SR Realty Trust, Inc. and Subsidiaries

Consolidated Financial Statements

December 31, 2021 and 2020

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of SR Realty Trust, Inc. (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company 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 (GAAP).

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 Consolidated Financial Statements section of our report. We are required to be independent of the Company 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 Company'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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

Minneapolis, Minnesota
March 31, 2022

SR Realty Trust, Inc. and Subsidiaries

Consolidated Balance Sheets
December 31, 2021 and 2020

	2021	2020
Assets		
Assets		
Land and land improvements	$ 45,871,868	$ 41,400,036
Buildings and improvements	130,870,164	105,413,701
Tenant improvements	6,939,279	4,396,577
Total real estate property	183,681,311	151,210,314
Accumulated depreciation	(26,439,064)	(22,081,052)
Net real estate property	157,242,247	129,129,262
Cash and cash equivalents	2,683,644	1,572,512
Rents receivable	365,222	588,036
Notes receivable	1,105,000	1,090,542
Prepaid expenses and other assets	1,339,489	1,026,811
Deferred rent	1,164,150	1,020,875
Restricted escrows and reserves	4,629,600	2,006,993
Bond escrows	16,048,875	16,463,493
Intangible assets, net of accumulated amortization	6,684,549	7,183,140
Leasing commissions, net of accumulated amortization	1,557,252	913,252
Investments in real estate ventures	18,364,563	22,474,938
Due from related parties	1,444,971	83,388
Total assets	$ 212,629,562	$ 183,553,242

See notes to consolidated financial statements

SR Realty Trust, Inc. and Subsidiaries

Consolidated Balance Sheets
December 31, 2021 and 2020

	2021	2020
Liabilities and Stockholders' Equity		
Liabilities		
Mortgage notes payable	$ 118,189,266	$ 104,062,253
Bonds payable	16,065,000	16,065,000
Time certificates	2,670,258	7,764,321
Other notes payable	1,000,480	1,253,891
Line of credit	17,300,000	1,757,000
Financing fees, net of accumulated amortization	(1,484,089)	(1,505,765)
Notes payable, net	153,740,915	129,396,700
Accounts payable	473,680	1,124,761
Tenant security deposits	758,881	739,515
Deferred development fee payable	577,310	577,310
Accrued liabilities	2,276,779	1,403,226
Due to related parties	480,356	300,168
Total liabilities	158,307,921	133,541,680
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 1,861,206 and 1,736,452 shares issued and outstanding	18,612	17,365
Additional paid-in capital	20,244,817	18,664,869
Accumulated deficit	(4,662,367)	(3,255,908)
Total SR Realty Trust, Inc. stockholders' equity	15,601,062	15,426,326
Non-controlling interest	38,720,579	34,585,236
Total stockholders' equity	54,321,641	50,011,562
Total liabilities and stockholders' equity	$ 212,629,562	$ 183,553,242

See notes to consolidated financial statements

SR Realty Trust, Inc. and Subsidiaries

Consolidated Statements of Operations
December 31, 2021 and 2020

	2021	2020
Revenues		
Base rental income	$ 14,750,449	$ 10,854,133
Tenant reimbursements	6,728,741	5,927,426
Other revenue	1,503,699	1,654,402
Total revenues	22,982,889	18,435,961
Operating Expenses		
Operating and maintenance	8,617,211	6,689,453
Real estate taxes	3,914,850	2,944,067
Insurance expenses	491,184	207,492
Asset management fee	840,142	682,973
Acquisition fees and expenses	56,240	-
Depreciation and amortization	7,474,810	4,624,620
Total operating expenses	21,394,437	15,148,605
Operating income	1,588,452	3,287,356
Other Income (Expense)		
Interest expense	(5,931,166)	(4,008,774)
Income from real estate ventures	564,966	801,991
Gain (loss) on acquisition of real estate property	(45,353)	50,468
Gain on sale of real estate ventures	127,719	13,329
Gain on sale of property	895,214	-
Net other expense	(4,388,620)	(3,142,986)
Net Income (loss)	(2,800,168)	144,370
Net loss (income) attributable to non-controlling interest	2,661,574	(113,822)
Net Income (Loss) Attributable to SR Realty Trust, Inc. and Subsidiaries	$ (138,594)	$ 30,548

See notes to consolidated financial statements

SR Realty Trust, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity
December 31, 2021 and 2020

	Common Stock					
	Shares	**Amount**	**Additional Paid-in Capital**	**Accumulated Deficit**	**Non-controlling Interest**	**Total Stockholders' Equity**
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
Net loss	-	-	-	(138,594)	(2,661,574)	(2,800,168)
Common stock issued for cash, net of issuance costs	63,802	638	829,176	-	-	829,814
Issuance of common stock as settlement for liabilities	45,697	457	570,758	-	-	571,215
Operating Partnership common units issued for property acquisitions	-	-	-	-	3,035,360	3,035,360
Contributions from non-controlling interest	-	-	-	-	6,195,436	6,195,436
Operating Partnership common units issued for investment in real estate venture	-	-	-	-	921,035	921,035
Sale of non-controlling interest, net of expenses	-	-	-	-	471,148	471,148
Redemption of common stock	(23,364)	(234)	(305,712)	-	-	(305,946)
Shares (units) issued through dividend reinvestment program	38,619	386	485,726	-	16,844	502,956
Distributions	-	-	-	(1,267,865)	(3,842,906)	(5,110,771)
Balances, December 31, 2021	1,861,206	$ 18,612	$ 20,244,817	$ (4,662,367)	$ 38,720,579	$ 54,321,641

See notes to consolidated financial statements

SR Realty Trust, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Net income (loss)	$ (2,800,168)	$ 144,370
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation	5,200,269	3,071,265
Amortization	2,683,925	1,828,048
Equity in income of real estate ventures	(564,966)	(801,991)
Loss (gain) on acquisition of real estate property	45,353	(50,468)
Gain on sale of real estate ventures	(127,719)	(13,329)
Gain on disposal of real estate property	(895,214)	-
Capitalization of interest to note payable	556,855	-
Changes in operating assets and liabilities:		
Rents receivable	343,438	(253,994)
Prepaid expenses and other assets	(103,671)	333,246
Deferred rent	(143,046)	(92,861)
Cash paid for leasing commissions	(999,147)	(231,829)
Accounts payable	(664,446)	314,679
Tenant security deposits	(23,723)	82,679
Accrued liabilities	715,614	(105,438)
Net cash flows from operating activities	3,223,354	4,224,377
Cash Flows From Investing Activities		
Cash received from acquisitions, net of cash paid	109,672	784,515
Investments in real estate ventures	(28,716,341)	(14,005,203)
Repayments from (advances to) related parties	(124,186)	300,168
Purchases of real estate property	(6,679,119)	(20,394,038)
Cash received from sale of real estate venture	28,137,386	1,838,639
Distributions received from real estate ventures	742,298	560,948
Sale of non-controlling interest	430,762	919,822
Proceeds from sale of real estate property	1,707,675	-
Issuance of notes receivable	-	(1,105,000)
Repayments of notes receivable	-	92,629
Net cash flows from investing activities	(4,391,853)	(31,007,520)
Cash Flows From Financing Activities		
Common stock issued for cash, net of issuance costs	829,814	1,012,000
Distributions paid	(4,607,815)	(3,083,701)
Principal payments on mortgage notes payable	(7,220,656)	(6,982,820)
Principal payments on other notes payable	(253,411)	(11,632,993)
Net advances (repayments) on line of credit	15,543,000	(6,042,500)
Cash paid for financing fees	(97,619)	(381,004)
Redemption of common stock and Operating Partnership common units	(305,946)	(196,103)
Proceeds from issuance of mortgage notes payable and bonds payable	401,987	30,935,028
Contributions from non-controlling interests	5,292,329	3,512,705
Proceeds from issuance of (repayments of) time certificates	(5,094,063)	7,764,321
Proceeds from issuance of other notes payable	-	12,605,000
Net cash flows from financing activities	4,487,620	27,509,933
Net change in cash and cash equivalents and restricted cash	3,319,121	726,790
Cash and Cash Equivalents and Restricted Cash, Beginning	20,042,998	19,316,208
Cash and Cash Equivalents and Restricted Cash, Ending	$ 23,362,119	$ 20,042,998

See notes to consolidated financial statements

SR Realty Trust, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
December 31, 2021 and 2020

	2021	2020
Supplemental Cash Flow Disclosures		
Cash paid for interest, net of capitalized interest of $0 and $626,925, respectively	$ 5,554,685	$ 3,587,308
Noncash Investing and Financing Activities		
Real estate assets and liabilities acquired through the issuance of Operating Partnership units, debt, and liabilities	$ 29,463,509	$ 28,829,347
Reinvestment of dividends and distributions	502,956	363,834
Issuance of common stock for payment of advisory services	571,215	536,690
Operating Partnership units issued for investment in real estate venture	921,035	5,130,925
Contributions from non-controlling interests included in due from related parties	903,107	-
Investment in real estate ventures included in accrued liabilities	239,356	-
Investment in real estate ventures included in due to (from) related parties	193,102	-
Due to related party from sale of real estate property	39,000	-
Notes receivable applied to acquisition of real estate property	-	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
Total real estate property included in accounts payable	-	250,587
Other notes payable issued for redemption of common stock	-	217,768

See notes to consolidated financial statements

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 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 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, 2021 and 2020, the Company owned 25.2% and 25.0% of the Operating Partnership, respectively. As of December 31, 2021 and 2020, there were 7,377,508 and 6,949,522 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, SRRT Sentry I, LLC, SRRT Botts Road I, LLC and Gurley Lofts, 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, 2021 and 2020.

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.

Eight 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, 2021. 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, 2020.

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, 2021 or 2020.

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:

	2021	2020
Cash and cash equivalents	$ 2,683,644	$ 1,572,512
Restricted escrows and reserves (Note 11)	4,629,600	2,006,993
Bond escrows (Note 5)	16,048,875	16,463,493
Total cash, cash equivalents, and restricted cash	$ 23,362,119	$ 20,042,998

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, 2021 and 2020. 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 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 operations: 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 $355,147 and $358,549 for the years ended December 31, 2021 and 2020, respectively. The Company had accumulated amortization of $1,205,449 and $1,169,976 as of December 31, 2021 and 2020, 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 $409,384 and $274,693 for the years ended December 31, 2021 and 2020, respectively that was included in interest expense. Amortization of deferred financing fees totaling $156,422 for the year ended December 31, 2020 were capitalized. There was no capitalized amortization of deferred financing fees for the year ended December 31, 2021. The Company had accumulated amortization of deferred financing fees totaling $1,022,324 and $896,172 as of December 31, 2021 and 2020, 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:

	2021		2020	
Ordinary income	$ 0.1365	19.09 %	$ 0.2279	43.41 %
Capital gain	-	- %	-	- %
Return of capital	0.5785	80.91 %	0.2971	56.59 %
	$ 0.7150	100.00 %	$ 0.5250	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 statements of operations.

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 25.2% and 25.0% of the common units of the Operating Partnership as of December 31, 2021 and 2020, 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 2021 and 2020, the Company sold a portion of its interest in SRRT Empire I, LLC, representing approximately 8% and 16% of the ownership in the property, or $471,148 and $911,798, resulting in a gain (loss) on sale of $(40,176) and $8,024, respectively.

Future Accounting Pronouncement

During February 2016, the FASB issued Accounting Standards Update (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, 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. During 2021, the FASB issued ASU No. 2021-05, *Lessors-Certain Leases with Variable Lease Payments*, which affects lessors with lease contracts that (1) have variable lease payments that do not depend on a reference index or a rate and (2) would have resulted in the recognition of a selling loss at lease commencement if classified as a sales-type or direct financing lease to align with practice under Topic 840. During 2021, the FASB also issued ASU 2021-09, *Discount Rate for Lessees That Are Not Public Business Entities*, which allows a lessee that is not a public business entity to make the risk-free rate election by class of underlying asset, rather than at the entity-wide level. 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 $161,000 and $158,876 as of December 31, 2021 and 2020, respectively.

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 $944,000 and $931,666 as of December 31, 2021 and 2020, respectively.

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.

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 13).

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 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 2022 to December 2032. 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, 2021:

Years ending December 31,	
2022	$ 11,791,608
2023	10,033,591
2024	9,376,061
2025	7,030,218
2026	6,211,221
Thereafter	6,297,740
Total	$ 50,740,439

4. Mortgage Notes Payable

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

	2021	2020
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.	$ 3,464,183	$ 3,574,881
Mortgage note payable to a bank in the original amount of $3,003,000; interest at 4.15%; due in monthly installments of $11,999 through August 2022, with a final balloon payment due September 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.	1,468,055	2,391,601
Mortgage note payable to a bank in the amount of $5,880,000; interest at 4.30%; due in monthly installments of $32,217 through December 2026, 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.	5,654,665	5,791,493

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.	$ 6,107,692	$ 6,281,767
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.	8,583,923	8,796,427
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.	2,478,439	2,560,133
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.	4,374,455	4,449,649
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% (effective rate of 3.75% as of December 31, 2021); 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.	1,011,652	1,045,011

Mortgage note payable to a bank in the original amount of $7,350,000; interest at 4.125%; the note was due in monthly installments of $39,550 through September 2021, with a final balloon payment due October 2021. The mortgage note payable was refinanced in January 2022 for $7,200,000; interest at 3.50%; payable on demand; however, if no demand is made, monthly interest only payments are due through February 2024; thereafter, due in monthly installments of $36,045 through January 2027, with a final balloon payment due February 2027; the new note is collateralized by a mortgage on the property; the new note is subject to certain financial and non-financial covenants; the new note is guaranteed by SRRT Properties.	$ 6,399,513	$ 6,592,158
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.	7,696,979	7,901,830
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.	694,097	714,547

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.	$	1,645,971	$	1,696,199
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.		4,563,620		4,627,303
Bridge loan agreement with a bank allowing for total proceeds up to $7,910,515; interest at LIBOR plus 2.90% (3.05% as of December 31, 2020); repaid during 2021.		-		4,136,457
Construction loan agreement with a bank allowing for proceeds up to $1,700,000; interest at LIBOR plus 2.90% (2.99% and 3.05% as of December 31, 2021 and 2020, 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.		1,081,484		1,004,988
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.		3,886,344		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.	$ 6,793,939	$ 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	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.	10,093,058	10,357,939
Construction loan agreement with a bank allowing for proceeds up to $16,065,000; interest at LIBOR plus 2.90% (2.99% and 3.05% as of December 31, 2021 and 2020, 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.	15,901,366	15,147,672
Mortgage note payable to a bank in the original amount of $12,200,000; interest at 4.95%; due in monthly installments of $65,643 through January 2029, with a final balloon payment due February 2029; the note is collateralized by a mortgage on the property owned by Botts Road I, LLC; the note is subject to certain financial and non-financial covenants; the note is guaranteed by the Company, SRRT Properties, and a stockholder of the Company.	12,048,982	-

	2021	2020
Mortgage note payable in the original amount of \$8,207,500; interest at 2.27%; due in monthly installments of \$28,339 through October 2056; the note is collateralized by a mortgage on the property owned by Gurley Lofts, LLC; the note is subject to certain prepayment penalty provisions.	\$ 8,181,849	\$ -
Total mortgage notes payable	\$ 118,189,266	\$ 104,062,253

Principal requirements on mortgage notes payable for years ending after December 31, 2021 are as follows:

Years ending December 31,	
2022	\$ 32,710,589
2023	15,891,784
2024	1,661,564
2025	5,770,815
2026	2,602,884
Thereafter	59,551,630
Total	\$ 118,189,266

The Company's mortgages payable owned by SRRT Kennedy, LLC, SRRT Harding, LLC, SRRT 2112, LLC and The Redwell, LLLP are scheduled to mature during 2022. In addition, the Company's line of credit matures in June 2022 (see Note 9). The Company does not believe that it will have sufficient liquidity available to repay the mortgages and line of credit at their scheduled maturity dates. Based upon the financial condition and results of operations of the Trust and the properties to which these mortgage obligations relate and based upon the Trust's ability to previously finance and refinance or extend its project level debt obligations and line of credit, management believes that the Trust's ability to refinance or extend these mortgage obligations and the line of credit is probable.

5. Bonds Payable and Bond Escrows

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:

	2021	2020
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, 2021 are as follows:

Years ending December 31,	
2022	$ 72,475
2023	224,591
2024	231,443
2025	241,852
2026	251,006
Thereafter	15,043,633
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, 2021 and 2020, the Bond Proceeds Fund had a balance of $16,048,875 and $16,333,577, 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, 2021 and 2020 was $149,629 and $152,674, 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 were used to pay any deficiency in debt service not covered by the Bond Proceeds Fund. As of December 31, 2020, the Negative Arbitrage Account had a balance of $129,916, which was included in bond escrows on the consolidated balance sheet. As of December 31, 2021, any remaining proceeds in the Negative Arbitrage Account have been transferred to other restricted escrows and reserves (see Note 11).

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 restricted escrows and reserves and 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, 2021 and 2020:

	December 31, 2021			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Government securities	$ 16,342,677	$ -	$ 16,342,677	$ -
Total	$ 16,342,677	$ -	$ 16,342,677	$ -

	December 30, 2020			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Government securities	$ 16,463,493	$ -	$ 16,463,493	$ -
Total	$ 16,463,493	$ -	$ 16,463,493	$ -

7. Time Certificates

The Company offers time certificates which 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, 2021 and 2020, $2,670,258 and $7,764,321 of time certificates were outstanding, respectively. All outstanding time certificates as of December 31, 2021 mature in 2022. Time certificates due to related parties totaled $1,012,451 and $7,413,372 as of December 31, 2021 and 2020, respectively.

8. Other Notes Payable

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

	2021	2020
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.	$ 145,771	$ 158,876
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 note is subject to certain financial and non-financial covenants and prepayment penalty provisions the loan is guaranteed by SRRT Properties and certain individuals.	854,709	931,666
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. Repaid during 2021.	-	163,349
Total other notes payable	$ 1,000,480	$ 1,253,891

Principal requirements on other notes payable for years ending after December 31, 2021 are as follows:

Years ending December 31:	
2022	$ 94,149
2023	98,535
2024	103,023
2025	107,925
2026	112,954
Thereafter	483,894
Total	$ 1,000,480

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, 2021, the Company had a $30,000,000 line of credit with a bank. Interest was payable monthly at 2.50% above the one-month LIBOR (2.60% as of December 31, 2021), with a floor of 3.25%. The line of credit had an outstanding balance of $17,300,000 as of December 31, 2021. Subsequent to December 31, 2021, the line of credit was decreased to allow for borrowings up to $25,000,000. The line of credit, as amended bears interest at 2.50% above the one-month Secured Overnight Financing Rate (SOFR), with a floor of 3.25%, and expires June 30, 2022.

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% as of December 31, 2020), with a floor of 3.50%. The line of credit had an outstanding balance of $1,757,000 as of December 31, 2020.

The line of credit is secured by mortgages, security agreements, fixture and financing statements and assignments of leases on two of the Company's 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, 2021 and 2020, the Company had two tenants that occupied approximately 26% and 32% of the Company's total rentable space, respectively. The Company had no tenants that represented over 10% of base rental income for the year ended December 31, 2021. The Company had one tenant that represented approximately 11% base rental income for the year ended December 31, 2020.

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:

	2021	2020
Real estate tax escrow	$ 663,725	$ 672,111
Insurance escrow	24,706	3,819
Leasing commission and tenant improvement escrows	1,082,481	651,422
Replacement escrows	752,973	166,017
Other escrows	2,105,715	513,624
Total	$ 4,629,600	$ 2,006,993

12. Intangible Assets and Liabilities

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

	2021	2020
Identified Intangible Assets:		
In-place leases	$ 11,576,822	$ 10,742,470
Above-market leases	1,064,422	976,514
Accumulated amortization	(5,310,516)	(3,743,009)
Net carrying amount	7,330,728	7,975,975
Identified Intangible Liabilities:		
Below-market leases	1,128,347	1,170,863
Accumulated amortization	(482,168)	(378,028)
Net carrying amount	646,179	792,835
Intangible assets, net of accumulated amortization	$ 6,684,549	$ 7,183,140

The effect of amortization of intangible assets was $1,919,394 and $1,194,806 for the years ended December 31, 2021 and 2020, respectively. In-place leases, and above and below-market leases acquired in 2021 and 2020 had a weighted average amortization period of 6.38 and 6.75 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,			
2022	$ 1,814,934	$ 138,562	$ 1,676,372
2023	1,440,854	130,019	1,310,835
2024	1,240,727	116,562	1,124,165
2025	940,810	101,394	839,416
2026	843,568	83,697	759,871
Thereafter	1,049,835	75,945	973,890
Total	$ 7,330,728	$ 646,179	$ 6,684,549

13. Acquisitions

As of December 31, 2020, the Company owned a 79% interest as a tenant in common in an industrial building in Grandview, MO (the Botts Road property). The undivided interest in the property was owned by a wholly-owned subsidiary of SRRT Properties, SRRT Botts Road I, LLC. On April 1, 2021, the Company entered into a contribution agreement to acquire the remaining 21% interest in the Botts Road property. The acquisition of the Botts Road property was accounted for as an asset acquisition.

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

Cash paid	$ 6,876
Issuance of 114,657 common units of SRRT Properties	1,547,868
Total purchase price	$ 1,554,744

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

Tangible Assets:	
Land	$ 2,738,231
Building	14,436,565
Cash and cash equivalents	830,611
Restricted escrows and reserves	424,982
Rents receivable, prepaid expenses, and other assets	96,715
Intangible Assets:	
In place leases	1,086,211
Above market leases	156,527
Liabilities Incurred:	
Mortgage note payable	(12,181,327)
Financing fees	22,039
Accounts payable, security deposit and other accrued expenses	(268,613)
Net assets acquired	$ 7,341,941

Fair value of existing 79% ownership	$	5,787,197
Recorded value of existing ownership at date of acquisition		5,792,374
Loss on acquisition of real estate property	$	(5,177)

On September 29, 2021, the Company entered into a contribution agreement to acquire 100% of the equity interest in a property known as Gurley Lofts, LLC (the Gurley Lofts property), a wholly-owned subsidiary of SRRT Properties. The acquisition of the Gurley Lofts property was accounted for as an asset acquisition.

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

Cash paid	$	1,830,356
Issuance of 118,999 common units of SRRT Properties		1,487,492
Total purchase price	$	3,317,848

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

Tangible Assets:		
Land	$	1,987,597
Building		8,268,124
Cash and cash equivalents		220,000
Restricted escrows and reserves		471,311
Rents receivable, prepaid expenses and other assets		277,649
Intangible Assets:		
In place leases		142,917
Above market leases		33,437
Liabilities Incurred:		
Mortgage note payable		(8,207,500)
Financing fees		239,535
Accounts payable, security deposit and other accrued expenses		(115,222)
Net assets acquired	$	3,317,848

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)

14. Investments in Real Estate Ventures

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:

	2021	2020
Total assets	$ 8,481,090	$ 8,003,466
Total liabilities	11,260,464	10,651,123
Net loss	(91,716)	(177,447)

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:

	2021	2020
Total assets	$ 16,521,706	$ 17,548,031
Total liabilities	12,025,291	12,246,717
Net loss	(384,393)	(489,673)

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:

	2021	2020
Total assets	$ 38,776,440	$ 34,294,686
Total liabilities	33,989,249	26,829,578
Net income (loss)	(2,762,627)	276,207

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:

	2021	2020
Total assets	$ 3,483,784	$ 3,416,197
Total liabilities	1,708,718	1,672,229
Net income	94,067	53,182

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 investment at various dates during 2021 and 2020, and owned an approximately 9% and 71% interest as a tenant in common as of December 31, 2021 and 2020, respectively. 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:

	2021	2020
Total assets	$ 36,977,295	$ 37,443,276
Total liabilities	19,051,876	19,389,797
Net income	1,146,941	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 $19,444,739 and $19,802,329 as of December 31, 2021 and 2020, respectively.

During 2020, the Company invested in a 70% interest as a tenant in common in a 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:

	2021	2020
Total assets	$ 3,938,845	$ 326,312
Total liabilities	3,592,324	262,062
Net income (loss)	4,537	(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:

	2021	2020
Total assets	$ 1,835,052	$ 2,002,755
Total liabilities	1,367,186	1,217,919
Net loss	(261,718)	-

During 2021, the Company invested in a 10% interest as a tenant in common in an industrial building in St. Michael, MN. The undivided interest in the property is owned by a wholly-owned subsidiary of SRRT Properties, SRRT St. Michael, LLC.

A summary of the assets, liabilities and results of operations of the SRRT St. Michael, LLC property is presented below:

	2021
Total assets	$ 6,092,127
Total liabilities	3,104,495
Net income	117,677

During 2021, the Company invested in an industrial building in Waukesha, WI as a tenant in common. The Company sold part of their initial investment during 2021 and owned an approximately 16% interest as a tenant in common as of December 31, 2021. The undivided interest in the property is owned by a wholly-owned subsidiary of SRRT Properties, SRRT Pearl Street, LLC.

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

	2021
Total assets	$ 13,057,968
Total liabilities	5,973,448
Net income	147,797

During 2021, the Company invested in an industrial building in Eagan, MN as a tenant in common. The Company sold part of their initial investment during 2021 and owned an approximately 5% interest as a tenant in common as of December 31, 2021. The undivided interest in the property is owned by a wholly-owned subsidiary of SRRT Properties, SRRT Lone Oak, LLC.

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

	2021
Total assets	$ 12,295,729
Total liabilities	6,366,929
Net income	247,101

During 2021, the Company invested in an industrial building in Maple Plain, MN. The Company sold part of their initial investment, including selling part of their investment subsequent to year end, and as of March 31, 2022 owns an approximately 3% interest as a tenant in common. The undivided interest in the property is owned by a wholly-owned subsidiary of SRRT Properties, SRRT Maple Plain, LLC.

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

	2021
Total assets	$ 7,338,102
Total liabilities	368,303
Net income	33,443

During 2021, the Company invested in a 24% interest as a tenant in common in a mixed-use property in Lincoln, NE. The undivided interest in the property is owned by a wholly-owned subsidiary of SRRT Properties, 48th Street Investments, LLC.

A summary of the assets, liabilities and results of operations of the 48th Street Investments, LLC property is presented below:

	2021
Total assets	$ 18,990,361
Total liabilities	11,533,669
Net income	-

During 2021, the Company invested in a 12% interest as a tenant in common in a multifamily property in Omaha, NE. The undivided interest in the property is owned by a wholly-owned subsidiary of SRRT Properties, SRRT Orpheum, LLC.

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

	2021
Total assets	$ 15,679,447
Total liabilities	8,741,964
Net income	20,357

The Company owns a 10% interest in Rya Apartments, LLC, which was formed to invest in a specific real estate property in Richfield, MN.

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

	2021
Total assets	$ 31,103,897
Total liabilities	20,983,033
Net income	(136)

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, 2021 and 2020, the Company incurred $1,982,716 and $1,513,752 in advisory services from the advisor, respectively. The Company owed $995,964 and $868,690 to the advisor as of December 31, 2021 and 2020, respectively, which is included in accrued liabilities in the consolidated balance sheets. During the years ended December 31, 2021 and 2020, the Company issued shares valued at $521,214 and $511,690, as partial settlement of the amounts owed as of December 31, 2020 and 2019, respectively. The remainder of the amounts due as of December 31, 2020 and 2019 were paid in cash during 2021 and 2020, respectively.

Property Management Agreements

A related party through common ownership, provides property management services to the Company. For the years ended December 31, 2021 and 2020, the Company incurred $840,142 and $682,973 in management services from the property manager, respectively. No amounts were due to the property manager as of December 31, 2021 or 2020.

Other Related Party Transactions

For the years ended December 31, 2021 and 2020, the Company incurred costs totaling $6,454,270 and $2,243,369 for building improvements, tenant improvements and repairs and maintenance from a related party through common ownership.

As of December 31, 2021 and 2020, the Company had received advances of $480,356 and $300,168 from three and two real estate ventures, respectively. As of December 31, 2021 and 2020, the Company had advanced $1,444,971 and $83,388 to six and one related parties, respectively. The amounts are unsecured and due on demand.

16. Subsequent Events

Subsequent to December 31, 2021, the Company sold part of their investment in the industrial property located in Maple Plain, MN for $6,491,977.

Subsequent to December 31, 2021, the Company invested in a 61% interest as a tenant in common in a multifamily property in White Bear Lake, MN for approximately $13,355,092, which included approximately $4,087,000 of SRRT Properties common units.

The Company has evaluated subsequent events occurring through March 31, 2022, the date the consolidated financial statements were available to be issued.