ILLINOIS INSTITUTE OF TECHNOLOGY

CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2022 and 2021

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CONTENTS

Crowe

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Illinois Institute of Technology and Subsidiaries (the "University"), which comprise the consolidated statements of financial position as of May 31, 2022 and 2021, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Illinois Institute of Technology and Subsidiaries as of May 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our 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 other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Crowe LLP

Crowe LLP

Chicago, Illinois
March 29, 2023

ILLINOIS INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
May 31, 2022 and 2021
(In thousands of dollars)

	2022	2021
ASSETS		
Cash	$ 10,188	$ 12,091
Notes and accounts receivable:		
Grants and contracts, less allowance of $409 in 2022 and $292 in 2021	11,084	15,896
Students:		
Tuition, less allowance of $1,904 in 2022 and $1,243 in 2021	8,670	8,583
Notes, less allowance of $680 in 2022 and 2021	4,651	5,595
Other, less allowance of $666 in 2022 and $661 in 2021	27,536	4,207
Pledges, net	15,017	14,539
Inventories, prepaid expenses, and deferred charges	4,654	4,844
Investments	299,724	310,607
Physical properties, less accumulated depreciation	355,725	346,281
Beneficial interest in perpetual trusts	24,056	26,811
Total assets	$ 761,305	$ 749,454
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 20,138	$ 16,890
Accrued salaries and wages	21,541	21,995
Deferred revenue	18,707	24,934
Deposits by students and others	2,500	1,947
Accrued postretirement benefit obligation	833	966
Obligation under split-interest agreements	381	642
Lease liability	2,762	4,317
Advances from the U.S. government for student loans	3,064	4,082
Asset retirement obligation	769	903
Deferred vendor incentive	17,995	-
Debt:		
Bonds payable	155,972	161,133
Notes payable	38,550	33,075
Bond premium payable	11,707	13,323
Cost of issuance	(1,660)	(1,785)
Total debt	204,569	205,746
Total liabilities	293,259	282,422
Net assets:		
Without donor restrictions	187,514	175,713
With donor restrictions	280,532	291,319
Total net assets	468,046	467,032
Total liabilities and net assets	$ 761,305	$ 749,454

See accompanying notes to the consolidated financial statements.

ILLINOIS INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended May 31, 2022
(In thousands of dollars)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue:			
Tuition and fees, net of scholarships of $137,341	$ 114,926	$ -	$ 114,926
Government grants and contracts	54,021	-	54,021
Private grants and contracts	23,025	-	23,025
Private gifts	11,689	4,711	16,400
Endowment spending distribution	12,335	-	12,335
Sales and services of auxiliary enterprises, net	14,567	-	14,567
Other sources	13,562	-	13,562
Net assets released from restrictions	5,465	(5,465)	-
Total operating revenue	249,590	(754)	248,836
Operating expenses:			
Faculty salaries	62,308	-	62,308
Administrative salaries	48,358	-	48,358
Part-time salaries	14,815	-	14,815
Employee benefits	28,475	-	28,475
Operations and maintenance	25,868	-	25,868
Supplies and services	43,075	-	43,075
Professional fees and advertising	17,634	-	17,634
IITRI research	20,554	-	20,554
Interest on indebtedness	5,815	-	5,815
Depreciation	20,671	-	20,671
Total operating expenses	287,573	-	287,573
Decrease in net assets before gain on sale of fixed assets	(37,983)	(754)	(38,737)
Gain on sale of fixed assets	8,228	-	8,228
Decrease in net assets after gain on sale of fixed assets from operating activities	(29,755)	(754)	(30,509)
Nonoperating revenue and expenses:			
Private gifts	-	7,906	7,906
Change in donor designation	(264)	264	-
Return on investments, net	(2,236)	(5,784)	(8,020)
Net loss on beneficial interest on perpetual trusts	-	(2,755)	(2,755)
Endowment spending distribution	(2,842)	(9,493)	(12,335)
Gain on sale of broadband channel	55,000	-	55,000
Restructuring expenses	(4,280)	-	(4,280)
Other	(3,822)	(171)	(3,993)
Increase (decrease) in net assets from nonoperating activities	41,556	(10,033)	31,523
Increase (decrease) in net assets	11,801	(10,787)	1,014
Net assets at beginning of year	175,713	291,319	467,032
Net assets at end of year	$ 187,514	$ 280,532	$ 468,046

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)

	Without Donor Restrictions	With Donor Restrictions	Total
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	16,707	(16,707)	-
Total operating revenue	272,332	(13,177)	259,155
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	20,034	-	20,034
Total operating expenses	274,061	-	274,061
Decrease in net assets from operating activities	(1,729)	(13,177)	(14,906)
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	2,437	9	2,446
Increase in net assets from nonoperating activities	13,975	48,901	62,876
Increase in net assets	12,246	35,724	47,970
Net assets at beginning of year	163,467	255,595	419,062
Net assets at end of year	$ 175,713	$ 291,319	$ 467,032

See accompanying notes to the consolidated financial statements.

ILLINOIS INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended May 31, 2022 and 2021
(In thousands of dollars)

	2022	2021
Cash flows from operating activities		
Increase in net assets	$ 1,014	$ 47,970
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Private gifts restricted for long-term investment	(7,663)	(20,128)
Depreciation	20,671	20,034
Amortization	(1,874)	(1,862)
Net loss (gain) on investments	11,139	(60,400)
Net loss (gain) on beneficial interest in perpetual trust	2,755	(5,607)
Gain on sale of fixed assets and broadband channel	(63,228)	-
Accretion on asset retirement obligation	366	187
Changes in assets and liabilities:		
Receivables: tuition, grants, pledges, and other	7,892	6,568
Inventories, prepaid expenses, and deferred charges	190	(1,609)
Accounts payable and accrued expenses	1,539	(384)
Accrued salaries and wages	(454)	3,310
Deferred revenue	(6,227)	10,447
Lease liability	(997)	-
Deposits by students and others	553	593
Accrued postretirement benefit obligation	(133)	(90)
Obligations under split-interest agreements	(261)	(42)
Asset retirement obligation	(500)	(221)
Net cash from operating activities	(35,218)	(1,234)
Cash flows from investing activities		
Proceeds from sale of investments	298,147	550,095
Purchase of investments	(298,403)	(540,580)
Purchase of physical properties	(36,596)	(30,680)
Proceeds from sale of fixed assets and broadband channel	44,360	-
Issuance of notes receivables	(107)	(142)
Payments received on notes receivable	1,077	1,430
Net cash from investing activities	8,478	(19,877)
Cash flows from financing activities		
Private gifts restricted for long-term investment	7,663	20,128
Advances from the U.S. government for student loans	(1,018)	(1,274)
Proceeds from deferred vendor incentive	18,378	-
Payments on capital lease	(500)	(460)
Proceeds on notes and bonds payable	5,475	13,300
Payments on notes and bonds payable	(5,161)	(4,956)
Net cash from financing activities	24,837	26,738
Change in cash	(1,903)	5,627
Cash at:		
Beginning of year	12,091	6,464
End of year	$ 10,188	$ 12,091
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 7,373	$ 4,332
Construction payable	3,404	1,695
Broadband receivable	27,000	-

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 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)

(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, 2022 and 2021, tuition and fees revenue was reduced by approximately $137,341 and $131,103, 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, 2022 and 2021, auxiliary revenue was reduced by approximately $4,742 and $3,221, 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:

	2022	2021
Housing services, net	$ 6,022	$ 4,409
Housing proration due to shift to online learning	-	(3)
Food services	7,238	4,868
Food service proration due to shift to online learning	-	(3)
Other	1,307	578
Total	$ 14,567	$ 9,849

The University's receivables represent unconditional rights to consideration from its contracts with customers. Typically, once a customer is invoiced for tuition, fees, and auxiliary services, payment is due immediately. Gross accounts receivables as of the years ended May 31, 2022 and May 31, 2021 were $10,574, and $9,826, 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)

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)

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

At May 31, 2022, the University and IITRI also had unexpended grant awards of approximately $12,066 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.

<u>Funding from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)</u>: 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. During the years ended May 31, 2022 and 2021, the University awarded $0 and $1,681, respectively, in emergency financial aid grants to students. During the years ended May 31, 2022 and 2021, the University therefore recognized revenue of $0 and $1,681, respectively, from the institutional portion of the funding to the extent that it met the conditions to incur allowable expenses. During the years ended May 31, 2022 the University has recognized all revenue from the institutional allocation of the CARES Act as all conditions have been met.

<u>Funding from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA):</u> 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. During the years ended May 31, 2022 and 2021, the University awarded $173 and $1,692, respectively, in emergency financial aid grants to students. During the years ended May 31, 2022 and 2021, the University recognized a pro rata share of revenue of $334 and $3,265, respectively, from the institutional portion of the funding to the extent that it met the conditions to incur allowable expenses.

<u>Funding from the American Rescue Plan (ARP):</u> 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. During the year ended May 31, 2022, the University awarded $3,464 in emergency financial aid grants to students. During the year ended May 31, 2022, the University recognized a pro rata share of revenue of $3,464 from the institutional portion of the funding to the extent that it met the conditions to incur allowable expenses.

<u>Restructuring Expenses</u>: 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 $4,280 and for $535 for the fiscal years ended May 31, 2022 and 2021, respectively. The expenses included consulting services, retirement incentives, system/software improvements and restructuring/reorganization of departments.

(Continued)

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.

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.

(Continued)

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

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, 2022 and 2021, 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 2019.

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. These reclassifications did not impact changes in net assets or net assets.

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

(Continued)

(In thousands of dollars)

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

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 University's consolidated financial statements for the year ended May 31, 2022. The University's lease agreements do not contain material restrictive covenants. The University includes ROU assets within physical properties, less accumulated depreciation, on the consolidated statements of financial position.

The University is a lessee in several non-cancellable operating leases, for 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.

NOTE 2 - INVESTMENTS

Investments consist of the following at May 31:

	2022 Fair Value	2021 Fair Value
Cash equivalents	$ 28,085	$ 23,330
Stocks	551	1,268
Equity mutual funds	129,486	175,305
Bonds (IITRI)	4,662	4,834
Fixed income mutual funds	32,242	65,549
Alternative funds	63,246	22,539
Hedged equity funds	-	1,339
Private equity and venture capital funds	41,452	16,443
Total investments	$ 299,724	$ 310,607

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

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

	2022	2021
Return on investments:		
Interest and dividends	$ 3,119	$ 2,483
Net realized and unrealized (loss) gain on investments	(11,139)	60,400
Net return on investments	$ (8,020)	$ 62,883

The return on investments reflects (loss) income from investments held by IITRI of $(173) and $72 for 2022 and 2021, 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.

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.

(Continued)

NOTE 3 - FAIR VALUE MEASUREMENT (Continued)

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 2022 and 2021, 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, certain global equities 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, 2022 and 2021, the University had no plans to sell investments at amounts different from NAV. The University has $180,785 and $94,915 for 2022 and 2021, respectively, of investments in alternative investment funds, which are reported at fair value. The University has concluded that the NAV reported by the underlying fund approximates the fair value for these investments. Certain investments are redeemable with the fund at NAV under the original terms of the partnership agreements and/or subscription agreements and operations of the underlying funds. 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 $29,061 in unfunded commitments relative to private equity, venture capital and hedged equity alternative investments.

(Continued)

(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, 2022 and 2021, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	2022					Redemption	Days'
	Level 1	Level 2	Level 3	NAV	Total	or Liquidation	Notice
Investments:							
Cash and cash equivalents	$ 28,085	$ -	$ -	$ -	$ 28,085	Daily	One
Domestic fixed income:							
Fixed income (IIT)	718	-	-	-	718	Daily	One, Trade Day + 2
Fixed income (IITRI)	4,662	-	-	-	4,662	Daily	One
Eaton Vance Advantage Floating Rate Fund	6,409	-	-	-	6,409	Daily	One, Trade Day + 2
Ellington Enhanced Income Fund, Ltd	-	-	-	9,932	9,932	Monthly	30
iShares 1-5 Year Investment Grade Corporate Bond ETF	1,852	-	-	-	1,852	Daily	One, Trade Day + 2
iShares Core U.S. Aggregate Bond ETF	5,762	-	-	-	5,762	Daily	One, Trade Day + 2
iShares TIPS Bond ETF	5,683	-	-	-	5,683	Daily	One, Trade Day + 2
Vanguard Short-Term Corporate Bond ETF	1,886	-	-	-	1,886	Daily	One, Trade Day + 2
Total	26,972	-	-	9,932	36,904		
Domestic equities:							
Large cap equity	284	-	-	-	284	Daily	One, Trade Day + 2
Small cap	46	-	-	-	46	Daily	One, Trade Day + 2
State Street Global	1,559	-	-	-	1,559	Daily	One, Trade Day + 2
Adams Fund - Adage Series	-	-	-	13,944	13,944	Quarterly	60
Heard High Conviction Long Only Fund LLC	-	-	-	5,164	5,164	Quarterly	45
iShares Core Dividend Grow th ETF	6,978	-	-	-	6,978	Daily	One, Trade Day + 2
iShares Core S&P Total U.S. Stock Market ETF	27,200	-	-	-	27,200	Daily	One, Trade Day + 2
iShares Russell 1000 Value ETF	7,112	-	-	-	7,112	Daily	One, Trade Day + 2
Other	1,254	-	-	-	1,254	Daily	One
Total	44,433	-	-	19,108	63,541		
Global equities:							
Developed international	242	-	-	-	242	Daily	One, Trade Day + 2
Global Infrastructure	74	-	-	-	74	Daily	One, Trade Day + 2
Global Real Estate	33	-	-	-	33	Daily	One, Trade Day + 2
Emerging markets international	41	-	-	-	41	Daily	One, Trade Day + 2
AKO European Long Only Fund, Ltd	-	-	-	5,023	5,023	Quarterly	30
Adams Fund - Ow nership Series	-	-	-	3,846	3,846	Monthly	5
Children's Investment Fund, Ltd (The)	-	-	-	9,562	9,562	Every 24 months	120
Egerton Investment Partners, LP	-	-	-	5,868	5,868	Weekly	7
Generation IM Global Equity Fund	-	-	-	9,803	9,803	Quarterly	30
GMO Climate Change Fund	-	-	-	4,834	4,834	Daily	One, Trade Day + 2
Hillhouse China Value Fund (HHLR CF, LP)	-	-	-	4,206	4,206	Quarterly	60
iShares Core MSCI Emerging Markets ETF	1,526	-	-	-	1,526	Daily	One, Trade Day + 2
iShares Core MSCI International Developed Markets ETF	10,551	-	-	-	10,551	Daily	One, Trade Day + 2
Kalorama Separate Account Ichigo	-	-	-	3,274	3,274	Every 18 months	60
Kalorama Separate Account Overlook	-	-	-	4,343	4,343	Quarterly	60
Lone Cascade, LP	-	-	-	3,270	3,270	Quarterly	30
Total	12,467	-	-	54,029	66,496		

(Continued)

(In thousands of dollars)

NOTE 3 - FAIR VALUE MEASUREMENT (Continued)

	2022					Redemption	Days'
	Level 1	Level 2	Level 3	NAV	Total	or Liquidation	Notice
Alternative funds:							
CBRE U.S. Core Partners, LP	$ -	$ -	$ -	$ 14,608	$ 14,608	Quarterly	60
Clarion Lion Properties Fund, LP	-	-	-	8,405	8,405	Quarterly	90
Deerfield Partners, L.P.	-	-	-	989	989	36 months, Quarterly	90
Invesco DB Agriculture Fund	1,511	-	-	-	1,511	Daily	One, Trade Day + 2
Kalorama Separate Account Braidwell	-	-	-	2,790	2,790	Quarterly	90
Kalorama Separate Account Diameter	-	-	-	5,241	5,241	Quarterly	90
Kalorama Separate Account Laurion	-	-	-	5,457	5,457	12 months, Quarterly	45
Kalorama Separate Account VK March 2012	-	-	-	5,751	5,751	Annual	45
Mariner Atlantic Multi-Strategy Fund, Ltd	-	-	-	6,255	6,255	12 months, Quarterly	60
SPDR Gold Trust (ETF)	5,027	-	-	-	5,027	Daily	One, Trade Day + 2
Wilson Fund SPC, Ltd (FJ Capital)	-	-	-	6,912	6,912	Quarterly	60
Pioneer Interval Fund	300	-	-	-	300	Quarterly	90
Total	6,838	-	-	56,408	63,246		
Private equity and venture							
Base10 Advancement Initiative I, L.P.	-	-	-	443	443	None (2)	N/A
Bond II, LP	-	-	-	1,555	1,555	None (2)	N/A
Coatue Growth V Offshore Feeder Fund LP	-	-	-	831	831	None (2)	N/A
Commonfund Endowment Venture	-	-	-	260	260	None (2)	N/A
Deerfield Private Design Fund V, L.P.	-	-	-	712	712	None (2)	N/A
Foundation Capital X, L.P.	-	-	-	490	490	None (2)	N/A
Georgetown Opportunistic Fund Series LLC - Series 2016 - Sub-Series 44	-	-	-	2,178	2,178	None (2)	N/A
Georgetown Opportunistic Fund Series LLC - Series 2016 - Sub-Series 45	-	-	-	3,961	3,961	None (2)	N/A
Georgetown Opportunistic Fund Series LLC - Series 2016 - Sub-Series 46	-	-	-	756	756	None (2)	N/A
Georgetown Opportunistic Fund Series LLC - Series 2016 - Sub-Series 47	-	-	-	485	485	None (2)	N/A
Georgetown Opportunistic Fund Series LLC - Series 2016 - Sub-Series 50	-	-	-	194	194	None (2)	N/A
Georgetown Opportunistic Fund Series LLC - Series 2016 - Sub-Series 51	-	-	-	4,076	4,076	None (2)	N/A
Georgetown Opportunistic Fund Series LLC - Series 2016 - Sub-Series 53/62	-	-	-	3,496	3,496	None (2)	N/A
Georgetown Opportunistic Fund Series LLC - Series 2016 - Sub-Series 54	-	-	-	578	578	None (2)	N/A
Georgetown Opportunistic Fund Series LLC - Series 2016 - Sub-Series 58	-	-	-	271	271	None (2)	N/A
Georgetown Opportunistic Fund Series LLC - Series 2020 - A Sub-Series 4	-	-	-	1,529	1,529	None (2)	N/A
Georgetown Opportunistic Fund Series LLC - Series 2020 - A - Sub-Series 1	-	-	-	502	502	None (2)	N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - A	-	-	-	1,605	1,605	None (2)	N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - B - Sub-Series 1	-	-	-	1,799	1,799	None (2)	N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - C - Sub-Series 1	-	-	-	687	687	None (2)	N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - D	-	-	-	884	884	None (2)	N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - E - Sub-Series 2	-	-	-	108	108	None (2)	N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - F	-	-	-	91	91	None (2)	N/A
Georgetown Opportunistic Fund Series LLC - Series 2021 - H - Sub-Series 3	-	-	-	80	80	None (2)	N/A
Hirtle Callaghan PE Fund XII	-	-	-	5,243	5,243	None (2)	N/A
Hirtle Callaghan Private Equity Fund XI, L.P.	-	-	-	5,315	5,315	None (2)	N/A
iNovia Growth Fund II-A, L.P.	-	-	-	372	372	None (2)	N/A
IPI Partners Fund II, LP	-	-	-	1,055	1,055	None (2)	N/A
Jen 7 Parallel Fund	-	-	-	827	827	None (2)	N/A
Luminate Capital Partners III, LP	-	-	-	237	237	None (2)	N/A
Peppertree Capital Fund IX QP LP	-	-	-	95	95	None (2)	N/A
RockCreek Impact Fund - Private	-	-	-	592	592	None (2)	N/A
RoundTable Healthcare Partners Fund I	-	-	-	1	1	None (2)	N/A
IIA	-	-	144	-	144	None (2)	N/A
Total	-	-	144	41,308	41,452		
Total investments	118,795	-	144	180,785	299,724		
Other assets:							
Cash	10,188	-	-	-	10,188		
Perpetual trust	-	-	24,056	-	24,056		
Total other assets	10,188	-	24,056	-	34,244		
Total	$ 128,983	$ -	$ 24,200	$ 180,785	$ 333,968		

(Continued)

(In thousands of dollars)

NOTE 3 - FAIR VALUE MEASUREMENT (Continued)

	2021					Redemption	Days'
	Level 1	Level 2	Level 3	NAV	Total	or Liquidation	Notice
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	68,831	970	-	-	69,801		
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	69,071	-	-	13,983	83,054		
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	Weekly	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	50,792	-	-	42,727	93,519		
Global (ex-U.S.) fixed income:							
Emerging markets international	582	-	-	-	582	Daily	One, Trade Day + 2
Total	582	-	-	-	582		
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	Quarterly	90
Total	1,972	-	-	20,567	22,539		
Hedged equity funds of funds:							
Multiple strategies:							
Total return	-	-	-	1,339	1,339	Locked-up (1, 2)	60
Total	-	-	-	1,339	1,339		

(Continued)

(In thousands of dollars)

NOTE 3 - FAIR VALUE MEASUREMENT (Continued)

	2021					Redemption	Days'
	Level 1	Level 2	Level 3	NAV	Total	or Liquidation	Notice
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	-	-	144	16,299	16,443		
Total investments	214,578	970	144	94,915	310,607		
Other assets:							
Cash	12,091	-	-	-	12,091		
Perpetual trust	-	-	26,811	-	26,811	None	N/A
Total other assets	12,091	-	26,811	-	38,902		
Total	$ 226,669	$ 970	$ 26,955	$ 94,915	$ 349,509		

(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.

(In thousands of dollars)

NOTE 3 - FAIR VALUE MEASUREMENT (Continued)

Aggregate investment liquidity as of May 31, 2022 and 2021, is presented below based on redemption or sale period:

	2022	2021
Investment redemption or sale period:		
Daily	$ 136,409	$ 221,174
Monthly	13,778	7,483
Quarterly	76,797	7,515
Annual	5,751	6,676
Subject to rolling lock-ups	25,537	51,316
Redemptions not permitted	41,452	16,443
Total	$ 299,724	$ 310,607

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, 2022 and 2021:

	Beneficial Interest in Perpetual Trusts
Beginning balance, June 1, 2021	$ 26,811
Net investment return	(2,755)
Purchase of investment	-
Ending balance, May 31, 2022	$ 24,056
The amount of total return for the period included in net return on investments attributable to the change in unrealized loss relating to assets still held at May 31, 2022	$ 2,755

	Beneficial Interest in Perpetual Trusts
Beginning balance, June 1, 2020	$ 21,204
Net investment return	5,607
Purchase of investment	-
Ending balance, May 31, 2021	$ 26,811
The amount of total return for the period included in net return on investments attributable to the change in unrealized gain relating to assets still held at May 31, 2021	$ 5,607

(Continued)

(In thousands of dollars)

NOTE 4 - ENDOWMENTS

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

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

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

Endowment net assets consist of the following as of May 31, 2022:

		With Donor Restrictions			
	Without Donor Restrictions	Other Funds	Underwater Funds	Total	Total Endowment Funds
Board-designated funds	$ 66,888	$ -	$ -	$ -	$ 66,888
Donor-restricted endowment corpus					
Original donor-restricted gifts	-	132,585	74,929	207,514	207,514
Accumulated gains (losses)	-	22,617	(7,898)	14,719	14,719
Donor-restricted endowment pledges	-	4,857	-	4,857	4,857
Total	$ 66,888	$ 160,059	$ 67,031	$ 227,090	$ 293,978

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

		With Donor Restrictions			
	Without Donor Restrictions	Other Funds	Underwater Funds	Total	Total Endowment Funds
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	$ 69,402	$ 208,597	$ 26,326	$ 234,923	$ 304,325

(Continued)

(In thousands of dollars)

NOTE 4 - ENDOWMENTS (Continued)

Changes in endowment net assets for the year ended May 31, 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	$ 69,402	$ 234,923	$ 304,325
Endowment-related investment return:			
Endowment-related investment income, net	695	2,305	3,000
Endowment-related net realized and unrealized loss	(2,400)	(7,975)	(10,375)
Total endowment-related investment return, net	(1,705)	(5,670)	(7,375)
Contributions:			
Additions to endowment	1,952	4,107	6,059
Change in pledges with donor restrictions	-	3,193	3,193
Appropriation	(2,842)	(9,493)	(12,335)
Net stock receipts/distributions	81	30	111
Net assets, end of year	$ 66,888	$ 227,090	$ 293,978

(Continued)

(In thousands of dollars)

NOTE 4 - ENDOWMENTS (Continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
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	13,741	46,185	59,926
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	(369)	369	-
Net assets, end of year	$ 69,402	$ 234,923	$ 304,325

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 $12,335 for fiscal year 2022 and $11,945 for fiscal year 2021. The board of trustees budgeted endowment distribution is $13,300 for fiscal year 2023.

(Continued)

(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 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 $4,820 in fiscal year 2022 and $2,315 in fiscal year 2021 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:

	2022	2021
Pledges receivable	$ 15,647	$ 15,414
Discount to present value future cash flows	(630)	(875)
Net pledges receivable	$ 15,017	$ 14,539

The following is a summary showing the expected timing of collection of total gross unconditional pledges receivable outstanding as of May 31, 2022:

Fiscal Year(s)	Amount
Less than one year	$ 5,912
1 to 5 years	8,835
More than 5 years	900
	$ 15,647

Conditional pledges receivable as of May 31, 2022 total approximately $8,944.

(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 $3,064 and $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, 2022 and 2021, respectively.

Balances of financing receivables as of May 31, 2022, consist of the following:

	Perkins Loans	Institutional Loans	Total
Gross balance	$ 3,046	$ 2,260	$ 5,306
Allowances	-	(655)	(655)
Balance at May 31, 2022	$ 3,046	$ 1,605	$ 4,651

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

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

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, 2022. The delinquency status is updated monthly by the University's loan servicer.

	Perkins Loans	Institutional Loans	Total
Performing	$ 2,302	$ 833	$ 3,135
Nonperforming (defaulted)	744	1,427	2,171
Balance at May 31, 2022	$ 3,046	$ 2,260	$ 5,306

(Continued)

(In thousands of dollars)

NOTE 6 - FINANCING RECEIVABLES (Continued)

The delinquency status as of May 31, 2021, is as follows:

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

The aging of financing receivables as of May 31, 2022, is presented as follows:

Aging	31-60	61-90	91+	Total Past Due	Total Current	Total
Perkins	$ 173	-	$ 820	$ 993	$ 2,053	$ 3,046
Institutional	63	26	1,461	1,550	710	2,260
Total	$ 236	$ 26	$ 2,281	$ 2,543	$ 2,763	$ 5,306

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	56	1	1,507	1,564	851	2,415
Total	$ 141	$ 85	$ 2,326	$ 2,552	$ 3,723	$ 6,275

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, 2022, are presented as follows:

Balance at June 1, 2021	$ 680
Write-off	(25)
Increase reserve	-
Balance at May 31, 2022	$ 655

(Continued)

(In thousands of dollars)

NOTE 6 - FINANCING RECEIVABLES (Continued)

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	-
Balance at May 31, 2021	$ 680

NOTE 7 - PHYSICAL PROPERTIES

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

	2022	2021
Land and land improvements	$ 24,092	$ 24,082
Building and building improvements	545,760	537,444
Equipment	112,343	108,753
Right of use asset	6,040	6,040
Construction in progress	29,761	27,339
Total physical properties	717,996	703,658
Less accumulated depreciation	362,271	357,377
Physical properties, net	$ 355,725	$ 346,281

The estimated cost to complete construction in progress at May 31, 2022 was approximately $3,000.

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, 2022 and 2021, the share of these trusts from which the University derives income had a combined fair value of $24,056 and $26,811, respectively. These trusts provided investment income without donor restrictions of $1,157 and $738 in fiscal years 2022 and 2021, respectively.

(In thousands of dollars)

NOTE 9 - NOTES AND BOND PAYABLE

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

		2022	2021
IFA Bonds, Series 2018 payable in varying installments through 2034	3.60%	$ 35,432	$ 37,168
IFA Bonds, Series 2019, payable in varying installments through 2042	5% and 4%	117,180	120,085
IITRI - IFA Series 2014, payable in varying installments through 2034	Variable	3,360	3,880
Bond premium payable - series 2019		11,707	13,323
		167,679	174,456
Short-term line of credit	Variable	38,550	33,075
Bond issuance costs		(1,660)	(1,785)
		$ 204,569	$ 205,746

The following is a summary of required principal payments on outstanding secured obligations as of May 31, 2022:

Fiscal year ending:	Bond Principal	LOC Principal	Total
2023	$ 5,376	$ 38,550	$ 43,926
2024	5,596	-	5,596
2025	5,831	-	5,831
2026	6,071	-	6,071
2027	6,326	-	6,326
2028 and beyond	126,772	-	126,772
	$ 155,972	$ 38,550	$ 194,522

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.

(Continued)

NOTE 9 – NOTES AND BOND PAYABLE (Continued)

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

In August 2004, IITRI issued an $18,820 bond issue of adjustable rate demand debt under the tax-exempt authority of the Illinois Finance Authority (IFA Series 2004). The proceeds from the sale were used to renovate and construct lab and office space; establish a debt service reserve fund and pay certain costs incurred in connection with the bond issue. In February 2014, IITRI entered into a bond and loan agreement with the Illinois Finance Authority and North Shore Community Bank. IITRI issued a $10,400 Revenue Refunding Bond (IFA Series 2014) that was sold to North Shore Community Bank and Trust. IITRI used the proceeds and certain other funds to refund and redeem the Series 2004 Bond. 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 interest rate is based on an applicable factor of 74% times the sum of LIBOR plus the applicable margin of 105 basis points. At May 31, 2022 and 2021 the rates were 1.39% and 0.82%, respectively.

The University maintains a line-of-credit agreement that allow borrowings up to $19,750 in 2022 and 2021. Borrowings under the line of credit will bear interest at the daily BSBY rate plus one hundred and fifty basis points. The borrowing under the line of credit will be payable on demand, but if no demand is made, borrowing shall automatically mature on the next interest payable date following the date the loan is made. The amount outstanding under the agreement was $18,775 and $13,300 as of May 31, 2022 and 2021. 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, 2022 and 2021. The line of credit agreement expires in January 2023.

The University and IITRI are subject to certain debt covenants. As of May 31, 2022, management believes those covenants have been either met or waived by the lender.

NOTE 10 – EMPLOYEE BENEFIT PLANS

Retirement Plan: Substantially all full-time employees of the University and IITRI are participants in defined contribution retirement plans that are funded by contributions from the University, IITRI, and participating employees. Total contributions made under the plans for the years ended May 31, 2022 and 2021 were $7,690 and $4,877 by the University and $419 and $453 by IITRI, respectively.

(Continued)

(In thousands of dollars)

NOTE 10 – EMPLOYEE BENEFIT PLANS (Continued)

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:

	2022	2021
Accumulated postretirement benefit obligations at beginning of the period	$ 966	$ 1,056
Service cost	13	12
Interest cost	28	28
Actuarial gain	(57)	(15)
Actuarial benefit payments net contributions	(117)	(115)
Accumulated postretirement benefit obligation at end of the period	$ 833	$ 966

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:

	2022	2021
Change in fair value of plan assets:		
Fair value of plan assets at beginning of period	$ -	$ -
Employer contribution	117	115
Participant contributions	32	28
Total benefit payments	(149)	(143)
Fair value of plan assets at end of the period	$ -	$ -
Funded status	$ (833)	$ (966)

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.

(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:

	2022	2021
Service cost	$ 13	$ 12
Interest cost	28	28
Net periodic postretirement benefit cost	$ 41	$ 40

Actuarial Assumptions

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

	2022	2021
Discount rate (expense)	3.08 %	2.78 %
Discount rate (obligation)	4.22	3.08
Healthcare cost trend rates:		
Healthcare cost trend rate assumed for next year	5.10	4.90
Ultimate rate	5.69	5.69
Year that the ultimate rate is reached	2029	2029

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

	2022	2021
Effect on total service cost and interest cost:		
One-percentage point increase	$ 4	$ 4
One-percentage point decrease	(4)	(4)
Effect on year-end postretirement benefit obligation:		
One-percentage point increase	$ 45	$ 44
One-percentage point decrease	(37)	(36)

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:	
2023	$ 97
2024	92
2025	88
2026	84
2027	79
2028-2032	332

(Continued)

(In thousands of dollars)

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:

	2022	2021
Board-designated endowment	$ 66,888	$ 69,402
Undesignated	120,626	106,311
Total	$ 187,514	$ 175,713

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

	2022	2021
General operations	$ 17,605	$ 19,760
Endowment	222,233	233,259
Endowment pledges	4,857	1,664
Donor-designated for plant	3,631	1,955
Donor-restricted revolving loan funds	4,617	4,571
Scholarships	1,801	1,827
Split-interest annuity agreements	1,732	1,472
Beneficial interest in perpetual trusts	24,056	26,811
Total	$ 280,532	$ 291,319

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.

(Continued)

(In thousands of dollars)

NOTE 12 - FUNCTIONAL CLASSIFICATION OF EXPENSES (Continued)

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

2022	Program Activities	Supporting Activities	Fundraising	Total
Operating expenses:				
Faculty salaries	$ 60,966	$ 1,342	$ -	$ 62,308
Administrative salaries	25,347	16,397	6,614	48,358
Part-time salaries	13,733	936	146	14,815
Employee benefits	18,764	8,758	953	28,475
Operations and maintenance	17,893	7,975	-	25,868
Supplies and services	35,461	6,274	1,340	43,075
Professional fees and advertising	12,113	4,983	538	17,634
IITRI research	18,161	2,393	-	20,554
Interest on indebtedness	3,982	1,833	-	5,815
Depreciation	14,729	5,942	-	20,671
Total operating expenses	221,149	56,833	9,591	287,573
Restructuring expenses	-	4,280	-	4,280
Total expenses	$ 221,149	$ 61,113	$ 9,591	$ 291,853

2021	Program Activities	Supporting Activities	Fundraising	Total
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	14,197	5,837	-	20,034
Total operating expenses	215,118	51,731	7,212	274,061
Restructuring expenses	-	535	-	535
Total expenses	$ 215,118	$ 52,266	$ 7,212	$ 274,596

(Continued)

(In thousands of dollars)

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:

Year Ending May 31:	2022	2021
Operating lease cost	$ 1,057	$ 999
Financing lease cost		
Amortization of right-of-use asset	$ 338	$ 338
Interest on lease liability	26	39
Total finance lease cost	$ 364	$ 377

Supplemental cash flow information related to leases is as follows:

Year Ending May 31:	2022	2021
Operating lease cost	$ 1,057	$ 999
Financing lease cost		
Amortization of right-of-use asset	$ 338	$ 338
Interest on lease liability	26	39
Total finance lease cost	$ 364	$ 377

Year Ending May 31:	2022	2021
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 1,057	$ 1,051
Operating cash flows from finance lease	$ 474	$ 461
Financing cash flows from finance lease	$ 26	$ 39

(Continued)

(In thousands of dollars)

NOTE 13 – LEASES (Continued)

Supplemental balance sheet information related to leases is as follows:

Year Ending May 31:	2022	2021
Operating leases		
Right of use asset, net of accumulated depreciation	$ 1,860	$ 2,775
Lease liability	$ 2,298	$ 3,354
Finance lease		
Right of use asset, net of accumulated depreciation	$ 1,100	$ 1,439
Lease liability	$ 464	$ 963
Weighted average remaining lease terms		
Operating leases	2 years	3 years
Finance lease	1 year	2 years
Weighted average discount rate		
Operating leases	1.4%	1.4%
Finance lease	2.8%	2.8%

Maturities of lease liabilities were as follows:

Year Ending May 31:	Operating leases	Finance Lease
2023	$ 1,118	$ 500
2024	1,144	-
2025	22	-
2026	18	-
2027	-	-
Total lease payments	2,302	500
Less imputed interest	(5)	(36)
Total	$ 2,297	$ 464

(Continued)

(In thousands of dollars)

NOTE 13 – LEASES (Continued)

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

Year Ending May 31:		
2023	$	176
2024		180
2025		183
2026		187
2027		191

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, 2021. The agreement was not renewed in fiscal year 2022.

NOTE 14 - BROADBAND LICENSE AND COGEN

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

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

In May 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 agreement closed in August of 2021 after the FCC review period. The total consideration to be paid for the license was $55,000. For fiscal year 2022, the University received $28,000 in cash and recorded the remaining $27,000 as other accounts receivables. Future consideration to be received from Clearwire is expected as follows:

Year Ending May 31:		
2023	$	3,000
2024		3,000
2025		3,000
2026		3,000
2027		3,000
Thereafter		12,000
	$	27,000

(Continued)

NOTE 14 - BROADBAND LICENSE AND COGEN (Continued)

On July 16, 2021, the University entered into a long-term utility agreement with IIT Energy Tech Partners, LLC (the Service Provider). The Service Provider agreed to purchase certain Utility System assets from the University for $16,623 and also paid $18,378 for the right to operate, maintain, and improve the Utility System and to provide utility services to the University for a period of 40 years. Pursuant to the agreement, the Service Provider will operate the utility system and pass through the costs to operate and maintain the system plus any variable costs incurred to generate utility services.

The University accounted for the sale of the Utility System assets as a sales type lease and recognized a gain on sale of fixed asset of $8,228 for the year ended May 31, 2022. The University accounted for the right to operate the Utility System as a deferred vendor incentive of $18,378. For the year ended May 31, 2022, the University amortized, on a straight line basis, $383 as a reduction of operation and maintenance expense.

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, 2022 and 2021. 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:

	2022			2021
	University	IITRI	Consolidated	Consolidated
Financial assets:				
Cash and cash equivalents	$ 2,414	$ 7,774	$ 10,188	$ 12,091
Non-endowment investments	5,941	4,662	10,603	7,939
Accounts receivable, net	16,641	6,649	23,290	28,686
Pledge payments available for operations	5,912	-	5,912	5,670
Subsequent year's endowment payout	13,300	-	13,300	12,365
Total financial assets available within one year	44,208	19,085	63,293	66,751
Liquidity resources:				
Bank lines of credit	6,225	-	6,225	11,925
Total financial assets and liquidity resources available within one year	$ 50,433	$ 19,085	$ 69,518	$ 78,676

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, 2022 and 2021, the amount outstanding under the lines of credit amounted to $38,550 and $33,075, respectively.

In addition, as of May 31, 2022 and 2021 the University has $63,832 and $66,531, respectively, in funds functioning as endowment net of subsequent year appropriation, which is available for general expenditure with Board approval.

Management's Plan for Ongoing Liquidity

The University is projecting an unrestricted operating loss for fiscal year 2023 similar to fiscal year 2022. These operating losses are attributable to declining enrollment due to the COVID-19 pandemic. The fiscal year 2022 operating loss resulted in the Debt Service Coverage Ratio (DSCR) for the year ended May 31, 2022, to be less than 1.00 in accordance with the 2018 IFA Bond agreements. The expected fiscal year 2023 operating loss is resulting in a projected DSCR of less than 1.00 for the year ended May 31, 2023. Subsequent to year end, the University was not in compliance with Total Unrestricted Liquidity required by the 2018 IFA Bond agreements in November 2022. In addition, Moody's Investors Service has downgraded the University's and its debt ratings to Ba2 from Baa3.

To improve its liquidity and future financial sustainability, the University announced in October 2022 its "Billion Dollar Campaign" aimed at increasing the contributions to the endowment over the next 3-10 years. In December 2022, the University obtained $20,000 in advanced funding on estate gifts from two board members. In March 2023, management obtained a debt covenant waiver on its 2018 IFA Bonds from Wintrust Bank for the year ended May 31, 2022 and agreed to a revised monthly cash flow available for debt service covenant requirement for fiscal years 2023 and 2024 to work with the University under its current financial operating circumstances. The new debt covenant agreement reinstates the DSCR to 1.00 in fiscal year 2025. The University's Executive Committee approved an early advance on the fiscal year 2025 endowment draw for cash flow purposes, if needed.

(Continued)

NOTE 16 – LIQUIDITY AND AVAILABILITY (Continued)

In addition, the Executive Committee approved that the University may enter a financing transaction with the University's endowment assets such that these endowment assets would purchase from the University a 12 month Promissory Note in an amount no greater than $38,000 and on such terms as are commercially reasonable to manage overall University liquidity through May 2024.

The University's management has also engaged consultants to assist in the implementation of zero-based budgeting for the fiscal year 2024 budget, reducing expenditures and expanding fund-raising activities. New enrollment and revenue diversification opportunities have been identified and implementation underway. The University will look to hire in Spring 2023 a consultant to assist in potentially restructuring the University's debt portfolio. During fiscal year 2024, Management will continue implementing these strategies with the goal of realizing a reduction of the operating loss in fiscal year 2024 from fiscal year 2023 and positive operating results in fiscal year 2025.

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, 2022 through March 29, 2023, which was the date the consolidated financial statements were issued.

SUPPLEMENTARY INFORMATION

ILLINOIS INSTITUTE OF TECHNOLOGY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
May 31, 2022
(In thousands of dollars)

	University	IITRI	Eliminations		Total
ASSETS					
Cash	$ 2,414	$ 7,774	$ -		$ 10,188
Notes and accounts receivable:					
Grants and contracts, less allowance of $409	4,435	6,649	-		11,084
Students:					
Tuition, less allowance of $1,904	8,670	-	-		8,670
Notes, less allowance of $680	4,651	-	-		4,651
Other, less allowance of $666	27,536	-	-		27,536
Pledges, net	15,017	-	-		15,017
Affiliated organizations, net	477	-	(477)	(a)	-
Inventories, prepaid expenses, and deferred charges	4,523	131	-		4,654
Equity interest in IITRI	26,170	-	(26,170)	(b)	-
Investments	295,062	4,662	-		299,724
Physical properties, less accumulated depreciation	333,044	24,616	(1,935)	(c)	355,725
Beneficial interest in perpetual trusts	24,056	-	-		24,056
Total assets	$ 746,055	$ 43,832	$ (28,582)		$ 761,305
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued expenses	$ 18,577	$ 2,038	$ (477)	(a)	$ 20,138
Accrued salaries and wages	20,613	928	-		21,541
Deferred revenue	9,306	9,401	-		18,707
Deposits by students and others	2,500	-	-		2,500
Accrued postretirement benefit obligation	833	-	-		833
Obligation under split-interest agreements	381	-	-		381
Lease liability	2,762	1,935	(1,935)	(c)	2,762
Advances from U.S. government for student loans	3,064	-	-		3,064
Asset retirement obligation	769	-	-		769
Deferred vendor incentive	17,995	-	-		17,995
Debt:					
Bonds payable	152,612	3,360	-		155,972
Notes payable	38,550	-	-		38,550
Bond premium payable	11,707	-	-		11,707
Cost of issuance	(1,660)	-	-		(1,660)
Total debt	201,209	3,360	-		204,569
Total liabilities	278,009	17,662	(2,412)		293,259
Net assets:					
Without donor restrictions	187,514	26,170	(26,170)	(b)	187,514
With donor restrictions	280,532	-	-		280,532
Total net assets	468,046	26,170	(26,170)		468,046
Total liabilities and net assets	$ 746,055	$ 43,832	$ (28,582)		$ 761,305

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

See Accompanying Independent Auditor’s Report.

ILLINOIS INSTITUTE OF TECHNOLOGY
CONSOLIDATING STATEMENT OF ACTIVITIES
Year ended May 31, 2022
(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 $137,341	$ 114,926	$ -	$ -	$ 114,926	$ -	$ 114,926
Government grants and contracts	45,667	8,354	-	54,021	-	54,021
Private grants and contracts	2,051	20,974	-	23,025	-	23,025
Private gifts	11,689	-	-	11,689	4,711	16,400
Endowment spending distribution	12,335	-	-	12,335	-	12,335
Sales and services of auxiliary enterprises, net	14,567	-	-	14,567	-	14,567
Other sources	16,300	-	(2,738) (a)	13,562	-	13,562
Net assets released from restrictions	5,465	-	-	5,465	(5,465)	-
Total operating revenue	223,000	29,328	(2,738)	249,590	(754)	248,836
Operating expenses:						
Faculty salaries	62,308	-	-	62,308	-	62,308
Administrative salaries	48,358	-	-	48,358	-	48,358
Part-time salaries	14,815	-	-	14,815	-	14,815
Employee benefits	28,475	-	-	28,475	-	28,475
Operations and maintenance	25,868	-	-	25,868	-	25,868
Supplies and services	43,075	-	-	43,075	-	43,075
Professional fees and advertising	17,634	-	-	17,634	-	17,634
IITRI research	-	23,292	(2,738) (a)	20,554	-	20,554
Interest on indebtedness	5,786	29	-	5,815	-	5,815
Depreciation	18,772	1,899	-	20,671	-	20,671
Total operating expenses	265,091	25,220	(2,738)	287,573	-	287,573
Increase (decrease) in net assets before gain on sale of fixed assets	(42,091)	4,108	-	(37,983)	(754)	(38,737)
Gain on sale of fixed assets	8,228	-	-	8,228	-	8,228
Increase (decrease) in net assets after gain on sale of fixed assets from operating activities	(33,863)	4,108	-	(29,755)	(754)	(30,509)
Nonoperating revenue and expenses:						
Private gifts	-	-	-	-	7,906	7,906
Change in donor designation	(264)	-	-	(264)	264	-
Return on investments, net	(2,063)	(173)	-	(2,236)	(5,784)	(8,020)
Net gain on beneficial interest on perpetual trusts	-	-	-	-	(2,755)	(2,755)
Endowment spending distribution	(2,842)	-	-	(2,842)	(9,493)	(12,335)
Gain on sale of broadband channel	55,000	-	-	55,000	-	55,000
Restructuring expenses	(4,280)	-	-	(4,280)	-	(4,280)
Other	(3,678)	(144)	-	(3,822)	(171)	(3,993)
Equity income from IITRI	3,791	-	(3,791) (b)	-	-	-
Increase (decrease) in net assets from nonoperating activities	45,664	(317)	(3,791)	41,556	(10,033)	31,523
Increase (decrease) in net assets	11,801	3,791	(3,791)	11,801	(10,787)	1,014
Net assets at beginning of year	175,713	22,379	(22,379)	175,713	291,319	467,032
Net assets end of year	$ 187,514	$ 26,170	$ (26,170)	$ 187,514	$ 280,532	$ 468,046

(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, 2022
(In thousands of dollars)

	University	IITRI	Eliminations		Total
Cash flows from operating activities:					
(Decrease) increase in net assets	$ 1,014	$ 3,791	$ (3,791)	(a)	$ 1,014
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:					
Private gifts restricted for long-term investment	(7,663)	-	-		(7,663)
Depreciation	18,772	1,899	-		20,671
Amortization	(1,874)	-	-		(1,874)
Net Loss on investments	11,139	-	-		11,139
Net loss on beneficial interest in perpetual trust	2,755	-	-		2,755
Gain on sale of fixed assets and broadband channel	(63,228)	-	-		(63,228)
Accretion on asset retirement obligation	366	-	-		366
Changes in assets and liabilities:					
Receivables: tuition, grants, pledges, and other	3,314	4,405	173	(b)	7,892
Inventories, prepaid expenses, and deferred charges	(43)	233	-		190
Equity interest in IITRI	(3,791)	-	3,791	(a)	-
Accounts payable and accrued expenses	1,404	308	(173)	(b)	1,539
Accrued salaries and wages	(120)	(334)	-		(454)
Deferred revenue	(3,202)	(3,025)	-		(6,227)
Lease liability	(1,055)	1,935	(1,877)	(c)	(997)
Deposits by students and others	553	-	-		553
Accrued postretirement benefit obligation	(133)	-	-		(133)
Obligations under split-interest agreements	(261)	-	-		(261)
Asset retirement obligation	(500)	-	-		(500)
Net cash from operating activities	(42,553)	9,212	(1,877)		(35,218)
Cash flows from investing activities:					
Proceeds from sale of investments	298,147	-	-		298,147
Purchase of investments	(298,576)	173	-		(298,403)
Purchase of physical properties	(28,594)	(9,879)	1,877	(c)	(36,596)
Proceeds from sale of fixed assets and broadband channel	44,360	-	-		44,360
Issuance of notes receivables	(107)	-	-		(107)
Payments received on notes receivable	1,077	-	-		1,077
Net cash from investing activities	16,307	(9,706)	1,877		8,478
Cash flows from financing activities:					
Private gifts restricted for long-term investment	7,663	-	-		7,663
Advances from U.S. government for student loans	(1,018)	-	-		(1,018)
Proceeds from deferred vendor incentive	18,378	-	-		18,378
Payments on capital lease	(500)	-	-		(500)
Proceeds on notes and bonds payable	5,475	-	-		5,475
Payments on notes and bonds payable	(4,641)	(520)	-		(5,161)
Net cash from financing activities	25,357	(520)	-		24,837
Change in cash	(889)	(1,014)	-		(1,903)
Cash at:					
Beginning of year	3,303	8,788	-		12,091
End of year	$ 2,414	$ 7,774	$ -		$ 10,188
Supplemental disclosure of cash flow information:					
Cash paid for interest	$ 7,340	$ 33	$ -		$ 7,373
Construction payable	3,404	-	-		3,404
Broadband receivable	27,000	-	-		27,000

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

See Accompanying Independent Auditor's Report.