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The Standard at New Brunswick Urban Renewal, LLC

Financial Statements

December 31, 2021 and 2020

The Standard at New Brunswick Urban Renewal, LLC

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Independent Auditors' Report

To the Member of
The Standard at New Brunswick Urban Renewal, LLC

Opinion

We have audited the financial statements of The Standard at New Brunswick Urban Renewal, LLC, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in member's equity 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 The Standard at New Brunswick Urban Renewal, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Standard at New Brunswick Urban Renewal, 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 The Standard at New Brunswick Urban Renewal, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 The Standard at New Brunswick Urban Renewal, 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 The Standard at New Brunswick Urban Renewal, 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 audit.

Baker Tilly US, LLP

Tysons, Virginia
May 5, 2022

The Standard at New Brunswick Urban Renewal, LLC

Balance Sheets
December 31, 2021 and 2020

	2021	2020
Assets		
Investment in Real Estate		
Land and land improvements	$ 10,692,094	$ 10,692,094
Building and building improvements	102,030,223	99,772,944
Furniture, fixtures, and equipment	1,209,116	1,154,820
	113,931,433	111,619,858
Less accumulated depreciation	(5,244,278)	(1,429,369)
Total investment in real estate, net	108,687,155	110,190,489
Other Assets		
Cash	1,241,043	609,768
Restricted cash	200,153	134,219
Accounts receivable, net	25,836	261,390
Prepaid expenses and other assets	39,827	204,851
Total other assets	1,506,859	1,210,228
Total assets	$ 110,194,014	$ 111,400,717
Liabilities and Member's Equity		
Liabilities		
Construction loan payable, net	$ 60,519,621	$ 60,876,568
Accounts payable and accrued expenses	976,515	853,351
Deferred revenue	37,667	45,650
Tenant security deposits	200,153	134,219
Retainage payable	175,827	1,951,356
Total liabilities	61,909,783	63,861,144
Member's Equity	48,284,231	47,539,573
Total liabilities and member's equity	$ 110,194,014	$ 111,400,717

See notes to financial statements

The Standard at New Brunswick Urban Renewal, LLC

Statements of Operations
Years Ended December 31, 2021 and 2020

	2021	2020
Revenues		
Rental revenue	$ 4,619,708	$ 1,272,532
Other income	380,780	263,370
Total revenues	5,000,488	1,535,902
Operating Expenses		
Depreciation	3,814,909	1,429,369
Real estate taxes	1,099,391	200,253
Salaries and wages	532,188	137,091
Advertising and promotion	327,014	542,810
Repairs and maintenance	292,473	24,485
Utilities	237,059	70,989
General and administrative fees	189,389	47,261
Management fees	187,915	153,007
Other expenses	187,884	24,237
Insurance	88,403	165,480
Total operating expenses	6,956,625	2,794,982
Other Expense		
Interest expense	2,411,226	874,937
Net loss	$ (4,367,363)	$ (2,134,017)

See notes to financial statements

The Standard at New Brunswick Urban Renewal, LLC

Statements of Changes in Member's Equity
Years Ended December 31, 2021 and 2020

Balance, January 1, 2020	$ 49,012,590
Contributions from member	661,000
Net loss	(2,134,017)
Balance, December 31, 2020	47,539,573
Contributions from member	5,112,021
Net loss	(4,367,363)
Balance, December 31, 2021	$ 48,284,231

See notes to financial statements

The Standard at New Brunswick Urban Renewal, LLC

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

	2021	2020
Cash Flows From Operating Activities		
Net loss	$ (4,367,363)	$ (2,134,017)
Reconciliation adjustments:		
Depreciation	3,814,909	1,429,369
Amortization of deferred financing costs	527,986	171,728
Change in allowance for doubtful accounts	(91,585)	97,466
Changes in assets and liabilities:		
Accounts receivable	327,139	(358,856)
Prepaid expenses and other assets	165,024	(204,851)
Accounts payable and accrued expenses	48,503	294,134
Deferred revenue	(7,983)	45,650
Tenant security deposits	65,934	134,219
Net cash provided by (used in) operating activities	482,564	(525,158)
Cash Flows From Investing Activities		
Investment in real estate	(4,012,443)	-
Construction in process	-	(49,550,839)
Net cash provided by (used in) investing activities	(4,012,443)	(49,550,839)
Cash Flows From Financing Activities		
Payment of deferred financing costs	(175,750)	-
Proceeds from construction loan payable	2,590,817	51,581,725
Payment of construction loan payable	(3,300,000)	(1,493,545)
Contributions from member	5,112,021	661,000
Net cash provided by (used in) financing activities	4,227,088	50,749,180
Net change in cash and restricted cash	697,209	673,183
Cash and Restricted Cash, Beginning	743,987	70,804
Cash and Restricted Cash, Ending (1)	$ 1,441,196	$ 743,987
Non-Cash Investing Activities		
Accounts payable and accrued expenses for investment in real estate	$ 633,878	$ 559,217
Retainage payable for investment in real estate	$ 175,827	$ 1,951,356
Capitalized amortization of deferred financing costs	$ -	$ 286,213
Allocation from construction in process within investment in real estate	$ -	$ 101,113,481
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest, net of amount capitalized	$ 1,893,048	$ 591,506

(1) This line item includes restricted cash of $200,153 and $134,219 at December 31, 2021 and 2020, respectively. These amounts are presented in the "restricted cash" caption on the accompanying balance sheets.

See notes to financial statements

1. Organization and Other Matters

The Standard at New Brunswick Urban Renewal, LLC (the Company), a Delaware Limited Liability Company, was formed on December 6, 2017, and shall continue until dissolved as provided in the Company's Limited Liability Company Agreement. The Company was formed to acquire a development site located in New Brunswick, New Jersey and develop, construct, operate, and sell a 186 unit student apartment project serving Rutgers University - New Brunswick (the Project). CRP/LCD New Brunswick Venture, LLC (the Venture) is the sole member of the Company and was formed on October 11, 2017. CRP New Brunswick Member, LLC (CRP Member) and LPD New Brunswick, LLC (LPD Member) are the members of the Venture.

Through June 11, 2018, affiliates of LPD Member incurred approximately $2,700,000 of pre-development costs for the Project, which were contributed to the Company.

On June 11, 2018, LPD Member assigned its ownership in the Company to the Venture pursuant to the terms of an agreement between LPD Member and the Venture. Following formation of the Venture, CRP Member contributed cash for purchase of the development site by the Company and to reconcile all pre-development costs previously paid by the Company, as defined in the Venture's operating agreement.

During 2016, an affiliate of LPD Member entered into contracts for the purchase of the development site from a third party (the Contracts). On June 11, 2018, the Contracts were assigned to the Company in exchange for LPD Member's ownership interest in the Venture. The development site was acquired on June 11, 2018 for a purchase price of $7,700,000, plus transaction costs. Construction commenced on the Project immediately after acquiring the development site and was completed in August 2020.

The Company's rental operations and financial performance are subject to certain business risks and uncertainties that include economic conditions, rapid changes in the real estate market, and competition for student housing rentals in the local marketplace, among others.

2. Summary of Significant Accounting Policies

Investment in Real Estate

Investment in real estate includes land and land improvements, building and building improvements, and furniture, fixtures, and equipment, which are recorded either at fair value upon the date contributed or at the cost of acquisition or construction.

Depreciation is computed using the straight-line method over the useful lives of the related assets as follows:

Building and building improvements	27.5 years
Land improvements	10 years
Furniture, fixtures, and equipment	7 years

Depreciation expense for the years ended December 31, 2021 and 2020 totaled $3,814,909 and $1,429,369, respectively. Repairs and maintenance are charged to operations as incurred; significant renewals and betterments that extend the economic useful lives of the assets are capitalized.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever management believes that events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. To the extent that the carrying value is determined to be unrecoverable, an impairment loss is recognized through a charge to expense. The Company does not believe that impairment indicators are present, and accordingly, based on this assessment, no further impairment analysis was performed.

Cash

The term cash, as used in the accompanying financial statements, includes currency on hand and demand deposits with financial institutions. The Company maintains cash in bank deposit accounts, which at times may exceed federally insured limits. Non-interest bearing accounts are aggregated with any interest bearing deposits, and the combined total is guaranteed by the Federal Deposit Insurance Corporation up to $250,000. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Restricted Cash

Restricted cash represents a tenant security deposit reserve. As of December 31, 2021 and 2020, amounts in the security deposit reserve totaled $200,153 and $134,219, respectively.

Deferred Financing Costs

Deferred financing costs include costs incurred in connection with obtaining the construction loan payable (Note 3). These costs are presented as a direct reduction of the construction loan payable. The costs are recorded and amortized to interest expense using the straight-line method, which approximates the effective interest method, over the term of the related loan.

Accounts Receivable

Accounts receivable, resulting primarily from balances due from tenants, are stated net of an allowance for doubtful accounts. Management evaluates the collectability of receivables and establishes a reserve based upon an evaluation of the financial standing of the tenant, the age of the receivable, and any other factors that may impact collection. Past due balances over 30 days and other high risk amounts are reviewed individually for collectability. Receivables are written off after collection attempts have failed. As of December 31, 2021 and 2020, the Company has recorded an allowance for doubtful accounts of $5,881 and $97,466, respectively.

Tenant Security Deposits

Lease agreements may require tenants to pay a security deposit. The tenant security deposit is used to offset any default in payment of rental charges, as well as any other charges incurred to restore the premises to its pre-lease condition. These security deposits bear no interest and are remitted back to the tenant after full performance of the terms of the lease agreement.

Revenue Recognition

The Company accounts for its leases with its tenants as operating leases. For lease agreements that provide for rent concessions and/or scheduled fixed and determinable rent increases, rental income is recognized on a straight-line basis over the non-cancellable term of the lease, which is generally for periods of one year or less. Rental payments and other supplemental income payments received in advance are deferred and recognized in the period in which services are provided. The majority of the Company's revenue is derived from residential rental and related income.

The Company also generates other property-related revenue associated with its leases. Such revenue is recognized in accordance with the transfer of those goods or services, as the related performance obligations are satisfied, at an amount that reflects the consideration to which the Company expects to be entitled for the related goods or services. These revenue streams include tenant reimbursement of consumption based costs as well as ancillary income.

Advertising

Advertising costs are charged to operations when incurred. For the years ended December 31, 2021 and 2020, advertising and promotion expense was $327,014 and $542,810, respectively.

Income Taxes

The Company is treated as a disregarded entity for federal and state income tax purposes, as it is wholly owned by the Venture. The Venture is treated as a partnership for tax purposes. As such, the taxable income or loss of the Venture is reported in the income tax returns of its members, and accordingly, no federal or state tax provision is recognized in the accompanying financial statements. While the Company is not taxed for federal or state income tax purposes, the Company's policy is to evaluate and review its tax positions on an ongoing basis to ensure compliance with the applicable portions of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results may vary from these estimates.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. These reclassifications have no effect on the reported net loss.

Recent Accounting Pronouncements

During February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Topic 842 requires a lessee to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. While the primary effect of Topic 842 was on the lessee, there were several pre-effective date amendments issued during 2018 that impact lessor accounting, as follows:

ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*, addresses narrow aspects of the guidance originally issued in ASU No. 2016-02, such as the rate implicit in a lease, impairment of the new investment in a lease, lessee reassessment of lease classification, lessor reassessment of lease term and purchase options, variable payments that depend on an index or rate and certain transactions adjustments, among other changes.

ASU No. 2018-11, *Targeted Improvements*, adds a transition option allowing entities not to apply the new lease standard, including disclosures, in the comparative period(s) presented in the year of adoption and, instead, recognize a cumulative-effect adjustment to the opening equity balance in the period of adoption. Also, this amendment provides lessors with a practical expedient, by class of underlying asset, to not separate non-lease components from the associated lease component when certain criteria are met. In such instances, lessors will follow the accounting guidance for the predominant component, either Accounting Standards Codification (ASC) 606 in the case of a combined non-lease component or ASC 842 in the case of a combined component determined to be an operating lease.

ASU No. 2018-20, *Narrow-Scope Improvements for Lessors*, provides a practical expedient to lessors to treat sales and other similar taxes collected from lessees as lessee costs and exclude the collection of such taxes from revenue. This amendment also modifies accounting of certain lessor costs, whereby lessors are required to (1) exclude from revenue (variable payments) lessor costs paid by a lessee directly to a third party and (2) include in revenue (variable payments) costs reimbursed to the lessor by the lessee (and recognize the associated expense). Lastly, this amendment clarifies guidance for lessors with variable payments to be allocated between lease and non-lease components.

During 2020, the FASB also issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which delayed the effective date for certain entities. Topic 842 (as amended) is effective for annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Company is currently assessing the effect that Topic 842 (as amended) will have on its results of operations, financial position, and cash flows.

Subsequent Events

The Company has evaluated subsequent events through May 5, 2022, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

3. Construction Loan Payable

The following is a summary of the outstanding construction loan payable and related interest reserve as of December 31, 2021 and 2020:

	2021	Interest Rate	2020	Interest Rate	Maturity Date
Construction loan payable	$ 60,611,317	3.13 %	$ 61,320,500	3.18 %	January 2, 2023
Unamortized deferred financing costs, net	(91,696)		(443,932)		
Construction loan payable, net	$ 60,519,621		$ 60,876,568		

On June 11, 2018, the Company entered into a construction loan agreement for the Project providing borrowings up to $65,888,000 (the Construction Loan Payable). The Construction Loan Payable is collateralized by the first deed of trust on the Project. Prior to initial disbursement of the loan, the Venture was required to make equity contributions to the Company totaling $49,581,000. The Construction Loan Payable requires monthly interest-only payments commencing following initial disbursement and continuing through the initial maturity date of December 11, 2021. Interest accrues on the unpaid principal balance at a rate equal to the one-month London Interbank Offered Rate (LIBOR) plus 3 percent. At the option of the Company, the Construction Loan Payable contains two one-year extension options in accordance with and subject to the terms of the Construction Loan Payable.

The Construction Loan Payable provided for a lender held interest reserve totaling $2,569,762 for construction period interest as defined by the Construction Loan Payable. The lender makes disbursements from the interest reserve for the payment of accrued and unpaid interest on the Construction Loan Payable when due. The interest reserve bears the same interest rate as the Construction Loan Payable and has the same maturity date.

For the years ended December 31, 2021 and 2020, interest expense totaled $1,883,240 and $1,588,893, respectively, of which $0 and $885,754, respectively, have been capitalized to investment in real estate on the accompanying balance sheets, and $1,883,240 and $703,209, respectively, have been expensed and included in interest expense on the accompanying statements of operations. As of December 31, 2021 and 2020, accrued interest of $158,504 and $168,312, respectively, has been included in accounts payable and accrued expenses on the accompanying balance sheets.

In February 2021, the Company modified the Construction Loan Payable (Modification) at which time the Company made a $3,300,000 principal payment. The Modification changed the initial maturity date to January 2, 2023 and reduced the available borrowings to $62,588,000. The Modification provides for two one-year extension options subject to the terms of the Modification.

The Construction Loan Payable has a partial recourse payment guaranty by an affiliate through common ownership. The guaranteed amount is equal to 25 percent of the unpaid principal balance with step downs upon achievement of certain milestones, as defined in the guaranty agreement.

Deferred financing costs include costs incurred in connection with obtaining the Construction Loan Payable and totaled $175,750 and $1,602,793 as of December 31, 2021 and 2020, respectively. For the years ended December 31, 2021 and 2020, deferred financing costs amortization totaled $527,986 and $457,941, respectively, of which $0 and $286,213, respectively, have been capitalized to investment in real estate on the accompanying balance sheets, and $527,986 and $171,728, respectively, have been expensed and included in interest expense on the accompanying statements of operations. Accumulated amortization of deferred financing costs as of December 31, 2021 and 2020 was $1,686,847 and $1,158,861, respectively.

Within the normal course of business, as the maturity date of the debt nears, the Company will evaluate whether to utilize an existing extension option, if available, refinance the existing debt, or repay the debt based on available investor liquidity or through proceeds received upon the sale of the Project.

4. Related-Party Transactions

Developer Fee

The Venture has agreed for the Company to pay an affiliate of LCD Member a developer fee of $1,961,950. The developer fee is payable in equal monthly installments over the Project's estimated development period. For the years ended December 31, 2021 and 2020, the Company incurred development fees of $0 and $470,868, respectively, which have been capitalized to investment in real estate on the accompanying balance sheets. As of December 31, 2020, all development fees have been incurred and paid.

Construction Management Fee

The Venture has agreed for the Company to pay an affiliate of LCD Member a construction management fee of $2,307,160. The construction management fee is payable in equal monthly installments over the Project's estimated development period. For the years ended December 31, 2021 and 2020, the Company incurred construction management fees of $0 and $553,719, respectively, which have been capitalized to investment in real estate on the accompanying balance sheets. As of December 31, 2020, all construction management fees have been incurred and paid.

Property Management Fee

The Venture has agreed for the Company to pay an affiliate of the LCD Member an initial base management fee equal to $10,000 per month during the initial period, defined as August 1, 2019 through the opening date. After December 31, 2020, the monthly property management fees are calculated as a percentage of gross collections. For the years ended December 31, 2021 and 2020, initial base management fees totaled $0 and $120,000, respectively.

The Venture has also agreed for the Company to pay the affiliate a monthly property management fee equal to 2.75 percent of gross collections. For years ended December 31, 2021 and 2020, property management fees totaled $151,988 and $33,007, respectively, which are included in management fees on the accompanying statements of operations, of which $20,603 and $5,496, respectively, are included in accounts payable and accrued expenses on the accompanying balance sheets.

In addition to the base property management fee, the affiliate shall be entitled to receive an annual fee equal to 1.50 percent of the net operating income received by the Project for each full fiscal year. The incentive fee, if any, shall be earned at the end of any fiscal year but shall be payable in arrears for each full fiscal year on or before the 120th day of the immediately succeeding fiscal year. For the years ended December 31, 2021 and 2020, incentive fees of $35,927 and $0, respectively, were incurred and are included in management fees on the accompanying statements of operations, of which $32,372 and $0, respectively, are included in accounts payable and accrued expenses on the accompanying balance sheets.