11th Street Family Health Services, Inc.

(A Non-Profit Real Estate Holding Company of Drexel University)

Financial Statements for the Years Ended June 30, 2018 and 2017

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Report of Independent Auditors

To the Board of Directors
11th Street Family Health Services, Inc.,

We have audited the accompanying financial statements of 11th Street Family Health Services, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company'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 Company'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 11th Street Family Health Services, Inc. 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.

PricewaterhouseCoopers LLP

September 7, 2018

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11th Street Family Health Services, Inc.
Statements of Financial Position
As of June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 967,237	$ 599,370
Deferred rent & other receivables	96,873	61,182
Land, buildings and equipment, net	10,521,325	11,022,013
Total assets	$ 11,585,435	$ 11,682,565
Liabilities		
Accrued interest	$ 30,804	$ 30,804
Long-term debt	9,500,000	9,500,000
Total liabilities	9,530,804	9,530,804
Net assets		
Unrestricted	2,054,631	2,151,761
Temporarily restricted	-	-
Permanently restricted	-	-
Total net assets	2,054,631	2,151,761
Total liabilities and net assets	$ 11,585,435	$ 11,682,565

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

11th Street Family Health Services, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue				
Rental income	$ 559,716	$ -	$ -	$ 559,716
Interest income	1,077	-	-	1,077
Total operating revenue	560,793	-	-	560,793
Operating expense				
Professional fees	31,020	-	-	31,020
Rent expense	3,000	-	-	3,000
Interest expense	123,215	-	-	123,215
Depreciation and amortization	500,688	-	-	500,688
Total operating expense	657,923	-	-	657,923
Change in net assets	(97,130)	-	-	(97,130)
Net assets				
Beginning of year	2,151,761	-	-	2,151,761
End of year	$ 2,054,631	$ -	$ -	$ 2,054,631

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

11th Street Family Health Services, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue				
Rental income	$ 556,716	$ -	$ -	$ 556,716
Interest income	595	-	-	595
Total operating revenue	557,311	-	-	557,311
Operating expense				
Professional fees	30,295	-	-	30,295
Other administrative expenses	15	-	-	15
Interest expense	123,215	-	-	123,215
Depreciation and amortization	500,689	-	-	500,689
Total operating expense	654,214	-	-	654,214
Change in net assets	(96,903)	-	-	(96,903)
Net assets				
Beginning of year	2,248,664	-	-	2,248,664
End of year	$ 2,151,761	$ -	$ -	$ 2,151,761

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

11th Street Family Health Services, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash flow from operating activities		
Increase/(decrease) in net assets	$ (97,130)	$ (96,903)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	500,688	500,689
Changes in operating assets and liabilities:		
Deferred rent and other receivables	(35,691)	(35,691)
Net cash provided by operating activities	367,867	368,095
Cash flow from investing activities		
Net cash provided by investing activities	-	-
Cash flow from financing activities		
Repayment to affiliate		(30,000)
Net cash provided by/(used in) financing activities	-	(30,000)
Net increase in cash and cash equivalents	367,867	338,095
Cash and cash equivalents		
Beginning of year	599,370	261,275
End of year	$ 967,237	$ 599,370
Supplemental information		
Cash paid for interest	$ 123,215	$ 123,215

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

1. Organization

11th Street Family Health Services, Inc. (the "Corporation") a Pennsylvania non-profit corporation, was formed on December 12, 2013. The Corporation was organized and operates in furtherance of the activities of Drexel University, an organization exempt under Section 501 (c)(3) of the Internal Revenue Code.

On December 23, 2013 the Corporation received a donation of certain real estate property known as 850 North 11th Street, Philadelphia Pennsylvania (the "Property") from Drexel University. The Property is located in a qualified census tract that meets certain income, unemployment and poverty level requirements and qualifies under the New Market Tax Credit Program as a qualified active low-income community business (a "QALICB") as defined by Section 45D of the Internal Revenue code of 1986, as amended, and Section 1.45D-1(d)(4) of the Code of Federal Regulations.

The Corporation entered into a contract with Gilbane Building Company on December 23, 2013 to renovate the existing structure and expand the Property creating a larger comprehensive nurse-managed community health center. The project is funded by qualified low income community investment loans through TRF New Market Tax Credit Fund XXVI, LP.

Under the terms of a lease agreement dated, December 23, 2013 the Corporation leased the entirety of the Property to Drexel University to continue to be used as the 11th Street Family Health Services of Drexel University. The new addition and renovated space substantially increased the number of patients served, expanded services to patients and enhanced undergraduate and graduate health professions educational initiatives. The term of the lease runs from October 14, 2015, the date when Drexel University t00k possession of the new addition (the "Rent Commencement Date"), to December 31, 2042. The quarterly base rent is established in the lease.

2. Summary of Significant Accounting Policies

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Cash – Consists of bank deposits available for operations with original maturities of 90 days or less.

Use of Estimates – 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 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 these estimates.

Revenue Recognition – Due to the completion of construction and issuance of a certificate of occupancy, the Corporation began receiving rental income from Drexel University for the use of the Property effective October 14, 2016. The Drexel University lease is a "net lease", and as such, in addition to base rent, Drexel University is also responsible for all operating costs of the Corporation. Total rental income was $559,716 for 2018 and $556,716 for 2017, and is recorded on a straight line basis.

Land, Buildings and Equipment – Land, buildings and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Buildings are depreciated over useful lives of 30 years. Building and land improvements are depreciated over a useful life of 25 years. Equipment and furniture and fixtures have a useful life of 10 years.

Income Taxes – No provision or benefit for income taxes has been included in these financial statements. The Corporation is a nonprofit organization that has been granted tax exempt status under Section 501 (c)(3) of the Internal Revenue Code.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842), which is meant to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The guidance is effective for annual fiscal periods beginning after December 15, 2019. In July 2018, FASB issued ASU No. 2018-11 which amends the transition methods contained in ASU No. 2016-02. The Corporation is currently evaluating these standards to determine the impact it will have on its financial statements.

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements for Not-for-Profit Entities, which revises the not-for-profit financial reporting model. ASU 2016-14 is meant to reduce the complexity of and add clarity to net asset reporting, add additional disclosure regarding nature of self-imposed limits on unrestricted net assets and donor restricted net assets, and add reporting requirements related to nature of expenses. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. The Corporation is currently evaluating the standard to determine the impact it will have on its financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU No. 2016-15 aims to reduce the diversity in practice that has resulted from the lack of consistent principles on this topic. ASU No. 2016-15 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. Entities must apply the guidance retrospectively to all periods presented but may apply it prospectively from the earliest date practicable if the retrospective application would be impracticable. The Corporation is currently evaluating the standard to determine the impact it will have on its financial statements.

The Corporation has determined that there are no other recently issued accounting standards that will have a material impact on its financial statements.

3. Land, Building and Equipment

	2018	2017
Land	$ 280,587	$ 280,587
Building	2,162,356	2,162,356
Land & building improvements	8,664,116	8,664,116
Equipment & other	820,450	820,450
Total land, building and equipment-gross	11,927,509	11,927,509
Less: accumulated depreciation	(1,406,184)	(905,496)
Total land, building and equipment-net	$ 10,521,325	$ 11,022,013

4. Classification of Net Assets

Resources in the financial statements are classified for accounting and reporting purposes into classes of net assets according to the existence of restrictions. All assets, liabilities, and activities are accounted for in the following net asset classifications:

Unrestricted
Unrestricted net assets are used to account for funds which have not been restricted, and over which the Board has discretionary control.

Temporarily Restricted
Temporarily Restricted net assets are subject to donor-imposed stipulations that may be fulfilled by actions of the Corporation to meet the stipulations or become unrestricted at the date specified by the donor.

Permanently Restricted
Permanently Restricted net assets are subject to donor-imposed stipulations that they be retained and invested permanently by the Corporation. The donors require the Corporation to use net assets for specified or unspecified purposes.

There were no net assets classified as temporarily or permanently restricted as of June 30, 2018 and 2017.

5. Long-Term Debt

A summary of the Corporation's notes payable is presented below:

	2017	2016
Note A-TRF NMTC Fund XXVI, LP	$6,783,250	$6,783,250
Note B-TRF NMTC Fund XXVI, LP	2,716,750	2,716,750
Total long-term debt	$9,500,000	$9,500,000

On December 23, 2013 TRF NMTC Fund XXVI, LP, a Pennsylvania limited partnership, issued two loans to the Corporation providing financing for the project. The first loan, Note A in the amount of $6,783,250, accrues interest at 1.297% per year and is computed on the basis of a 360 day year consisting of twelve 30-day months. The loan has a 30 year term with interest only payments required until December 31, 2020. Payments are due quarterly in arrears on the 1st day of each January, April, July, and October. Upon the conclusion of the interest only period, quarterly payments in the amount of $86,199 consisting of both interest and principal begin on April 1, 2021. The loan matures on October 1, 2043. The amount of interest accrued for 2018 and 2017 on Note A was $21,995.

The second loan, Note B in the amount of $2,716,750, accrues interest at 1.297% per year and is computed on the basis of a 360 day year consisting of twelve 30-day months. The loan has a 30 year term with a one-time principal payment of $25,000 due on December 23, 2020 and interest only payments required until December 31, 2020. Payments are due quarterly in arrears on the 1st day of each January, April, July, and October. Upon the conclusion of the interest only period, quarterly payments in the amount of $34,206 consisting of both interest and principal begin on April 1, 2021. The loan matures on October 1, 2043. The amount of interest accrued for 2018 and 2017 on Note B was $8,809.

The loan agreement contains a number of covenants that, among other things, prevent the Corporation from incurring any other indebtedness without the Lender's prior written consent. The Corporation is required to maintain a debt service coverage ratio of not less than 1.0 to 1.0 and a Tenant lease coverage ratio of not less than 1.1 to 1.0. The Corporation is in compliance with all covenants as of June 30, 2018.

The notes are collateralized by the Property and the improvements. The Corporation may not encumber, transfer ownership, relocate or otherwise act so as to decrease the value of all or any portion of the Property without prior written consent.

The following is a summary of principal payment requirements to maturity per fiscal year:

	Note A	**Note B**	**Total**
2018	$ -	$ -	$ -
2019	-	-	-
2020	-	-	-
2021	64,203	50,478	114,681
2022	258,904	102,739	361,643
Thereafter	$ 6,460,143	$ 2,563,533	$ 9,023,676

6. Leases

On December 23, 2013 the Corporation leased the entirety of the Property to Drexel University to continue to be used as the 11th Street Family Health Services of Drexel University. The term of the lease runs from the date of the issuance of a certificate of occupancy or the date Drexel University t00k actual possession of the new addition (the "Rent Commencement Date") to December 31, 2042. The "Rent Commencement Date" was October 14, 2015. Rental payments to the Corporation are payable in advance on the first day of each calendar quarter, with the first of such quarterly installments payable on the Commencement Date. Future minimum base rent payments in the aggregate by fiscal year are as follows:

2019	$	521,025
2020		521,025
2021		528,841
2022		536,656
2023		536,656
Thereafter		11,092,217
Total minimum lease payments	$	13,736,420

The Corporation leased from the Philadelphia Housing Authority the land parcel utilized for its parking lot. It is expected that a year-to-year lease will be renewed annually until a pending ten year ground lease is approved by the U.S. Department of Housing and Urban Development. The Corporation anticipates continual renewals of the ground lease given Drexel's long term commitment to the 11th Street Family Health Services facility. The 2018 lease expense was $3,000.

7. Related Party Transactions

The Corporation is a non-profit real estate holding company of Drexel University, organized to operate in furtherance of the activities of Drexel University and to facilitate the use of new market tax credits in rehabilitating and expanding the structures located at 850 North 11th Street, Philadelphia. The sole tenant of the Property is Drexel University. All rental income is a related party transaction.

Drexel University incurs certain expenses on behalf of the Corporation and is reimbursed by the Corporation. These amounts represent temporary advances to the Corporation and are not interest bearing. As of June 30, 2018, the Corporation had no liability to the University for such expenses.

8. Subsequent Events

The Corporation has evaluated subsequent events from June 30, 2018 through September 7, 2018 and determined that there were no additional subsequent events requiring adjustment or disclosure in the financial statements.