THE MOODY BIBLE INSTITUTE OF CHICAGO

FINANCIAL STATEMENTS
June 30, 2018 and 2017

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CONTENTS

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Moody Bible Institute of Chicago
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of The Moody Bible Institute of Chicago (the Institute), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Moody Bible Institute of Chicago as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information presented on pages 31 and 32, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information, except for that portion marked “unaudited”, was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked “unaudited” has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Crowe LLP

Crowe LLP

Chicago, Illinois
October 29, 2018

THE MOODY BIBLE INSTITUTE OF CHICAGO
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 5,950,927	$ 7,041,609
Receivables		
Beneficial interest in term trusts held by others and pledges receivable (less allowance for uncollectible amounts $76,000 in in 2018 and $276,000 in 2017)	5,185,093	4,957,854
Other (less allowance for uncollectible amounts $586,000 in 2018 and $401,000 in 2017)	6,799,505	6,566,336
Inventories, net	4,041,333	4,060,128
Investments	90,676,771	111,271,311
Trust holdings	157,931,337	155,160,993
Property, plant, and equipment, net	69,811,826	54,414,727
Other	9,952,898	9,888,493
Total assets	$ 350,349,690	$ 353,361,451
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 11,866,986	$ 10,296,508
Accrued pension and postretirement health benefits	22,413,885	32,341,764
Annuity contract actuarial reserve	36,827,439	40,065,127
Trust obligations	123,869,768	122,516,842
Other	388,931	506,695
Total liabilities	195,367,009	205,726,936
Net assets		
Unrestricted	64,711,056	50,792,269
Temporarily restricted	50,024,765	57,519,844
Permanently restricted	40,246,860	39,322,402
Total net assets	154,982,681	147,634,515
Total liabilities and net assets	$ 350,349,690	$ 353,361,451

See accompanying notes to financial statements.

THE MOODY BIBLE INSTITUTE OF CHICAGO
STATEMENTS OF ACTIVITIES
Years ended June 30, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue, gains, and other support								
Contributions	$ 37,418,835	$ 3,947,115	$ -	$ 41,365,950	$ 36,955,240	$ 3,007,507	$ -	$ 39,962,747
Student fees and tuition	34,718,750	-	-	34,718,750	34,321,501	-	-	34,321,501
Sales of books and publications	20,688,735	-	-	20,688,735	20,367,000	-	-	20,367,000
Investment return designated for current operations	3,612,260	1,402,904	-	5,015,164	3,567,588	1,668,119	-	5,235,707
Other	10,000,634	-	-	10,000,634	9,344,140	-	-	9,344,140
Net assets released from restrictions	5,938,853	(5,938,853)	-	-	9,306,476	(9,306,476)	-	-
Total operating revenue, gains, and other support	112,378,067	(588,834)	-	111,789,233	113,861,945	(4,630,850)	-	109,231,095
Operating expenses								
Program								
Public ministries	41,737,695	-	-	41,737,695	41,067,106	-	-	41,067,106
Education	42,460,537	-	-	42,460,537	41,930,286	-	-	41,930,286
Student services	17,946,626	-	-	17,946,626	17,121,278	-	-	17,121,278
Total program expenses	102,144,858	-	-	102,144,858	100,118,670	-	-	100,118,670
Fund raising	10,144,147	-	-	10,144,147	10,725,608	-	-	10,725,608
Management and general	5,946,837	-	-	5,946,837	5,653,710	-	-	5,653,710
Total operating expenses	118,235,842	-	-	118,235,842	116,497,988	-	-	116,497,988
Changes in net assets from operating activities	(5,857,775)	(588,834)	-	(6,446,609)	(2,636,043)	(4,630,850)	-	(7,266,893)

(Continued)

THE MOODY BIBLE INSTITUTE OF CHICAGO
STATEMENTS OF ACTIVITIES
Years ended June 30, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Other changes in net assets								
Investment return in excess of (less than) amounts designated for current operations	$ (536,555)	$ 839,544	$ -	$ 302,989	$ 813,252	$ 2,551,329	$ -	$ 3,364,581
Contributions for new building	-	1,722,749	-	1,722,749	-	1,516,966	-	1,516,966
Permanently restricted contributions	-	-	633,917	633,917	-	-	774,124	774,124
Changes in present value of split-interest agreements	(568,671)	1,608,473	290,541	1,330,343	(2,029,579)	3,125,964	168,660	1,265,045
Change in estimate of asset retirement obligation (asbestos)	(123,102)	-	-	(123,102)	(115,861)	-	-	(115,861)
Net assets released for new building	11,077,011	(11,077,011)	-	-	3,543,960	(3,543,960)	-	-
Change in value of accrued pension obligation	8,437,192	-	-	8,437,192	8,385,507	-	-	8,385,507
Change in value of postretirement health benefits obligation	1,490,687	-	-	1,490,687	1,005,464	-	-	1,005,464
Changes in net assets	13,918,787	(7,495,079)	924,458	7,348,166	8,966,700	(980,551)	942,784	8,928,933
Net assets at beginning of year	50,792,269	57,519,844	39,322,402	147,634,515	41,825,569	58,500,395	38,379,618	138,705,582
Net assets at end of year	$ 64,711,056	$ 50,024,765	$ 40,246,860	$ 154,982,681	$ 50,792,269	$ 57,519,844	$ 39,322,402	$ 147,634,515

See accompanying notes to financial statements.

THE MOODY BIBLE INSTITUTE OF CHICAGO
STATEMENTS OF CASH FLOWS
Years ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 7,348,166	$ 8,928,933
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization of property, plant, and equipment	5,939,536	6,001,186
Amortization of other assets	334,061	398,059
Loss on sales of property, plant, and equipment	253,766	877
Net realized and unrealized gain on investments	(2,594,948)	(6,017,362)
Contributions restricted for permanent investment	(633,917)	(774,124)
Donated securities	(1,110,260)	-
Gain in pension and postretirement health benefits	(9,927,879)	(9,390,971)
Changes in operating assets and liabilities:		
Pledges receivables	(227,239)	(608,317)
Other receivables	(233,169)	(263,126)
Inventories	18,795	(422,271)
Accounts payable and accrued expenses	372,542	(1,595,173)
Other assets and liabilities	(516,230)	(58,358)
Net cash from operating activities	(976,776)	(3,800,647)
Cash flows from investing activities		
Purchase of investments	(13,375,937)	(32,785,233)
Proceeds from sales or maturities of investments	37,675,685	41,533,673
Purchase of property, plant, and equipment	(20,409,895)	(7,612,230)
Proceeds from sales of property, plant, and equipment	17,430	53,640
(Decrease) increase in trust holdings	(2,770,344)	5,314,847
Net cash from investing activities	1,136,939	6,504,697
Cash flows from financing activities		
Decrease (increase) in trust obligations	1,352,926	(3,628,563)
Annuity contract actuarial reserve	(3,237,688)	(2,281,431)
Contributions restricted for permanent investment	633,917	774,124
Net cash from financing activities	(1,250,845)	(5,135,870)
Decrease in cash and cash equivalents	(1,090,682)	(2,431,820)
Cash and cash equivalents at beginning of year	7,041,609	9,473,429
Cash and cash equivalents at end of year	$ 5,950,927	$ 7,041,609
Supplemental disclosure of cash flow information		
Construction in process included in accounts payable	$ 2,061,084	$ 863,148

See accompanying notes to financial statements.

NOTE 1 - ORGANIZATION

The Moody Bible Institute of Chicago (the Institute) was incorporated in the state of Illinois in February 1887 as the Chicago Evangelization Society. The name was changed to The Moody Bible Institute of Chicago in March 1900.

The Institute exists to equip and motivate people to advance the cause of Christ through ministries that educate, edify, and evangelize. The primary means for executing this purpose are:

- Conducting Christian educational activities through undergraduate, seminary, and distance learning divisions and conference ministries;
- Publishing and distributing evangelical Christian literature; and
- Producing and broadcasting Christian radio programs.

The Institute draws its students from all fifty states as well as around the world. An Institute distinctive is its long held tuition-paid education model for full-time undergraduate students studying on the Chicago campus, which is financed through contributions from friends of the Institute. These students only pay for room and board and miscellaneous student fees. However, students studying on the Seminary campuses, Moody Spokane branch campus or through distance learning options pay tuition and student fees, as well as room and board if living on the Chicago campus. The amount of tuition charged does not fully cover the cost of all programs so some are also heavily financed by contributions. With much regret, the Moody Spokane Biblical Studies campus was closed down effective June 30, 2018. Moody Aviation remains open in Spokane.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Institute have been prepared on the accrual basis of accounting. Significant accounting policies followed in preparation of these financial statements are described below.

General: The accompanying financial statements have been prepared to focus on the Institute as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted – Net assets not subject to donor-imposed stipulations.

Temporarily restricted – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Institute and/or the passage of time.

Permanently restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Institute. Generally, the donors of these assets permit the Institute to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized and unrealized gains and losses on investments are reported as increases or decreases in unrestricted net assets in the statements of activities unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets in the statement of activities as net assets released from restrictions.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Public Support and Revenue: Contributions, including unconditional pledges, are recognized in the period received. Conditional pledges are recognized when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Contributions received with donor-imposed restrictions that are met in the same year as the contributions are received are reported as revenue of the unrestricted net asset class. Contributions of land, building, and equipment without donor-imposed restrictions concerning the use of such long-lived assets are reported as revenue of the unrestricted net asset class.

The Institute is the beneficiary under various wills, the total realizable value of which is not presently determinable. Such amounts are recorded as contributions when the will clears probate and the proceeds are clearly measurable.

Student tuition and fees are recorded as revenue during the year the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue.

Revenue from the sales of books and publications as well as Institute conferences are recorded when the goods are shipped or the conference is held. Amounts received in advance of shipment of books and publications, and conference dates are recorded as deferred revenue.

Allowance for Doubtful Accounts: The allowance for doubtful accounts is determined by management based on the Institute's historical losses, accounts receivable aging information, specific circumstances and general economic conditions. Receivables are charged off against the allowance when all attempts to collect the receivable have failed.

Investment Return Designated for Current Operations: The Institute has adopted an endowment and investment spending policy in support of current operational budget requirements. The policy allows for the spending of a percentage of the prior year-end fair value of endowment assets (4.5% for fiscal years 2018 and 2017) and other investments (5.0% for fiscal years 2018 and 2017). If endowment and investment returns (i.e., interest, dividends, and gains) exceed the established spending rate, such excess is set aside and reinvested for future needs. If endowment returns are not sufficient to support the spending policy, the yield shortfall is provided from amounts previously set aside. The amounts spent for the current year are shown in the operating section on the statement of activity as "Investment return designated for current operations." The amount set aside is shown in the "Other changes in net assets" section as "Investment return in excess of (less than) amounts designated for current operations."

Operations: The changes in net assets from operating activities in the statement of activities reflect all transactions increasing or decreasing net assets except for endowment gifts, contributions for the new building, reinvestment of income and gains in excess of amounts designated for current operations, changes in asset retirement obligations, changes in the funded status of pension and other postretirement obligations in excess of annual contributions, changes in the value of split interest agreements, and assets released to construct a new building on the Chicago Campus.

Cash Equivalents: Cash equivalents include all highly liquid investments with a maturity of three months or less. Cash equivalents that are held in an Institute managed trust are included with trust holdings. The Institute maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Institute has not experienced any losses in such accounts. Management believes that the Institute is not exposed to any significant credit risk on cash.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories: Inventories, which primarily consist of books and publications, are stated at the lower of cost or fair value. Cost is determined by the average cost method.

Investments and Trust Holdings: Investments, except for real estate held for investment and other non-marketable investments, in marketable equity, debt securities, and alternative investments are reported at fair value. The estimated fair value of alternative investments is based on valuations determined by the investment managers using net asset value (NAV). All investments valued at cost are reviewed for impairment whenever events or changes in circumstances indicate that the fair value of an asset may be less than its carrying value. This loss would be recorded if it is not recoverable.

FASB defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Institute's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

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

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

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Investments that calculate NAV per share (or its equivalent) using the practical expedient are not categorized in the fair value hierarchy.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following are descriptions of the valuation methods and assumptions used by the Institute to estimate the fair values of investments:

Common and preferred stocks: Institute equity holdings that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). Institute holdings in some preferred stock are valued based on matrix pricing, which is a mathematical technique widely used in the industry to value securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs) (income and market approach).

U.S. government securities: Fair values reflect the closing price reported in the active market in which the security is traded (Level 1 inputs).

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Corporate bonds: Certain corporate bond funds are valued at the closing price reported in the active market in which the bond is traded (Level 1 inputs). Individual corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings (Level 2 inputs) (income and market approach).

Mutual funds: The fair values of mutual funds' investments in equity securities, fixed income securities and international holding securities that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Alternative Investments: Alternative investments consist of investments where there may be no active market. The Institute has elected to value alternative investments at fair value and generally uses the NAV of the investment as provided by the investment manager to determine the fair value of these investments.

Hedge Fund: The fund is a globally diversified, multi-strategy, multi-manager "fund of hedge funds" portfolio allocated to 20-30 managers focusing on such categories as: long/short equity, event driven, relative value, and global asset allocation. After one year lock up on each new deposit, the Institute has quarterly liquidity upon 65 days' prior written notice. As of June 30, 2018, all Institute investments in the Fund were more than one year old, and thus had quarterly liquidity. There is no outstanding commitments as of June 30, 2018 and 2017.

Beneficial interest in assets held by others: The fair value of beneficial interests in trust assets (or any type of beneficial interest) was determined based upon the fair value of the underlying trust assets at June 30, 2018. This valuation method has been estimated to represent the present value of future distributed income (Level 3 inputs) (income approach).

Common collective trusts: The fair values of participation units held in common collective trusts and the short term investment fund are based on their NAV, as reported by the fund managers of the common collective trusts and the short-term investment and as supported by the unit prices of actual purchase and sale transactions occurring as of or close to the financial statement date. The investment objectives and underlying investments of the common collective trusts vary, with some holding diversified portfolios of domestic and international stocks and open-ended mutual funds, some holding short-term and/or medium-term corporate, world, government and government agency bonds, and others holding a portfolio of treasury-inflation protected securities. Each common collective trust provides for daily redemptions by the Pension Plan at reported NAV per share, with no advance notice requirements.

Property, Plant, and Equipment: Property, plant, and equipment are stated at cost at date of acquisition or at fair value at date of gift. Property, plant, and equipment are being depreciated principally on a straight-line method over their estimated useful lives. The Institute's policy is to capitalize purchases that exceed $5,000 and have a useful life of at least three years. Long-lived assets, such as property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the fair value of an asset may be less than its carrying value. This loss would be recorded if it is not recoverable. The Institute has various literary collections, which consist of evangelical manuscripts, private papers, and rare books of several authors. The collections are not capitalized on the accounting records of the Institute.

Radio Station Licenses: Radio station licenses are recorded as other assets and are being amortized on a straight-line basis over 40 years.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Beneficial Interest in Trusts Held by Others: Donors have established and funded trusts which are administered as trustee by external organizations. Under the terms of the trusts, the Institute has the irrevocable right to receive the income earned on the trust assets either in perpetuity or for the life (term) of the trust. The Institute does not control the assets held by outside trusts. Although the Institute has no control over the administration of the funds held in these term and perpetual trusts, the current fair value of the underlying assets, which approximates the estimated fair value of the expected future cash flows from the trusts, is recognized as an asset in the accompanying financial statements.

Obligations Under Split-Interest Agreements: These agreements include trusts, annuities, and a pooled income fund held by the Institute in which the Institute is a beneficiary. The liability on temporarily and permanently restricted irrevocable trusts held by the Institute is computed by taking the present value of the payments expected to be made to other beneficiaries at the date of the trust agreement. For these trusts, the discount rate utilized in 2017 and 2018 ranged from 2.2% to 6.0%. The liability on pooled income funds is calculated based on the fair value of the assets donated discounted at a rate from 2.2% to 6.0% for the estimated time period until the donor's death. The Institute continues to use the policy of basing the annuity contract actuarial reserve at the standard set by the State of California. Annuities use the Internal Revenue Service (IRS) discount rate based on the date of the gift, and these rates range from 1.0% to 6.2%. Actuarial tables are used to estimate the years until distribution in all cases mentioned above. Contributions from split-interest agreements approximated $4,496,000 and $4,175,000 in 2018 and 2017, respectively.

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 amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed therein.

Income Taxes: The Institute has received a determination letter from the Internal Revenue Service indicating that the Institute has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes. No provision has been made for income taxes in the accompanying financial statements, as the Institute has had no significant unrelated business income. The Institute follows guidance issued by the Financial Accounting Standards Board (FASB) with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Institute recognizes interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. The Institute has no amounts accrued for interest or penalties as of June 30, 2018 or 2017.

Recent Accounting Guidance: In May 2014, the FASB issued (ASU) 2014-09, *Revenue from Contracts with Customers: Topic 606*. This ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. This ASU will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective retrospectively for fiscal years beginning after December 15, 2017. The Institute has not yet implemented this ASU and is in the process of assessing the effect on the Institute's financial statements.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In February 2016, the FASB issued (ASU) 2016-02, *Leases*. This ASU affects any entity that enters into a lease, with some specified scope exemptions. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019 (i.e., January 1, 2020, for a calendar year entity). The Institute has not yet implemented this ASU and is in the process of assessing the effect on the Institute's financial statements.

In August 2016, the FASB issued (ASU) 2016-14, *Not-for-Profit Entities: Topic 958.* The amendments in this Update affect not-for-profit entity's (NFP's) and the users of their general purpose financial statements. The amendments in this Update make certain improvements to the current net asset classification requirements and the information presented in financial statements and notes about a NFP's liquidity, financial performance, and cash flows. The amendments in the ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Institute has not yet implemented this ASU and is in the process of assessing the effect on the Institute's financial statements.

In March 2017, the FASB issued (ASU) 2017-07, *Compensation – Retirement Benefits (Topic 715) Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.* The amendments in this Update apply to all employers, including not-for-profit entities, that offer to their employees defined benefit pension plans, other postretirement benefit plans, or other types of benefit plans accounted for under Topic 715. The amendments in this Update require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. The amendments in the ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2018. The Institute has not yet implemented this ASU and is in the process of assessing the effect on the Institute's financial statements.

Reclassifications: Certain reclassifications have been made to prior year amounts to conform to the current year presentation. These reclassifications had no effect on the change in net assets or classification of net assets.

Related Party Transactions: The Institute provided a loan in the amount of $500,000 to assist the President in acquiring a residence in the city of Chicago in close proximity to the Institute's campus. Payments of interest only are made monthly at a rate of 4.0% per annum. It is held as part of the Institute notes in the operating fund. Certain trustees have entered into book contracts with Moody Publishers or received fees for speaking at Moody events. Moody's conflict of interest policy requires that the contracts be approved by the Board of Trustees, with the affected Trustee excluded from this process. Compensation must not exceed competitive rates. The amounts paid under these contracts have not been material.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2018, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2018. Management has performed their analysis through October 29, 2018, the date the financial statements were available to be issued.

(Continued)

NOTE 3 - FAIR VALUE OF INVESTMENTS

At June 30, 2018 and 2017, the carrying value of cash and investments is comprised of the following:

	2018	2017
Common stocks	$ 5,977,981	$ 6,168,278
Mutual funds	35,551,094	42,280,274
Hedge fund	8,597,233	7,940,831
U.S. government securities	15,119,341	21,945,606
Corporate bonds	20,851,541	29,443,745
REITs and S-Corp	1,110,260	-
Real estate	400,601	407,601
Mortgage, note, and contract receivables	500,000	501,926
Other	2,568,720	2,583,050
Total investments	90,676,771	111,271,311
Cash and cash equivalents	5,950,927	7,041,609
Total investments and cash equivalents	$ 96,627,698	$ 118,312,920

Investments and cash and cash equivalents are allocated by fund as follows:

	2018	2017
Operating funds	$ 12,606,679	$ 24,407,480
Annuity fund	33,924,204	35,660,563
Other temporarily restricted funds	15,074,142	23,856,121
Endowment fund	35,022,673	34,388,756
Total carrying value	$ 96,627,698	$ 118,312,920

The annuity fund investments help to fund the annuity actuarial reserve liability of $36,827,439 and $40,065,127 at June 30, 2018 and 2017, respectively.

(Continued)

NOTE 3 - FAIR VALUE OF INVESTMENTS (Continued)

Investment return for the years ended June 30, 2018 and 2017 is as follows:

	Year Ended June 30, 2018		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	$ 2,096,428	$ 863,408	$ 2,959,836
Realized and change in unrealized gain, net	1,188,239	1,406,709	2,594,948
Investment expense	(208,962)	(27,669)	(236,631)
Total investment return	3,075,705	2,242,448	5,318,153
Less amounts designated for current operations	3,612,260	1,402,904	5,015,164
Investment return in excess of (less than) amounts designated for current operations	$ (536,555)	$ 839,544	$ 302,989

	Year Ended June 30, 2017		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	$ 1,925,890	$ 972,766	$ 2,898,656
Realized and change in unrealized gain, net	2,746,639	3,270,723	6,017,362
Investment expense	(291,689)	(24,041)	(315,730)
Total investment return	4,380,840	4,219,448	8,600,288
Less amounts designated for current operations	3,567,588	1,668,119	5,235,707
Investment return in excess of amounts designated for current operations	$ 813,252	$ 2,551,329	$ 3,364,581

(Continued)

NOTE 3 - FAIR VALUE OF INVESTMENTS (Continued)

Assets Measured on a Recurring Basis: Assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at June 30, 2018 Using					
	Level 1	Level 2	Level 3	NAV	Valued At Cost	Total
Assets:						
Investments:						
Common and preferred stocks						
Domestic midcap	$ 207,596	$ -	$ -	$ -	$ -	$ 207,596
Domestic largecap	447,765	-	-	-	-	447,765
Master limited partnerships	5,315,126	-	-	-	-	5,315,126
Other	-	-	-	-	7,494	7,494
Mutual funds						
Domestic smallcap	2,463,191	-	-	-	-	2,463,191
Domestic midcap	4,902,854	-	-	-	-	4,902,854
Domestic largecap	13,143,195	-	-	-	-	13,143,195
International largecap	15,041,854	-	-	-	-	15,041,854
Hedge fund	-	-	-	8,597,233	-	8,597,233
U.S. government securities	15,119,341	-	-	-	-	15,119,341
Corporate bonds	16,791,099	-	-	-	-	16,791,099
International bond funds	4,060,442	-	-	-	-	4,060,442
REITs and S Corp	-	-	-	-	1,110,260	1,110,260
Real estate	-	-	-	-	400,601	400,601
Mortgage, note, and contract receivables	-	-	-	-	500,000	500,000
Other	-	-	-	-	2,568,720	2,568,720
Total investments	77,492,463	-	-	8,597,233	4,587,075	90,676,771
Cash and cash equivalents	5,950,927	-	-	-	-	5,950,927
Total investments and cash equivalents	$ 83,443,390	$ -	$ -	$ 8,597,233	$ 4,587,075	$ 96,627,698

(Continued)

NOTE 3 - FAIR VALUE OF INVESTMENTS (Continued)

	Fair Value Measurements at June 30, 2017 Using					
	Level 1	Level 2	Level 3	NAV	Valued At Cost	Total
Assets:						
Investments:						
Common and preferred stocks						
Domestic midcap	$ 174,731	$ -	$ -	$ -	$ -	$ 174,731
Domestic largecap	156,459	-	-	-	-	156,459
Master limited partnerships	5,829,594	-	-	-	-	5,829,594
Other	-	-	-	-	7,494	7,494
Mutual funds						
Domestic smallcap	3,363,933	-	-	-	-	3,363,933
Domestic midcap	5,313,021	-	-	-	-	5,313,021
Domestic largecap	15,489,090	-	-	-	-	15,489,090
International largecap	18,114,230	-	-	-	-	18,114,230
Hedge fund	-	-	-	7,940,831	-	7,940,831
U.S. government securities	21,945,606	-	-	-	-	21,945,606
Corporate bonds	24,008,295	-	-	-	-	24,008,295
International bond funds	5,435,450	-	-	-	-	5,435,450
Real estate	-	-	-	-	407,601	407,601
Mortgage, note, and contract receivables	-	-	-	-	501,926	501,926
Other	-	-	-	-	2,583,050	2,583,050
Total investments	99,830,409	-	-	7,940,831	3,500,071	111,271,311
Cash and cash equivalents	7,041,609	-	-	-	-	7,041,609
Total investments and cash equivalents	$ 106,872,018	$ -	$ -	$ 7,940,831	$ 3,500,071	$ 118,312,920

(Continued)

NOTE 4 - TRUST HOLDINGS AND OBLIGATIONS

As trustee, the Institute administers revocable trusts that provide for a beneficial interest to the Institute or other beneficiaries at the death of the grantor. Revocable trusts are subject to change at the discretion of the grantor and are, therefore, recorded as an asset and an equivalent liability. At the grantor's death, the remaining assets will be distributed to the Institute or other specified beneficiaries in accordance with the trust agreement.

In addition, the Institute administers irrevocable charitable remainder trusts. These trusts provide for the payment of lifetime distributions to the grantor or other designated beneficiaries. Upon the death of the grantor or other designated beneficiaries, the trusts will distribute assets to the designated remaindermen. The present value of the portion of the trust that is paid during the lifetime of other designated beneficiaries is recorded as a trust obligation in the statement of financial position. In addition, some of the trusts contain provisions requiring distributions to remaindermen other than the Institute. The portion of the trust attributable to other remaindermen is also recorded as a trust obligation in the statement of financial position. The change between reporting periods in the trust obligation is recorded in the statement of activities as a component of change in present value of split-interest agreements. This amount is reclassified to unrestricted net assets at the termination of the trust.

The assets held in trust by the Institute and the corresponding liabilities at June 30, 2018 and 2017, are comprised of the following:

	2018	2017
Trust assets:		
Cash and cash equivalents	$ 4,761,670	$ 6,887,414
Common and preferred stocks	37,123,523	38,704,453
U.S. government securities	23,226,569	24,204,041
Corporate bonds	9,993,359	10,927,091
Mutual funds	71,036,868	66,778,496
Real estate	3,313,498	1,883,476
Mortgage, note and contract receivables	117,545	182,267
Other assets	3,795,617	1,298,167
Beneficial interest in perpetual trusts held by others	4,562,688	4,295,588
	$ 157,931,337	$ 155,160,993

	2018	2017
Trust obligations:		
Revocable trusts	$ 69,054,540	$ 73,585,261
Irrevocable trusts	36,160,436	30,840,202
Pooled income funds	7,184,634	7,451,793
Due to other remaindermen	11,470,158	10,639,586
	$ 123,869,768	$ 122,516,842

(Continued)

NOTE 4 - TRUST HOLDINGS AND OBLIGATIONS HOLDINGS (Continued)

Assets Measured on a Recurring Basis: Assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at June 30, 2018 Using					
	Level 1	Level 2	Level 3	NAV	Valued At Cost	Total
Trust holdings:						
Cash and cash equivalents	$ 4,761,670	$ -	$ -	$ -	$ -	$ 4,761,670
Common and preferred stocks						
Domestic smallcap	169,145	-	-	-	-	169,145
Domestic midcap	4,575,837	-	-	-	-	4,575,837
Domestic largecap	23,007,089	-	-	-	-	23,007,089
International largecap	223,762	-	-	-	-	223,762
Preferred stocks	8,786,487	-	-	-	-	8,786,487
Partnership interests	164,976	-	-	-	-	164,976
Other	-	-	-	-	196,227	196,227
U.S. government securities	23,226,569	-	-	-	-	23,226,569
Corporate bonds	-	9,993,359	-	-	-	9,993,359
Mutual funds						
Balanced funds large	3,627,819	-	-	-	-	3,627,819
Corporate bond funds	24,103,469	-	-	-	-	24,103,469
Municipal bond funds	5,949,135	-	-	-	-	5,949,135
Stock funds small	4,249,626	-	-	-	-	4,249,626
Stock funds midcap	6,515,034	-	-	-	-	6,515,034
Stock funds large	19,334,607	-	-	-	-	19,334,607
Stock funds international large	7,257,178	-	-	-	-	7,257,178
Real estate	-	-	-	-	3,313,498	3,313,498
Mortgage, note and contract receivables	-	-	-	-	117,545	117,545
Other assets	-	-	-	-	3,795,617	3,795,617
Beneficial interest in perpetual trusts held by others	-	-	4,562,688	-	-	4,562,688
Total trust holdings	$ 135,952,403	$ 9,993,359	$ 4,562,688	$ -	$ 7,422,887	$ 157,931,337
Beneficial interest in assets held by others	$ -	$ -	$ 4,755,168	$ -	$ -	$ 4,755,168

(Continued)

NOTE 4 - TRUST HOLDINGS AND OBLIGATIONS HOLDINGS (Continued)

	Fair Value Measurements at June 30, 2017 Using					
	Level 1	Level 2	Level 3	NAV	Valued At Cost	Total
Trust holdings:						
Cash and cash equivalents	$ 6,887,414	$ -	$ -	$ -	$ -	$ 6,887,414
Common and preferred stocks						
Domestic smallcap	233,537	-	-	-	-	233,537
Domestic midcap	5,081,433	-	-	-	-	5,081,433
Domestic largecap	25,011,388	-	-	-	-	25,011,388
International largecap	81,984	-	-	-	-	81,984
International smallcap	17,172	-	-	-	-	17,172
Preferred stocks	7,873,110	-	-	-	-	7,873,110
Partnership interests	218,011	-	-	-	-	218,011
Other	-	-	-	-	187,818	187,818
U.S. government securities	24,204,041	-	-	-	-	24,204,041
Corporate bonds	-	10,927,091	-	-	-	10,927,091
Mutual funds						
Balanced funds large	3,960,684	-	-	-	-	3,960,684
Corporate bond funds	25,108,072	-	-	-	-	25,108,072
Municipal bond funds	5,457,433	-	-	-	-	5,457,433
Stock funds small	3,465,910	-	-	-	-	3,465,910
Stock funds midcap	5,823,789	-	-	-	-	5,823,789
Stock funds large	17,745,501	-	-	-	-	17,745,501
Stock funds international large	5,206,176	-	-	-	-	5,206,176
Other	10,931	-	-	-	-	10,931
Real estate	-	-	-	-	1,883,476	1,883,476
Mortgage, note and contract receivables	-	-	-	-	182,267	182,267
Other assets	-	-	-	-	1,298,167	1,298,167
Beneficial interest in perpetual trusts held by others	-	-	4,295,588	-	-	4,295,588
Total trust holdings	$ 136,386,586	$ 10,927,091	$ 4,295,588	$ -	$ 3,551,728	$ 155,160,993
Beneficial interest in assets held by others	$ -	$ -	$ 4,156,428	$ -	$ -	$ 4,156,428

(Continued)

NOTE 4 - TRUST HOLDINGS AND OBLIGATIONS HOLDINGS (Continued)

The table below presents a reconciliation and income statement classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2018.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Trusts	Beneficial Interest	Total
Beginning balance, July 1, 2016	$ 4,174,865	$ 3,440,268	$ 7,615,133
Change in split interest agreements	120,723	156,516	277,239
Contributions	-	1,254,133	1,254,133
Settlements	-	(694,489)	(694,489)
Ending balance, June 30, 2017	4,295,588	4,156,428	8,452,016
Change in split interest agreements	267,100	156,624	423,724
Contributions	-	741,256	741,256
Settlements	-	(299,140)	(299,140)
Ending balance, June 30, 2018	$ 4,562,688	$ 4,755,168	$ 9,317,856

NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment at June 30, 2018 and 2017, are comprised of the following:

	2018	2017
Land and improvements	$ 14,518,778	$ 14,553,778
Building and building equipment	118,860,198	118,364,894
Furniture and equipment	25,692,347	22,941,443
Computer software	11,664,417	11,253,719
Construction in process	23,946,106	7,288,358
	194,681,846	174,402,192
Less allowance for depreciation and amortization	124,870,020	119,987,465
Total property, plant, and equipment	$ 69,811,826	$ 54,414,727

(Continued)

NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT (Continued)

The provision for depreciation and amortization of property, plant, and equipment amounted to $5,939,536 and $6,001,186 for the years ended June 30, 2018 and 2017, respectively. The Institute's asset retirement obligation liability located within accounts payable and accrued expenses on the statement of financial position is $2,297,942 and $2,174,840 in 2018 and 2017, respectively. Expenses incurred but not yet paid related to construction in process as of June 30, 2018 and 2017 were $770,189 and $863,148, respectively.

NOTE 6 - OTHER ASSETS

Other assets are comprised at June 30, 2018 and 2017, of the following:

	2018	2017
Intangible assets		
Radio station licenses, net	$ 6,566,639	$ 6,900,699
Prepaid expenses	2,927,282	2,554,307
Other	458,977	433,487
Total other assets	$ 9,952,898	$ 9,888,493

Amortization expense related to the radio station licenses amounted to $334,061 and $398,059 while accumulated amortization was $6,798,288 and $6,399,244 for the years ending June 30, 2018 and 2017, respectively. Over the next five years annual amortization expense related to the radio station licenses is estimated to be approximately $334,000 through June 30, 2019, and thereafter.

NOTE 7 - BENEFIT PLANS

The Institute has a frozen defined-benefit pension plan (the Pension Plan), implemented through a trust. Employees who were part of this plan retain their pension benefits earned through December 31, 2015, but future retirement earnings will come from the defined-contribution plan.

The defined-contribution plan started January 1, 2006, with employees hired after this date only eligible to participate in the defined contribution plan. Institute contributions to the defined contribution plan totaled $2,621,439 and $2,659,450 for the years ended June 30, 2018 and 2017, respectively.

(Continued)

NOTE 7 - BENEFIT PLANS (Continued)

In addition to the Pension Plan, the Institute also sponsors a defined-benefit healthcare plan (the Postretirement Plan) that provides postretirement medical benefits and life insurance to full-time employees who have worked 10 years at age 55 or five years at age 60 while in service with the Institute. The Postretirement Plan only covers employees and retirees who were hired on or before December 31, 1995. Moody provides covered retirees an annual stipend through a health reimbursement account (HRA) so they can purchase supplemental Medicare coverage through a private exchange.

The following tables summarize the changes in the projected benefit obligation, plan assets, and funded status during 2018 and 2017:

	Pension Plan		Postretirement Plan	
	2018	2017	2018	2017
Change in projected benefit obligation				
Projected benefit obligation beginning of year	$ 83,939,598	$ 90,279,078	$ 15,737,746	$ 16,743,210
Service costs	-	-	162,404	184,036
Interest cost	2,952,045	3,005,992	548,980	553,091
Actuarial gain	(5,775,717)	(3,988,201)	(1,495,757)	(975,532)
Benefits paid	(3,956,208)	(5,357,271)	(706,314)	(767,059)
Projected benefit obligation, end of year	$ 77,159,718	$ 83,939,598	$ 14,247,059	$ 15,737,746
Change in plan assets				
Fair value of plan assets, beginning of year	$ 67,335,580	$ 65,289,553	$ -	$ -
Actual return on plan assets	3,213,520	5,003,298	-	-
Employer contribution	2,400,000	2,400,000	706,314	767,059
Benefits paid	(3,956,208)	(5,357,271)	(706,314)	(767,059)
Fair value of plan assets, end of year	$ 68,992,892	$ 67,335,580	$ -	$ -
Funded status - liability recognized in the statement of financial position	$ (8,166,826)	$ (16,604,018)	$ (14,247,059)	$ (15,737,746)

While the Pension Plan is underfunded in that the fair value of plan assets at June 30 is less than the total of all future benefits earned as of that date, the Institute has met and exceeded all required cash contributions to the Pension Plan. Contributions are invested to produce income to the Pension Plan sufficient to meet all future requirements, given management's actuarial assumptions about the expected long-term return on plan assets, discount rates, and plan demographics.

Postretirement healthcare costs are funded each year out of the Institute's operating budget; the liability above represents total expected expenses over the lives of all covered employees, retirees, and dependents.

(Continued)

NOTE 7 - BENEFIT PLANS (Continued)

The accumulated benefit obligation for the pension plan was $77,159,718 and $83,939,598 for the years ended June 30, 2018 and 2017, respectively. The accumulated benefit obligation for the Postretirement Plan was $14,247,059 and $15,737,746 for the years ended June 30, 2018 and 2017, respectively.

Net periodic benefit cost is composed of the following during 2018 and 2017:

	Pension Plan		Postretirement Plan	
	2018	2017	2018	2017
Service cost	$ -	$ -	$ 162,404	$ 184,036
Interest cost	2,952,045	3,005,992	548,980	553,091
Expected return on plan assets	(4,333,154)	(4,200,431)	-	-
Amortization of unrecognized prior service cost	-	-	(2,986,416)	(3,052,927)
Amortization of net gain	2,696,551	3,330,119	-	89,967
Net periodic benefit cost	$ 1,315,442	$ 2,135,680	$ (2,275,032)	$ (2,225,833)

Amounts recognized as non-operating activities during 2018 and 2017, are as follows:

	Pension Plan		Postretirement Plan	
	2018	2017	2018	2017
Prior service costs	$ -	$ -	$ 2,986,416	$ 3,052,927
Actuarial gain and changes in plan assets	(4,656,083)	(4,791,068)	(1,495,729)	(975,534)
Amortization of net gain	(2,696,551)	(3,330,119)	-	(89,967)
Other changes in funded status	(1,084,558)	(264,320)	(2,981,374)	(2,992,890)
	$ (8,437,192)	$ (8,385,507)	$ (1,490,687)	$ (1,005,464)

Amounts already recorded in unrestricted net assets that have not yet been recognized as a component of net periodic benefit costs for the pension plan was $26,955,182 and $34,307,816 as of June 30, 2018 and 2017, respectively. Amounts already recorded in unrestricted net assets that have not yet been recognized as a component of net periodic benefit costs for the postretirement plan was $7,220,196 and $8,710,855 as of June 30, 2018 and 2017, respectively. These amounts have already been recognized in the statements of financial position and statements of activities.

(Continued)

NOTE 7 - BENEFIT PLANS (Continued)

The weighted-average assumptions used in determining the actuarial present value of the projected benefit obligation and the expected rate of return on plan assets were as follows as of June 30:

	Pension Plan		Postretirement Plan	
	2018	2017	2018	2017
Discount rate	4.10%	3.60%	4.10%	3.60%
Rate of compensation increase	N/A	N/A	N/A	N/A

Weighted-average assumptions used to determine net periodic benefit cost for year ended June 30:

	Pension Plan		Postretirement Plan	
	2018	2017	2018	2017
Discount rate	3.60%	3.40%	3.60%	3.40%
Expected long-term return plan assets	6.50%	6.50%	-	-
Rate of compensation increase	N/A	N/A	N/A	N/A

The fair value of the Institute's Pension Plan assets at June 30, 2018 and 2017, by asset class is as follows:

	2018				
	Level 1	Level 2	Level 3	NAV	Total
Investments, at fair value					
Common collective trusts					
Domestic equity mutual funds	$ -	$ -	$ -	$ 15,702,001	$ 15,702,001
Domestic fixed income	-	-	-	26,484,471	26,484,471
Domestic government fixed income	-	-	-	7,082,943	7,082,943
International equities	-	-	-	14,291,939	14,291,939
	-				
Mutual funds					
US real estate	2,250,680	-	-	-	2,250,680
Commodity fund	2,087,193	-	-	-	2,087,193
Short-term investments					
High-grade money market instruments with short maturities	-	-	-	1,093,665	1,093,665
	$ 4,337,873	$ -	$ -	$ 64,655,019	$ 68,992,892

(Continued)

NOTE 7 - BENEFIT PLANS (Continued)

	2017				
	Level 1	Level 2	Level 3	NAV	Total
Investments, at fair value					
Common collective trusts					
Domestic equity mutual funds	$ -	$ -	$ -	$ 17,501,306	$ 17,501,306
Domestic fixed income	-	-	-	21,040,562	21,040,562
Domestic government fixed income	-	-	-	5,477,345	5,477,345
International equities	-	-	-	16,817,118	16,817,118
Mutual funds					
US real estate	2,778,708	-	-	-	2,778,708
Commodity fund	2,598,127	-	-	-	2,598,127
Short-term investments					
High-grade money market instruments with short maturities	-	-	-	1,122,414	1,122,414
	$ 5,376,835	$ -	$ -	$ 61,958,745	$ 67,335,580

The target allocation of pension plan assets for the years ended June 30, 2018 and 2017 was 50% for equity, 48% for debt securities and 2% for cash equivalents and 59% for equity securities, 39% for debt securities, and 2% for cash equivalents, respectively.

The objective of the investment allocation strategy is to meet the commitment to plan participants at a reasonable cost to the Institute. The Pension Plan assets are to be actively invested to achieve growth through capital appreciation and accumulation and reinvestment of interest and dividend income.

Contributions: The Institute contributed $2,400,000 to the Pension Plan in 2018 and 2017. Based on the advice of its consulting actuary, the Institute's employer contributions expected to be paid in fiscal year 2019 total approximately $1,920,000.

(Continued)

NOTE 7 - BENEFIT PLANS (Continued)

Estimated Future Benefit Payments: The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension Plan	Postretirement Plan
2019	$ 4,135,586	$ 915,643
2020	4,262,840	954,728
2021	4,378,777	1,004,471
2022	4,459,126	1,002,678
2023	4,584,479	964,333
Years 2024-2028	23,978,713	4,623,752

The annual increase in healthcare costs, impacting pre-65 retiree participants, is assumed to be 7.0% initially decreasing gradually to 3.9% in 2075. The healthcare costs for all other retirees is subject to the annual stipend and is limited to the consumer price index, not to exceed 2%. A one-percentage-point change in the assumed healthcare cost trend rate would have the following effects on the Postretirement Plan:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service and interest cost components in 2018	$ 83,787	$ (69,708)
Effect on postretirement benefit obligation at June 30, 2018	1,546,262	(1,300,655)

NOTE 8 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily and permanently restricted net assets are available for the following purposes for the years ended June 30, 2018 and 2017:

Temporarily Restricted

	June 30,	
Temporarily Restricted	2018	2017
Purpose restrictions		
Scholarships, grants, and student loans	$ 11,184,180	$ 11,274,310
Capital Campaign	592,831	9,787,704
Unallocated operating endowment	3,221,737	2,860,916
Miscellaneous projects	1,433,467	1,729,981
Time restrictions		
Beneficial interest in term trusts held by others	4,755,168	4,156,428
Irrevocable trust agreements for which the Institute is trustee	28,837,382	27,710,505
	$ 50,024,765	$ 57,519,844

(Continued)

NOTE 8 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

Permanently Restricted

	June 30, 2018	June 30, 2017
Permanently Restricted		
Endowments held by the Institute		
Student aid	$ 17,633,436	$ 17,083,663
General purpose	5,203,560	5,203,560
Building maintenance	3,804,030	3,804,030
Education ministries	8,273,847	8,189,703
Broadcast ministries	107,800	107,800
Held in MBI managed Trusts	661,499	638,058
Endowments held by others on behalf of the Institute		
Beneficial interest in perpetual trusts held by others	4,562,688	4,295,588
	$ 40,246,860	$ 39,322,402

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

Net Assets Released

	June 30, 2018	June 30, 2017
Net Assets Released		
Purpose restriction accomplished		
New building	$ 11,077,011	$ 3,543,960
Moody capital projects	417,209	118,393
Broadcast construction/renovation projects	1,563	178,064
Student grants and scholarships	1,632,519	1,788,299
Educational purposes	644,551	754,553
Miscellaneous projects	84,193	17,520
	13,857,046	6,400,789
Time restrictions expired		
Termination of irrevocable trust agreements	3,158,818	6,449,647
	3,158,818	6,449,647
	$ 17,015,864	$ 12,850,436

Assets released from restrictions include assets distributed to the Institute from terminated trusts and restricted donations expended for their restricted purposes. Certain costs related to assets released are included in fund-raising expenses.

(Continued)

NOTE 9 - ENDOWMENT COMPOSITION

The Institute's endowment consists of both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments for Scholarships for students.

Interpretation of Relevant Law: Under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) of the State of Illinois, the Institute's Board of Trustees set the following guidelines to operate the endowment fund: The permanently restricted endowment fund will distribute to the current fund or to other funds to be used for ministry purpose each year 4.5% of the fund, as valued on the first day of each fiscal year. Income and appreciation in excess of that amount shall be retained and accumulated within the Endowment Fund.

Endowment net asset composition by type of fund as of June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds and unappropriated earnings	$ -	$ 9,067,981	$ 40,246,860	$ 49,314,841
Board-designated funds	1,827,884	-	-	1,827,884
Total funds	$ 1,827,884	$ 9,067,981	$ 40,246,860	$ 51,142,725

Endowment net asset composition by type of fund as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds and unappropriated earnings	$ -	$ 7,939,312	$ 39,322,402	$ 47,261,714
Board-designated funds	1,744,518	-	-	1,744,518
Total funds	$ 1,744,518	$ 7,939,312	$ 39,322,402	$ 49,006,232

(Continued)

NOTE 9 - ENDOWMENT COMPOSITION (Continued)

Changes in endowment net assets for years ended June 30, 2018 and 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, June 30, 2016	$ 1,675,917	$ 5,209,040	$ 38,379,618	$ 45,264,575
Investment return:				
Investment income, net of fees	549,114	568,605	-	1,117,719
Realized/unrealized gain	387,668	3,025,446	-	3,413,114
Change in split interest trusts held by others	-	-	168,660	168,660
New gifts	-	18,978	774,124	793,102
Appropriation for expenditure	(868,181)	(882,757)	-	(1,750,938)
Net assets, June 30, 2017	1,744,518	7,939,312	39,322,402	49,006,232
Investment return:				
Investment income, net of fees	618,363	605,816	-	1,224,179
Realized/unrealized gain	339,218	1,295,926	-	1,635,144
Change in split interest trusts held by others	-	-	290,541	290,541
New gifts	-	46,985	633,917	680,902
Appropriation for expenditure	(874,215)	(820,058)	-	(1,694,273)
Net assets, June 30, 2018	$ 1,827,884	$ 9,067,981	$ 40,246,860	$ 51,142,725

Return Objectives and Risk Parameters: The investment objective of the endowment fund is to achieve, at minimum, an average total return of inflation plus 4% per year on a long-term basis. The asset allocation of the fund is designed to meet this objective with the lowest possible risk, and is determined using generally accepted techniques, which consider historic returns of various asset classes to calculate an efficient frontier.

Spending Policy: For the fiscal years 2018 and 2017, the Institute's policy for the appropriation of endowment assets for expenditure was to appropriate up to 4.5% of the value of those assets as of the first day of the new fiscal year for the donor-restricted endowment fund.

Donor-Restricted Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Institute to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. There were no donor deficiencies as of June 30, 2018 and 2017, respectively. Donor-restricted principal, unless otherwise directed by the donor, shall not be disbursed.

(Continued)

NOTE 10 - UNSECURED LINE OF CREDIT

The Institute has a $7,000,000 uncommitted line of credit with The Northern Trust Company (the Bank). Drawings on the line of credit are available solely on approval by the Bank; bear interest at Prime or LIBOR plus 1.2%, and are due on demand. There are no borrowings under the line of credit as of June 30, 2018 and 2017.

NOTE 11 - COMMITMENTS

The Institute has lease contracts and maintenance agreements for satellite and radio transmission towers, office and classroom space, computers and other equipment. Certain of these contracts and agreements contain renewal provisions. Expenses incurred under these agreements were approximately $3,045,000 and $2,541,000 for 2018 and 2017, respectively. Future minimum commitments for operating leases and maintenance agreements with non-cancelable terms in excess of one year are as follows at June 30:

	Operating Amount
2019	$ 2,139,291
2020	968,561
2021	733,114
2022	664,165
2023	571,395
Thereafter	789,118
Total minimum operating lease payments	$ 5,865,644

In 2007, the Institute entered into a group employee health insurance plan with Blue Cross and Blue Shield of Illinois, whereby Blue Cross and Blue Shield provides certain administrative services and provides specific and aggregate stop loss coverage. The Institute pays a reduced monthly premium; however, it is responsible for the funding of all claims up to $300,000 per individual per policy year. A liability of approximately $488,800 and $505,000 has been recorded by the Institute as of June 30, 2018 and June 30, 2017, respectively, for estimated claims incurred but not reported on that date. Group health insurance expense for the fiscal years ended June 30, 2018 and 2017, totaled approximately $8,500,000 and $7,900,000, respectively.

NOTE 12 - CONTINGENCIES

The Institute is party to certain legal proceedings and allegations. In most cases, these matters are covered by commercial insurance. Management is of the opinion that these matters will not have a material effect on the Institute's financial position or changes in net assets.

The Institute receives significant student financial aid from the U.S. Department of Education. The disbursement of funds received under such programs generally requires compliance with terms and conditions specified in federal regulations and are subject to audit by the U.S. Department of Education and possible disallowance of certain expenditures. The Institute has not had any significant disallowance of student financial aid in the past and expects such amounts, if any, to be immaterial.

SUPPLEMENTARY INFORMATION

THE MOODY BIBLE INSTITUTE OF CHICAGO
SCHEDULE OF FINANCIAL POSITION BY NET ASSET CATEGORY
June 30, 2018, with comparable totals for 2017

	2018				2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
ASSETS					
Cash and cash equivalents	$ 3,376,004	$ 2,303,395	$ 271,528	$ 5,950,927	$ 7,041,609
Receivables					
Beneficial interest in term trusts held by others and pledges receivable, net	-	5,185,093	-	5,185,093	4,957,854
Other, net	5,846,357	953,148	-	6,799,505	6,566,336
Inventories, net	4,041,333	-	-	4,041,333	4,060,128
Investments	43,154,879	12,770,747	34,751,145	90,676,771	111,271,311
Trust holdings	-	152,399,676	5,531,661	157,931,337	155,160,993
Property, plant, and equipment, net	69,811,826	-	-	69,811,826	54,414,727
Due from (to) other funds	25,000	(25,000)	-	-	-
Other	9,952,898	-	-	9,952,898	9,888,493
Total assets	$ 136,208,297	$ 173,587,059	$ 40,554,334	$ 350,349,690	$ 353,361,451
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	$ 11,866,986	$ -	$ -	$ 11,866,986	$ 10,296,508
Accrued pension and postretirement health benefits	22,413,885	-	-	22,413,885	32,341,764
Annuity contract actuarial reserve	36,827,439	-	-	36,827,439	40,065,127
Trust obligations	-	123,562,294	307,474	123,869,768	122,516,842
Other	388,931	-	-	388,931	506,695
Total liabilities	71,497,241	123,562,294	307,474	195,367,009	205,726,936
Net assets					
Unrestricted	64,711,056	-	-	64,711,056	50,792,269
Temporarily restricted	-	50,024,765	-	50,024,765	57,519,844
Permanently restricted	-	-	40,246,860	40,246,860	39,322,402
Total net assets	64,711,056	50,024,765	40,246,860	154,982,681	147,634,515
Total liabilities and net assets	$ 136,208,297	$ 173,587,059	$ 40,554,334	$ 350,349,690	$ 353,361,451

THE MOODY BIBLE INSTITUTE OF CHICAGO
TRUSTEES AND OFFICERS
As of June 30, 2018
(Unaudited)