11TH Street Family Health Services, Inc.
(A Non-Profit Real Estate Holding Company of Drexel University)

Financial Statements for the Years Ended June 30, 2017 and 2016

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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, 2017 and June 30, 2016, 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, 2017 and June 30, 2016, 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 29, 2017

11th Street Family Health Services, Inc.
Statements of Financial Position
As of June 30, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	$ 599,370	$ 261,275
Deferred rent & other receivables	61,182	25,491
Land, buildings and equipment, net	11,022,013	11,522,702
Total assets	$ 11,682,565	$ 11,809,468
Liabilities		
Net borrowings from affiliate	$ -	$ 30,000
Accrued interest	30,804	30,804
Long-term debt	9,500,000	9,500,000
Total liabilities	9,530,804	9,560,804
Net assets		
Unrestricted	2,151,761	2,248,664
Temporarily restricted	-	-
Permanently restricted	-	-
Total net assets	2,151,761	2,248,664
Total liabilities and net assets	$ 11,682,565	$ 11,809,468

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.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue				
Contribution from affiliate	$ 516,323	-	-	$ 516,323
Rental income	398,052	-	-	398,052
Interest income	1,094	-	-	1,094
Total operating revenue	915,469	-	-	915,469
Operating expense				-
Professional fees	44,055	-	-	44,055
Interest expense	94,069	-	-	94,069
Depreciation and amortization	291,536	-	-	291,536
Total operating expense	429,660	-	-	429,660
Change in net assets	485,809	-	-	485,809
Net assets				
Beginning of year	1,762,855	-	-	1,762,855
End of year	$ 2,248,664	$ -	$ -	$ 2,248,664

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, 2017 and 2016

	2017	2016
Cash flow from operating activities		
Increase/(decrease) in net assets	$ (96,903)	$ 485,809
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-cash contributions received from affiliate	-	(516,323)
Depreciation and amortization	500,689	291,536
Changes in operating assets and liabilities:		
Deferred rent and other receivables	(35,691)	(25,008)
Net cash provided by/(used in) operating activities	368,095	236,014
Cash flow from investing activities		
Purchase of land, buildings and equipment	-	(920,095)
Release of restricted funds held by trustee	-	3,630,134
Net cash provided by/(used in) investing activities	-	2,710,039
Cash flow from financing activities		
Repayment to affiliate	(30,000)	(2,715,101)
Net cash provided by/(used in) financing activities	(30,000)	(2,715,101)
Net increase/(decrease) in cash and cash equivalents	338,095	230,952
Cash and cash equivalents		
Beginning of year	261,275	30,323
End of year	$ 599,370	$ 261,275
Supplemental information		
Cash paid for interest	$ 123,215	$ 123,215
Non-cash financing activities	$ -	$ 516,323

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 will substantially increase the number of patients served, expand services to patients and enhance undergraduate and graduate health professions educational initiatives. The term of the lease runs from October 14, 2015 the date when Drexel University took 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

Recent Accounting Pronouncements

In August 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updated ("ASU") No. 2015-14, Revenue from Contracts with Customers (Topic 606). The core principle of Topic 606 is that revenue be recognized in manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be compensated in exchange for those goods or services. The guidance is effective for annual fiscal periods beginning after December 15, 2017. The Corporation is currently evaluating the standard to determine the impact it will have on its financial statements.

In January 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-01, Recognition and measurement of financial assets and financial liabilities (Topic 825), which is meant to enhance the reporting model for financial instruments and provide more useful information to users of financial statements. The guidance is effective for annual fiscal periods beginning after December 15, 2018. The Corporation is currently evaluating the standard to determine the impact it will have on its financial statements.

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. 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 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.

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

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. Rental income was $556,716 for 2017 and $398,052 for 2016, and is recorded on a straight line basis.

The cost of construction services in excess of project funding ($516,323) was paid directly by Drexel University and recorded as a contribution from affiliate and as non-cash financing in 2016.

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 improvements are depreciated over a useful life of 25 years. Equipment and furniture and fixtures generally have a useful life of 3 - 10 years.

Construction costs noted above that were contributed by its affiliate (Drexel University) have been recorded as building improvements by the Corporation in fiscal year 2016.

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.

3. Land, Building and Equipment

	2017	2016
Land	$ 280,587	$ 280,587
Land Improvements	257,644	257,644
Building	2,162,356	2,162,356
Building Improvements	8,406,472	8,406,472
Equipment & Other	820,450	820,450
Total land, building and equipment-gross	11,927,509	11,927,509
Less: accumulated depreciation	(905,496)	(404,807)
Total land, building and equipment-net	$ 11,022,013	$ 11,522,702

There was no capitalized interest during the year ended June 30, 2017. During the year ended June 30, 2016 interest during construction amounted to $29,146, which was capitalized and added to the depreciable basis of building improvements.

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 funder-imposed stipulations that may be fulfilled by actions of the Corporation to meet the stipulations or become unrestricted at the date specified by the funder.

Permanently Restricted
Permanently Restricted net assets are subject to funder-imposed stipulations that they be retained and invested permanently by the Corporation. The funders 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, 2017 and 2016.

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 2017 and 2016 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 2017 and 2016 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 lease coverage ratio of not less than 1.1 to 1.0. The debt service ratio as of June 30, 2017 was 4.3 to 1.0. The lease coverage ratio as of June 30, 2017 was 2.0 to 1.0.

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
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	64,203	50,478	114,681
Thereafter	6,719,047	2,666,272	9,385,319

6. Lease

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 takes 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 to be payable on the Commencement Date. Future minimum base rent payments in the aggregate by fiscal year is as follows:

2018	521,025
2019	521,025
2020	521,025
2021	528,841
2022	536,656
Thereafter	11,628,873
Total minimum lease payments	$ 14,257,445

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 will be Drexel University. All rental income will be a related party transaction.

Drexel University incurs certain expenses on behalf of the Corporation and is reimbursed by the Corporation. As of June 30, 2017, the Corporation had no liability to the University for such expenses. As of June 30, 2016 the Corporation owed the University $30,000 for professional fees paid by Drexel on behalf of the Corporation. These amounts represent temporary advances to the Corporation and are not interest bearing.

8. Subsequent Events

The Corporation has evaluated subsequent events from June 30, 2017 through September 29, 2017 and determined that there were no additional subsequent events requiring adjustment or disclosure in the financial statements.