SR Realty Trust, Inc. and Subsidiaries

Consolidated Financial Statements

December 31, 2020 and 2019

Independent Auditors' Report

To the Stockholders and Board of Directors of
SR Realty Trust, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of SR Realty Trust, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of SR Realty Trust, Inc. and its subsidiaries as of December 31, 2020 and 2019 and the results of their operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly US, LLP

Minneapolis, Minnesota
March 31, 2021

SR Realty Trust, Inc. and Subsidiaries

Consolidated Balance Sheets
December 31, 2020 and 2019

	2020	2019
Assets		
Assets		
Land and land improvements	$ 41,400,036	$ 33,006,288
Buildings and improvements	105,413,701	61,861,448
Tenant improvements	4,396,577	4,600,664
Construction in process	-	6,637,436
Total real estate property	151,210,314	106,105,836
Accumulated depreciation	(22,081,052)	(19,640,683)
Net real estate property	129,129,262	86,465,153
Cash and cash equivalents	1,572,512	1,017,404
Rents receivable	588,036	296,630
Notes receivable	1,090,542	1,208,133
Prepaid expenses and other assets	1,026,811	1,606,439
Deferred rent	1,020,875	928,014
Restricted escrows and reserves	2,006,993	1,913,171
Bond escrows	16,463,493	16,385,633
Intangible assets, net of accumulated amortization	7,183,140	5,597,280
Leasing commissions, net of accumulated amortization	913,252	1,006,745
Investments in real estate ventures	22,474,938	5,388,581
Due from related parties	83,388	83,388
Total assets	$ 183,553,242	$ 121,896,571

See notes to consolidated financial statements

SR Realty Trust, Inc. and Subsidiaries

Consolidated Balance Sheets
December 31, 2020 and 2019

	2020	2019
Liabilities and Stockholders' Equity		
Liabilities		
Mortgage notes payable	$ 104,062,253	$ 65,194,902
Bonds payable	16,065,000	16,065,000
Time certificates	7,764,321	-
Other notes payable	1,253,891	64,116
Line of credit	1,757,000	7,799,500
Financing fees, net of accumulated amortization	(1,505,765)	(1,457,472)
Notes payable, net	129,396,700	87,666,046
Accounts payable	1,124,761	1,489,408
Tenant security deposits	739,515	638,836
Deferred development fee payable	577,310	577,492
Accrued liabilities	1,403,226	973,260
Due to related parties	300,168	-
Total liabilities	133,541,680	91,345,042
Stockholders' Equity		
Preferred stock, $0.01 par value per share 50,000,000 shares authorized No shares issued and outstanding	-	-
Common stock, $0.01 par value per share 100,000,000 shares authorized 1,736,452 and 1,604,900 shares issued and outstanding	17,365	16,049
Additional paid-in capital	18,664,869	17,078,484
Accumulated deficit	(3,255,908)	(2,420,811)
Total SR Realty Trust, Inc. stockholders' equity	15,426,326	14,673,722
Non-controlling interest	34,585,236	15,877,807
Total stockholders' equity	50,011,562	30,551,529
Total liabilities and stockholders' equity	$ 183,553,242	$ 121,896,571

See notes to consolidated financial statements

SR Realty Trust, Inc. and Subsidiaries

Consolidated Statements of Income
December 31, 2020 and 2019

	2020	2019
Revenues		
Base rental income	$ 10,854,133	$ 10,005,638
Tenant reimbursements	5,927,426	5,905,326
Other revenue	1,654,402	1,561,393
Total revenues	18,435,961	17,472,357
Operating Expenses		
Operating and maintenance	6,689,453	5,992,008
Real estate taxes	2,944,067	2,745,849
Insurance expenses	207,492	143,786
Asset management fee	682,973	659,306
Acquisition fees and expenses	-	49,620
Depreciation and amortization	4,624,620	3,857,092
Total operating expenses	15,148,605	13,447,661
Operating income	3,287,356	4,024,696
Other Income (Expense)		
Interest expense	(4,008,774)	(2,763,123)
Other expense	-	(256,448)
Income from real estate ventures	801,991	-
Gain on acquisition of real estate property	50,468	4,255
Gain on sale of real estate ventures	13,329	278,160
Net other expense	(3,142,986)	(2,737,156)
Net Income	144,370	1,287,540
Net income attributable to non-controlling interest	(113,822)	(1,034,196)
Net Income Attributable to SR Realty Trust, Inc. and Subsidiaries	$ 30,548	$ 253,344

See notes to consolidated financial statements

SR Realty Trust, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity
December 31, 2020 and 2019

	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Non-controlling Interest	Total Stockholders' Equity
Balances, December 31, 2018	1,274,120	$ 12,741	$ 13,147,061	$ (1,744,369)	$ 10,444,497	$ 21,859,930
Net income	-	-	-	253,344	1,034,196	1,287,540
Common stock issued for cash, net of issuance costs	265,759	2,658	3,164,374	-	-	3,167,032
Issuance of common stock as settlement for liabilities	30,527	305	366,022	-	-	366,327
Operating Partnership common units issued for property acquisitions	-	-	-	-	7,713,480	7,713,480
Contributions from non-controlling interest	-	-	-	-	1,642,913	1,642,913
Non-controlling interest of acquired properties	-	-	-	-	(2,067,091)	(2,067,091)
Redemption of common stock	(1,236)	(12)	(14,973)	-	-	(14,985)
Shares (units) issued through dividend reinvestment program	35,730	357	416,000	-	21,247	437,604
Distributions	-	-	-	(929,786)	(2,911,435)	(3,841,221)
Balances, December 31, 2019	1,604,900	16,049	17,078,484	(2,420,811)	15,877,807	30,551,529
Net income	-	-	-	30,548	113,822	144,370
Common stock issued for cash, net of issuance costs	84,800	848	1,011,152	-	-	1,012,000
Issuance of common stock as settlement for liabilities	42,935	429	536,261	-	-	536,690
Operating Partnership common units issued for property acquisitions	-	-	-	-	11,709,117	11,709,117
Contributions from non-controlling interest	-	-	-	-	3,512,705	3,512,705
Operating Partnership common units issued for investment in real estate venture	-	-	-	-	5,130,925	5,130,925
Sale of non-controlling interest, net of expenses	-	-	-	-	911,798	911,798
Redemption of common stock and Operating Partnership common units	(25,240)	(252)	(305,786)	-	(107,833)	(413,871)
Shares (units) issued through dividend reinvestment program	29,057	291	344,758	-	18,785	363,834
Distributions	-	-	-	(865,645)	(2,581,890)	(3,447,535)
Balances, December 31, 2020	1,736,452	$ 17,365	$ 18,664,869	$ (3,255,908)	$ 34,585,236	$ 50,011,562

See notes to consolidated financial statements

SR Realty Trust, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
December 31, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Net income	$ 144,370	$ 1,287,540
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation	3,071,265	2,410,479
Amortization	1,828,048	1,623,432
Equity in income of real estate ventures	(801,991)	-
Gain on acquisition of real estate property	(50,468)	(4,255)
Gain on sale of real estate ventures	(13,329)	(278,160)
Changes in operating assets and liabilities:		
Rents receivable	(253,994)	(206,359)
Prepaid expenses and other assets	333,246	(85,933)
Deferred rent	(92,861)	(170,869)
Cash paid for leasing commissions	(231,829)	(475,691)
Accounts payable	314,679	278,181
Tenant security deposits	82,679	12,827
Accrued liabilities	(105,438)	328,189
Net cash flows from operating activities	4,224,377	4,719,381
Cash flows From Investing Activities		
Cash paid for acquisitions, net of cash received	784,515	(5,116,641)
Issuance of notes receivable	(1,105,000)	(256,281)
Investments in real estate ventures	(14,005,203)	(2,905,426)
Repayments from related parties	300,168	86,910
Purchases of real estate property	(20,394,038)	(6,167,554)
Cash received from sale of real estate venture	1,838,639	578,160
Distributions received from real estate ventures	560,948	-
Repayments of notes receivable	92,629	-
Sale of non-controlling interest	919,822	-
Proceeds from legal settlement	-	718,000
Net cash flows from investing activities	(31,007,520)	(13,062,832)
Cash Flows From Financing Activities		
Common stock issued for cash, net of issuance costs	1,012,000	3,167,032
Distributions paid	(3,083,701)	(3,403,617)
Principal payments on mortgage notes payable	(6,982,820)	(1,188,217)
Principal payments on other notes payable	(11,632,993)	(520,694)
Net advances (repayments) on line of credit	(6,042,500)	4,974,976
Cash paid for financing fees	(381,004)	(1,168,085)
Redemption of common stock and Operating Partnership common units	(196,103)	(14,985)
Proceeds from issuance of mortgage notes payable and bonds payable	30,935,028	21,848,575
Contributions from non-controlling interests	3,512,705	332,745
Proceeds from issuance of time certificates	7,764,321	-
Proceeds from issuance of other notes payable	12,605,000	-
Payment of deferred development fee	-	(144,326)
Net cash flows from financing activities	27,509,933	23,883,404
Net change in cash and cash equivalents and restricted cash	726,790	15,539,953
Cash and Cash Equivalents and Restricted Cash, Beginning	19,316,208	3,776,255
Cash and Cash Equivalents and Restricted Cash, Ending	$ 20,042,998	$ 19,316,208

See notes to consolidated financial statements

	2020	2019
Supplemental Cash Flow Disclosures		
Cash paid for interest, net of capitalized interest of $626,925 and $351,735, respectively	$ 3,587,308	$ 2,222,028
Noncash Investing and Financing Activities		
Real estate assets and liabilities acquired through the issuance of Operating Partnership units, debt, and liabilities	$ 28,829,347	$ 7,310,887
Reinvestment of dividends and distributions	363,834	437,604
Issuance of common stock for payment of advisory services	536,690	366,327
Total real estate property included in accounts payable	250,587	929,916
Other notes payable issued for redemption of common stock	217,768	-
Operating Partnership units issued for investment in real estate venture	5,130,925	-
Notes receivable applied to acquisition of real estate	951,852	-
Notes receivable applied to investment in real estate venture	178,110	-
Prepaid expenses and other assets applied to investment in real estate venture	360,000	-

1. Summary of Significant Accounting Policies

Nature of Operations

SR Realty Trust, Inc. (the Company or SR Realty Trust) is a Maryland corporation formed on September 15, 2014 for the purpose of investing in a portfolio of commercial real estate properties and other real estate related assets. The Company has elected to be taxed as a Real Estate Investment Trust ("REIT") under Sections 856-860 of the Internal Revenue Code, which requires that 75% of the assets of a REIT must consist of real estate assets and that 75% of its gross income must be derived from real estate. The net income of the REIT is allocated in accordance with stock ownership in the same fashion as a regular corporation. The Company's real estate holdings currently consist of commercial office, industrial, multifamily and retail properties located in Iowa, Minnesota, Missouri, and Nebraska.

The Company established an operating partnership, SRRT Properties, LP (the Operating Partnership or SRRT Properties), a Delaware limited partnership, to own its investments in commercial real estate and other real estate related assets. The Company transferred cash to the Operating Partnership in exchange for general partnership units. As the general partner, the Company has management responsibility for all activities of the Operating Partnership. As of December 31, 2020 and 2019, the Company owned 25.0% and 29.4% of the Operating Partnership, respectively. As of December 31, 2020 and 2019, there were 6,949,522 and 5,458,024 limited partnership units outstanding, respectively.

The limited partners in the Operating Partnership have a redemption option that they may exercise. Upon exercise of the redemption option by the limited partners, the Company has the choice of redeeming the limited partners' interests (Units) for SR Realty Trust common stock based on the terms of the partnership agreement, or making a cash payment to the unit holder. The redemption generally may be exercised by the limited partners at any time after the first anniversary of the date of the acquisition of the Units subject to volume restrictions.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its interest in SRRT Properties. SRRT Properties owns a controlling interest in SRRT Harding, LLC, SRRT Kennedy, LLC, Bulk Storage, LLC, Roseville Fairview, LLC, Railroad Properties, LLC, 615 Properties, LLC, 530 Third, LLC, Cobblestone Properties, LLC, SRRT 2112, LLC, IDC Properties, LLC, SRRT Bedford, LLC, SRRT Edge, LLC, SRRT Duluth, LLC, SRRT Lee, LLC, SRRT Industrial Blvd, LLC, SRRT Parkway, LLC, SRRT Boone, LLC, SRRT Outlot, LLC, SRRT Northland Drive, LLC, SRRT Hale, LLC, SRRT Empire I, LLC, SRRT Firestation, LLC, SRRT Redwell, LLC, SRRT Solar NE, LLC, BP Holdings Realty, LLC, SRRT Executive Park I, LLC, and SRRT Sentry I, LLC. Significant intercompany accounts and transactions have been eliminated in consolidation.

Principles of Consolidation

The Company evaluates the need to consolidate affiliates based on standards set forth in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, Consolidation. In determining whether the Company has a controlling interest in an affiliate and the requirement to consolidate the accounts of that entity, management considers factors such as ownership interest, authority to make decisions, contractual and substantive participating rights of the limited partners and shareholders, as well as whether the entity is a variable interest entity for which the Company is the primary beneficiary.

Investments in Real Estate Ventures

Certain investments where the Company does not have control but has the ability to exercise significant influence are accounted for by the equity method of accounting. Under this method, the Company's investments in real estate ventures are recorded at cost and the investment accounts are adjusted for the Company's share of the entities' income or loss and for distributions and contributions.

The Company evaluates the carrying amount of the investments for impairment if the carrying amount of the investment exceeds its fair value. An impairment charge is recorded when an impairment is deemed to be other-than-temporary. To determine whether impairment is other-than-temporary, the Company considers whether it has the ability and intent to hold the investment until the carrying amount is fully recovered. The evaluation of a real estate venture for potential impairment can require management to exercise significant judgments. No impairment losses were recorded related to real estate ventures for the years ended December 31, 2020 and 2019.

In determining whether an investment in a limited liability company or tenancy in common is a variable interest entity, the Company considers many factors, including: the form of its ownership interest and legal structure; the size of the Company's investment; the financing structure of the entity, including the existence of subordinated debt; estimates of future cash flows; the Company and its partners ability to participate in the decision making related to acquisitions, dispositions, budgeting and financing of the entity; and obligations to absorb losses and preferential returns.

Three of our tenant in common arrangements did not qualify as variable interest entities and did not meet the control requirements for consolidation as of, and for the year ended, December 31, 2020. Three of our tenant in common arrangements did not quality as variable interest entities and did not meet the control requirements for consolidation as of, and for the year ended, December 31, 2019.

Properties Held for Sale

We classify operating properties as properties held for sale in the period in which all of the following criteria are met: (i) management, having the authority to approve the action, commits to a plan to sell the asset; (ii) the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets; (iii) an active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated; (iv) the sale of the asset is probable and the transfer of the asset is expected to qualify for recognition as a completed sale within one year; (v) the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (vi) given the actions required to complete the plan to sell the asset, it is unlikely that significant changes to the plan would be made or that the plan would be withdrawn.

At such time as a property is classified as held for sale, it is carried at the lower of (i) its carrying amount or (2) fair value less costs to sell. In addition, a property being held for sale ceases to be depreciated.

There were no properties classified as held for sale as of December 31, 2020 or 2019.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Significant items subject to such estimates and assumptions include determination of the useful life of property and other long-lived assets, valuation and impairment analysis of property and other long-lived assets and valuation of the allowance for doubtful accounts. It is at least reasonably possible that these estimates could change in the near term.

Limited Liability Companies

Certain of the Company's subsidiaries are limited liability companies (LLC's). As such, the members of each LLC are not liable for any of the debts or liabilities of that LLC, or of any other LLC included in these consolidated financial statements.

Cash and Cash Equivalents

The Company considers short-term investments with original maturities of 90 days or less to be cash equivalents.

The Company presents the statements of cash flows including all restricted cash in the beginning and ending balances. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheets to the amounts shown in the statements of cash flows:

	2020	2019
Cash and cash equivalents	$ 1,572,512	$ 1,017,404
Restricted escrows and reserves (Note 11)	2,006,993	1,913,171
Bond escrows (Note 5)	16,463,493	16,385,633
Total cash, cash equivalents, and restricted cash	$ 20,042,998	$ 19,316,208

Rents Receivable

Rents are due from tenants based on the terms of lease agreements. Rents receivable are recorded at their estimated net realizable value. The Company does not require collateral and accounts are considered past due if payment is not made on a timely basis in accordance with established credit terms. The Company provides an allowance for doubtful accounts when appropriate which is based on a review of each customer's outstanding receivable balance, historical collection information and existing economic conditions. Accounts considered uncollectible are written off. No allowance for doubtful accounts is considered necessary as of both December 31, 2020 and 2019. The Company charges interest and late fees on past due rents.

Impairment of Long-Lived Assets

The Company reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. The Company considers factors such as current and expected market conditions, current and expected rental rates, estimated future development costs and expected holding period and carry costs in estimating cash flows and related fair values used in the impairment assessments. Based on this assessment, property that is considered impaired is written down to its fair value. An impairment loss is recognized when the undiscounted estimated future cash flows from continued use and eventual disposition of the asset are less than the carrying amount. To date, there have been no such losses.

Revenue Recognition

Substantially all of the Company's revenue is derived from property leases which are accounted for in accordance with of Topic 840, Leases. Rental income is recognized on a straight line basis over the applicable non-cancelable lease term. In addition to base rent, such income streams include tenant reimbursement of actual costs incurred for real estate taxes and insurance, tenant reimbursement of costs paid by the Company on behalf of the tenant for budgeted costs related to the operation and maintenance of the properties, and common area maintenance fees. These revenue streams are recognized as variable lease consideration in the period the applicable expenses are incurred.

Revenue streams that are accounted for under Topic 606, Revenue from Contracts with Customers, include:

- Tenant reimbursement of consumption-based costs paid by the Company on behalf of the tenant, such as utilities, and monthly fees for additional services rendered, such as parking fees, which are recognized in revenue over time, throughout the duration of the lease agreement.
- Gains upon the sale of property, which are recognized in revenue at a point in time upon closing of the sale transaction.
- Lease termination fees, which are recognized in revenue at a point in time, as such fees are incurred.

The Company elected to disaggregate its revenue streams into the following line items on the Company's statements of income: base rental income; tenant reimbursements; and other revenue. The Company believes that these disaggregated categories best depict its revenue streams both qualitatively and quantitatively.

Leasing Commissions

Direct costs, including estimated internal costs and leasing commissions, associated with the leasing of real estate investments owned by the Company are capitalized as deferred leasing costs and are amortized on a straight-line basis over the term of the related lease. Lease incentive costs, which are payments made on behalf of a tenant to sign a lease, are amortized on a straight-line basis over the respective lease term as a reduction to rental revenue. Unamortized costs are charged to expense upon the early termination of the lease. Costs associated with unsuccessful leasing opportunities are expensed. The Company had amortization expense of $358,549 and $371,189 for the years ended December 31, 2020 and 2019, respectively. The Company had accumulated amortization of $1,169,976 and $1,254,869 as of December 31, 2020 and 2019, respectively.

Financing Fees

The Company presents debt issuance costs as a direct reduction from the carrying value of its long-term debt liabilities. Costs incurred in connection with obtaining financing are capitalized and are being amortized on a straight-line basis, which approximates the effective interest method, over the financing term and are included in interest expense. The Company had amortization expense of $274,693 and $176,819 for the years ended December 31, 2020 and 2019, respectively that was included in interest expense. Amortization of deferred financing fees totaling $156,422 and $95,714 for the years ended December 31, 2020 and 2019 were capitalized. The Company had accumulated amortization of $896,172 and $676,433 as of December 31, 2020 and 2019, respectively.

Real Estate Property

Investments in real estate property with a useful life longer than one year are carried at cost less accumulated depreciation and amortization. Property such as land, building and improvements includes costs of acquisitions, development, construction and tenant allowances and improvements.

The Company's acquisitions of investment properties are accounted for as asset acquisitions. The Company allocates the purchase price of each acquired investment property based upon the relative fair value of the individual assets acquired and liabilities assumed, which generally include (i) land, (ii) building, (iii) in-place lease value intangibles, (iv) acquired above and below market lease intangibles and (v) any assumed financing. Asset acquisitions do not give rise to goodwill and the related transaction costs are capitalized and included with the allocated purchase price.

For tangible assets acquired, including land, building and other improvements, the Company considers available comparable market and industry information in estimating the acquisition date fair value. Key factors considered in the calculation of fair value of both real property and intangible assets include the current market rent values, "dark" periods (building in vacant status), direct costs estimated with obtaining a new tenant, discount rates, escalation factors, standard lease terms and tenant improvement costs. The Company allocates a portion of the purchase price to the estimated acquired in-place lease value intangibles based on factors available in third party appraisals or cash flow estimates of the property prepared. These estimates are based upon cash flow projections for the property, existing leases, lease origination costs for similar leases as well as lost rental payments during an assumed lease-up period. The Company also evaluates each acquired lease as compared to current market rates. If an acquired lease is determined to be above or below market, the Company allocates a portion of the purchase price to such above or below market lease based upon the present value of the difference between the contractual lease payments and estimated market rent payments over the remaining lease term. Renewal periods are included within the lease term in the calculation of above and below market lease values if, based upon factors known at the acquisition date, market participants would consider it reasonably assured that the lessee would exercise such options. Fair value estimates used in acquisition accounting, including the discount rate used, require the Company to consider various factors, including, but not limited to, market knowledge, demographics, age and physical condition of the property, geographic location and size and location of tenant spaces within the acquired investment property.

Depreciation is provided using the straight-line method over the estimated useful life of the assets for buildings and improvements and the term of the lease for tenant improvements. The estimated useful lives are as follows:

Land Improvements	15 years
Buildings	27.5-39 years
Building Improvements	5-39 years
Tenant Improvements	1-15 years

Repair and maintenance costs are expensed as incurred, whereas expenditures that improve or extend the service lives of assets are capitalized. Disposal and abandonment of improvements are recognized at occurrence as a charge to depreciation.

Construction in process represents costs incurred by the Company on the construction of real estate property that has not yet been placed in service. Depreciation of these costs will begin upon completion of the construction activities.

Intangible Assets or Liabilities

Upon acquisitions of real estate, the Company assesses the fair value of acquired tangible assets and any significant intangible assets and liabilities (such as above and below-market leases and value of acquired in-place leases) and any assumed liabilities and allocates the purchase price based on these fair value assessments. The Company amortizes identified intangible assets and liabilities based on the period over which the assets and liabilities are expected to affect the future cash flows of the real estate property acquired. Lease intangibles (such as in-place or above and below-market leases) are amortized over the term of the related lease.

Income Taxes

The Company has elected to be taxed as a REIT under the Internal Revenue Code, as amended. A REIT calculates taxable income similar to other domestic corporations, with the major difference being that a REIT is entitled to a deduction for dividends paid. A REIT is generally required to distribute at least 90% of its taxable income each year. If it chooses to retain the remaining 10% of taxable income, it may do so, but it will be subject to a corporate tax on such income. REIT shareholders are taxed on REIT distributions of ordinary income in the same manner as they are taxed on other corporate distributions.

A summary of the tax characterization of the dividends paid to shareholders of the Company's common stock for the years ended December 31 is as follows:

	2020		2019	
Ordinary income	$ 0.2279	43.41 %	$ 0.4371	62.44 %
Capital gain	-	- %	-	- %
Return of capital	0.2971	56.59 %	0.2629	37.56 %
	$ 0.5250	100.00 %	$ 0.7000	100.00 %

The Company intends to continue to qualify as a REIT and, as such, will not be taxed on the portion of the income that is distributed to the shareholders. In addition, the Company intends to distribute all of its taxable income; therefore, no provisions or liabilities for income taxes has been recorded in the consolidated financial statements.

The Company conducts its business activity as an Umbrella Partnership Real Estate Investment Trust (UPREIT) through its Operating Partnership. The Operating Partnership is organized as a limited partnership. Income or loss is allocated to the partners in accordance with the provisions of the Internal Revenue Code. UPREIT status allows non-recognition of gain by an owner of appreciated real estate if that owner contributes the real estate to a partnership in exchange for partnership interest. The conversion of partnership interests to shares of common stock in the REIT will be a taxable event to the limited partner.

The Company's policy of accounting for uncertain tax positions is to recognize the tax effects from an uncertain tax position in the consolidated financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50% likelihood of being realized, upon ultimate settlement with the relevant tax authority.

The Company is not currently under examination by any taxing jurisdiction. In the event of any future tax assessments, the Company has elected to record the income tax penalties as operating and maintenance expense and any related interest as interest expense in the Company's consolidated statement of income.

Non-controlling Interest

Interests in the Operating Partnership held by limited partners are represented by partnership common units of the Operating Partnership. The Company's interest in the Operating Partnership was 25.0% and 29.4% of the common units of the Operating Partnership as of December 31, 2020 and 2019, respectively. The Operating Partnership's income is allocated to holders of units based upon the ratio of their holdings to the total units outstanding during the period. Capital contributions, distributions, and profits and losses are allocated to non-controlling interests in accordance with the terms of the Operating Partnership agreement.

During 2020, the Company sold a portion of its interest in SRRT Empire I, LLC, representing approximately 16% of the ownership in the property, for $911,798, resulting in a gain on sale of $8,024.

Future Accounting Pronouncement

During February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize on the balance sheet 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. Lessor accounting will remain substantially similar to current accounting; however, certain refinements were made to the allocation and recognition of contract consideration earned from lease and non-lease components. During 2018, the FASB also issued ASU No. 2018-01, *Land Easement Practical Expedient*, which permits an entity to elect an optional transition practical expedient to not evaluate land easements that existed or expired before the entity's adoption of Topic 842 and that were not previously accounted for under ASC 840; ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which addresses narrow aspects of the guidance originally issued in ASU No. 2016-02; ASU 2018-11, *Targeted Improvements*, which provides entities with an additional (and optional) transition method whereby an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption and also provides lessors with a practical expedient, by class of underlying asset, to not separate nonlease components from the associated lease component and, instead, to account for those components as a single component; and ASU No. 2018-20, *Narrow-Scope Improvements for Lessors*, which addresses sales and other similar taxes collected from lessees, certain lessor costs, and the recognition of variable payments for contracts with lease and nonlease components. During 2019, the FASB issued ASU No. 2019-01, *Leases (Topic 842): Codification Improvements*, which deferred the effective date for certain entities and during 2020, the issued ASU No. 2020-05, *Effective Dates for Certain Entities*, which deferred the effective date of ASU No. 2016-02 for those entities that had not yet issued their financial statements at the time of ASU No. 2020-05's issuance. 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. Early adoption is permitted. The Company is currently assessing the effect that Topic 842 (as amended) will have on its results of operations, financial position and cash flows.

During March 2020, the FASB issued ASU No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU No. 2020-04 provides optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships, and other transactions that reference London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. Entities may elect the optional expedients and exceptions included in ASU No. 2020-04 as of March 12, 2020 and through December 31, 2022. The company is currently assessing the effect that electing the optional expedients and exceptions included in ASU No. 2020-04 would have on its results of operations, financial position and cash flows.

2. Notes Receivable

During 2020, the Company issued a note receivable in the amount of $161,000 to a related party. The note bears interest at 4.50%. Interest only payments are due monthly beginning November 2020, with all remaining unpaid principal and interest due on October 2030. The outstanding balance of the note receivable was $158,876 as of December 31, 2020.

During 2020, the Company issued a note receivable in the amount of $944,000 to a related party. The note bears interest at 4.50%. Interest only payments are due monthly beginning November 2020, with all remaining unpaid principal and interest due on November 1, 2029. The outstanding balance of the note receivable was $931,666 as of December 31, 2020.

During 2019, the Company issued a series of notes receivable totaling $256,281 to related parties. The notes bore interest at 7.0%. Interest only payments were due monthly beginning June 2019, with all remaining unpaid principal and interest due on the earlier of May 1, 2029 or the date of sale of the holders' interest in the related property. During 2020, $78,171 of the notes were repaid and $178,110 of the notes were applied as consideration in the acquisition of additional ownership in the Botts Road real estate venture (see Note 14).

During 2017, the Company issued a note receivable in the amount of $951,852 to an unrelated party. The note bore interest at 8.0%. Interest only payments were due monthly beginning December 2017. The principal amount of the note was applied as consideration in the acquisition of BP Holdings Realty, LLC during 2020 (see Note 12).

The Company has assessed the credit risk of these receivables to be low based on factors such as the value of the security supporting the notes and the expected future net income and cash flows for the borrowers.

3. Tenant Leases

The Company leases various commercial and industrial space to tenants over terms ranging from month-to-month to ten years. Some of the leases have renewal options for additional terms. The leases expire at various dates from January 2021 to July 2028. Some leases provide for base monthly rentals and reimbursements for real estate taxes and common area maintenance.

The Company has the following future minimum base rentals on non-cancelable leases as of December 31, 2020:

Years ending December 31,	
2021	$ 10,480,050
2022	8,858,902
2023	7,426,516
2024	6,487,300
2025	4,514,524
Thereafter	6,522,623
Total	$ 44,289,915

4. Mortgage Notes Payable

Mortgage notes payable consisted of the following notes payable as of December 31:

	2020	2019
Mortgage note payable to a bank in the original amount of $1,447,000; amended during 2017 to allow for additional borrowings up to a total outstanding principal amount of $4,000,000; interest at 4.15%; due in monthly installments of interest only from September 2017 through May 2018; beginning June 2018 the mortgage note payable will be due in monthly installments of $21,582 through July 2022, with a final balloon payment due August 2022; the note is collateralized by a mortgage on the property owned by SRRT Harding, LLC; the note is subject to certain financial and non-financial covenants and prepayment penalty provisions; the note is guaranteed by SRRT Properties and certain stockholders of the Company.	$ 3,574,881	$ 3,680,608
Mortgage note payable to a bank in the original amount of $3,003,000; interest at 4.15%; due in monthly installments of $18,528 through February 2022, with a final balloon payment due March 2022; the note is collateralized by a mortgage on the property owned by SRRT Kennedy, LLC; the note is subject to certain financial and non-financial covenants and prepayment penalty provisions; the note is guaranteed by SRRT Properties and certain stockholders of the Company.	2,391,601	2,500,156
Mortgage note payable to a bank in the original amount of $3,850,000; amended during January 2020 to allow for additional borrowings up to a total outstanding principal amount of $5,880,000; interest at 4.30% (3.92% prior to the amendment); due in monthly installments of $32,217 through December 2026 ($20,285 through December 2019 prior to the amendment), with a final balloon payment due January 2027; the note is collateralized by a mortgage on the property owned by Railroad Properties, LLC; the note is subject to certain financial and non-financial covenants and prepayment penalty provisions; the note is guaranteed by certain stockholders of the Company.	5,791,493	3,363,218
Mortgage note payable to a bank in the original amount of $7,400,000; interest at 3.86%; due in monthly installments of $34,734 through April 2023, with a final balloon payment due May 2023; the note is collateralized by a mortgage on the property owned by 615 Properties, LLC; the note is subject to certain non-financial covenants; the note is guaranteed by certain stockholders of the Company.	6,281,767	6,448,490

Mortgage note payable to a bank in the original amount of $1,940,000; interest at 3.80%; due in monthly installments of $10,084 through April 2020, with a final balloon payment due May 2020; the note is collateralized by a mortgage on the property owned by 530 Third, LLC. Repaid during 2020.	$ -	$ 1,713,624
Mortgage note payable to a bank in the original amount of $9,850,000; interest at 3.95%; due in monthly installments of $46,742 through March 2023, with a final balloon payment due April 2023; the note is collateralized by a mortgage on the property owned by Cobblestone Properties, LLC; the note is subject to certain prepayment penalty provisions; the note is guaranteed by certain stockholders of the Company.	8,796,427	8,999,628
Mortgage note payable to a bank in the original amount of $2,928,000; interest at 4.45%; due in monthly installments of $16,294 through September 2022, with a final balloon payment due October 2022; the note is collateralized by a mortgage on the property owned by SRRT 2112, LLC; the note is subject to certain financial and non-financial covenants; the note is guaranteed by SRRT Properties.	2,560,133	2,638,560
Mortgage note payable to a bank in the original amount of $4,600,000; interest at 4.76%; monthly interest only payments due through October 2018; thereafter, due in monthly installments of $24,024 through September 2025, with a final balloon payment due October 2025; the note is collateralized by a mortgage on the property owned by IDC Properties, LLC; the note is subject to certain financial and non-financial covenants and prepayment penalty provisions; the note is guaranteed by the Company and SRRT Properties.	4,449,649	4,520,718
Mortgage note payable to a bank in the original amount of $1,170,000; interest at 3.75% through July 2021; thereafter interest will be the weekly average yield on United States Treasury Securities adjusted to a constant maturity of five years, plus a margin of 2.50% as defined in the mortgage note payable, with a minimum rate of 3.75%; due in monthly installments of $6,043 through June 2026, with a final balloon payment due July 2026; the note is collateralized by a mortgage on the property owned by SRRT Bedford, LLC and an assignment of all rents on such property; the note is subject to certain non-financial covenants; the note is guaranteed by the Company and SRRT Properties.	1,045,011	1,066,482

Mortgage note payable to a bank in the original amount of $7,350,000; interest at 4.125%; due in monthly installments of $39,550 through September 2021, with a final balloon payment due October 2021; the note is collateralized by a mortgage on the property owned by SRRT Edge, LLC; the note is subject to certain financial and non-financial covenants and prepayment penalty provisions; the note is guaranteed by SRRT Properties.	$ 6,592,158	$ 6,785,119
Mortgage note payable to a bank in the original amount of $405,337; interest at 4.00% through March 2020; thereafter interest will be the rate of United States Treasury obligations with a maturity equal to three years, plus a margin of 2.70%; due in monthly installments of $2,152 through February 2023, with a final balloon payment due March 2023; the mortgage note may be extended to March 31, 2026 upon the satisfaction of criteria established in the mortgage note. Repaid during 2020.	-	363,967
Mortgage note payable to a bank in the original amount of $2,119,000; interest at 4.28%; monthly interest only payments due through September 2022; thereafter, due in monthly installments of $10,461 through September 2027, with a final balloon payment due October 2027; the note is collateralized by a mortgage on the property owned by SRRT Lee, LLC; the note is subject to certain non-financial covenants and prepayment penalty provisions; the note is guaranteed by SRRT Properties.	2,119,000	2,119,000
Mortgage note payable to a bank in the original amount of $8,115,000; interest at 3.87%; monthly interest only payments due through November 2019; thereafter, due in monthly installments of $42,254 through October 2029, with a final balloon payment due November 2029; the note is collateralized by a mortgage on the property owned by SRRT Industrial Blvd, LLC; the note is subject to certain non-financial covenants and prepayment penalty provisions; the note is guaranteed by the Company and SRRT Properties.	7,901,830	8,098,917

Mortgage note payable to a bank in the original amount of $770,072; interest at 4.06% through October 2022; thereafter the interest rate will adjust to the then current Five Year US Treasury Constant Maturity Rate as provided by the Federal Reserve plus a margin of 2.25% and shall be fixed at that rate; however in no instance shall the interest rate be less than 3.75%; due in monthly installments of $4,090 through October 2022; beginning November 2022, monthly principal and interest payments will be recalculated based upon the then applicable interest rate and an assumed amortization schedule of 240 months, with a final balloon payment due November 2027; the note is collateralized by a mortgage on the property owned by SRRT Parkway, LLC; the note is subject to certain financial and non-financial covenants and prepayment penalty provisions; the note is guaranteed by SRRT Properties.	$ 714,547	$ 730,900
Mortgage note payable to a bank in the original amount of $1,852,500; interest at 4.00%; due in monthly installments of $9,839 through March 2027, with a final balloon payment due April 2027; the note is collateralized by a mortgage on the property owned by SRRT Boone, LLC; the note is subject to certain financial and non-financial covenants and prepayment penalty provisions; the note is guaranteed by SRRT Properties.	1,696,199	1,731,940
Mortgage note payable to a bank in the original amount of $4,650,000; interest at 4.125%; monthly interest only payments due through November 2020; thereafter, due in monthly installments of $22,697 through October 2029, with a final balloon payment due November 2029; the note is collateralized by a mortgage on the property owned by SRRT Empire I, LLC; the note is subject to certain financial and non-financial covenants.	4,627,303	4,650,000
Bridge loan agreement with a bank allowing for total proceeds up to $7,910,515; interest at LIBOR plus 2.90% (3.05% and 4.66% as of December 31, 2020 and 2019, respectively); monthly interest only payments due through August 1, 2022, with a final balloon payment due August 1, 2022; the note is collateralized by a mortgage on the property owned by The Redwell LLLP (a subsidiary of SRRT Redwell, LLC); the note is guaranteed by two individuals.	4,136,457	5,558,262

	2020	2019
Construction loan agreement with a bank allowing for proceeds up to $1,700,000; interest at LIBOR plus 2.90% (3.05% and 4.66% as of December 31, 2020 and 2019, respectively); monthly interest only payments due through August 1, 2022; the loan shall convert to a permanent loan no later than August 1, 2022 at which time the loan will require repayments of the loan balance based on a twenty-five year amortization; monthly payments will be required beginning September 2022 with a final balloon payment due August 1, 2032; the note is collateralized by a mortgage on the property owned by The Redwell Commercial, LLC (a subsidiary of SRRT Redwell, LLC) and an assignment of all rents on such property; the note is subject to certain financial and non-financial covenants; the note is guaranteed by two individuals.	$ 1,004,988	$ 225,313
Mortgage note payable to a bank in the original amount of $4,291,800; interest at 3.51% through July 2027; thereafter interest will be the then current Three Year US Treasury Constant plus 2.25% as defined in the mortgage note payable, and shall be fixed at that rate through the maturity date, with minimum rate of 3.51%; due in monthly installments of $17,946 through June 2030, with a final balloon payment due July 2030; the note is collateralized by a mortgage on the property owned by BP Holdings Realty, LLC and an assignment of all rents on such property; the note is subject to certain financial and non-financial covenants and prepayment penalty provisions; the note is guaranteed by the Company.	3,963,803	-
Mortgage note payable in the original amount of $7,310,000; interest at 4.61%; due in monthly installments of $41,089 through October 2028, with a final balloon payment due November 2028; the note is collateralized by a deed of trust and security agreement on the property owned by SRRT Executive Park I, LLC and an assignment of all rents on such property; the note is subject to certain prepayment penalty provisions; the note is guaranteed by SRRT Properties.	6,969,395	-
Mortgage note payable to a bank in the original amount of $3,940,000; interest at 4.47%; monthly interest only payments due through July 2024; thereafter, due in monthly installments of $20,047 through June 2029, with a final balloon payment due July 2029; the note is collateralized by a mortgage on the property owned by SRRT Sentry I, LLC and an assignment of all rents on such property; the note is subject to certain financial and non-financial covenants.	3,940,000	-

Mortgage note payable to a bank in the original amount of $10,400,000; interest at 3.50%; due in monthly installments of $52,346 through August 2027, with a final balloon payment due September 2027; the note is collateralized by mortgages on the properties owned by 530 Third, LLC, SRRT Outlot, LLC, SRRT Northland Drive, LLC, SRRT Firestation, LLC, SRRT Hale, LLC, and SRRT Duluth, LLC and an assignment of all rents on such properties; the note is subject to certain financial and non-financial covenants and prepayment penalty provisions; the note is guaranteed by the Company.	$ 10,357,939	$ -
Construction loan agreement with a bank allowing for proceeds up to $16,065,000; interest at LIBOR plus 2.90% (3.05% and 4.66% as of December 31, 2020 and 2019, respectively); monthly interest only payments due through the maturity date of August 1, 2022; the note is collateralized by a mortgage on the property owned by The Redwell LLLP (a subsidiary of SRRT Redwell, LLC) and an assignment of all rents on such property; the note is subject to certain financial and non-financial covenants; the note is guaranteed by two individuals.	15,147,672	-
Total mortgage notes payable	$ 104,062,253	$ 65,194,902

Principal requirements on mortgage notes payable for years ending after December 31, 2020 are as follows:

Years ending December 31,	
2021	$ 8,412,409
2022	30,063,018
2023	15,535,798
2024	1,293,486
2025	5,451,293
Thereafter	43,306,249
Total	$ 104,062,253

5. Bonds Payable and Bond Escrows

During 2019, in connection with the development of an affordable housing project on the property owned by The Redwell, LLLP, the Company received proceeds from the sale of tax-exempt mortgage-backed bonds. Bonds payable consisted of the following as of December 31:

	2020	2019
Multifamily Tax-Exempt Mortgage-Backed Bonds (M-TEMS) payable to a bank for proceeds received from the bond issuance of Hennepin County Housing and Redevelopment Authority M-TEMS, Series 2019 in the amount of $16,065,000; interest at 2.67%; monthly interest only payments through August 2022; thereafter, due in monthly installments of principal and interest through July 2037, with a final balloon payment due August 2037.	$ 16,065,000	$ 16,065,000

Principal requirements on bonds payable for years ending after December 31, 2020 are as follows:

Years ending December 31,	
2021	$ -
2022	72,475
2023	224,591
2024	231,443
2025	241,852
Thereafter	15,294,639
Total	$ 16,065,000

Bond Proceeds Fund

The Redwell, LLLP established a Bond Proceeds Fund in the amount of $16,065,000 for the purpose of holding and reinvesting the proceeds from the M-TEMS. Income earned on these investments are used to pay the monthly debt service as required by the agreement. As of December 31, 2020 and 2019, the Bond Proceeds Fund had a balance of $16,333,577 and $16,128,969, respectively, which is included in bond escrows on the consolidated balance sheets. The Bond Proceeds Fund will be used to pay for the costs of development. The bonds proceeds are invested in Government securities. Interest accrued on these securities, but not yet received into the Bond Proceeds Fund as of December 31, 2020 and 2019 was $152,674 and $153,371, respectively and was included in prepaid expenses and other assets on the consolidated balance sheets.

Negative Arbitrage Account

In addition to the Bond Proceeds Fund, The Redwell, LLLP also established a Negative Arbitrage Account in the amount of $450,000 at time of closing of the M-TEMS. The funds are used to pay any deficiency in debt service not covered by the Bond Proceeds Fund. As of the years ended December 31, 2020 and 2019, the Negative Arbitrage Account had a balance of $129,916 and $256,664, respectively, which is included in bond escrows on the consolidated balance sheets.

Other Escrows

In conjunction with the amended and restated agreement of limited liability limited partnership of The Redwell, LLLP, the Company is also required to establish a replacement reserve, an operating deficit account, and a tax and insurance account. These accounts were not funded as of December 31, 2020.

6. Fair Value Measurements

Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risks), using the best information available in the circumstances, which may include using the reporting entity's own data.

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Government securities - These investments are classified as Level 2 based on multiple sources of information, which may include market data and/or quoted prices from similar assets in active markets. Based on the information obtained regarding these investments, fair market value approximates cost on these investments.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

While the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following tables summarize financial instruments, which are included in bond escrows on the consolidated balance sheets, measured at fair value on a recurring basis by classification within the fair value hierarchy as of December 31, 2020 and 2019:

	December 31, 2020			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Government securities	$ 16,463,493	$ -	$ 16,463,493	$ -
Total	$ 16,463,493	$ -	$ 16,463,493	$ -

	December 31, 2019			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Government securities	$ 16,385,633	$ -	$ 16,385,633	$ -
Total	$ 16,385,633	$ -	$ 16,385,633	$ -

7. Time Certificates

During 2020, the Company began issuing time certificates. Time certificates may be issued for periods ranging from 30 days to 10 years. The interest rates on the time certificates range from 0.85% to 4.00% depending on the term elected for each time certificate issued. Interest is paid quarterly for each time certificate; however, the time certificate holder may elect to compound quarterly interest on certificates with original maturities of 180 days or longer. All principal and unpaid interest is due upon maturity of each time certificate. The time certificates are unsecured and subordinate to other senior obligations of the Company. As of December 31, 2020, $7,764,321 of time certificates were outstanding, all of which mature in 2021. Time certificates due to related parties totaled $7,413,372 as of December 31, 2020.

8. Other Notes Payable

Other notes payable consisted of the following as of December 31:

	2020	**2019**
Note payable to an individual in the original amount of $217,798; interest at 5.60%; due in quarterly installments of $54,450 through September 30, 2021.	$ 163,349	$ -
Note payable to a bank in the original amount of $161,000; interest at 4.50%; due in monthly installments of $1,674 through October 2030; the note is collateralized by a mortgage on the property owned by SRRT Harding, LLC, an assignment of rights in the related note receivable from SR Solar, LLC, and the membership interests of SR Solar, LLC; the note is subject to certain financial and non-financial covenants and prepayment penalty provisions; the loan is guaranteed by SRRT Properties and certain individuals.	158,876	-

	2020	2019
Note payable to a bank in the original amount of $944,000; interest at 4.50%; due in monthly installments of $9,813 through November 2029; the note is collateralized by a mortgage on the property owned by SRRT Industrial Blvd, LLC, an assignment of rights in the related note receivable from SR Solar, LLC, and membership interests of SR Solar, LLC; the noted is subject to certain financial and non-financial covenants and prepayment penalty provisions the loan is guaranteed by SRRT Properties and certain individuals.	$ 931,666	$ -
Note payable to an individual in the original amount of $122,732; interest at 5.00%; due in monthly installments of $2,345 through April 2020; the note is collateralized by membership units in Roseville Fairview, LLC. Repaid during 2020.	-	9,274
Note payable to an individual in the original amount of $122,732; interest at 5.00%; due in monthly installments of $2,345 through April 2020; the note is collateralized by membership units in Roseville Fairview, LLC. Repaid during 2020.	-	9,274
Note payable to an individual in the original amount of $178,979; interest at 5.00%; due in monthly installments of $3,420 through April 2020; the note is collateralized by membership units in Railroad Properties, LLC. Repaid during 2020.	-	13,525
Note payable to an individual in the original amount of $121,911; interest at 5.00%; due in monthly installments of $2,301 through June 2020; the note is collateralized by membership units in 530 Third, LLC. Repaid during 2020.	-	13,605
Note payable to an individual in the original amount of $165,225; interest at 5.00%; due in monthly installments of $3,118 through June 2020; the note is collateralized by membership units in Cobblestone Properties, LLC. Repaid during 2020.	-	18,438
Total other notes payable	$ 1,253,891	$ 64,116

Principal requirements on other notes payable for years ending after December 31, 2020 are as follows:

Years ending December 31:	
2021	$ 253,306
2022	94,149
2023	98,535
2024	103,023
2025	107,925
Thereafter	596,953
Total	$ 1,253,891

During 2020, the company entered into two bridge loan agreements allowing for total proceeds of $11,500,000, with interest between LIBOR plus 4.00% (4.15% as of December 31, 2020) and 9.00%. Monthly interest only payments were due under the loans until the maturity dates. The loans were repaid during 2020.

9. Line of Credit

As of December 31, 2020, the Company had a $14,000,000 line of credit with a bank. Interest was payable monthly at 2.50% above the one-month LIBOR (2.65% and 4.20% as of December 31, 2020 and 2019, respectively), with a floor of 3.50%. The line of credit had an outstanding balance of $1,757,000 and $7,799,500 as of December 31, 2020 and 2019, respectively. Subsequent to December 31, 2020, the line of credit was increased to allow for borrowings up to $20,000,000. In addition, the interest rate was modified to 2.50% above the one-month LIBOR, with a floor of 3.25% beginning April 1, 2021. The line of credit, as amended, expires March 31, 2022. The line of credit is secured by mortgages, security agreements, fixture and financing statements and assignments of leases on two of its properties (the property owned by Roseville Fairview, LLC and a portion of the property owned by Railroad Properties, LLC). Certain stockholders of the Company have also guaranteed the line of credit. The agreement contains certain financial and non-financial covenants.

10. Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, restricted cash and accounts receivable. Cash and cash equivalents and restricted cash are placed with area banks and balances occasionally exceed federally insured limits. The Company has not experienced any losses in such accounts.

As of December 31, 2020 and 2019, the Company had two tenants that occupied approximately 32% and 41% of the Company's total rentable space, respectively. The Company had one tenant that represented approximately 11% and 12% of base rental income for the years ended December 31, 2020 and 2019, respectively.

11. Restricted Escrows and Reserves

According to the terms of certain of the Company's mortgage notes payable (Note 4), the Company is required to make monthly or quarterly deposits to various escrow and reserve accounts for the payment of insurance, real estate taxes, tenant improvements, leasing commissions and replacements. The balances in these restricted escrow and reserve accounts as of December 31 are as follows:

	2020	2019
Real estate tax escrow	$ 672,111	$ 579,205
Insurance escrow	3,819	2,152
Leasing commission and tenant improvement escrows	651,422	1,016,274
Replacement escrows	166,017	174,511
Other escrows	513,624	141,029
Total	$ 2,006,993	$ 1,913,171

12. Intangible Assets and Liabilities

The Company's identified intangible assets and liabilities as of December 31 were as follows:

	2020	2019
Identified Intangible Assets:		
In-place leases	$ 10,742,470	$ 8,559,449
Above-market leases	976,514	1,099,081
Accumulated amortization	(3,743,009)	(3,403,845)
Net carrying amount	7,975,975	6,254,685
Identified Intangible Liabilities:		
Below-market leases	1,170,863	1,048,809
Accumulated amortization	(378,028)	(391,404)
Net carrying amount	792,835	657,405
Intangible assets, net of accumulated amortization	$ 7,183,140	$ 5,597,280

The effect of amortization of intangible assets was $1,194,806 and $1,075,424 for the years ended December 31, 2020 and 2019, respectively. In-place leases, and above and below-market leases acquired in 2020 and 2019 had a weighted average amortization period of 6.75 and 5.30 years in the years acquired, respectively.

The estimated annual amortization of acquired intangible assets and liabilities for each of the five succeeding fiscal years is as follows:

	Assets	Liabilities	Net
Years ending December 31,			
2021	$ 1,703,848	$ 144,124	$ 1,559,724
2022	1,498,233	137,710	1,360,523
2023	1,297,218	129,166	1,168,052
2024	1,138,773	120,784	1,017,989
2025	860,327	101,410	758,917
Thereafter	1,477,576	159,641	1,317,935
Total	$ 7,975,975	$ 792,835	$ 7,183,140

13. Acquisitions

On July 1, 2020, the Company entered into a contribution agreement to acquire 100% of the equity interest in a property known as BP Holdings Realty, LLC (the BP Holdings property), a wholly-owned subsidiary of SRRT Properties. The acquisition of the BP Holdings property was accounted for as an asset acquisition.

The consideration for the acquisition of the BP Holdings property as of the acquisition date consisted of the following:

Cash paid	$	105,394
Note receivable applied as consideration		951,852
Issuance of 124,380 common units of SRRT Properties		1,554,751
Total purchase price	$	2,611,997

The Company has allocated the total cost of the acquisition as follows:

Tangible Assets:		
Land	$	2,365,605
Building		4,099,870
Intangible Assets (Liabilities):		
In place lease		616,500
Below-market lease		(101,883)
Liabilities Incurred:		
Mortgage note payable		(3,991,487)
Financing fees		12,910
Accounts payable, security deposit and other accrued expenses		(389,518)
Net assets acquired	$	2,611,997

As of December 31, 2019, the Company owned a 15% interest as a tenant in common in an industrial building in Kansas City, MO (the Executive Park property). The undivided interest in the property was owned by a wholly owned subsidiary of SRRT Properties, SRRT Executive Park I, LLC. On December 10, 2020, the Company entered into a contribution agreement to acquire the remaining 85% interest in the Executive Park property. The acquisition of the Executive Park property was accounted for as an asset acquisition.

The consideration for the acquisition of the Executive Park property as of the acquisition date consisted of the following:

Cash paid	$	23,828
Issuance of 331,072 common units of SRRT Properties		4,138,403
Total purchase price	$	4,162,231

The Company has allocated the total cost of the acquisition as follows:

Tangible Assets:		
Land	$	2,590,074
Building		8,944,200
Cash and cash equivalents		97,425
Restricted escrows and reserves		216,342
Rents receivable, prepaid expenses and other assets		100,193
Intangible Assets:		
In place leases		260,033
Above market leases		73,094
Leasing commissions		33,227
Liabilities Incurred:		
Mortgage note payable		(6,983,656)
Financing fees		73,816
Accounts payable, security deposit and other accrued expenses		(496,652)
Net assets acquired	$	4,908,096
Fair value of existing 15% ownership	$	745,865
Recorded value of existing ownership at date of acquisition		696,214
Gain on acquisition of real estate property	$	49,651

As of December 31, 2019, the Company owned a 5% interest as a tenant in common in an industrial building in Davenport, IA (the Davenport property). The undivided interest in the property was owned by a wholly-owned subsidiary of SRRT Properties, SRRT Sentry I, LLC. On December 31, 2020, the Company entered into a contribution agreement to acquire the remaining 95% interest in the Davenport property. The acquisition of the Davenport property was accounted for as an asset acquisition.

The consideration for the acquisition of the Davenport property as of the acquisition date consisted of the following:

Cash paid	$	32,266
Issuance of 501,331 common units of SRRT Properties		6,015,963
Total purchase price	$	6,048,229

The Company has allocated the total cost of the acquisition as follows:

Tangible Assets:		
Land	$	2,245,009
Building		5,649,974
Cash and cash equivalents		276,282
Escrows		355,954
Rents receivable, prepaid expenses and other assets		20,529
Intangible Assets (Liabilities):		
In place lease		2,089,281
Below market lease		(156,357)
Liabilities Incurred:		
Mortgage note payable		(3,940,000)
Financing fees		11,678
Accounts payable, security deposit and other accrued expenses		(184,894)
Net assets acquired	$	6,367,456
Fair value of existing 5% ownership	$	319,227
Recorded value of existing ownership at date of acquisition		326,434
Loss on acquisition of real estate property	$	(7,207)

As of December 31, 2018, the Company owned a 42% interest as a tenant in common in an industrial building in Oakdale, MN (the Oakdale property). The undivided interest in the property was owned by a wholly-owned subsidiary of SRRT Properties, SRRT Hale, LLC. On January 1, 2019, the Company entered into a contribution agreement to acquire the remaining 58% interest in the property. The acquisition of the Oakdale property was accounted for as an asset acquisition.

The consideration for the acquisition of the Oakdale property as of the acquisition date consisted of the following:

Cash paid	$	143,268
Issuance of 102,708 common units of SRRT Properties		1,232,500
Total purchase price	$	1,375,768

The Company has allocated the total cost of the acquisition as follows:

Tangible Assets:		
Land	$	487,680
Building		1,541,961
Cash and cash equivalents		44,887
Rents receivable, prepaid expenses and other assets		17,846
Intangible Assets (Liabilities):		
In place leases		320,846
Above-market lease		126,059
Below-market lease		(116,376)
Liabilities Incurred:		
Accounts payable, security deposit and other accrued expenses		(54,360)
Net assets acquired	$	2,368,543
Fair value of existing 42% ownership	$	992,775
Recorded value of existing ownership at date of acquisition		998,720
Loss on acquisition of real estate property	$	(5,945)

As of December 31, 2018, the Company owned a 3% interest as a tenant in common in an industrial building in Mendota Heights, MN (the Mendota Heights property). The undivided interest in the property was owned by a wholly-owned subsidiary of SRRT Properties, SRRT Northland Drive, LLC. On May 1, 2019, the Company entered into a contribution agreement to acquire the remaining 97% interest in the Mendota Heights property. The acquisition of the Mendota Heights property was accounted for as an asset acquisition.

The consideration for the acquisition of the Mendota Heights property as of the acquisition date consisted of the following:

Cash paid	$	373,079
Issuance of 344,578 common units of SRRT Properties		4,134,940
Total purchase price	$	4,508,019

The Company has allocated the total cost of the acquisition as follows:

Tangible Assets:		
Land	$	1,179,032
Building		2,743,459
Cash and cash equivalents		27,841
Rents receivable, prepaid expenses and other assets		188,183
Intangible Assets (Liabilities):		
In place lease		630,322
Below-market lease		(115,756)
Liabilities Incurred:		
Accounts payable and accrued expenses		(27,435)
Net assets acquired	$	4,625,646
Fair value of existing 3% ownership	$	117,627
Recorded value of existing ownership at date of acquisition		107,427
Gain on acquisition of real estate property	$	10,200

On July 10, 2019, the Company entered into a contribution agreement to acquire 100% of the equity interest in a property known as SRRT Firestation, LLC (the Firestation property), a wholly-owned subsidiary of SRRT Properties. The acquisition of the Firestation property was accounted for as an asset acquisition.

The consideration for the acquisition of the Firestation property as of the acquisition date consisted of the following:

Cash paid (including transaction costs totaling $49,157)	$	1,283,352

The Company has allocated the total cost of the acquisition as follows:

Tangible Assets:		
Land	$	531,619
Building		600,117
Intangible Assets:		
In place lease		98,983
Above-market lease		65,438
Liabilities Incurred:		
Accounts payable and accrued expenses		(12,805)
Net assets acquired	$	1,283,352

On November 19, 2019, the Company entered into a contribution agreement to acquire approximately 76% of the equity interest in a property known as SRRT Empire I, LLC (the "Empire property"), through a wholly-owned subsidiary of SRRT Properties. The acquisition of the Empire property was accounted for as an asset acquisition. The non-controlling interest contributed $1,310,168 of the consideration paid for the acquisition.

The consideration for the acquisition of the Empire property as of the acquisition date consisted of the following:

Cash paid (including transaction costs totaling $254,673)	$	5,457,455

The Company has allocated the total cost of the acquisition as follows:

Tangible Assets:		
Land	$	4,157,041
Building		4,551,269
Restricted escrows and reserves		800,000
Intangible Assets:		
In place lease		782,924
Above-market lease		63,440
Liabilities Incurred:		
Accounts payable and accrued expenses		(262,385)
Mortgage note payable		(4,650,000)
Financing fees		15,166
Net assets acquired	$	5,457,455

As of December 31, 2018, the Company owned a 57% interest as a tenant in common in a retail building in Burnsville, MN (the Burnsville property). The undivided interest in the property was owned by a wholly-owned subsidiary of SRRT Properties, SRRT Parkway, LLC. On March 1, 2019, the Company entered into a contribution agreement to acquire the remaining 43% interest in the Burnsville property.

The consideration for the acquisition of the remaining interest in the Burnsville property as of the acquisition date consisted of the following:

Cash paid	$	5,382
Issuance of 28,822 common units of SRRT Properties		345,868
Total purchase price		351,250
Recorded value of non-controlling interest at date of acquisition		332,168
Excess of consideration over recorded value of non-controlling interest at date of acquisition	$	19,082

As of December 31, 2018, the Company owned a 51% interest as a tenant in common in a office-retail building in Lincoln, NE (the Lincoln property). The undivided interest in the property was owned by a wholly-owned subsidiary of SRRT Properties, SRRT Edge, LLC. On September 1, 2019, the Company entered into a contribution agreement to acquire the remaining 49% interest in the Lincoln property.

The consideration for the acquisition of the remaining interest in the Lincoln property as of the acquisition date consisted of the following:

Cash paid	$	37,001
Issuance of 160,014 common units of SRRT Properties		2,000,172
Total purchase price		2,037,173
Recorded value of non-controlling interest at date of acquisition		1,734,925
Excess of consideration over recorded value of non-controlling interest at date of acquisition	$	302,248

14. Investments in Real Estate Ventures

The Company owned a 3% interest in Rochester Apartments, LLLP, which was formed for a specific real estate development in Rochester, MN. During 2017, the Company determined its investment in Rochester Apartments, LLLP was impaired. The full value of the Company's investment, $250,000, was charged to expense during the ended December 31, 2017. During 2019, the related development was sold, and the Company received a liquidating distribution resulting in a gain of $27,542.

The Company owned a 5% interest in Townsend Apartments, LLC which was formed to invest in a specific real estate property in Blaine, MN. During 2019, the related property was sold, and the Company received a liquidating distribution resulting in a gain of of $250,618.

The Company owns a 15% interest in Fisk Properties, LLC, which was formed to invest in a specific real estate property in Minneapolis, MN.

A summary of the assets, liabilities and results of operations for Fisk Properties, LLC is presented below:

	2020	2019
Total assets	$ 8,003,466	$ 7,286,489
Total liabilities	10,651,123	7,936,700
Net income loss	(177,447)	(68,278)

The Company owns a 24% interest in North Loop Opportunity Fund, LLC, which was formed to invest in real estate properties in Minneapolis, MN.

A summary of the assets, liabilities and results of operations of North Loop Opportunity Fund, LLC is presented below:

	2020	2019
Total assets	$ 17,548,031	$ 14,797,668
Total liabilities	12,246,717	8,982,880
Net loss	(489,673)	(182,687)

The Company owns a 24% interest in BC East, LLC which was formed to invest in a specific real estate property in Minneapolis, MN.

A summary of the assets, liabilities and results of operations for BC East, LLC is presented below:

	2020	2019
Total assets	$ 34,294,686	$ 13,875,894
Total liabilities	26,829,578	6,686,993
Net income (loss)	276,207	(90)

The Company owns a 13% interest in WBL Land, LLC, which was formed to invest in a specific real estate property in White Bear Lake, MN.

A summary of the assets, liabilities and results of operations for WBL Land, LLC is presented below:

	2020	2019
Total assets	$ 3,416,197	$ 3,401,851
Total liabilities	1,672,229	1,712,062
Net income	53,182	9,789

During 2019, the Company invested in a 14% interest as a tenant in common in an industrial building on Botts Road. The company sold part of their initial acquisition in May 2019 and owned an 8% interest as a tenant in common as of December 31, 2019. During 2020, the holders of approximately 70% of the remaining interest contributed their interest to SRRT Properties in exchange for 410,474 common units of SRRT Properties valued at $5,130,925. As of December 31, 2020, the Company now owns a 79% interest as a tenant in common. The undivided interest in the property is owned by a wholly-owned subsidiary of SRRT Properties, SRRT Botts Road I,LLC.

A summary of the assets, liabilities and results of operations of the SRRT Botts Road I, LLC property is presented below:

	2020	2019
Total assets	$ 19,266,185	$ 19,388,017
Total liabilities	12,450,472	12,395,380
Net income	27,825	35,012

During 2020, the Company invested in an 81% interest as a tenant in common in a retail building in Oconomowoc, WI. The Company sold part of their initial acquisition in July and now owns a 71% interest as a tenant in common. The undivided interest in the property is owned by a wholly-owned subsidiary of SRRT Properties, SRRT Fleet I, LLC.

A summary of the assets, liabilities and results of operations of the SRRT Fleet I, LLC property is presented below:

	2020
Total assets	$ 37,443,276
Total liabilities	19,389,797
Net income	1,081,148

SRRT Properties has provided a guaranty on the mortgage for the SRRT Fleet I, LLC property, which had an outstanding balance of $19,802,329 as of December 31, 2020.

During 2020, the Company invested in a 70% interest as a tenant in common in a in an entity which was formed to invest in a specific real estate property in Lincoln, NE. The undivided interest in the property is owned by SRRT Properties.

A summary of the assets and liabilities and results of operations of the property are presented below:

	2020
Total assets	$ 326,312
Total liabilities	262,062
Net loss	(4,011)

During 2020, the Company invested in an approximately 0.1% interest in SR Solar, LLC, which was formed to install and operate solar equipment to provide energy to various real estate properties.

A summary of the assets, liabilities and results of operations of SR Solar, LLC is presented below:

	2020
Total assets	$ 2,002,755
Total liabilities	1,217,919
Net income	-

15. Related Party Transactions

Advisory Services

SRRT Advisor, LLC (the advisor), the special operating partner of SRRT Properties and a related party through common ownership, provides advisory services to the Company. Under the advisory agreement, the advisor receives monthly fees based on the invested assets of the Company, as well as additional fees for any acquisition or disposition of assets by the Company. In addition, the advisor is eligible to earn additional compensation each year based on the performance of the Company. For the years ended December 31, 2020 and 2019, the Company incurred $1,513,752 and $1,580,637 in advisory services from the advisor, respectively. The Company owed $868,690 and $852,816 to the advisor as of December 31, 2020 and 2019, respectively, which is included in accrued liabilities in the consolidated balance sheets. During the years ended December 31, 2020 and 2019, the Company issued shares valued at $511,690 and $366,327, as partial settlement of the amounts owed as of December 31, 2019 and 2018, respectively. The remainder of the amounts due as of December 31, 2019 and 2018 were paid in cash during 2020 and 2019, respectively.

Property Management Agreements

A related party through common ownership, provides property management services to the Company. For the years ended December 31, 2020 and 2019, the Company incurred $682,973 and $659,306 in management services from the property manager, respectively. No amounts were due to the property manager as of December 31, 2020 or 2019.

Other Related Party Transactions

For the years ended December 31, 2020 and 2019, the Company incurred costs totaling $2,243,369 and $670,106 for building improvements, tenant improvements and repairs and maintenance from a related party through common ownership.

As of December 31, 2020, the Company had received advances of $300,168 from two real estate ventures. As of December 31, 2019, the Company did not have any advances from related parties. As of both December 31, 2020 and 2019, the Company had advanced $83,388 to one real estate venture. The amounts are unsecured and due on demand.

16. Gain on Legal Settlement

During 2019, the Company was awarded $900,000 resulting from a suit the Company filed against a counterparty for failure to identify improvements during the acquisition due diligence period, associated with previously acquired property. The Company has recorded $718,000 as a reduction of buildings and improvements as a reimbursement for the cost of improvements incurred, and $182,000 as interest income for the year ended December 31, 2019.

17. Subsequent Events

The Company has evaluated subsequent events occurring through March 31, 2021, the date the consolidated financial statements were available to be issued.