THE IIT STATE STREET CORPORATION, NFP
Chicago, Illinois

FINANCIAL STATEMENTS
May 31, 2012 and 2011

CliftonLarsonAllen

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Independent Auditor's Report

Board of Directors
The IIT State Street Corporation, NFP
Chicago, Illinois

We have audited the accompanying statements of financial position of The IIT State Street Corporation, NFP (the "Corporation"), as of May 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of May 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Oak Brook, Illinois
October 30, 2012

THE IIT STATE STREET CORPORATION, NFP
STATEMENTS OF FINANCIAL POSITION
May 31, 2012 and 2011

ASSETS

	2012	2011
CURRENT ASSETS		
Cash	$ 772,690	$ 37,869
Term deposits	1,702,298	1,083,987
Receivable due from University	650,109	1,298,572
Total current assets	3,125,097	2,420,428
NONCURRENT ASSETS		
Property, plant and equipment, net of accumulated depreciation of $7,789,105 and $6,804,401 at May 31, 2012 and 2011, respectively	22,828,094	23,314,264
Deferred financing costs, net of accumulated amortization of $219,042 and $197,512 at May 31, 2012 and 2011, respectively	468,444	489,975
Total noncurrent assets	23,296,538	23,804,239
TOTAL ASSETS	$ 26,421,635	$ 26,224,667

LIABILITIES AND NET DEFICIT

	2012	2011
CURRENT LIABILITIES		
Current portion of notes payable	$ 75,000	$ -
LONG-TERM DEBT		
Notes payable	27,020,000	27,095,000
Total liabilities	27,095,000	27,095,000
NET DEFICIT	(673,365)	(870,333)
TOTAL LIABILITIES AND NET DEFICIT	$ 26,421,635	$ 26,224,667

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

THE IIT STATE STREET CORPORATION, NFP
STATEMENTS OF ACTIVITIES
Years Ended May 31, 2012 and 2011

	2012	2011
REVENUES		
Rooms revenue	$ 3,010,761	$ 2,948,079
Interest	22,518	8,987
Total revenue	3,033,279	2,957,066
EXPENSES		
General and administrative expenses	1,457,048	1,444,522
Interest	373,028	286,403
Depreciation	984,704	934,851
Amortization	21,531	21,531
Total expenses	2,836,311	2,687,307
CHANGE IN NET DEFICIT	196,968	269,759
NET DEFICIT, BEGINNING OF YEAR	(870,333)	(1,140,092)
NET DEFICIT, END OF YEAR	$ (673,365)	$ (870,333)

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

THE IIT STATE STREET CORPORATION, NFP
STATEMENTS OF CASH FLOWS
Years Ended May 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net deficit	$ 196,968	$ 269,759
Adjustments to reconcile change in net deficit to net cash provided by operating activities:		
Depreciation	984,704	934,851
Amortization of deferred financing fees	21,531	21,531
Effects of changes in operating assets and liabilities:		
Receivable due from University	648,464	257,340
Assets held by Trustee	-	19,193
Accrued expenses and other liabilities	-	(100)
Net cash provided by operating activities	1,851,667	1,502,574
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of term deposits	(618,311)	(1,083,987)
Additions to property	(498,535)	(380,718)
Net cash used in investing activities	(1,116,846)	(1,464,705)
NET INCREASE IN CASH	734,821	37,869
CASH, BEGINNING OF YEAR	37,869	-
CASH, END OF YEAR	$ 772,690	$ 37,869
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 373,028	$ 286,403

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The IIT State Street Corporation, NFP (the "Corporation") is an Illinois not-for-profit, tax-exempt organization created on June 25, 2001 to operate exclusively for charitable and educational purposes. The Corporation is organized to operate exclusively for the benefit of, to perform functions of, and to carry out the purposes of Illinois Institute of Technology (the "University"), by undertaking such activities such as providing housing for students, faculty, and staff of the University or of other not-for-profit educational institutions affiliated with the University or located on, or adjacent to, the University's main campus located in Chicago, Illinois. The Corporation constructed three five-story buildings containing 114 residential units (accommodating 367 beds). Construction was completed in August 2003. The property's average occupancy was approximately 88% and 83% for the years ended May 31, 2012 and 2011, respectively.

Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Financial statement presentation follows generally accepted accounting principles (GAAP) for not-for-profit organizations. GAAP requires the Corporation to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As of May 31, 2012 and 2011, the Corporation had no temporarily or permanently restricted net assets. In addition, the Corporation is required to present a Statement of Cash Flows.

Term Deposits

The Corporation has certificates of deposit that range in maturity from six months to three years. The deposits are carried at cost plus interest earned which approximates fair value.

Property, Plant and Equipment

Property is recorded at cost. Replacements and improvements are capitalized, while repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset, which for the building is 40 years, for building improvements 20 years, for furniture, fixtures, and equipment 10 years.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment (continued)

The Corporation periodically reviews the carrying value of the property to determine if circumstances exist indicating impairment in the carrying value of the investment in the property or that depreciation periods should be modified. If facts or circumstances support the possibility of impairment, the Corporation will prepare an estimate of the undiscounted future cash flows; without interest charges, of the property and determine if the investment in such property is recoverable based on the undiscounted future cash flows. If impairment is indicated, an adjustment will be made to the carrying value of the property to reflect the property at fair value. The Corporation does not believe that there are any factors or circumstances indicating impairment of any of its investment at May 31, 2012 and 2011.

Deferred Financing Costs

Bond issuance costs were paid from the proceeds of the bond offering. See Note 2. Such costs have been capitalized and are amortized over the life of the related bonds on a straight-line basis, which is not materially different from the effective interest method.

Tax-Exempt Status

The Corporation has received a determination letter from the Internal Revenue Service (IRS) indicating it is a tax-exempt organization under 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. In addition, the Corporation qualifies for the charitable contribution deduction under Section 509(a)(3). No provision for income taxes was required for the years ended May 31, 2012 and 2011.

The Corporation adopted the requirements for accounting for uncertain tax positions. The Corporation determined that it was not required to record a liability related to uncertain tax positions.

The federal and state tax returns of the Corporation for 2008, 2009, and 2010 are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Room Revenue

Room revenue is recognized on a straight-line basis over the terms of the related leases. Lease terms are generally for one year or less.

Deferred Revenue

Room revenue collected in advance for summer programs is deferred until the fiscal year of the related program.

NOTE 2 - NOTES PAYABLE

In May 2002, the Illinois Educational Facilities Authority (IEFA) executed the issuance and sale of $28,635,000 aggregate principal amount of Student Housing Adjustable Rate Demand Revenue Bonds, Series 2002A (Series 2002A Bonds) and $165,000 aggregate principal amount of Taxable Student Housing Adjustable Rate Demand Revenue Bonds, Series 2002B (Series 2002B Bonds). The Series 2002B Bonds matured on June 1, 2004, at which time the amount outstanding was paid in full.

The proceeds from the issuances and sale of the bonds were used to make loans to the Corporation. The Corporation used the proceeds to: (i) finance the construction, installation, and equipping of a new 114-unit student housing project (the “Project”) on the University's main campus to house 367 students, staff, and faculty of the University and (ii) pay certain costs incurred in connection with the bond issue. The note payable, in the amount of $28,635,000, is secured by the gross revenue, as defined, of the Project. The payment of principal and the accrual of interest requirements are identical to those of the bonds.

The Series 2002A Bonds are secured by a letter of credit and bear interest at a weekly interest rate that is sufficient to produce a par bid (an effective interest rate of 0.22% and 0.33% as of May 31, 2012 and 2011, respectively), not to exceed 12% per annum. Such interest rate may be converted to a different interest rate mode, as defined in the agreement, with the approval of the letter of credit issuer. The Series 2002A Bonds mature on June 1, 2033.

Payments on the notes payable are interest only through May 31, 2012 with principal payments beginning June 1, 2012. The outstanding balance on the note payable is due at maturity, June 1, 2033.

NOTE 2 - NOTES PAYABLE (continued)

The following is a summary of required principal payments for the notes payable:

Fiscal Years Ending

2013	$ 75,000
2014	150,000
2015	370,000
2016	435,000
2017	505,000
Thereafter	25,560,000
Total	$ 27,095,000

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment at May 31, 2012 and 2011 are summarized as follows:

	2012	2011
Building	$ 27,627,652	$ 27,627,652
Building improvements	1,429,752	931,218
Furniture, fixtures and equipment	1,559,795	1,559,795
Total	30,617,199	30,118,665
Less accumulated depreciation	7,789,105	6,804,401
Total property, plant and equipment	$ 22,828,094	$ 23,314,264

NOTE 4 - TRANSACTIONS WITH RELATED PARTIES

At May 31, 2012 and 2011, the Corporation had accounts receivable of $650,109 and $1,298,572, respectively, due from the University. The receivable is non-interest-bearing and is payable on demand.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Letter of Credit

In order to enhance the marketability of the bonds, the Corporation executed a letter of credit agreement with a third party lender in the amount of $27,652,644, of which $27,095,000 is to support the unpaid principal amount of the bonds and $557,644 is to support up to 35 days of accrued interest. The letter of credit expires on August 30, 2013 and requires a non-refundable letter of credit fee in the amount of .68% per year, on the available amount to be drawn. Effective October 1, 2011, the letter of credit fee was increased to 1.50% per year. This fee totaled $307,062 and $186,805 for the years ended May 31, 2012 and 2011, respectively, and is included in interest expense in the accompanying Statements of Activities. At May 31, 2012 and 2011, no amounts were drawn against the letter of credit. The letter of credit contains various covenants which have either been met or waived as of May 31, 2012 and 2011.

Ground Lease

In May 2002, the Corporation entered into an agreement to lease the land underlying the Project from the University for an annual fee of $5,342. The term of the lease is 40 years and expires on May 31, 2042.

Operating Lease

On December 30, 2003, the Corporation entered into an operating lease with the University, whereby the University committed to lease unoccupied beds at the Project sufficient to allow the Corporation to achieve a debt service ratio of 1.0. The lease was for five years. On August 30, 2006, the Corporation amended the lease which extended the expiration date to September 30, 2013. The lease shall automatically renew for successive one-year periods after this date. For the years ended May 31, 2012 and 2011, it was not necessary for the University to lease unoccupied beds due to the Corporation achieving a debt service ratio of 1.0.

Management Agreement

In May 2002, the Corporation entered into a management agreement with the University's housing office (the “Manager”). The Manager is responsible for the collection of all fees, payment of operating expenses, performance of certain management obligations, as defined in the agreement, and leasing of the facilities upon completion of the Project. The management agreement took effect on August 1, 2002 and has been extended annually thereafter, and will be extended automatically for additional one-year terms, unless either party provides notice of termination. Management fees of $30,274 and $32,042 are included within general and administrative expenses in the accompanying Statements of Activities as of May 31, 2012 and 2011, respectively. Therefore, the receivable due from affiliate shown on the Statements of Financial Position, represents the difference between fees collected and operating expenses paid by the University on behalf of the Corporation.

NOTE 6 - RECLASSIFICATIONS

Certain amounts from the year ended May 31, 2011 presentation have been reclassified to conform with the May 31, 2012 presentation. These reclassifications had no effect on either total net deficit or the change in net deficit previously reported.

NOTE 7 - SUBSEQUENT EVENTS

Management evaluated subsequent events through October 30, 2012, the date the financial statements were available to be issued. Events or transactions occurring after May 31, 2012, but prior to October 30, 2012 that provided additional evidence about conditions that existed at May 31, 2012, have been recognized in the financial statements for the year ended May 31, 2012. Events or transactions that provided evidence about conditions that did not exist at May 31, 2011, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended May 31, 2012.