THE IIT STATE STREET CORPORATION, NFP
Chicago, Illinois

FINANCIAL STATEMENTS
May 31, 2014 and 2013

CliftonLarsonAllen

TABLE OF CONTENTS

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The IIT State Street Corporation, NFP (the "Corporation"), which comprise the statements of financial position as of May 31, 2014 and 2013, and the related statements of activities and changes in net assets, 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.

Auditors' 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 auditors' 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.

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, 2014 and 2013, 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

CliftonLarsonAllen LLP

Oak Brook, Illinois
October 31, 2014

THE IIT STATE STREET CORPORATION, NFP
STATEMENTS OF FINANCIAL POSITION
May 31, 2014 and 2013

ASSETS

	2014	2013
CURRENT ASSETS		
Cash	$ 573,220	$ 573,300
Term deposits	2,604,070	2,574,780
Receivable due from the Illinois Institute of Technology	2,073,762	721,781
Total current assets	5,251,052	3,869,861
NONCURRENT ASSETS		
Property, plant, and equipment, net of accumulated depreciation of $9,791,743 and $8,846,149 at May 31, 2014 and 2013, respectively	21,695,231	22,494,454
Deferred financing costs, net of accumulated amortization of $262,104 and $240,573 at May 31, 2014 and 2013, respectively	425,382	446,913
Total noncurrent assets	22,120,613	22,941,367
TOTAL ASSETS	$ 27,371,665	$ 26,811,228

LIABILITIES AND NET ASSETS (DEFICIT)

	2014	2013
CURRENT LIABILITIES		
Current portion of notes payable	$ 370,000	$ 150,000
LONG-TERM DEBT		
Notes payable	26,500,000	26,870,000
Total liabilities	26,870,000	27,020,000
NET ASSETS (DEFICIT)	501,665	(208,772)
TOTAL LIABILITIES AND NET ASSETS	$ 27,371,665	$ 26,811,228

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

THE IIT STATE STREET CORPORATION, NFP
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended May 31, 2014 and 2013

	2014	2013
REVENUES		
Rooms revenue	$ 3,342,374	$ 3,240,007
Interest	30,167	23,045
Total revenue	3,372,541	3,263,052
EXPENSES		
Building repairs and maintenance	406,471	270,880
Utilities	241,496	348,627
General and administrative expenses	600,440	583,054
Management fee	38,488	38,978
Interest	408,084	478,345
Depreciation	945,594	1,057,044
Amortization	21,531	21,531
Total expenses	2,662,104	2,798,459
CHANGE IN NET ASSETS	710,437	464,593
NET DEFICIT, BEGINNING OF YEAR	(208,772)	(673,365)
NET ASSETS (DEFICIT), END OF YEAR	$ 501,665	$ (208,772)

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, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 710,437	$ 464,593
Adjustments to reconcile change in net deficit to net cash provided by operating activities:		
Depreciation	945,594	1,057,044
Amortization of deferred financing fees	21,531	21,531
Effects of changes in operating assets and liabilities:		
Receivable due from the Illinois Institute of Technology	(1,351,981)	(71,672)
Net cash provided by operating activities	325,581	1,471,496
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of term deposits	(29,290)	(872,482)
Additions to property, plant, and equipment	(146,371)	(723,404)
Net cash used in investing activities	(175,661)	(1,595,886)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(150,000)	(75,000)
NET DECREASE IN CASH	(80)	(199,390)
CASH, BEGINNING OF YEAR	573,300	772,690
CASH, END OF YEAR	$ 573,220	$ 573,300
SUPPLEMENTARY INFORMATION		
Cash paid for interest	$ 408,084	$ 478,345

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 nonprofit, 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 nonprofit 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 normal occupancy was approximately 94% and 92% for the years ended May 31, 2014 and 2013, 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 accounting principles generally accepted in the United States of American for nonprofit organizations. Accounting principles generally accepted in the United States of America require 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, 2014 and 2013, 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.

Accounts Receivable

Accounts are stated at the amount the Corporation expects to collect, net of an allowance for doubtful accounts. The Corporation maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make the required payments. Past due balances over 90 days and other higher risk accounts are reviewed individually to determine which accounts, if any, should be deemed uncollectible. As of May 31, 2014 and 2013, all receivables were considered collectible and no allowance for doubtful accounts was made for uncollectible accounts. See Note 4 for additional details.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant, and Equipment

Property is recorded at cost. Replacements and improvements in excess of $5,000 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 or the remaining term of the lease, which for the building is 40 years, for leasehold improvements is 28 years, for building improvements 20 years, for furniture, fixtures, and equipment 10 years.

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, 2014 and 2013.

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, 2014 and 2013.

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 2010, 2011, and 2012 are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates in Preparing Financial Statements

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 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.

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.

New Accounting Standard

In April 2013, the Finance Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2013-06, *Services Received from Personnel of an Affiliate.* It is effective for fiscal years beginning after June 15, 2014. Early adoption is permitted. Under the ASU, a recipient nonprofit entity is required to recognize all services received from personnel of an affiliate that directly benefit the recipient nonprofit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. The Corporation has not elected early adoption.

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.

NOTE 2 - NOTES PAYABLE (continued)

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 0.08% and 0.16% as of May 31, 2014 and 2013, 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 were interest only through May 31, 2012. Principal payments began June 1, 2012. The outstanding balance on the note payable is due at maturity, June 1, 2033.

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

Fiscal Years Ending	
2015	$ 370,000
2016	435,000
2017	505,000
2018	580,000
2019	660,000
Thereafter	24,320,000
Total	$ 26,870,000

NOTE 3 - PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment at May 31, 2014 and 2013 are summarized as follows:

	2014	2013
Building	$ 27,627,652	$ 27,627,652
Building improvements	2,153,156	2,153,156
Leasehold improvements	146,371	-
Furniture, fixtures, and equipment	1,559,795	1,559,795
Total	31,486,974	31,340,603
Less accumulated depreciation	9,791,743	8,846,149
Total property, plant, and equipment	$ 21,695,231	$ 22,494,454

NOTE 4 - TRANSACTIONS WITH RELATED PARTIES

At May 31, 2014 and 2013, the Corporation had accounts receivable of $2,073,762 and $721,781, 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 March 31, 2016 and requires a non-refundable letter of credit fee in the amount of 1.25% per year, on the available amount to be drawn. This fee totaled $364,726 and $411,024 for the years ended May 31, 2014 and 2013, respectively, and is included in interest expense in the accompanying Statements of Activities. At May 31, 2014 and 2013, no amounts were drawn against the letter of credit. The letter of credit contains various covenants which have been met as of May 31, 2014 and 2013.

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 will automatically renew for successive one-year periods after this date, unless the Corporation provides, in writing, 60 days notice of its intent not to renew the lease. For the years ended May 31, 2014 and 2013, it was not necessary for the University to lease unoccupied beds due to the Corporation achieving a debt service ratio of 1.0.

NOTE 5 - COMMITMENTS AND CONTINGENCIES (continued)

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 $38,488 and $38,978 are included within the accompanying Statements of Activities as of May 31, 2014 and 2013, respectively. Therefore, the receivable due from the University 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 - FAIR VALUE OF FINANCIAL INSTRUMENTS

In determining fair value, the Corporation uses various valuation approaches. The accounting standard on fair value measurements establishes a fair value measurement framework, provides a single definition of fair value, and requires expanded disclosure summarizing fair value measurements. This standard emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing an asset or a liability.

The standard establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable input be used when available. Observable inputs are inputs that the market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Corporation. Unobservable inputs are inputs that reflect the Corporation's judgments about the assumptions market participants would use in pricing the asset or liability based on the best information available under the circumstances.

The hierarchy is measured in three levels based on the reliability of inputs:

- Level 1 - Valuations are based on quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments.
- Level 2 - Valuations are not based on quoted prices for identical assets or liabilities, but rather are based on significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.). Fair values are primarily obtained from third party pricing services for comparable assets or liabilities.

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

- Level 3 - Valuations are derived from other valuation methodologies and incorporate certain assumptions and projections that are not observable in the market and significant professional judgment in determining the fair value assigned to such assets or liabilities. Management's estimates of fair value of the alternative investments in preferred stock and real estate are based on information provided by fund managers, which in turn is based on the most recent information available to the fund managers for the underlying investments.

The only assets or liabilities reported at fair value are term deposits which are classified as Level 1 within the fair value hierarchy.

NOTE 7 - FUNCTIONAL EXPENSES

The Corporation provides housing to students, faculty, and staff of the University or of other nonprofit educational institutions affiliated with the University or located on, or adjacent to, the University's main campus. Expenses related to providing these services are as follows for the years ended May 31, 2014 and 2013:

	2014	2013
Program	$ 2,061,664	$ 2,215,405
Management and general support	600,440	583,054
Total operating expenses	$ 2,662,104	$ 2,798,459

NOTE 8 - SUBSEQUENT EVENTS

Management evaluated subsequent events through October 31, 2014, the date the financial statements were available to be issued. Events or transactions occurring after May 31, 2014, but prior to October 31, 2014 that provided additional evidence about conditions that existed at May 31, 2014, have been recognized in the financial statements for the year ended May 31, 2014. Events or transactions that provided evidence about conditions that did not exist at May 31, 2014, 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, 2014.