



February 25, 2022

Mr. Richard J. Mulrine
Chief Financial Officer
Department of Finance
City of New Brunswick-City Hall
78 Bayard Street
P.O. Box 269
New Brunswick, NJ 08903
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Ref: Hungaria Urban Renewal, LLC

Enclosed please find the forms of Annual Calculation of Allowable Net Profit and Excess Profit Charge for Hungaria Urban Renewal, LLC for the fiscal year ended September 30, 2021.

Hungaria Urban Renewal, LLC is a Delaware limited-liability corporation established in 2002 as a qualified intermediary operating for the purpose of acquiring and developing Magyar Bank's new main office. On January 24, 2006, Magyar Bank exercised a purchase option within its lease from Hungaria Urban Renewal, LLC allowing Magyar Bank to purchase the land and building from this entity. Magyar Bank acquired a 100% interest in Hungaria Urban Renewal, LLC, which will have no other business other than owning Magyar Bank's main office site. As part of a tax abatement agreement with the City of New Brunswick, Magyar Bank's new office will remain in Hungaria Urban Renewal, LLC's name.

The audited financial statements for Magyar Bancorp, Inc, the parent of Magyar Bank, and the audit reports from RSM US LLP, the Independent Public Accounting Firm for the fiscal years ended September 30, 2021 are attached.

Below is the link of our September 30, 2021 Annual Report (10-K) on the SEC website:

[Inline XBRL Viewer \(sec.gov\)](#)

Please feel free to call if you have any questions.

Sincerely,

Weiguang Wang
VP/ Controller
Phone: 732-342-7600 Ext. 125
Fax: 732-565-9952
Email: wwang@magbank.com

6/2/22

Enclosures

Urban Renewal Entity: HUNGARIA URBAN RENEWAL, LLC
Annual Calculation of Allowable Net Profit and Excess Profit Charge 9/30/2021
per N.J.S.A. 40A:20-3(a) and (c) for the fiscal year ending: _____

Gross Revenue:

(1) Total Gross Revenue per audited Statement of Operations
(please include copy of annual audited statement prepared by
a certified public accountant) 344,791.80

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)) 344,791.80

Expenses:

(6) Total Expenses per audited Statement of Operations 344,791.80
(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.)

Adjustments:

(7) Depreciation or Obsolescence 344,791.80

(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)) 0

(14) Statutory Net Profit (Line (5) less (13)) 344,791.80

(15) Less Allowable Profit 1,976,035.54
(Allowable profit _____ % (per Financial Agreement)
x Total Project Cost (Line 17))

(16) Excess Service Charge (Line (14) less (15))
(Please remit to the City within 90 days
of fiscal Year end with a copy of this
Report) (1,631,243.84)

(17) Total Project Cost (per "Computation of Total Project
Cost per N.J.S.A. 40A:20-3(h)" form)) 16,466,963.65

Certification:

I certify that the information supplied above is complete and accurate and complies with the provisions of
N.J.S.A. 40A:20-1 et seq. I also understand per the provisions of the financial agreement, the City of New
Brunswick may examine and audit all supporting financial records, documents and papers related to this
entity. Weiguang Wang, VP/Controller

Magyar Bank
Parent of Hungaria Urban
Renwal, llc



Certified Public Accountant

Magyar Bancorp
Consolidating Entries- Income Statement
For YTD September 30, 2021

	Hungaria Urban Renewal, LLC	MagBank Investment Co.	Magyar Service Corp	Magyar Bank	Elimination	Elimination	Magyar Bank Consolidated	Bancorp	Bancorp Elimination	Bancorp Consolidated
	Center 23	Center 30	Center 05	Center 10	Center 21	Center 22	Center 02	Center 03	Center 06	Center 01
Interest and dividend income	-	-	-	\$ 27,351	\$ -	\$ -	\$ 27,351	\$ 26	\$ (26)	\$ 27,351
Loans, including fees	-	742	-	135	-	-	877	-	-	877
Investment securities	-	5	-	-	-	-	5	-	-	5
Taxable	-	-	-	95	-	-	95	-	-	95
Tax-exempt	-	-	-	-	-	-	-	-	-	-
Federal Home Loan Bank of New York stock	-	-	-	-	-	-	-	-	-	-
Total interest and dividend income	-	747	-	27,781	-	-	28,528	26	(26)	28,528
Interest expense	-	-	-	2,294	-	-	2,294	-	(7)	2,287
Deposits	-	-	-	674	-	-	674	-	(19)	655
Borrowed money	-	-	-	2,068	-	-	2,968	-	(26)	2,942
Total interest expense	-	-	-	2,456	-	-	25,560	26	-	25,586
Net interest and dividend income	-	747	-	1,629	-	-	1,629	-	-	1,629
Provision for loan losses	-	-	-	-	-	-	-	-	-	-
Net interest and dividend income after provision for loan losses	-	747	-	23,184	-	-	23,931	26	-	23,957
Other income	-	-	-	1,174	(31)	-	1,143	-	-	1,143
Service charges	-	-	-	317	-	-	317	-	-	317
Income on bank owned life insurance	-	-	-	777	-	-	777	-	-	777
Fees for other customer services	-	-	-	313	-	-	313	-	-	313
Interest rate swap fees	-	-	25	85	-	(345)	110	-	-	110
Other operating income	345	-	-	749	-	-	749	-	-	749
Gains on sales of loans	-	-	-	-	-	-	-	-	-	-
Losses on the sale of securities	-	-	-	-	-	-	-	-	-	-
Total other income	345	-	25	3,415	(31)	(345)	3,409	-	-	3,409
Other expenses	-	-	-	10,549	-	-	10,549	70	-	10,619
Compensation and employer benefits	-	-	-	3,000	-	(345)	3,000	-	-	3,000
Occupancy expenses	345	-	-	1,676	-	-	1,676	43	-	1,719
Professional fees	-	-	-	528	-	-	528	-	-	528
Data processing expenses	-	-	-	225	-	-	225	-	-	225
REO expense	-	-	-	422	-	-	422	-	-	422
FDIC Premium	-	-	-	318	-	-	318	-	-	318
Loan servicing expenses	-	-	-	201	-	-	201	-	-	201
Insurance expense	-	32	1	1,432	(31)	-	1,434	176	-	1,610
Other expenses	-	-	-	-	-	-	-	-	-	-
Total other expenses	345	32	1	18,351	(31)	(345)	18,353	289	-	18,642
Income (loss) before income tax (benefit)	-	715	24	8,248	-	-	8,987	(265)	-	8,724
Income tax expense (benefit)	-	195	9	2,479	-	-	2,683	(78)	-	2,605
Net income (loss)	\$ -	\$ 520	\$ 15	\$ 3,769	\$ -	\$ -	\$ 6,304	\$ (185)	\$ -	\$ 6,119



RSM US LLP

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Magyar Bancorp, Inc. and Subsidiary

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Magyar Bancorp, Inc. and Subsidiary (the Company) as of September 30, 2021 and 2020, the related consolidated statements of operations, comprehensive income, changes in stockholders' equity and cash flows for each of the two years in the period ended September 30, 2021, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2021 and 2020, and the results of its operations and its cash flows for each of the two years in the period ended September 30, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or is required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

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Allowance for Loan Losses – Qualitative Factors

The allowance for loan losses as of September 30, 2021, was \$8.1 million. As described in Notes B and E to the consolidated financial statements, the allowance for loan losses is established through a provision for loan losses and represents an amount which, in management's judgement, will be adequate to absorb losses on existing loans. The allowance consists of specific and general components in the amounts of \$0.2 million and \$7.9 million, respectively. The specific component relates to loans that are delinquent or otherwise identified as impaired by management. All such loans are evaluated individually, with principal consideration given to the value of the collateral securing the loan and discounted cash flows. Specific impairment allowances are established as required by this analysis. The general loan loss allocation component is determined by segregating the remaining loans by type of loan, risk weighting, and payment history. This analysis establishes historical loss factors based on a five year look back period that are applied to the loan groups adjusted for the following qualitative factors: delinquency and non-accrual trends, volume and loan term trends, changes in the lending policy, national and local economic trends and conditions, changes in concentrations of credit, changes in risk selection and underwriting standards, the experience, ability and depth of lending management, and charge-off and recovery trends and trends in collateral value. The evaluation of the qualitative factors requires a significant amount of judgement by management and involves a high degree of subjectivity.

We identified the qualitative factor component of the allowance for loan losses as a critical audit matter as auditing the underlying qualitative factors required significant auditor judgment as amounts determined by management rely on analysis that is often subjective in nature and the estimate is highly sensitive to changes in significant assumptions.

Our audit procedures related to the qualitative factors of the allowance for loan losses included the following, among others:

- We obtained an understanding of how management developed the estimates and related assumptions, including:
 - Testing completeness and accuracy of key data inputs used in forming assumptions or calculations and testing the reliability of the underlying data on which these factors are based by comparing information to source documents and external information sources.
 - Evaluating the reasonableness of the qualitative factors established by management as compared to the underlying internal or external information sources.

We have served as the Company's auditor since 2018.

RSM US LLP

Philadelphia, Pennsylvania
December 20, 2021

MAGYAR BANCORP, INC. AND SUBSIDIARY

Consolidated Balance Sheets

(In Thousands, Except Share and Per Share Data)

	<u>September 30,</u> <u>2021</u>	<u>September 30,</u> <u>2020</u>
Assets		
Cash	\$ 1,808	\$ 1,494
Interest earning deposits with banks	<u>73,393</u>	<u>60,232</u>
Total cash and cash equivalents	75,201	61,726
Investment securities - available for sale, at fair value	12,927	14,561
Investment securities - held to maturity, at amortized cost (fair value of \$57,282 and \$30,899 at September 30, 2021 and 2020, respectively)	57,660	30,443
Federal Home Loan Bank of New York stock, at cost	1,738	1,981
Loans receivable, net of allowance for loan losses of \$8,075 and \$6,400 at September 30, 2021 and 2020, respectively	585,301	603,110
Bank owned life insurance	14,288	13,971
Accrued interest receivable	3,533	4,030
Premises and equipment, net	14,331	14,746
Other real estate owned ("OREO")	636	2,594
Other assets	<u>8,375</u>	<u>6,835</u>
Total assets	<u>\$ 773,990</u>	<u>\$ 753,997</u>
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	\$ 639,814	\$ 618,330
Escrowed funds	3,242	2,413
Borrowings	23,356	67,410
Accrued interest payable	85	191
Accounts payable and other liabilities	<u>9,852</u>	<u>8,803</u>
Total liabilities	<u>676,349</u>	<u>697,147</u>
Stockholders' equity		
Preferred stock: \$.01 Par Value, 500,000 and 1,000,000 shares authorized at September 30, 2021 and 2020, respectively, none issued	-	-
Common stock: \$.01 Par Value, 14,000,000 and 8,000,000 shares authorized; 7,097,825 and 5,923,742 shares issued; 7,097,825 and 5,810,746 shares outstanding at September 30, 2021 and 2020, respectively, at cost	71	59
Additional paid-in capital	63,713	26,294
Treasury stock: 112,996 shares, at cost	(1,242)	(1,242)
Unearned Employee Stock Ownership Plan shares	(3,235)	(65)
Retained earnings	39,281	33,161
Accumulated other comprehensive loss	<u>(947)</u>	<u>(1,357)</u>
Total stockholders' equity	<u>97,641</u>	<u>56,850</u>
Total liabilities and stockholders' equity	<u>\$ 773,990</u>	<u>\$ 753,997</u>

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

MAGYAR BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Operations
(In Thousands, Except Share and Per Share Data)

	For the Year Ended	
	September 30,	
	2021	2020
Interest and dividend income		
Loans, including fees	\$ 27,551	\$ 25,626
Investment securities		
Taxable	877	1,173
Tax-exempt	5	-
Federal Home Loan Bank of New York stock	95	128
Total interest and dividend income	28,528	26,927
Interest expense		
Deposits	2,287	4,770
Borrowings	654	743
Total interest expense	2,941	5,513
Net interest and dividend income	25,587	21,414
Provision for loan losses	1,629	1,666
Net interest and dividend income after provision for loan losses	23,958	19,748
Other income		
Service charges	1,143	901
Income on bank owned life insurance	317	324
Fees for other customer services	777	-
Interest rate swap fees	313	-
Other operating income	110	106
Gains on sales of loans	749	317
Gains on sales of investment securities	-	68
Total other income	3,409	1,716
Other expenses		
Compensation and employee benefits	10,619	10,283
Occupancy expenses	3,000	2,995
Professional fees	1,719	1,558
Data processing expenses	528	589
OREO expenses	225	499
FDIC deposit insurance premiums	422	479
Loan servicing expenses	318	308
Insurance expense	201	197
Other expenses	1,610	1,445
Total other expenses	18,642	18,353
Income before income tax expense	8,725	3,111
Income tax expense	2,605	921
Net income	\$ 6,120	\$ 2,190
Net income per share-basic and diluted	\$ 1.01	\$ 0.31
Weighted average basic and diluted shares outstanding	6,037,499	7,104,889

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

MAGYAR BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Changes in Stockholders' Equity
For the Year Ended September 30, 2021 and 2020
(In Thousands, Except for Share Amounts)

	<u>Common Stock</u>		<u>Additional</u>		<u>Unearned</u>		<u>Accumulated</u>	
	<u>Shares</u>	<u>Par</u>	<u>Paid-In</u>	<u>Treasury</u>	<u>ESOP</u>	<u>Retained</u>	<u>Other</u>	
	<u>Outstanding</u>	<u>Value</u>	<u>Capital</u>	<u>Stock</u>	<u>Shares</u>	<u>Earnings</u>	<u>Comprehensive</u>	<u>Total</u>
							<u>Loss</u>	
Balance, September 30, 2019	5,820,746	\$ 59	\$ 26,317	\$ (1,152)	\$ (214)	\$ 30,971	\$ (1,330)	\$ 54,651
Net income	-	-	-	-	-	2,190	-	2,190
Other comprehensive income	-	-	-	-	-	-	(27)	(27)
Purchase of treasury stock	(10,000)	-	-	(90)	-	-	-	(90)
ESOP shares allocated	-	-	(23)	-	149	-	-	126
Balance, September 30, 2020	5,810,746	\$ 59	\$ 26,294	\$ (1,242)	\$ (65)	\$ 33,161	\$ (1,357)	\$ 56,850
Net income	-	-	-	-	-	6,120	-	6,120
Other comprehensive income	-	-	-	-	-	-	410	410
Common stock acquired by ESOP	-	-	-	-	(3,272)	-	-	(3,272)
ESOP shares allocated	-	-	5	-	102	-	-	107
Second-step conversion and stock offering:								
Magyar Bancorp, MHC shares sold								
in public offering, net of offering costs	3,910,000	12	37,414	-	-	-	-	37,426
Retirement of MHC shares	(3,200,450)	-	-	-	-	-	-	-
Fractional shares and other adjustments								
resulting from conversion of existing								
shares at 1.2213 exchange rate	577,529	-	-	-	-	-	-	-
Balance, September 30, 2021	7,097,825	\$ 71	\$ 63,713	\$ (1,242)	\$ (3,235)	\$ 39,281	\$ (947)	\$ 97,641

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

MAGYAR BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
(In Thousands)

	For the Year Ended September 30,	
	2021	2020
Operating activities	\$ 6,120	\$ 2,190
Net income		
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	835	854
Premium amortization on investment securities, net	167	107
Provision for loan losses	1,629	1,666
Provision for loss on other real estate owned	337	371
Originations of SBA loans held for sale	(6,386)	(3,623)
Proceeds from the sales of SBA loans	7,135	3,941
Gains on sale of loans	(749)	(317)
Gains on sales of investment securities	-	(68)
Gains on the sales of other real estate owned	(223)	(43)
Loss on the sale of premises and equipment	-	16
ESOP compensation expense	107	126
Deferred income tax benefit	(178)	(880)
Decrease (increase) in accrued interest receivable	497	(1,897)
Increase in surrender value of bank owned life insurance	(317)	(324)
(Increase) decrease in other assets	(1,551)	700
Decrease in accrued interest payable	(106)	-
Increase (decrease) in accounts payable and other liabilities	1,942	(2,005)
Net cash provided by operating activities	9,259	814
Investing activities		
Net decrease (increase) in loans receivable	17,133	(72,887)
Purchases of loans receivable	(3,500)	(13,672)
Proceeds from the sale of loans receivable	2,000	-
Purchases of investment securities held to maturity	(38,907)	(10,226)
Purchases of investment securities available for sale	(10,561)	(9,557)
Sales of investment securities available for sale	-	6,073
Proceeds from calls of investment securities held to maturity	2,000	-
Proceeds from calls of investment securities available for sale	5,000	-
Principal repayments on investment securities held to maturity	9,595	9,206
Principal repayments on investment securities available for sale	6,830	5,704
Purchases of premises and equipment	(420)	(147)
Proceeds from the sale of premises and equipment	-	703
Investment in other real estate owned	(25)	(1)
Proceeds from other real estate owned	2,415	4,606
Redemption of Federal Home Loan Bank stock	243	241
Net cash used in investing activities	(8,197)	(79,957)
Financing activities		
Net increase in deposits	21,484	88,255
Net proceeds from issuance of common stock	37,426	-
Purchase of common stock for ESOP	(3,272)	-
Net increase in escrowed funds	829	14
Proceeds from long-term advances	-	41,515
Repayments of long-term advances	(44,054)	(10,294)
Purchase of treasury stock	-	(90)
Net cash provided by financing activities	12,413	119,400
Net increase in cash and cash equivalents	13,475	40,257
Cash and cash equivalents, beginning of year	61,726	21,469
Cash and cash equivalents, end of year	\$ 75,201	\$ 61,726
Supplemental disclosures of cash flow information		
Cash paid for		
Interest	\$ 3,047	\$ 5,513
Income taxes	\$ 2,750	\$ 2,275
Non-cash operating activities		
Real estate acquired in full satisfaction of loans in foreclosure	\$ 547	\$ -
Initial recognition of lease liability and right-of-use asset	\$ -	\$ 3,835

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

The logo for RSM, consisting of a stylized 'R' and 'S' followed by the letters 'M'.**RSM US LLP**

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement No. 333-261214 and No. 333-149297 on Forms S-8 of Magyar Bancorp, Inc. and Subsidiary of our report dated December 20, 2021, relating to the consolidated financial statements of Magyar Bancorp, Inc. and Subsidiary, appearing in the Annual Report on Form 10-K of Magyar Bancorp, Inc. and Subsidiary for the year ended September 30, 2021.

RSM US LLP

Philadelphia, Pennsylvania
December 20, 2021

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