



ILLINOIS INSTITUTE OF TECHNOLOGY

Consolidated Financial Statements and Supplemental Information

May 31, 2007 and 2006

(With Independent Auditors' Report Thereon)

ILLINOIS INSTITUTE OF TECHNOLOGY

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KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

The Board of Trustees
Illinois Institute of Technology:

We have audited the accompanying consolidated statements of financial position of Illinois Institute of Technology (the University) as of May 31, 2007 and 2006, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Illinois Institute of Technology as of May 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

September 21, 2007

ILLINOIS INSTITUTE OF TECHNOLOGY

Consolidated Statements of Financial Position

May 31, 2007 and 2006

(In thousands of dollars)

Assets	2007	2006
Cash	\$ 1,901	3,817
Bond proceeds held by trustees	23,758	51,681
Investments (note 4)	345,226	310,432
Notes and accounts receivable:		
Grants and contracts, less allowance of \$105 in 2007 and 2006	14,924	15,677
Students:		
Tuition receivable, less allowance of \$7,775 in 2007 and 2006	7,168	6,492
Notes receivable, less allowance of \$373 in 2007 and 2006	9,239	9,304
Pledges receivable, less allowance of \$283 in 2007 and 2006	17,926	9,376
Other	2,185	8,215
Inventories, prepaid expenses, and deferred charges	2,924	2,538
Physical properties, less accumulated depreciation (note 6)	246,919	217,107
Beneficial interest in perpetual trusts (note 7)	22,333	20,853
Total assets	\$ 694,503	655,492
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 22,986	20,523
Accrued salaries and wages	14,148	14,408
Deferred revenue	24,255	25,332
Deposits by students and others	3,650	2,899
Accrued postretirement benefit obligation (note 9)	1,417	—
Obligation under split-interest agreements	1,174	1,295
Notes and bonds payable (note 8)	178,220	179,202
Advances from the U.S. Government for student loans	8,094	8,094
Other long-term liabilities (note 3)	9,344	9,930
Total liabilities	263,288	261,683
Net assets (note 12):		
Unrestricted	246,522	222,669
Temporarily restricted	26,005	24,209
Permanently restricted	158,688	146,931
Total net assets	431,215	393,809
Total liabilities and net assets	\$ 694,503	655,492

See accompanying notes to consolidated financial statements.

ILLINOIS INSTITUTE OF TECHNOLOGY

Consolidated Statement of Activities

Year ended May 31, 2007

(In thousands of dollars)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenue:				
Tuition and fees, net of scholarships of \$38,740	\$ 85,249	—	—	85,249
Government grants and contracts	44,474	—	—	44,474
Private grants and contracts	15,415	—	—	15,415
Private gifts	11,630	7,586	—	19,216
Endowment spending distribution (note 4)	14,723	—	—	14,723
Sales and services of auxiliary enterprises	12,760	—	—	12,760
Other sources	13,159	293	—	13,452
Net assets released from restrictions	5,484	(5,484)	—	—
Total operating revenue	<u>202,894</u>	<u>2,395</u>	<u>—</u>	<u>205,289</u>
Operating expenses:				
Faculty salaries	42,901	—	—	42,901
Administrative salaries	36,142	—	—	36,142
Part-time salaries	12,821	—	—	12,821
Employee benefits	15,598	—	—	15,598
Operations and maintenance	20,709	—	—	20,709
Supplies and services	38,133	—	—	38,133
Professional fees and advertising	10,077	—	—	10,077
IITRI research	20,406	—	—	20,406
Depreciation	12,640	—	—	12,640
Total operating expenses	<u>209,427</u>	<u>—</u>	<u>—</u>	<u>209,427</u>
Increase (decrease) in net assets from operating activities	<u>(6,533)</u>	<u>2,395</u>	<u>—</u>	<u>(4,138)</u>
Nonoperating revenue and expenses:				
Private gifts	—	—	9,029	9,029
Change in donor restriction	—	(845)	845	—
Interest on indebtedness	(9,025)	—	—	(9,025)
Net gain on investments (note 4)	31,928	140	1,469	33,537
Endowment income (note 4)	7,456	—	—	7,456
Net loss on disposal of assets	(291)	—	—	(291)
Faculty incentive retirement benefit	(1,417)	—	—	(1,417)
Asset retirement obligation accretion	(193)	—	—	(193)
Other	1,928	106	414	2,448
Increase (decrease) in net assets from nonoperating activities	<u>30,386</u>	<u>(599)</u>	<u>11,757</u>	<u>41,544</u>
Increase in net assets	<u>23,853</u>	<u>1,796</u>	<u>11,757</u>	<u>37,406</u>
Net assets at beginning of year	<u>222,669</u>	<u>24,209</u>	<u>146,931</u>	<u>393,809</u>
Net assets at end of year	<u>\$ 246,522</u>	<u>26,005</u>	<u>158,688</u>	<u>431,215</u>

See accompanying notes to consolidated financial statements.

ILLINOIS INSTITUTE OF TECHNOLOGY

Consolidated Statement of Activities

Year ended May 31, 2006

(In thousands of dollars)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Operating revenue:				
Tuition and fees, net of scholarships of \$35,038	\$ 77,035	—	—	77,035
Government grants and contracts	37,180	—	—	37,180
Private grants and contracts	18,140	—	—	18,140
Private gifts	11,453	6,601	—	18,054
Endowment spending distribution (note 4)	12,600	—	—	12,600
Sales and services of auxiliary enterprises	11,388	—	—	11,388
Other sources	12,066	664	—	12,730
Net assets released from restrictions	6,177	(6,177)	—	—
Total operating revenue	186,039	1,088	—	187,127
Operating expenses:				
Faculty salaries	40,458	—	—	40,458
Administrative salaries	33,998	—	—	33,998
Part-time salaries	10,919	—	—	10,919
Employee benefits	14,566	—	—	14,566
Operations and maintenance	19,475	—	—	19,475
Supplies and services	34,625	—	—	34,625
Professional fees and advertising	8,996	—	—	8,996
IITRI research	19,154	—	—	19,154
Depreciation	12,088	—	—	12,088
Total operating expenses	194,279	—	—	194,279
Increase (decrease) in net assets from operating activities	(8,240)	1,088	—	(7,152)
Nonoperating revenue and expenses:				
Private gifts	—	—	7,021	7,021
Change in donor restriction	—	(1,284)	1,284	—
Interest on indebtedness	(5,978)	—	—	(5,978)
Net gain on investments (note 4)	8,561	49	1,449	10,059
Endowment income (note 4)	7,309	—	—	7,309
Net loss on disposal of assets	(341)	—	—	(341)
Early retirements	—	—	—	—
Loss on refunding of bond issue (note 8)	(2,750)	—	—	(2,750)
Gain on call of Alion mezzanine warrants (note 4)	8,574	—	—	8,574
Other	(1,146)	1,462	357	673
Increase in net assets from nonoperating activities	14,229	227	10,111	24,567
Increase in net assets before cumulative effect of change in accounting principle	5,989	1,315	10,111	17,415
Cumulative effect of change in accounting principle (note 3)	(9,930)	—	—	(9,930)
Increase (decrease) in net assets	(3,941)	1,315	10,111	7,485
Net assets at beginning of year	226,610	22,894	136,820	386,324
Net assets at end of year	\$ 222,669	24,209	146,931	393,809

See accompanying notes to consolidated financial statements.

ILLINOIS INSTITUTE OF TECHNOLOGY

Consolidated Statements of Cash Flows

Years ended May 31, 2007 and 2006

(In thousands of dollars)

	2007	2006
Cash flows from operating activities:		
Increase in net assets	\$ 37,406	7,485
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Cumulative effect of change in accounting principle	—	9,930
Private gifts restricted for long-term investment	(9,029)	(8,305)
Depreciation	12,640	12,088
Gain on beneficial interest in perpetual trusts	(1,480)	(1,300)
Contribution of fixed assets	—	(169)
Net loss on disposal of assets	291	341
Net gain on Alion notes and warrants	—	(8,574)
Gain on investments	(46,780)	(21,358)
Accretion on asset retirement obligation	(586)	—
Changes in assets and liabilities:		
Receivables: tuition, grants, pledges, affiliate, and other	(2,352)	(5,932)
Inventories, prepaid expenses, and deferred charge:	(386)	1,361
Accounts payable and accrued expenses:	2,463	3,094
Accrued salaries and wages	(260)	1,680
Deferred revenue	(1,077)	1,171
Deposits by students and others	751	190
Accrued postretirement benefit obligation	1,417	—
Obligations under split-interest agreement:	(121)	23
Net cash used in operating activities	<u>(7,103)</u>	<u>(8,275)</u>
Cash flows from investing activities:		
Proceeds from sale of investment:	589,525	50,215
Purchase of investments	(577,539)	(47,545)
Bond proceeds held by trustees	27,923	(39,584)
Purchase of physical properties	(42,743)	(28,437)
Proceeds from sale leaseback of physical properties:	—	2,600
Issuance of notes receivable	(1,922)	(1,306)
Payments received on notes receivable	1,896	1,951
Net cash used in investing activities	<u>(2,860)</u>	<u>(62,106)</u>
Cash flows from financing activities:		
Private gifts restricted for endowment:	9,029	8,305
Payments on notes and bonds payable	(982)	(109,995)
Proceeds from borrowings under notes and bonds payable	—	160,153
Advances of refundable grants	—	—
Net cash provided by financing activities	<u>8,047</u>	<u>58,463</u>
Decrease in cash	(1,916)	(11,918)
Cash at:		
Beginning of year	<u>3,817</u>	<u>15,735</u>
End of year	<u>\$ 1,901</u>	<u>3,817</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 8,895	4,081

See accompanying notes to consolidated financial statements.

ILLINOIS INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements

May 31, 2007 and 2006

(In thousands of dollars)

(1) Nature of Organization

Illinois Institute of Technology

Illinois Institute of Technology (the University) is a private not-for-profit coeducational technical engineering 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 coeducational technical engineering institution that is dedicated to superior teaching and excellent scholarship. Located in Bangalore, India, the institution services students from across India.

IIT France is a private not-for-profit entity located in Paris, France. The entity has been created to promote to French and European students the programs of the University and to welcome visiting students from the University as they discover and study European architecture while they carry out their architectural studies.

IIT Research Institute

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 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 elect IITRI's board of governors. IITRI also prepares separate annual financial statements as of September 30, its fiscal year-end.

(2) Summary of Significant Accounting Policies and Reporting Practices

(a) Principles of Consolidation

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

(b) Basis of Presentation

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 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.

ILLINOIS INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements

May 31, 2007 and 2006

(In thousands of dollars)

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

Unrestricted – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted – 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 are gifts for which restrictions have not been satisfied and annuity and life income gifts for which the ultimate purpose of the proceeds is not permanently restricted.

Permanently Restricted – Net assets that are subject to donor-imposed restrictions that require them to be maintained permanently by the University. Items that affect this net asset category include gifts 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.

(c) *Operations*

Operating results in the consolidated statements of activities reflect all transactions increasing or decreasing unrestricted net assets except those items associated with long-term investment and other infrequent gains, losses, revenues, and expenses.

(d) *Revenue*

Revenue is reported as an increase in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Private gifts, including pledges, are recognized in the period received. Conditional pledges are not recognized until the conditions on which they depend are substantially met. 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 fundraising activity.

ILLINOIS INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements

May 31, 2007 and 2006

(In thousands of dollars)

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

Revenue from University government grant and contract agreements is recognized as it is earned through expenditure in accordance with the agreement.

Tuition and other revenue received prior to the end of one fiscal year, which relates to future periods, are recorded as deferred revenue.

IITRI's research project revenue results from contract research and other services under a variety of contracts, some of which provide for reimbursement of cost plus fees and others which are fixed-price or time and materials type contracts. IITRI generally recognizes revenue when a contract has been executed, the contract price is fixed or determinable, delivery of the services or product has occurred, and collectibility of the contract price is considered probable. Revenue on cost-plus contracts is recognized as costs are incurred and include a proportionate share of the fees earned. The percentage of completion method is used to recognize revenue on fixed contracts based on various performance measures. From time to time, facts develop that require IITRI 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. The full amount of anticipated losses on any type of contract are recognized in the period in which they 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.

Historically, governmental clients have been a major source of revenue for IITRI. For the fiscal years ended May 31, 2007 and 2006, these governmental clients accounted for approximately 48% and 35%, respectively, of IITRI's operating revenue of \$25,110 and \$24,538 respectively. In addition, IITRI has one significant industrial customer, which comprised approximately 36% and 51%, respectively, of their contract revenue in 2007 and 2006. Included in IITRI's revenue for 2007 and 2006 and accounts receivable at May 31, 2007 and 2006 are unbilled receivables in the amounts of approximately \$3,923 and \$3,567, respectively.

The amount of contract and grant revenue reflected in the consolidated financial statements is subject to review and adjustment by contracting agencies, principally the federal government. The amount, if any, of expenditures which 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.

ILLINOIS INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements

May 31, 2007 and 2006

(In thousands of dollars)

(e) Investments

Investments are reported at fair value. The fair values of investments are generally determined based on quoted market prices or estimated fair values provided by external investment managers or other sources. Direct investments in real estate included in the investment portfolio are recorded at fair value determined based on the discounted value of the future cash flows. Management's estimate of the fair value of private equity and hedge fund investments is determined based on valuations provided by the external investment managers. The valuations for these investments necessarily 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.

(f) Investments from the Sale of IITRI Net Assets

Investments from the sale of IITRI net assets consist of cash equivalents and Alion notes receivable with detachable stock warrants received, which are reported at fair value. The fair value of the Alion notes receivable are determined based on the discounted value of the interim interest payments and the face amount of each note over their respective lives, plus the discounted projected value of the attached warrants, based on their respective required rates of return as estimated by management.

(g) Notes Receivable

Student notes receivable consist primarily of Perkins loans, the Illinois Student Assistance Commission Federal Family Educational Loan program, and University loans. Perkins loans are comprised of 89% U.S. Government funds and 11% University funds. The University establishes valuation allowances for notes receivable based on estimates of future collectibility.

(h) Inventory

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

(i) 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 three to 50 years.

ILLINOIS INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements

May 31, 2007 and 2006

(In thousands of dollars)

Upon sale or retirement of an asset, cost and the related accumulated depreciation are deducted from the accounts, and a gain or loss is recorded. Minor expenditures for renovations, construction, and replacement of equipment are charged to current operations and are not capitalized.

(j) *Impairment of Long-Lived Assets*

The University and IITRI account for long-lived assets in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets*. This Statement 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.

(k) *Beneficial Interest in Perpetual Trusts*

The University has a beneficial interest in certain perpetual trusts which are held by third parties. 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.

(l) *Split-Interest Agreements*

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

Assets held in trust for which the University serves as trustee are included in investments. In addition, the present value of the estimated future payments to be made to the donors and/or other beneficiaries is included as liabilities. 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.

ILLINOIS INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements

May 31, 2007 and 2006

(In thousands of dollars)

(m) Income Taxes

The University and IITRI have each received a determination letter from the Internal Revenue Service indicating that they are tax-exempt organizations as provided in Section 501(c)(3) of the Internal Revenue Code of 1986 and, except for taxes related to unrelated business income, are exempt from Federal and state income taxes.

Accordingly, no provision for income tax has been made in the accompanying consolidated financial statements as the University and IITRI have no significant unrelated business income.

(n) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

(o) Reclassifications

Certain amounts in the 2006 financial statements have been reclassified to conform with the 2007 presentation.

(3) Change in Accounting Principle

In fiscal year 2006 the University adopted Financial Accounting Standards Board Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47). FIN 47 requires that a liability be recognized for the fair value of a legal obligation to perform asset retirement activities that are conditional on a future event if the amount can be reasonably estimated. Upon recognition of a liability, the asset retirement cost is recorded as an increase in the carrying value of the related long-lived asset and then depreciated over the life of the asset. The University's asset retirement obligations arise primarily from regulations that specify how to dispose of asbestos if facilities are demolished or undergo major renovations or repairs. The University's obligations to remove asbestos were estimated using a per square foot estimate.

As a result of an evaluation of available asbestos remediation estimates, the University recorded a liability of \$9,344 for the asset retirement obligations. Accumulated depreciation was measured from fiscal year 1973, the date the liability and capitalized asset would have been recognized if FIN 47 were in effect when the University incurred the liability. Accordingly, the capitalized asset associated with the asset retirement obligation is considered to be fully depreciated. As a result, the cumulative effect of this change in accounting principle was recorded as a cumulative effect of a change in accounting principle in unrestricted net assets in fiscal year 2006.

ILLINOIS INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements

May 31, 2007 and 2006

(In thousands of dollars)

(4) Investments and Investments from the Sale of IITRI Net Assets

Investments consist of the following at May 31:

	2007		2006	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	\$ 22,522	22,606	28,664	28,664
Real estate	13,803	14,417	13,931	14,483
Stocks	215	240	114,818	127,706
Equity mutual funds	133,459	146,550	—	—
Bonds	14,563	14,521	41,048	40,236
Fixed income mutual funds	25,911	25,666	—	—
Hedge funds	8,427	19,574	8,427	17,270
Private equity funds	18,992	27,315	17,936	23,141
Alion notes and warrants	32,202	74,337	25,020	58,932
Total investments	\$ <u>270,094</u>	<u>345,226</u>	<u>249,844</u>	<u>310,432</u>

For investment purposes, the University pools substantially all assets of its endowment accounts. Each account owns "units" of the consolidated investment pool. The pooled assets are valued on a monthly basis and a fair value per unit is determined which is used to calculate the number of units purchased by accounts entering the pool and redeemed by accounts withdrawing from the pool. Income (interest, dividends, and rents) earned by the investment pool is distributed to the individual accounts on the basis of average units owned by each account in the pool during the year.

On March 27, 2006, the University redeemed all outstanding mezzanine warrants from Alion. The mezzanine warrants represented warrants to purchase 504,901.9 shares of Alion's common stock. The cash transmitted to the University was \$13,072.

The University changed its investment managers during March 2007 and, as a result, liquidated substantially all of the marketable securities in its investment portfolio. The University recorded a realized gain of approximately \$22,000 relative to the sale of its marketable investment portfolio.

The University utilizes the total return concept of endowment spending. Under the method adopted by the University, interest, dividends, and rents, as well as appreciation on investments held by the investment pool, are made available for spending. Endowment payouts for operations of \$14,723 for fiscal year 2007 and \$12,600 for fiscal year 2006 were set by the University's board of trustees.

ILLINOIS INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements

May 31, 2007 and 2006

(In thousands of dollars)

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

	2007	2006
Return on investments:		
Interest and dividends	\$ 8,255	7,309
Net realized gain on sale of investments	32,236	9,341
Net unrealized gain on investments	14,544	12,018
Gain on sale of Alion mezzanine warrants	—	8,574
Net return on investments	\$ 55,035	37,242

The return on investments reflect interest income of \$799 and unrealized loss on investments of \$42 from investments held by IITRI.

(5) Pledges Receivable

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

	2007	2006
Pledges receivable	\$ 21,263	12,184
Allowance for uncollectible pledges	(283)	(283)
Discount to present value future cash flows	(3,054)	(2,525)
Net pledges receivable	\$ 17,926	9,376

The following is a summary showing the expected timing of collection of total unconditional pledges receivable outstanding as of May 31, 2007:

Fiscal year(s)	Amount
2008	\$ 9,751
2009 through 2013	7,483
2014 and thereafter	4,029
	\$ 21,263

ILLINOIS INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements

May 31, 2007 and 2006

(In thousands of dollars)

(6) Physical Properties

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

	2007	2006
Land and land improvements	\$ 27,610	23,813
Building and building improvements	253,164	229,916
Equipment and library collection	80,995	88,674
Construction in progress	55,456	42,198
Total physical properties	417,225	384,601
Less accumulated depreciation	170,306	167,494
Physical properties, net	\$ 246,919	217,107

The University executed an agreement to purchase two parcels of land for \$7,800 in December 2006. Phase I (\$3,500) of the purchase of a surface parking lot at the corner of Jefferson and Jackson Streets, Chicago Illinois, which is in close proximity to the University's downtown campus occurred. Phase II is expected to be executed January 2008 to complete the purchase of the parcels of land. The purchase agreement includes a put-option which allows the University the option to reconvey the first land parcel back to the seller by October 15, 2007 with a refund of the initial purchase payment of \$3,500. Final decisions on the ultimate use of this property are expected during the 2008 calendar year.

(7) 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, 2007 and 2006, the share of these trusts from which the University derives income had a combined fair value of \$22,333 and \$20,853, respectively. These trusts provided unrestricted income of \$465 and \$383 in fiscal years 2007 and 2006, respectively.

ILLINOIS INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements

May 31, 2007 and 2006

(In thousands of dollars)

(8) Notes and Bonds Payable

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

	<u>Interest rate</u>	<u>2007</u>	<u>2006</u>
University:			
IFA Bonds, Series 2006, payable in varying installments through 2036	Variable	\$ 160,000	\$ 160,000
Note payable to ISAC for student lender program	Various	230	382
City of Chicago Energy Loan	Interest free	450	600
ITRI - IFA Series 2004, payable in varying installments through 2034	Variable	<u>17,540</u>	<u>18,220</u>
Total notes and bonds payable		\$ <u><u>178,220</u></u>	\$ <u><u>179,202</u></u>

The following is a summary of required principal payments, excluding amounts due under the note payable to ISAC, on outstanding secured obligations as of May 31, 2007:

Fiscal year ending:	
2007	\$ 860
2008	890
2009	925
2010	810
2011	885
2012 and beyond	<u>173,620</u>
Total notes and bonds payable	\$ <u><u>177,990</u></u>

In March 2006, the University issued \$160,000 in fixed rate revenue bonds through the Illinois Finance Authority consisting of \$153,600 (IFA Series 2006A) and \$6,340 (IFA Series 2006B). Proceeds from the bonds were used to advance refund the IEFA Series 1999 Bonds, refund the outstanding IEFA Series 2000 Bonds, refund the outstanding IEFA Series 2004 Bonds and finance a portion of the costs of the construction, renovation and equipping of certain of the educational facilities of the University and pay for certain expenses incurred in conjunction with the issuance of the Series 2006A and 2006B Bonds. The fixed rate on the Series 2006A Bonds is 5% with serial bonds maturing from April 2016 through 2026 and term bonds due April 1, 2031 and April 1, 2036. The Series 2006B term bond bears a 6.10% rate maturing April 1, 2015.

The University has also been designated a lender by the U.S. Department of Education for the Federal Stafford Loan program. As a lender, the University participates in the Federal Family Education Loan Program and

ILLINOIS INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements

May 31, 2007 and 2006

(In thousands of dollars)

offers loans to University graduate students. In order to provide funding to support the lender program, the University has contracted with the Illinois Student Assistance Commission (ISAC). The arrangement with ISAC provides that once the University approves a loan to a student, ISAC will loan the funds to the University to forward to the student. After the student separates from the University, ISAC, or one of its designated agencies, will purchase the loan from the University, at which time the University will liquidate its debt to ISAC, and ISAC will then service the loan through the repayment process.

In August 2004, IITRI sold an \$18,820 bond issue of adjustable rate demand debt under the tax-exempt authority of the Illinois Finance Authority (IFA). The proceeds from the sale were used to (i) renovate and construct lab and office space; (ii) establish a debt service reserve fund; and (iii) pay certain costs incurred in connection with the bond issue.

The University maintains a line of credit agreement that allows borrowings of up to \$5,000. Borrowings under this line will bear interest at the prime commercial rate with interest being payable monthly. The borrowings under this line of credit will be payable on demand, but if no demand is made, borrowings shall automatically mature on the interest payment date next following the date the loan is made. The line of credit agreement expired on November 30, 2003. Management has received written communication from the bank indicating that the line of credit continues to be in effect and available. No amounts were outstanding under this agreement as of May 31, 2007 and 2006.

IITRI maintains a line of credit agreement that allows borrowings of up to \$350. Borrowings under this line will bear interest at the prime commercial rate with interest payable monthly. IITRI may make principal payments at any time and in any amount, or on demand of the lender. The line of credit does not have a termination date. No amounts were outstanding under this agreement as of May 31, 2007 and 2006.

The University and IITRI are subject to certain debt covenants. As of May 31, 2007, those covenants have been met.

The carrying value of long-term debt does not differ materially from its estimated fair value as of May 31, 2007 and 2006, based on quoted market prices for the same or similar issues.

(9) 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 statement of financial position at May 31, 2007 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 of May 31, 2007. The University plans to curtail the faculty retirement incentive program effective May 31, 2008.

ILLINOIS INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements

May 31, 2007 and 2006

(In thousands of dollars)

Reconciliation of Benefit Obligation

Obligation at November 1, 2006	\$ 10,945
Service cost	285
Interest cost	371
Plan amendments	
Actuarial (gain) loss	(492)
Actual benefit payments net contributions	<u>(50)</u>
Accumulated postretirement benefit obligation	<u>\$ 11,059</u>

Reconciliation of Fair Value of Plan Assets

Fair value of plan assets at November 1, 2006	\$ —
Employer contribution	50
Participant contributions	—
Total benefit payments	<u>(50)</u>
Fair value of plan assets at end of year	<u>—</u>

Reconciliation of Funded Status

Accumulated Postretirement Benefit Obligation	
Retirees	\$ 198
Fully eligible active plan participants	6649
Other active plan participants	<u>4213</u>
	11060
Unrecognized net actuarial loss	492
Unrecognized prior service costs	<u>(10135)</u>
Accrued postretirement benefit obligation recognized on the statement of financial position	<u>\$ 1417</u>

ILLINOIS INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements

May 31, 2007 and 2006

(In thousands of dollars)

The components of net periodic postretirement benefit cost for the year ended May 31, 2007 are as follows:

Service cost	\$	285
Interest cost		371
Amortization of prior service cost		811
Net periodic postretirement benefit cost	\$	1,467

Actuarial Assumptions

The weighted average assumptions used in the accounting for the postretirement plan for the year ended May 31, 2007 are shown below:

Discount rate (expense)	5.75%
Discount rate (obligation)	8.0
Health care cost trend rates:	
Next two fiscal years	11.0–12.0
Next seven fiscal years	5.0–10.0
Thereafter	5.00

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 year ended May 31, 2007:

Effect on total service cost and interest cost:		
One-percentage point increase	\$	155
One-percentage point decrease		(120)
Effect on year-end postretirement benefit obligation:		
One-percentage point increase		2,109
One-percentage point decrease		(1,689)

ILLINOIS INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements

May 31, 2007 and 2006

(In thousands of dollars)

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	\$	
2008		92
2009		155
2010		222
2011		274
2012		334
2013-2017		2,709

The University is amortizing the unrecognized prior service costs over the remaining average service life.

Statement of Financial Accounting Standards No. 158

Statement of Financial Accounting Standards (SFAS) No. 158 requires that the entire unfunded or over-funded obligation of each postretirement plan be recorded on the statement of financial position. Employers must recognize an additional net liability or asset to properly report the funded status of its postretirement benefit plans on its balance sheets. The resulting additional net liability or asset requires an adjustment to changes in net assets for each plan equal to the balance of unrecognized gains or losses and prior service costs or credits. Subsequent amortizations of gains or losses and prior service costs or credits into net periodic cost will be recorded against net assets, and new amounts will be recorded as a component of changes in net assets in the year that such amounts are first measured.

The University plans to adopt the provisions of SFAS No. 158 as of the fiscal year ending May 31, 2008. For the fiscal year ending May 31, 2007, the adoption of this standard would result in an increase in the accrued postretirement benefit obligation of \$9,643 with a corresponding decrease in unrestricted net assets.

(10) Employee Benefit Plans

Pension 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, 2007 and 2006 were \$4,818 and \$4,582 by the University and \$404 and \$313 by IITRI, respectively.

ILLINOIS INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements

May 31, 2007 and 2006

(In thousands of dollars)

Healthcare Benefit 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 the Aetna Life Insurance Company. Under this Plan, premium contributions are shared by both IITRI and plan participants.

(11) Functional Classification of Expenses

Expenses are reported in the 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.

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

	<u>2007</u>	<u>2006</u>
Instruction	\$ 72,428	65,925
Research and other grant activities	57,668	50,619
Academic support	26,758	24,040
Student services	15,044	15,027
Institutional support	36,139	33,429
Auxiliary enterprises	12,025	11,217
Total	<u>\$ 220,062</u>	<u>200,257</u>

(12) Net Assets

Certain unrestricted net assets are designated for specific purposes by the board of trustees of the University and are summarized as follows at May 31:

	<u>2007</u>	<u>2006</u>
Net investment in land, buildings, and equipment	\$ 76,046	72,843
Funds designated by the board of trustees for endowment	20,201	17,933
Undesignated	150,275	131,893
Total	<u>\$ 246,522</u>	<u>222,669</u>

Included in the net investment in land, buildings, and equipment amount above are \$5,731 and \$6,380 of IITRI net assets at May 31, 2007 and 2006, respectively.

ILLINOIS INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements

May 31, 2007 and 2006

(In thousands of dollars)

Donor restrictions on temporarily restricted net assets consist of the following at May 31:

	2007	2006
Net investment in land, buildings, and equipment	\$ 6,743	7,227
Scholarships	1,851	2,779
Instruction and academic departments	6,328	7,276
Library	518	521
General operations	9,492	4,825
Split-interest annuity agreements	1,073	1,581
Total	\$ 26,005	24,209

Permanently restricted net assets consist of the following at May 31:

	2007	2006
Endowment investments	\$ 117,763	107,219
Endowments restricted for plant	9,898	9,898
Donor-restricted revolving loans funds	6,665	6,844
Split-interest annuity agreements	2,029	2,117
Beneficial interest in perpetual trusts	22,333	20,853
Total	\$ 158,688	146,931

The amount of outstanding loans from quasi-endowments to unrestricted funds is \$6,900 and \$7,700 at May 31, 2007 and 2006, respectively.

(13) Leases

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

In May 2002, the University entered into a 40-year ground lease agreement with IIT State Street, NFP, to lease property on the University's campus for the purpose of building housing to lease to students, faculty, and staff of the University or employees of other not-for-profit educational institutions in the area. Under this agreement, the University will receive annual lease payments of \$5 over the term of the lease.

IIT State Street, NFP is a 501(c)(3) corporation that is affiliated with, but not controlled by the University, and accordingly, is not included in the University's financial statements. IIT State Street, NFP, has borrowed \$28,800 from IEFA to construct the dorms and \$1,000 from the University for a supplemental reserve fund. The University has no obligation for the corporation's liabilities or debts. However, the University has provided \$1,000 loan to State Street to establish the supplemental reserve fund, which was subsequently used to fund construction costs of the housing complex.

ILLINOIS INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements

May 31, 2007 and 2006

(In thousands of dollars)

In August 2003, the University entered into a five-year operating lease with IIT State Street, NFP. If there are vacancies in the IIT State Street housing complex, the lease obligates the University to lease unoccupied beds from IIT State Street to the extent necessary to permit IIT State Street to pay its annual debt service.

In January 2006, the University entered into a fifty-five year ground lease agreement with Townsend Chicago, LLC. The ground lease agreement requires Townsend Chicago, LLC to pay the University an initial rent payment of \$1.9 million for the first 10 years and \$11 million through 2031. Townsend purchased from IIT the building known as the Technology Business Center for \$2,600 resulting in a gain of approximately \$2,400, which is being amortized over the life of the building lease. IIT is leasing approximately 21% of the building back from Townsend for an initial term of eighteen years. The University is required to pay \$755, \$774, \$793, \$813, \$833, respectively over each of the next five years and \$11,798 in years thereafter.

(14) 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.



KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report on Supplemental Information

The Board of Trustees
Illinois Institute of Technology:

We have audited and reported separately herein on the consolidated financial statements of Illinois Institute of Technology (the University) as of and for the years ended May 31, 2007 and 2006.

Our 2007 audit was made for the purpose of forming an opinion on the consolidated financial statements of the University taken as a whole. The accompanying supplementary information included in schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements of the University. The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2007 consolidated financial statements taken as a whole.

KPMG LLP

September 21, 2007

ILLINOIS INSTITUTE OF TECHNOLOGY

Consolidating Statement of Financial Position

May 31, 2007

(In thousands of dollars)

Assets	University	IITRI	Eliminations	Total
Cash	\$ 905	996	—	1,901
Bond proceeds held by trustees	21,625	2,133	—	23,758
Investments	330,705	14,521	—	345,226
Notes and accounts receivable:				
Grants and contracts, less allowance of \$105	9,066	5,858	—	14,924
Students:				
Tuition, less allowance of \$7,775	7,168	—	—	7,168
Notes, less allowance of \$373	9,239	—	—	9,239
Pledges, less allowance of \$283	17,926	—	—	17,926
Other	2,094	91	—	2,185
Affiliated organizations, net	797	—	(797) (a)	—
Inventories, prepaid expenses, and deferred charges	2,472	452	—	2,924
Equity interest in IITRI	15,199	—	(15,199) (b)	—
Physical properties, less accumulated depreciation	226,336	20,583	—	246,919
Beneficial interest in perpetual trusts	22,333	—	—	22,333
Total assets	<u>\$ 665,865</u>	<u>44,634</u>	<u>(15,996)</u>	<u>694,503</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 20,441	3,342	(797) (a)	22,986
Accrued salaries and wages	13,093	1,055	—	14,148
Deferred revenue	16,757	7,498	—	24,255
Deposits by students and others	3,650	—	—	3,650
Accrued postretirement benefit obligation (note 9)	1,417	—	—	1,417
Obligation under split-interest agreements	1,174	—	—	1,174
Notes and bonds payable	160,680	17,540	—	178,220
Advances from U.S. government for student loans	8,094	—	—	8,094
Other long term liabilities	9,344	—	—	9,344
Total liabilities	<u>234,650</u>	<u>29,435</u>	<u>(797)</u>	<u>263,288</u>
Net assets:				
Unrestricted	246,522	15,199	(15,199) (b)	246,522
Temporarily restricted	26,005	—	—	26,005
Permanently restricted	158,688	—	—	158,688
Total net assets	<u>431,215</u>	<u>15,199</u>	<u>(15,199)</u>	<u>431,215</u>
Total liabilities and net assets	<u>\$ 665,865</u>	<u>44,634</u>	<u>(15,996)</u>	<u>694,503</u>

(a) Elimination of interentity accounts payable/receivable.

(b) Elimination of equity interest in IITRI.

See accompanying independent auditors' report on supplemental information.

ILLINOIS INSTITUTE OF TECHNOLOGY
 Consolidating Statement of Activities
 Year ended May 31, 2007
 (In thousands of dollars)

	Unrestricted		Total	Temporarily restricted - University	Permanently restricted - University	Total
	University	IITRI				
Operating revenue:						
Tuition and fees, net of scholarships of \$38,740	85,249	—	85,249	—	—	85,249
Government grants and contracts	32,392	12,082	44,474	—	—	44,474
Private grants and contracts	2,387	13,028	15,415	—	—	15,415
Private gifts	11,630	—	11,630	7,586	—	19,216
Endowment spending distribution	14,723	—	14,723	—	—	14,723
Sales and services of auxiliary enterprises	12,760	—	12,760	—	—	12,760
Other sources	13,627	799	13,159	293	—	13,452
Net assets released from restrictions	5,484	—	5,484	(5,484)	—	—
Total operating revenue	178,252	25,909	202,894	2,395	—	205,289
Operating expenses:						
Faculty salaries	42,901	—	42,901	—	—	42,901
Administrative salaries	36,142	—	36,142	—	—	36,142
Part-time salaries	12,821	—	12,821	—	—	12,821
Employee benefits	15,598	—	15,598	—	—	15,598
Operations and maintenance	20,709	—	20,709	—	—	20,709
Supplies and services	38,133	—	38,133	—	—	38,133
Professional fees and advertising	10,077	—	10,077	—	—	10,077
IITRI research	11,186	21,673	20,406	—	—	20,406
Depreciation	187,567	1,454	12,640	—	—	12,640
Total operating expenses	(9,315)	21,127	209,427	—	—	209,427
Increase (decrease) in net assets from operating activities						
		2,782	(6,533)	2,395	—	(4,138)
Nonoperating revenue and expenses:						
Private gifts	—	—	—	—	9,029	9,029
Change in donor restriction	(8,235)	(790)	(9,025)	(845)	845	(9,025)
Interest on indebtedness	31,970	(42)	31,928	1,469	—	33,537
Net gain (loss) on investments	7,456	—	7,456	—	—	7,456
Endowment income	(291)	—	(291)	—	—	(291)
Net loss on disposal of assets	(1,417)	—	(1,417)	—	—	(1,417)
Faculty incentive retirement benefit	(193)	—	(193)	—	—	(193)
Asset retirement obligation accretion	1,928	—	1,928	106	—	2,034
Other	1,950	—	1,950	—	414	2,364
Equity income from IITRI	—	—	—	—	—	—
Increase (decrease) in net assets from nonoperating activities	33,168	(832)	30,386	(599)	11,757	41,544
Increase (decrease) in net assets	23,853	1,950	23,853	1,796	11,757	37,406
Net assets at beginning of year	222,669	13,249	222,669	24,209	146,931	393,809
Net assets end of year	\$ 246,522	\$ 15,199	\$ 246,522	\$ 26,005	\$ 158,688	\$ 431,215

(a) Elimination of interentity utility income and expense.

(b) Elimination of equity interest in IITRI earnings and contribution to IIT.

See accompanying independent auditors' report on supplemental information.

ILLINOIS INSTITUTE OF TECHNOLOGY

Consolidating Statement of Cash Flows

Year ended May 31, 2007

(In thousands of dollars)

	<u>University</u>	<u>IITRI</u>	<u>Eliminations</u>	<u>Total</u>
Cash flows from operating activities:				
Increase in net assets	\$ 37,406	1,950	(1,950) (a)	37,406
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:				
Private gifts restricted for long-term investment	(9,029)	—	—	(9,029)
Depreciation	11,186	1,454	—	12,640
Gain on beneficial interest in perpetual trusts	(1,480)	—	—	(1,480)
Net gain on disposal of assets	291	—	—	291
Net (gain) loss on investments	(46,822)	42	—	(46,780)
Accretion on asset retirement obligation	(586)	—	—	(586)
Changes in assets and liabilities:				
Receivables: tuition, grants, pledges, affiliate and other	(1,999)	(109)	(244) (b)	(2,352)
Inventories, prepaid expenses, and deferred charges	(63)	(323)	—	(386)
Equity interest in IITRI	(1,950)	—	1,950 (a)	—
Accounts payable and accrued expenses	2,222	570	(329) (b)	2,463
Accrued salaries and wages	(542)	(291)	573 (b)	(260)
Deferred revenue	211	(1,288)	—	(1,077)
Deposits by students and others	751	—	—	751
Accrued postretirement benefit obligation	1,417	—	—	1,417
Obligations under split-interest agreements	(121)	—	—	(121)
Net cash provided by (used in) operating activities	<u>(9,108)</u>	<u>2,005</u>	<u>—</u>	<u>(7,103)</u>
Cash flows from investing activities:				
Proceeds from sale of investments	588,726	799	—	589,525
Purchase of investments	(573,596)	(3,943)	—	(577,539)
Bond proceeds held by trustees	26,856	1,067	—	27,923
Purchase of physical properties	(42,106)	(637)	—	(42,743)
Issuance of notes receivable	(1,922)	—	—	(1,922)
Payments received on notes receivable	1,896	—	—	1,896
Net cash used in investing activities	<u>(146)</u>	<u>(2,714)</u>	<u>—</u>	<u>(2,860)</u>
Cash flows from financing activities:				
Private gifts restricted for long-term investment	9,029	—	—	9,029
Payments on notes and bonds payable	(302)	(680)	—	(982)
Proceeds from borrowings under notes and bonds payable	—	—	—	—
Advances of refundable grants	—	—	—	—
Net cash provided by (used in) financing activities	<u>8,727</u>	<u>(680)</u>	<u>—</u>	<u>8,047</u>
Decrease in cash	(527)	(1,389)	—	(1,916)
Cash at:				
Beginning of year	1,432	2,385	—	3,817
End of year	<u>\$ 905</u>	<u>996</u>	<u>—</u>	<u>1,901</u>
Supplemental disclosure of cash flow information:				
Cash paid for interest	\$ 8,249	646	—	8,895

(a) Elimination of change in equity interest in IITRI.

(b) Elimination of change in interentity accounts payable/receivable.

See accompanying independent auditors' report on supplemental information.