, the University purchased the three five-story buildings commonly referred to as State Street Village. A release and termination for the original operating and ground leases was signed by both parties. The State Street Corporation was dissolved in May 2018.

In January 2006, the University entered into a 55-year ground lease agreement with Townsend Chicago, LLC (Townsend). Townsend purchased from IIT the building known as the Technology Business Center for $2,600 resulting in a gain of approximately $2,400, which is being amortized over the life of the building lease. IIT is leasing approximately 21% of the building back from Townsend for an initial term of 18 years.

(Continued)

(In thousands of dollars)

NOTE 13 – LEASES (Continued)

In March 2010, the University entered into a seven-year agreement to lease additional space of the Technology Business Center, which was effective June 2010. Related to this University's agreement, Townsend and the University agreed to establish a charitable donation to offset the University's expenses attributed to the agreement until May 2013. In June 2013, the University began funding the lease payments with University funds. The agreement ended May 2018 and was not renewed.

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.

In September 2018, the University entered into a five-year capital agreement with Cisco Systems Capital Corporation for networking equipment. The terms of the agreement extend to August 31, 2023.

The University also entered into an agreement with Impact Networking, LLC and Delage Landen for the use of a copier system and laser jet printer. The terms of the agreement extend to August 31, 2023.

A schedule of current and future operating lease commitments under these lease obligations are as follows:

Year Ending May 31:	
2020	$ 1,009
2021	1,034
2022	1,060
2023	1,087
2024	1,114
Thereafter	1,196
	$ 6,500

NOTE 14 - BROADBAND LICENSE AND EXCESS CAPACITY LEASES

The University has 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. The University last renewed each license in 2018. 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)

(In thousands of dollars)

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

The University has 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 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. The termination agreement stated that the University would receive consideration of $65 million for: (1) cancelling the BRS license, (2) terminating the existing lease for the BRS channel's excess capacity, and (3) discontinuing its use of the BRS channel. The University cancelled its license with the FCC on December 26, 2017. The remaining requirements of the agreement were met in February 2018 at which time the University received a payment of $65 million from Clearwire. The University has reported a $65 million gain on the cancellation of the license in the non-operating section of its consolidated statement of activities for the year ended May 31, 2018.

The license and operating lease for the excess capacity on the EBS channel continue through 2040. The University expects to receive future minimum lease payments for the second channel as follows:

Year ending May 31:	
2020	$ 2,125
2021	2,189
2022	2,254
2023	2,322
2024	2,392
Thereafter	49,661
	$ 60,943

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 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 from the U.S. Department of Education for the fiscal years ended May 31, 2019 and 2018. 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.

(Continued)

(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:

	2019	2018
Endowments:		
Board designated	$ 54,055	$ 54,881
Undesignated:		
Unrestricted for university operations	(33,132)	(14,186)
Investment in IITRI	17,497	16,396
Loan fund	6,028	5,859
Net investment in plant	107,176	71,004
Total undesignated	97,569	79,073
Total financial assets and liquidity resources available within one year	$ 151,624	$ 133,954

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, 2019, the amount outstanding under the line of credit amounted to $14,000.

In addition, as of May 31, 2019 the University has $51,268 in funds functioning as endowment, 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, 2019 through November 1, 2019, which was the date the consolidated financial statements were issued.

SUPPLEMENTARY INFORMATION

ILLINOIS INSTITUTE OF TECHNOLOGY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
May 31, 2019
(In thousands of dollars)

	University	IITRI	Eliminations		Total
ASSETS					
Cash	$ 3,012	$ 1,138	$ -		$ 4,150
Notes and accounts receivable:					
Grants and contracts, less allowance of $294	6,181	6,522	-		12,703
Students:					
Tuition, less allowance of $679	6,365	-	-		6,365
Notes, less allowance of $656	8,474	-	-		8,474
Other, less allowance of $695	1,051	-	-		1,051
Pledges, net	16,342	-	-		16,342
Affiliated organizations, net	131	-	(131)	(a)	-
Inventories, prepaid expenses, and deferred charges	3,166	537	-		3,703
Equity interest in IITRI	17,497	-	(17,497)	(b)	-
Investments	246,815	5,928	-		252,743
Physical properties, less accumulated depreciation	302,663	15,122	-		317,785
Beneficial interest in perpetual trusts	21,204	-	-		21,204
Total assets	$ 632,901	$ 29,247	$ (17,628)		$ 644,520
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued expenses	$ 15,170	$ 3,190	$ (131)	(a)	$ 18,229
Accrued salaries and wages	16,630	781	-		17,411
Deferred revenue	10,370	2,379	-		12,749
Deposits by students and others	1,595	-	-		1,595
Accrued postretirement benefit obligation	1,810	-	-		1,810
Obligation under split-interest agreements	751	-	-		751
Notes and bonds payable	189,375	5,400	-		194,775
Capital lease liability	1,870	-	-		1,870
Advances from U.S. government for student loans	6,651	-	-		6,651
Asset retirement obligation	1,457	-	-		1,457
Total liabilities	245,679	11,750	(131)		257,298
Net assets:					
Without donor restrictions	151,624	17,497	(17,497)	(b)	151,624
With donor restrictions	235,598	-	-		235,598
Total net assets	387,222	17,497	(17,497)		387,222
Total liabilities and net assets	$ 632,901	$ 29,247	$ (17,628)		$ 644,520

(a) Elimination of inter-entity accounts payable/receivable
(b) Elimination of equity interest in IITRI

See accompanying independent auditor's report.

ILLINOIS INSTITUTE OF TECHNOLOGY
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended May 31, 2019
(In thousands of dollars)

	Without Donor Restrictions				With Donor Restrictions	
	University	IITRI	Inter-entity Eliminations	Total	University	Total
Operating revenue:						
Tuition and fees, net of scholarships of $115,091	$ 128,974	$ -	$ -	$ 128,974	$ -	$ 128,974
Government grants and contracts	41,607	9,265	-	50,872	-	50,872
Private grants and contracts	3,632	10,825	-	14,457	-	14,457
Private gifts	18,361	-	-	18,361	6,839	25,200
Endowment spending distribution	12,282	-	-	12,282	-	12,282
Sales and services of auxiliary enterprises, net	16,764	-	-	16,764	-	16,764
Other sources	18,950	-	(2,527) (a)	16,423	-	16,423
Net assets released from restrictions	6,673	-	-	6,673	(6,673)	-
Total operating revenue	247,243	20,090	(2,527)	264,806	166	264,972
Operating expenses:						
Faculty salaries	63,976	-	-	63,976	-	63,976
Administrative salaries	46,706	-	-	46,706	-	46,706
Part-time salaries	14,089	-	-	14,089	-	14,089
Employee benefits	25,730	-	-	25,730	-	25,730
Operations and maintenance	21,471	-	-	21,471	-	21,471
Supplies and services	43,237	-	-	43,237	-	43,237
Professional fees and advertising	15,896	-	-	15,896	-	15,896
IITRI research	-	17,612	(2,527) (a)	15,085	-	15,085
Interest on indebtedness	9,237	150	-	9,387	-	9,387
Depreciation	14,366	1,407	-	15,773	-	15,773
Total operating expenses	254,708	19,169	(2,527)	271,350	-	271,350
(Decrease) increase in net assets from operating activities	(7,465)	921	-	(6,544)	166	(6,378)
Nonoperating revenue and expenses:						
Private gifts	-	-	-	-	14,350	14,350
Change in donor designation	(37)	-	-	(37)	37	-
Return on investments, net	666	180	-	846	1,528	2,374
Net loss on beneficial interest on perpetual trusts	-	-	-	-	(808)	(808)
Endowment spending distribution	(2,756)	-	-	(2,756)	(9,526)	(12,282)
Net assets released from restrictions	32,702	-	-	32,702	(32,702)	-
Loss on extinguishment of debt	(772)	-	-	(772)	-	(772)
Restructuring expenses	(5,996)	-	-	(5,996)	-	(5,996)
Change in value split interest agreements	(31)	-	-	(31)	(25)	(56)
Other	258	-	-	258	(784)	(526)
Equity income from IITRI	1,101	-	(1,101) (b)	-	-	-
Increase (decrease) in net assets from nonoperating activities	25,135	180	(1,101)	24,214	(27,930)	(3,716)
Increase (decrease) in net assets	17,670	1,101	(1,101)	17,670	(27,764)	(10,094)
Net assets at beginning of year	133,954	16,396	(16,396)	133,954	263,362	397,316
Net assets end of year	$ 151,624	$ 17,497	$ (17,497)	$ 151,624	$ 235,598	$ 387,222

(a) Elimination of inter-entity utility income and expense
(b) Elimination of equity interest in IITRI earnings and contribution to IIT

See accompanying independent auditor’s report.

ILLINOIS INSTITUTE OF TECHNOLOGY
CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended May 31, 2019
(In thousands of dollars)

	University	IITRI	Eliminations	Total
Cash flows from operating activities:				
(Decrease) increase in net assets	$ (10,094)	$ 1,101	$ (1,101) (a)	$ (10,094)
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:				
Private gifts restricted for long-term investment	(2,209)	-	-	(2,209)
Depreciation	14,366	1,407	-	15,773
Loss on beneficial interest in perpetual trusts	808	-	-	808
Net loss on investments	3,169	-	-	3,169
Accretion on asset retirement obligation	515	-	-	515
Changes in assets and liabilities:				
Receivables: tuition, grants, pledges, and other	(9,190)	(2,856)	(156) (b)	(12,202)
Inventories, prepaid expenses, and deferred charges	661	(302)	-	359
Equity interest in IITRI	(1,101)	-	1,101 (a)	-
Accounts payable and accrued expenses	(568)	1,452	156 (b)	1,040
Accrued salaries and wages	553	149	-	702
Deferred revenue	5,918	(545)	-	5,373
Deposits by students and others	(741)	-	-	(741)
Accrued postretirement benefit obligation	(389)	-	-	(389)
Obligations under split-interest agreements	25	-	-	25
Asset retirement obligation	(683)	-	-	(683)
Net cash from operating activities	1,040	406	-	1,446
Cash flows from investing activities:				
Proceeds from sale of investments	79,246	-	-	79,246
Purchase of investments	(77,535)	(201)	-	(77,736)
Change in bond proceeds held by trustees, net	2,817	-	-	2,817
Purchase of physical properties	(39,215)	(850)	-	(40,065)
Issuance of notes receivable	(552)	-	-	(552)
Payments received on notes receivable	1,592	-	-	1,592
Net cash from investing activities	(33,647)	(1,051)	-	(34,698)
Cash flows from financing activities:				
Private gifts restricted for long-term investment	2,209	-	-	2,209
Payments on capital lease	(500)	-	-	(500)
Proceeds on notes and bonds payable	40,250	-	-	40,250
Payments on notes and bonds payable	(30,420)	(1,000)	-	(31,420)
Net cash from financing activities	11,539	(1,000)	-	10,539
Change in cash	(21,068)	(1,645)	-	(22,713)
Cash at:				
Beginning of year	24,080	2,783	-	26,863
End of year	$ 3,012	$ 1,138	$ -	$ 4,150
Supplemental disclosure of cash flow information:				
Cash paid for interest	$ 8,782	$ 150	$ -	$ 8,932
Construction payable	3,201	-	-	3,201
Proceeds from capital lease	2,370	-	-	2,370
Release of conditional gift for purchase of property and equipment	12,304	-	-	12,304

(a) Elimination of change in equity interest in IITRI
(b) Elimination of change in inter-entity accounts payable/receivable

See accompanying independent auditor’s report.