

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

INTO Illinois State University, LLC
Index
June 30, 2018

	Page(s)
Report of Independent Auditors	1-2
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 <i>Government Auditing Standards</i>	3-4
Financial Statements	
Balance Sheet.....	5
Statement of Operations and Comprehensive Loss	6
Statement of Stockholders' Deficit	7
Statement of Cash Flows	8
Notes to Financial Statements	9-16



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 Sheet as of June 30, 2018, and the related statements of operations and comprehensive loss, of stockholders' deficit, and of cash flows 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 audit. We conducted our audit 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 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, 2018, and the results of its operations and its cash flows 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 20, 2018 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.

PricewaterhouseCoopers LLP

Greensboro, North Carolina
November 20, 2018



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 and 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, 2018, and the related statements of operations and comprehensive loss, of stockholders' deficit, and of cash flows 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 20, 2018.

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.

PricewaterhouseCoopers LLP

Greensboro, North Carolina
November 20, 2018

INTO Illinois State University, LLC
Balance Sheet
June 30, 2018

	2018
Assets	
Current and total assets	
Cash and cash equivalents	\$ 1,137,830
Prepaid expenses - IUP	166,667
Current assets	<u>1,304,497</u>
Equipment, furniture, and fixtures	46,703
Total assets	<u>\$ 1,351,200</u>
Liabilities and Stockholders' Deficit	
Current liabilities	
Deferred revenue	\$ 80,637
Accrued expenses	160,858
Due to ISU	137,794
Due to INTO NA	498,548
Due to IUP	1,024,872
Due to INTO TOPCO	11,549
Due to INTO WFOE	6,565
Total current liabilities	<u>1,920,823</u>
Partner loans - INTO NA	1,000,000
Total liabilities	<u>2,920,823</u>
Stockholders' deficit	
Additional paid in capital	50,000
Accumulated deficit	(1,619,623)
Total stockholders' deficit	<u>(1,569,623)</u>
Total liabilities and stockholders' deficit	<u>\$ 1,351,200</u>

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

INTO Illinois State University, LLC
Statement of Operations and Comprehensive Loss
Period from March 22, 2018 (date of inception) to June 30, 2018

	2018
Revenues	
Tuition revenue	\$ -
Other operating revenue	-
Total revenues	<u>-</u>
Operating expenses	
Indirect staff costs	\$ 394,974
Marketing	1,001,919
Compensation and employee benefits	20,059
Other operating expenses	<u>202,671</u>
Total operating expenses	<u>1,619,623</u>
Net and comprehensive loss	<u>\$ (1,619,623)</u>

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

INTO Illinois State University, LLC
Statement of Stockholders' Deficit
Period from March 22, 2018 (date of inception) to June 30, 2018

	<u>Common Stock</u>		<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Additional Paid in Capital</u>		
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	<u>200</u>	<u>\$ 50,000</u>	<u>\$ (1,619,623)</u>	<u>\$ (1,569,623)</u>

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

INTO Illinois State University, LLC
Statement of Cash Flows
Period from March 22, 2018 (date of inception) to June 30, 2018

	2018
Cash flows from operating activities	
Net loss	\$ (1,619,623)
Adjustments to reconcile net loss to net cash provided by operating activities	
Changes in operating assets and liabilities	
Prepaid expenses - IUP	(166,667)
Due to ISU	91,091
Due to INTO NA	498,548
Due to IUP	1,024,872
Due to INTO TOPCO	11,549
Due to INTO WFOE	6,565
Accrued expenses	160,858
Deferred revenue	80,637
Net cash provided by operating activities	<u>87,830</u>
Cash flows from financing activities	
Proceeds from borrowings on Partner loans (INTO NA)	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>1,050,000</u>
Net increase in cash	1,137,830
Cash and cash equivalents	
Beginning of year	-
End of year	<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

Period from March 22, 2018 (date of inception) to June 30, 2018

1. Summary of Significant Accounting Policies

Organization

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” and “ISU”), collectively the “Members”, for the purpose of building the international profile of Illinois State University (“Illinois State University” or 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 the best and brightest 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. The Company has elected July 31 as its year end.

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, 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.

As of June 30, 2018, cash deposits exceeded federally insured limits by \$887,830.

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 receivables. Allowance for doubtful receivables are reported based on management’s best estimate as of fiscal year-end considering

INTO Illinois State University, LLC

Notes to Financial Statements

Period from March 22, 2018 (date of inception) to June 30, 2018

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable (continued)

type, age, collection history and other factors as deemed appropriate. Any change in the assumptions used may result in an allowance for doubtful receivables being recognized in the period in which the change occurs. The Company has no accounts receivable and recorded no allowance for doubtful receivables for the period ended 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.

The carrying amounts of financial instruments such as cash, accounts payable, deferred revenue, and accrued liabilities approximate fair value due to their short maturities.

Equipment, Furniture, and Fixtures

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.

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, 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 income. Revenues are recognized over the program service period on a prorated basis. As of Jun 30, 2018, no courses have commenced, and no revenue has been recorded.

Deferred Revenue

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

INTO Illinois State University, LLC
Notes to Financial Statements
Period from March 22, 2018 (date of inception) to June 30, 2018

1. Summary of Significant Accounting Policies (continued)

Marketing

Marketing costs consists of fees paid to 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.

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.

Recent Accounting Pronouncements

On May 28, 2014, the Financial Accounting Standards Board ("FASB") issued a converged standard on recognition of revenue from contract with customers. Such standard was issued by 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

Period from March 22, 2018 (date of inception) to June 30, 2018

1. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

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

- 2015-14, *Revenue from contracts with customers (Topic 606): Deferral of the Effective Date*
- 2016-08, *Revenue from contracts with customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*
- 2016-10, *Revenue from contracts with customers (Topic 606): Identifying Performance Obligations and Licensing*
- 2016-12, *Revenue from contracts with customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*

ASU 2015-14 delayed the effective date of the original pronouncement by one year; thus, the guidance in the original pronouncement, as well as all of the subsequent pronouncements above, will be effective for the Company beginning in the year ending July 31, 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 recognized in the balance sheet. This update is effective for the Company in the year ending July 31, 2021. The Company is evaluating the impact of this ASU on its financial statements.

2. 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 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, 2018.

INTO Illinois State University, LLC
Notes to Financial Statements
Period from March 22, 2018 (date of inception) to June 30, 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 in the INTO Illinois State University Program.

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, and 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 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 period ended June 30, 2018, INTO Illinois State University incurred \$66,843 for other operating costs and received \$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, 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			
	Due to ISU	Marketing Expense	Operating Expense	Equipment, furniture, and fixtures
Illinois State University				
Accounts receivable, net	\$ 137,794	\$ -	\$ -	\$ -
Other operating revenues	-	24,248	66,843	46,703
Total	<u>\$ 137,794</u>	<u>\$ 24,248</u>	<u>\$ 66,843</u>	<u>\$ 46,703</u>

INTO Illinois State University has an agreement with Illinois State University Global which 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 with an interest rate of 6%.

INTO North America, Inc. (“INTO NA”)

INTO Illinois State University owed \$55,524 to INTO NA for administrative services, per Article 4.0.1, for the period ended June 30, 2018. These amounts are recorded in other operating expenses on the accompanying statements of operations and comprehensive loss and in Due to INTO NA on the accompanying balance sheet.

INTO Illinois State University, LLC
Notes to Financial Statements
Period from March 22, 2018 (date of inception) to June 30, 2018

2. Related-Party Transactions (continued)

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. As of June 30, 2018, the Company has outstanding borrowings with INTO NA in the amount of \$1,000,000 and accrued interest of \$500. Accrued interest for INTO NA is presented under Due to INTO NA on the balance sheet, and the principal amount is under Partner loans - INTO NA on the balance sheet.

INTO Illinois State University owed INTO NA \$442,524 for shared services and other operating costs at June 30, 2018.

INTO University Partnership Limited ("IUP")

INTO Illinois State University has incurred expenses of \$849,168 to IUP for marketing and recruitment services fees per Exhibit L of the Services Agreement for the period ended June 30, 2018. These amounts are recorded in marketing expenses on the accompanying statements of operations and comprehensive loss. The Company made advance payments of \$166,667 to IUP for marketing fees during the period ended June 30, 2018, which is recorded in Due from IUP on the accompanying balance sheet.

INTO Illinois State University owed IUP \$175,704 for shared services and other operating costs at June 30, 2018.

The amount recorded as due to Guangzhou WOFE 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 as of June 30, 2018 is related to shared services and other operating costs incurred in the year. 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 as of June 30, 2018 is related to shared services and other operating costs incurred in the year. INTO TOPCO is a wholly-owned subsidiary of IUP.

3. Equipment, Furniture and Fixtures

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

	2018
Computer equipment	\$ 3,715
Furniture and fixtures	42,988
	<hr/> 46,703
Accumulated depreciation and amortization	-
	<hr/> \$ 46,703 <hr/>

INTO Illinois State University, LLC
Notes to Financial Statements
Period from March 22, 2018 (date of inception) to June 30, 2018

The Company recorded no depreciation and amortization expense on equipment, furniture and fixtures for the period ended June 30, 2018 because the assets were not placed in service in the period.

4. 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. At the end of the initial lease term and each year thereafter, the Company may renew the lease for one year pursuant to terms to be provided by Illinois State University. Management expects that the lease will be renewed annually in the normal course of business. The Company and Illinois State University may terminate the lease at any time by providing one hundred and eighty (180) days advance written notice to the other party. 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 no rent expense in the period ended June 30, 2018.

Within one year	\$ 76,809
During year 2 to 5	405,948
In excess of five years	630,251
Total commitments	<u>\$ 1,113,008</u>

5. Accrued Expenses

Accrued expenses consist of the following at June 30:

	2018
Payroll and other employee related benefits	\$ 5,160
Travel and marketing	108,198
Computer consumables	15,447
Audit, insurance, legal and tax	15,275
Other accrued expenses	16,778
	<u>\$ 160,858</u>

INTO Illinois State University, LLC
Notes to Financial Statements
Period from March 22, 2018 (date of inception) to June 30, 2018

6. 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 employee contributions into either plan up to 6% of each participant's earnings. The Company made no contributions on behalf of its employees in the period ended June 30, 2018.

7. 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, 2018 to November 20, 2018, 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.