

**INTO Illinois State
University, LLC**
Financial Statements
June 30, 2019 and 2018

INTO Illinois State University, LLC
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June 30, 2019 and 2018

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Report of Independent Auditors

To the Board of Directors of
INTO Illinois State University, LLC

Report on the Financial Statements

We have audited the accompanying financial statements of INTO Illinois State University, LLC, which comprise the balance sheets as of June 30, 2019 and 2018, and the related statements of operations and comprehensive loss, of stockholders' deficit, and of cash flows for the year ended June 30, 2019 and for the period from March 22, 2018 (date of inception) to June 30, 2018, 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 the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 audits 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 our 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, we consider internal control relevant to the INTO Illinois State University, LLC'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 INTO Illinois State University, LLC'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 INTO Illinois State University, LLC as of June 30, 2019 and 2018, and the results of its operations and its cash flows for the year ended June 30, 2019 and for the period from March 22, 2018 (date of inception) to June 30, 2018 in accordance with accounting principles generally accepted in the United States of America.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2019 on our consideration of INTO Illinois State University, LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of 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 INTO Illinois State University, LLC's internal control over financial reporting and compliance.



Greensboro, North Carolina
November 1, 2019



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

To the Board of Directors of
INTO Illinois State University, LLC

We have audited, 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, the financial statements of INTO Illinois State University, LLC, which comprise the balance sheet as of June 30, 2019 and 2018, and the related statements of operations and comprehensive loss, of stockholders' deficit, and of cash flows for the year ended June 30, 2019 and for the period from March 22, 2018 (date of inception) to June 30, 2018, and the related notes to the financial statements and have issued our report thereon dated November 1, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered INTO Illinois State University, LLC's internal control over financial reporting ("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 INTO Illinois State University, LLC's internal control. Accordingly, we do not express an opinion on the effectiveness of INTO Illinois State University, LLC'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 entity'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 or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether INTO Illinois State University, LLC's financial statements are free from 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*.



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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Greensboro, North Carolina
November 1, 2019

INTO Illinois State University, LLC
Balance Sheets
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 416,859	\$ 1,137,830
Accounts receivable	29,717	-
Prepaid and other current assets	334,289	166,667
Due from INTO NA	1,451	-
Due from ISU	4,715	-
Due from IUP	23,677	-
Total current assets	<u>810,708</u>	<u>1,304,497</u>
Equipment, furniture, and fixtures, net	50,900	46,703
Intangible assets, net	<u>124,032</u>	<u>-</u>
Total assets	<u>\$ 985,640</u>	<u>\$ 1,351,200</u>
Liabilities and Stockholders' Deficit		
Current liabilities		
Accounts payable	\$ 2,311	\$ -
Deferred revenue	1,123,739	80,637
Accrued expenses	275,560	160,858
Due to ISU	673,754	137,794
Due to INTO NA	450,715	498,548
Due to IUP	26,775	1,024,872
Due to INTO TOPCO	-	11,549
Due to INTO WOFE	<u>-</u>	<u>6,565</u>
Total current liabilities	2,552,854	1,920,823
Partner loans - INTO NA	<u>4,700,000</u>	<u>1,000,000</u>
Total liabilities	<u>7,252,854</u>	<u>2,920,823</u>
Stockholders' deficit		
Common stock, \$0.001 par value, 200 shares authorized, issued and outstanding	-	-
Additional paid in capital	50,000	50,000
Accumulated deficit	<u>(6,317,214)</u>	<u>(1,619,623)</u>
Total stockholders' deficit	<u>(6,267,214)</u>	<u>(1,569,623)</u>
Total liabilities and stockholders' deficit	<u>\$ 985,640</u>	<u>\$ 1,351,200</u>

The accompanying notes are an integral part of these financial statements.

INTO Illinois State University, LLC
Statements of Operations and Comprehensive Loss
Year Ended June 30, 2019 and the Period from March 22, 2018 (Date of Inception)
to June 30, 2018

	2019	2018
Revenues		
Tuition	\$ 1,393,007	\$ -
Other operating revenue	423,282	-
Total revenues	<u>1,816,289</u>	<u>-</u>
Expenses		
Cost of instruction	1,313,925	-
Indirect staff costs	799,429	394,974
Marketing	2,306,820	1,001,919
Compensation and employee benefits	841,452	20,059
Rent	116,595	-
Depreciation and amortization	19,182	-
Administrative and service charges	621,754	111,004
Other operating expenses	494,723	91,667
Operating loss	<u>(4,697,591)</u>	<u>(1,619,623)</u>
Net and comprehensive loss	<u>\$ (4,697,591)</u>	<u>\$ (1,619,623)</u>

The accompanying notes are an integral part of these financial statements.

INTO Illinois State University, LLC

Statements of Stockholders' Deficit

Year Ended June 30, 2019 and Period from March 22, 2018 (Date of Inception) to June 30, 2018

	Common Stock		Additional		Accumulated Deficit	Total
	Shares	Amount	Paid In Capital			
Balances at March 22, 2018 (Date of Inception)						
Introduction of capital	200	\$ -	\$	50,000	\$ -	\$ 50,000
Net loss	-	-		-	(1,619,623)	(1,619,623)
Balances at June 30, 2018	200	-		50,000	(1,619,623)	(1,569,623)
Net loss	-	-		-	(4,697,591)	(4,697,591)
Balances at June 30, 2019	200	\$ -	\$	50,000	\$ (6,317,214)	\$ (6,267,214)

The accompanying notes are an integral part of these financial statements.

INTO Illinois State University, LLC

Statements of Cash Flows

Year Ended June 30, 2019 and Period from March 22, 2018 (Date of Inception) to June 30, 2018

	2019	2018
Operating activities		
Net loss	\$ (4,697,591)	\$ (1,619,623)
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Depreciation and amortization	19,182	-
Changes in operating assets and liabilities		
Accounts receivable	(29,717)	-
Due from INTO NA	(1,451)	-
Due from ISU	(4,715)	-
Due from IUP	(23,677)	-
Prepaid and other current assets	(167,621)	(166,667)
Due to ISU	582,663	91,091
Due to INTO NA	(47,833)	498,548
Due to IUP	(998,097)	1,024,872
Due to INTO Topco	(11,549)	11,549
Due to INTO WOFE	(6,565)	6,565
Accounts payable	2,312	-
Accrued expenses	114,702	160,858
Deferred revenue	1,043,101	80,637
Net cash (used in) provided by operating activities	<u>(4,226,856)</u>	<u>87,830</u>
Investing activities		
Purchases of equipment	(60,226)	-
Purchases of intangible assets	(133,889)	-
Net cash used in investing activities	<u>(194,115)</u>	<u>-</u>
Financing activities		
Proceeds from borrowings on Partner loans (INTO NA)	3,700,000	1,000,000
Proceeds from additional paid in capital - ISU	-	25,000
Proceeds from additional paid in capital - INTO NA	-	25,000
Net cash provided by financing activities	<u>3,700,000</u>	<u>1,050,000</u>
Net (decrease) increase in cash	(720,971)	1,137,830
Cash		
Beginning of year	1,137,830	-
End of year	<u>\$ 416,859</u>	<u>\$ 1,137,830</u>
Non-cash investing activities		
Purchases of equipment, furniture and fixtures included in Due to ISU	\$ -	\$ 46,703

The accompanying notes are an integral part of these financial statements.

INTO Illinois State University, LLC

Notes to Financial Statements

Year Ended June 30, 2019 and Period from March 22, 2018 (Date of Inception) to June 30, 2018

1. Description of Business and Basis of Presentation

Description of Business

INTO Illinois State University, LLC (“INTO Illinois State University” or the “Company”) was established on March 22, 2018 as a joint venture between INTO North America, Inc. (“INTO NA”) and Illinois State University Global LLC (“Illinois State University” or “ISU”), collectively the “Members”, for the purpose of building the international profile of Illinois State University (the “University”). The principal business of INTO Illinois State University is to provide management, marketing, and administrative services to Illinois State University and its diverse students in connection with the international pathway programs, which are subject to the academic authority of Illinois State University. INTO Illinois State University provides continuous support by managing the areas of the students’ cultural experience, English language courses, and eventual matriculation to Illinois State University. The purpose of the partnering between INTO Illinois State University and Illinois State University is to support the recruitment of intellectual talent to Illinois State University, enhance the quality and relevance of education, extend the University’s global reach, transform service quality, broaden Illinois State University’s global brand identity and recognition, provide an economic stimulus for the broader community, and generate revenue for reinvestment in Illinois State University.

INTO Illinois State University operates an international student center located on Illinois State University’s Normal, Illinois campus. INTO Illinois State University and Illinois State University offer a range of academic preparatory courses and English language programs to international students, which when successfully completed, enable qualified international students the ability to progress to undergraduate and graduate degree programs at Illinois State University.

On March 22, 2018, the members each contributed cash of \$25,000 for equal shares of the Company.

Basis of Presentation

The accompanying financial statements of INTO Illinois State University have been prepared on the accrual basis of accounting and are prepared under the guidance of the Accounting Standards Codification (“ASC”) 205, *Presentation of Financial Statements*, in accordance with accounting principles generally accepted in the United States of America. In May 2019, the Board of Directors approved changing the Company’s elected year end from July 31 to June 30.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

INTO Illinois State University considers all highly liquid investments with original maturities of three months or less when purchased to be cash and cash equivalents. The carrying value of cash and cash equivalents reported on the financial statements approximates its fair value. INTO Illinois State University has no cash equivalents at June 30, 2019 and 2018. At times, the Company’s cash balances may be in excess of federally insured limits. The Company maintains its accounts with two high-quality financial institutions and believes that any risk of loss is minimal.

The Company maintains cash deposits with financial institutions that at times may exceed federally insured limits. As of June 30, 2019 and 2018, cash deposits exceeded federally insured limits by \$166,859 and \$887,830, respectively.

INTO Illinois State University, LLC

Notes to Financial Statements

Year Ended June 30, 2019 and Period from March 22, 2018 (Date of Inception) to June 30, 2018

Accounts Receivable

Accounts receivable represent amounts due to the Company for student tuition and fees. Accounts receivable are recorded net of any allowance for doubtful accounts. Allowance for doubtful accounts are reported based on management's best estimate considering type, age, collection history and other factors as deemed appropriate. Any change in the assumptions used may result in an allowance for doubtful accounts being recognized in the period in which the change occurs. The Company had no allowance for doubtful accounts for the year ended June 30, 2019 and the period from March 22, 2018 to June 30, 2018.

Fair Values of Financial Instruments

The Company applies ASC 820, *Fair Value Measurements*, for fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC 820 defines fair value, establishes a framework for the measurement of fair value, and enhances disclosures about fair value measurements.

Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

- Level 1 Quoted prices in active markets for identical assets or liabilities;
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, 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; and
- 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.

The carrying amounts of financial instruments such as cash, accounts receivable, accounts payable, related party payables, or receivables, and accrued liabilities approximate fair value due to their short maturities.

Prepaid Expenses and Other Current Assets

Prepaid expenses consist of amounts paid in advance for items that had not yet occurred as of the end of the fiscal year.

	2019	2018
Prepaid marketing (related party)	\$ 175,000	\$ 166,667
Capitalized commissions	116,046	-
Other prepaid expenses	43,243	-
	<u>\$ 334,289</u>	<u>\$ 166,667</u>

INTO Illinois State University, LLC

Notes to Financial Statements

Year Ended June 30, 2019 and Period from March 22, 2018 (Date of Inception) to June 30, 2018

Equipment, Furniture, and Fixtures, Net

INTO Illinois State University capitalizes all fixed assets over \$500 with a useful life greater than one year. Equipment, furniture, and fixtures are stated at cost less accumulated depreciation. Upon retirement or disposition, the asset's cost and related accumulated depreciation are relieved and the resulting gain or loss, if any, is included in the statements of operations and comprehensive loss. INTO Illinois State University depreciates equipment, furniture, and fixtures on a straight-line basis over its estimated useful life. Useful lives for computer equipment, furniture and fixtures are 4 years.

Amortization of leasehold improvements is computed on a straight-line method over the shorter of the estimated useful lives of the improvements or the expected agreement term.

Intangible Assets, Net

Intangible assets consist of capitalized software costs. These costs consist of internal and external labor costs for development of information systems used internally for business operations. The capitalization of software development costs for internal use is governed by the Financial Accounting Standards Board ("FASB") ASC Subtopic 350-40. At the beginning of application development, software costs, which are primarily related to payroll costs and costs of independent contractors incurred during development, are capitalized. Research and development costs incurred prior to application development are expensed as incurred. Software development costs are amortized on a product by product basis commencing on the date placed in service. Software development costs are amortized on a straight-line basis over the estimated useful life. Useful lives range from 5 to 7 years.

Impairment of Long-Lived Assets

INTO Illinois State University evaluates the recoverability of its long-lived assets whenever adverse events or changes in the business climate indicate that the expected undiscounted future cash flows from the related asset may be less than its carrying value. If the net book value of the related asset exceeds the undiscounted future cash flows of the asset, the carrying amount is reduced to the present value of its expected future cash flows, and an impairment loss is recognized. No indicators of impairment existed at June 30, 2019 or 2018.

Revenues

Tuition is collected by INTO Illinois State University from international students for academic preparatory courses and English language programs. Other operating revenue primarily consists of accommodation, student insurance fees, and cancellation fee income. Revenues are recognized over the program service period.

Refunds

Students may be eligible for a refund, less the deposit, if they cancel or withdraw from an INTO ISU program before the published start date.

Scholarship Fund

The purpose of the scholarship fund is to provide financial scholarships to students admitted into the INTO ISU programs. INTO ISU incurred \$197,839 and \$0 for scholarship fund expense for the year ended June 30, 2019 and for the period from March 22, 2018 to June 30, 2018, respectively. This amount is netted against tuition revenue on the statements of operations and comprehensive loss.

INTO Illinois State University, LLC

Notes to Financial Statements

Year Ended June 30, 2019 and Period from March 22, 2018 (Date of Inception) to June 30, 2018

Deferred Revenue

Deferred revenue consists of cash receipts for student services, tuition, and fees received in advance of the related academic program start date. INTO Illinois State University recognizes the amounts received as revenue in the statements of operations and comprehensive loss ratably over the period of the underlying academic program.

Marketing

Marketing costs consists of fees paid to a related party, INTO University Partnership Limited ("IUP"), for marketing and recruitment services per the Marketing and Recruitment Services Agreement. These costs are expensed over the time period that the services are provided.

Other marketing costs consist of brochures, advertising and other marketing activities and are expensed as incurred or when the first run of advertising occurs.

Income Taxes

The Company is a limited liability company and is a disregarded entity for U.S. Federal, state and local income tax purposes. Accordingly, no provision for income taxes is made in the financial statements.

Agent Commissions

Commissions paid to third party agents are deferred on the balance sheet and recognized over the same period as the related student revenue. In some cases, the Company has recourse to recover all or part of payments made to third party agents.

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 amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Reclassifications

For comparative purposes, certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation. These reclassifications had no impact on the overall financial position of the Company.

Recent Accounting Pronouncements

On May 28, 2014, the Financial Accounting Standards Board ("FASB") issued a converged standard on recognition of revenue from contracts with customers. Such standard was issued by the FASB as Accounting Standards Update ("ASU") 2014-09, *Revenue from contracts with customers (Topic 606)*, which amended revenue recognition guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract.

INTO Illinois State University, LLC

Notes to Financial Statements

Year Ended June 30, 2019 and Period from March 22, 2018 (Date of Inception) to June 30, 2018

In addition, FASB has issued various updates, which aimed to reduce the cost and complexity of implementing the new guidance.

This ASU will be effective for the Company beginning in fiscal year 2020. Early adoption is permitted. The Company is evaluating the impact of this ASU on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous U.S. GAAP. There continues to be a differentiation between finance leases and operating leases; however, the principal difference from previous guidance is that the lease assets and lease liabilities arising from operating leases should be presented on the balance sheet. This update is effective for the Company for fiscal year 2021. The Company is evaluating the impact of this ASU on its financial statements.

3. Related-Party Transactions

For the purposes of the financial statements, the Company considers INTO North America Inc. ("INTO NA"), INTO University Partnership Limited ("IUP"), INTO University Partnerships (Asia), Ltd. ("INTO TOPCO"), Guangzhou WOFE INTO Education, Ltd. ("INTO WOFE"), Illinois State University Global, LLC ("Illinois State University Global"), Illinois State University ("ISU") and members of the INTO Illinois State University Board of Directors to be related parties.

Illinois State University and Illinois State University Global LLC

INTO Illinois State University has entered into a University Service Agreement ("Service Agreement") with Illinois State University Global, which provides that Illinois State University will create and develop the INTO Illinois State University programs jointly with INTO Illinois State University, with the goal of ensuring that appropriate resources and courses at both INTO Illinois State University and Illinois State University are available to provide a quality academic experience. The Service Agreement, effective as of March 22, 2018, continues through March 22, 2028. The Service Agreement may be terminated without liability to either party upon the event of certain criteria established per the Service Agreement. No such event occurred as of June 30, 2019 and 2018.

The Service Agreement provides that credits earned by students who successfully complete the INTO Illinois State University Pathways Program will be recognized by Illinois State University toward completion of an appropriate Illinois State University undergraduate or graduate degree program. Illinois State University will provide and supervise the administration of student admissions to the INTO Illinois State University Program and will provide support and mentoring services to the students during their enrollment.

Per the terms of the Service Agreement, Illinois State University will provide INTO Illinois State University access to Illinois State University facilities and student services, Illinois State University will provide for the planning, construction, and use of living and learning facilities based on the achievement of program milestones, including various enrollment thresholds. In addition, access to appropriate Illinois State University staff for delivery of the INTO Illinois State University Programs will be provided to INTO Illinois State University. Illinois State University will incur the payroll and

INTO Illinois State University, LLC

Notes to Financial Statements

Year Ended June 30, 2019 and Period from March 22, 2018 (Date of Inception) to June 30, 2018

other expenses for leased employees, and INTO Illinois State University will reimburse Illinois State University for these costs.

As part of the Service Agreement, Illinois State University granted INTO Illinois State University a nonexclusive, royalty-free, nontransferable worldwide license for the term of the agreement to use the Illinois State University trademarks, trade names, service marks, service names, brand names, domain names, URLs or logos for the purpose of the INTO Illinois State University programs.

For the year ended June 30, 2019, INTO Illinois State University incurred expenses from Illinois State University of \$509,981 for compensation and benefits and \$683,528 for cost of instruction, which are included in the accompanying statements of operations and comprehensive loss. As of June 30, 2019, INTO Illinois State University accrued \$436,375 for compensation and benefits and costs of instruction in Due to ISU on the accompanying balance sheet. For the period ended June 30, 2018, no amounts were incurred by INTO ISU for services provided by ISU for compensation and benefits or cost of instruction.

For the year ended June 30, 2019, INTO Illinois State University incurred expense from Illinois State University of \$116,595 for rent, which is included in the accompanying statement of operations and comprehensive loss. As of June 30, 2019, INTO Illinois State University accrued \$116,595 for rent expense in Due to ISU on the accompanying balance sheet. For the period ended June 30, 2018, INTO Illinois State University incurred no rent expense from Illinois State University.

For the year ended June 30, 2019, INTO Illinois State University incurred expenses from Illinois State University of \$209,486 for administration and service charges, which are included in the accompanying statements of operations and comprehensive loss. As of June 30, 2019, INTO Illinois State University accrued \$35,000 for administration and service charges in Due to ISU on the accompanying balance sheet. For the period ended June 30, 2018, INTO Illinois State University incurred expenses from Illinois State University of \$55,480 for administration and service charges, which are included in the accompanying statements of operations and comprehensive loss. As of June 30, 2018, INTO Illinois State University accrued \$55,480 for administration and service charges in Due to ISU on the accompanying balance sheet.

For the year ended June 30, 2019, INTO Illinois State University incurred expenses from Illinois State University of \$109,173 for other operating expenses, which are included in the accompanying statements of operations and comprehensive loss. For the year ended June 30, 2019, INTO Illinois State University incurred IT expenses from Illinois State University of \$80,397, which are included in other operating expenses in the accompanying statements of operations and comprehensive loss. As of June 30, 2019, INTO Illinois State University accrued \$85,784 for other operating expenses in Due to ISU on the accompanying balance sheet. For the period ended June 30, 2018, INTO Illinois State University incurred expenses from Illinois State University of \$11,363 for other operating expenses, which are included in the accompanying statements of operations and comprehensive loss. As of June 30, 2018, INTO Illinois State University accrued \$11,363 for other operating expenses in Due to ISU on the accompanying balance sheet.

Illinois State University owed INTO Illinois State University \$4,715 and \$0 for scholarship funds at June 30, 2019 and 2018, respectively.

INTO Illinois State University, LLC

Notes to Financial Statements

Year Ended June 30, 2019 and Period from March 22, 2018 (Date of Inception) to June 30, 2018

For the period ended June 30, 2019 and 2018, INTO Illinois State University recorded \$0 and \$46,703 of equipment, furniture and fixtures provided by Illinois State University per Article 4.0.1 of the Service Agreement.

In addition, INTO Illinois State University incurred \$24,248 for the Agent Visit (“FAM Trip”) to the Normal, Illinois campus for the period ended June 30, 2018, as defined in the Service Agreement. These costs are recorded as marketing expenses in the accompanying statements of operations and comprehensive loss.

INTO Illinois State University has an agreement with Illinois State University Global that allows INTO Illinois State University to defer the payment of the Specified Costs, as defined in the Service Agreement, until the final day of the fiscal year immediately following the year end. An interest rate of 6% will be applied, commencing the first day of the fiscal year immediately following the year end, to any deferred amounts. As of June 30, 2019 and 2018, the Company has deferred \$495,511 and \$0, respectively. No interest expense has been incurred for the year ended June 30, 2019 or for the period from March 22, 2018 to June 30, 2018.

The table below reflects the amount of expenses incurred by INTO Illinois State University for services provided by Illinois State University that are reported as operating revenues within the financial statements of Illinois State University. The amounts shown within the table exclude costs that were a reimbursement to Illinois State University for their incidental expenditures. The amount of expenses excluded from the table below is \$28,776 for the year ended June 30, 2019 and \$11,363 for the period from March 22, 2018 to June 30, 2018, respectively. These amounts are included in other operating expenses. The amounts excluded from the table are included as part of other operating expenses within the accompanying statements of operations and comprehensive loss and are included within the amounts disclosed within the preceding paragraphs.

INTO Illinois State University, LLC

Notes to Financial Statements

Year Ended June 30, 2019 and Period from March 22, 2018 (Date of Inception) to June 30, 2018

		INTO Illinois State University								
2019 Information		Due to ISU	Due from ISU	Cost of Instruction	Marketing	Compensation & Employee Benefits	Rent	Administration and Service Charges	IT	Equipment, Furniture, & Fixtures
Illinois State University	Accounts receivable/payable	\$ 673,754	\$ 4,715	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Illinois State University	Operating revenues	-	-	683,528	-	509,981	116,595	209,486	80,397	-
Total		\$ 673,754	\$ 4,715	\$ 683,528	\$ -	\$ 509,981	\$ 116,595	\$ 209,486	\$ 80,397	\$ -

		INTO Illinois State University								
2018 Information		Due to ISU	Due from ISU	Cost of Instruction	Marketing	Compensation & Employee Benefits	Rent	Administration and Service Charges	IT	Equipment, Furniture, & Fixtures
Illinois State University	Accounts receivable	\$ 137,794	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Illinois State University	Operating revenues	-	-	-	24,248	-	-	55,480	-	46,703
Total		\$ 137,794	\$ -	\$ -	\$ 24,248	\$ -	\$ -	\$ 55,480	\$ -	\$ 46,703

INTO Illinois State University, LLC

Notes to Financial Statements

Year Ended June 30, 2019 and Period from March 22, 2018 (Date of Inception) to June 30, 2018

INTO North America, Inc. ("INTO NA")

INTO Illinois State University has incurred expenses of \$209,167 and \$55,524 to INTO NA for administrative services, per Article 4.0.1, for the year ended June 30, 2019 and the period from March 22, 2018 (date of inception) to June 30, 2018, respectively. These amounts are recorded in other operating expenses on the accompanying statements of operations and comprehensive loss. INTO Illinois State University owed INTO NA \$51,667 and \$33,333 as of June 30, 2019 and 2018, respectively, related to the administrative expenses which were recorded in Due to INTO NA on the accompanying balance sheets.

INTO Illinois State University has an agreement with INTO NA which allows INTO Illinois State University to borrow up to \$6,000,000 in operating capital from INTO NA with an interest rate of 6%. Borrowings on this note can be made at any time subject to members' agreement. The Company has outstanding borrowings with INTO NA in the amount of \$4,700,000 and \$1,000,000 and accrued interest of \$133,508 and \$500, for the year ended June 30, 2019 and the period from March 22, 2018 to June 30, 2018, respectively. Accrued interest for INTO NA is presented under Due to INTO NA on the balance sheets, and the principal amount is under Partner loans - INTO NA on the balance sheets.

INTO Illinois State University owed INTO NA \$62,302 and \$464,715 for shared services and other operating costs at June 30, 2019 and 2018, respectively.

INTO Illinois State University has incurred \$203,238 and \$0 for management fees equal to 10% of the instructional fees charged to students for the INTO Illinois State University programs as of June 30, 2019 and 2018, respectively. This amount is recorded in Due to INTO NA on the accompanying balance sheets and other operating expense on the accompanying statements of operations and comprehensive loss.

INTO University Partnership Limited ("IUP")

INTO Illinois State University has incurred expenses of \$2,129,546 and \$679,335 to IUP for marketing and recruitment services fees per Exhibit L of the Services Agreement for the year ended June 30, 2019 and the period from March 22, 2018 to June 30, 2018, respectively. These amounts are recorded in marketing expenses on the accompanying statements of operations and comprehensive loss, and \$0 and \$679,335 was on the accompany balance sheets in Due to IUP, as of June 30, 2019 and 2018, respectively. The Company made advance payments of \$175,000 and \$166,667 to IUP for marketing fees during the year ended June 30, 2019 and for the period from March 22, 2018 to June 30, 2018, respectively, which is recorded in prepaid expenses and other current assets on the accompanying balance sheets.

INTO Illinois State University owed IUP \$26,775 and \$345,537 for shared services and other operating costs at June 30, 2019 and 2018, respectively. These amounts are recorded in Due to IUP in the accompanying balance sheets.

The amount recorded as due to Guangzhou INTO Education Ltd ("INTO WOFE") on the accompanying balance sheet at June 30, 2018 and other operating expenses on the accompanying statement of operations and comprehensive loss for the period from March 22, 2018

INTO Illinois State University, LLC
Notes to Financial Statements
Year Ended June 30, 2019 and Period from March 22, 2018 (Date of Inception) to June 30, 2018

to June 30, 2018 is \$6,565 and is related to shared services and other operating costs incurred during the period. INTO WOFE is a wholly-owned subsidiary of IUP.

The amount recorded as due to INTO University Partnerships (Asia) Ltd. ("INTO TOPCO") on the accompanying balance sheet at June 30, 2018 and in other operating expenses on the accompanying statement of operations and comprehensive loss for the period from March 22, 2018 to June 30, 2018 is \$11,549 is related to shared services and other operating costs incurred during the period. INTO TOPCO is a wholly-owned subsidiary of IUP.

4. Equipment, Furniture and Fixtures, Net

The components of equipment, furniture and fixtures consist of the following at June 30:

	2019	2018
Computer equipment	\$ 5,231	\$ 3,715
Furniture and fixtures	54,994	42,988
	<u>60,225</u>	<u>46,703</u>
Accumulated depreciation and amortization	(9,325)	-
	<u>\$ 50,900</u>	<u>\$ 46,703</u>

Depreciation and amortization expense on equipment, furniture and fixtures for the year ended June 30, 2019 and the period from March 22, 2018 to June 30, 2018 was \$9,325 and \$0, respectively. The Company recorded no depreciation and amortization expense on equipment, furniture and fixtures for the period from March 22, 2018 to June 30, 2018 because the assets were not placed in service in the period.

5. Intangible Assets, Net

Intangible assets consist of capitalized software costs and are carried at a gross cost of \$133,889 and \$0 at June 30, 2019 and 2018, respectively. Accumulated amortization was \$9,857 and \$0, at June 30, 2019 and 2018, respectively, and amortization expense was \$9,857 and \$0 for the year ended June 30, 2019 and for the period from March 22, 2018 to June 30, 2018, respectively.

Amortization expense for future years related to intangible assets, which is an estimate and subject to change, is as follows:

2020	\$ 32,789
2021	32,789
2022	32,264
2023	24,009
2024	2,181
	<u>\$ 124,032</u>

INTO Illinois State University, LLC
Notes to Financial Statements
Year Ended June 30, 2019 and Period from March 22, 2018 (Date of Inception) to June 30, 2018

6. Leases

The Company conducts its operations in leased facilities from Illinois State University under an initial operating lease that began on March 22, 2018 and expires on March 22, 2028. The Company does not have the right to sub-lease or assign the lease without prior written consent of Illinois State University. There are no provisions in the lease for transfer of ownership or bargain purchase options, and there is no early termination penalty. The Illinois State University has granted a \$50,000 per year rent abatement for the duration of the services agreement resulting in net rent expense for the year ended June 30, 2019 and for the period from March 22, 2018 to June 30, 2018, of \$116,595 and \$0, respectively.

Within one year	\$ 135,316
During year 2 to 5	541,264
In excess of five years	<u>507,435</u>
Total commitments	<u>\$ 1,184,015</u>

7. Accrued Expenses

Accrued expenses consist of the following at June 30:

	2019	2018
Payroll and other employee related benefits	\$ 59,696	\$ 5,160
Student deposits and refunds	107,880	-
Travel and marketing	-	108,198
Audit, insurance, legal and tax	76,754	15,275
Other	<u>31,230</u>	<u>32,225</u>
Total accrued expenses	<u>\$ 275,560</u>	<u>\$ 160,858</u>

8. Employee Benefit Plans

The INTO Illinois State University, LLC 401(k) plan is a contributory defined contribution plan designed to provide all employees who meet certain age and service requirements the opportunity to contribute a portion of their pre-tax or after-tax income to the traditional 401(k) or Roth 401(k) plan. Contributions are made through employee-elected payroll withholdings and are subject to certain limitations. The Company matches 100% of employee contributions into either plan up to 6% of each participant's earnings. The Company contributed \$4,806 and \$0 on behalf of its employees in the year ended June 30, 2019 and for the period from March 22, 2018 to June 30, 2018, respectively.

INTO Illinois State University, LLC

Notes to Financial Statements

Year Ended June 30, 2019 and Period from March 22, 2018 (Date of Inception) to June 30, 2018

9. Subsequent Events

In connection with the preparation of the financial statements and in accordance with ASC 855, *Subsequent Events*, management has evaluated and reviewed the affairs of INTO Illinois State University, LLC for subsequent events that would impact the financial statements for the period ended June 30, 2019 to November 1, 2019, the date the financial statements were available to be issued. As a result of this review, nothing was noted which would have a material impact on these financial statements.