The Austin Geriatric Center, Inc.

Financial Statements with Report of Independent Auditors
December 31, 2023

Report of Independent Auditors

To the Board of Directors of
The Austin Geriatric Center, Inc.:

Qualified Opinion

We have audited the accompanying financial statements of The Austin Geriatric Center, Inc., which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of not consolidating all subsidiaries in which The Austin Geriatric Center, Inc. has a controlling interest as described in the Basis of Qualified Opinion section of this report, the financial statements referred to above present fairly, in all material respects, the financial position of The Austin Geriatric Center, Inc. as of December 31, 2023, 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.

Basis for Qualified Opinion

As more fully described in Note 2 to the financial statements, The Austin Geriatric Center, Inc. reports its activities in other subsidiaries, in which The Austin Geriatric Center, Inc. has a controlling interest, using the equity method of accounting. The financial position and results of operations for these subsidiaries are not included in the financial statements. In our opinion, accounting principles generally accepted in the United States require that all subsidiaries in which The Austin Geriatric Center, Inc. has a controlling interest be consolidated in the financial statements. If the financial statements of these various subsidiaries had been consolidated, total assets, liabilities, net assets, revenues and expenses as of and for the year ended December 31, 2023 would increase. The aggregate total assets of the unconsolidated subsidiaries approximate $92,651,252 as of December 31, 2023.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Austin Geriatric Center, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Emphasis of Matter – Prior Period Adjustment

We draw attention to the fact that beginning net assets has been restated to correct a material misstatement in the financial statements for the year ended December 31, 2022. The error, whereby certain developer fee revenue was not recorded in the proper period, has been appropriately disclosed in Note 12 to the financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Austin Geriatric Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Austin Geriatric Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Austin Geriatric Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Novogradac & Company LLP

Austin, Texas
December 13, 2024

THE AUSTIN GERIATRIC CENTER, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

ASSETS		
Cash and cash equivalents	$	4,923,285
Restricted cash		24,062
Escrow held by title company		456,434
Accounts receivable		152,682
Investments in unconsolidated subsidiaries		6,304,755
Due from related party		1,794,030
Notes receivable, net of loan fees		30,519,000
Interest receivable		972,243
Total assets	$	45,146,491
LIABILITIES AND NET ASSETS		
Accounts payable	$	7,335
Accrued expenses		12,250
Note payable, net of unamortized debt issuance costs		6,428,895
Total liabilities		6,448,480
NET ASSETS		
Without donor restrictions		38,698,011
Total net assets		38,698,011
Total liabilities and net assets	$	45,146,491

see accompanying notes

THE AUSTIN GERIATRIC CENTER, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2023

NET ASSETS WITHOUT DONOR RESTRICTIONS	
REVENUE AND OTHER SUPPORT	
Rent revenue - commercial	$ 53,601
Service coordinator revenue	86,004
Financial revenue	546,891
Other revenue	963,733
Total revenue and other support	1,650,229
EXPENDITURES	
Program expenses	4,358,517
Management and general	65,411
Total expenditures	4,423,928
Change in net assets from operations	(2,773,699)
NONOPERATING ACTIVITIES	
Gain on sale of property	12,875,853
Total nonoperating activities	12,875,853
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	10,102,154
NET ASSETS AT BEGINNING OF YEAR AS PREVIOUSLY STATED	27,314,549
PRIOR PERIOD ADJUSTMENT (NOTE 12)	1,281,308
NET ASSETS AT BEGINNING OF YEAR AS RESTATED	28,595,857
NET ASSETS AT END OF YEAR	$ 38,698,011

THE AUSTIN GERIATRIC CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

EXPENDITURES	Program Expenses	Management and General	Total
Administrative fees	$ 87,082	$ 6,743	$ 93,825
Salaries, wages and benefits	54,061	-	54,061
Taxes and insurance	2,519	-	2,519
Repairs and maintenance	27,713	-	27,713
Professional fees	-	55,674	55,674
Miscellaneous expenses	321,135	2,994	324,129
Entity expenses	3,790,162	-	3,790,162
Depreciation and amortization	75,845	-	75,845
Total expenditures	$ 4,358,517	$ 65,411	$ 4,423,928

see accompanying notes

THE AUSTIN GERIATRIC CENTER, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	10,102,154
Adjustments to reconcile change in net assets to		
net cash used in operating activities:		
Depreciation and amortization		75,845
Gain on sale or property		(12,875,853)
Bad debt expense		27,923
Change in operating assets and liabilities:		
Accounts receivable		25,225
Prepaid expenses		19,836
Interest receivable		(383,794)
Accounts payable		3,349
Accrued expenses		12,250
Net cash used in operating activities		(2,993,065)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net advances to related party		(112,143)
Net cash used in investing activities		(112,143)
Net change in cash, cash equivalents and restricted cash		(3,105,208)
Cash, cash equivalents and restricted cash at beginning of year		8,508,989
Cash, cash equivalents and restricted cash at end of year	$	5,403,781
Cash and cash equivalents	$	4,923,285
Restricted cash		24,062
Escrow held by title company		456,434
Total cash, cash equivalents and restricted cash	$	5,403,781
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Proceeds from sale on property converted into a notes receivable	$	15,640,000

1. Organization

The Austin Geriatric Center, Inc. (the "Organization") is a Texas nonprofit public benefit organization classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) of the Internal Revenue Code of 1969. The Organization was organized in 1968 to provide low-income elderly persons and families with housing facilities and services specially designed to meet their physical, social, educational, and psychological needs, and to promote their health, security, happiness, and usefulness in longer living.

2. Summary of significant accounting policies

Basis of accounting
The Organization prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Financial statement presentation
As further disclosed below, the Organization owns 100% of each of the managing members of AGC RBJ, LLC and AGC RBJ II, LLC ("RBJ II"). The investments in these entities and the transactions and balances of these entities, unless otherwise noted, have been excluded from the financial statements. If the financial statements were prepared in conformity with generally accepted accounting principles in the United States (GAAP), they would be presented on a consolidated basis, including all subsidiaries in which the Organization has a controlling interest. The Organization reports its activities related to these subsidiaries using the equity method. If the financial statements of the subsidiaries were consolidated with the Organization, total assets, liabilities, net assets, revenues and expenses as of and for the year ended December 31, 2023 would increase. The aggregate total assets of the unconsolidated subsidiaries approximate $92,651,252 as of December 31, 2023.

Estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents
Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or fewer at the date of acquisition.

Restricted cash is not considered cash and cash equivalents, and includes cash held with financial institutions for funding of improvements to Hatchery Park and for the tenant security deposits of RBJ II. Restricted cash does not fall under the criteria for net assets with donor restrictions as these funds are held for operational purposes rather than donor-imposed restrictions.

Accounts receivable
Accounts receivable are charged to bad debt expense when they are determined to be uncollectible based on a periodic review of the accounts by management. Accounting principles generally accepted in the United States require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the result that would have been obtained under the allowance method. For the year ended December 31, 2023, total bad debts was $27,923.

2. Summary of significant accounting policies (continued)

Net asset classification
The Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

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 Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

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

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

As of December 31, 2023, all net assets were without donor restrictions.

Equity method investments
The Organization is the managing member in two entities, representing controlling interests in those entities. The Organization has elected to account for these investments using the equity method of accounting. Under the equity method of accounting, the investment is initially recorded at cost and subsequently adjusted for the Organization's share of income or loss and cash contributions to and distributions from these two entities.

Periodically, the carrying value of the investments is tested for other-than-temporary impairment. Other-than-temporary impairment exists when the carrying value of an investment exceeds the estimated remaining benefits. If this occurs, a provision is recorded to reduce the investment to the sum of the estimated remaining benefits. No impairment has been recognized for the year ended December 31, 2023.

Fixed assets and depreciation
The Organization's land, building, improvements, and personal property are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation expense during 2023 was $ 75,845. The useful lives of the assets are estimated as follows:

Buildings	40 years
Land and building improvements	5 – 33 years
Furniture, fixtures, and equipment	3 – 20 years

Impairment of long-lived assets
The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flows expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. No impairment losses were recognized during 2023.

2. Summary of significant accounting policies (continued)

Income taxes

The Organization is a non-profit charitable organization and is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Organization files information returns in the U.S. federal jurisdiction. Federal tax authorities generally have the right to examine and audit the previous three years of tax returns filed (with limited exceptions). There are no interest and penalties related to income taxes recognized in the statement of activities.

Contributions

The Organization reports contributions of cash and other assets as with or without donor restrictions depending on if there are stipulations that limit the use of the contributed assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

The Organization reports contributions of fixed assets as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used, and contributions of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the contributed or acquired long-lived assets are placed in service.

Revenue recognition

Revenue resulting from rental revenue, developer fees, donations, grants and other income is recognized when performance obligations are met.

Economic concentrations

The Organization's primary asset was its 250-unit Tower Apartments which was sold on July 14, 2023 to RBJ II. Although the primary asset was sold, the Organization's operations are concentrated in the multifamily housing real estate market through its investments in AGC RBJ, LLC and RBJ II.

Functional expenses

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting services of the Organization. Accordingly, all costs were evaluated to determinate the allocation among program expenses and management and general expenses.

Subsequent events

Subsequent events have been evaluated through December 13, 2024, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

3. Liquidity and availability of financial assets

The Organization's financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consists of operating cash and escrows. None of these amounts are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position.

The Organization manages liquidity needed for operations primarily through budgeted monthly cash inflows and outflows. Cash inflows can be predicted since they are comprised mostly of developer income. Cash outflows are planned accordingly so as not to exceed those expected inflows. Excess cash is on hand in the event of unexpected outflows.

4. Investment in unconsolidated subsidiaries

AGC RBJ MM, LLC

The Organization is the sole member of AGC RBJ MM, LLC, which is the managing member of AGC RBJ, LLC, which owns and operates a 279-unit property known as The Lady Bird. As managing member, AGC RBJ MM, LLC has a controlling interest in AGC RBJ, LLC. The Organization accounts for its investment in AGC RBJ MM, LLC using the equity method. As of December 31, 2023, the investment balance was $6,304,755. The Lady Bird qualifies for the federal low-income housing tax credit program as described in the Internal Revenue Code Section 42.

AGC RBJ MM II, LLC

The Organization is the sole member AGC RBJ MM II, LLC, which is the managing member of AGC RBJ II, LLC, which owns and operates a 127-unit property known as The Rebekah. The property is currently under rehabilitation as of December 31, 2023. As managing member, AGC RBJ MM, LLC has a controlling interest in AGC RBJ, LLC. The Organization accounts for its investment in AGC RBJ MM, LLC using the equity method. As of December 31, 2023, the investment balance was $0, as all current activities relate to the rehabilitation of The Rebekah, funded through sources other than equity contributions from the Organization. The construction of The Rebekah was for the purposes of qualifying for the Internal Revenue Code Section 42.

5. Due from related party

AGC RBJ II, LLC

Pursuant to the development agreement dated July 14, 2023, the Organization, as a co-developer, provides developer services to RBJ II to facilitate the construction and/or rehabilitation of the Rebekah for a total development fee of $10,062,306, of which $3,018,692 will be paid to the Organization. As of December 31, 2023, the balance owed to the Organization was $525,955 and is included in “due from related party” on the accompanying statement of financial position.

The liability for tenant security deposits held by the Organization on behalf of RBJ II in the amount of $13,233 is netted against the receivable referenced above and are included as a reduction of “due from related party” on the accompanying statement of financial position.

AGC RBJ, LLC

Pursuant to the development agreement dated October 25, 2019, AGC RBJ, LLC agreed to pay DMA Development, LLC (“DMA”) and the Organization a total fee in the amount of the higher of (i) $7,200,000 and (ii) an amount equal to 15% of the eligible basis of The Lady Bird for services related to the development of The Lady Bird. The payments of the development fee shall be paid 70% to DMA and 30% to the Organization on a pro rata basis. As of December 31, 2023, the outstanding balance due to the Organization was $1,281,308 and is included in “due from related party” on the accompanying statement of financial position.

6. Notes receivable

On October 31, 2019, AGC RBJ, LLC entered into a promissory note with the Organization for $8,400,000. The note bears interest at 2.50%, compounded annually, and matures on October 31, 2049. As of December 31, 2023, the principal and interest balance owed to the Organization was $8,400,000 and $667,589, respectively.

On October 25, 2019, AGC RBJ, LLC entered into a collateral promissory note (the “Collateral Note”) with the Organization for $6,479,000, funded with proceeds from a note payable to Austin Housing Finance Corporation (“AHFC”). The note bears no interest and matures June 27, 2062. The entire amount of the unpaid principal will be due in one balloon payment at maturity. As of December 31, 2023, the principal balance owed to the Organization was $6,479,000.

6. Notes receivable (continued)

On July 14, 2023, the Organization entered into a promissory note with RBJ II for $15,640,000. The note bears interest at 4.25%, compounded annually, and matures on July 1, 2065. As of December 31, 2023, the principal and interest balance owed to the Organization was $15,640,000 and $304,654, respectively.

7. Note payable

On July 19, 2018, the Organization entered into a non-interest bearing note (the "AHFC Note") payable to AHFC for $6,479,000, which was amended October 25, 2019 to modify the security as a deed of trust on the AGC RBJ, LLC property. The Organization entered into a Collateral Assignment of Note and Liens assigning the Collateral Note to AHFC as security for the Organization's obligations under the AHFC Note. Unpaid principal and interest are due on the maturity date 40 years following the date of issuance of a certificate of occupancy for the AGC RBJ, LLC property. If the Organization complies with the Loan Agreement (as defined in the AHFC Note), the AHFC Note will be forgiven at maturity. As of December 31, 2023, the principal balance was $6,479,000.

Notes payable consists of the following as of December 31, 2023:

Principal balance	$ 6,479,000
Less: unamortized debt issuance costs	(50,105)
Note payable, net of unamortized debt issuance costs	$ 6,428,895

Debt issuance costs of $52,983 are amortized across the life of the loan. During 2023, amortization expense for debt issuance costs was $2,878.

8. Commitments

On November 1, 2013, the Organization entered into an Exclusive Negotiation Agreement (ENA) with an unrelated party, Cesar Chavez Lakeview Village, LLC (the "Developer"), so that the Organization and Developer could negotiate exclusively for a period of time to determine whether they could mutually agree upon the terms of a Master Development Agreement (an "MDA"). The terms of the ENA called for the Developer to pay a $100,000 deposit to the Organization to be used to pay third party costs (including but not limited to top costs of legal counsel and project management) necessary to facilitate the proposed redevelopment as well as negotiation and execution of the ENA and MDA in an amount of no more than $15,000 per month.

On July 1, 2014, the Organization and the Developer entered into an MDA, the purpose of which is to build the Wrap Apartments, renovate the Tower Apartments, and redevelop property in accordance with a Strategic Master Plan adopted by the Organization on October 31, 2011.

9. WellMed lease

On October 25, 2019, the Organization entered into a master lease agreement with DMA Development Company, LLC ("DMAD") whereby the DMAD leases certain premises in the Lady Bird Condominium to the Organization. On August 5, 2022, the Organization entered into a sublease agreement whereby the Organization subleases certain premises of the Lady Bird Condominium to WellMed Medical Management, Inc. The terms of the lease will expire on May 5, 2028.

10. Property sale

On July 14, 2023, the Organization sold The Rebekah to AGC RBJ II, LLC for a sales price of $15,640,000. The net book value of the property was $2,764,147. During 2023, the Organization made a gain on sale of property of $12,875,853.

11. Property tax exemption

The Organization applied for exemption from property tax by the Travis County Appraisal District, pursuant to Section 11.1825 of the Texas Property Tax Code, which requires that the Organization construct or rehabilitate the real property for use in providing housing to individuals or families meeting certain income eligibility requirements. For the year ended December 31, 2023, the Organization met such requirements.

12. Prior period adjustment

During 2023, management identified an error related to the recognition of developer fee revenue in the statement of activities and changes in net assets as of and for the year ended December 31, 2022, which resulted in an understatement of revenue by $1,281,308. The effect of this error has been recorded as an adjustment to the opening balance of net assets for the year ended December 31, 2023.

NOVOGRADAC & COMPANY LLP®

Independent Accountants' Report

To the Board of Directors of
The Austin Geriatric Center, Inc.:

We have examined The Austin Geriatric Center, Inc.'s compliance with the applicable provisions of Section 11.1825 of the Tax Code of the State of Texas, with respect to its application for a property tax exemption, for the year ended December 31, 2023. Management of The Austin Geriatric Center, Inc. is responsible for The Austin Geriatric Center, Inc.'s compliance with the specified requirements. Our responsibility is to express an opinion on The Austin Geriatric Center, Inc.'s compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether The Austin Geriatric Center, Inc. complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether The Austin Geriatric Center, Inc. complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

Our examination does not provide a legal determination on The Austin Geriatric Center, Inc.'s compliance with specified requirements.

In our opinion, The Austin Geriatric Center, Inc. complied, in all material respects, with the applicable provisions of Section 11.1825 of the Tax Code of the State of Texas, with respect to property tax exemption, for the year ended December 31, 2023.

Novogradac & Company LLP

Austin, Texas
December 13, 2024