

































## UGAREF CCRC BUILDING, LLC

## Notes to Financial Statements

June 30, 2019 and 2018

**Note 6 – Long-Term Debt (Continued)**

A summary of total interest cost for the years ended June 30, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Interest Expense	\$ 1,008,374	\$ 1,042,963
Premium Amortization	(44,072)	(46,359)
Deferred Loss Amortization	68,627	68,627
Fees	4,350	4,155
Total Interest Cost	<u>\$ 1,037,279</u>	<u>\$ 1,069,386</u>

**Note 7 – Related Party Transactions**

The CCRC Entity has leased the CCRC Entity's facility to the Board of Regents for a monthly lease payment of \$224,400, which includes a monthly repair and replacement component of \$28,333. During the years ended June 30, 2019 and 2018, capital lease interest income of \$1,004,317 and \$1,054,965, respectively, capital lease principal of \$1,348,483 and \$1,297,836, respectively, and rental income of \$340,000 and \$340,000, respectively, were recorded under this lease agreement. The lease agreement with the Board of Regents is the sole source of revenue for the CCRC Entity, which constitutes a concentration of credit risk, and is renewable on an annual basis until 2033 without rent increases.

The lease agreement provides that certain amounts paid by the CCRC Entity be reimbursed by the Board of Regents. During the years ended June 30, 2019 and 2018, these amounts were \$71,522 and \$52,043, respectively.

The CCRC Entity also leases the use of land from the Board of Regents where it has constructed property on Board of Regents' land. This ground lease is for a period of up to 3 years during construction and continues for 30 years after construction is complete for a base rental of \$10 per year. Under the ground lease, the ownership of any building or structure constructed on the land passes to the Board of Regents at the end of the ground lease.

The CCRC Entity signed an agreement with the Real Estate Foundation to pay for management services of \$2,500 per month, with periods to coincide with the lease term. This agreement can be terminated by either party upon a 30 day written notice. During each of the years ended June 30, 2019 and 2018, the CCRC Entity paid \$30,000 to the Real Estate Foundation for services related to this agreement.