ILLINOIS INSTITUTE OF TECHNOLOGY
Consolidated Financial Statements and Supplementary Information
May 31, 2017 and 2016
(With Independent Auditors’ Report Thereon)
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</tr>
</tbody>
</table>
Independent Auditors’ Report

The Board of Trustees
Illinois Institute of Technology:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Illinois Institute of Technology, which comprise the consolidated statements of financial position as of May 31, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Financial Statements

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

Auditors’ Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Chicago, Illinois
October 26, 2017
ILLINOIS INSTITUTE OF TECHNOLOGY
Consolidated Statements of Financial Position
May 31, 2017 and 2016
(In thousands of dollars)

<table>
<thead>
<tr>
<th>Assets</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$11,025</td>
<td>8,246</td>
</tr>
<tr>
<td>Notes and accounts receivable:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and contracts, less allowance of $216 in 2017 and $222 in 2016</td>
<td>8,822</td>
<td>7,891</td>
</tr>
<tr>
<td>Students:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition, less allowance of $785 in 2017 and $1,022 in 2016</td>
<td>3,692</td>
<td>5,186</td>
</tr>
<tr>
<td>Notes, less allowance of $603 in 2017 and $619 in 2016</td>
<td>9,231</td>
<td>9,674</td>
</tr>
<tr>
<td>Other, less allowance of $641 in 2017 and $672 in 2016</td>
<td>586</td>
<td>1,084</td>
</tr>
<tr>
<td>Pledges, net (note 5)</td>
<td>13,416</td>
<td>18,899</td>
</tr>
<tr>
<td>Inventories, prepaid expenses, and deferred charges</td>
<td>4,193</td>
<td>4,496</td>
</tr>
<tr>
<td>Investments (note 2)</td>
<td>249,647</td>
<td>232,807</td>
</tr>
<tr>
<td>Bond proceeds held by trustees</td>
<td>2,794</td>
<td>2,778</td>
</tr>
<tr>
<td>Physical properties, less accumulated depreciation (note 7)</td>
<td>269,878</td>
<td>269,122</td>
</tr>
<tr>
<td>Beneficial interest in perpetual trusts (note 8)</td>
<td>20,817</td>
<td>19,540</td>
</tr>
<tr>
<td>Total assets</td>
<td>$594,101</td>
<td>579,723</td>
</tr>
</tbody>
</table>

Liabilities and Net Assets

<table>
<thead>
<tr>
<th>Liabilities:</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$13,863</td>
<td>14,583</td>
</tr>
<tr>
<td>Accrued salaries and wages</td>
<td>17,653</td>
<td>15,906</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>20,471</td>
<td>16,013</td>
</tr>
<tr>
<td>Deposits by students and others</td>
<td>2,416</td>
<td>2,236</td>
</tr>
<tr>
<td>Accrued postretirement benefit obligation (note 10)</td>
<td>2,408</td>
<td>2,625</td>
</tr>
<tr>
<td>Obligation under split-interest agreements</td>
<td>614</td>
<td>476</td>
</tr>
<tr>
<td>Notes and bonds payable (note 9)</td>
<td>192,560</td>
<td>198,900</td>
</tr>
<tr>
<td>Advances from the U.S. government for student loans</td>
<td>7,639</td>
<td>7,954</td>
</tr>
<tr>
<td>Asset retirement obligation</td>
<td>1,851</td>
<td>2,034</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>259,475</td>
<td>260,727</td>
</tr>
</tbody>
</table>

Net assets (note 11):

| Unrestricted                                | 67,652   | 57,579   |
| Temporarily restricted                      | 55,958   | 54,630   |
| Permanently restricted                      | 211,016  | 206,787  |
| Total net assets                            | 334,626  | 318,996  |

Total liabilities and net assets

| Total liabilities and net assets            | $594,101 | 579,723  |

See accompanying notes to consolidated financial statements.
ILLINOIS INSTITUTE OF TECHNOLOGY  
Consolidated Statement of Activities  
Year ended May 31, 2017  
(In thousands of dollars)

<table>
<thead>
<tr>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenue:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and fees, net of scholarships of $101,577</td>
<td>$151,014</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Government grants and contracts</td>
<td>52,553</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Private grants and contracts</td>
<td>12,599</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Private gifts</td>
<td>9,245</td>
<td>1,946</td>
<td>—</td>
</tr>
<tr>
<td>Endowment spending distribution (note 4)</td>
<td>7,842</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Endowment net assets released from restrictions</td>
<td>4,758</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Sales and services of auxiliary enterprises</td>
<td>13,776</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other sources</td>
<td>17,856</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>1,892</td>
<td>(1,892)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total operating revenue</strong></td>
<td>271,535</td>
<td>54</td>
<td>—</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Faculty salaries</td>
<td>63,039</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Administrative salaries</td>
<td>48,015</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Part-time salaries</td>
<td>14,129</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>26,077</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Operations and maintenance</td>
<td>25,673</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Supplies and services</td>
<td>41,421</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Professional fees and advertising</td>
<td>13,490</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>IITRI research</td>
<td>15,978</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Interest on indebtedness</td>
<td>9,737</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Depreciation</td>
<td>14,089</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>271,648</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>(Decrease) increase in net assets from operating activities</strong></td>
<td>(113)</td>
<td>54</td>
<td>—</td>
</tr>
<tr>
<td><strong>Nonoperating revenue and expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private gifts</td>
<td>—</td>
<td>—</td>
<td>2,446</td>
</tr>
<tr>
<td>Change in donor designation</td>
<td>(60)</td>
<td>(410)</td>
<td>470</td>
</tr>
<tr>
<td>Net gain on investments (note 2)</td>
<td>14,331</td>
<td>9,484</td>
<td>36</td>
</tr>
<tr>
<td>Net gain on beneficial interest on perpetual trusts</td>
<td>—</td>
<td>—</td>
<td>1,277</td>
</tr>
<tr>
<td>Endowment spending distribution (note 4)</td>
<td>7,842</td>
<td>(4,758)</td>
<td>—</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>4,480</td>
<td>(4,480)</td>
<td>—</td>
</tr>
<tr>
<td>Investment income (note 2)</td>
<td>2,477</td>
<td>1,438</td>
<td>—</td>
</tr>
<tr>
<td>Net loss on disposal of assets</td>
<td>(3,174)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Change in asset retirement obligation</td>
<td>574</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>(600)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Increase in net assets from nonoperating activities</strong></td>
<td>10,186</td>
<td>1,274</td>
<td>4,229</td>
</tr>
<tr>
<td><strong>Increase in net assets</strong></td>
<td>10,073</td>
<td>1,328</td>
<td>4,229</td>
</tr>
<tr>
<td><strong>Net assets at beginning of year</strong></td>
<td>57,579</td>
<td>54,630</td>
<td>206,787</td>
</tr>
<tr>
<td><strong>Net assets at end of year</strong></td>
<td>$67,652</td>
<td>55,958</td>
<td>211,016</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
ILLINOIS INSTITUTE OF TECHNOLOGY  
Consolidated Statement of Activities  
Year ended May 31, 2016  
(In thousands of dollars)

<table>
<thead>
<tr>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenue:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and fees, net of scholarships of $97,588</td>
<td>$152,099</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Government grants and contracts</td>
<td>52,673</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Private grants and contracts</td>
<td>14,685</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Private gifts</td>
<td>9,790</td>
<td>2,699</td>
<td>—</td>
</tr>
<tr>
<td>Endowment spending distribution (note 4)</td>
<td>8,841</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Endowment net assets released from restrictions</td>
<td>3,759</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Sales and services of auxiliary enterprises</td>
<td>14,509</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other sources</td>
<td>17,745</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>354</td>
<td>(354)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total operating revenue</strong></td>
<td>274,455</td>
<td>2,345</td>
<td>—</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Faculty salaries</td>
<td>65,043</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Administrative salaries</td>
<td>53,645</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Part-time salaries</td>
<td>14,430</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>26,851</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Operations and maintenance</td>
<td>25,906</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Supplies and services</td>
<td>41,240</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Professional fees and advertising</td>
<td>13,635</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>IITRI research</td>
<td>16,602</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Interest on indebtedness</td>
<td>9,993</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Depreciation</td>
<td>13,977</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>281,322</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>(Decrease) increase in net assets from operating activities</strong></td>
<td>(6,867)</td>
<td>2,345</td>
<td>—</td>
</tr>
<tr>
<td><strong>Nonoperating revenue and expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private gifts</td>
<td>—</td>
<td>11,153</td>
<td>777</td>
</tr>
<tr>
<td>Net loss on investments (note 2)</td>
<td>(5,381)</td>
<td>(3,102)</td>
<td>(64)</td>
</tr>
<tr>
<td>Net loss on beneficial interest on perpetual trusts</td>
<td>—</td>
<td>—</td>
<td>(1,872)</td>
</tr>
<tr>
<td>Endowment spending distribution (note 4)</td>
<td>(8,709)</td>
<td>(3,891)</td>
<td>—</td>
</tr>
<tr>
<td>Investment income (note 2)</td>
<td>3,375</td>
<td>1,107</td>
<td>—</td>
</tr>
<tr>
<td>Change in asset retirement obligation</td>
<td>715</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>(175)</td>
<td>21</td>
<td>—</td>
</tr>
<tr>
<td><strong>Increase (decrease) in net assets from nonoperating activities</strong></td>
<td>(10,175)</td>
<td>5,288</td>
<td>(959)</td>
</tr>
<tr>
<td><strong>Increase (decrease) in net assets</strong></td>
<td>(17,042)</td>
<td>7,633</td>
<td>(959)</td>
</tr>
<tr>
<td><strong>Net assets at beginning of year</strong></td>
<td>74,621</td>
<td>46,997</td>
<td>207,746</td>
</tr>
<tr>
<td><strong>Net assets at end of year</strong></td>
<td>$57,579</td>
<td>54,630</td>
<td>206,787</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
Illinois Institute of Technology
Consolidated Statements of Cash Flows
Years ended May 31, 2017 and 2016
(In thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Decrease) increase in net assets</td>
<td>$ 15,630</td>
<td>(10,368)</td>
</tr>
<tr>
<td>Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private gifts restricted for long-term investment</td>
<td>(3,196)</td>
<td>(7,347)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>14,089</td>
<td>13,977</td>
</tr>
<tr>
<td>Loss (gain) on beneficial interest in perpetual trusts</td>
<td>(1,277)</td>
<td>1,672</td>
</tr>
<tr>
<td>Net loss (gain) on investments</td>
<td>(23,851)</td>
<td>8,547</td>
</tr>
<tr>
<td>Net loss on disposal of asset</td>
<td>3,174</td>
<td>—</td>
</tr>
<tr>
<td>Accretion on asset retirement obligation</td>
<td>574</td>
<td>715</td>
</tr>
</tbody>
</table>

| Changes in assets and liabilities: |             |             |
| Receivables: tuition, grants, pledges, and other | 6,544 | 9,360 |
| Inventories, prepaid expenses, and deferred charges | 303 | 241 |
| Accounts payable and accrued expenses | (720) | (4,867) |
| Accrued salaries and wages | 1,747 | 978 |
| Deferred revenue | (3,742) | (3,913) |
| Deposits by students and others | 180 | 456 |
| Accrued postretirement benefit obligation | (217) | (863) |
| Obligations under split-interest agreements | 138 | (111) |
| Advances from the U.S. government for student loans | (315) | (163) |
| Asset retirement obligation | (757) | (1,154) |
| Net cash provided by operating activities | 8,304 | 7,160 |

| Cash flows from investing activities: |             |             |
| Proceeds from sale of investments | 49,126 | 37,584 |
| Purchase of investments | (42,115) | (35,354) |
| Change in bond proceeds held by trustees, net | (16) | (56) |
| Purchase of physical properties | (18,601) | (16,500) |
| Sale of physical properties | 582 | — |
| Issuance of notes receivable | (1,708) | (1,691) |
| Payments received on notes receivable | 2,151 | 1,908 |
| Net cash used in investing activities | (10,581) | (14,117) |

| Cash flows from financing activities: |             |             |
| Private gifts restricted for long-term investment | 3,196 | 7,347 |
| Receipt of conditional gifts for capital projects | 8,200 | — |
| Payments on notes and bonds payable | (6,340) | (6,075) |
| Net cash provided by financing activities | 5,056 | 1,272 |

| Change in cash | 2,779 | (5,685) |

| Cash at: |             |             |
| Beginning of year | 8,246 | 13,931 |
| End of year | $ 11,025 | 8,246 |

Supplemental disclosure of cash flow information:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash paid for interest</td>
<td>$ 9,453</td>
<td>9,706</td>
</tr>
<tr>
<td>Construction payable</td>
<td>2,488</td>
<td>230</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
ILLONOIS INSTITUTE OF TECHNOLOGY
Notes to Consolidated Financial Statements
May 31, 2017 and 2016
(In thousands of dollars)

(1) Summary of Significant Accounting Policies and Reporting Practices

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

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

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

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

(b) 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:

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 include 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 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.

(c) Operations
Operating results in the consolidated statements of activities reflect all transactions increasing or decreasing unrestricted 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.

(d) Revenue
Revenue is reported as an increase in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. 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, the stipulated time period has elapsed, and/or amounts have been appropriated by the governing board for expenditures) is 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 fund-raising activity.

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 the long-lived assets are placed in service.

Revenue from 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 and are reported as grants and contracts revenue on the consolidated statements of activities. 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 collectability of the contract price is considered probable. Revenue on 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 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 is 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 years ended May 31, 2017 and 2016, these governmental clients accounted for approximately 62% and 52%, respectively, of IITRI's operating revenue of $20,511 and $21,005, respectively. Included in IITRI’s grants and contracts revenue for 2017 and 2016 and grants and contracts receivable at May 31, 2017 and 2016 are unbilled receivables in the amounts of approximately $2,207 and $2,441, respectively.

The amount of grants and contracts 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 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.

(e) Investments

Investments are reported at fair value. The fair values of investments in stocks, equity mutual funds, bonds, and fixed-income mutual funds are generally determined based on quoted market prices. Direct investments in real estate included in the investment portfolio are recorded at fair value using the income-capitalization and sale-comparison methodology. Management’s estimate of the fair value of private equity, venture capital, 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.
(f) 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.

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

(h) 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.

(i) 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.

(j) 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.

(k) 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.
ILLINOIS INSTITUTE OF TECHNOLOGY
Notes to Consolidated Financial Statements
May 31, 2017 and 2016
(In thousands of dollars)

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.

(l) 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, 2017 and 2016, 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 2014.

(m) 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.

(n) Reclassifications
Certain reclassifications have been made to prior year amounts to conform to the current year presentation.
(o) Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, Revenue from
Contracts with Customers. The new guidance establishes a framework that ensures entities
appropriately reflect the consideration to which they expect to be entitled in exchange for goods and
services, by allocating transaction price to identified performance obligations, and recognizing that
revenue as performance obligations are satisfied. This approach requires qualitative and quantitative
disclosures as to the nature, amount, timing and uncertainty of revenue and cash flows arising from
contracts with customers. The standard is effective in fiscal year 2019 and its impact on policies,
procedures and the consolidated financial statements is under evaluation.

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

In August 2016, the FASB issued ASU. No 2016-14, Presentation of Financial Statements of
Not-for-Profit Entities to improve the information presented on the financial statements and footnotes
about a not-for-profit entity’s liquidity, financial performance and cash flows. The guidance modifies the
presentation of net asset classifications on the financial statements from three types to two types based
on presence or absence of donor restrictions. Qualitative and quantitative disclosures related to the
liquidity and availability of the entity’s financial assets, amounts and purposes of board designated net
assets, and underwater endowment funds are now required per the new guidance. The standard is
effective in fiscal year 2019 and its impact on policies, procedures and the consolidated financial
statements is under evaluation.

(2) Investments

Investments consist of the following at May 31:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th></th>
<th>2016</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Fair value</td>
<td>Cost</td>
<td>Fair value</td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>$26,289</td>
<td>26,287</td>
<td>$24,605</td>
<td>24,645</td>
</tr>
<tr>
<td>Stocks</td>
<td>345</td>
<td>650</td>
<td>312</td>
<td>540</td>
</tr>
<tr>
<td>Equity mutual funds</td>
<td>133,787</td>
<td>145,597</td>
<td>138,196</td>
<td>133,584</td>
</tr>
<tr>
<td>Bonds (IITRI)</td>
<td>5,720</td>
<td>5,720</td>
<td>5,087</td>
<td>5,087</td>
</tr>
<tr>
<td>Fixed income mutual funds</td>
<td>43,099</td>
<td>42,950</td>
<td>41,705</td>
<td>41,225</td>
</tr>
<tr>
<td>Hedge equity funds</td>
<td>12,171</td>
<td>13,925</td>
<td>12,171</td>
<td>12,938</td>
</tr>
<tr>
<td>Private equity and venture capital funds</td>
<td>1,998</td>
<td>2,553</td>
<td>3,912</td>
<td>2,988</td>
</tr>
<tr>
<td>Real estate</td>
<td>12,900</td>
<td>11,965</td>
<td>12,900</td>
<td>11,800</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td><strong>$236,309</strong></td>
<td><strong>249,647</strong></td>
<td><strong>238,888</strong></td>
<td><strong>232,807</strong></td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividends</td>
<td>$3,915</td>
<td>4,482</td>
</tr>
<tr>
<td>Net realized and unrealized gain (loss) on investments</td>
<td>23,851</td>
<td>(8,547)</td>
</tr>
<tr>
<td>Net return on investments</td>
<td>$27,766</td>
<td>(4,065)</td>
</tr>
</tbody>
</table>

The return on investments reflects income from investments held by IITRI of $57 and $82 for 2017 and 2016, respectively.

(3) Fair Value Measurement

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

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

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

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. In 2017 and 2016, the University uses 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 3 consists of investments for which there are no active markets. The University has real estate investments and beneficial interests in perpetual trusts as Level 3. The May 31, 2017 and 2016 real estate is valued utilizing the income-capitalization and sale-comparison methodology completed by an independent real estate appraiser. Beneficial interests in perpetual trusts are held by various financial institutions. These values are based on the University’s proportionate share of the investments. The fair values of the investments in these trusts are based on quoted market prices published by financial institutions.

The University’s interests in alternative investment funds, such as hedged equity mutual funds and private equity and venture capital funds, are reported at the NAV, which is used as a practical expedient to estimate fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of May 31, 2017 and 2016, the University had no plans to sell investments at amounts different from NAV. The University has $16,478 and $15,926 for 2017 and 2016, respectively, of investments in alternative investment funds, which are reported at fair value. The University has concluded that the NAV reported by the underlying fund approximates the fair value for these investments. These investments are redeemable with the fund at NAV under the original terms of the partnership agreements and/or subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the University’s interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the University’s interest in the funds.

Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions occur in this limited secondary market, they may occur at discounts to the reported NAV. Therefore, if the redemption rights in the funds were restricted or eliminated and the University were to sell these investments in the secondary market, it is reasonably possible that a buyer in the secondary market may require a discount to the reported NAV, and the discount could be significant. The University has $5,878 in unfunded commitments relative to HC Private Equity XI and no

(Continued)
unfunded commitments relative to the Commonfund and Roundtable private equity, venture capital and hedged equity alternative investments.

Assets Measured on a Recurring Basis

The following tables present information about the University’s financial assets that are measured at fair value on a recurring basis as of May 31, 2017 and 2016, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

<table>
<thead>
<tr>
<th></th>
<th>2017 Level 1</th>
<th>2017 Level 2</th>
<th>2017 Level 3</th>
<th>Total or liquidation</th>
<th>Days’ notice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>26,287</td>
<td></td>
<td></td>
<td>26,287</td>
<td>Daily One</td>
</tr>
<tr>
<td>Domestic equities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income</td>
<td>42,950</td>
<td></td>
<td></td>
<td>42,950</td>
<td>Daily One</td>
</tr>
<tr>
<td>Large cap equity</td>
<td>54,495</td>
<td></td>
<td></td>
<td>54,495</td>
<td>Daily One</td>
</tr>
<tr>
<td>Tactical opportunities</td>
<td>3,142</td>
<td></td>
<td></td>
<td>3,142</td>
<td>Daily One</td>
</tr>
<tr>
<td>State Street Global</td>
<td>1,935</td>
<td></td>
<td></td>
<td>1,935</td>
<td>Daily One</td>
</tr>
<tr>
<td>Small cap</td>
<td>4,786</td>
<td></td>
<td></td>
<td>4,786</td>
<td>Daily One</td>
</tr>
<tr>
<td>Total</td>
<td>107,308</td>
<td></td>
<td></td>
<td>107,308</td>
<td></td>
</tr>
<tr>
<td>Global (ex-U.S.) equities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developed international</td>
<td>62,190</td>
<td></td>
<td></td>
<td>62,190</td>
<td>Daily One</td>
</tr>
<tr>
<td>Emerging markets international</td>
<td>19,049</td>
<td></td>
<td></td>
<td>19,049</td>
<td>Daily One</td>
</tr>
<tr>
<td>Total</td>
<td>81,239</td>
<td></td>
<td></td>
<td>81,239</td>
<td></td>
</tr>
<tr>
<td>Hedged equity funds of funds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multiple strategies:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total return</td>
<td></td>
<td></td>
<td></td>
<td>10,152</td>
<td>Locked-up (1, 3) 60</td>
</tr>
<tr>
<td>Absolute return</td>
<td></td>
<td></td>
<td></td>
<td>3,773</td>
<td>Locked-up (1, 3) 60</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>13,925</td>
<td></td>
</tr>
<tr>
<td>Private equity and venture capital funds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common fund:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital international</td>
<td></td>
<td></td>
<td></td>
<td>352</td>
<td>None (3) N/A</td>
</tr>
<tr>
<td>Capital venture</td>
<td></td>
<td></td>
<td></td>
<td>922</td>
<td>None (3) N/A</td>
</tr>
<tr>
<td>Capital private equity</td>
<td></td>
<td></td>
<td></td>
<td>1,030</td>
<td>None (3) N/A</td>
</tr>
<tr>
<td>HC Private Equity XI</td>
<td></td>
<td></td>
<td></td>
<td>122</td>
<td>None (3) N/A</td>
</tr>
<tr>
<td>Roundtable</td>
<td></td>
<td></td>
<td></td>
<td>127</td>
<td>None (3) N/A</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>2,553</td>
<td></td>
</tr>
<tr>
<td>Real assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IIT Tower</td>
<td></td>
<td></td>
<td></td>
<td>11,965</td>
<td>Illiquid (2) N/A</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>11,965</td>
<td></td>
</tr>
</tbody>
</table>
## ILLINOIS INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements

May 31, 2017 and 2016

(In thousands of dollars)

### 2017

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
<th>Redemption or liquidation</th>
<th>Days’ notice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income (IITRI)</td>
<td>5,720</td>
<td>—</td>
<td>—</td>
<td>5,720</td>
<td>Daily</td>
<td>One</td>
</tr>
<tr>
<td>Domestic equities</td>
<td>650</td>
<td>—</td>
<td>—</td>
<td>650</td>
<td>Daily</td>
<td>One</td>
</tr>
<tr>
<td>Total</td>
<td>6,370</td>
<td>—</td>
<td>—</td>
<td>6,370</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total investments</td>
<td>221,204</td>
<td>—</td>
<td>11,965</td>
<td>249,647</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>11,025</td>
<td>—</td>
<td>—</td>
<td>11,025</td>
<td>Daily</td>
<td>One</td>
</tr>
<tr>
<td>Bond proceeds</td>
<td>2,794</td>
<td>—</td>
<td>—</td>
<td>2,794</td>
<td>Daily</td>
<td>One</td>
</tr>
<tr>
<td>Perpetual trusts</td>
<td>—</td>
<td>—</td>
<td>20,817</td>
<td>20,817</td>
<td>None</td>
<td>N/A</td>
</tr>
<tr>
<td>Total other assets</td>
<td>13,819</td>
<td>—</td>
<td>20,817</td>
<td>34,636</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$235,023</td>
<td>—</td>
<td>32,782</td>
<td>284,283</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) One year from the initial investment
(2) Real estate property owned by endowment
(3) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

### 2016

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
<th>Redemption or liquidation</th>
<th>Days’ notice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$24,645</td>
<td>—</td>
<td>—</td>
<td>24,645</td>
<td>Daily</td>
<td>One</td>
</tr>
<tr>
<td>Domestic equities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income</td>
<td>41,225</td>
<td>—</td>
<td>—</td>
<td>41,225</td>
<td>Daily</td>
<td>One</td>
</tr>
<tr>
<td>Large cap equity</td>
<td>53,910</td>
<td>—</td>
<td>—</td>
<td>53,910</td>
<td>Daily</td>
<td>One</td>
</tr>
<tr>
<td>Tactical opportunities</td>
<td>2,989</td>
<td>—</td>
<td>—</td>
<td>2,989</td>
<td>Daily</td>
<td>One</td>
</tr>
<tr>
<td>State Street Global</td>
<td>1,661</td>
<td>—</td>
<td>—</td>
<td>1,661</td>
<td>Daily</td>
<td>One</td>
</tr>
<tr>
<td>Small cap</td>
<td>5,764</td>
<td>—</td>
<td>—</td>
<td>5,764</td>
<td>Daily</td>
<td>One</td>
</tr>
<tr>
<td>Total</td>
<td>105,549</td>
<td>—</td>
<td>—</td>
<td>105,549</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global (ex-U.S.) equities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developed international</td>
<td>52,388</td>
<td>—</td>
<td>—</td>
<td>52,388</td>
<td>Daily</td>
<td>One</td>
</tr>
<tr>
<td>Emerging markets international</td>
<td>16,872</td>
<td>—</td>
<td>—</td>
<td>16,872</td>
<td>Daily</td>
<td>One</td>
</tr>
<tr>
<td>Total</td>
<td>69,260</td>
<td>—</td>
<td>—</td>
<td>69,260</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hedged equity funds of funds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multiple strategies:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total return</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>9,377</td>
<td>Locked-up (1, 3)</td>
<td>60</td>
</tr>
<tr>
<td>Absolute return</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>3,561</td>
<td>Locked-up (1, 3)</td>
<td>60</td>
</tr>
<tr>
<td>Total</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>12,938</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Private equity and venture capital funds:

<table>
<thead>
<tr>
<th>Level</th>
<th>Capital international</th>
<th>Capital venture</th>
<th>Capital private equity</th>
<th>HC Private Equity XI</th>
<th>Roundtable</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>522</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>—</td>
<td>—</td>
<td>1,111</td>
<td>—</td>
<td>1,111</td>
</tr>
<tr>
<td></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,221</td>
<td>—</td>
<td>1,221</td>
</tr>
<tr>
<td></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>134</td>
</tr>
<tr>
<td></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2,988</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Level</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,988</td>
</tr>
</tbody>
</table>

#### Real assets:

<table>
<thead>
<tr>
<th>Level</th>
<th>IT Tower</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>—</td>
<td>11,800</td>
</tr>
<tr>
<td></td>
<td>—</td>
<td>11,800</td>
</tr>
<tr>
<td></td>
<td>—</td>
<td>11,800</td>
</tr>
</tbody>
</table>

#### Other securities:

<table>
<thead>
<tr>
<th>Level</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5,087</td>
</tr>
<tr>
<td></td>
<td>540</td>
</tr>
<tr>
<td></td>
<td>5,627</td>
</tr>
</tbody>
</table>

#### Other assets:

<table>
<thead>
<tr>
<th>Level</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8,246</td>
</tr>
<tr>
<td></td>
<td>2,778</td>
</tr>
<tr>
<td></td>
<td>11,024</td>
</tr>
</tbody>
</table>

### Notes

1. One year from the initial investment
2. Real estate property owned by endowment
3. In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.
Aggregate investment liquidity as of May 31, 2017 and 2016 is presented below based on redemption or sale period:

<table>
<thead>
<tr>
<th>Investment redemption or sale period:</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily</td>
<td>$221,204</td>
<td>$205,081</td>
</tr>
<tr>
<td>Subject to rolling lock-ups</td>
<td>13,925</td>
<td>12,938</td>
</tr>
<tr>
<td>Illiquid</td>
<td>11,965</td>
<td>11,800</td>
</tr>
<tr>
<td>Redemptions not permitted</td>
<td>2,553</td>
<td>2,988</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$249,647</strong></td>
<td><strong>232,807</strong></td>
</tr>
</tbody>
</table>

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, 2017 and 2016:

<table>
<thead>
<tr>
<th></th>
<th>Real estate</th>
<th>Beneficial interest in perpetual trusts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beneficial interest in real perpetual estates</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Beginning balance, June 1, 2016</strong></td>
<td>11,800</td>
<td>19,540</td>
<td>31,340</td>
</tr>
<tr>
<td>Net realized and unrealized gains (losses)</td>
<td>165</td>
<td>1,277</td>
<td>1,442</td>
</tr>
<tr>
<td>Purchases</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Distributions</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Ending balance, May 31, 2017</strong></td>
<td>11,965</td>
<td>20,817</td>
<td>32,782</td>
</tr>
</tbody>
</table>

The amount of total gain for the period included in net return on investments attributable to the change in unrealized gain relating to assets still held at May 31, 2017 is $165, 1,277, and 1,442.

(Continued)
ILLINOIS INSTITUTE OF TECHNOLOGY
Notes to Consolidated Financial Statements
May 31, 2017 and 2016
(In thousands of dollars)

(Continued)

<table>
<thead>
<tr>
<th></th>
<th>Real estate</th>
<th>Beneficial interest in perpetual trusts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance, June 1, 2015</td>
<td>$ 8,025</td>
<td>21,212</td>
<td>29,237</td>
</tr>
<tr>
<td>Net realized and unrealized gains (losses)</td>
<td>3,775</td>
<td>(1,672)</td>
<td>2,103</td>
</tr>
<tr>
<td>Purchases</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distributions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ending balance, May 31, 2016</td>
<td>$ 11,800</td>
<td>19,540</td>
<td>31,340</td>
</tr>
</tbody>
</table>

The amount of total gain for the period included in net return on investments attributable to the change in unrealized gain relating to assets still held at May 31, 2016

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 3,775</td>
<td>(1,672)</td>
<td>2,103</td>
</tr>
</tbody>
</table>

(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 permanently restricted net assets (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 that is not classified in permanently restricted net assets is classified as temporarily restricted net assets 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, 2017:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-restricted endowment corpus</td>
<td>$ (11,723)</td>
<td>15,014</td>
<td>183,925</td>
<td>187,216</td>
</tr>
<tr>
<td>Donor-restricted endowment pledges</td>
<td>—</td>
<td>—</td>
<td>1,865</td>
<td>1,865</td>
</tr>
<tr>
<td>Board-designated funds</td>
<td>54,666</td>
<td>—</td>
<td>—</td>
<td>54,666</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 42,943</td>
<td>15,014</td>
<td>185,790</td>
<td>243,747</td>
</tr>
</tbody>
</table>

Endowment net assets consist of the following as of May 31, 2016:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-restricted endowment corpus</td>
<td>$ (17,545)</td>
<td>10,028</td>
<td>180,355</td>
<td>172,838</td>
</tr>
<tr>
<td>Donor-restricted endowment pledges</td>
<td>—</td>
<td>—</td>
<td>2,615</td>
<td>2,615</td>
</tr>
<tr>
<td>Board-designated funds</td>
<td>51,395</td>
<td>—</td>
<td>—</td>
<td>51,395</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 33,850</td>
<td>10,028</td>
<td>182,970</td>
<td>226,848</td>
</tr>
</tbody>
</table>
Changes in endowment net assets for the year ended May 31, 2017 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets, beginning of year</td>
<td>$33,850</td>
<td>10,028</td>
<td>182,970</td>
<td>226,848</td>
</tr>
<tr>
<td>Endowment-related investment return:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment-related investment income, net</td>
<td>2,150</td>
<td>1,438</td>
<td>—</td>
<td>3,588</td>
</tr>
<tr>
<td>Endowment-related net realized and unrealized gain</td>
<td>14,181</td>
<td>9,484</td>
<td>—</td>
<td>23,665</td>
</tr>
<tr>
<td>Total endowment-related investment return</td>
<td>16,331</td>
<td>10,922</td>
<td>—</td>
<td>27,253</td>
</tr>
<tr>
<td>Contributions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions to endowment</td>
<td>283</td>
<td>—</td>
<td>2,713</td>
<td>2,996</td>
</tr>
<tr>
<td>Endowment loan repayment</td>
<td>(857)</td>
<td>—</td>
<td>857</td>
<td>—</td>
</tr>
<tr>
<td>Change in permanently restricted pledges</td>
<td>—</td>
<td>—</td>
<td>(750)</td>
<td>(750)</td>
</tr>
<tr>
<td>Appropriation</td>
<td>(7,842)</td>
<td>(4,758)</td>
<td>—</td>
<td>(12,600)</td>
</tr>
<tr>
<td>Reclassification</td>
<td>1,178</td>
<td>(1,178)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net assets, end of year</td>
<td>$42,943</td>
<td>15,014</td>
<td>185,790</td>
<td>243,747</td>
</tr>
</tbody>
</table>

Changes in endowment net assets for the year ended May 31, 2016 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets, beginning of year</td>
<td>$43,572</td>
<td>15,544</td>
<td>181,637</td>
<td>240,753</td>
</tr>
<tr>
<td>Endowment-related investment return:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment-related investment income, net</td>
<td>2,351</td>
<td>1,107</td>
<td>—</td>
<td>3,458</td>
</tr>
<tr>
<td>Endowment-related net realized and unrealized gain</td>
<td>(6,590)</td>
<td>(3,102)</td>
<td>—</td>
<td>(9,692)</td>
</tr>
<tr>
<td>Total endowment-related investment return</td>
<td>(4,239)</td>
<td>(1,995)</td>
<td>—</td>
<td>(6,234)</td>
</tr>
<tr>
<td>Contributions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions to endowment</td>
<td>3,596</td>
<td>—</td>
<td>4,013</td>
<td>7,609</td>
</tr>
<tr>
<td>Change in permanently restricted pledges</td>
<td>—</td>
<td>—</td>
<td>(2,680)</td>
<td>(2,680)</td>
</tr>
<tr>
<td>Appropriation</td>
<td>(8,709)</td>
<td>(3,891)</td>
<td>—</td>
<td>(12,600)</td>
</tr>
<tr>
<td>Reclassification</td>
<td>(370)</td>
<td>370</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net assets, end of year</td>
<td>$33,850</td>
<td>10,028</td>
<td>182,970</td>
<td>226,848</td>
</tr>
</tbody>
</table>
(a) 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. Deficiencies of this nature that are reported in unrestricted net assets were $11,723 and $17,545 as of May 31, 2017 and 2016, respectively. These deficiencies are the result of unfavorable investments returns in prior fiscal years, as well as appropriations deemed prudent, for certain programs, by the board of trustees. Subsequent gains that restore the fair value of such funds to the required level are classified as increases in unrestricted net assets.

(b) Spending Policy and Strategies Employed for Achieving Objectives

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

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

To achieve these goals, the University’s spending policy utilizes the total return concept of endowment spending. Under the method adopted by the University, interest, dividends, and rents as well as appreciation on investments held by the investment pool are made available for spending. The University’s total endowment fund spending is based upon a target percentage of a subset of investments. The target percentage set by the board of trustees is 5% of the average quarterly endowment balance for the prior 12 quarters. The board of trustees set endowment distribution is $12,600 for fiscal year 2017 and $12,600 for fiscal year 2016. The board of trustees budgeted endowment distribution is $12,500 for fiscal year 2018.

(5) Pledges Receivable

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

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pledges receivable</td>
<td>13,588</td>
<td>19,101</td>
</tr>
<tr>
<td>Discount to present value future cash flows</td>
<td>(172)</td>
<td>(202)</td>
</tr>
<tr>
<td>Net pledges receivable</td>
<td>13,416</td>
<td>18,899</td>
</tr>
</tbody>
</table>
The following is a summary showing the expected timing of collection of total gross unconditional pledges receivable outstanding as of May 31, 2017:

<table>
<thead>
<tr>
<th>Fiscal year(s)</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>$3,938</td>
</tr>
<tr>
<td>1 to 5 years</td>
<td>9,650</td>
</tr>
<tr>
<td></td>
<td>$13,588</td>
</tr>
</tbody>
</table>

(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 $7,639 and $7,954 are ultimately refundable to the government and are classified as a liability in the consolidated statements of financial position as of May 31, 2017 and 2016, respectively.

Balances of financing receivables as of May 31, 2017 consist of the following:

<table>
<thead>
<tr>
<th>Perkins loans</th>
<th>Institutional loans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross balance</td>
<td>$6,941</td>
<td>2,893</td>
</tr>
<tr>
<td>Allowances</td>
<td>—</td>
<td>(603)</td>
</tr>
<tr>
<td>Balance at May 31, 2017</td>
<td>$6,941</td>
<td>2,290</td>
</tr>
</tbody>
</table>

Balances of financing receivables as of May 31, 2016 consist of the following:

<table>
<thead>
<tr>
<th>Perkins loans</th>
<th>Institutional loans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross balance</td>
<td>$7,195</td>
<td>3,098</td>
</tr>
<tr>
<td>Allowances</td>
<td>—</td>
<td>(619)</td>
</tr>
<tr>
<td>Balance at May 31, 2016</td>
<td>$7,195</td>
<td>2,479</td>
</tr>
</tbody>
</table>
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, 2017. The delinquency status is updated
monthly by the University’s loan servicer.

<table>
<thead>
<tr>
<th></th>
<th>Perkins</th>
<th>Institutional</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performing</td>
<td>$6,251</td>
<td>1,601</td>
<td>7,852</td>
</tr>
<tr>
<td>Nonperforming</td>
<td>690</td>
<td>1,292</td>
<td>1,982</td>
</tr>
<tr>
<td>(defaulted)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at May</td>
<td>$6,941</td>
<td>2,893</td>
<td>9,834</td>
</tr>
<tr>
<td>31, 2017</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The delinquency status as of May 31, 2016 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Perkins</th>
<th>Institutional</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performing</td>
<td>$6,479</td>
<td>1,771</td>
<td>8,250</td>
</tr>
<tr>
<td>Nonperforming</td>
<td>716</td>
<td>1,327</td>
<td>2,043</td>
</tr>
<tr>
<td>(defaulted)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at May</td>
<td>$7,195</td>
<td>3,098</td>
<td>10,293</td>
</tr>
<tr>
<td>31, 2016</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The aging of financing receivables as of May 31, 2017 is presented as follows:

<table>
<thead>
<tr>
<th>Aging</th>
<th>31–60</th>
<th>61–90</th>
<th>91+ Total</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perkins</td>
<td>$87</td>
<td>234</td>
<td>811</td>
<td>1,132</td>
<td>5,809</td>
<td>6,941</td>
</tr>
<tr>
<td>Institutional</td>
<td>74</td>
<td>28</td>
<td>1,408</td>
<td>1,510</td>
<td>1,383</td>
<td>2,893</td>
</tr>
<tr>
<td>Total</td>
<td>$161</td>
<td>262</td>
<td>2,219</td>
<td>2,642</td>
<td>7,192</td>
<td>9,834</td>
</tr>
</tbody>
</table>

The aging of financing receivables as of May 31, 2016 is presented as follows:

<table>
<thead>
<tr>
<th>Aging</th>
<th>31–60</th>
<th>61–90</th>
<th>91+ Total</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perkins</td>
<td>$350</td>
<td>44</td>
<td>609</td>
<td>1,003</td>
<td>6,192</td>
<td>7,195</td>
</tr>
<tr>
<td>Institutional</td>
<td>84</td>
<td>82</td>
<td>1,369</td>
<td>1,535</td>
<td>1,563</td>
<td>3,098</td>
</tr>
<tr>
<td>Total</td>
<td>$434</td>
<td>126</td>
<td>1,978</td>
<td>2,538</td>
<td>7,755</td>
<td>10,293</td>
</tr>
</tbody>
</table>

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, 2017 are presented as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at June 1, 2016</td>
<td>$619</td>
<td></td>
</tr>
<tr>
<td>Write-off</td>
<td>(96)</td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) reserve</td>
<td>80</td>
<td></td>
</tr>
<tr>
<td>Balance at May 31, 2017</td>
<td>$603</td>
<td></td>
</tr>
</tbody>
</table>

Changes in allowance for estimated losses on financing receivables as of May 31, 2016 are presented as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at June 1, 2015</td>
<td>$712</td>
<td></td>
</tr>
<tr>
<td>Write-off</td>
<td>(6)</td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) reserve</td>
<td>(87)</td>
<td></td>
</tr>
<tr>
<td>Balance at May 31, 2016</td>
<td>$619</td>
<td></td>
</tr>
</tbody>
</table>

(7) Physical Properties

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

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and land improvements</td>
<td>$24,165</td>
<td>24,165</td>
</tr>
<tr>
<td>Building and building improvements</td>
<td>420,783</td>
<td>417,705</td>
</tr>
<tr>
<td>Equipment</td>
<td>98,938</td>
<td>95,905</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>18,264</td>
<td>11,915</td>
</tr>
<tr>
<td>Total physical properties</td>
<td>562,150</td>
<td>549,690</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>292,272</td>
<td>280,568</td>
</tr>
<tr>
<td>Physical properties, net</td>
<td>$269,878</td>
<td>269,122</td>
</tr>
</tbody>
</table>

(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, 2017 and 2016, the share of these trusts from which the University derives income had a combined fair value of $20,817 and $19,540, respectively. These trusts provided unrestricted investment income of $616 and $679 in fiscal years 2017 and 2016, respectively.
(9) Notes and Bonds Payable

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

<table>
<thead>
<tr>
<th>University:</th>
<th>Interest rate</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFA Bonds, Series 2006, payable</td>
<td>5.00% and 6.10%</td>
<td>$144,845</td>
<td>$149,360</td>
</tr>
<tr>
<td>in varying installments through</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2036</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IFA Bonds, Series 2009, payable</td>
<td>4.750% to 7.125%</td>
<td>26,315</td>
<td>27,140</td>
</tr>
<tr>
<td>in varying installments through</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2034</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IITRI – IFA Series 2014, payable</td>
<td>Variable</td>
<td>7,400</td>
<td>8,400</td>
</tr>
<tr>
<td>in varying installments through</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2034</td>
<td>Various</td>
<td>14,000</td>
<td>14,000</td>
</tr>
</tbody>
</table>

Total notes and bonds payable

$192,560

$198,900

The following is a summary of required principal payments on outstanding secured obligations as of May 31, 2017:

Fiscal year ending: $20,135

<table>
<thead>
<tr>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023 and beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20,135</td>
<td>6,430</td>
<td>6,735</td>
<td>7,065</td>
<td>7,405</td>
<td>144,790</td>
</tr>
</tbody>
</table>

Total notes and bonds payable

$192,560

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

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

In August 2004, IITRI issued an $18,820 bond issue of adjustable rate demand debt under the tax-exempt authority of the Illinois Finance Authority (IFA Series 2004). The proceeds from the sale were used to renovate and construct lab and office space; establish a debt service reserve fund and pay certain costs incurred in connection with the bond issue. In February 2014, IITRI entered into a bond and loan agreement with the Illinois Finance Authority and North Shore Community Bank. IITRI issued a $10,400 Revenue Refunding Bond (IFA Series 2014) that was sold to North Shore Community Bank and Trust. IITRI used the proceeds and certain other funds to refund and redeem the Series 2004 Bond. Principal payments on the Bond commenced on February 1, 2015 in the amount of $520 per year and continue until the bond matures in 2034. The interest rate is variable and reset by North Shore Community Bank on a monthly basis.

The University maintains a line-of-credit agreement that allow borrowings up to $20,000 in 2017 and in 2016. Borrowings under the line of credit will bear interest at the prime commercial rate or adjusted LIBOR with interest being payable on a monthly basis. The borrowing under the line of credit will be payable on demand, but if no demand is made, borrowing shall automatically mature on the next interest payable date following the date the loan is made. The amount outstanding under the agreement was $14,000 as of May 31, 2017 and 2016.

The University and IITRI are subject to certain debt covenants. As of May 31, 2017, management believes those covenants have been met.

(10) 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:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in accumulated postretirement benefit obligation at beginning of the period</td>
<td>$ 2,625</td>
<td>3,488</td>
</tr>
<tr>
<td>Service cost</td>
<td>1</td>
<td>—</td>
</tr>
<tr>
<td>Interest cost</td>
<td>89</td>
<td>137</td>
</tr>
<tr>
<td>Actuarial gain (loss)</td>
<td>(148)</td>
<td>(826)</td>
</tr>
<tr>
<td>Actuarial benefit payments net contributions</td>
<td>(159)</td>
<td>(174)</td>
</tr>
<tr>
<td>Accumulated postretirement benefit obligation at end of the period</td>
<td>$ 2,408</td>
<td>2,625</td>
</tr>
</tbody>
</table>
Change in fair value of plan assets:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of plan assets at beginning of period</td>
<td>$—</td>
<td>—</td>
</tr>
<tr>
<td>Employer contribution</td>
<td>159</td>
<td>173</td>
</tr>
<tr>
<td>Participant contributions</td>
<td>45</td>
<td>39</td>
</tr>
<tr>
<td>Total benefit payments</td>
<td>(204)</td>
<td>(212)</td>
</tr>
<tr>
<td>Fair value of plan assets at end of the period</td>
<td>$—</td>
<td>—</td>
</tr>
<tr>
<td>Funded status</td>
<td>$2,408</td>
<td>(2,625)</td>
</tr>
</tbody>
</table>

Composition of amounts reported in the consolidated statements of financial position consist of:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td>$198</td>
<td>173</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>2,210</td>
<td>2,452</td>
</tr>
<tr>
<td>Accrued postretirement benefit obligation</td>
<td>$2,408</td>
<td>2,625</td>
</tr>
</tbody>
</table>

The University follows FASB ASC Section 715 Subtopic 60, Defined Benefit Plans – Other Postretirement. The accumulated charge to unrestricted net assets consists of amounts that have not yet been recognized in net periodic benefit cost at May 31 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrecognized actuarial loss</td>
<td>$154</td>
<td>306</td>
</tr>
<tr>
<td>Unrecognized prior service costs</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

These amounts will be subsequently recognized in future years as components of net periodic pension cost. The estimated amortization of transition obligation, prior service cost, and net losses in the next fiscal year is $0, $1, and $4, respectively.

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

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>$1</td>
<td>—</td>
</tr>
<tr>
<td>Interest cost</td>
<td>89</td>
<td>137</td>
</tr>
<tr>
<td>Amortization of prior service cost</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Net periodic postretirement benefit cost</td>
<td>$94</td>
<td>138</td>
</tr>
</tbody>
</table>
(a) **Actuarial Assumptions**

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

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate (expense)</td>
<td>4.00 %</td>
<td>4.00 %</td>
</tr>
<tr>
<td>Discount rate (obligation)</td>
<td>3.92</td>
<td>3.49</td>
</tr>
<tr>
<td>Healthcare cost trend rates:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Healthcare cost trend rate assumed for next year</td>
<td>6.50</td>
<td>11.00</td>
</tr>
<tr>
<td>Ultimate rate</td>
<td>4.50</td>
<td>4.50</td>
</tr>
<tr>
<td>Year that the ultimate rate is reached</td>
<td>2026</td>
<td>2023</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effect on total service cost and interest cost:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>One-percentage point increase</td>
<td>$   9</td>
<td>9</td>
</tr>
<tr>
<td>One-percentage point decrease</td>
<td>(8)</td>
<td>(18)</td>
</tr>
<tr>
<td>Effect on year-end postretirement benefit obligation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>One-percentage point increase</td>
<td>198</td>
<td>243</td>
</tr>
<tr>
<td>One-percentage point decrease</td>
<td>(175)</td>
<td>(214)</td>
</tr>
</tbody>
</table>

(b) **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:

<table>
<thead>
<tr>
<th>Fiscal year:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$ 198</td>
</tr>
<tr>
<td>2019</td>
<td>198</td>
</tr>
<tr>
<td>2020</td>
<td>198</td>
</tr>
<tr>
<td>2021</td>
<td>199</td>
</tr>
<tr>
<td>2022</td>
<td>194</td>
</tr>
<tr>
<td>2023–2026</td>
<td>914</td>
</tr>
</tbody>
</table>
(c) 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.

(11) 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:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board designated</td>
<td>$54,666</td>
<td>51,395</td>
</tr>
<tr>
<td>Donor restricted</td>
<td>(11,723)</td>
<td>(17,545)</td>
</tr>
<tr>
<td>Endowments total</td>
<td>42,943</td>
<td>33,850</td>
</tr>
<tr>
<td>Undesignated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted for university operations</td>
<td>(31,125)</td>
<td>(38,617)</td>
</tr>
<tr>
<td>Loan fund</td>
<td>5,833</td>
<td>5,834</td>
</tr>
<tr>
<td>Net investment in plant</td>
<td>50,001</td>
<td>56,512</td>
</tr>
<tr>
<td>Undesignated total</td>
<td>24,709</td>
<td>23,729</td>
</tr>
<tr>
<td>Total</td>
<td>$67,652</td>
<td>57,579</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>General operations</td>
<td>$14,831</td>
<td>18,761</td>
</tr>
<tr>
<td>Endowment</td>
<td>15,014</td>
<td>10,028</td>
</tr>
<tr>
<td>Donor-designated for plant</td>
<td>24,195</td>
<td>23,305</td>
</tr>
<tr>
<td>Scholarships</td>
<td>1,027</td>
<td>1,575</td>
</tr>
<tr>
<td>Split-interest annuity agreements</td>
<td>891</td>
<td>961</td>
</tr>
<tr>
<td>Total</td>
<td>$55,958</td>
<td>54,630</td>
</tr>
</tbody>
</table>
Permanently restricted net assets consist of the following at May 31:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment</td>
<td>$183,925</td>
<td>180,355</td>
</tr>
<tr>
<td>Endowment pledges</td>
<td>1,865</td>
<td>2,615</td>
</tr>
<tr>
<td>Donor-restricted revolving loan funds</td>
<td>3,827</td>
<td>3,827</td>
</tr>
<tr>
<td>Split-interest annuity agreements</td>
<td>582</td>
<td>450</td>
</tr>
<tr>
<td>Beneficial interest in perpetual trusts</td>
<td>20,817</td>
<td>19,540</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$211,016</strong></td>
<td><strong>206,787</strong></td>
</tr>
</tbody>
</table>

The amount of outstanding loans from quasi-endowments to unrestricted funds is $1,943 and $2,800 at May 31, 2017 and 2016, respectively.

(12) **Employee Benefit Plans**

(a) **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, 2017 and 2016 were $7,402 and $7,607 by the University and $366 and $371 by IITRI, respectively.

(b) **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.

(13) **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.
Consolidated expenses by functional classification are as follows for the years ended May 31:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction</td>
<td>$81,017</td>
<td>86,898</td>
</tr>
<tr>
<td>Research and other grant activities</td>
<td>75,809</td>
<td>76,854</td>
</tr>
<tr>
<td>Academic support</td>
<td>17,861</td>
<td>19,447</td>
</tr>
<tr>
<td>Student services</td>
<td>18,220</td>
<td>19,965</td>
</tr>
<tr>
<td>Institutional support</td>
<td>58,530</td>
<td>57,225</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>20,211</td>
<td>20,933</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$271,648</strong></td>
<td><strong>281,322</strong></td>
</tr>
</tbody>
</table>

(14) Leases

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

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

In December 2003, the University entered into a five-year operating lease with State Street Corp whereby the University committed to lease unoccupied beds at the leased property sufficient to allow State Street Corp to achieve a debt service ratio of 1.0. On August 30, 2006, the operating lease was amended to extend the expiration date to September 30, 2013; thereafter, the operating lease will automatically renew for successive one-year periods. For years ended May 31, 2017 and 2016, it was not necessary for the University to lease unoccupied beds due to State Street Corp achieving a 1.0 debt service ratio.

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

In January 2007, the University entered into a five-year space rental lease with 350 LLC, which expired on August 31, 2012. In May 2011, the University extended the lease for an additional five years, so the new expiration date is now August 31, 2017. The lease involves occupying space in the building located at 350 North LaSalle. On August 28, 2015, the University elected its one-time right to terminate the lease effective as of August 31, 2016.
In March 2010, the University entered into a seven-year agreement to lease additional space of the Technology Business Center, which was effective June 2010. Related to this University’s agreement, Townsend and the University agreed to establish a charitable donation to offset the University’s expenses attributed to the agreement until May 2013. In June 2013, the University began funding the lease payments with University funds. The agreement ended May 2017 and was not renewed.

In May 2012, the University entered into an agreement with Chicagoland Entrepreneurial Center (d/b/a 1871) for space on the twelfth floor of the Merchandise Mart through April 30, 2013. Prior to its expiration, the University elected to exercise its option to extend the agreement through June 30, 2020.

The University also entered into an agreement with Academic Analytics, LLC for the use of a Web-based data portal to access content and tools of the database. The terms of the agreement extend to June 30, 2016.

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

<table>
<thead>
<tr>
<th>Year ending May 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$973</td>
</tr>
<tr>
<td>2018</td>
<td>1,000</td>
</tr>
<tr>
<td>2019</td>
<td>1,027</td>
</tr>
<tr>
<td>2020</td>
<td>1,054</td>
</tr>
<tr>
<td>2021</td>
<td>1,034</td>
</tr>
<tr>
<td>2022</td>
<td>—</td>
</tr>
<tr>
<td>Thereafter</td>
<td>4,525</td>
</tr>
<tr>
<td></td>
<td>$9,613</td>
</tr>
</tbody>
</table>

(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.

(16) 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, 2017 through October 26, 2017, which was the date the consolidated financial statements were issued.
The Board of Trustees
Illinois Institute of Technology:

We have audited the consolidated financial statements of Illinois Institute of Technology as of and for the year ended May 31, 2017, and have issued our report thereon dated October 26, 2017, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Schedules 1 through 3 is presented for the purposes of additional analysis, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to 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.

Chicago, Illinois
October 26, 2017
ILLINOIS INSTITUTE OF TECHNOLOGY
Consolidating Statement of Financial Position
May 31, 2017
(In thousands of dollars)

<table>
<thead>
<tr>
<th>Assets</th>
<th>University</th>
<th>IITRI</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 9,509</td>
<td>1,516</td>
<td>—</td>
<td>11,025</td>
</tr>
<tr>
<td>Notes and accounts receivable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and contracts, less allowance of $216</td>
<td>4,826</td>
<td>3,996</td>
<td>—</td>
<td>8,822</td>
</tr>
<tr>
<td>Students:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition, less allowance of $785</td>
<td>3,692</td>
<td>—</td>
<td>—</td>
<td>3,692</td>
</tr>
<tr>
<td>Notes, less allowance of $603</td>
<td>9,231</td>
<td>—</td>
<td>—</td>
<td>9,231</td>
</tr>
<tr>
<td>Other, less allowance of $641</td>
<td>586</td>
<td>—</td>
<td>—</td>
<td>586</td>
</tr>
<tr>
<td>Pledges, net</td>
<td>13,416</td>
<td>—</td>
<td>—</td>
<td>13,416</td>
</tr>
<tr>
<td>Affiliated organizations, net</td>
<td>438</td>
<td>—</td>
<td>(438) (a)</td>
<td>—</td>
</tr>
<tr>
<td>Inventories, prepaid expenses, and deferred charges</td>
<td>4,042</td>
<td>151</td>
<td>—</td>
<td>4,193</td>
</tr>
<tr>
<td>Equity interest in IITRI</td>
<td>16,457</td>
<td>—</td>
<td>(16,457) (b)</td>
<td>—</td>
</tr>
<tr>
<td>Investments</td>
<td>243,927</td>
<td>5,720</td>
<td>—</td>
<td>249,647</td>
</tr>
<tr>
<td>Bond proceeds held by trustees</td>
<td>2,794</td>
<td>—</td>
<td>—</td>
<td>2,794</td>
</tr>
<tr>
<td>Physical properties, less accumulated depreciation</td>
<td>253,563</td>
<td>16,315</td>
<td>—</td>
<td>269,878</td>
</tr>
<tr>
<td>Beneficial interest in perpetual trusts</td>
<td>20,817</td>
<td>—</td>
<td>—</td>
<td>20,817</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$ 583,298</td>
<td>27,698</td>
<td>(16,895)</td>
<td>594,101</td>
</tr>
</tbody>
</table>

**Liabilities and Net Assets**

| Liabilities:                  |            |       |              |           |
| Accounts payable and accrued expenses | $ 13,548   | 753   | (438) (a)    | 13,863    |
| Accrued salaries and wages     | 16,991     | 662   | —            | 17,653    |
| Deferred revenue               | 18,045     | 2,426 | —            | 20,471    |
| Deposits by students and others| 2,416      | —     | —            | 2,416     |
| Accrued postretirement benefit obligation | 2,408      | —     | —            | 2,408     |
| Obligation under split-interest agreements | 614       | —     | —            | 614       |
| Notes and bonds payable        | 185,160    | 7,400 | —            | 192,560   |
| Advances from U.S. government for student loans | 7,639      | —     | —            | 7,639     |
| Asset retirement obligation    | 1,851      | —     | —            | 1,851     |
| **Total liabilities**          | $ 248,672  | 11,241| (438)        | 259,475   |

**Net assets:**

| Unrestricted                   | 67,652     | 16,457| (16,457) (b) | 67,652    |
| Temporarily restricted          | 55,958     | —     | —            | 55,958    |
| Permanently restricted          | 211,016    | —     | —            | 211,016   |
| **Total net assets**            | $ 334,626  | 16,457| (16,457)     | 334,626   |

**Total liabilities and net assets**

| Total liabilities and net assets | $ 583,298 | 27,698| (16,895)     | 594,101   |

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

See accompanying independent auditors’ report.
ILLINOIS INSTITUTE OF TECHNOLOGY  
Consolidating Statement of Activities  
Year ended May 31, 2017  
(In thousands of dollars)

<table>
<thead>
<tr>
<th>Operating revenue:</th>
<th>University</th>
<th>IITRI</th>
<th>Inter-entity eliminations</th>
<th>Total</th>
<th>Temporarily restricted – University</th>
<th>Permanently restricted – University</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition and fees, net of scholarships of $101,577</td>
<td>$151,014</td>
<td>—</td>
<td>—</td>
<td>151,014</td>
<td>—</td>
<td>—</td>
<td>151,014</td>
</tr>
<tr>
<td>Government grants and contracts</td>
<td>39,827</td>
<td>12,726</td>
<td>—</td>
<td>52,553</td>
<td>—</td>
<td>—</td>
<td>52,553</td>
</tr>
<tr>
<td>Private grants and contracts</td>
<td>4,814</td>
<td>7,785</td>
<td>—</td>
<td>12,599</td>
<td>—</td>
<td>—</td>
<td>12,599</td>
</tr>
<tr>
<td>Private gifts</td>
<td>9,245</td>
<td>—</td>
<td>—</td>
<td>9,245</td>
<td>1,946</td>
<td>—</td>
<td>11,191</td>
</tr>
<tr>
<td>Endowment spending distribution</td>
<td>7,842</td>
<td>—</td>
<td>—</td>
<td>7,842</td>
<td>—</td>
<td>—</td>
<td>7,842</td>
</tr>
<tr>
<td>Endowment net assets released from restrictions</td>
<td>4,758</td>
<td>—</td>
<td>—</td>
<td>4,758</td>
<td>—</td>
<td>—</td>
<td>4,758</td>
</tr>
<tr>
<td>Sales and services of auxiliary enterprises</td>
<td>13,776</td>
<td>—</td>
<td>—</td>
<td>13,776</td>
<td>—</td>
<td>—</td>
<td>13,776</td>
</tr>
<tr>
<td>Other sources</td>
<td>21,203</td>
<td>—</td>
<td>(3,347)</td>
<td>(a)</td>
<td>17,856</td>
<td>—</td>
<td>17,856</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>1,892</td>
<td>—</td>
<td>—</td>
<td>1,892</td>
<td>—</td>
<td>—</td>
<td>1,892</td>
</tr>
<tr>
<td><strong>Total operating revenue</strong></td>
<td>254,371</td>
<td>20,511</td>
<td>(3,347)</td>
<td>271,535</td>
<td>54</td>
<td>—</td>
<td>271,589</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating expenses:</th>
<th>University</th>
<th>IITRI</th>
<th>Inter-entity eliminations</th>
<th>Total</th>
<th>Temporarily restricted – University</th>
<th>Permanently restricted – University</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty salaries</td>
<td>63,039</td>
<td>—</td>
<td>—</td>
<td>63,039</td>
<td>—</td>
<td>—</td>
<td>63,039</td>
</tr>
<tr>
<td>Administrative salaries</td>
<td>48,015</td>
<td>—</td>
<td>—</td>
<td>48,015</td>
<td>—</td>
<td>—</td>
<td>48,015</td>
</tr>
<tr>
<td>Part-time salaries</td>
<td>14,129</td>
<td>—</td>
<td>—</td>
<td>14,129</td>
<td>—</td>
<td>—</td>
<td>14,129</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>26,077</td>
<td>—</td>
<td>—</td>
<td>26,077</td>
<td>—</td>
<td>—</td>
<td>26,077</td>
</tr>
<tr>
<td>Operations and maintenance</td>
<td>25,673</td>
<td>—</td>
<td>—</td>
<td>25,673</td>
<td>—</td>
<td>—</td>
<td>25,673</td>
</tr>
<tr>
<td>Supplies and services</td>
<td>41,421</td>
<td>—</td>
<td>—</td>
<td>41,421</td>
<td>—</td>
<td>—</td>
<td>41,421</td>
</tr>
<tr>
<td>Professional fees and advertising</td>
<td>13,490</td>
<td>—</td>
<td>—</td>
<td>13,490</td>
<td>—</td>
<td>—</td>
<td>13,490</td>
</tr>
<tr>
<td>IITRI research</td>
<td>—</td>
<td>19,325</td>
<td>(3,347)</td>
<td>(a)</td>
<td>15,978</td>
<td>—</td>
<td>15,978</td>
</tr>
<tr>
<td>Interest on indebtedness</td>
<td>9,636</td>
<td>101</td>
<td>—</td>
<td>9,737</td>
<td>—</td>
<td>—</td>
<td>9,737</td>
</tr>
<tr>
<td>Depreciation</td>
<td>12,916</td>
<td>1,173</td>
<td>—</td>
<td>14,089</td>
<td>—</td>
<td>—</td>
<td>14,089</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>254,396</td>
<td>20,599</td>
<td>(3,347)</td>
<td>271,648</td>
<td>—</td>
<td>—</td>
<td>271,648</td>
</tr>
</tbody>
</table>

| (Decrease) increase in net assets from operating activities | (25) | (88) | — | (113) | 54 | — | (59) |

<table>
<thead>
<tr>
<th>Nonoperating revenue and expenses:</th>
<th>University</th>
<th>IITRI</th>
<th>Inter-entity eliminations</th>
<th>Total</th>
<th>Temporarily restricted – University</th>
<th>Permanently restricted – University</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private gifts</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2,446</td>
<td>—</td>
<td>2,446</td>
</tr>
<tr>
<td>Change in donor designation</td>
<td>—</td>
<td>(60)</td>
<td>—</td>
<td>(60)</td>
<td>470</td>
<td>—</td>
<td>470</td>
</tr>
<tr>
<td>Net gain on investments</td>
<td>14,331</td>
<td>—</td>
<td>—</td>
<td>14,331</td>
<td>9,484</td>
<td>36</td>
<td>23,851</td>
</tr>
<tr>
<td>Net gain on beneficial interest on perpetual trusts</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,277</td>
<td>—</td>
<td>1,277</td>
</tr>
<tr>
<td>Endowment spending distribution</td>
<td>(7,842)</td>
<td>—</td>
<td>—</td>
<td>(7,842)</td>
<td>(4,758)</td>
<td>—</td>
<td>(12,600)</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>4,480</td>
<td>—</td>
<td>—</td>
<td>4,480</td>
<td>(4,480)</td>
<td>—</td>
<td>(4,480)</td>
</tr>
<tr>
<td>Investment income</td>
<td>2,420</td>
<td>57</td>
<td>—</td>
<td>2,477</td>
<td>1,438</td>
<td>—</td>
<td>3,915</td>
</tr>
<tr>
<td>Net loss on disposal of assets</td>
<td>(3,174)</td>
<td>—</td>
<td>—</td>
<td>(3,174)</td>
<td>—</td>
<td>—</td>
<td>(3,174)</td>
</tr>
<tr>
<td>Change in asset retirement obligation</td>
<td>574</td>
<td>—</td>
<td>—</td>
<td>574</td>
<td>—</td>
<td>—</td>
<td>574</td>
</tr>
<tr>
<td>Other</td>
<td>(600)</td>
<td>—</td>
<td>—</td>
<td>(600)</td>
<td>—</td>
<td>—</td>
<td>(600)</td>
</tr>
<tr>
<td>Equity income from IITRI</td>
<td>(31)</td>
<td>—</td>
<td>31</td>
<td>(b)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Increase (decrease) in net assets from nonoperating activities</strong></td>
<td>10,988</td>
<td>57</td>
<td>31</td>
<td>10,186</td>
<td>1,274</td>
<td>4,229</td>
<td>15,689</td>
</tr>
</tbody>
</table>

| Increase (decrease) in net assets | 10,073 | (31) | 31 | 10,073 | 1,328 | 4,229 | 15,630 |

| Net assets at beginning of year | 57,579 | 16,488 | (16,488) | 57,579 | 54,630 | 206,787 | 318,996 |

| Net assets end of year | $67,652 | 16,457 | (16,457) | 67,652 | 55,958 | 211,016 | 334,626 |

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

See accompanying independent auditors’ report.
# ILLINOIS INSTITUTE OF TECHNOLOGY

## Consolidating Statement of Cash Flows

**Year ended May 31, 2017**

(In thousands of dollars)

<table>
<thead>
<tr>
<th>University</th>
<th>IITRI</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in net assets</td>
<td>$ 15,630</td>
<td>(31)</td>
<td>31</td>
</tr>
<tr>
<td><strong>Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private gifts restricted for long-term investment</td>
<td>(3,196)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Depreciation</td>
<td>12,916</td>
<td>1,173</td>
<td>—</td>
</tr>
<tr>
<td>Gain on beneficial interest in perpetual trusts</td>
<td>(1,277)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net gain on investments</td>
<td>(23,851)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net loss on disposal of asset</td>
<td>3,174</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Accretion on asset retirement obligation</td>
<td>574</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Changes in assets and liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables: tuition, grants, pledges, and other</td>
<td>7,113</td>
<td>(242)</td>
<td>(327) (b)</td>
</tr>
<tr>
<td>Inventories, prepaid expenses, and deferred charges</td>
<td>269</td>
<td>34</td>
<td>—</td>
</tr>
<tr>
<td>Equity interest in IITRI</td>
<td>31</td>
<td>—</td>
<td>(31) (a)</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>67</td>
<td>(1,114)</td>
<td>327 (b)</td>
</tr>
<tr>
<td>Accrued salaries and wages</td>
<td>1,864</td>
<td>(117)</td>
<td>—</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(3,331)</td>
<td>(411)</td>
<td>—</td>
</tr>
<tr>
<td>Deposits by students and others</td>
<td>180</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Accrued postretirement benefit obligation</td>
<td>(217)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Obligations under split-interest agreements</td>
<td>138</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Advances from the U.S. government for student loans</td>
<td>(315)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Asset retirement obligation</td>
<td>(757)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td>9,012</td>
<td>(708)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of investments</td>
<td>49,126</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Purchase of investments</td>
<td>(41,482)</td>
<td>(633)</td>
<td>—</td>
</tr>
<tr>
<td>Change in bond proceeds held by trustees</td>
<td>(16)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Purchase of physical properties</td>
<td>(17,299)</td>
<td>(1,302)</td>
<td>—</td>
</tr>
<tr>
<td>Sale of physical properties</td>
<td>582</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of notes receivable</td>
<td>(1,708)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Payments received on notes receivable</td>
<td>2,151</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(8,646)</td>
<td>(1,935)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private gifts restricted for long-term investment</td>
<td>3,196</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Receipt of conditional gifts for capital projects</td>
<td>8,200</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Payments on notes and bonds payable</td>
<td>(5,340)</td>
<td>(1,000)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) financing activities</strong></td>
<td>6,056</td>
<td>(1,000)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Change in cash</strong></td>
<td>6,422</td>
<td>(3,643)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Beginning of year</strong></td>
<td>3,087</td>
<td>5,159</td>
<td>—</td>
</tr>
<tr>
<td><strong>End of year</strong></td>
<td>$ 9,509</td>
<td>1,516</td>
<td>—</td>
</tr>
<tr>
<td><strong>Supplemental disclosure of cash flow information:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash paid for interest</td>
<td>$ 9,352</td>
<td>101</td>
<td>—</td>
</tr>
<tr>
<td>Construction payable</td>
<td>2,488</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

(a) Elimination of change in equity interest in IITRI

(b) Elimination of change in inter-entity accounts payable/receivable

See accompanying independent auditors’ report.