

UNIVERSITY BRIDGE, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management
Atlantic Housing Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of University Bridge, LLC, which comprise the statement of financial position as of December 31, 2020, and the related statement of activities and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of 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 auditor's 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 combined 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 University Bridge, LLC as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "M Group, LLP".

M Group, LLP
April 28, 2021

UNIVERSITY BRIDGE, LLC
STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS

CURRENT ASSETS

Cash	\$ 1,653,145
Accounts receivable - tenants, net	193,342
Accounts receivable - other	4,150
Prepaid expenses	229,396
TOTAL CURRENT ASSETS	<u>2,080,033</u>

RESTRICTED FUNDS AND RESERVES

Funds held by trustee:	
Debt service reserves	15,276,376
Construction reserves	1,234,263
Operating reserves	116,687
Surplus fund	1,530,814
Operating and maintenance reserve	1,644,097
Security deposits	178,241
TOTAL RESTRICTED FUNDS AND RESERVES	<u>19,980,478</u>

RENTAL PROPERTY

Land	27,329,235
Buildings and improvements	153,729,060
Land improvements	4,578,842
Furniture, fixtures and equipment	13,659,977
	<u>199,297,114</u>
Accumulated depreciation	(4,018,241)
NET RENTAL PROPERTY	<u>195,278,873</u>

OTHER ASSETS

Deposits	2,000
TOTAL OTHER ASSETS	<u>2,000</u>

TOTAL ASSETS	<u><u>\$ 217,341,384</u></u>
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UNIVERSITY BRIDGE, LLC
STATEMENT OF FINANCIAL POSITION
December 31, 2020

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Construction contract payable	\$ 45,971
Accounts payable and accrued expenses	386,639
Prepaid rent	35,788
Accrued interest - tax-exempt bonds	945,541
Accrued interest - taxable bonds	38,916
Accrued asset management fees	859,700
Due to sole member - asset management fees	862,890
Current portion of bond notes payable	2,090,000
TOTAL CURRENT LIABILITIES	<u>5,265,445</u>

TENANT SECURITY DEPOSITS

178,241

LONG-TERM LIABILITIES

Tax-exempt bond notes payable	218,745,000
Taxable bond notes payable, net of current portion	6,805,000
Unamortized bond premium, net of bond discounts	3,283,972
	<u>228,833,972</u>
Less: unmortized debt issuance costs	4,079,757
TOTAL LONG-TERM LIABILITIES	<u>224,754,215</u>

TOTAL LIABILITIES

230,197,901

NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS

(12,856,517)

TOTAL LIABILITIES AND NET ASSETS

\$ 217,341,384

UNIVERSITY BRIDGE, LLC
STATEMENT OF ACTIVITIES
For the year ended December 31, 2020

REVENUES	
Rental income	\$ 6,101,972
Other tenant income	288,842
TOTAL REVENUES	6,390,814
OPERATING EXPENSES	
Administrative	400,697
Bad debt expense	588,247
Pre-leasing expenses and incentives	480,187
Salaries, wages and benefits	523,951
Utilities	200,329
Management fees	388,167
Operating and maintenance	185,053
Insurance	191,472
TOTAL OPERATING EXPENSES	2,958,103
NET OPERATING INCOME	3,432,711
OTHER INCOME (EXPENSES)	
Interest income	163,794
Interest - bond notes	(5,160,281)
Interest - debt service cost and net bond premium amortization	(142,153)
Interest - related party	(27,047)
Interest - asset management fees	(15,950)
Debt service fees	(37,940)
Gifts, scholarships and donations	(5,051,703)
Asset management fees	(1,687,500)
Depreciation	(4,018,241)
TOTAL OTHER INCOME (EXPENSE)	(15,977,021)
DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(12,544,310)
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	(312,207)
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS, END OF YEAR	\$ (12,856,517)

See notes to financial statements

UNIVERSITY BRIDGE, LLC
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

Cash flows from operating activities:	
Decrease in net assets	\$ (12,544,310)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Depreciation	4,018,241
Interest - debt issuance costs	408,359
Amortization of mortgage premium/discount, net	(82,906)
(Increase) decrease in accounts receivable	(274,072)
(Increase) decrease in prepaid expenses	(229,396)
(Increase) decrease in operating escrows, net	(123,244)
(Increase) decrease in deposits	(2,000)
Increase (decrease) in tenant security deposits	178,241
Increase (decrease) in accounts payable and accrued expenses	386,639
Increase (decrease) in accrued interest payable	15,950
Increase (decrease) in asset management fees payable	843,750
Increase (decrease) in real estate taxes	(108,063)
Increase (decrease) in prepaid rent	112,368
Increase (decrease) in due to sole member	862,890
Total adjustments	<u>6,006,757</u>
Net cash provided (used) by operating activities	<u>(6,537,553)</u>
Cash flow from investing activities:	
Payments for rental property	(55,196,218)
Withdrawals (payments) - construction reserves, net	54,466,331
Net cash provided (used) by investing activities	<u>(729,887)</u>
Cash flow from financing activities:	
Withdrawals (payments) - surplus fund, net	(1,530,814)
Withdrawals (payments) - debt service reserve, net	10,523,317
Net cash provided (used) by financing activities	<u>8,992,503</u>
Net increase (decrease) in cash and cash equivalents	1,725,063
Cash and equivalents, beginning of year	<u>106,323</u>
Cash and equivalents, end of year	<u>\$ 1,831,386</u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for interest	<u>\$ 11,966,442</u>
Reconciliation of cash, cash equivalents, and restricted cash balances:	
Cash and cash equivalents	\$ 1,653,145
Tenant security deposits	<u>178,241</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 1,831,386</u>

See notes to financial statements

UNIVERSITY BRIDGE, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - NATURE OF ACTIVITIES AND ORGANIZATION

On September 5, 2018, the sole member interest of University Bridge, LLC (the “Company”), a single member Florida limited liability company, was assigned to Atlantic Housing Foundation, Inc. (“AHF”) (the “Corporation”), a South Carolina 501(c)(3) non-profit corporation. University Bridge, LLC was formed to develop, finance, construct, furnish, equip and operate a residential facility consisting of a 20-story, 886-unit, 1,244-bed residential tower to house students, faculty, and staff of Florida International University (“FIU”) (the “University”) in Sweetwater, Florida known as University Bridge (the “Project”). The Project is subject to Student Housing Regulatory Agreements, which define student rental restrictions under Internal Revenue Code Section 145. The Project was placed into service on July 14, 2020.

Atlantic Housing Foundation, Inc. (“AHF”) wholly owns the Company. AHF was organized in South Carolina on November 29, 1999, as a 501(c)(3) non-profit Corporation. AHF’s purpose is to (1) foster, support, provide, acquire, construct, rehabilitate and operate qualified affordable housing for low-income persons and families, elderly, and mentally or physically disabled persons where no adequate housing exists for such persons; (2) provide aid to the poor and distressed, provide decent, safe and sanitary housing for low-income persons and families, assist in the social and economic integration of the poor, combat community deterioration, lessen neighborhood tensions, eliminate prejudice and discrimination, and reduce the burden on government through the provision of affordable housing and (3) provide housing at universities and scholarships for qualified students from low-income families and disadvantaged backgrounds to enable such recipients to find their way out of subsidized housing through educational opportunities.

The Company was organized to provide scholarships and funds for other academic purposes exclusively for the benefit of the University in accordance with a Student Housing Agreement. In accordance with the Company Operating Agreement dated September 25, 2018 (the “Operating Agreement”), management of the business and affairs of the Company shall be vested in a Board of Managers consisting of three Managers appointed by the governing board of AHF. The Board of Managers shall consist of at least one Manager submitted by the University and one Manager from the Miami-Dade County, Florida community.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Company are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Revenues and support are classified based on the presence or absence of donor restrictions and are reported in the following net asset categories:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Company. These net assets may be used at the discretion of the Company’s management and the board of directors.

UNIVERSITY BRIDGE, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Company or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

No net assets with donor restrictions were held during the periods presented and accordingly, these financial statements do not reflect any activity related to this net asset classification for the year ended December 31, 2020.

Income Taxes

The Company is wholly owned by AHF a not-for-profit under the provisions of Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. Accordingly, no provision or benefit for income taxes has been recorded in the financial statements. The Company is a disregarded entity for Federal income tax purposes.

The rules governing uncertainty in income taxes for nonpublic enterprises require additional disclosures for situations, if any, where the Corporation's tax positions are considered uncertain. This did not have a material effect on the Corporation's results of operations or financial position. Income tax returns filed by the Corporation are subject to examination by the Internal Revenue Service for a period of three years. There are no examinations currently in progress.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all unrestricted investment instruments purchased with an original maturity of three months or less to be cash equivalents. Restricted funds and reserves held with lenders and trustees have use restrictions and are not considered to be cash equivalents. Cash and cash equivalents are reported at cost, which approximates fair market value.

Subsequent Events

The Company has evaluated subsequent events through April 28, 2021, the date the financial statements were available to be issued.

Tenant Security Deposits Held in Trust

Tenant security deposits are funds provided by tenants to ensure compliance with lease provisions. Cash collected for these deposits is to be held in trust in a separate bank account in the name of the Project.

Use of Estimates

The preparation of combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the combined financial

UNIVERSITY BRIDGE, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Rental Property

Costs related to the acquisition, development, construction and improvement of properties are capitalized and recorded at cost. Rental property includes capitalized interest of \$21,616,928. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	27.5 years
Land improvements	15 years
Furniture, fixtures and equipment	5 years

Ordinary repairs and maintenance that do not extend the life of an asset are charged to expense as incurred.

Rental Income

Rental income is recognized as rentals become due under the terms of operating leases with Project tenants. Rental payments received in advance are deferred until earned. Management believes the Project's rental income stream is exempted from compliance with ASC 606 due to its inclusion under current and future lease standards.

Tenant charges such as laundry, parking, pet fees and damages are subject to ASC 606. Such fees are ancillary to the lease and are recognized as revenue at the point in time when fees are incurred.

Debt Issuance Costs

Loan financing costs and bond issuance costs, net of amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using the straight-line method over the life of the related debt agreements. Accounting principles used in the United States of America require the effective interest method be used to amortize debt issuance costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained using the effective interest method.

Accounts Receivable and Bad Debts

Tenant receivables are stated net of an allowance for doubtful accounts. The Company estimates the allowance based on its historical experience of the relationship between actual bad debts and receivables. As of December 31, 2020, the balance of the allowance for doubtful accounts was \$588,247.

UNIVERSITY BRIDGE, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. Impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on internal and external appraisals, discounted cash flows or other valuation techniques. No impairment losses have been recognized as of December 31, 2020.

Fair Value Measurements

FASB ASC 820-10, "Fair Value Measurements and Disclosures," provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to value fair value. The hierarchy gives the highest priority to adjusting quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Level 1- Inputs to valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2- Inputs to the valuation methodology include: (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in inactive markets; (3) inputs other than quoted prices that are observable for the asset or liability and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has specified (contractual) terms, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3- Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liability's fair value measurement level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. The adoption of this guidance did not have a material impact on the Company's financial position or results of operations. Funds held with the Trustee are classified as Level 1.

Adoption of Accounting Pronouncements

The Company has adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return

UNIVERSITY BRIDGE, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

The Company adopted the Financial Accounting Standards Board’s Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers, Accounting Codification Standard (ASC) 606 and all related amendments. ASC 606 supersedes most existing revenue recognition guidance. ASC 606 provides a principles-based framework for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects in exchange for the goods or services provided. It also requires enhanced disclosures to enable users of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

NOTE 3 - BOND NOTE AGREEMENTS

A \$227,640,000 Student Housing Promissory Note dated September 25, 2018, was funded from proceeds of \$218,745,000 Student Housing Revenue Tax-Exempt Bonds Series 2018A and \$8,895,000 Student Housing Revenue Taxable Bonds Series 2018B, issued by the Capital Trust Agency (“CTA”), a Florida public agency. The Issuer provided the note to the Corporation for the purpose of financing the acquisition, development and construction of University Bridge, the payment of capitalized interest through six months following scheduled completion, funding of a debt service reserve and operating and maintenance reserve, and payment of costs of issuance on the 2018 Bonds. The Note is secured by a First Mortgage, Assignment of Rents, Security Agreement and Fixture Filing.

The Student Housing Promissory Note bears interest at rates equivalent to the yields of their respective bond issue. Interest is payable semi-annually on June 1 and December 1 each year. Monthly principal payments are required in amounts sufficient to retire the bond obligations. Final payment of all outstanding principal and interest is due and payable on the respective maturity dates.

Note principal amounts, accrued interest, interest rates and maturity dates on the University Bridge Bond Notes are as follows at December 31, 2020:

	Series A Note	Series A Note	Series A Note	Series B Note
Note Amount	\$11,010,000	\$65,855,000	\$141,880,000	\$8,895,000
Interest Rate per Annum	4%	5.25%	5.25%	5.25%
Maturity Date	Dec 1, 2028	Dec 1, 2043	Dec 1, 2058	Dec 1, 2024
Outstanding Note Principal 12/31/20	\$11,010,000	\$65,855,000	\$141,880,000	\$8,895,000
Accrued Interest 12/31/20	\$36,700	\$288,116	\$620,725	\$38,916

UNIVERSITY BRIDGE, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 - BOND NOTE AGREEMENTS (Continued)

Scheduled aggregate principal payments due on the Bond Notes are as follows:

2021	\$	2,090,000
2022		2,195,000
2023		2,310,000
2024		2,435,000
2025		2,560,000
Thereafter		<u>216,050,000</u>
Total	\$	<u><u>227,640,000</u></u>

The bonds were issued at a net premium of \$3,470,501. The premium is being amortized over the 40 year term using the straight-line method, which is not materially different than the effective interest method. On December 31, 2020, the unamortized debt premium was \$3,283,972.

The fair value of notes payable are estimated based on the current rates offered to the Property for debt of the same remaining maturities. At December 31, 2020, the fair value of the mortgage approximates the amount recorded on the financial statements.

NOTE 4 - SOURCES AND USES OF BOND PROCEEDS

At September 25, 2018, sources and uses of bond proceeds were applied as follows:

Sources of funds:		
Series 2018A Bonds	\$	218,745,000
Series 2018B Bonds		8,895,000
Original Issue Premium, net		<u>3,470,491</u>
Total Sources of Funds	\$	<u><u>231,110,491</u></u>
Uses of Funds:		
Land	\$	27,329,235
Construction Reserve Funds		157,700,452
Capitalized Interest Funds		25,078,550
Debt Service Reserve Funds		13,903,688
Operating Reserve Fund		1,600,000
Cost of Issuance Funds		<u>5,498,566</u>
Total Uses of Funds	\$	<u><u>231,110,491</u></u>

NOTE 5 - CONSTRUCTION CONTRACT

On July 23, 2018, a \$108,500,000 third party construction contract was executed with Coastal Construction of Miami Dade to construct University Bridge, a student housing facility, to house students of the Florida International University. Approved change orders totaled (\$18,785,204), of

UNIVERSITY BRIDGE, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 - CONSTRUCTION CONTRACT (Continued)

which, the majority was attributable to amounts paid directly by the Company to Coastal's subcontractors. As of December 31, 2020, \$89,714,797 of contract costs were completed and stored to date. As of December 31, 2020, the contract was complete and \$45,971 was payable to the Contractor.

NOTE 6 - DEVELOPER AGREEMENT

On September 25, 2018, a \$6,000,000 master development agreement was executed with a third-party developer, University Bridge GP, LLC, to provide development services for University Bridge. As of December 31, 2020, \$6,000,000 has been earned, paid, and capitalized into rental property on the accompanying Statement of Financial Position. In addition, the developer was entitled to a developer incentive fee of \$3,000,000 if the Project received its certificates of occupancy and achieved 90% occupancy by October 15, 2020, subject to the availability of bond proceeds and reduced by any cost overruns. The developer guaranteed to fund any cost overruns. During 2020, \$3,000,000 of developer incentive fee was earned, paid, and capitalized into rental property on the accompanying Statement of Financial Position. As of December 31, 2020, \$0 of accrued developer's fee were outstanding.

NOTE 7 - ASSET MANAGEMENT AGREEMENT

On September 25, 2018, executed an Asset Management Agreement with Collegiate City Asset Management, LLC, an affiliate of the Developer, to provide asset management services for the Company. The Company shall pay an annual cumulative fee in an initial amount of \$2,250,000 beginning August 15, 2020 for a term of thirty (30) years. The fee will increase annually proportionate to the annual CPI increase in August. The fee is payable quarterly from available net cash flow in order of priority, as defined, beginning August 15, 2020. Unpaid asset management fees accrue interest at 5% per annum and payable no later than the earlier of the termination of agreement or five (5) years after the asset management fee was originally due. During 2020, \$843,750 of asset management fees were expensed. As of December 31, 2020, \$843,750 of accrued asset management and \$15,950 of accrued interest were unpaid and included in "accrued asset management fees" in the accompanying statement of financial position.

NOTE 8 - RELATED PARTY TRANSACTIONS

Asset Management and Administrative Agreement

On September 25, 2018, the Company executed an Asset Management and Administrative Agreement with the AHF. A \$1,800,000 transaction and construction management fee was payable to AHF to provide oversight and management of the bond issuance, development budget and construction. Upon the closing of the Bonds, the total fee of \$1,800,000 under the agreement has been earned and capitalized into rental property as of December 31, 2020. Interest accrues at 6% per annum. \$500,000 was paid upon the bond closing. During 2020, \$1,300,000 of the remaining transaction and management fee was paid in full and accrued interest of \$152,967 was paid in full. During 2020, \$7,907 of interest expense is included in "interest - related party" on the accompanying statement of activities.

UNIVERSITY BRIDGE, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 - RELATED PARTY TRANSACTIONS (Continued)

Pursuant to terms of the Asset Management and Administrative agreement, \$2,250,000 of asset management and administrative fees shall be paid to AHF beginning on August 15, 2020 and will continue until the Company ceases to own the Project. Beginning January 1, 2022, the fee is to be increased every 3 years proportionate to the annual CPI increase reported in January. The fee is payable quarterly from available net cash flow in the order of priority, as defined, beginning August 15, 2020. Unpaid asset management fees accrue interest at 6% per annum. During 2020, \$843,750 of asset management fees were expensed. During 2020, \$19,140 of interest expense was accrued and is included in “interest-related party” on the accompanying statement of activities. As of December 31, 2020, \$843,750 of accrued asset management fees and \$19,140 of accrued interest were unpaid and included in “due to sole member - asset management fees” on the accompanying statement of financial position.

Construction Consulting and Management Agreement

On September 25, 2018, the Company executed a Construction Consulting and Management Agreement with AHF to provide construction oversight for the Project. A monthly construction consulting and management fee of \$10,000 began on October 1, 2018 through December, 2020. Any unpaid fee will accrue interest at 5% per annum. As of December 31, 2020, \$270,000 has been paid to AHF and capitalized into rental property.

NOTE 9 - RESTRICTED CASH AND RESERVES

Under terms of the trust indenture and loan agreement, the Company is required to deposit specified amounts with the lenders and trustees in order to fund debt service requirements, capital expenditures and the payment of certain operating expenses. Disbursements from certain restricted accounts are controlled by the lenders and trustees. The assets held in certain restricted accounts are pledged as collateral against the respective loan obligations.

Reserve funds established under the Trust Indenture consist of the following at December 31, 2020:

Debt service reserve	\$ 13,903,921
Operating and maintenance reserve	1,644,097
Surplus fund	1,530,814
Construction reserve	1,234,263
Capitalized interest funds	47,596
Interest funds	976,525
Tax and insurance reserve	111,641
Principal fund	348,334
Administrative fund	5,043
Revenue fund	3
Total	\$ <u>19,802,237</u>

UNIVERSITY BRIDGE, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9 - RESTRICTED CASH AND RESERVES (Continued)

Debt Service Funds

Upon initial execution and closing of the bonds, \$13,407,033 and \$545,181 was deposited in the A Series A and Series B debt service funds, respectively, to pay scheduled payments of principal or interest on the bonds. As of December 31, 2020, the debt service funds held \$13,360,627 and \$543,294 for the Series A and Series B Notes, respectively.

Capitalized Interest and Interest Funds

Upon initial execution and closing of the bonds, \$22,168,634 and \$905,839 was deposited in the 2018A and 2018B capital interest funds, respectively, to pay the interest during construction. As of December 31, 2020, the funds held \$45,719 and \$1,877 in the Series A and Series B capital interest funds, respectively.

During 2020, upon completion of construction, a 2018A and 2019B Interest fund was established to pay interest on the bonds post construction completion. As of December 31, 2020, the interest funds held \$937,922 and \$38,603 in the Series A and Series B interest funds, respectively.

Principal Fund

During 2020, the principal fund was established to fund future principal bond payments. Disbursements are controlled by the Trustee. As of December 31, 2020, the principal fund held \$348,334.

Revenue Fund

Deposits in the revenue funds are swept monthly and disbursed into fund accounts held by the Trustee in accordance with the Indenture Agreement. As of December 31, 2020, the revenue fund held \$3.

Construction Fund

Upon initial execution at the bond closing, \$185,030,187 was deposited into the tax-exempt (Series A) and taxable (Series B) construction accounts. Disbursements for construction costs are approved by the Trustee. As of December 31, 2020, the construction funds held \$1,234,262 and \$1 in the Series A and Series B construction funds, respectively.

Repair and Replacement Reserves

In accordance with the Indenture Agreement, a replacement and repair reserve is to be funded monthly from the revenue fund to make major repairs and capital expenditures. Disbursements from the repair and replacement reserves are controlled by the Trustee. Funding of the repair and replacement fund will commence on January 1, 2021, an amount equal to one-twelfth of the repairs

UNIVERSITY BRIDGE, LLC
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 - RESTRICTED CASH AND RESERVES (Continued)

and replacement fund requirement based on the budget submitted to the Trustee. As of December 31, 2020, replacement and repair reserves held \$0.

Operations and Maintenance Reserve Fund

Upon initial execution and closing of the bonds, \$1,600,000 was deposited in the operations and maintenance reserve fund to make maintenance and repairs to the Project which are not capital expenditures. Disbursements are controlled by the Trustee. Beginning January 1, 2021, the Company will restore the operations and maintenance reserve fund in an amount equal to one-sixth of the amount necessary to restore the balance to operations and maintenance reserve fund requirement. The reserve requirement is based on the annual budget submitted to the Trustee. At December 31, 2020, the operating and maintenance reserve held \$1,644,097.

Tax and Insurance Escrow Fund

In accordance with the Loan Agreement and Trust Indenture, on July 1, 2020 and before December 1, of each subsequent year, the Company shall submit a budget to the Trustee to show the required deposits for the insurance and tax escrow fund to sufficiently fund insurance premiums and PILOT requirements. Disbursements are controlled by the Trustee. At December 31, the tax and insurance escrow fund held \$111,641.

Surplus Fund

In accordance with the Trust Indenture Agreement, the surplus fund is funded monthly from the excess available balance in the revenue fund. Surplus funds are used to fund shortages in other restricted reserve accounts. Disbursements are made monthly and controlled by the Trustee in order of priority as defined in the Trust Indenture Agreement. As of December 31, 2020, the surplus fund held \$1,530,814.

On the annual evaluation date, if the Company meets the required conditions, as defined in the Indenture Agreement, the Trustee shall disburse available cash flow from the surplus fund to (i) to the tax and insurance fund the annual PILOT payment (ii) \$200,000 to the University (iii) annual funding to the land restoration account pursuant to the Student Housing Agreement (iv) to the asset manager any unpaid asset manager fee (v) to the Company any remaining surplus cash for charitable purposes delineated in the Student Housing Agreement and payment of any amounts due to AHF.

NOTE 10 - PROPERTY MANAGEMENT AGREEMENT

Effective June 1, 2019, the Projects executed property management agreements with Landmark Properties, an affiliate of the developer. The pre-leasing management fee is \$10,285 per month beginning June 2019 through August 2020. The base management fee under the agreement shall be 3% of monthly gross receipts of the Project and a performance fee equal to \$125 per executed lease, increased by same percentage of average increase in rental rates. The management agreements initial term was through December 31, 2019 and thereafter renews annually. During 2020, the Company expensed \$388,167 of management fees.

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NOTE 11 - PROVISIONS OF THE STUDENT HOUSING AGREEMENT

On September 7, 2018, the Company executed a Student Housing Agreement with the Florida International University Board of Trustees, the Company and property manager shall operate and manage the student housing facility under terms of the leasing and operations protocol.

Transfer of Legal Ownership of the Property

Upon repayment in full of the Company's financing (including any refinancing), all right, title, and interest in the Project shall be conveyed from the Company to a University Party (subject to the University's approval) or to another charitable organization exempt from Federal income tax selected or designated by the University (the "Designated Transferee"). The Designated transferee shall be the absolute and sole owner of the property. The University may, upon written demand, require the Company to promptly remove or demolish the facility and improvements and restore the land to its original condition.

Land Restoration Account

In accordance with the Student Housing Agreement, the Company shall establish a Land Restoration Account to be funded from net cash flow of the Project over the term of the agreement solely for the purpose of financing the estimated cost of the land restoration (\$2,500,000) as of the date of demand by the University. \$500,000 (the "Initial Funding Amount") was funded at closing in the Surplus Fund and each year thereafter, the funding amount shall be twelve times the excess of the land restoration costs over the Initial Funding Amount divided by the remaining months in the Funding Period from the end of the first funding year adjusted for inflation from the end of the second funding year through the end of such funding year. The Company shall periodically review the funding status of the Land Restoration Account and make sure adjustments to the rate of increase in the amount funded for any funding year to the extent necessary to ensure the Land Restoration Account is not overfunded. The land restoration account will continue to be funded annually under terms of the Indenture Agreement for distribution from the Surplus Fund. Funds in the Land Restoration Account are included in the Surplus Fund and are not deemed as pledged or subject to lien.

NOTE 12 - PROVISIONS OF THE OPERATING AGREEMENT

Capital Contributions

The Sole Member is required to contribute \$100 for a 100% member interest in the Company.

Operating Deficits

If, at any time the revenues and other funds available to the Company are not adequate to meet its obligations, then a Member or Board of Managers shall request the Member to approve a call for optional contributions in the amount of the funds required to defray such deficiency. Upon board approval, the optional contribution shall be due and payable. The optional contribution is prescribed as a nonrecourse obligation against the Member, nonpayment of optional contributions shall result in a readjustment of the Member's interest. As of December 31, 2020, no optional contributions were requested.

UNIVERSITY BRIDGE, LLC
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NOTE 12 - PROVISIONS OF THE OPERATING AGREEMENT (Continued)

Net Cash Flow

Net cash flow is defined as: all revenues received on an annual basis, after payment of all operating expenses, housing scholarships, FIU support funds, management, asset management and administrative fees, including AHF's asset management and administrative fees, debt service obligations, required reserve payments, and other obligations due under the financing documents.

Net Cash Flow – Distributions to FIU Development Fund

Net cash flow, as defined, shall be used solely for the purpose of furthering charitable activities, including a wide range of University scholarship programs, other University academic purposes and helping AHF further its charitable mission. In accordance with terms of the Operating Agreement, an FIU Development Fund was established by the Board of Managers to fund housing scholarships for veterans and or University need-based students and to fund development and operational activities of the University.

Each year, the Company is obligated to fund annually (i) housing scholarships to support a minimum of 20 beds for University students. The housing scholarships are not contingent on the Company's net cash flow.

FIU Development Fund payments, to be determined by the Board of Managers, subject to net cash flow consist of the following in this priority:

- 1) FIU Support Funds of at least \$200,000 to the University for student scholarships and other academic support. FIU Support Funds shall be paid prior to the payment of any asset management fees and payments to the Land Restoration Account.
- 2) Additional FIU Support Funds up to \$800,000 to support the University's student housing acquisition, development and operational activities or to further the University's other academic purposes.
- 3) FIU/AHF Projects - Remaining cash flow (up to 50% but not less than 15%) shall be used to fund projects and activities that mutually benefit the University and AHF and further their respective exempt purposes.

NOTE 13 - GIFT AND LEASE AGREEMENT

Effective August 1, 2020, the Company executed a \$4,869,500 Gift Agreement with GWJ Charitable Foundation, Inc., a Florida non-profit corporation, for the specific purpose of providing rental assistance to students. On November 18, 2020, the Company funded an escrow held by Holland & Knight LLP (the "Escrow Agent") to be thereafter disbursed to the Company under terms of the Lease Agreement.

On August 1, 2020, the Company executed a five-year Lease Agreement with GWJ Charitable Foundation, Inc. (the "Tenant"). From August 1, 2020 through December 31, 2020, the lease consists of 100 beds located in studio apartments and 60 beds located in two-bedroom apartments. From January 1, 2021 through July 31, 2021, the lease consists of 125 beds located in studio apartments,

UNIVERSITY BRIDGE, LLC
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NOTE 13 - GIFT AND LEASE AGREEMENT (Continued)

105 beds located in two-bedroom apartments and 20 beds located in four-bedroom apartments. From August 1, 2021 through July 31, 2022, the lease consists of 40 beds located in studio apartments and 60 beds located in two-bedroom apartments. From August 1, 2022 through July 31, 2025, the lease consists of 20 beds located in studio apartments. The first payment of \$967,500 was received on December 15, 2020 for 5 months of rent from August 1st through December 31, 2020. Commencing January 1, 2021, monthly lease payments of \$322,000 are payable through July 31, 2021. Commencing August 1, 2021, monthly lease payments of \$124,000 are payable through July 31, 2022. No rent is payable from August 1, 2022 through July 31, 2025. The remaining \$160,000 of rent shall be delivered by the Escrow Agent upon the Company's request for repair and maintenance of the Project or for any other purpose deemed by the Company.

Future minimum lease payments due under the lease agreement are as follows for the years ended December 31:

2021	\$	2,874,000
2022		868,000
2023		-
2024		-
2025		-
Total	\$	<u>3,742,000</u>

NOTE 14 - FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, restricted cash, and notes payable. The Company estimates that the fair value of its financial instruments does not differ materially from the aggregate carrying values in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk

The Company obtains a credit report on prospective tenants prior to entering into a lease agreement and generally requires a security deposit equal to a portion of one month's rent. Credit risk associated with leases is limited to the amount of rent receivable from tenants less security deposits.

The Company may at times maintain cash balances at financial institutions, which exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

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NOTE 15 - COMMITMENTS AND CONTINGENCIES (Continued)

Tax Exempt Status - Loans

The tax-exempt status of the interest on the Tax-Exempt Loans are conditioned upon the Company complying with the Internal Revenue Code and applicable Treasury Regulations as they relate to the issuance of the Tax-Exempt Bonds and the Tax-Exempt Note. The Company is required to abide by provisions of a Regulatory Agreement including, but not limited to, (1) requirements relating to the renting of units to students of FIU, (2) substantially all of the bond proceeds must be used to provide housing for students, as described in Section 142 and 145 of the Internal Revenue. Failure to comply may result in the loss of tax-exempt status of the interest on the Bonds retroactive to their issuance. As of December 31, 2020, the Company's management believes the Company has maintained those requirements.

Current Vulnerability Due to Certain Concentrations

The Company's operations are concentrated in the student housing for Florida International University students in Miami, Florida. In addition, the Company operates in a heavily regulated environment. The operations of the Company are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an Act of Congress. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

PAYMENT IN LIEU OF TAXES (PILOT) AGREEMENT

On September 25, 2018, the Company executed a PILOT agreement with the City of Sweetwater, Florida, a Florida municipal corporation ("City"). The Corporation will make payments to the City in lieu of ad valorem real estate taxes. The sole member, AHF, is an exempt entity for federal tax purposes and has petitioned the Miami-Dade Property Appraiser for an exemption of ad valorem property taxes. The Corporation is required to maintain its 501(c)(3) non-profit status in order to continue to receive property tax exemptions. The tax exemption is subject to change by an Act of State Legislature. Such change may occur with little notice and would materially impact the operations of the rental properties.

Beginning in 2021, the Company shall pay the City an annual amount equal to 150% of the municipal ad valorem real estate taxes that would have been payable by the Company if the Owner was not an exempt organization for the first two years. Amount will increase to 200% for years three through five and shall further increase to 300% for year six and thereafter. The amount payable shall be reduced by the amount of any general municipal real estate taxes paid for the related tax year.

NOTE 16 - FUNCTIONAL ALLOCATION OF EXPENSES

The Company has only one program, to own and operate the student facility and to support FIU scholarship funds and charitable activities to benefit FIU. All expenses reported on the accompanying combined statement of activities are direct expenses of the Company's sole program. No management and general, fundraising or other supporting expenses were incurred by the

UNIVERSITY BRIDGE, LLC
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NOTE 16 - FUNCTIONAL ALLOCATION OF EXPENSES (Continued)

Company for the year ended December 31, 2020; therefore, no Statement of Functional Expenses is included with these financial statements.

NOTE 17 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Company's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash and cash equivalents	\$ 1,653,145
Accounts receivable	274,072
Operating reserves	116,687
Surplus Fund	1,530,814
Operating and maintenance reserve	1,644,097
	<u>\$ 5,218,815</u>

The Company's liquidity management policy is to structure its financial assets to be available as it's general expenditures, liabilities, and other obligations come due. The Company has no board designated restrictions on net assets without donor restrictions. Insurance and tax escrows are held by the trustee for payment of property insurance and PILOT payment and typically will be expended for such within one year. Operating and maintenance reserves are funded for maintenance and repairs and withdrawals must be approved by the trustee.

NOTE 18 - CORONAVIRUS PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic, and multiple jurisdictions in the U.S. declared states of emergency. On March 18, 2020, the Secretary of HUD authorized a moratorium on evictions of persons from properties securing HUD-insured mortgages to ensure that individuals and families were not displaced during this critical period. This eviction moratorium was extended through March 31, 2021. While filings can still be submitted, no trial, hearing, or other eviction proceedings may be conducted while the order is in effect. It is anticipated that the economic impact of the epidemic will continue for some time. There have been and may continue to be disruptions and /or restrictions on our employees' ability to work and on the tenants' ability to pay the required monthly rent. Other operating functions may change including procedures for unit leasing, rent collection and maintenance. Changes to the operating environment may result in increased operating costs. The future effects of these issues are unknown.