

MITCHELL,  
WIGGINS &  
COMPANY<sup>LLP</sup>

CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

# Virginia Commonwealth University Real Estate Foundation and Subsidiaries

## Consolidated Financial Statements

June 30, 2016 and 2015

**Virginia Commonwealth University Real Estate  
Foundation and Subsidiaries**

**Table of Contents**

	<b>Page</b>
<b>Independent Auditor's Report</b>	1 - 2
<b>Financial Statements</b>	
<i>Consolidated statements of financial position</i>	3
<i>Consolidated statements of activities and changes in net assets</i>	4
<i>Consolidated statements of cash flows</i>	5 - 6
<i>Notes to consolidated financial statements</i>	7 - 20
<b>Supplementary Information</b>	
<b>Schedules of consolidating information</b>	
<i>Statements of financial position</i>	21 - 22
<i>Statements of activities and changes in net assets</i>	23 - 24

***Virginia Commonwealth University Real Estate Foundation  
and Subsidiaries***

***Officers***

George P. Emerson, Jr., President

Robert L. Hansan, Jr., Vice President

Mitzi M. Lee, Secretary

Timothy A. Graf, Treasurer

***Directors***

Elizabeth Whalley Buono  
F. Davis Drumheller, Jr.  
George P. Emerson, Jr.  
Deborah K. Fourness  
Jeffrey H. Gumenick  
Robert L. Hansan, Jr.  
John C. Jacoby

Alexander B. McMurtrie, Jr.  
R. Bradford Partrea  
William A. Royall, Jr.  
Cecil E. Sears  
H. Leon Shadowen, Jr.  
Cheryle K. Toy  
Patricia Wilkerson

***Ex Officio Director***

Dr. Michael Rao



## ***Independent Auditor's Report***

Board of Trustees  
Virginia Commonwealth University Real Estate Foundation  
Richmond, Virginia

### ***Report on the Consolidated Financial Statements***

We have audited the accompanying consolidated financial statements of Virginia Commonwealth University Real Estate Foundation and subsidiaries (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended and the related notes to the consolidated financial statements (collectively, financial statements).

### ***Management's Responsibility for the Consolidated 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 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 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 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 Virginia Commonwealth University Real Estate Foundation and subsidiaries as of June 30, 2016 and 2015, 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.

***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Mitchell, Wiggins & Company LLP*

Petersburg, Virginia  
September 15, 2016

**Virginia Commonwealth University Real Estate Foundation and Subsidiaries**

**Consolidated Statements of Financial Position**

<b>June 30, 2016 and 2015</b>	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 9,221,819	\$ 9,039,309
Accounts receivable, less allowance for uncollectible receivable 2016 \$71,882; 2015 \$52,174	193,877	119,317
Grants receivable	-	81,059
Due from Virginia Commonwealth University	1,338,091	-
Investments - unitized pool held by Virginia Commonwealth University Foundation	7,047,185	7,280,438
Deposits and other assets	3,921	1,000
Debt issuance costs, net of accumulated amortization 2016 \$67,088; 2015 \$47,488	395,249	324,287
Leasing costs, net of accumulated amortization 2016 \$17,338; 2015 \$3,216	144,381	67,440
Construction in progress	1,925,700	5,675,264
Property and equipment, net of accumulated depreciation 2016 \$17,274,401; 2015 \$14,565,029	74,135,885	59,782,720
<b>Total assets</b>	<b>\$ 94,406,108</b>	<b>\$ 82,370,834</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 282,976	\$ 235,246
Accrued interest payable	254,259	237,237
Security deposits	13,991	6,991
Deferred revenue	5,254,620	5,273,198
Due to Virginia Commonwealth University - other	-	441
Due to Virginia Commonwealth University - bonds payable	46,386,273	35,212,960
Bond premium, net of accumulated amortization 2016 \$373,262; 2015 \$264,015	1,811,687	1,920,934
Notes payable	9,770,222	7,223,334
Tax-exempt financing payable	-	3,370,938
<b>Total liabilities</b>	<b>63,774,028</b>	<b>53,481,279</b>
<b>Net Assets, Unrestricted</b>		
Controlling interest in net assets	30,014,773	28,272,239
Non-controlling interest in net assets	617,307	617,316
<b>Total net assets</b>	<b>30,632,080</b>	<b>28,889,555</b>
<b>Total liabilities and net assets</b>	<b>\$ 94,406,108</b>	<b>\$ 82,370,834</b>

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

**Virginia Commonwealth University Real Estate Foundation and Subsidiaries**

**Consolidated Statements of Activities and Changes in Net Assets**

<b>Years Ended June 30,</b>	<b>2016</b>	<b>2015</b>
<b>Changes in Unrestricted Net Assets</b>		
<b>Revenues</b>		
Rental income	\$ 8,181,401	\$ 7,514,178
Unrealized gain (loss) - unitized investment pool	(233,253)	109,320
Grant revenue	199,930	81,059
Interest income	15,146	7,452
<b>Total unrestricted revenues</b>	<b>8,163,224</b>	<b>7,712,009</b>
<b>Expenses</b>		
Depreciation	2,709,372	2,067,089
Interest expense	1,647,675	1,386,052
Property management	715,500	715,500
Repairs and maintenance	135,134	424,893
Utilities	412,623	407,125
Personnel expenses	324,600	232,100
Professional fees	54,624	93,708
Insurance expense	69,173	72,440
Real estate planning and development	12,117	50,027
Parking deck expenses	40,950	47,962
Support to Virginia Commonwealth University	30,000	30,000
Contributions	53,000	-
Miscellaneous	31,963	29,944
Amortization	65,004	26,438
Real estate taxes and fees	70,325	20,469
Bad debt expense	48,639	19,867
<b>Total expenses</b>	<b>6,420,699</b>	<b>5,623,614</b>
<b>Change in unrestricted net assets before non-controlling interest in changes in net assets of consolidated subsidiary</b>	<b>1,742,525</b>	<b>2,088,395</b>
<b>Non-controlling interest's share of excess of expenses over revenues</b>	<b>9</b>	<b>310</b>
<b>Changes in unrestricted net assets</b>	<b>1,742,534</b>	<b>2,088,705</b>
<b>Changes in Net Assets of Non-Controlling Interest</b>		
Non-controlling interest's share of excess of expenses over revenues	(9)	(310)
Capital contribution	-	617,626
<b>Changes in net assets of non-controlling interest</b>	<b>(9)</b>	<b>617,316</b>
<b>Total changes in net assets</b>	<b>1,742,525</b>	<b>2,706,021</b>
Net assets, beginning	28,889,555	26,183,534
Net assets, ending	\$ 30,632,080	\$ 28,889,555

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

**Virginia Commonwealth University Real Estate Foundation and Subsidiaries**

**Consolidated Statements of Cash Flows**

<b>Years Ended June 30,</b>	<b>2016</b>	<b>2015</b>
<b>Cash Flows From Operating Activities</b>		
Changes in net assets	\$ 1,742,525	\$ 2,706,021
<b>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities</b>		
Net loss in non-controlling interest in subsidiary	(9)	(310)
Changes in net assets of non-controlling interest	9	(617,316)
Depreciation	2,709,372	2,067,089
Amortization	65,004	26,438
Bond premium amortization	(109,247)	(109,247)
Unrealized loss (gain) - unitized investment pool	233,253	(109,320)
Interest earned on Due from VCU - bond proceeds	(3,201)	(3,972)
<b>Changes in operating assets</b>		
Due from Virginia Commonwealth University	(74,093)	-
Accounts receivable	(74,560)	26,822
Grants receivable	81,059	(81,059)
Deposits and other assets	(2,921)	6,271
<b>Changes in operating liabilities</b>		
Accounts payable	(179,734)	36,774
Accrued interest payable	33,292	(8,706)
Security deposits	7,000	-
Deferred revenue	(18,578)	(366,663)
Due to Virginia Commonwealth University - other	(441)	(3,915)
<b>Net cash provided by operating activities</b>	<b>4,408,730</b>	<b>3,568,907</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	(120,213)	-
Payments for construction in progress	(6,985,187)	(8,674,552)
Amounts due from VCU for capital project costs paid on behalf of VCU	(1,053,757)	-
Payments for leasing costs	(91,063)	(25,588)
<b>Net cash (used in) investing activities</b>	<b>(8,250,220)</b>	<b>(8,700,140)</b>
<b>Cash Flows From Financing Activities</b>		
Principal payments on bonds - due to Virginia Commonwealth University	(1,705,687)	(1,319,674)
Proceeds from bonds - due to Virginia Commonwealth University	6,522,405	8,261,215
Principal payments on tax-exempt financing payable	(125,639)	(241,900)
Principal payments on notes payable	(653,361)	(654,906)
Capital contributed to subsidiary for a non-controlling interest	-	617,626
Payment of debt issuance costs	(13,718)	-
<b>Net cash provided by financing activities</b>	<b>4,024,000</b>	<b>6,662,361</b>
<b>Net change in cash and cash equivalents</b>	<b>182,510</b>	<b>1,531,128</b>
Cash and cash equivalents, beginning	9,039,309	7,508,181
Cash and cash equivalents, ending	<b>\$ 9,221,819</b>	<b>\$ 9,039,309</b>

(continued)



**Virginia Commonwealth University Real Estate Foundation and Subsidiaries**

**Consolidated Statements of Cash Flows (continued)**

Years Ended June 30,	2016	2015
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid for interest, net of capitalized interest during 2016 and 2015 of \$0 and \$200,754, respectively	<b>\$ 1,723,630</b>	<b>\$ 1,332,746</b>
<b>Supplemental Disclosures of Noncash Investing and Financing Activities</b>		
<b>Purchase of property and equipment</b>		
Property and equipment acquired	\$ (17,351,252)	\$ (17,805,320)
Increase in note payable	468,317	-
Construction in progress placed in service	16,762,722	17,805,320
<b>Cash payments for property and equipment</b>	<b>\$ (120,213)</b>	<b>\$ -</b>
<b>Cost of construction in progress</b>		
Construction in progress acquired	\$ (12,724,444)	\$ (10,788,171)
Increase in notes payable	5,511,793	4,507,320
Increase (decrease) in accounts payable	227,464	(2,564,960)
Increase in deferred revenue	-	171,259
<b>Cash payments for construction in progress</b>	<b>\$ (6,985,187)</b>	<b>\$ (8,674,552)</b>
<b>Increase in amounts due to VCU - 2015B Series bond issuance</b>		
Increase in amounts due from VCU - bond proceeds	\$ 12,879,000	\$ -
Increase in bond issuance costs	(210,241)	-
Increase in bond issuance costs	(108,126)	-
Decrease in notes payable	(2,779,860)	-
Decrease in tax-exempt financing payable	(3,245,299)	-
Decrease in accrued interest payable	(16,270)	-
Interest earned on SNAP account	3,201	-
<b>Cash proceeds from amounts due to VCU - 2015B bond issuance</b>	<b>\$ 6,522,405</b>	<b>\$ -</b>

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

# ***Virginia Commonwealth University Real Estate Foundation and Subsidiaries***

## ***Notes to Consolidated Financial Statements***

***June 30, 2016 and 2015***

---

### ***Note 1. Nature of Organization and Significant Accounting Policies***

#### ***Nature of organization***

Virginia Commonwealth University Real Estate Foundation (the Foundation), organized April 7, 1992, is a Virginia corporation that functions as a nonprofit charitable foundation solely to assist and support Virginia Commonwealth University (the University).

The sole purpose of the Foundation and its subsidiaries (the Organizations) is to hold and manage real estate for the benefit of Virginia Commonwealth University. All expenses incurred by the Organizations support this activity and are, therefore, deemed to be program service expenses.

A summary of the Organizations' significant accounting policies follows:

#### ***Basis of accounting***

The Organizations' consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America on an accrual basis. Consequently, revenues and gains are recognized when earned and expenses and losses are recognized when incurred.

#### ***Principles of consolidation***

The consolidated financial statements include the accounts of Virginia Commonwealth University Real Estate Foundation; its subsidiaries, Art Station, LLC, 535 West Broad Street LLC, 800 West Broad Street LLC, and Venture Development LLC. All significant intercompany accounts and transactions have been eliminated.

Art Station, LLC (Art Station) was established on April 30, 2013 for the purpose of incurring rehabilitation expenditures eligible for historic tax credits. An investor-member was brought into Art Station that could benefit from the historic tax credits (see Note 6).

#### ***Cash and cash equivalents***

For purposes of reporting the consolidated statements of cash flows, the Organizations include all cash accounts that are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents on the accompanying consolidated statements of financial position. At times, the Organizations may have cash in excess of insured limits. The Organizations' cash is in institutions whose credit ratings are monitored by management to minimize the concentration of credit risk. At June 30, 2016, the Organizations had cash balances and cash investments that exceeded insurance limits.

**Virginia Commonwealth University Real Estate Foundation  
and Subsidiaries**

**Notes to Consolidated Financial Statements**

**June 30, 2016 and 2015**

---

**Note 1. Nature of Organization and Significant Accounting Policies (continued)**

**Investments - unitized pool**

The Foundation reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the changes in unrestricted net assets.

Virginia Commonwealth University Foundation (VCU Foundation) holds and manages investments for the Foundation. The VCU Foundation solicits, holds, and manages investments for the benefit of schools, departments, and programs throughout Virginia Commonwealth University. Pooled investments include cash and cash equivalents, fixed income instruments, equities, and alternative investments. The total fair market value of the Foundation's pooled investments held by VCU Foundation as of June 30, 2016 was \$7,047,185, which includes cumulative unrealized gains of \$47,185.

**Accounts receivable**

The Organizations extend unsecured credit in the ordinary course of their activities but mitigate the associated credit risk by performing credit checks when appropriate and actively pursuing past due accounts. The allowance for uncollectible receivables is based upon management's assessment of historical and expected net collections. Receivables are charged against the allowance when deemed to be uncollectible.

**Debt issuance costs**

Debt issuance costs are being amortized over the corresponding lives of the bonds and notes, which are 3 to 20 years.

**Leasing costs**

Leasing costs are being amortized over the corresponding lives of the leases, which are 3 to 20 years.

**Property and equipment**

Acquisitions of property and equipment are recorded at cost or, if donated, at fair market value at the time of donation. Depreciation is provided for properties that are placed in service using the straight-line method at rates adequate to depreciate the cost of the property over its estimated useful life. The estimated useful life of these properties is between 20 and 40 years. The estimated useful lives of equipment are between 5 and 20 years.

**Gifts**

The Organizations report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor

# **Virginia Commonwealth University Real Estate Foundation and Subsidiaries**

## **Notes to Consolidated Financial Statements**

**June 30, 2016 and 2015**

---

### **Note 1. Nature of Organization and Significant Accounting Policies (continued)**

restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

#### **Unrestricted net assets**

The Organizations report assets whose use is not restricted by donors as unrestricted net assets. Contributions are available for unrestricted use unless specifically restricted by the donor. In general, the unrestricted net assets of the Foundation may be used at the discretion of the Foundation's management and Board of Directors to support the Foundation's purpose and operations.

#### **Temporarily restricted net assets**

The Organizations report gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. Contributions restricted for capital improvements are released to unrestricted revenue at the time the funds are expended for the specified improvement. At June 30, 2016 and 2015, there were no temporarily restricted net assets.

#### **Permanently restricted net assets**

Permanently restricted net assets are those which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and the income utilized only for purposes specified by the donor. At June 30, 2016 and 2015, there were no permanently restricted net assets.

#### **Revenue and real estate sales gain recognition**

Rental income related to leases is recognized on an accrual basis and is recognized when earned. The Organizations recognize interest income, management fees, and other fees when earned, fixed, and determinable.

The Organizations account for sales of real estate in accordance with FASB ASC 360-20, *Real Estate Sales* (formerly SFAS 66, "Accounting for Sales of Real Estate"). For sale transactions meeting the requirements for full accrual profit recognition, such as the Foundation no longer having continuing involvement in the property, the related assets and liabilities are removed from the consolidated statements of financial position and a gain or loss is recorded in the period the transaction closes.

# **Virginia Commonwealth University Real Estate Foundation and Subsidiaries**

## **Notes to Consolidated Financial Statements**

**June 30, 2016 and 2015**

---

### **Note 1. Nature of Organization and Significant Accounting Policies (continued)**

#### **Income taxes**

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). However, income from certain activities not directly related to each entity's tax-exempt purpose may be subject to taxation as unrelated business income. The Foundation had no unrelated business income during the years ended June 30, 2016 and 2015.

Art Station, LLC, is treated as a partnership for income tax purposes, and as such, each member is taxed separately on its distributive share of the Partnership's income, whether or not that income is actually distributed. At June 30, 2016, 535 West Broad Street LLC, 800 West Broad Street LLC, and Venture Development LLC were single member LLC's and therefore considered disregarded entities for tax purposes.

The Organizations have determined that they do not have any material unrecognized tax benefits or obligations at June 30, 2016. The Organizations include penalties and interest assessed by income taxing authorities in operating expenses, if applicable. The Organizations did not incur any penalties or interest expense for the years ended June 30, 2016 and 2015.

#### **Non-controlling interests**

The Foundation adopted authoritative guidance issued by the Financial Accounting Standards Board (FASB) that establishes accounting and reporting standards for a non-controlling interest in a subsidiary, including the accounting treatment upon the deconsolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary should be reported as a component of net assets in the consolidated financial statements. The consolidated changes in net assets should include the net changes in assets for both the parent and the non-controlling interest, with disclosure of both amounts on the consolidated statements of activities. As of June 30, 2016, there is a 1.00% non-controlling interest in Art Station, LLC (see Note 6).

#### **Use of estimates**

The preparation of consolidated 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 assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Virginia Commonwealth University Real Estate Foundation  
and Subsidiaries**

**Notes to Consolidated Financial Statements**

**June 30, 2016 and 2015**

---

**Note 2. Fair Value Measurements**

Accounting standards establish a framework for measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date;

Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies; and

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

Assets measured at fair value on a recurring basis at June 30, 2016 and 2015 include investments held by the VCU Foundation in the amount of \$7,047,185 and \$7,280,438, respectively, which are considered Level 3 within the valuation hierarchy.

Unitized pooled investments held by VCU Foundation include cash and cash equivalents, fixed income instruments, equities, and alternative investments.

The reconciliation of activity for Level 3 assets for fiscal years 2016 and 2015 is as follows:

	<b>Investments Unitized Pool</b>
<b>Level 3 Assets</b>	
Beginning balance at July 1, 2014	\$ 7,171,118
Unrealized gains	109,320
Balance at June 30, 2015	7,280,438
Unrealized losses	(233,253)
Ending balance at June 30, 2016	<u>\$ 7,047,185</u>

**Virginia Commonwealth University Real Estate Foundation  
and Subsidiaries**

**Notes to Consolidated Financial Statements**

**June 30, 2016 and 2015**

**Note 3. Property and Equipment**

A summary of property and equipment is as follows:

	<b>2016</b>	<b>2015</b>
Building	\$ 67,760,453	\$ 63,972,077
Land	11,860,931	8,709,641
Land held for future development	8,604,800	-
Furniture and equipment	3,184,102	1,666,031
	<u>91,410,286</u>	<u>74,347,749</u>
Less - accumulated depreciation	(17,274,401)	(14,565,029)
	<u>\$ 74,135,885</u>	<u>\$ 59,782,720</u>

The Organizations own the following real estate at June 30, 2016:

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Book Value</b>
Broad and Belvidere Student Apartments	\$ 25,215,294	\$ (6,685,218)	\$ 18,530,076
912 West Grace Street	14,190,045	(842,886)	13,347,159
VCU Brandcenter	11,372,998	(2,343,335)	9,029,663
The Depot (814 W. Broad Street)	6,168,562	(649,200)	5,519,362
535 West Broad Street	4,556,325	-	4,556,325
111 North 4th Street	4,492,588	(34,146)	4,458,442
505 West Leigh Street	4,048,475	-	4,048,475
813 W. Grace Street	2,580,585	-	2,580,585
807, 811-817 South Cathedral Place, 14 North Laurel	3,493,174	(950,043)	2,543,131
701 West Broad Street (Technology Administration Building)	5,203,241	(2,694,192)	2,509,049
800 West Broad Street	1,381,067	(58,609)	1,322,458
Various other properties	8,707,932	(3,016,772)	5,691,160
	<u>\$ 91,410,286</u>	<u>\$ (17,274,401)</u>	<u>\$ 74,135,885</u>

**Virginia Commonwealth University Real Estate Foundation  
and Subsidiaries**

**Notes to Consolidated Financial Statements**

**June 30, 2016 and 2015**

**Note 3. Property and Equipment (continued)**

Future minimum rental payments due for operating leases by property at June 30, 2016, which have an original term in excess of one year, are as follows:

	2017	2018	2019	2020	2021	Later Years	Total
912 West Grace	\$ 801,015	\$ 801,015	\$ 801,015	\$ 801,015	\$ 801,015	\$ 9,612,185	\$ 13,617,260
807, 8011, 8013, 8015 & 817 South Cathedral Place and 14 North Laurel St.	444,110	448,551	453,037	457,567	462,143	7,243,857	9,509,265
814 - 816 West Broad St.	441,630	441,630	441,630	441,630	441,630	5,299,560	7,507,710
111 N. 4th St	271,577	271,577	271,577	271,577	271,577	3,756,810	5,114,695
103 S. Jefferson St.	436,200	436,200	436,200	436,200	436,200	2,835,300	5,016,300
701 West Broad St.	426,297	426,297	426,297	426,297	426,297	1,918,337	4,049,822
813 West Grace St.	179,656	179,656	179,656	179,656	179,656	2,485,236	3,383,516
1109 W. Marshall St.	36,930	57,961	58,541	59,126	59,718	1,018,078	1,290,354
612 - 620 N. Lombardy St.	173,372	178,574	183,931	189,449	31,729	-	757,055
910 W Grace St	101,664	101,664	101,664	101,664	101,664	84,720	593,040
1050 Oliver Hill Way	129,000	130,000	131,000	-	-	-	390,000
600 West Franklin Str.	125,700	128,843	132,064	-	-	-	386,607
Parking master lease	104,963	105,317	105,679	-	-	-	315,959
934 West Grace St.	92,284	92,284	92,284	-	-	-	276,852
1225 W. Broad St.	42,728	43,796	44,891	46,009	47,169	-	224,593
920- 928 West Grace St.	40,643	41,862	43,118	44,412	34,053	-	204,088
419 - 423 W. Broad St.	41,410	41,410	41,410	-	-	-	124,230
800 W. Broad St.	34,561	35,198	35,851	-	-	-	105,610
930 West Grace St.	25,206	30,804	34,104	-	-	-	90,114
201 North Belvidere St.	24,553	25,044	25,545	-	-	-	75,142
911 A W Grace St	33,820	34,834	2,910	-	-	-	71,564
800 W. Broad St. (2nd Flr)	24,120	24,844	21,218	-	-	-	70,182
911 1/2 West Grace St.	35,803	23,204	-	-	-	-	59,007
824 West Broad St.	19,256	19,256	19,256	-	-	-	57,768
938 - 944 West Grace St.	56,800	-	-	-	-	-	56,800
814-816 W Broad, Suite A	14,997	6,357	-	-	-	-	21,354
1213-1215 W Broad St	11,616	-	-	-	-	-	11,616
	<u>\$ 4,169,911</u>	<u>\$ 4,126,178</u>	<u>\$ 4,082,878</u>	<u>\$ 3,454,602</u>	<u>\$ 3,292,851</u>	<u>\$ 34,254,083</u>	<u>\$ 53,380,503</u>



**Virginia Commonwealth University Real Estate Foundation  
and Subsidiaries**

**Notes to Consolidated Financial Statements**

**June 30, 2016 and 2015**

---

**Note 4. Construction in Progress**

Construction in progress consisted of the following projects at June 30:

	<b>2016</b>	<b>2015</b>
401 West Broad Street	\$ 935,968	\$ 17,370
409 West Broad Street	620,043	-
600 W. Franklin St	249,860	45,642
Other projects	119,829	5,612,252
	<u>\$ 1,925,700</u>	<u>\$ 5,675,264</u>

There is no capitalized interest included in construction in progress at June 30, 2016 and 2015, respectively.

**Note 5. Broad and Belvidere Student Apartments**

The Broad and Belvidere Student Apartments (the Apartments) were originally constructed by the Foundation in 2003 for the purpose of providing additional student housing to the University. During the year ended June 30, 2013, the Foundation completed an addition to the Apartments, referred to as the Gilmer Street Addition, which was placed in service on August 1, 2012. The Gilmer Street Addition added 77 beds to the Apartments, bringing the total to 488 beds. The Apartments are managed by the University and are considered to be part of the University's student housing system.

The Foundation entered into a management contract with the University, originally dated February 1, 2003. On November 30, 2011, the contract was amended to eliminate the management fee charged by the University. Because of this amendment, there were no management fees related to the Apartments for the year ended June 30, 2016 and 2015. The management contract was amended again on February 1, 2013 to include the management of the Gilmer Street Addition. The management contract renews for successive five-year terms unless terminated by either party with 180 days written notice. The current renewal period ends March 1, 2018.

The Foundation entered into a Financing and Support Agreement dated February 1, 2003 with the University for purposes of constructing the Apartments. Under the terms of this agreement, the Foundation agreed to construct the Apartments using funds advanced from the University's General Revenue Pledge Bonds Series 2003. The Foundation also agreed, as a part of the Financing and Support Agreement, to make semi-annual payments to the University to cover the debt service on the Series 2003 Bonds issued by the University. On February 8, 2013, the University refinanced the 2003 Bonds and issued its General Revenue Pledge Bonds Series 2013A. This was done to take advantage of reduced interest rates and provide permanent financing for the Gilmer Street Addition. The Financing and

**Virginia Commonwealth University Real Estate Foundation  
and Subsidiaries**

**Notes to Consolidated Financial Statements**

**June 30, 2016 and 2015**

---

**Note 5. Broad and Belvidere Student Apartments (continued)**

Support Agreement was amended on February 1, 2013 to provide for the debt service on the new bonds.

The Series 2013A Bonds are considered tax-exempt to the bondholders. They have payments due over a 20-year term and carry interest rates ranging from 2.00% to 5.00%, with a true interest cost of approximately 2.69%. Payments are due semi-annually on May 1 and November 1, beginning May 1, 2013, with principal and interest due on May 1, and interest only due on November 1.

These bonds were issued at a premium of \$2,184,949. The premium is being amortized over the life of the bonds as a reduction to interest expense. Interest expense was reduced by \$109,247 for the years ended June 30, 2016 and 2015.

At June 30, 2016, the outstanding principal balance of the Series 2013A Bonds is \$17,460,000 and is included in due to Virginia Commonwealth University – bonds payable on the accompanying consolidated statements of financial position. See Note 7 for other amounts that are due to the University included in the consolidated statements of financial position.

As of June 30, 2016, aggregate principal payments required to be made to the University for reimbursement of debt service on the Series 2013A Bonds are as follows:

2017	\$	700,000
2018		735,000
2019		770,000
2020		810,000
2021		850,000
Thereafter		13,595,000
		<u>\$ 17,460,000</u>

**Note 6. Art Station**

The Art Station project is a property located at 814 West Broad Street in Richmond, Virginia that was developed for use by the VCU School of the Arts. Part of the renovation costs associated with this project qualified for a Virginia historic tax credit. In order to utilize the historic tax credit, the Foundation set up Art Station, LLC (the LLC). The LLC was originally a wholly-owned subsidiary of the Foundation. Upon completion of the project, an investor-member contributed capital in the amount of \$617,626 in return for a non-controlling interest in the LLC, totaling 1.00%, and use of the tax credits. The

**Virginia Commonwealth University Real Estate Foundation  
and Subsidiaries**

**Notes to Consolidated Financial Statements**

**June 30, 2016 and 2015**

---

**Note 6. Art Station (continued)**

Foundation is the managing member of the LLC and holds the remaining 99.00% interest. To provide financing for this project, the University has issued its General Pledge Revenue Bonds Series 2013B and 2013C. See Note 7 for details of the financing on this project.

**Note 7. Due to Virginia Commonwealth University – Bonds Payable**

As of June 30, 2016, Virginia Commonwealth University (the University) has issued four bonds on behalf of the Foundation. The outstanding principal balance of these bonds is included on the Statement of Financial Position as Due to Virginia Commonwealth University – Bonds Payable.

As of June 30, 2016, the outstanding principal balance on the following University-issued bonds, comprise the balance due to the University for bonds payable at June 30, 2016:

Series 2013A Bonds	\$ 17,460,000
Series 2013B Bonds	14,145,917
Series 2013C Bonds	2,241,268
Series 2015B Bonds	12,539,088
	<u>\$ 46,386,273</u>

As of June 30, 2016, aggregate principal payments required on the University-issued bonds are as follows:

	<b>Series 2013A</b>	<b>Series 2013B</b>	<b>Series 2013C</b>	<b>Series 2015B</b>	<b>Total</b>
2017	\$ 700,000	\$ 651,140	\$ 103,166	\$ 797,300	\$ 2,251,606
2018	735,000	670,544	106,241	815,271	2,327,056
2019	770,000	690,527	109,406	833,647	2,403,580
2020	810,000	711,104	112,667	852,438	2,486,209
2021	850,000	732,295	116,024	871,652	2,569,971
Thereafter	13,595,000	10,690,306	1,693,764	8,368,781	34,347,851
	<u>\$ 17,460,000</u>	<u>\$ 14,145,916</u>	<u>\$ 2,241,268</u>	<u>\$ 12,539,089</u>	<u>\$ 46,386,273</u>

**Series 2013 B & C:**

To provide financing for the Grace Street Office Building project and the Art Station project, the University issued its General Revenue Pledge Bonds Series 2013B and 2013C, dated June 6, 2013. These bonds were issued to cover the costs of acquiring and constructing the two projects. In connection with these bond issuances, the Foundation has entered into a

**Virginia Commonwealth University Real Estate Foundation  
and Subsidiaries**

**Notes to Consolidated Financial Statements**

**June 30, 2016 and 2015**

---

**Note 7. Due to Virginia Commonwealth University – Bonds Payable (continued)**

Development and Financing Agreement with the University dated June 1, 2013. Under the terms of this agreement, the Foundation has agreed to reimburse the University for the debt service on the Series 2013B and 2013C Bonds.

The Series 2013B Bonds were issued for \$15,932,000 and are considered tax-exempt to the bondholder. They have a 20-year term maturing on May 1, 2033. Interest is fixed at a rate of 2.98%. Payments are due semi-annually on May 1 and November 1, beginning November 1, 2013, with principal and interest due on May 1, and interest only due on November 1.

The Series 2013B Bonds provided financing for the Grace Street Office Building project and the component of the Art Station project that did not qualify for historic tax credits.

The Series 2013C Bonds were issued for \$2,418,000 and are not considered tax-exempt to the bondholders. They have a 20-year term maturing on May 1, 2033. Interest is fixed at a rate of 4.62%. Payments are due semi-annually on May 1 and November 1, beginning November 1, 2013, with principal and interest due on May 1, and interest only due on November 1.

The Series 2013C Bonds provided financing for the component of the Art Station project that qualified for historic tax credits.

The Series 2013C Bonds have the option to be re-issued at a fixed interest rate of 2.98%. Upon receipt by the bondholder of an opinion of counsel to the effect that interest on the Series 2013C Bonds is excludable from gross income of the holders thereof for federal income tax purposes, the bonds shall be re-issued at an interest rate of 2.98%.

**Series 2015B:**

On December 18, 2015, the University issued its General Revenue Pledge Bond Series 2015B for a par amount of \$12,879,000. These bonds were issued to finance, or refinance, the costs of acquiring and improving six properties, which include 111 N. 4<sup>th</sup> Street, 813 W. Grace Street, 1109W. Marshall Street, the Cathedral Properties, the VCU Brandcenter, and the Technology Administration Building at 701 W. Broad Street (see note 9).

The Series 2015B Bonds are considered tax-exempt to the bondholder. They have terms from 10 to 20 years maturing on May 1, 2035 and bears interest at a rate of 2.254%. Payments are due semi-annually on May 1 and November 1, beginning May 1, 2016, with principal and interest due on May 1, and interest only due on November 1.

**Virginia Commonwealth University Real Estate Foundation  
and Subsidiaries**

**Notes to Consolidated Financial Statements**

**June 30, 2016 and 2015**

**Note 7. Due to Virginia Commonwealth University – Bonds Payable (continued)**

Upon issuance of the bonds, the University deposited the bond proceeds with the Virginia State Non-Arbitrage Program (SNAP). At June 30, 2016, the balance is \$210,241 in the University SNAP accounts.

**Note 8. Notes Payable**

Notes payable consists of the following:

	2016	2015
Wells Fargo Bank, N.A., \$13,000,000 revolving three-year line of credit, secured by assignment of leases, interest payable at one-month LIBOR plus 0.80% (1.265% at June 30, 2016), maturing on April 24, 2017	\$ 9,770,222	\$ 7,209,973
Owner financed, secured by real estate, principal and interest payable in monthly installments of \$1,386 with interest at 8.00% through May 1, 2016	-	13,361
	\$ 9,770,222	\$ 7,223,334

Aggregate maturities required on notes payable at June 30, 2016 are as follows:

2017	\$ 9,770,222
------	--------------

**Note 9. Tax-Exempt Financing Payable**

During May 2005, the Foundation entered into a loan agreement with the Virginia Small Business Financing Authority to borrow the proceeds of the Authority's Series 2005 Lease Revenue Note in the amount of \$5,200,000 (referred to as the "Series 2005 Note"). The primary purpose of this loan was to finance the costs of construction for the Technology Administration (TA) building located in Richmond, Virginia. The Series 2005 Note bears interest at 4.65% per annum, matures on November 1, 2025, and is secured by a lien on the Foundation's building and land in addition to the assignment of all related rents and leases.

During December 2013, the Foundation reissued the Series 2005 Note in the form of an Amended and Restated Series 2005 Note. The reissuance reduced the interest rate from 4.65% to 3.84% per annum. This rate will remain in effect through the final maturity date, which remains November 1, 2025. In addition, the regularly scheduled principal payments were reduced to reflect the change in interest rate. Debt service on this note is funded from the revenues derived from the lease of the Technology Administration Building and is to be paid semi-annually from the issue date of the note.

**Virginia Commonwealth University Real Estate Foundation  
and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2016 and 2015**

---

**Note 9. Tax-Exempt Financing Payable (continued)**

On December 18, 2015, the Foundation paid off the Series 2005 Note with proceeds from the issuance of the University's General Revenue Pledge Bonds Series 2015B (See Note 7). The principal balance of the Series 2005 Note was \$3,245,299 at the time it was paid off. Interest expense of \$62,770 was recognized during the year ended June 30, 2016.

**Note 10. Related-Party Activities**

The Foundation's primary source of revenue is rental income, of which 96% and 98% is from lease agreements with the University for the years ended June 30, 2016 and 2015, respectively.

The following expenses were paid to the University for the years ended June 30:

	2016	2015
Interest expense	\$ 1,295,641	\$ 1,103,087
Property management	715,500	715,500
Personnel	324,600	232,100
Repairs and maintenance	12,996	50,879
Support to VCU	30,000	30,000
Parking deck	40,950	47,962
	<u>\$ 2,419,687</u>	<u>\$ 2,179,528</u>

As of June 30, 2016, the Foundation carried the following receivables from the University as due from Virginia Commonwealth University on the statement of financial position:

Capital project costs paid on behalf of the University	\$ 1,053,757
Bond proceeds held in University SNAP account	210,241
Parking deck income	74,093
	<u>\$ 1,338,091</u>

**Note 11. Commitments and Contingencies**

In connection with a feasibility study, the Foundation has entered into a contract for architectural services. As of June 30, 2016, there is \$70,600 of unpaid commitments on this contract, of which \$31,450 is included in accounts payable on the consolidated statements of financial position.

**Virginia Commonwealth University Real Estate Foundation  
and Subsidiaries**

**Notes to Consolidated Financial Statements**

**June 30, 2016 and 2015**

---

**Note 11. Commitments and Contingencies (continued)**

The Foundation has entered into a purchase agreement for the acquisition of real property at a purchase price of \$2,000,000 on which a deposit of \$50,000 was paid on May 16, 2016. The contract is expected to close in the fiscal year ending June 30, 2017.

As part of its mission to assist and support the University, the Foundation has entered into 15 leases for residential properties located in Doha, Qatar, where the University maintains its Qatar campus for the School of the Arts (known as "VCUQatar"). These residential properties are leased for the purpose of providing housing to the faculty and staff of VCUQatar. The Foundation considers these leases to be on behalf of the University and is a matter of convenience for the University. Pursuant to a Memorandum of Understanding and Operating Agreement (the MOU), the University is responsible for making all rent payments directly to the various landlords, as well as all transaction document preparation, lease administration, invoice processing, and other related services. The leases are for one-year terms, with various commencement and renewal dates, and require payments to be made in Qatari Riyals. The payments required under these leases are approximately \$941,000(US Dollars) annually, based on the exchange rate as of June 30, 2016.

**Note 12. Subsequent Events**

Management has evaluated subsequent events through September 15, 2016, the date the financial statements were available for issue.

**Virginia Commonwealth University Real Estate Foundation and Subsidiaries**

**Schedule of Consolidating Information - Statements of Financial Position**

**June 30, 2016 and 2015**

<b>Assets</b>	<b>VCU Real Estate Foundation and wholly-owned subsidiaries</b>		<b>Art Station, LLC</b>	<b>Subtotal</b>	<b>Eliminations</b>	<b>Totals</b>	
	<b>2016</b>	<b>2015</b>				<b>2016</b>	<b>2015</b>
Cash and cash equivalents	\$ 8,576,780	\$ 645,039	\$ 9,221,819	\$ -	\$ 9,221,819	\$ 9,039,309	
Accounts receivable, less allowance for uncollectible receivables 2016 \$71,822; 2015 \$52,174	193,877	-	193,877	-	193,877	119,317	
Grants receivable	-	-	-	-	-	81,059	
Due from Virginia Commonwealth University	1,338,091	-	1,338,091	-	1,338,091	-	
Investments - unitized pool held by Virginia Commonwealth University Foundation	7,047,185	-	7,047,185	-	7,047,185	7,280,438	
Deposits and other assets	3,921	-	3,921	-	3,921	1,000	
Debt issuance costs, net of accumulated amortization 2016 \$67,088; 2015 \$47,488	395,249	-	395,249	-	395,249	324,287	
Leasing costs, net of accumulated amortization 2016 \$17,338; 2015 \$3,216	132,227	12,154	144,381	-	144,381	67,440	
Due from affiliates	-	-	-	-	-	-	
Construction in progress	1,925,700	-	1,925,700	-	1,925,700	5,675,264	
Property and equipment, net of accumulated depreciation 2016 \$17,274,401; 2015 \$14,565,029	74,135,885	-	74,135,885	-	74,135,885	59,782,720	
<b>Total assets</b>	<b>\$ 93,748,915</b>	<b>\$ 657,193</b>	<b>\$ 94,406,108</b>	<b>\$ -</b>	<b>\$ 94,406,108</b>	<b>\$ 82,370,834</b>	

(continued)



**Virginia Commonwealth University Real Estate Foundation and Subsidiaries**

**Schedule of Consolidating Information - Statements of Financial Position (continued)**

<b>June 30, 2016 and 2015</b>							
<b>Liabilities and Net Assets</b>	<b>VCU Real Estate Foundation and wholly-owned subsidiaries</b>	<b>Art Station, LLC</b>	<b>Subtotal</b>	<b>Eliminations</b>	<b>Totals</b>		
					<b>2016</b>	<b>2015</b>	
<b>Liabilities</b>							
Accounts payable	\$ 281,778	\$ 1,198	\$ 282,976	\$ -	\$ 282,976	\$ 235,246	
Accrued interest payable	254,259	-	254,259	-	254,259	237,237	
Security deposits	13,991	-	13,991	-	13,991	6,991	
Deferred revenue	5,253,386	1,234	5,254,620	-	5,254,620	5,273,198	
Due to Virginia Commonwealth University - other	-	-	-	-	-	441	
Due to Virginia Commonwealth University - bonds payable	46,386,273	-	46,386,273	-	46,386,273	35,212,960	
Bond premium, net of accumulated amortization 2016 \$373,262; 2015 \$264,015	1,811,687	-	1,811,687	-	1,811,687	1,920,934	
Notes payable	9,770,222	-	9,770,222	-	9,770,222	7,223,334	
Due to affiliates	-	-	-	-	-	-	
Tax-exempt financing payable	-	-	-	-	-	3,370,938	
<b>Total liabilities</b>	<b>63,771,596</b>	<b>2,432</b>	<b>63,774,028</b>	<b>-</b>	<b>63,774,028</b>	<b>53,481,279</b>	
<b>Net Assets, Unrestricted</b>							
Controlling interest in net assets	29,977,319	37,454	30,014,773	-	30,014,773	28,272,239	
Non-controlling interest in net assets	-	617,307	617,307	-	617,307	617,316	
	29,977,319	654,761	30,632,080	-	30,632,080	28,889,555	
<b>Total liabilities and net assets</b>	<b>\$ 93,748,915</b>	<b>\$ 657,193</b>	<b>\$ 94,406,108</b>	<b>\$ -</b>	<b>\$ 94,406,108</b>	<b>\$ 82,370,834</b>	

See report of independent auditor.

**Virginia Commonwealth University Real Estate Foundation and Subsidiaries**

**Schedules of Consolidating Information - Statements of Activities and Changes in Net Assets**

**Years Ended June 30, 2016 and 2015**

	VCU Real Estate Foundation and wholly-owned subsidiaries		Art Station, LLC	Subtotal	Eliminations	Totals	
	2016	2015				2016	2015
<b>Changes in Unrestricted Net Assets</b>							
<b>Revenues</b>							
Rental income	\$ 8,166,661	\$ 184,696	\$ 8,351,357	\$(169,956)	\$ 8,181,401	\$ 7,514,178	
Unrealized gain (loss) - unitized investment pool	(233,253)	-	(233,253)	-	(233,253)	109,320	
Grant revenue	199,930	-	199,930	-	199,930	81,059	
Interest income	15,146	-	15,146	-	15,146	7,452	
<b>Total unrestricted revenues</b>	<b>8,148,484</b>	<b>184,696</b>	<b>8,333,180</b>	<b>(169,956)</b>	<b>8,163,224</b>	<b>7,712,009</b>	
<b>Expenses</b>							
Depreciation	2,709,372	-	2,709,372	-	2,709,372	2,067,089	
Interest expense	1,647,675	-	1,647,675	-	1,647,675	1,386,052	
Property management	715,500	-	715,500	-	715,500	715,500	
Repairs and maintenance	135,099	35	135,134	-	135,134	424,893	
Utilities	412,623	-	412,623	-	412,623	407,125	
Personnel expenses	324,600	-	324,600	-	324,600	232,100	
Professional fees	41,356	13,268	54,624	-	54,624	93,708	
Insurance expense	69,173	-	69,173	-	69,173	72,440	
Real estate planning and development	12,117	-	12,117	-	12,117	50,027	
Parking deck expenses	40,950	-	40,950	-	40,950	47,962	
Support to Virginia Commonwealth University	30,000	-	30,000	-	30,000	30,000	
Contributions	53,000	-	53,000	-	53,000	-	
Miscellaneous	31,733	230	31,963	-	31,963	29,944	

(continued)

**Virginia Commonwealth University Real Estate Foundation and Subsidiaries**

**Schedules of Consolidating Information - Statements of Activities and Changes in Net Assets (continued)**

**Years Ended June 30, 2016 and 2015**

	VCU Real Estate Foundation and wholly-owned subsidiaries	Art Station, LLC	Subtotal	Eliminations	Totals	
					2016	2015
<b>Expenses (continued)</b>						
Amortization	62,930	2,074	65,004	-	65,004	26,438
Real estate taxes and fees	70,325	-	70,325	-	70,325	20,469
Bad debt expense	48,639	-	48,639	-	48,639	19,867
Rental expense	-	169,956	169,956	(169,956)	-	-
<b>Total expenses</b>	<b>6,405,092</b>	<b>185,563</b>	<b>6,590,655</b>	<b>(169,956)</b>	<b>6,420,699</b>	<b>5,623,614</b>
<b>Change in unrestricted net assets before non-controlling interest in changes in net assets of consolidated subsidiary</b>	<b>1,743,392</b>	<b>(867)</b>	<b>1,742,525</b>	<b>-</b>	<b>1,742,525</b>	<b>2,088,395</b>
<b>Transfers - interfund</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non-controlling interest's share of deficiency of revenues over expenses</b>		<b>9</b>	<b>9</b>	<b>-</b>	<b>9</b>	<b>310</b>
<b>Changes in unrestricted net assets</b>	<b>1,743,392</b>	<b>(858)</b>	<b>1,742,534</b>	<b>-</b>	<b>1,742,534</b>	<b>2,088,705</b>
<b>Changes in Net Assets of Non-Controlling Interest</b>						
Non-controlling interest's share of deficiency of expenses over revenues		(9)	(9)	-	(9)	(310)
Capital contribution	-	-	-	-	-	617,626
<b>Changes in net assets of non-controlling interest</b>	<b>-</b>	<b>(9)</b>	<b>(9)</b>	<b>-</b>	<b>(9)</b>	<b>617,316</b>
<b>Total changes in net assets</b>	<b>1,743,392</b>	<b>(867)</b>	<b>1,742,525</b>	<b>-</b>	<b>1,742,525</b>	<b>2,706,021</b>
Net assets, beginning	28,233,927	655,628	28,889,555	-	28,889,555	26,183,534
Net assets, ending	\$ 29,977,319	\$ 654,761	\$ 30,632,080	\$ -	\$ 30,632,080	\$ 28,889,555

See report of independent auditor.