

**Somerset Street Urban Renewal Associates, LLC
D/B/A The Vue**

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

December 31, 2021 and 2020

6/2/22
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**Somerset Street Urban Renewal Associates, LLC
D/B/A The Vue**

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Independent Auditor's Report

To the Managing Member
Somerset Street Urban Renewal Associates, LLC

Opinion

We have audited the financial statements of Somerset Street Urban Renewal Associates, LLC, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Somerset Street Urban Renewal Associates, LLC as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Somerset Street Urban Renewal Associates, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Somerset Street Urban Renewal Associates, LLC's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 GAAS 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 GAAS, 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 Somerset Street Urban Renewal Associates, LLC'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 Somerset Street Urban Renewal Associates, LLC'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 audits.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of certain income and expenses and excess net profit calculation are presented for purposes of additional analysis and are 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.

CohnReznick LLP

Baltimore, Maryland
March 9, 2022

**Somerset Street Urban Renewal Associates, LLC
D/B/A The Vue**

**Balance Sheets
December 31, 2021 and 2020**

	<u>Assets</u>			<u>Liabilities and Members' Equity (Deficit)</u>	
	2021	2020		2021	2020
Current assets			Current liabilities		
Cash	\$ 444,979	\$ 486,753	Accounts payable	\$ 49,628	\$ 113,542
Tenant accounts receivable, net	12,549	16,294	Accrued interest payable - mortgage	-	58,059
Accounts receivable - other	311	2,662	Accrued real estate taxes payable	1,005	-
Prepaid expenses	151,890	53,836			
Total current assets	609,729	559,545	Total current liabilities	50,633	171,601
Restricted deposits and funded reserves					
Tenant security deposits	234,472	208,433	Deposits and prepaid liabilities		
Replacement reserve	115,454	112,023	Tenant security deposits	234,472	208,540
Real estate tax and insurance escrows	76,039	234,093	Prepaid rent	183,556	257,711
Debt service reserve	584,633	-			
Total restricted deposits and funded reserves	1,010,598	554,549	Total deposits and prepaid liabilities	418,028	466,251
Rental property					
Building and improvements	56,402,998	56,402,998	Long-term liabilities		
Site improvements	53,650	53,650	Mortgages payable, net of debt issuance costs	27,320,078	18,919,228
Furniture and equipment	1,017,373	1,017,373			
	57,474,021	57,474,021	Total long-term liabilities	27,320,078	18,919,228
Accumulated depreciation	(15,465,080)	(14,107,364)			
	42,008,941	43,366,657			
Cost of air rights	10,724,469	10,724,469			
Total rental property	52,733,410	54,091,126	Members' equity (deficit)	26,564,998	35,648,140
Total assets	\$ 54,353,737	\$ 55,205,220	Total liabilities and members' equity (deficit)	\$ 54,353,737	\$ 55,205,220

See Notes to Financial Statements.

**Somerset Street Urban Renewal Associates, LLC
D/B/A The Vue**

**Statements of Operations
Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Revenue		
Rental income	\$ 3,674,420	\$ 3,745,131
Vacancies and concessions	(308,568)	(418,140)
Other operating income	<u>48,555</u>	<u>23,140</u>
Total revenue	<u>3,414,407</u>	<u>3,350,131</u>
Operating expenses		
Salaries and employee benefits	234,578	224,617
Repairs and maintenance	305,297	347,837
Utilities	161,470	191,075
Property management fee	101,586	99,769
Real estate taxes	333,966	336,776
Property insurance	136,335	113,060
Miscellaneous operating expenses	<u>246,029</u>	<u>264,825</u>
Total operating expenses	<u>1,519,261</u>	<u>1,577,959</u>
Net operating income	<u>1,895,146</u>	<u>1,772,172</u>
Other income (expense)		
Interest income	-	5,832
Mortgage interest expense	(872,757)	(747,298)
Early loan repayment fee	(95,500)	-
Entity income	38,692	-
Depreciation	<u>(1,357,716)</u>	<u>(1,514,469)</u>
Total other expense	<u>(2,287,281)</u>	<u>(2,255,935)</u>
Net loss	<u>\$ (392,135)</u>	<u>\$ (483,763)</u>

See Notes to Financial Statements.

**Somerset Street Urban Renewal Associates, LLC
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**Statements of Changes in Members' Equity (Deficit)
Years Ended December 31, 2021 and 2020**

Balance, December 31, 2019	\$ 37,525,208
Net loss	(483,763)
Distributions	<u>(1,393,305)</u>
Balance, December 31, 2020	35,648,140
Net loss	(392,135)
Distributions	<u>(8,691,007)</u>
Balance, December 31, 2021	<u><u>\$ 26,564,998</u></u>

See Notes to Financial Statements.

**Somerset Street Urban Renewal Associates, LLC
D/B/A The Vue**

**Statements of Cash Flows
Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Rental receipts	\$ 3,297,793	\$ 3,344,025
Other operating receipts	48,555	23,140
Interest receipts	-	5,832
Salaries and employee benefits paid	(234,578)	(179,796)
Repairs and maintenance paid	(332,977)	(329,596)
Utilities paid	(177,658)	(184,536)
Property management fee paid	(97,249)	(103,739)
Real estate taxes paid	(416,201)	(349,439)
Property insurance paid	(151,149)	(122,388)
Net tenant security deposits received (refunded)	25,932	(46,003)
Interest paid	(748,337)	(685,467)
Other financial expenses paid	(95,500)	-
Miscellaneous operating expenses paid	(231,720)	(266,358)
	<u>886,911</u>	<u>1,105,675</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Expenditures on rental property	-	(109,510)
Change in real estate tax escrow	167,728	(28,126)
Change in debt service reserve	(584,633)	-
	<u>(416,905)</u>	<u>(137,636)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from mortgages payable	27,722,500	-
Principal payments on mortgages payable	(19,100,000)	-
Distributions to members	(8,691,007)	(1,393,305)
Debt issuance costs paid	(404,129)	-
	<u>(472,636)</u>	<u>(1,393,305)</u>
Net cash used in financing activities		
Net decrease in cash and restricted cash	(2,630)	(425,266)
Cash and restricted cash, beginning	<u>845,827</u>	<u>1,271,093</u>
Cash and restricted cash, ending	<u>\$ 843,197</u>	<u>\$ 845,827</u>

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Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Net loss	\$ (392,135)	\$ (483,763)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	1,357,716	1,514,469
Amortization of debt issuance costs	182,479	61,831
Accrued payroll forgiveness	(38,692)	-
Changes in:		
Tenant accounts receivable	3,745	3,623
Accounts receivable - other	2,351	4,491
Prepaid expenses	(98,054)	(9,328)
Accounts payable	(25,222)	56,945
Accrued interest payable - mortgages	(58,059)	-
Accrued real estate taxes payable	1,005	(12,663)
Net tenant security deposits received (refunded)	25,932	(46,003)
Prepaid rent	(74,155)	16,073
	<u>\$ 886,911</u>	<u>\$ 1,105,675</u>
Net cash provided by operating activities		

See Notes to Financial Statements.

**Somerset Street Urban Renewal Associates, LLC
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**Notes to Financial Statements
December 31, 2021 and 2020**

Note 1 - Organization and nature of operations

Somerset Street Urban Renewal Associates, LLC (the "Company") was formed as a limited liability company under the laws of the State of New Jersey on February 3, 2006. The purpose of the Company is to develop a 14-story mixed-use project consisting of 150 residential rental units (112 market rate and 38 affordable). The property is located in New Brunswick, New Jersey.

Transit Village Associates ("TVA") is the sole member of the Company.

By agreement, the Company shall continue in full force in perpetuity, unless terminated sooner pursuant to the provisions of the operating agreement.

Note 2 - Significant accounting policies

Basis for presentation

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

Tenant receivables

Tenant receivables are reported net of an 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 management's estimate of the allowance will change. As of December 31, 2021 and 2020, the allowance for doubtful accounts is \$14,389 and \$14,246, respectively.

Rental property

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

Building and improvements	40 years
Site improvements	20 years
Furniture and equipment	10 years

For tax purposes, accelerated methods are used to depreciate the land improvements and equipment over shorter useful lives. The cost of the building is depreciated on a straight-line basis over a shorter 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 income.

The rental property is part of a shared structure and was constructed on top of a parking garage and commercial space owned by two unrelated parties. The Company does not own the land on which the building and improvements are located. The Company has a reciprocal easement and right-of-way agreements with the owners of the other project components to provide access for its tenants to the building.

**Somerset Street Urban Renewal Associates, LLC
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**Notes to Financial Statements
December 31, 2021 and 2020**

Impairment of long-lived assets

The Company 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, 2021 and 2020.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction from the face amount of the mortgage loans payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loans.

Rental income

Residential income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Company and the tenants of the property are operating leases.

Advertising costs

Advertising costs are charged to operations when incurred.

Income taxes

The Company 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 the sole member on its income tax returns. The Company's federal tax status as a pass-through entity is based on its legal status as a limited liability company. Accordingly, the Company is not required to take any tax positions in order to qualify as a pass-through entity. The Company 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 Company has no other tax positions which must be considered for disclosure. Income tax returns filed by the Company 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 2018 remain open.

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

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**Notes to Financial Statements
December 31, 2021 and 2020**

Note 3 - Restricted deposits and funded reserves

The Company has established certain escrows and reserves consistent with industry practice to fund anticipated future expenses.

Replacement reserve

The Company has funded a replacement reserve for improvements and capital asset replacements. As of December 31, 2021 and 2020, the balance of the reserve for replacements is as follows:

	2021	2020
Balance, January 1	\$ 112,023	\$ 16,014
Deposits	179,076	173,856
Interest	-	152
Withdrawals	(175,645)	(77,999)
Balance, December 31	<u>\$ 115,454</u>	<u>\$ 112,023</u>

Real estate tax and insurance escrows

The Company has funded real estate tax and insurance escrows to pay certain real estate taxes and insurance premiums for the Company. The insurance escrow is self-held, and the real estate tax escrow is held by the lender. As of December 31, 2021 and 2020, the balance of the tax and insurance escrows are as follows:

	2021	2020
Balance, January 1	\$ 234,093	\$ 220,816
Deposits	450,388	493,293
Interest	-	225
Withdrawals	(608,442)	(480,241)
Balance, December 31	<u>\$ 76,039</u>	<u>\$ 234,093</u>

Debt service reserve

In connection with the refinancing of the first mortgage, the Company was required to fund an interest reserve in the amount of \$584,633, which represents 6 months' worth of interest payments of \$418,152 and six months of real estate of \$166,481 on the first mortgage. The funds in the interest reserve are to be applied to pay (i) the monthly debt service payments and (ii) imposition deposits due and owing to the lender for the first six months of the loan term. On the first payment date, and for each payment date thereafter to and including July 1, 2022, the lender will advance funds from the interest reserve in the total amount of the monthly debt service and imposition

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Notes to Financial Statements
December 31, 2021 and 2020

deposits due under the loan agreement. As of December 31, 2021 and 2020, the balance of the debt service reserve is as follows:

	<u>2021</u>	<u>2020</u>
Balance, January 1	\$ -	\$ -
Deposits	<u>584,633</u>	<u>-</u>
Balance, December 31	<u><u>\$ 584,633</u></u>	<u><u>\$ -</u></u>

Note 4 - Statements of cash flows

The following table provides a reconciliation of cash and restricted cash reported within the balance sheets that sum to the total of the same such amounts in the statements of cash flows:

	<u>2021</u>	<u>2020</u>
Cash	\$ 444,979	\$ 486,753
Tenant security deposits	234,472	208,433
Insurance escrow	48,292	38,618
Replacement reserve	<u>115,454</u>	<u>112,023</u>
Total cash and restricted cash shown in the statements of cash flows	<u><u>\$ 843,197</u></u>	<u><u>\$ 845,827</u></u>

Amounts included in restricted cash are comprised of security deposits held in trust for the future benefit of tenants upon moving out of the property and insurance escrow and replacement reserve as required by Company policy and the operating agreement.

Note 5 - Related party transactions

The Company contracted with Pennrose Management Company (the "Management Company"), an affiliate of the managing member, to manage the day-to-day operations of the property. The Management Company is entitled to receive a fee of 3% of gross residential income. During the years ended December 31, 2021 and 2020, \$101,586 and \$99,769, respectively, were incurred.

Further, the Management Company provides payroll and other administrative services on a reimbursement basis for various administrative and operating services relating to the project and performed by their employees. During the years ended December 31, 2021 and 2020, \$276,980 and \$226,640, respectively, were reimbursed.

During 2020, the Management Company received a loan under the Paycheck Protection Program ("PPP") which was created through the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). The loan program includes a provision of forgiveness if certain criteria are met with respect to employment and pay levels. To the extent the Management Company is granted forgiveness of its loan, it will forgive a proportionate amount of payroll reimbursement due from the Company. As of December 31, 2020, there is \$38,692, of payroll reimbursement due to the Management Company which is included in accounts payable on the balance sheet and expected to be forgiven if the Management Company's PPP loan is forgiven. During the year ended December 31, 2021, the amount was forgiven and recorded as entity income.

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Notes to Financial Statements
December 31, 2021 and 2020

Note 6 - Mortgage payable

As of December 31, 2021 and 2020, the Company had the following conventional and nonrecourse mortgage:

First mortgages

On February 9, 2018, the Company entered into a loan agreement with Santander Bank in the amount of \$19,100,000. The note bore interest at a fixed rate of 3.53% per annum. Monthly payments of interest-only were due through maturity, March 1, 2023.

On December 21, 2021, the Company refinanced the mortgage with Santander Bank and received a new loan in the amount of \$27,722,500, for a term of seven years. The new loan bears interest at a fixed rate of 3.00% per annum. Monthly interest only payments are due for the first year in the amount of \$69,306, after the first year monthly interest and principal payments are due, based on a 30 year amortization in the amount of \$116,879, through maturity at which time the outstanding mortgage principal is due in full. Interest expense for the years ended December 31, 2021 and 2020 was \$872,757 and \$747,289, respectively, inclusive of amortization of debt issuance costs of \$182,479 and \$61,831, respectively. As of December 31, 2021 and 2020, the accrued interest payable was \$0 and \$58,059, respectively.

As of December 31, 2021 and 2020, the outstanding principal balance was \$27,722,500 and \$19,100,000, respectively:

	2021	2020
First mortgage	\$ 27,722,500	\$ 19,100,000
Less unamortized debt issuance costs based on an imputed interest rate of 3.31% and 3.91%, respectively	<u>(402,422)</u>	<u>(180,772)</u>
First mortgage, net	<u>\$ 27,320,078</u>	<u>\$ 18,919,228</u>

The above outstanding mortgage is collateralized by all the buildings and equipment of the Company.

Annual maturities on the mortgage payable for the next five years and thereafter as of December 31, are as follows:

Year	Amount
2022	\$ -
2023	578,790
2024	596,395
2025	614,535
2026	633,227
Thereafter	<u>25,299,553</u>
	<u>\$ 27,722,500</u>

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Notes to Financial Statements
December 31, 2021 and 2020

Note 7 - Payments in lieu of taxes ("PILOT")

The Company has entered in to a Payment in Lieu of Taxes Agreement ("PILOT") with the City of New Brunswick (the "City"). The PILOT exempts the Company from taxation on its improvements for a term of 30 years and shall only be effective during the period of the project's operation. However, in no case shall the agreement remain in effect longer than 35 years from the date of execution unless otherwise extended by law. In consideration for the exemption, the Company shall make a payment in lieu of taxes (annual service charge) to the City in a sum equal to 10% of annual gross revenue for years 1 - 15, the greater of 10% of annual gross revenue or 20% of the amount of taxes otherwise due on the value of the residential rental estate for years 16 - 21, the greater of 10% of annual gross revenue or 40% of the amount of taxes otherwise due on the value of the residential rental estate for years 22 - 27, the greater of 10% of annual gross revenue or 60% of the amount of taxes otherwise due on the value of the residential rental estate for years 28 - 29, and the greater of 10% of annual gross revenue or 80% of the amount of taxes otherwise due on the value of the residential rental estate for year 30. The accrual of real estate taxes payable at December 31, 2021 and 2020 was \$1,005 and \$0, respectively:

	<u>2021</u>	<u>2020</u>
Revenue		
Residents rent	\$ 3,657,550	\$ 3,724,616
Vacancies, employee rent-free unit, concessions and bad debt	<u>(340,906)</u>	<u>(465,938)</u>
Gross income	<u>3,316,644</u>	<u>3,258,678</u>
Total shelter rent collected	3,316,644	3,258,678
PILOT tax rate	<u>10%</u>	<u>10%</u>
PILOT tax expense	331,664	325,868
Adjustment	<u>2,302</u>	<u>10,908</u>
Total real estate tax expense	<u>\$ 333,966</u>	<u>\$ 336,776</u>

Additionally, in connection with the refinancing of the first mortgage, the Company was required to pay the first quarter of the 2022 PILOT payment in the amount of \$83,240, which is included in prepaid expenses.

Note 8 - Concentration of credit risk

The Company maintains cash with multiple financial institutions. The Company also maintains funded escrows and reserves. At times, these balances may exceed the federal insurance limits; however, the Company has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these balances as of December 31, 2021.

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**Notes to Financial Statements
December 31, 2021 and 2020**

Note 9 - Contingency

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to the Company's financial position, results of operations, and cash flows. The Company is currently unable to fully determine the extent of COVID-19's impact on its business in future periods. The Company's performance in future periods will be heavily influenced by the timing, length, and intensity of any business disruptions from COVID-19 and the related effects on the Company's operations. Management continues to monitor the results of operations to evaluate the actual and potential economic impact on the project.

Note 10 - 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 Company through March 9, 2022 (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

**Somerset Street Urban Renewal Associates, LLC
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**Schedules of Certain Income and Expenses
Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Rental income		
Rent revenue - gross potential	\$ 3,657,550	\$ 3,724,616
Tenant assistance payments	<u>16,870</u>	<u>20,515</u>
Total rental income	<u>\$ 3,674,420</u>	<u>\$ 3,745,131</u>
Vacancies and concessions		
Apartments vacancies	\$ 189,606	\$ 355,033
Rental concessions	<u>118,962</u>	<u>63,107</u>
Total vacancies and concessions	<u>\$ 308,568</u>	<u>\$ 418,140</u>
Other operating income		
Tenant charges	\$ 385	\$ 210
Pet deposits	3,998	3,759
Damages income	5,718	-
Late fees	19,629	1,866
Application fees	3,350	9,925
Service income	175	80
Miscellaneous other income	<u>15,300</u>	<u>7,300</u>
Total other operating income	<u>\$ 48,555</u>	<u>\$ 23,140</u>
Salaries and employee benefits		
Salaries - administrative	\$ 80,995	\$ 60,001
Salaries - maintenance	90,970	90,839
Payroll taxes	15,276	13,669
Health insurance and other benefits	32,522	47,144
Workers' compensation insurance	<u>14,815</u>	<u>12,964</u>
Total salaries and employee benefits	<u>\$ 234,578</u>	<u>\$ 224,617</u>

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**Schedules of Certain Income and Expenses
Years Ended December 31, 2021 and 2020**

	2021	2020
Repairs and maintenance		
Exterminating	\$ 4,918	\$ 3,948
Grounds	16,170	20,116
Fire protection	8,447	2,934
Security services/contract	-	1,474
Supplies	7,994	10,531
HVAC expense	16,971	17,763
Painting - exterior	-	654
Painting, decorating and cleaning	20,812	27,550
Repairs and maintenance - other than contracts	118,439	144,897
Repairs and maintenance - contracts	67,493	50,058
Elevator	23,592	20,201
Carpeting	14,078	25,305
Miscellaneous maintenance expenses	6,383	22,406
	<u>\$ 305,297</u>	<u>\$ 347,837</u>
Utilities		
Electricity	\$ 68,128	\$ 77,774
Water	29,180	38,845
Sewer	31,612	42,082
Trash removal	14,687	14,108
Gas	17,863	18,266
	<u>\$ 161,470</u>	<u>\$ 191,075</u>
Miscellaneous operating expenses		
Office supplies and expense	\$ 6,266	\$ 6,513
Training and travel	6,058	4,411
Telephone and answering service	2,554	5,425
Computer supplies and expense	27,790	26,815
Bad debt expense	3,401	18,148
Miscellaneous administrative	92,101	84,102
Rent free unit	28,937	29,650
Advertising and newspaper	48,423	61,363
Legal	3,096	2,555
Audit	7,415	7,415
Other professional fees	9,430	10,863
Other taxes, licenses and insurance	10,558	7,565
	<u>\$ 246,029</u>	<u>\$ 264,825</u>

See Independent Auditor's Report.

**Somerset Street Urban Renewal Associates, LLC
D/B/A The Vue**

**Excess Net Profit Calculation
Year Ended December 31, 2021**

Urban Renewal Entity : Somerset Street Urban Renewal Associates, LLC

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:

12/31/2021

Gross Revenue:

(1) Total Gross Revenue as defined per N.J.S.A 40A:20-3	\$ 3,397,537
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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))	3,397,537

Expenses:

(6) Total Expenses per audited Statement of Operations <i>(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.)</i>	3,840,761
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Adjustments:

(7) Depreciation or obsolescence	1,357,716
(8) Interest on debt, except interest which is part of debt service	-
(9) Income taxes	-
(10) Salaries, bonuses or compensation paid, directly or indirectly, to Directors, Management, Officers, Stockholders, Partners or other persons holding 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	-
(12) Amortization in excess of allowable reserve	-
(13) Adjusted Total Expenses (Line (6) less lines (7) through (12))	2,483,045
(14) Statutory Net Profit (Line (5) less (13))	914,492
(15) Less allowable profit <i>(Allowable profit (12% per financial agreement) x Total Project Cost (Line 17))</i>	7,588,697
(16) Excess Service Charge (Line (14) less (15))	\$ (6,674,205)
(17) Total Project Cost (per "Computation of total Project Cost per N.J.S.A 40A:20-3(h)" form)	\$ 38,066,341

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Independent Auditor's Report

To the Managing Member
Somerset Street Urban Renewal Associates, LLC

Opinion

We have audited the financial statements of Somerset Street Urban Renewal Associates, LLC, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Somerset Street Urban Renewal Associates, LLC as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Somerset Street Urban Renewal Associates, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Somerset Street Urban Renewal Associates, LLC's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 GAAS 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 GAAS, 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 Somerset Street Urban Renewal Associates, LLC'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 Somerset Street Urban Renewal Associates, LLC'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 audits.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of certain income and expenses and excess net profit calculation are presented for purposes of additional analysis and are 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.

CohnReznick LLP

Baltimore, Maryland
March 9, 2022