

THE IIT STATE STREET CORPORATION, NFP
FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2018 AND 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**THE IIT STATE STREET CORPORATION, NFP
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YEARS ENDED MAY 31, 2018 AND 2017**

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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, 2018 and 2017, 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.


Board of Directors
The IIT State Street Corporation, NFP

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The IIT State Street Corporation, NFP as of May 31, 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.

Emphasis-of-Matter Regarding sale and dissolution of the Corporation

The accompanying financial statements contain information related to the sale of assets and dissolution of the Corporation during the year ended May 31, 2018. As discussed in Notes 2 and 7, the Corporation was formally dissolved with the State of Illinois after selling all assets and paying off remaining debt balances.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Oak Brook, Illinois
November 7, 2018

THE IIT STATE STREET CORPORATION, NFP
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2018 AND 2017

	2018	2017
ASSETS		
Assets		
Cash	\$ -	\$ 1,111,282
Term Deposits	-	5,673,004
Receivable Due from Illinois Institute of Technology	-	559,373
Property, Plant, and Equipment, Net	-	20,065,560
	-	20,065,560
Total Assets	\$ -	\$ 27,409,219
LIABILITIES AND NET ASSETS		
LIABILITIES		
Notes Payable	\$ -	\$ 25,199,211
Total Liabilities	\$ -	\$ 25,199,211
UNRESTRICTED NET ASSETS	-	2,210,008
Total Liabilities and Net Assets	\$ -	\$ 27,409,219

See accompanying Notes to Financial Statements.

THE IIT STATE STREET CORPORATION, NFP
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED MAY 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
REVENUES		
Rooms Revenue	\$ 2,816,085	\$ 2,911,317
Interest	41,385	53,614
Total Revenues	<u>2,857,470</u>	<u>2,964,931</u>
EXPENSES		
Building Repairs and Maintenance	324,900	405,583
Utilities	277,119	275,304
General and Administrative Expenses	507,813	492,686
Management Fee	26,920	30,117
Interest	595,060	554,646
Depreciation	973,043	1,024,530
Total Expenses	<u>2,704,855</u>	<u>2,782,866</u>
NET OPERATING INCOME	<u>152,615</u>	<u>182,065</u>
NON-OPERATING EXPENSES		
Loss on Sale of Property, Plant, and Equipment	1,726,870	-
Loss on Extinguishment of Debt	341,052	-
Bond Redemption Fees	54,125	-
Transfer of Net Assets to Illinois Institute of Technology	240,576	-
Total Non-Operating Expenses	<u>2,362,623</u>	<u>-</u>
CHANGE IN NET ASSETS	(2,210,008)	182,065
Net Assets - Beginning of Year	<u>2,210,008</u>	<u>2,027,943</u>
NET ASSETS - END OF YEAR	<u>\$ -</u>	<u>\$ 2,210,008</u>

See accompanying Notes to Financial Statements.

THE IIT STATE STREET CORPORATION, NFP
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (2,210,008)	\$ 182,065
Adjustments to Reconcile Change in Net Deficit to Net Cash Provided by Operating Activities:		
Depreciation	973,043	1,024,530
Loss on Sale of the Property, Plant and Equipment	1,726,870	-
Amortized Interest Expense	19,737	21,531
Loss on Extinguishment of Debt	341,052	-
Effects of Changes in Operating Assets and Liabilities:		
Receivable Due from Illinois Institute of Technology	559,373	(71,150)
Net Cash Provided by Operating Activities	<u>1,410,067</u>	<u>1,156,976</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from (Purchase of) Term Deposits	5,673,004	(52,361)
Additions to Property, Plant, and Equipment	(534,353)	-
Proceeds from Sale of Property and Equipment	20,000	-
Net Cash Provided (Used) by Investing Activities	<u>5,158,651</u>	<u>(52,361)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	<u>(7,680,000)</u>	<u>(505,000)</u>
NET (DECREASE) INCREASE IN CASH	(1,111,282)	599,615
Cash - Beginning of Year	<u>1,111,282</u>	<u>511,667</u>
CASH - END OF YEAR	<u>\$ -</u>	<u>\$ 1,111,282</u>
SUPPLEMENTARY INFORMATION		
Note Payable Paid by Illinois Institute of Technology	<u>\$ 17,880,000</u>	<u></u>
Cash Paid for Interest	<u>\$ 575,323</u>	<u>\$ 533,115</u>

See accompanying Notes to Financial Statements.

THE IIT STATE STREET CORPORATION, NFP
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018 AND 2017

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 354 beds). Construction was completed in August 2003. The property's average normal occupancy was approximately 70% and 74% for the years ended May 31, 2018 and 2017, 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 America 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, 2018 and 2017, the Corporation had no temporarily or permanently restricted net assets. In addition, the Corporation is required to present a statement of cash flows.

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, 2018 and 2017, all receivables were considered collectible and no allowance for doubtful accounts was made for uncollectible accounts.

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 IIT STATE STREET CORPORATION, NFP
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018 and 2017

The Corporation follows 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.

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.

NOTE 2 NOTES PAYABLE

In May 2002, the Illinois Educational Facilities Authority (IEFA) executed the issuance and sale of \$28,635,000 aggregate principal Student Housing Adjustable Rate Demand Revenue Bonds, Series 2002A (Bonds). The Bonds were to mature on June 1, 2033 and were secured by a letter of credit accruing interest at a weekly rate that was sufficient to produce a par bid.

On March 28th, 2018 the Corporation's Board of Directors unanimously agreed to dissolve the Corporation, sell all property of the Corporation to the University and redeem the outstanding Bonds in full. On March 29th, 2018 the Corporation entered into a Real Estate Sales Agreement with the University to sell the Corporation's property for \$17,900,000 (Purchase Price). To facilitate the Corporation's ability to redeem and pay off the Bonds, the University agreed to deposit up to the full amount of the Purchase Price with trustee of the Bonds. On May 1st, 2018 the Corporation made a full redemption of its' outstanding bonds and the bonds were cancelled.

THE IIT STATE STREET CORPORATION, NFP
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018 AND 2017

NOTE 2 NOTES PAYABLE (CONTINUED)

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 to support the unpaid principal amount of the bonds and 35 days of accrued interest. The letter of credit contained a nonrefundable letter of credit fee of 1.25% per year through its maturity date March 31, 2018. It was renewed for the remaining final month prior to the bond redemption at a renewal rate of 1.75%. The fees totaled \$303,018 and \$327,581 for the years ended May 31, 2018 and 2017, respectively, and is included in interest expense in the accompanying statements of activities. At the time of the bond redemption the bond trustee directed the bank to permanently reduce the available amount of the Letter of Credit to \$0. At May 31, 2018 and 2017, no amounts were drawn against the letter of credit. The Letter of Credit was cancelled in connection with the redemption and cancellation of the bonds.

NOTE 3 PROPERTY, PLANT, AND EQUIPMENT

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

	2018	2017
Building	\$ -	\$ 26,687,203
Building Improvements	-	2,991,085
Leasehold Improvements	-	146,371
Furniture, Fixtures, and Equipment	-	3,018,688
Total	-	32,843,347
Less: Accumulated Depreciation	-	12,777,787
Total Property, Plant, and Equipment	\$ -	\$ 20,065,560

NOTE 4 COMMITMENTS AND CONTINGENCIES

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. The ground lease was released, terminated and discharged as a part of the real estate transaction with University.

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, 2018 and 2017, it was not necessary for the University to lease unoccupied beds due to the Corporation achieving a debt service ratio of 1.0.

THE IIT STATE STREET CORPORATION, NFP
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018 AND 2017

NOTE 4 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The operating lease was released, terminated and discharged as a part of the real estate transaction with University.

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 \$26,920 and \$30,117 are included within the accompanying statements of activities as of May 31, 2018 and 2017, respectively. Therefore, the payable due to and 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. The management agreement ceased to be in effect as a part of the real estate transaction with the University.

NOTE 5 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:

	<u>2018</u>	<u>2017</u>
Program	\$ 2,197,042	\$ 2,290,180
Management and General Support	507,813	492,686
Total Operating Expenses	<u>\$ 2,704,855</u>	<u>\$ 2,782,866</u>

NOTE 6 DISSOLUTION OF THE CORPORATION

On May 7th, 2018 the sale of the Corporation's property to the University was finalized. The Corporation had remaining assets of cash of \$270,336 as well as an outstanding operating liability to the University of \$29,760. Effective May 25, 2018 the Corporation was formally dissolved with the State of Illinois. In keeping with the Corporation's articles of incorporation regarding dissolution, the Corporation's remaining net assets of \$240,576 were distributed to the university.

THE IIT STATE STREET CORPORATION, NFP
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2018 AND 2017

NOTE 7 SUBSEQUENT EVENTS

Management evaluated subsequent events through November 7, 2018 the date the financial statements were available to be issued. Events or transactions occurring after May 31, 2018, but prior to November 7, 2018 that provided additional evidence about conditions that existed at May 31, 2018, have been recognized in the financial statements for the year ended May 31, 2018. Events or transactions that provided evidence about conditions that did not exist at May 31, 2018 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, 2018.



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