

University Faculty Council 2007 Financial Report

December 7, 2007

Compiled by Prof. Howard S. Chapman

SUMMARY

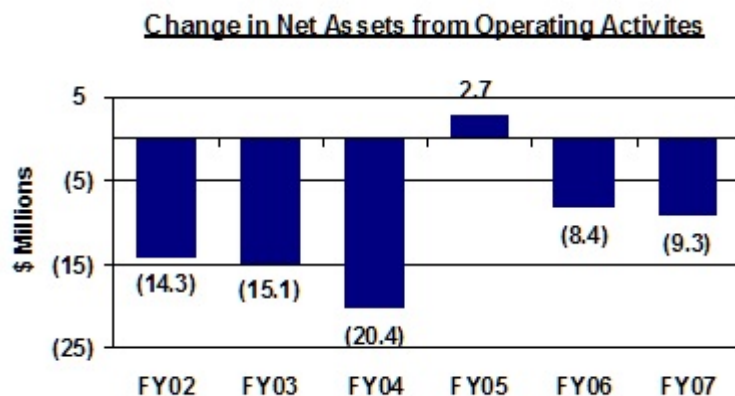
Financial Background

From 1997 through 2002, the University's operating expenses exceeded tuition revenues by varying amounts up to \$29 million. During that time, the soaring stock market and successful fund-raising increased the endowment from \$122M to \$205M. The Pritzker/Galvin match campaign raised an additional \$250M. Endowment gains and campaign funds were used to fund the revenue shortfall. The University withdrew about \$24 million from endowment each year from 1998 to 2002, which ranged from 12 to 19% of the endowment value. (See Table 20 on page 17.)

2004 Financial Plan

The stock market decline that began in 2000 reduced the endowment value and made future growth uncertain. Large operating deficits continued and the Administration knew it could not continue to withdraw significant amounts from endowment to fund these deficits. In 2004, a strategic operating plan was adopted with the goal of eliminating the \$29M operating deficit by FY07. Under the "2004 Plan," endowment withdrawals would be limited to 5% of the value each year. The balance of the operating deficit was to be made up by "performance improvement" (increased revenue and expense control) and \$52.4M of proceeds from the sale of IITRI to Alion.

Some financial goals of the 2004 Plan were met. For example, tuition revenue increased \$24.7 million from FY03 to FY07; the projected increase was \$15.5 million. However, operating expenses continue to exceed operating income and the goal of eliminating the deficit has not been achieved. The operating deficits and surplus for the last six years are as follows:



2010 Financial Plan

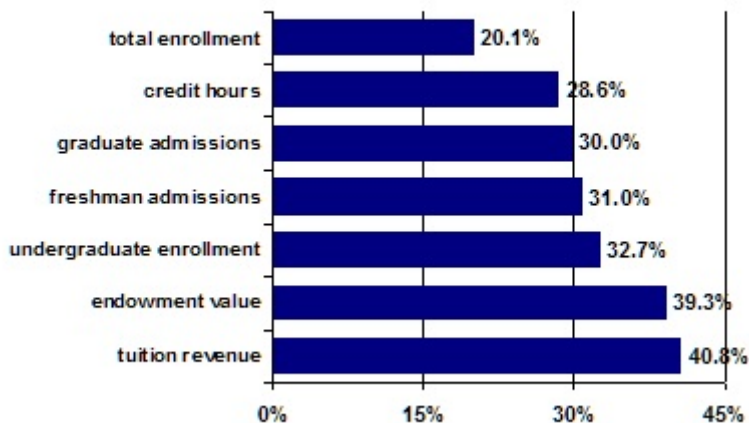
Last year the Board of Trustees adopted a financial plan through year 2010 ("2010 Plan") to eliminate the deficit and achieve a \$3 million surplus by 2010. This was to be accomplished through a combination of revenue increases and cost control. The operating deficits until FY10 will be funded with Alion proceeds, gifts, grants, and unrestricted funds. One important goal of the 2010 Plan has already been met: 2,576 undergraduates are currently enrolled; the goal was 2,500 undergraduates by FY10. The Administration will review and revise the 2010 Plan in light of John Anderson's appointment and priorities.

Improvements Since 2003

Although the goal of balancing the operating budget has been postponed from FY07 to FY10, the University has made progress in many areas since 2003. Some significant increases include:

- total enrollment: 6,167 to 7,409 students, up 1,242 (20.1%)
- credit hours: 63,360 to 81,483 hours, up 18,123 (28.6%)
- graduate admissions: 1,257 to 1,596 students, up 339 (30%)
- freshman admissions: 397 to 520 students, up 123 (31%)
- undergraduate enrollment: 1,941 to 2,576 students, up 635 (32.7%)
- endowment: \$242.7 million to \$338 million, up 95.3M (39.3%)
- tuition revenue: \$60.5 million to \$85.2 million, up \$24.7M (40.8%)

Percentage Increases from 2003 to 2007



Financial Information (pages 6-7; the audited financial statements are on pages 19-21)

In FY07, the operating deficit increased to \$9.3M from \$8.4M in FY06. Operating revenues increased by \$12.8M (7.7%), primarily attributable to a \$6M increase in tuition revenue. Operating expenses increased by \$13.5M (7.8%). Part-time faculty salaries represented the largest percentage increase in operating expenses. The part-time salary expense increased 17.4% from \$10.9M to \$12.8M. Supplies and services increased \$3.4M (10.3%).

Nonoperating income increased 61% from \$14.4M to \$33.2M, primarily attributable to a \$32M gain on the sale of investments. (See the discussion regarding liquidating stock investments under Endowments on page 4.) The nonoperating surplus of \$33.2M minus the operating deficit of \$9.3M resulted in a \$23.9M increase in the University's net assets, compared with a \$3.9M deficit in FY06.

As reported last year, the University issued \$160M of bonds in FY06 and after paying existing debt, \$53M remained to finance capital projects. The University spent \$42M in FY07 on capital improvements, of which \$26.8M were paid for from the bond proceeds. The University's target for annual capital expenditures is between \$20- \$25M. These funds will come from fund-raising and improved cash flows over the next five years that would cover the debt service. However, the University has not achieved those levels yet, and in fact, there were shortfalls in fund-raising in FY07, which required some excess endowment draw. The Facilities and Finance Committees of the Board of Trustees are continuing to actively work these issues.

Tuition Revenue and Discounts (page 8)

Tuition revenue increased \$8.2M (10.6%) from \$77M to \$82.2M. The increases by campus were: undergraduate, 15.3%; main campus graduate, 4.5%; Chicago-Kent, 5.8%; Stuart, 1.4%. Tuition increased about 7% for most students in 2007 and between 24-28% in the five years since 2003. Tuition discounts for freshmen declined from 60.2% to 55.1%, undergraduate discounts increased from 45% to 47.5%, and graduate discounts increased from 16.5% to 20.4%.

Enrollment (pages 9-12)

Total enrollment was 7,409 students in Fall 2007, an increase of 614 students (9%) from last year. Enrollment figures do not count Coop students. Credit hours increased from 75,368 to 81,483 (8.1%). Total enrollment was 258 more than budgeted; in FY06, there were sixteen fewer students than budgeted. International student enrollment increased by 434 students (18.8%) in FY07; the increase was 269 students (13.3%) in FY06. International enrollment includes 135 students studying from within their own countries in FY07 (132 in India). There were 89 nonresidential students in FY06.

Retention (page 13)

In October 2006, the Provost established a Retention and Student Life Task Force comprised of faculty, students and staff. The task force was charged to improve retention and enhance student life as measured by change in retention and graduation rates. The goal is to increase the freshman to sophomore retention rate to 90% from 84% by 2010 and increase the six-year graduation rate to 75% from 69% by 2010. The retention rate from freshman to sophomore improved from 85% to 86%, in FY07. This represents a substantial improvement than the 81-82% retention rate from 2002-2004. The retention rate for students entering their third year improved from 72% in 2004 to 76% in 2006.

Admissions (pages 14-15)

From FY06 to FY07, undergraduate full-time applications decreased by 11.7% and the number of students admitted decreased by 7%. However, final enrollment increased by 36 students (7.4%) to 520. Transfer applications increased by 31.5% and the number of transfer students enrolled increased from 144 to 182 (26.4%). The total number of full-time undergraduates admitted was 702, an increase of 74 students (11.8%). Part-time undergraduates admitted increased from 41 to 74 (80.5%). Graduate applications increased 9.3% from a year earlier and 10.1% more students were admitted. Graduate enrollment increased by 164 students (11.5%).

As shown in Table 13 on page 13, the number of underrepresented minority freshmen increased from 33 to 58 (76%) from 2006 to 2007. In addition, the 2007 class was 31% female, compared with only 21% in 2006.

2008 Admissions

As of December 4, 2007, the number of domestic applications for Fall 2008 admission has declined 60% from 2,423 to 960. To date, 298 students have been admitted compared with 433 admitted last year. The number of applications from international students has doubled from 70 to 147 and the number of transfer applications has more than tripled from 35 to 133. In last year's Financial Report, the Admissions Office explained the decline in 2006 applications as follows:

In 2005-06, the Office of Admission sought to increase the size of the applicant pool. The Office developed an online application that waived the application fee, allowed students to submit an application without an essay responding to a question, promised

automatic consideration for merit scholarships and offered a three-week response on decisions. The process generated significant increases in applications and admits. The student investment in the admission process was less than in the past and this translated into an overall lower yield rate for this set of students.

With the previous comments in mind, our focus has been to improve attention and the attachment of the applicant pool to IIT. The Office of Admission has made some changes to the application including allowing students to submit a brief response to a question regarding their interest in IIT. We anticipate that these changes will produce a smaller but certainly sufficient applicant pool to meet our enrollment target. We are also rearranging yield activities to regain ground lost last year.

The strategy worked in 2006; final enrollment increased by 36 students (7.4%), although applications declined by 11.7%. The decline in 2008 applications is a continuation of the effort to attract fewer, but higher-quality applicants.

The goal for 2008 is 535 new full-time freshmen, up from 520 in 2007. The goal for full-time transfer students is 180, compared with 182 in 2007. Achieving these goals will bring the full-time undergraduate enrollment to approximately 2,500 students in 2008. The Administration projects total undergraduate enrollment of 2607 students in 2009 and 2,743 students in 2010.

The Office of Undergraduate Admissions provided a University Enrollment Overview on pages 22-25 of this report.

Test Scores (page 15)

The mean SAT Composite scores declined slightly in every category from the prior year. The mean Camras scores declined from 1436 to 1415. The mean GRE verbal and quantitative scores increased slightly from the prior year, but the writing analysis score declined slightly. The mean GMAT analytical writing score has increased every year since 2003; in 2007, this score increased significantly from 4.27 to 4.72. The TOFEL score declined from 250 to 243. The LSAT score increased from 159 to 160.

Faculty and Staff (page 16)

Total full-time faculty salaries increased 5.9%, administrative and staff salaries increased 6.5%, and part-time faculty salaries increased 17.4%. The total number of employees increased 7.2% from 995 to 1,067. Administrative employees increased 13.5% from 274 to 311; faculty increased 3.6% from 364 to 377 and staff employees increased 6.2% from 357 to 379.

Endowment (page 17-18)

The value of the endowment increased \$43.5M (14.8%) to \$338M on May 31, 2007. The 2004 Financial Plan called for reducing endowment withdrawals to 5% of the previous fiscal year's value. However, each year the Board of Trustees has authorized excess draws to fund operations, which were often funded from cash received from Alion transactions that year. As shown in Table 20 on page 17, the University withdrew \$27.5M in FY07, representing 9.3% of endowment. Withdrawals over the last five years have ranged from \$27.4M to \$29.3M. However, the percentage of endowment withdrawn each year has declined from 15.2% in FY03 to 9.3% in FY07.

\$14.7M of the \$27.5M endowment draw went directly to endowment spending distributions, such as scholarships, labs, and endowed accounts by school. \$12.8M was used to meet other cash requirements, which includes the deficit from operations, debt service, and capital projects. The draw is based on requirements from time to time from the combination of operations, debt service and capital activity.

The average return for all endowments in 2006 was 10.7% as reported in The Chronicle of Higher Education. The 2006 return for endowments comparable in size to the IIT's endowment was 11.9%. The University's return for the year ending May 31, 2006 was 9.1% and 19% for the year ending May 31, 2007.

In March 2007, the University changed its investment managers and liquidated substantially all of the stock in its investment portfolio, realizing about a \$22 million gain. The proceeds were reinvested into a broadly diversified portfolio of mutual funds ranging from large cap growth to small cap emerging market funds. The portfolio is continually managed by Hirtle, Callaghan & Co. according to the instructions and targets established by the Board of Trustees Investment Committee. See Table 21 on page 18 for a list of the current investments.

Government Grants and Private Gifts (page 18)

Government grants increased by \$3.6M (12.5%) from \$28.8M to \$32.4M. Private gifts increased from \$11.5M to \$11.6M.

FINANCIAL INFORMATION

The following tables summarize the University's income statements. The relevant pages of the audited financial statements are on pages 18-20.

Table 1 Financial Summary (in Millions)

	FY02	FY03	FY04	FY05	FY06	FY07	Var	
Operating Revenues (details on Table 2)	132.3	142.3	139.1	169.3	165.4	178.2	12.8	7.7%
Operating Expenses (details on Table 2)	146.6	157.4	159.5	166.6	173.8	187.5	13.7	7.9%
Change in Net Assets from Operating Activities	(14.3)	(15.1)	(20.4)	2.7	(8.4)	(9.3)	(0.9)	10.7%
Net Nonoperating Surplus	(7.5)	54.3	49.6	30.8	14.4	33.2	18.8	130.6%
Accounting Changes					(9.9)		9.9	
Total Change in Net Assets	(21.8)	39.2	29.2	33.5	(3.9)	23.9	27.8	
Significant nonoperating revenue items								
Sale of IITRI		68.9						
Gain on sale of investments			30.7	24.2	17.1	32*		

Table 2 Operating Revenues and Expenses (in Millions)

Operating Revenues	FY02	FY03	FY04	FY05	FY06	FY07	Var	
Tuition and Fees, net of scholarships	58.2	60.5	65.3	71.7	77.0	85.2	8.2	10.6%
Government grants and contracts	27.6	30.2	27.0	29.2	28.8	32.4	3.6	12.5%
Private grants and contracts	5.0	6.0	4.5	4.1	2.5	2.4	(0.1)	-4.0%
Private gifts	6.7	5.7	6.1	12.8	11.5	11.6	0.1	0.9%
Endowment spending distribution	5.5	3.1	3.8	11.7	12.6	14.7	2.1	16.7%
Interest from ALION investments		1.9	2.5	2.4	2.4		(2.4)	-100.0%
Sales and services of education activities	1.8	1.9	1.6	*	*	*		
Sales and services of auxiliary enterprises	9.2	9.6	10.1	11.4	11.4	12.8	1.4	12.3%
Other sources	8.1	10.0	7.9	12.9	13.0	13.6	0.6	4.6%
Net assets released from restrictions	10.1	13.5	10.3	13.2	6.2	5.5	(0.7)	-11.3%
Total operating revenue	132.2	142.4	139.1	169.4	165.4	178.2	12.8	7.7%
Operating Expenses								
Faculty Salaries	32.5	34.6	36.2	38.3	40.5	42.9	2.4	5.9%
Administrative Salaries	28.6	30.1	31.7	32.5	34.0	36.1	2.1	6.2%
Part-time Salaries	8.1	9.7	10.2	10.1	10.9	12.8	1.9	17.4%
Employee Benefits	12.0	13.0	13.9	14.4	14.6	15.6	1.0	6.8%
Operations and Maintenance	14.9	15.0	15.5	15.8	19.5	20.7	1.2	6.2%
Supplies and Services	29.1	31.9	28.6	34.5	34.6	38.1	3.5	10.1%
Travel and Conferences	2.8	3.0	2.8	*	*	*		
Professional Fees and advertising	8.6	10.3	9.9	10.1	9.0	10.1	1.1	12.2%
Depreciation	10.0	9.9	10.7	10.9	10.8	11.2	0.4	3.7%
Total operating expenses	146.6	157.5	159.5	166.6	173.9	187.5	13.6	7.8%
Change in Net Assets from Operating Activities	(14.4)	(15.1)	(20.4)	2.8	(8.5)	(9.3)	(0.8)	9.4%

*Sales and services of education activities and travel and conferences are no longer listed separately.

Measure of Operating Performance

The financial information on the previous pages incorporates all sources of revenue and expenses. Because the University’s financial situation was not improving sufficiently, last year the Administration adopted an unorthodox measure of performance called EBIDNAR (Earnings Before Interest, Depreciation and Net Assets Released). EBIDNAR focuses more on cash transactions than traditional measures of performance. The FY07 EBIDNAR deficit was \$7.93M, \$820,000 (9.4%) less than the \$8.75M projected deficit, and significantly less than the FY04 and FY05 deficits. The FY06 deficit was 26% greater than the target.

Now that the financial situation has improved, the Administration will not use EBIDNAR as the measure of performance and will replace it with Change in Net Assets from Operating Activities. The FY08 budgeted EBIDNAR deficit is \$6.55M, a 17.4% reduction from the FY07 deficit, however the Administration will not report this measure in future reports.

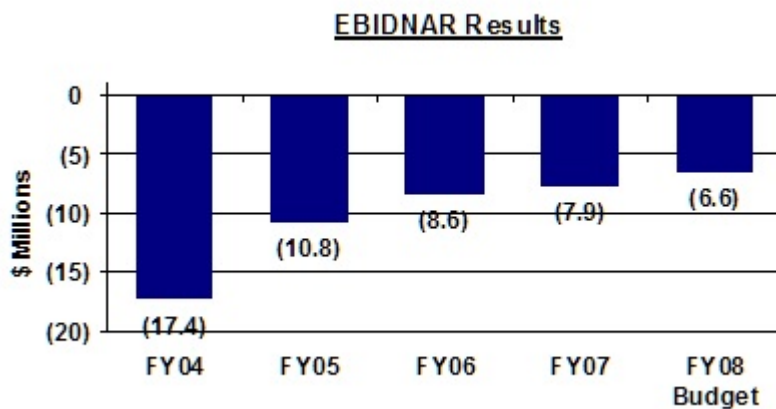


Table 3 EBIDNAR (in Thousands)

FY04	FY05	FY06	FY07 Plan	FY07 Actual	Var	FY08 Budget
(17,429)	(10,844)	(8,854)	(8,750)	(7,930)	820 9.4%	(6,550)

TUITION

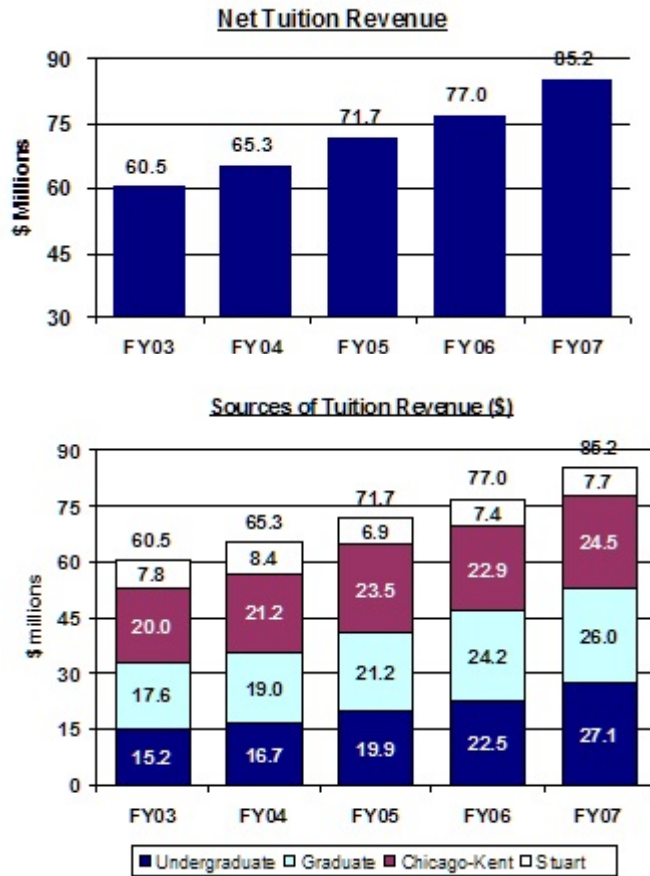


Table 4 Sources of Tuition Revenue (in millions)

Fall Semester	2003	2004	2005	2006	2007	Var	%
Undergraduate	20.0	21.2	23.5	22.9	27.1	4.2	18.3%
Main campus graduate	17.6	19.0	21.2	24.2	26.0	1.8	7.3%
Chicago-Kent	15.2	16.7	19.9	22.5	24.5	2.0	8.7%
Stuart Graduate School	7.8	8.4	6.9	7.4	7.7	0.3	4.1%
Total	60.6	65.3	71.5	77.0	85.2	8.2	10.6%

Table 5 Tuition Rates

	Per	Fall 03	Fall 04	Fall 05	Fall 06	Fall 07	2007 Var	2003-07 % Inc
Undergraduate full-time	Year	19,775	20,764	22,218	23,329	24,962	7.0%	26.2%
Main Campus Graduate	Credit	628	647	692	727	778	7.0%	23.9%
Stuart School	Qtr credit	635	668	715	751	804	7.1%	26.6%
Kent full-time first-year students	Year	26,200	27,450	29,950	31,148	33,570	7.8%	28.1%
Kent continuing students	Credit	925	960	995	1,035	1,085	4.8%	17.3%

Table 6 Tuition Discounts

	Freshmen	Undergraduate	Graduate
Fall 2003	59.5%	51.5%	17.0%
Fall 2004	57.8%	49.5%	19.1%
Fall 2005	53.8%	47.2%*	18.5%
Fall 2006	60.2%	45.0%*	16.5%
Fall 2007	55.1%	47.5%	20.4%

ENROLLMENT

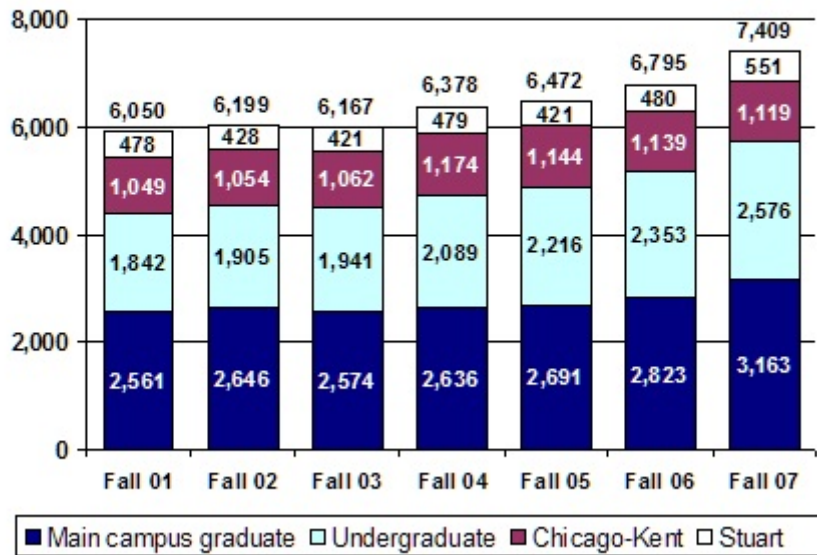
Table 7 University Enrollment

	2001	2002	2003	2004	2005	2006	2007	Var	
Undergraduate									
full-time heads	1,466	1,544	1,670	1,825	1,988	2,124	2,326	202	9.5%
part-time heads	376	361	271	264	228	229	250	21	9.2%
total heads	1,842	1,905	1,941	2,089	2,216	2,353	2,576	223	9.5%
credit hours	25,416	26,401	27,652	30,071	32,513	34,874	37,638	2,764	7.9%
Main Campus Graduate									
full-time heads	1,060	1,333	1,392	1,292	1,516	1,618	1,894	276	17.1%
part-time heads	1,501	1,313	1,182	1,344	1,175	1,205	1,269	64	5.3%
total heads	2,561	2,646	2,574	2,636	2,691	2,823	3,163	340	12.0%
credit hours	17,621	18,136	18,294	19,549	20,679	22,583	25,370	2,787	12.3%
Stuart									
full-time heads	163	194	307	250	226	293	386	93	31.7%
part-time heads	315	234	259	229	195	187	165	(22)	-11.8%
total heads	478	428	566	479	421	480	551	71	14.8%
credit hours (sem)	2,401	2,277	3,268	2,749	2,414	2,900	3,675	775	26.7%
Chicago-Kent									
full-time heads	733	762	790	856	848	827	826	(1)	-0.1%
part-time heads	316	292	296	318	296	312	293	(19)	-6.1%
total heads	1,049	1,054	1,086	1,174	1,144	1,139	1,119	(20)	-1.8%
credit hours	13,702	13,966	14,147	15,669	15,178	15,011	14,800	(211)	-1.4%
Coop Only									
UG			4	5	4	11	6	(5)	-45.5%
Grad			31	42	52	55	49	(6)	-10.9%
total heads			35	47	56	66	55	(11)	-16.7%
credit hours			325	426	509	611	503	(108)	-17.7%
CLFM									
full-time heads	24	56	56	CLFM students became Stuart students in 2004					
part-time heads	96	110	113						
total heads	120	166	169						
credit hours	476	778	808						
TOTALS									
	2001	2002	2003	2004	2005	2006	2007	Var	
full-time heads	3,446	3,889	4,159	4,223	4,578	4,862	5,432	570	11.7%
part-time heads	2,604	2,310	2,008	2,155	1,894	1,933	1,977	44	2.3%
total heads w/o Coop	6,050	6,199	6,167	6,378	6,472	6,795	7,409	614	9.0%
Coop heads			35	47	56	66	55	(11)	-16.7%
total heads	6,050	6,199	6,202	6,425	6,528	6,861	7,464	603	8.8%
credit hours w/o Coop	59,140	60,780	63,361	68,038	70,784	75,368	81,483	6,115	8.1%
Coop hours			325	426	509	611	503	(108)	-17.7%
total credit hours	59,140	60,780	63,686	68,464	71,293	75,979	81,986	6,007	7.9%

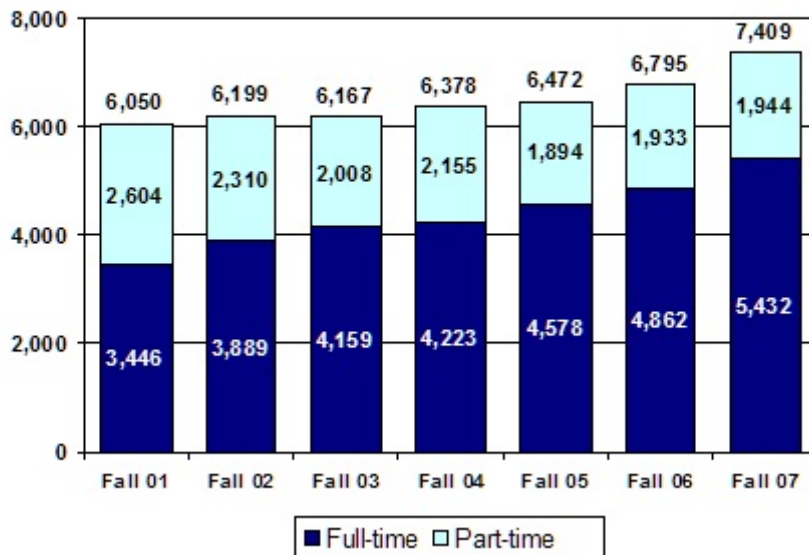
Table 8 Budgeted Enrollment

	FY06 Budget	FY06 Actual	Var	Actual/Budget	FY07 Budget	FY07 Actual	Var	Actual/Budget
Undergraduate FT freshman	500	484	(16)	97%	510	520	10	102%
FT transfers	200	144	(56)	72%	175	182	7	104%
Continuing FT undergraduates	1,515	1,496	(19)	99%	1,642	1,624	(18)	99%
Total FT undergraduates	2,215	2,124	(91)	96%	2,327	2,326	(1)	100%
Undergraduate PT hours	1,440	1,193	(247)	83%	1,201	1,184	(17)	99%
Main Campus Graduate hours	19,631	20,328	697	104%	21,395	22,339	944	104%
Stuart Graduate School hours	2,420	2,562	142	106%	2,818	3,229	411	115%
Chicago-Kent heads	1,159	1,144	(15)	99%	1,068	1,119	51	105%
Total Heads (without Coop)	6,811	6,795	(16)	100%	7,151	7,409	258	104%

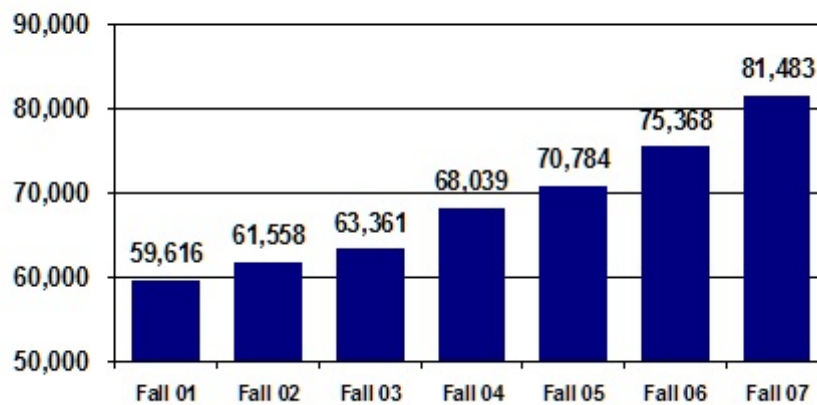
Total Enrollment by Campus



Enrollment (Full-time/Part-time)



Total Credit Hours



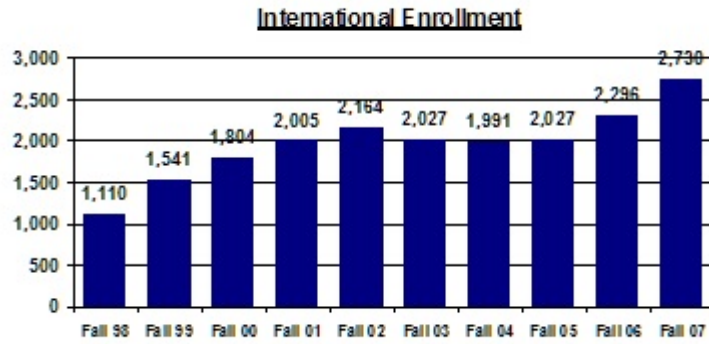


Table 9 International Enrollment

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Var
1,110	1,541	1,804	2,005	2,164	2,027	1,991	2,027	2,296	2,730	434 18.9%

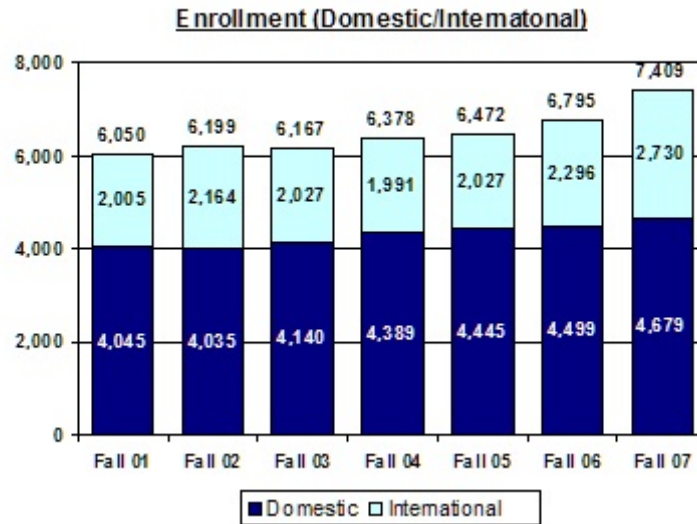


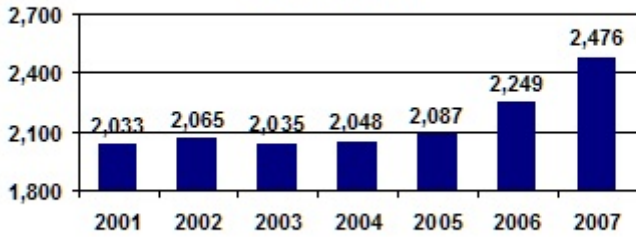
Table 10 Enrollment by College

	2001	2002	2003	2004	2005	2006	2007	Var
Armour College	2,033	2,065	2,035	2,048	2,087	2,249	2,476	227 10.1%
College of Sciences & Letters	1,681	1,633	1,493	1,473	1,482	1,444	1,601	157 10.9%
Chicago-Kent	1,049	1,054	1,062	1,174	1,144	1,139	1,119	(20) -1.8%
College of Architecture	417	407	476	591	681	744	795	51 6.9%
Stuart Graduate School	478	428	421	479	421	480	551	71 14.8%
Center for Professional Dev.		143	182	230	241	289	359	70 24.2%
Institute of Psychology	187	206	208	220	224	240	257	17 7.1%
Institute of Design	85	97	121	123	113	124	152	28 22.6%
Institute of Business				40	79	86	99	13 15.1%
CLFM	120	166	169	*	*	*	*	
Total Enrollment	6,050	6,199	6,167	6,378	6,472	6,795	7,409	614 9.0%

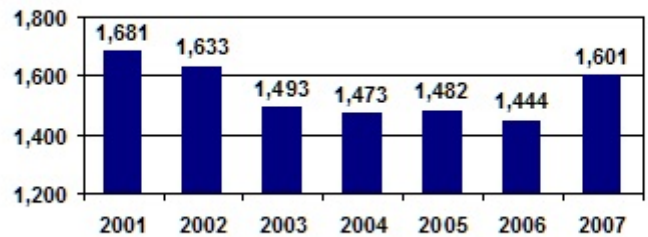
* CLFM students became Stuart students in 2004.

ENROLLMENT BY COLLEGE

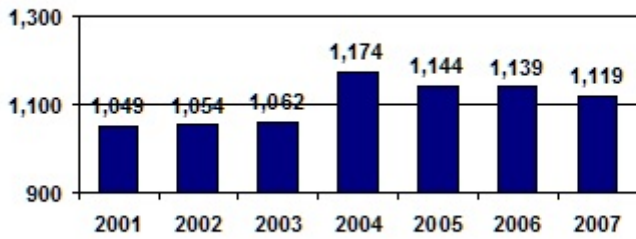
Armour College



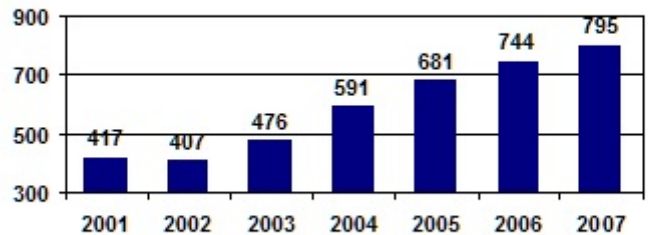
College of Sciences & Letters



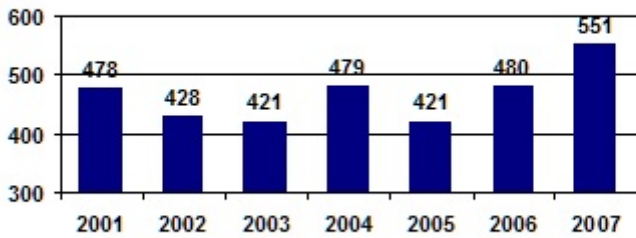
Chicago-Kent



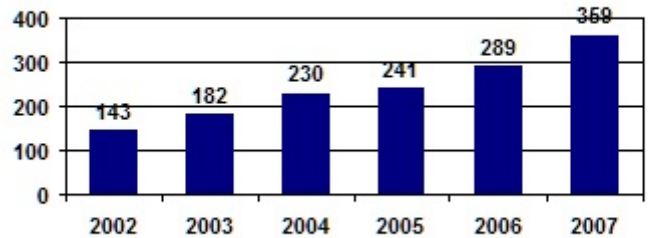
College of Architecture



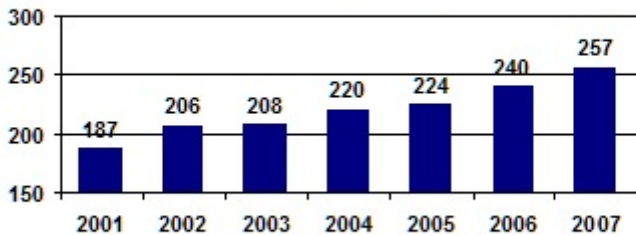
Stuart Graduate School



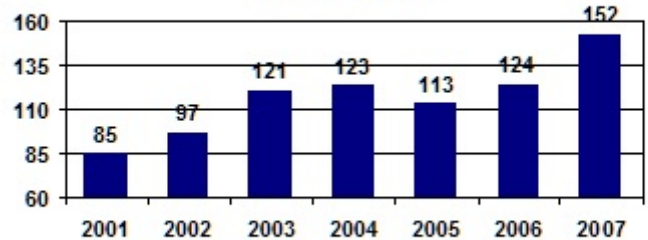
Center for Professional Development



Institute of Psychology



Institute of Design



Institute of Business

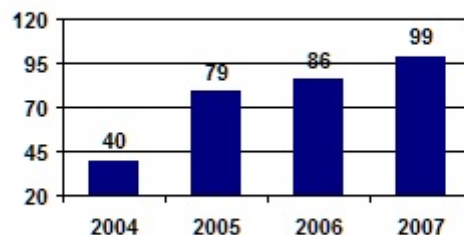


Table 11 Freshmen Retention Rates

Fall	Students	Cumulative Enrolled and Graduated					
		2 nd year	3 rd year	4 th year	5 th year	6 th year	7 th year
1997	265	81%	71%	68%	65%	68%	68%
1998	283	83%	67%	65%	65%	67%	n/a
1999	275	89%	77%	74%	72%	71%	69%
2000	401	85%	74%	72%	70%	69%	67%
2001	292	85%	75%	72%	68%	67%	68%
2002	360	81%	71%	68%	67%	65%	
2003	392	82%	74%	70%	66%		
2004	461	81%	72%	68%			
2005	408	85%	76%				
2006	485	86%					

ADMISSIONS**Table 12 Final Data for Undergraduate Freshmen**

	2003	2004	2005	2006	2007	Var	
Undergraduate Full-Time							
Applications	2,539	2,609	2,514	4,965	4,383	(582)	-11.7%
Admits	1,502	1,603	1,588	2,661	2,474	(187)	- 7.0%
Final enrollment	397	464	415	484	520	36	7.4%
Undergraduate Transfers							
Applications	539	521	540	515	677	162	31.5%
Admits	214	283	288	262	327	65	24.8%
Final enrollment	114	151	186	144	182	38	26.4%
Total Full-Time Undergraduate							
Applications	3,078	3,130	3,054	5,480	5,060	(420)	- 7.7%
Admits	1,716	1,886	1,876	2,923	2,801	(122)	- 4.2%
Final enrollment	511	615	601	628	702	74	11.8%
Undergraduate Part-Time							
Admits	84	74	66	56	73	17	30.4%
Final enrollment	70	51	56	41	74	33	80.5%

In fall 2007, overall new freshmen enrollment of underrepresented minorities increased to 58 students from 33 students in 2006, an increase of 25 students or 76%.

Table 13 Underrepresented Minority Enrollment

	2006	2007	Var	
African-American	13	19	6	46%
Hispanic	19	36	17	90%
Native American	1	3	2	200%
Total	33	58	25	76%

In 2007, 11% of the entering class were underrepresented minorities, compared with 6% in 2006.

Table 14 Graduate Admissions

	2003	2004	2005	2006	2007	Var	
Armour College							
Applications	3,455	2,440	2,312	2,841	3,337	496	17.5%
Admits	1,866	1,426	1,285	1,634	1,726	92	5.6%
Admits*	1,092	1,050	1,113	1,325	1,362	37	2.8%
Final enrollment	281	322	333	390	401	11	2.8%
Center for Professional Development							
Applications	125	144	126	229	233	4	1.7%
Admits	72	84	93	177	156	(21)	-11.9%
Admits*	72	84	87	163	144	(19)	-11.7%
Final enrollment	51	62	36	82	68	(14)	-17.1%
College of Architecture							
Applications	273	277	334	338	347	9	2.7%
Admits	169	187	240	247	253	6	2.4%
Admits*	169	187	238	246	246	0	0.0%
Final enrollment	52	66	78	73	76	3	4.1%
College of Sciences and Letters							
Applications	2,251	1,787	1,737	1,850	2,308	458	24.8%
Admits	1,168	1,014	1,011	1,089	1,260	171	15.7%
Admits*	808	873	926	940	1,095	155	16.5%
Final enrollment	282	318	337	307	369	62	20.2%
Institute of Design							
Applications	151	130	106	121	145	24	19.8%
Admits	106	94	81	88	105	17	19.3%
Admits*	106	94	81	105	103	(2)	-1.9%
Final enrollment	47	41	38	53	62	9	17.0%
Institute of Psychology							
Applications	199	235	241	290	261	(29)	-10.0%
Admits	99	89	98	108	89	(19)	-17.6%
Admits*	99	87	96	106	89	(17)	-16.0%
Final enrollment	35	34	47	32	32	0	0.0%
MAIN CAMPUS TOTAL							
	2003	2004	2005	2006	2007	Var	
Applications	6,454	5,013	4,856	5,669	6,631	962	17.0%
Admits	3,483	2,899	2,808	3,343	3,589	246	7.4%
Admits*	2,345	2,375	2,541	2,868	3,039	171	6.0%
Final enrollment	748	842	869	937	1,008	71	7.6%
DOWNTOWN CAMPUS							
Chicago-Kent College of Law							
Applications	3,774	4,228	3,799	3,690	3,376	(314)	-8.5%
Admits	1,058	1,212	1,038	1,106	1,188	82	7.4%
Final enrollment	318	379	330	306	356	50	16.3%
Stuart Graduate School of Business							
Applications	656	657	577	760	1,049	289	38.0%
Admits	508	494	402	578	760	182	31.5%
Admits*	505	483	371	538	715	177	32.9%
Final enrollment	191	152	137	189	232	43	22.8%
GRAND TOTAL							
Applications	10,884	9,898	9,232	10,119	11,056	937	9.3%
Admits	5,049	4,605	4,248	5,027	5,537	510	10.1%
Admits*	2,850	2,858	2,912	3,406	3,754	348	10.2%
Final enrollment	1,257	1,373	1,336	1,432	1,596	164	11.5%

*Domestic & International w/I20's

TEST SCORES

Table 15 Final Full-time Freshman Admission Test Scores

Means				25th-75th Percentile		
SAT Composite	2005	2006	2007	2005	2006	2007
All Freshmen	1286	1307	1293	1200 - 1370	1230 - 1390	1210 - 1390
Camras	1406	1436	1415	1340 - 1473	1400 - 1490	1360 - 1480
Without Camras	1273	1301	1282	1190 - 1360	1230 - 1370	1200 - 1370
Other full tuition	1290	1340	1210	1258 - 1323	1340 - 1340	1210 - 1210
ROTC	1227	1303	1217	1160 - 1290	1230 - 1370	1210 - 1230
ACT Composite						
All Freshmen	28	28	28	25 - 30	26 - 30	26 - 31
Camras	32	32	32	30 - 33	31 - 33	31 - 33
Without Camras	28	28	28	25 - 30	26 - 30	26 - 30
Other full tuition	27	31	28	25 - 30	31 - 31	28 - 28
ROTC	26	28	28	24 - 28	26 - 29	26 - 29

Table 16 Graduate Student Test Scores

	2003	2004	2005	2006	2007
GRE					
Verbal	464	456	444	433	435
Quantitative	713	720	720	723	726
Total Verbal & Quant.	1,177	1,176	1,164	1,156	1,161
GREWA (writing analysis)	4.0	3.9	3.8	3.7	3.6
GMAT					
Verbal	24	26	27	27	29
Math	44	43	46	48	50
Total	561	586	604	608	627
Analytical Writing	3.82	4.12	4.26	4.27	4.72
TOEFL	246	253	247	250	243
LSAT	158	159	160	159	160

The maximum score in each category is used for each student except LSAT scores, where multiple scores are averaged. New full-time graduate students are included in this table; only JD applicants are included in the LSAT score.

FACULTY and STAFF

Table 17 Salaries (in Millions)

	FY02	FY03	FY04	FY05	FY06	FY07	Var	
Faculty salaries	32.6	34.6	36.2	38.3	40.5	42.9	2.4	5.9%
Administrative and staff salaries	28.6	30.1	31.7	32.5	33.9	36.1	2.2	6.5%
Part-time salaries, incl RA/TA	8.2	9.7	10.2	10.1	10.9	12.8	1.9	17.4%
Total salaries	69.4	74.4	78.1	80.9	85.3	91.8	6.5	7.6%
Employee benefits	12.0	13.0	13.9	14.4	14.6	15.6	1.0	6.8%
Total salaries and benefits	81.4	87.4	92.0	95.3	99.9	107.4	7.5	7.5%

Table 18 Number of Employees on May 31

	2002	2003	2004	2005	2006	2007	Var	
Faculty	330	325	344	345	364	377	13	3.6%
Administration	288	291	298	287	274*	311*	37	13.5%
Staff	291	322	284	298	357*	379*	22	6.2%
Total	909	938	926	930	995	1,067	72	7.2%
Administration/faculty ratio	87.3%	89.5%	86.6%	83.2%	75.3%	82.5%	7.2%	9.6%

*Some Administration employees were reclassified as staff employees in FY06.

Table 19 Non-Faculty Employees by Department on May 31

	2004	2005	2006	2007	Var	
University academic staff	213	200	233	241	8	3.4%
Business and Finance	126	126	now reported separately on next lines			
Business and Administration			94	106	12	12.8%
Finance			37	44	7	18.9%
Office of Provost*	38	73*	78	87	9	11.5%
Office of Technology Services	47	48	55	59	4	7.3%
Institutional Advancement	24	29	35	40	5	14.3%
Graduate College	27	27	30	31	1	3.3%
Enrollment *	63	23*	20	23	3	15.0%
Graduate Enrollment	8	16	16	20	4	25.0%
Communications & Marketing*		13	15	18	3	20.0%
Undergraduate College	10	10	0	0	0	
Office of International Affairs	7	7	6	9	3	50.0%
Office of External Affairs	5	5	6	6	0	0.0%
Office of President	4	4	2	2	0	0.0%
General Counsel	4	4	4	4	0	0.0%
Total Staff	576	585	631	690	59	9.4%

*The Communication and Marketing staff was moved out of the Provost's office and 45 staff members moved from Enrollment to the Provost's office.

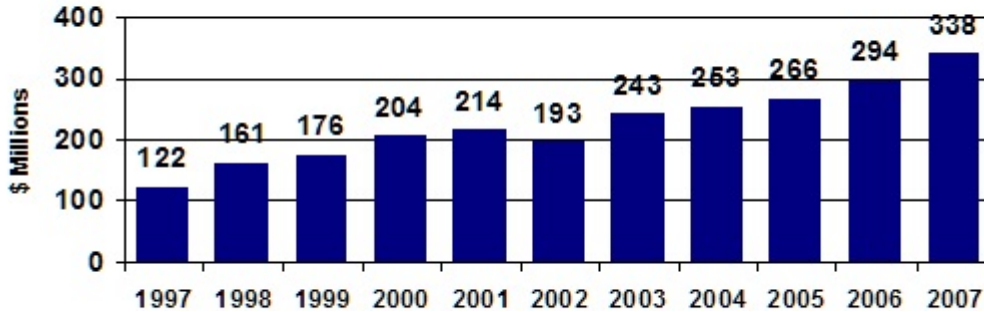
ENDOWMENT

Table 20 Endowment Value (in millions)

Endowment Value								Draw			
May 31 Year	without Alion	Alion value	Total	Var	%	Return	Avg Return*	Draw Budget	Excess Draw	Total Draw	5% of balance
1997	122.0		122.0				20.7%				
1998	160.8		160.8	38.8	31.8%	19.3%	18.0%				
1999	175.5		175.5	14.7	9.1%	4.2%	11.0%			22.8	14.2%
2000	204.6		204.6	29.1	16.6%	15.1%	13.0%			24.5	14.0%
2001	213.6		213.6	9.0	4.4%	-2.4%	-3.6%			24.5	12.0%
2002	193.3		193.3	(20.3)	-9.5%	-4.1%	6.0%			24.5	11.5%
2003	193.7	49.0	242.7	49.4	25.6%	-5.3%	3.0%	8.8	20.5	29.3	15.2%
2004	200.2	52.5	252.7	10.0	4.1%	18.6%	15.1%	10.2	16.6	26.8	11.0%
2005	206.2	60.1	266.3	13.6	5.4%	9.9%	9.3%	11.7	15.7	27.4	10.8%
2006	229.7	64.8	294.5	28.2	10.6%	9.1%	10.7%	12.6	15.4	28.0	10.5%
2007	263.7	74.3	338.0	43.5	14.8%	19.0%		14.7	12.8	27.5	9.3%

*Average return of all college endowments for calendar year; the University's return for 2007 is as of May 31, 2007. The 2006 return on university endowments comparable in size to IIT's (\$101M to \$500M) was 11.9%.

Endowment Value as of May 31



Endowment Draws - Actual & Budget

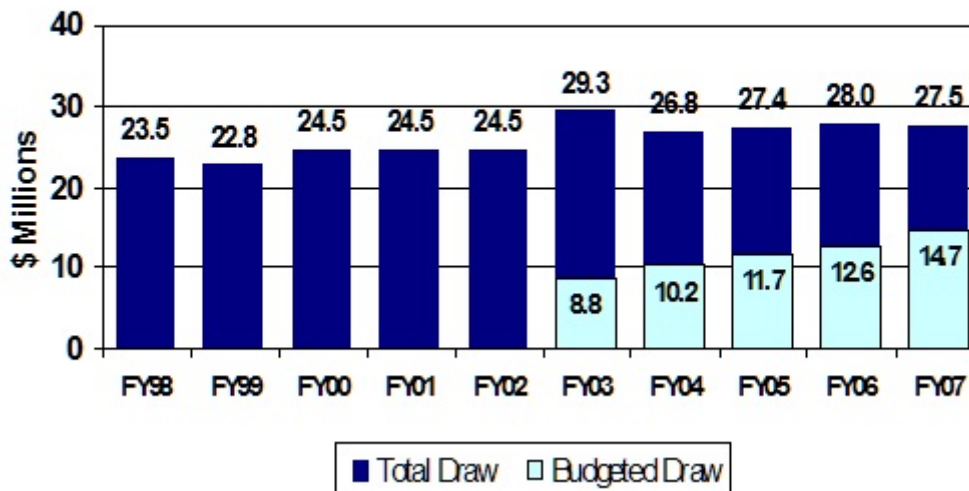


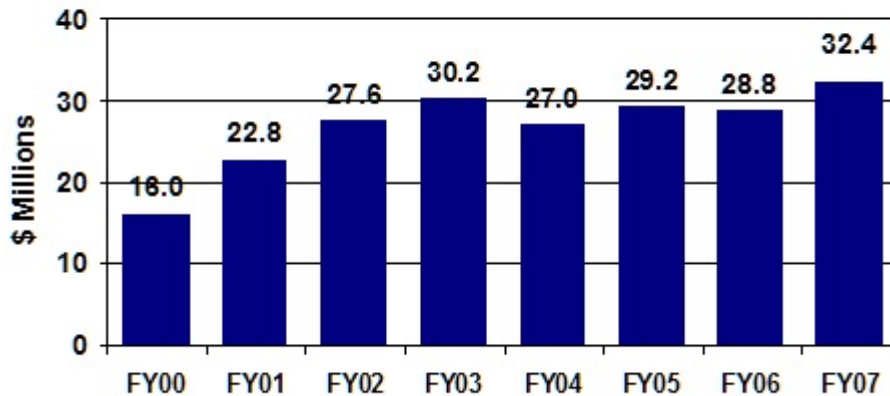
Table 21 Investments at May 31

(In thousands of dollars)

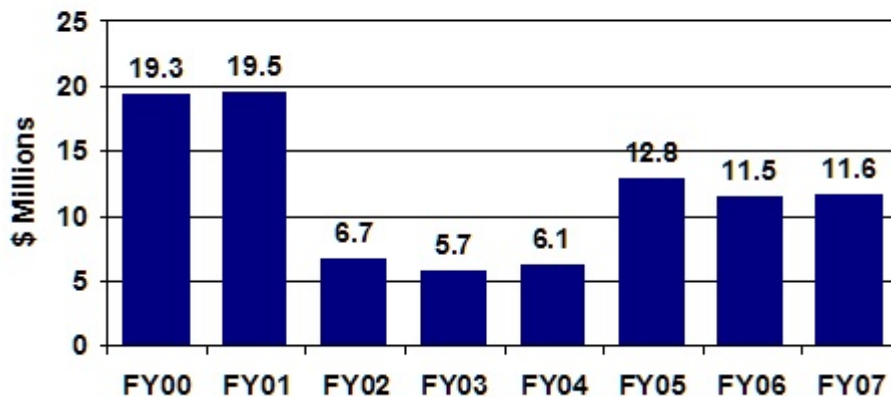
	2007		2006	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	22,522	22,606	28,664	28,664
Real estate	13,803	14,417	13,931	14,483
Stocks	215	240	114,818	127,706
Equity mutual funds	133,459	146,550	0	0
Bonds	14,563	14,521	41,048	40,236
Fixed income mutual funds	25,911	25,666	0	0
Hedge funds	8,427	19,574	8,427	17,270
Private equity funds	18,992	27,315	17,936	23,141
Alion notes and warrants	<u>32,202</u>	<u>74,337</u>	<u>25,020</u>	<u>58,932</u>
Total investments	270,094	345,226	249,844	310,432

GOVERNMENT GRANTS AND GIFTS

Government Grants



Private Gifts



ILLINOIS INSTITUTE OF TECHNOLOGY

Consolidating Statement of Financial Position

May 31, 2007

(In thousands of dollars)

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

(a) Elimination of interentity accounts payable/receivable.

(b) Elimination of equity interest in IITRI.

See accompanying independent auditors' report on supplemental information.

ILLINOIS INSTITUTE OF TECHNOLOGY

Consolidating Statement of Cash Flows

Year ended May 31, 2007

(In thousands of dollars)

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

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

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

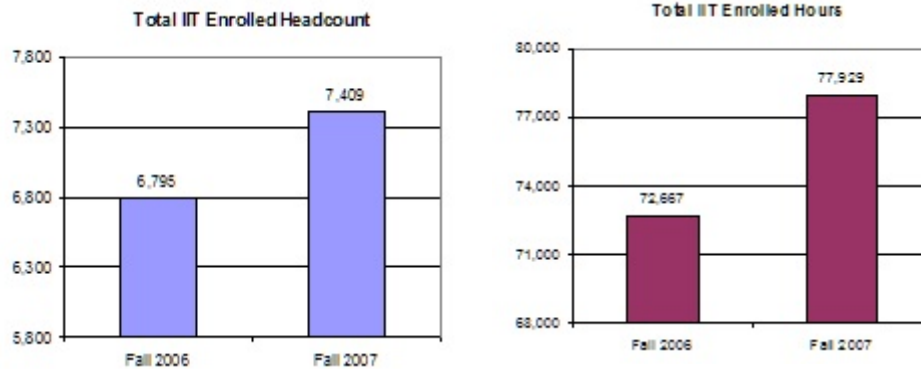
See accompanying independent auditors' report on supplemental information.

UNIVERSITY ENROLLMENT OVERVIEW

New student enrollment increased on the undergraduate, graduate and professional levels in fall 2007, and undergraduate retention also increased.

Total University enrollment for fall 2007 is 7,409, the largest enrollment in IIT's history. Students registered for a total of 77,929 credit hours in fall 2007, up 22% from 2003.

For fall 2007, total headcount and enrolled hours increased by 9% and 7%, respectively.



The majority of IIT students (65%) are enrolled in graduate and professional programs. The percentage of undergraduate enrollment has been steadily increasing rising from 31% in 1997 to 35% in 2007.

Total IIT Enrollment by Level	%
Graduate	41%
Undergraduate	35%
Law	15%
Professional (Business and ID)	9%

Looking at new undergraduate enrollment:

Freshmen enrollment increased to 520, an 8% increase from 2006.

Transfer enrollment increased to 182, a 27% increase from 2006.

Overall full-time undergraduate enrollment now stands at 2,326, a 10% gain.

For Main Campus and Stuart School of Business:

Graduate enrollment on the Main Campus increased 8%.

Enrollment at the Stuart School of Business increased 28%.

There were gains in both domestic and international students.

A critical component of enrollment is retention. Because of its importance, the provost established a Retention and Student Life Task Force comprised of faculty, students and staff in October 2006. The task force was charged to improve retention and enhance student life as measured by change in retention and graduation rates:

Increase the freshman to sophomore retention rate to 90% from 84% by 2010; and

Increase the six-year graduation rate to 75% from 69% by 2010.

Within the first year of the establishment of the task force, the freshman retention rate rose to 86%, an increase of two percentage points from the previous year, and the six-year graduation rate increased to 70%, a change of three percentage points.

UNDERGRADUATE ENROLLMENT

Fall 2007 is the eighth consecutive year of total undergraduate enrollment growth for IIT. A record number of undergraduates, 2,576, enrolled for this fall term, an increase of 33% since 2003.

New Freshmen

IIT welcomed 520 freshmen this fall, an increase of 8% over 2006 and 31% since 2003.

While increasing the size of the freshman class, academic quality has remained consistently high. The mean ACT since fall 2003 has been 28 with the middle 50% generally scoring between 25-30. The mean high school GPA has increased from 3.68 to 3.87.

Almost 48% of this year's freshmen are from the Chicagoland area. Another 37% enrolled from out-of-state, compared with 42% in 2003.

International students currently represent 15% of the entering freshman class, compared to 9% in 2003.

In fall 2007, overall new freshmen enrollment of underrepresented minorities increased to 58 students from 33 students in 2006, an increase of 25 students or 76%, as highlighted in chart below.

In fall 2007, overall new freshmen enrollment of underrepresented minorities increased to 58 students from 33 students in 2006, an increase of 25 students or 76%, as highlighted in chart below.

	2006	2007	1-yr. Change
African-American	13	19	46%
Hispanic	19	36	90%
Native American	1	3	200%
Total	33	58	76%

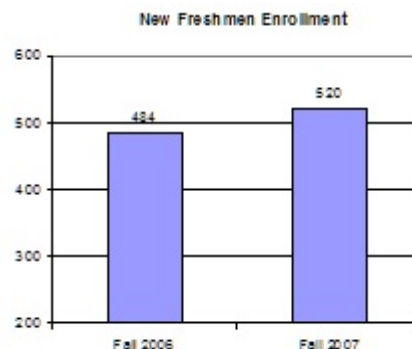
As a result of this enrollment growth, 11% of the entering first-year students in 2007 was underrepresented minorities, as compared to 6% in 2006, a 5 percentage point increase in the enrollment of underrepresented minorities.

The fall 2007 freshman class is 31% female, compared with 21% in 2006.

New Transfer

A total of 182 new full-time undergraduate transfer students from 19 states and 20 foreign countries enrolled in fall 2007, up from 144 last year.

This fall, transfers account for approximately 25% of new degree-seeking undergraduates. Approximately 57% of transfer students are from the Chicagoland area.



GRADUATE AND PROFESSIONAL ENROLLMENT

The overall enrollment of graduate and professional students exhibits growth.

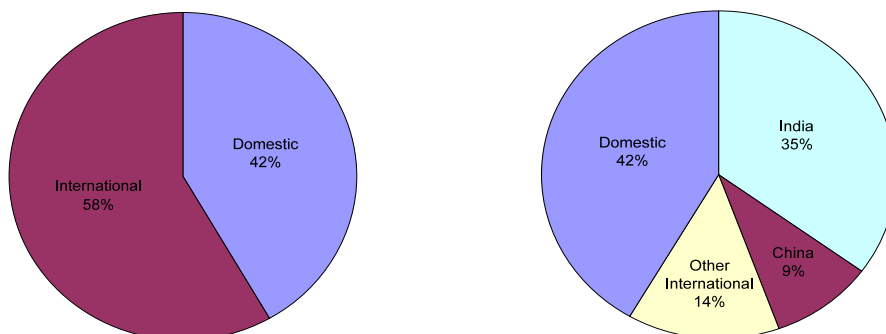
Graduate Enrollment

This fall, the total graduate student enrollment increased by 340 heads compared with last year, a 12% increase.

Headcount by College	Fall 06	Fall 07
Armour	1,125	1,221
Architecture	207	210
CPD	202	280
Design	124	152
Psychology	184	195
Science & Letters	981	1,105
Total	2,823	3,163

As detailed by the charts below, the majority of fall 2007 graduate students are international with India and China being the leading feeder countries.

Fall 2007 International and Domestic Graduate Students
(Left: Total International, Right: Detailed International)



Professional Enrollment

Total enrollment at the Stuart School of Business increased by 71 heads or 15%.

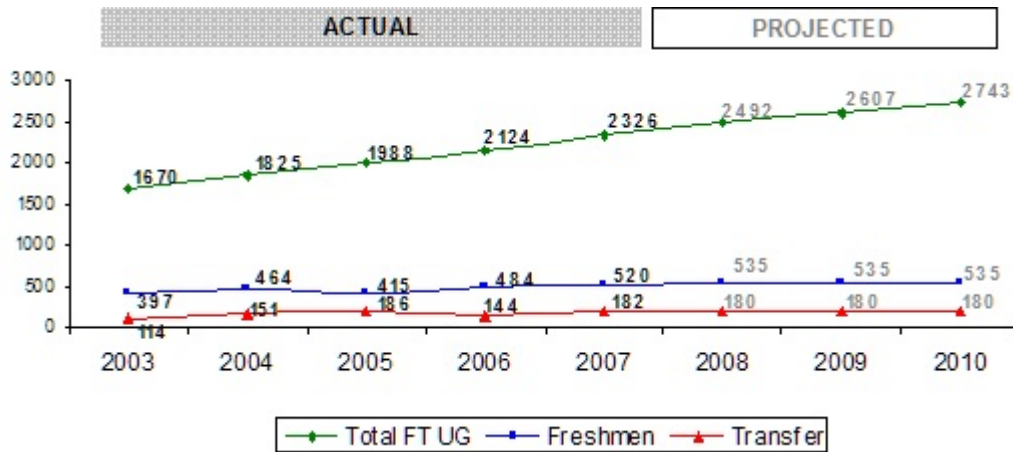
Headcount by Program	Fall 06	Fall 07
MBA	105	113
MBAF	7	0
Equity Markets	19	34
Finance	106	157
Financial Markets	94	111
Marketing Communication	44	38
Mathematical Finance	4	16
PhD	33	29
Certificate	44	36
Total	480	551

In terms of new enrollment, the Stuart School of Business enrolled 232 students in fall 2007 as compared to 189 students in 2006, an increase of 43 students or 23%.

FALL 2008 ENROLLMENT GOALS

Undergraduate

For fall 2008, the new student undergraduate enrollment goals are 535 new full-time freshmen and 180 full-time transfers. Achieving these goals will bring the full-time undergraduate enrollment to approximately 2,500 students in 2008, which had been the University's goal for 2010.



Graduate and Professional

The goal for Main Campus is to increase new graduate student enrollment for both full-and part-time students by 3%. For the colleges of Armour and Science and Letters specifically, this would bring the total enrollment for those two colleges for fall 2008 to 793 from 770 in fall 2007.

For the Stuart School of Business, the goal is to increase new student enrollment by 10%. Fall 2008 new student enrollment would be 255 as compared to 232 in fall 2007.

Undergraduate Retention

The retention and student life task force has established the following goals for 2008 retention:

- Increase the freshman to sophomore retention rate to 88% from 86% in 2007 toward the goal of 90% by 2010; and

- Increase the six-year graduation rate to 72% from 70% in 2007 toward the goal of 75% by 2010.