Providence Square Urban Renewal Associates, L.P.
D/B/A Providence Square

Financial Statements
(With Supplementary Information)
and Independent Auditor's Report

December 31, 2017 and 2016

PENNROSE
Bricks & Mortar | Heart & Soul

Providence Square

Re: April 12, 2018

Hello,

Attached please find the 2017 audited financial statement for the referenced property.

Should you have any questions, please do not hesitate to contact me at your convenience.

Kind Regards,

Debbie

Debbie Frattari

Executive Assistant to CFO

Pennrose Management Company

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Providence Square Urban Renewal Associates, L.P.
D/B/A Providence Square

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Independent Auditor's Report

To the Partners
Providence Square Urban Renewal Associates, L.P.

We have audited the accompanying financial statements of Providence Square Urban Renewal Associates, L.P., which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations, changes in partners' equity (deficit) and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Providence Square Urban Renewal Associates, L.P. as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 18 to 20 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 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.

CohnReznick LLP

Baltimore, Maryland
March 23, 2018

Providence Square Urban Renewal Associates, L.P.
D/B/A Providence Square

Balance Sheets
December 31, 2017 and 2016

Assets

	2017	2016
Current assets		
Cash	$ 306,212	$ 246,649
Tenant accounts receivable, net	10,993	9,086
Accounts receivable - other	2,358	656
Prepaid expenses	58,428	54,377
Total current assets	377,991	310,768
Restricted deposits and funded reserves		
Tenant security deposits	76,365	71,851
Replacement reserve	15,711	-
Real estate tax and insurance escrow	42,909	46,268
Total restricted deposits and funded reserves	134,985	118,119
Rental property		
Buildings and improvements	10,521,279	10,521,279
Land improvements	123,679	123,679
Furniture and equipment	393,186	393,186
	11,038,144	11,038,144
Accumulated depreciation	(6,591,891)	(6,324,001)
	4,446,253	4,714,143
Land	331,537	331,537
Total rental property	4,777,790	5,045,680
Total assets	$ 5,290,766	$ 5,474,567

Liabilities and Partners' Equity (Deficit)

	2017	2016
Current liabilities		
Accounts payable	$ 33,732	$ 33,077
Accrued interest payable - first mortgage	5,977	5,977
Accrued interest payable - other mortgages	25,674	18,837
First mortgage payable - current	65,737	63,314
Local administrative fee payable	-	2,500
Total current liabilities	131,120	123,705
Deposits and prepaid liability		
Tenant security deposits	76,365	71,851
Prepaid rent	17,605	19,221
Total deposits and prepaid liability	93,970	91,072
Long-term liabilities		
Mortgages payable	5,772,434	5,845,733
Accrued interest payable - mortgages	1,237,475	1,210,538
Due to affiliates	-	90,287
Total long-term liabilities	7,009,909	7,146,558
Partners' equity (deficit)	(1,944,233)	(1,886,768)
Total liabilities and partners' equity (deficit)	$ 5,290,766	$ 5,474,567

See Notes to Financial Statements.

Providence Square Urban Renewal Associates, L.P.
D/B/A Providence Square

Statements of Operations
Years Ended December 31, 2017 and 2016

	2017	2016
Revenue		
Rental income	$ 1,161,913	$ 1,143,675
Vacancies and concessions	(19,590)	(50,101)
Other operating income	11,745	30,260
Total revenue	1,154,068	1,123,834
Operating expenses		
Salaries and employee benefits	164,155	133,960
Repairs and maintenance	179,491	168,196
Utilities	89,243	89,550
Property management fee	75,014	72,221
Real estate taxes	117,154	106,140
Property insurance	39,213	37,045
Miscellaneous operating expenses	80,741	99,524
Total operating expenses	745,011	706,636
Net operating income	409,057	417,198
Other income (expense)		
Interest income	1	1
Interest expense - mortgages	(121,883)	(114,636)
Local adminstrative fee	(2,500)	(2,500)
Depreciation	(267,890)	(266,598)
Total other income (expense)	(392,272)	(383,733)
Net income	$ 16,785	$ 33,465

See Notes to Financial Statements.

Providence Square Urban Renewal Associates, L.P.
D/B/A Providence Square

Statements of Changes in Partners' Equity (Deficit)
Years Ended December 31, 2017 and 2016

	General partner	Special limited partner	Investor limited partner	Total partners' equity (deficit)
Balance, December 31, 2015	$ 13,284	$ (2,305)	$ (1,931,212)	$ (1,920,233)
Net income	335	3	33,127	33,465
Balance, December 31, 2016	13,619	(2,302)	(1,898,085)	(1,886,768)
Net income	168	2	16,615	16,785
Distributions	(37,125)	(7)	(37,118)	(74,250)
Balance, December 31, 2017	$ (23,338)	$ (2,307)	$ (1,918,588)	$ (1,944,233)
Partners' percentage of partnership losses	1.00%	0.01%	98.99%	100.00%

See Notes to Financial Statements.

Providence Square Urban Renewal Associates, L.P.
D/B/A Providence Square

Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Rental receipts	$ 1,132,885	$ 1,077,990
Other operating receipts	11,746	30,261
Salaries and employee benefits paid	(164,155)	(133,960)
Repairs and maintenance paid	(163,167)	(158,935)
Utilities paid	(96,910)	(98,064)
Property management fee paid	(76,340)	(74,132)
Real estate taxes paid	(117,154)	(84,169)
Property insurance paid	(43,264)	(36,322)
Net mortgage escrow withdrawals (deposits)	3,359	(22,168)
Interest expense paid	(88,109)	(62,981)
Local administrative fee	(5,000)	(2,500)
Miscellaneous operating expenses paid	(83,204)	(95,734)
Net cash provided by operating activities	310,687	339,286
Cash flows from investing activities		
Expenditures on rental property	-	(82,432)
Change in reserve for replacements	(15,711)	52,457
Net cash used in investing activities	(15,711)	(29,975)
Cash flows from financing activities		
Principal payments on mortgage payable	(70,876)	(77,167)
Distributions to partners	(74,250)	-
Repayments to affiliates	(90,287)	(16,343)
Net cash used in financing activities	(235,413)	(93,510)
Net increase in cash	59,563	215,801
Cash, beginning	246,649	30,848
Cash, ending	$ 306,212	$ 246,649

Providence Square Urban Renewal Associates, L.P.
D/B/A Providence Square

Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Net income	$ 16,785	$ 33,465
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	267,890	266,598
Changes in:		
Tenant accounts receivable	(1,907)	(7,071)
Accounts receivable - other	(1,702)	(656)
Prepaid expenses	(4,051)	22,694
Real estate tax and insurance escrow	3,359	(22,168)
Accounts payable	655	(1,676)
Accrued interest payable - mortgages	33,774	51,655
Prepaid rent	(1,616)	(3,555)
Local administrative fee payable	(2,500)	-
Net cash provided by operating activities	$ 310,687	$ 339,286

See Notes to Financial Statements.

Note 1 - Organization and nature of operations

Providence Square Urban Renewal Associates, L.P. (the "Partnership"), was formed as a limited partnership under the laws of the State of New Jersey on May 4, 1993. The purpose of the Partnership is to acquire, construct, renovate and operate a housing project consisting of 98 residential rental units for the purpose of providing affordable housing. The property is located in New Brunswick, New Jersey.

Items of Partnership income or loss are generally allocated 1.00% to the General Partner and 99.00% to the Limited and Special Limited partners; however, specific allocations are determined and governed by the limited partnership agreement.

The major activities of the Partnership are governed by the limited partnership agreement and Internal Revenue Code Section 42 ("Section 42"). Each building of the project qualified for and was allocated low-income housing tax credits pursuant to Section 42, which regulates the use of the project as to occupant eligibility and unit gross rent, among other requirements. Each building of the project was required to meet the provisions of these regulations during each of 15 consecutive years, through 2008, in order to qualify to receive the tax credits. In addition, the Partnership has executed an extended use regulatory agreement and declaration of restrictive covenants which requires the utilization of the project pursuant to Section 42 for a minimum of 30 years, even if the Partnership disposes of the project.

By agreement, the Partnership is to be terminated by December 31, 2047.

Note 2 - Significant accounting policies

Basis of accounting

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

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Tenant receivables

Tenant receivables are reported net of allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that the management's estimate of the allowance will change. For the years ended December 31, 2017 and 2016, the allowance was $8,515 and $4,958, respectively.

Rental property
Rental property is recorded at cost and depreciated over their estimated useful lives using the straight-line method for financial reporting purposes. Useful lives are estimated as follows:

Buildings and improvements	40 years
Land improvements	20 years
Furniture and equipment	10 years

For tax purposes, accelerated methods are used to depreciate the cost of furniture, furnishings and equipment over 5 to 7 years and land improvements over 15 years, while the buildings are depreciable using the straight-line method over a 27½-year period. Maintenance and repairs are charged to expense when incurred. Upon retirement or other disposition, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the statements of operations.

Impairment of long-lived assets
The Partnership reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss was recognized during the years ended December 31, 2017 and 2016.

Advertising costs
Advertising costs are charged to operations when incurred.

Income taxes
The Partnership has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions, and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a partnership. Accordingly, the Partnership is not required to take any tax positions in order to qualify as a pass-through entity. The Partnership is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure. Income tax returns filed by the Partnership are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2014 remain open.

Rental income
Residential rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. Commercial rental income is recognized over the lease term as it becomes receivable according to the provisions of the respective leases. However, if the rentals vary from a straight-line basis, future rentals including scheduled and specific rent increases and/or rent concessions are recognized on a straight-line basis over the lease terms. All leases between the Partnership and the tenants of the property are operating leases that have the option to renew annually.

Note 3 - Restricted deposits and funded reserves

Pursuant to various agreements with Columbia Bank and the City of New Brunswick, as well as limited partnership agreement provisions, monies were required to be placed on restricted deposit. Such funds may only be used for designated purposes.

Following is a summary of balances at December 31, 2017 and 2016:

Mortgage escrows

	2017	2016
Balance, January 1	$ 46,268	$ 24,100
Deposits	119,822	142,658
Payments	(123,181)	(120,490)
Balance, December 31	$ 42,909	$ 46,268

Pursuant to the terms in the partnership agreement, a minimum of $3,000 per month is required to be deposited into the replacement reserves. Monthly annual deposits are $8,026

Replacement reserves

	2017	2016
Balance, January 1	$ -	$ 52,457
Deposits	96,316	41,001
Withdrawals	(80,605)	(93,458)
Balance, December 31	$ 15,711	$ -

Note 4 - Related party transactions

The Partnership contracted with the Pennrose Management Company (the "Management Company"), an affiliate of the General Partner, to manage the day-to-day operations of the property for a fee equal to 6.50% of income collected (subject to certain exclusions) as compensation for its services; however, under the terms of the limited partnership agreement, in the event that there is no cash flow in a given year of at least $1, then 33⅓ of the fee is to be deferred and will be payable from future cash flow. During 2017 and 2016, $75,014 and $72,221, respectively, were incurred under the contract.

The Management Company provides payroll and other administrative services on a reimbursement basis. During 2017 and 2016, $194,332 and $168,071, respectively, were reimbursed.

In addition, the Management Company is also entitled to a fixed monthly administrative fee to defray the costs of certain expenditures. During 2017 and 2016, $7,296 was incurred.

Pennrose Management Company - Capital Improvement Division, an affiliate of the general partner, provides maintenance oversight to the project. During 2017 and 2016, $8,232 was incurred.

An affiliate of the general partner advanced funds to the Partnership totaling $106,630. The funds are noninterest-bearing. During 2017 and 2016, $90,287 and $16,343, was paid from surplus cash. As of December 31, 2017 and 2016, $0 and $90,287, respectively, remain payable.

The limited partnership agreement provides for an annual cumulative $2,500 local administrative fee to the Special Limited Partner. Such fee is payable out of distributable cash flow. For the years ended December 31, 2017 and 2016, $2,500 has been incurred. During 2017 and 2016, $5,000 and $2,500, respectively, was paid from surplus cash. As of December 31, 2017 and 2016, $0 and $2,500, respectively, remains payable.

Note 5 - Mortgages payable

In connection with the development of the property, the Partnership has negotiated the following nonrecourse mortgages:

First mortgage

Columbia Bank issued permanent financing in the amount of $2,400,000 for a period of 10 years, maturing July 1, 2019. The loan bore interest at the rate of 6.50% for the initial 60 - month period and was to adjust for the second 60-month period. Monthly principal and interest payments were due in the amount of $15,321.

Effective July 1, 2013, the loan was modified to reduce the interest rate to 3.375%. Monthly principal and interest payments are due in the amount of $11,679. Interest expense for the years ended December 31, 2017 and 2016 was $69,272 and $62,025, respectively. Accrued interest as of December 31, 2017 and 2016 is $5,977 and $5,977, respectively. The principal outstanding as of December 31, 2017 and 2016 is $1,985,867 and $2,056,743, respectively.

Second mortgage

The City of New Brunswick issued a mortgage note in the amount of $2,315,115 for a period of 30 years. The source of funding is an Urban Development Action Grant to the City. The loan has two segments. A total of $1,508,201 was designated as being for property acquisitions and is interest free. A total of $806,914 was designated as being for rehabilitation expenditures and bears interest at the rate of 6.52% per annum, simple interest, with interest currently payable annually to the extent of 10% available cash flow with any excess of such cash flow being applied to principal. Interest on this segment began to accrue with completion of construction. The entire loan balance is due on December 31, 2023. Interest expense for the years ended December 31, 2017 and 2016 was $52,611, respectively. During 2017 and 2016, $18,837 and $1,844, respectively, was paid from surplus cash. Accrued interest as of December 31, 2017 and 2016 is $1,263,149 and $1,229,375, respectively, of which $25,674 and $18,837, respectively, is currently due. The principal outstanding as of December 31, 2017 and 2016 is $2,315,115.

Third mortgage

The New Brunswick Development Corporation ("Devco") issued a commitment to lend $1,537,189 for a period of 30 years. The loan is noninterest-bearing and matures 30 years from the date of the final advance, December 31, 2023, provided, however, that if the property is then being operated in a sound manner as affordable senior housing, Devco is to grant an addition to the maturity date of not less than 10 years. The principal outstanding as of December 31, 2017 and 2016 is $1,537,189.

Annual maturities of the mortgages for the next five years and thereafter are summarized as follows:

	First mortgage	Second mortgage	Third mortgage	Total
2018	$ 65,737	$ -	$ -	$ 65,737
2019	1,920,130	-	-	1,920,130
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
Thereafter	-	2,315,115	1,537,189	3,852,304
Total	$ 1,985,867	$ 2,315,115	$ 1,537,189	5,838,171
Less current maturities				(65,737)
Net long-term portion				$ 5,772,434

The above mortgages are collateralized by all land, buildings and equipment of the Partnership.

As a further condition of obtaining the second mortgage, the Partnership has covenanted that 100% of the units in the property are to be rented to qualifying elderly individuals whose incomes are not in excess of 60% of the area median income in which the property is located.

Note 6 - Distributable cash flow

Cash flow, which means the excess of cash receipts over cash expenditures as determined for each fiscal year or portion thereof, shall be distributed in the following order of priority as defined in the limited partnership agreement as follows:

1. To pay the annual local administrative fee;
2. To repay any loan payable to any partner other than the General Partner;
3. To the Partners, an amount or amounts equal to the unpaid balance of any voluntary loan made by them;
4. To the extent of 50.00% of the remaining cash flow to the guarantor, an amount or amounts equal to the unpaid balance of any operating loan made by it; and
5. The balance 49.98% to the Limited Partner, 50.00% to the General Partner, 0.01% to the Class B Special Limited Partners and 0.01% to the Class A Special Limited Partners.

Note 7 - Surplus cash

As of December 31, 2017, the Partnership's surplus cash position based on the balance sheet was as follows:

Cash	$	306,212
Tenant security deposits		76,365
Outstanding replacement reserve request		7,841
Total		390,418
Accounts payable		33,732
Tenant security deposits		76,365
Prepaid rent		17,605
Accrued interest - first mortgage		5,977
Total		133,679
Surplus cash	$	256,739

Note 8 - Real estate taxes

The Partnership entered into a PILOT agreement with the City of New Brunswick which exempts all real and personal property from local taxation and subjects the property to an alternative tax based on the greater of 40% of assessed value or annual gross revenue, as defined. During 2017 and 2016, the assessed value was greater than gross revenue. This alternative tax totaled $117,154 and $106,140 in 2017 and 2016, respectively.

PILOT calculation	2017
Assesed value	$ 3,558,815
Tax rate	0.05866
Tax factor	40%
Assesed tax	83,504
2016 land taxes	27,870
Adjustment	5,780
Total tax	$ 117,154

	2016
Assesed value	$ 3,558,815
Tax rate	0.05866
Tax factor	40%
Assesed tax	83,504
2015 prepaid taxes	21,971
Adjustment	665
Total tax	$ 106,140

Note 9 - Rental revenue

Tenants' rents for 40 of the units are subsidized by the Housing Authority of The City of New Brunswick through HUD under its Section 8 Housing Assistance Payments ("HAP") Program. This program restricts assistance to those tenants who qualify by meeting certain HUD established criteria including maximum income limitations. The assistance contract obligates the Housing Authority of The City of New Brunswick to provide rental subsidies. The contracts are renewed annually, subject to the provider's approval to funding. Subsidies totaled $605,247 and $512,533 in 2017 and 2016, respectively, which is approximately 55% and 47%, respectively, of total residential rents.

Note 10 - Commercial lease agreement

The Partnership leases certain portions of the project under noncancellable operating leases for terms of five years. For the years ended December 31, 2017 and 2016, rental revenue earned under the agreements was $57,657 and $60,044, respectively. Future income per the commercial lease agreements for 2018 is $33,733.

Note 11 - Current vulnerability due to certain concentrations

The Partnership's principal asset is a 98-unit apartment project. The Partnership's operations are concentrated in the multifamily real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal and state agencies, including, but not limited to, HUD and the Housing Authority of The City of New Brunswick. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD or the City of Brunswick. 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.

Note 12 - Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Partnership through March 23, 2018 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information

Providence Square Urban Renewal Associates, L.P.
D/B/A Providence Square

Schedules of Certain Income and Expenses
Years Ended December 31, 2017 and 2016

	2017	2016
Rental income		
Rent revenue - gross potential	$ 499,009	$ 571,098
Tenant assistance payments	605,247	512,533
Commercial rent revenue	57,657	60,044
Total rental income	$ 1,161,913	$ 1,143,675
Vacancies and concessions		
Apartments vacancies	$ 19,590	$ 50,101
Total vacancies and concessions	$ 19,590	$ 50,101
Other operating income		
Laundry and vending	$ 6,831	$ 16,560
Damages income	931	3,664
Late fees	2,045	1,032
Miscellaneous other income	1,938	9,004
Total other operating income	$ 11,745	$ 30,260
Salaries and employee benefits		
Salaries - administrative	$ 73,240	$ 59,096
Salaries - leasing	13	345
Salaries - maintenance	53,551	49,217
Payroll taxes	12,225	9,967
Health insurance and other benefits	12,280	6,620
Workmen's compensation insurance	12,846	8,715
Total salaries and employee benefits	$ 164,155	$ 133,960
Repairs and maintenance		
Exterminating	$ 10,270	$ 16,513
Grounds	21,504	14,546
Fire protection	6,802	2,231
Security services/contract	993	-
Supplies	4,194	3,400
HVAC expense	15,767	5,434
Painting - exterior	7,500	129
Painting, decorating and cleaning	5,056	2,637
Repairs and maintenance - other than contracts	64,955	67,741
Repairs and maintenance - contracts	24,128	25,217
Carpeting	18,322	25,348
Insurance claim reimbursement	-	5,000
Total repairs and maintenance	$ 179,491	$ 168,196

Providence Square Urban Renewal Associates, L.P.
D/B/A Providence Square

Schedules of Certain Income and Expenses
Years Ended December 31, 2017 and 2016

	2017	2016
Utilities		
Electricity	$ 29,951	$ 32,028
Water	20,202	18,482
Sewer	22,806	19,634
Trash removal	9,522	14,397
Gas	6,762	5,009
Total utilities	$ 89,243	$ 89,550
Miscellaneous operating expenses		
Office supplies and expense	$ 3,379	$ 5,251
Training and travel	5,474	3,069
Telephone and answering service	3,385	3,902
Computer supplies and expense	15,837	17,342
Bad debt expense (recovery)	5,337	8,217
Administrative fee	7,296	7,296
Miscellaneous administrative	8,728	8,742
Rent free unit	-	12,744
Advertising and newspaper	2,702	2,460
Legal	1,052	9,827
Audit	6,966	6,815
Other professional fees	8,135	5,688
Other taxes, licenses and insurance	12,450	8,171
Total miscellaneous operating expenses	$ 80,741	$ 99,524
Interest expense - mortgages		
Interest expense - first mortgage	$ 69,272	$ 62,025
Interest expense - second mortgage	52,611	52,611
Total interest expense - mortgages	$ 121,883	$ 114,636

See Independent Auditor's Report.

Providence Square Urban Renewal Associates, L.P.
D/B/A Providence Square

Excess Net Profit Computation for New Brunswick and Redevelopment Authority
Year Ended December 31, 2017

Annual Calculation of Allowable Net Profit and Excess Profit Charge per N.J.S.A 40A:20-3(a) and (c) for the fiscal year ending 2017:

Gross Revenue:		
(1)	Total Gross Revenue per audited Statements of Operations (less subsidy of $605,247)	$ 548,821
Adjustments:		
(2)	Insurance, Operating and Maintenance Expenses paid by Tenant which are ordinarily paid by a Landlord	-
(3)	Vacancy reserves in excess of the allowable reserve of 10% of Gross Revenues	-
(4)	Rental income from an affiliate related to the Project	-
(5)	Adjusted Total Gross Revenue (sum of (1) through (4))	548,821
Expenses:		
(6)	Total Expenses per audited Statement of Operations *(the statutes N.J.S.A. 40A:20-15 do not expressly identify what items are to be deducted from gross revenues. City's position is that these statutes be read in pari-materia with N.J.S.A 40A:20-3.)*	1,137,284
Adjustments:		
(7)	Depreciation or obsolescence	267,890
(8)	Interest on debt, except interest which is part of debt service	52,611
(9)	Income taxes	-
(10)	Salaries, bonuses or compensation paid, directly or indirectly, to Directors, Management, Officers, Stockholders, Partners or other persons holding any any proprietary ownership interest in the property.	-
(11)	Payments for services rendered in excess of reasonable and customary payments to an affiliate or related party	2,500
(12)	Amortization in excess of allowable reserve	-
(13)	Adjusted Total Expenses (Line (6) less lines (7) through (12)	814,283
(14)	Statutory Net Profit (Line (5) less (13))	(265,462)
(15)	Less allowable profit *(Allowable profit 12% (per financial agreement) x Total Project Cost (Line 17)*	1,147,380
(16)	Excess Service Charge (Line (14) less (15)	$ -
(17)	Total Project Cost (*per "Computation of Total Project Cost per N.J.S.A 40A:20-3(h)" form)*	$ 9,561,496