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April 19, 2016

Board of Directors
Indiana Institute of Technology, Inc.
1600 E. Washington Blvd.
Fort Wayne, IN 46803

We have reviewed the audit report prepared by BKD, LLP, Independent Public Accountants, for the period July 1, 2014 to June 30, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Indiana Institute of Technology, Inc., as of June 30, 2015, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

Indiana Institute of Technology, Inc.

Independent Auditor's Report and Financial Statements

June 30, 2015 and 2014



Indiana Institute of Technology, Inc.

June 30, 2015 and 2014

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Independent Auditor's Report

Board of Trustees
Indiana Institute of Technology, Inc.
Fort Wayne, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Indiana Institute of Technology, Inc. (University), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the 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 organization'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Indiana Institute of Technology, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2015, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Indiana Institute of Technology, Inc.'s internal control over financial reporting and compliance.

BKD, LLP

Fort Wayne, Indiana
September 11, 2015

Indiana Institute of Technology, Inc.
Statements of Financial Position
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 11,065,435	\$ 12,025,888
Student accounts receivable, net of allowance; 2015 – \$2,505,272, 2014 – \$2,062,499	1,994,057	1,536,438
Federal financial aid receivable	225,851	818,112
Contributions receivable, net of allowance; 2015 – \$349,967, 2014 – \$334,244	2,461,040	2,249,717
Other assets	1,323,421	1,380,596
Inventories	779,228	711,928
Investments	95,270,879	79,017,613
Student loans receivable, net of allowance of \$275,000 in 2015 and 2014	1,904,877	1,971,612
Property and equipment	90,853,319	89,361,063
Beneficial interest in perpetual and remainder trusts	<u>256,386</u>	<u>358,249</u>
 Total assets	 <u>\$ 206,134,493</u>	 <u>\$ 189,431,216</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 4,919,649	\$ 5,649,590
Deferred income	1,676,638	1,408,421
Advances from federal agency	899,721	871,367
Debt	<u>12,510,000</u>	<u>14,575,000</u>
Total liabilities	<u>20,006,008</u>	<u>22,504,378</u>
Net Assets		
Unrestricted	165,883,750	143,522,342
Temporarily restricted	9,073,694	12,676,690
Permanently restricted	<u>11,171,041</u>	<u>10,727,806</u>
Total net assets	<u>186,128,485</u>	<u>166,926,838</u>
 Total liabilities and net assets	 <u>\$ 206,134,493</u>	 <u>\$ 189,431,216</u>

Indiana Institute of Technology, Inc.

Statements of Activities Years Ended June 30, 2015 and 2014

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue, Income and Other Support				
Tuition and fees	\$ 82,417,038	\$ -	\$ -	\$ 82,417,038
Less student aid	(17,791,398)	-	-	(17,791,398)
Net tuition and fees	64,625,640	-	-	64,625,640
Grants and contributions	2,283,715	710,900	456,400	3,451,015
Auxiliary enterprises	6,785,840	-	-	6,785,840
Other income	200,552	-	-	200,552
Net assets released from restrictions	3,942,300	(3,942,300)	-	-
Total revenue, income and other support	77,838,047	(3,231,400)	456,400	75,063,047
Expenses				
Instruction	21,330,257	-	-	21,330,257
Student services	5,379,558	-	-	5,379,558
Physical plant	7,625,187	-	-	7,625,187
Auxiliary enterprises	2,739,401	-	-	2,739,401
Institutional support	17,127,527	-	-	17,127,527
Total expenses	54,201,930	-	-	54,201,930
Change in Net Assets Before Other Activities	23,636,117	(3,231,400)	456,400	20,861,117
Other Activities				
Investment return (loss)	(1,274,709)	(371,596)	-	(1,646,305)
Change in value of perpetual trust	-	-	(13,165)	(13,165)
Total other activities	(1,274,709)	(371,596)	(13,165)	(1,659,470)
Change in Net Assets	22,361,408	(3,602,996)	443,235	19,201,647
Net Assets, Beginning of Year	143,522,342	12,676,690	10,727,806	166,926,838
Net Assets, End of Year	\$ 165,883,750	\$ 9,073,694	\$ 11,171,041	\$ 186,128,485

2014

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 69,520,018	\$ -	\$ -	\$ 69,520,018
(15,619,598)	-	-	(15,619,598)
53,900,420	-	-	53,900,420
761,451	2,415,373	686,811	3,863,635
5,339,544	-	-	5,339,544
225,573	-	-	225,573
926,492	(926,492)	-	-
61,153,480	1,488,881	686,811	63,329,172
19,906,535	-	-	19,906,535
4,667,889	-	-	4,667,889
6,551,789	-	-	6,551,789
1,908,688	-	-	1,908,688
13,540,114	-	-	13,540,114
46,575,015	-	-	46,575,015
14,578,465	1,488,881	686,811	16,754,157
8,905,606	2,079,073	-	10,984,679
-	-	41,516	41,516
8,905,606	2,079,073	41,516	11,026,195
23,484,071	3,567,954	728,327	27,780,352
120,038,271	9,108,736	9,999,479	139,146,486
\$ 143,522,342	\$ 12,676,690	\$ 10,727,806	\$ 166,926,838

Indiana Institute of Technology, Inc.

Statements of Cash Flows Years Ended June 30, 2015 and 2014

	2015	2014
Operating Activities		
Change in net assets	\$ 19,201,647	\$ 27,780,352
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	3,849,483	3,074,408
Increase in bad debt allowance	441,860	209,411
Contributions restricted for long-term investment	(456,400)	(686,811)
Contributions restricted for capital investment	(510,900)	(1,410,273)
Increase in cash surrender value of life insurance	(135,021)	(20,606)
Noncash contributions	(148,526)	(57,129)
Net realized and unrealized loss (gain) on investments	4,720,838	(7,743,836)
Changes in		
Receivables	(475,314)	163,180
Prepaid expenses	161,698	(38,682)
Inventories	(67,300)	(33,037)
Beneficial interest in perpetual and remainder trusts	101,863	(28,359)
Accounts payable and accrued expenses	(79,053)	46,190
Deferred income	268,217	302,336
Net cash provided by operating activities	26,873,092	21,557,144
Investing Activities		
Purchase of property and equipment	(5,938,621)	(15,407,679)
Purchase of investments	(37,204,738)	(24,529,318)
Proceeds from sales and maturities of investments	16,379,160	23,799,171
Net cash used in investing activities	(26,764,199)	(16,137,826)
Financing Activities		
Proceeds from contributions restricted for long-term investment	456,400	686,811
Proceeds from contributions restricted for capital investments	510,900	1,410,273
Reduction of debt	(2,065,000)	(1,995,000)
Increase in deposits and funds held for others	28,354	10,507
Net cash (used in) provided by financing activities	(1,069,346)	112,591
Net (Decrease) Increase in Cash and Cash Equivalents	(960,453)	5,531,909
Cash and Cash Equivalents, Beginning of Year	12,025,888	6,493,979
Cash and Cash Equivalents, End of Year	\$ 11,065,435	\$ 12,025,888
Supplemental Cash Flows Information		
Interest paid (net of amount capitalized)	\$ 476,377	\$ 599,668
Purchase of property and equipment included in accounts payable	783,265	1,434,153

Indiana Institute of Technology, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Indiana Institute of Technology, Inc. (University) is a nonprofit organization based in Indiana organized and operated for educational purposes. The purpose of the University is to provide career-focused degree programs for learners of all ages at the associate, bachelors, masters and doctoral levels. Areas of focus are business, computer science, engineering, education, criminal justice, leadership, law and other professional concentrations. The University's revenue and other support are derived principally from tuition and fees, grants and contributions.

Use of Estimates

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

Net Asset Classifications

The following classes of net assets are maintained:

Unrestricted Net Assets

The unrestricted net asset class includes general and Board-designated assets and liabilities of the University. The unrestricted net assets of the University may be used at the discretion of management to support the University's purposes and operations.

Temporarily Restricted Net Assets

The temporarily restricted net asset class includes assets of the University related to gifts with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. Unconditional promises to give that are due in future periods and are not permanently restricted are classified as temporarily restricted net assets.

Permanently Restricted Net Assets

The permanently restricted net asset class includes assets of the University for which the donor has stipulated that the contribution be maintained in perpetuity. Donor-imposed restrictions limiting the use of the assets or their economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose.

Cash and Cash Equivalents

For purposes of reporting cash flows, the University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2015 and 2014, cash equivalents consisted primarily of money market mutual funds.

At June 30, 2015, the University's interest-bearing cash accounts exceeded federally insured limits by approximately \$6,700,000.

Indiana Institute of Technology, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

Inventory

Inventory consists of books and gift shop items and is stated at the lower of cost or market. Cost is determined on the first-in, first-out method.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Investment Pools

The University maintains master investment accounts for its endowments and quasi-endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of each endowment or quasi-endowment to the total fair value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Income Taxes

The University is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income. The University is not considered to be a private foundation. The University files tax returns in the U.S. federal jurisdiction. With a few exceptions, the University is no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for the years before 2012.

Promises to Give

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at fair value determined using the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Indiana Institute of Technology, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

Student Accounts and Notes Receivable

Student accounts receivable are stated at the amount billed to the students less applied scholarships and loan proceeds. The University provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Tuition is generally due at the beginning of the semester/session unless the student has agreed to other payment arrangements in writing. Accounts that are past due without payments for three consecutive months and have been processed through the due diligence process for collection are considered delinquent. Delinquent accounts are written off and turned over to a third-party collection agency if there is a reasonable possibility of collection. If circumstances exist where an account is deemed uncollectible, the account is written off but not turned over to a third-party collection agency.

Notes receivable consist of amounts due under the Federal Perkins Loan Program and are stated at their outstanding principal amount, net of an allowance for doubtful notes. Loans are made to students based on demonstrated financial need and satisfaction of federal eligibility requirements for the Federal Perkins Loan Program. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. The University provides an allowance for doubtful notes, which is based upon a review of outstanding loans, historical collection information and existing economic conditions. Interest income is recorded as received, which is not materially different from the amount that would have been recognized on the accrual basis. Loans that are delinquent continue to accrue interest. Loans that are past due for at least one payment are considered delinquent. The amount of delinquent loans greater than 90 days and accruing interest was approximately \$625,000 and \$570,000 at June 30, 2015 and 2014, respectively.

Property and Equipment

Expenditures for property and equipment and items, which substantially increase the useful lives of existing assets, are capitalized at cost. The University provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

	<u>Years</u>
Buildings	50
Furniture and equipment	5 to 10
Vehicles	5

The University capitalizes interest costs as a component of construction in progress, based on the weighted-average rates paid for long-term borrowing. Total interest incurred at June 30 was:

	<u>2015</u>	<u>2014</u>
Interest capitalized	\$ 53,443	\$ 129,669
Interest charged to expense	<u>476,377</u>	<u>469,999</u>
Total interest incurred	<u>\$ 529,820</u>	<u>\$ 599,668</u>

Indiana Institute of Technology, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

Bond Issue Costs

Bond issue costs are amortized over the term of the related debt agreement.

Deferred Revenue

Income from tuition and fees is deferred and recognized over the periods to which the tuition and fees relate.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with donor stipulations that limit the use of the donated assets are reported as temporarily or permanently restricted revenue and net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same period in which the gift is received, the University reports the support as unrestricted.

Donated Property and Equipment

The University reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily or permanently restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service, as instructed by the donor. The University reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Government Grants

Support funded by grants is recognized as the University performs the contracted services under grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the notes to the financial statements. Certain costs have been allocated among the educational programs, general and administrative and fund raising categories based upon the primary function of each department.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period beginning date.

Indiana Institute of Technology, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

Reclassifications

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 financial statement presentation. These reclassifications had no effect on the changes in net assets.

Note 2: Investments and Investment Return

The University's investments at June 30 consisted of the following:

	2015	2014
Certificate of deposit	\$ 1,000,018	\$ -
Equity mutual funds		
Domestic equity mutual funds		
Large cap core/blend	9,215,378	8,116,095
Mid cap	3,708,330	3,312,323
Small cap	5,644,908	4,913,466
International equity mutual funds		
Developed markets	8,814,122	7,946,388
Small cap	4,616,518	3,957,320
Emerging markets	13,400,583	11,877,986
Fixed income mutual funds		
Multi-sector fixed income mutual funds	4,637,619	3,840,692
Intermediate term government fixed income mutual funds	1,899,486	-
International fixed income mutual funds	9,525,041	10,948,435
Other mutual funds		
U.S. Liquid hedged equity	10,729,828	8,419,865
Diversifying strategies	10,326,651	6,068,973
Natural resources	2,954,592	4,931,945
Hedge fund of funds	2,859,014	2,668,464
Private equity fund	3,188,566	2,015,661
Investment in limited partnership	2,750,225	-
	\$ 95,270,879	\$ 79,017,613

Total investment return is comprised of the following:

	2015	2014
Dividends and interest	\$ 3,074,533	\$ 3,240,843
Net realized and unrealized (losses) gains on investments	(4,720,838)	7,743,836
	\$ (1,646,305)	\$ 10,984,679

The University incurred investment expenses of \$319,772 and \$272,166 in 2015 and 2014, respectively.

Indiana Institute of Technology, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

Alternative Investments

Except as described below, the fair value of alternative investments has been estimated using the net asset value per share of the investments. Alternative investments held at June 30 consist of the following:

	June 30, 2015			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge fund of funds (A)	\$ 2,859,014	\$ -	Quarterly	65 days
Private equity fund (B)	3,188,566	1,366,000	N/A	N/A
Investment in limited partnership (C)	2,750,225	-	Monthly	30 days

	June 30, 2014			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge fund of funds (A)	\$ 2,668,464	\$ -	Quarterly	65 days
Private equity fund (B)	2,015,661	2,112,000	N/A	N/A

- (A) This category includes investments in limited partnerships and similar pooled hedge funds. Management of the funds has the ability to shift investments among differing investment strategies. Investments representing approximately 10% of the value of investments in this category cannot be redeemed because the investments do not allow for redemption in the first 36 months after acquisition.
- (B) This category is an investment in a limited partnership. The partnership invests in a portfolio of funds that is primarily made up of global private equity, special situation or real asset segment. The investments in this category cannot be redeemed. Instead, the nature of the investment in this category is that distributions are received through liquidation of the underlying assets of the fund. It is estimated that the underlying assets of the fund will be liquidated over the next 3-10 years. Unfunded commitments are called at the discretion of the fund manager and are expected to occur over a multiyear period.
- (C) This category is an investment in a limited partnership. The partnership invests in a portfolio of funds that is primarily made up of derivative contracts. Withdrawals may be made from the fund upon thirty days' written notice. Withdrawals of the initial contribution of capital made within twelve months of the contribution will be subject to a penalty of 1%. Withdrawals of less than the entire invested balance that would reduce the balance below \$500,000 are not permitted.

Indiana Institute of Technology, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

Note 3: Contributions Receivable

Contributions receivable consisted of the following:

	<u>2015</u>	<u>2014</u>
Due within one year	\$ 693,156	\$ 475,675
Due in one to five years	1,638,300	1,635,200
Due in more than five years	777,000	765,000
	<u>3,108,456</u>	<u>2,875,875</u>
Allowance for uncollectible contributions	(349,967)	(334,244)
	<u>2,758,489</u>	<u>2,541,631</u>
Discount	(297,449)	(291,914)
	<u>\$ 2,461,040</u>	<u>\$ 2,249,717</u>

Discount rates ranged from 0.57% to 3.27% and 0.39% to 3.11% for 2015 and 2014, respectively.

Note 4: Property and Equipment

The University's property and equipment at June 30 consists of:

	<u>2015</u>	<u>2014</u>
Buildings	\$ 92,830,921	\$ 76,514,061
Furniture and equipment	20,527,756	17,505,748
Vehicles	367,336	367,336
Land improvements	3,703,545	3,342,579
	<u>117,429,558</u>	<u>97,729,724</u>
Accumulated depreciation	(32,591,426)	(28,795,948)
	<u>84,838,132</u>	<u>68,933,776</u>
Land	4,142,257	3,943,194
Construction in progress	1,872,930	16,484,093
	<u>\$ 90,853,319</u>	<u>\$ 89,361,063</u>

Note 5: Line of Credit

The University has a \$4,000,000 revolving line of credit expiring on November 1, 2015. At June 30, 2015 and 2014, there were no monies borrowed against this unsecured line. Interest varies with 30 day LIBOR plus 300 bps, floating, and is payable monthly.

Indiana Institute of Technology, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

Note 6: Debt

Debt consists of the following:

	2015	2014
County of Allen, Indiana Economic Development First Mortgage Revenue Bonds, Series 2004, varying fixed interest rate (4.75%), payable in annual payments of principal and semiannual interest payments, final payment due December 2019, collateralized by substantially all of the University's property and equipment	\$ 860,000	\$ 1,010,000
County of Allen, Indiana Economic Development First Mortgage Revenue Bonds, Series 2008, varying fixed interest rate (4.75%), payable in annual payments of principal and semiannual interest payments, final payment due December 2023, collateralized by substantially all of the University's property and equipment	2,385,000	2,585,000
County of Allen, Indiana Economic Development First Mortgage Revenue Bonds, Series 2009, varying fixed interest rate (4.20%), payable in annual payments of principal and semiannual interest payments, final payment due December 2024, collateralized by substantially all of the University's property and equipment	2,570,000	2,765,000
County of Allen, Indiana Economic Development First Mortgage Revenue Bonds, Series 2011, varying fixed interest rate (4.55%), payable in annual payments of principal and semiannual interest payments, final payment due December 2026, collateralized by substantially all of the University's property and equipment	2,385,000	3,050,000
County of Allen, Indiana Economic Development First Mortgage Revenue Bonds, Series 2012, varying fixed interest rate (1.49%), payable in annual payments of principal and semiannual interest payments, final payment due December 2017, collateralized by substantially all of the University's property and equipment	4,310,000	5,165,000
	\$ 12,510,000	\$ 14,575,000

The future maturities of notes and bonds payable are as follows:

2016	\$ 2,145,000
2017	2,195,000
2018	2,255,000
2019	835,000
2020	880,000
Thereafter	4,200,000
	\$ 12,510,000

Indiana Institute of Technology, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

Note 7: Leases

The University leases buildings and copiers under operating lease arrangements. These leases expire at various times through May 2020. Rental expense for these leases included in the statements of activities for the years ended June 30, 2015 and 2014, was \$1,329,780 and \$1,492,784, respectively.

Future minimum lease payments required under operating leases with initial or remaining terms in excess of one year as of June 30, 2015, are as follows:

2016	\$	1,387,589
2017		1,131,936
2018		812,292
2019		211,671
2020		15,514
		15,514
	\$	3,559,002

Note 8: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	2015	2014
Educational program activities-Lilly	\$ 664,915	\$ 827,003
Scholarships	4,825,086	5,738,180
Faculty development	472,566	538,199
Other buildings and equipment	3,111,127	5,573,308
	\$ 9,073,694	\$ 12,676,690

Note 9: Permanently Restricted Net Assets

Permanently restricted net assets are restricted to:

	2015	2014
Investment in perpetuity, the income of which is expendable to support		
Any activity of the University	\$ 293,270	\$ 306,435
Scholarships and educational programs	7,067,771	6,611,371
Faculty development	1,000,000	1,000,000
Engineering and Science chair	110,000	110,000
School of Business	700,000	700,000
School of Engineering activities	2,000,000	2,000,000
	\$ 11,171,041	\$ 10,727,806

Indiana Institute of Technology, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

Note 10: Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2015</u>	<u>2014</u>
Purpose restrictions accomplished		
Institutional program expenses	\$ 919,549	\$ 846,492
Capital activities	2,917,834	-
Time restrictions expired		
Passage of specified time	<u>104,917</u>	<u>80,000</u>
Total net assets released from restrictions	<u>\$ 3,942,300</u>	<u>\$ 926,492</u>

Note 11: Endowment

The University's endowment consists of approximately 115 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (Board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including Board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University's governing body has interpreted the State of Indiana's Uniform Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a 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 subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the University and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the University
7. Investment policies of the University

Indiana Institute of Technology, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

The composition of net assets by type of endowment fund at June 30, 2015 and 2014, was:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (47,161)	\$ 5,297,652	\$ 11,171,041	\$ 16,421,532
Board-designated endowment funds	79,631,178	-	-	79,631,178
Total endowment funds	<u>\$ 79,584,017</u>	<u>\$ 5,297,652</u>	<u>\$ 11,171,041</u>	<u>\$ 96,052,710</u>

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 6,276,710	\$ 10,727,806	\$ 17,004,516
Board-designated endowment funds	64,741,541	-	-	64,741,541
Total endowment funds	<u>\$ 64,741,541</u>	<u>\$ 6,276,710</u>	<u>\$ 10,727,806</u>	<u>\$ 81,746,057</u>

Changes in endowment net assets for the years ended June 30, 2015 and 2014, were:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 64,741,541	\$ 6,276,710	\$ 10,727,806	\$ 81,746,057
Investment return				
Investment income, net	2,256,947	492,389	-	2,749,336
Net depreciation	(3,851,417)	(863,985)	(13,165)	(4,728,567)
Total investment loss	(1,594,470)	(371,596)	(13,165)	(1,979,231)
Contributions	8,047	-	456,400	464,447
Appropriation of endowment assets for expenditure	(538,222)	(607,462)	-	(1,145,684)
Net transfers	16,967,121	-	-	16,967,121
Endowment net assets, end of year	<u>\$ 79,584,017</u>	<u>\$ 5,297,652</u>	<u>\$ 11,171,041</u>	<u>\$ 96,052,710</u>

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 58,311,728	\$ 4,641,132	\$ 9,999,479	\$ 72,952,339
Investment return				
Investment income, net	2,379,997	574,708	-	2,954,705
Net appreciation	6,230,926	1,504,365	41,516	7,776,807
Total investment return	8,610,923	2,079,073	41,516	10,731,512
Contributions	15,507	-	686,811	702,318
Appropriation of endowment assets for expenditure	(461,505)	(443,495)	-	(905,000)
Net transfers	(1,735,112)	-	-	(1,735,112)
Endowment net assets, end of year	<u>\$ 64,741,541</u>	<u>\$ 6,276,710</u>	<u>\$ 10,727,806</u>	<u>\$ 81,746,057</u>

Indiana Institute of Technology, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at June 30, 2015 and 2014, consisted of:

	<u>2015</u>	<u>2014</u>
Permanently restricted net assets, portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	<u>\$ 11,171,041</u>	<u>\$ 10,727,806</u>
Temporarily restricted net assets, portion of perpetual endowment funds subject to a time restriction under SPMIFA with purpose restrictions	<u>\$ 5,297,652</u>	<u>\$ 6,276,710</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the University is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and aggregated to \$47,161 at June 30, 2015. There are no deficiencies of this nature reported in unrestricted net assets at June 30, 2014. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new permanently restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

The University has adopted investment and spending policies for endowment assets that recognize the need to support current operations of the University and focus on the long-term growth of the endowment. Endowment assets include those assets of donor-restricted endowment funds the University must hold in perpetuity or for donor-specified periods, as well as those of Board-designated endowment funds. Under the University's policies, endowment assets are invested in a manner that is intended to grow the market value of assets by an average of 5% annually net of inflation and administrative costs over a full market cycle (generally defined as a three to five year period) without exceeding a standard deviation of 1.2 times a weighted benchmark index. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The University has a spending policy whereby not more than 5% of the previous 12-quarter average of the endowment market value (the formula for which shall be applied to the 12 quarters ending each fiscal year) shall be used for current operations without prior approval of the Board unless otherwise authorized by an applicable endowment fund agreement. This is consistent with the University's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Indiana Institute of Technology, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

Note 12: Retirement Benefits

The University participates in the Teachers' Insurance and Annuity Association and College Retirement Equities Funds retirement plan for faculty and certain administrative employees. Under this arrangement, the University and plan participants make annual contributions to purchase individual, fixed or variable annuities equivalent to retirement benefits earned. Vesting provisions are full and immediate. Charges to operations for the University's share of costs were \$1,133,033 and \$949,580 for 2015 and 2014, respectively.

Note 13: Functional Allocation of Expenses

The University's expenses on a functional basis are as follows:

	<u>2015</u>	<u>2014</u>
Educational		
Instructional	\$ 24,781,586	\$ 22,997,717
Auxiliary enterprises	3,672,223	2,695,476
Student services	6,381,463	5,486,858
Total educational	<u>34,835,272</u>	<u>31,180,051</u>
General and administrative	18,567,376	14,672,554
Fund raising	799,282	722,410
Total expenses	<u>\$ 54,201,930</u>	<u>\$ 46,575,015</u>

Note 14: Commitments and Contingencies

The University has entered into contracts for the construction of various new facilities. Remaining contract payments total approximately \$5,639,000 as of June 30, 2015.

The University is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the University. Events could occur that would change this estimate materially in the near term.

Indiana Institute of Technology, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

Note 15: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- 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

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2015 and 2014:

	2015			
	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Equivalents				
Money Market Mutual Funds	\$ 3,913,824	\$ 3,913,824	\$ -	\$ -
Investments				
Certificate of Deposit	1,000,018	-	1,000,018	-
Equity mutual funds				
Domestic equity mutual funds				
Large cap core/blend	9,215,378	9,215,378	-	-
Mid cap	3,708,330	3,708,330	-	-
Small cap	5,644,908	5,644,908	-	-
International equity mutual funds				
Developed markets	8,814,122	8,814,122	-	-
Small cap	4,616,518	4,616,518	-	-
Emerging markets	13,400,583	13,400,583	-	-
Fixed income mutual funds				
Multi-sector fixed income mutual funds	4,637,619	4,637,619	-	-
Intermediate term government fixed income mutual funds	1,899,486	1,899,486	-	-
International fixed income mutual funds	9,525,041	9,525,041	-	-
Other mutual funds				
U.S. Liquid hedged equity	10,729,828	10,729,828	-	-
Diversifying strategies	10,326,651	10,326,651	-	-
Natural resources	2,954,592	2,954,592	-	-
Hedge fund of funds	2,859,014	-	-	2,859,014
Private equity fund	3,188,566	-	-	3,188,566
Investment in limited partnership	2,750,225	-	2,750,225	-
Beneficial Interest in Perpetual and Remainder Trusts	256,386	-	256,386	-

Indiana Institute of Technology, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

	2014			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Equivalents				
Money Market Mutual Funds	\$ 4,644,834	\$ 4,644,834	\$ -	\$ -
Investments				
Equity mutual funds				
Domestic equity mutual funds				
Large cap core/blend	8,116,095	8,116,095	-	-
Mid cap	3,312,323	3,312,323	-	-
Small cap	4,913,466	4,913,466	-	-
International equity mutual funds				
Developed markets	7,946,388	7,946,388	-	-
Small cap	3,957,320	3,957,320	-	-
Emerging markets	11,877,986	11,877,986	-	-
Fixed income mutual funds				
Multi-sector fixed income mutual funds	3,840,692	3,840,692	-	-
International fixed income mutual funds	10,948,435	10,948,435	-	-
Other mutual funds				
US Liquid hedged equity	8,419,865	8,419,865	-	-
Diversifying strategies	6,068,973	6,068,973	-	-
Natural resources	4,931,945	4,931,945	-	-
Hedge fund of funds	2,668,464	-	-	2,668,464
Private equity fund	2,015,661	-	-	2,015,661
Beneficial Interest in Perpetual and Remainder Trusts	358,249	-	358,249	-

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There were no liabilities measured at fair value on a recurring basis and no assets or liabilities measured at fair value on a nonrecurring basis

Cash Equivalents and Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

Indiana Institute of Technology, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

The value of certain investments, classified as alternative investments, is determined using net asset value (or its equivalent) as a practical expedient. Investments for which the University expects to have the ability to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 2. Investments for which the University does not expect to be able to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 3.

Beneficial Interest in Perpetual and Remainder Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreements. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

Level 3 Valuation Process

Fair value determinations for Level 3 measurements of securities and trusts are the responsibility of the Finance and Accounting Office. The Finance and Accounting Office contracts with a pricing specialist to generate fair value estimates on a monthly or quarterly basis. The Finance and Accounting Office challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	Hedge Funds of Funds	Private Equity Fund
Balance, July 1, 2013	\$ 2,439,150	\$ 951,115
Purchases	-	934,707
Total realized and unrealized losses included in change in net assets	<u>229,314</u>	<u>129,839</u>
Balance, June 30, 2014	2,668,464	2,015,661
Purchases	-	1,012,000
Total realized and unrealized gains included in change in net assets	<u>190,550</u>	<u>160,905</u>
Balance, June 30, 2015	<u><u>\$ 2,859,014</u></u>	<u><u>\$ 3,188,566</u></u>

Total gains and losses for the period included in change in net assets attributable to the change in unrealized gains or losses related to assets and liabilities still held at the reported date

Indiana Institute of Technology, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements.

	Fair Value at June 30, 2015	Valuation Technique	Unobservable Inputs	(Weighted- Average)
Hedge Fund of Funds	\$ 2,859,014	Net asset value or equivalent	NAV	N/A
Private Equity	3,188,566	Net asset value or equivalent	NAV	N/A

	Fair Value at June 30, 2014	Valuation Technique	Unobservable Inputs	Range (Weighted- Average)
Hedge Fund of Funds	\$ 2,668,464	Net asset value or equivalent	NAV	N/A
Private Equity	2,015,661	Net asset value or equivalent	NAV	N/A

Sensitivity of Significant Unobservable Inputs

The following is a discussion of the sensitivity of significant unobservable inputs, the interrelationships between those inputs and other unobservable inputs used in recurring fair value measurement and of how those inputs might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

Hedged Equity Funds and Private Equity Funds

The significant unobservable inputs used in the fair value measurement of the University's hedged equity funds and private equity funds is net asset value. Net asset value is the value of a fund's assets less liabilities. Significant increases (decreases) in the value of the fund's assets would result in a significantly higher (lower) fair value measurement.

Indiana Institute of Technology, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

Fair Value of Financial Instruments

The following table presents estimated fair values of the University's financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2015 and 2014.

	Carrying Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2015				
Financial assets:				
Cash and cash equivalents	\$ 11,065,435	\$ 11,065,435	\$ -	\$ -
Contributions receivable	2,461,040	-	-	2,461,040
Investments	95,270,879	85,473,056	3,750,243	6,047,580
Student loans receivable	1,904,877	-	-	1,904,877
Beneficial interest in perpetual and remainder trusts	256,386	-	256,386	-
Financial liabilities:				
Debt	12,510,000	-	-	12,510,000
U.S. Government Refundable Advances	899,721	-	-	899,721

	Carrying Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2014				
Financial assets:				
Cash and cash equivalents	\$ 12,025,888	\$ 12,025,888	\$ -	\$ -
Contributions receivable	1,519,227	-	-	1,519,227
Investments	79,017,613	74,333,488	-	4,684,125
Student loans receivable	1,987,612	-	-	1,987,612
Beneficial interest in perpetual and remainder trusts	358,249	-	358,249	-
Financial liabilities:				
Debt	14,575,000	-	-	14,575,000
U.S. Government Refundable Advances	871,366	-	-	871,366

Indiana Institute of Technology, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying statements of financial position at amounts other than fair value. Further evaluation of the fair value of these financial assets and liabilities utilizing the methods described below did not result in a significant difference from the carrying amount. Thus, the carrying amount is a reasonable estimate of the fair value for all financial assets and liabilities.

Cash and Cash Equivalents

The carrying amount approximates fair value.

Contributions Receivable

Fair value is estimated by discounting the cash flows of the future payments expected to be received using rates of return on assets with similar cash flows.

Student Loans Receivable

Fair value is estimated by discounting the future cash flows using the rates at which similar notes would be written for the same remaining maturities.

Debt

Fair value is estimated based on the borrowing rates available to the University for debt arrangements with similar terms and maturities.

U.S. Government Refundable Advances

The carrying amount approximates fair value.

Note 16: Self-Insurance Pool

On May 1, 2011, the University entered into the Independent Colleges of Indiana, Inc., (ICI) Indiana Risk Management Association (IRMA) Trust Agreement. The University is one of eight ICI colleges participating in this insurance consortium created for the purpose of self-insuring casualty and liability coverage. The trust agreement serves as the funding vehicle for the self-insurance consortium. The consortium pre-funds anticipated retained risks, administrative expenses and jointly purchases stop-loss insurance coverage appropriate for the remaining risks. The prefunded amount for the University's share of estimated self-funded risks, administrative and reinsurance expenses for the policy years were determined by the Plan underwriters to be \$252,660 and \$191,019 at June 30, 2015 and 2014, respectively.

Indiana Institute of Technology, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

Note 17: Significant Estimates and Concentrations

Contributions

Approximately 90% and 70% of all contributions receivable were received from four donors and three donors at June 30, 2015 and 2014, respectively. Also, 44% and 52% of all contributions received were from two donors for the years ended June 30, 2015 and 2014, respectively.

The University has contributions receivable of approximately \$357,000 and \$416,000 from related parties at June 30, 2015 and 2014, respectively.

Investments

The University invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

Note 18: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were issued.

Supplementary Information

Indiana Institute of Technology, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Organization/Cluster/Program	Federal CFDA Number	Amount
Department of Education		
Student financial assistance cluster		
Federal Supplemental Educational Opportunity Grants	84.007	\$ 194,402
Federal Work-Study Program	84.033	156,975
Federal Perkins Loan Program	84.038	3,081,034
Federal Pell Grant Program	84.063	18,866,932
Federal Direct Student Loans	84.268	<u>51,924,641</u>
Total student financial assistance cluster		74,223,984
Trio - Student support services	84.042	203,313
Title III	84.031A	<u>63,264</u>
Total Department of Education		74,490,561
Department of Energy		
Renewable Energy Research and Development	81.087	<u>92,090</u>
		<u>\$ 74,582,651</u>

Notes to Schedule

1. This schedule includes the federal awards activity of the University and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. There were no subrecipients during the year ended June 30, 2015.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Indiana Institute of Technology, Inc.
Fort Wayne, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of Indiana Institute of Technology, Inc. (University), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated September 11, 2015.

Internal Control Over Financial Reporting

Management of the University is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the University's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the University's management in a separate letter dated September 11, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Fort Wayne, Indiana
September 11, 2015

Report on Compliance for Each Major Program and on Internal Control Over Compliance

Independent Auditor's Report

Board of Trustees
Indiana Institute of Technology, Inc.
Fort Wayne, Indiana

Report on Compliance for Each Major Federal Program

We have audited the compliance of Indiana Institute of Technology, Inc. (University) with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2015. The University's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Indiana Institute of Technology, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Indiana Institute of Technology, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on the major federal program is not modified with respect to this matter.

The University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Indiana Institute of Technology, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Fort Wayne, Indiana
September 11, 2015

Indiana Institute of Technology, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
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2015-001	<p>Federal Program – Department of Education, Student Financial Assistance Cluster, Federal Supplemental Educational Opportunity Grants, CFDA 84.007; Federal Work-Study Program, CFDA 84.033; Federal Perkins Loan Program, CFDA 84.038; Federal Pell Grant Program, CFDA 84.063; Federal Direct Loan Program, CFDA 84.268</p>	\$ 716
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Program Year – July 1, 2014 – June 30, 2015

Criteria or Specific Requirement – Eligibility – Pell Grant Amount - The determination of Federal Student Financial Assistance aid is based on financial need. Financial need is generally defined as the student’s cost of attendance (COA) minus financial resources reasonably available. For Title IV programs, the financial resources available is generally the Expected Family Contribution (EFC) that is computed by the central processor and included on the student’s SAR and the ISIR provided to the institution. The College then awards the appropriate amount of Federal Pell Grant based on the student’s computed EFC, as well as their level of enrollment.

Condition – An inappropriate amount of Federal Pell Grant was awarded when considering the student’s EFC and enrollment status.

Context – Out of a sample of 25 students from a population of 8,348 students who received federal aid, an inappropriate amount of Federal Pell Grant was awarded to one of the students tested. Based on the amount of questioned costs and error rate, the projected error amounted to approximately \$226,000.

Cause – The student’s Federal Pell Grant is manually adjusted when changes are made to the student’s enrollment status. For the student referenced above, these manual changes were not made correctly.

Effect – The student received an amount of Federal Pell Grant in excess of the amount of calculated need.

Recommendation – Changes should be made to the process to automate any necessary changes to the student’s packaging based on change in enrollment status. Additionally, the College should continue to implement secondary review checks to identify any manual errors that may occur.

Indiana Institute of Technology, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Reference Number	Finding	Questioned Costs
	<p><i>Views of Responsible Officials and Planned Corrective Actions</i> – Our automated process is supplemented with manual adjustments based on a student’s changing enrollment; if these changes are not done correctly, they can be missed during our quality control checks. We’ve developed a procedure for monitoring aid that has already been verified as accurate, but is actually incorrect. The report will generate Pell amounts based off of EFC’s (linked to a manual Pell chart grid) and credit hours to check against totals. This will prevent a manual change to the Pell grant amount from bypassing our quality control checks.</p>	

Indiana Institute of Technology, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

Reference Number	Summary of Finding	Status
	No matters are reportable.	