

# **SR Realty Trust, Inc. and Subsidiaries**

Consolidated Financial Statements

December 31, 2022 and 2021

# SR Realty Trust, Inc. and Subsidiaries

---

Table of Contents

December 31, 2022 and 2021

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Consolidated Financial Statements</b>	
Consolidated Balance Sheets	3
Consolidated Statements of Operations	5
Consolidated Statements of Stockholders' Equity	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	9

## **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, 2022 and 2021, 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, 2022 and 2021 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, 2023

## SR Realty Trust, Inc. and Subsidiaries

Consolidated Balance Sheets  
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
<b>Assets</b>		
Land and land improvements	\$ 61,275,099	\$ 45,871,868
Buildings and improvements	171,464,890	130,870,164
Tenant improvements	<u>9,074,977</u>	<u>6,939,279</u>
Total real estate property	241,814,966	183,681,311
Accumulated depreciation	<u>(32,358,782)</u>	<u>(26,439,064)</u>
Net real estate property	209,456,184	157,242,247
Cash and cash equivalents	4,366,938	2,683,644
Rents receivable	634,291	365,222
Notes receivable	1,425,054	1,105,000
Prepaid expenses and other assets	1,218,497	1,339,489
Deferred rent	1,570,725	1,164,150
Restricted escrows and reserves	3,287,343	4,629,600
Bond escrows	-	16,048,875
Intangible assets, net of accumulated amortization	11,088,402	6,684,549
Leasing commissions, net of accumulated amortization	2,444,837	1,557,252
Investments in real estate ventures	15,716,782	18,364,563
Due from related parties	<u>2,080,407</u>	<u>1,444,971</u>
Total assets	<u>\$ 253,289,460</u>	<u>\$ 212,629,562</u>

See notes to consolidated financial statements

# SR Realty Trust, Inc. and Subsidiaries

Consolidated Balance Sheets

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Mortgage notes payable	\$ 151,383,701	\$ 118,189,266
Bonds payable	-	16,065,000
Time certificates	1,518,924	2,670,258
Other notes payable	906,342	1,000,480
Line of credit	15,285,000	17,300,000
Financing fees, net of accumulated amortization	<u>(1,391,540)</u>	<u>(1,484,089)</u>
Notes payable, net	167,702,427	153,740,915
Accounts payable	1,084,747	473,680
Tenant security deposits	1,078,558	758,881
Deferred development fee payable	577,310	577,310
Accrued liabilities	2,135,607	2,276,779
Due to related parties	<u>597,726</u>	<u>480,356</u>
Total liabilities	<u>173,176,375</u>	<u>158,307,921</u>
<b>Stockholders' Equity</b>		
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 2,313,583 and 1,861,206 shares issued and outstanding	23,136	18,612
Additional paid-in capital	26,378,946	20,244,817
Accumulated deficit	<u>(6,515,879)</u>	<u>(4,662,367)</u>
Total SR Realty Trust, Inc. stockholders' equity	19,886,203	15,601,062
Noncontrolling interest	<u>60,226,882</u>	<u>38,720,579</u>
Total stockholders' equity	<u>80,113,085</u>	<u>54,321,641</u>
Total liabilities and stockholders' equity	<u>\$ 253,289,460</u>	<u>\$ 212,629,562</u>

See notes to consolidated financial statements

## SR Realty Trust, Inc. and Subsidiaries

Consolidated Statements of Operations  
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Revenues</b>		
Rental revenues	\$ 24,106,710	\$ 21,772,174
Other revenue	<u>1,291,457</u>	<u>1,210,715</u>
Total revenues	<u>25,398,167</u>	<u>22,982,889</u>
<b>Operating Expenses</b>		
Operating and maintenance	9,592,679	8,617,211
Real estate taxes	4,043,961	3,914,850
Insurance expenses	601,580	491,184
Asset management fee	896,905	840,142
Acquisition fees and expenses	43,133	56,240
Depreciation and amortization	<u>8,813,464</u>	<u>7,474,810</u>
Total operating expenses	<u>23,991,722</u>	<u>21,394,437</u>
Operating income	1,406,445	1,588,452
<b>Other Income (Expense)</b>		
Interest expense	(6,837,821)	(5,931,166)
Income (loss) from real estate ventures	(247,943)	564,966
Gain (loss) on acquisition of real estate property	199,454	(45,353)
Gain on sale of real estate ventures	1,069,019	127,719
Gain on sale of property	<u>-</u>	<u>895,214</u>
Net other expense	<u>(5,817,291)</u>	<u>(4,388,620)</u>
<b>Net Loss</b>	(4,410,846)	(2,800,168)
Net loss attributable to noncontrolling interest	<u>4,053,911</u>	<u>2,661,574</u>
<b>Net Loss Attributable to SR Realty Trust, Inc. and Subsidiaries</b>	<u>\$ (356,935)</u>	<u>\$ (138,594)</u>

See notes to consolidated financial statements

## SR Realty Trust, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity  
Years Ended December 31, 2022 and 2021

	Common Stock				Noncontrolling Interest	Total Stockholders' Equity
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit		
<b>Balances, December 31, 2020</b>	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 noncontrolling interest	-	-	-	-	6,195,436	6,195,436
Operating Partnership common units issued for investment in real estate venture	-	-	-	-	921,035	921,035
Sale of noncontrolling 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)
<b>Balances, December 31, 2021</b>	1,861,206	18,612	20,244,817	(4,662,367)	38,720,579	54,321,641
Net loss	-	-	-	(356,935)	(4,053,911)	(4,410,846)
Common stock issued for cash, net of issuance costs	411,599	4,116	5,607,375	-	-	5,611,491
Issuance of common stock as settlement for liabilities	54,109	541	729,936	-	-	730,477
Operating Partnership common units issued for property acquisitions	-	-	-	-	28,457,702	28,457,702
Contributions from noncontrolling interest	-	-	-	-	1,422,786	1,422,786
Operating Partnership common units issued for investment in real estate venture	-	-	-	-	3,317,349	3,317,349
Purchase of noncontrolling interest, net of expenses	-	-	-	-	(2,105,420)	(2,105,420)
Redemption of common stock and Operating Partnership common units	(54,547)	(545)	(767,954)	-	(1,252,495)	(2,020,994)
Shares (units) issued through dividend reinvestment program	41,216	412	564,772	-	113,696	678,880
Distributions	-	-	-	(1,496,577)	(4,393,404)	(5,889,981)
<b>Balances, December 31, 2022</b>	2,313,583	\$ 23,136	\$ 26,378,946	\$ (6,515,879)	\$ 60,226,882	\$ 80,113,085

See notes to consolidated financial statements

## SR Realty Trust, Inc. and Subsidiaries

Consolidated Statements of Cash Flows  
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities</b>		
Net loss	\$ (4,410,846)	\$ (2,800,168)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation	6,474,808	5,200,269
Amortization	3,293,991	2,683,925
Equity in loss (income) of real estate ventures	247,943	(564,966)
Loss (gain) on acquisition of real estate property	(199,454)	45,353
Gain on sale of real estate ventures	(1,069,019)	(127,719)
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	(269,049)	343,438
Prepaid expenses and other assets	381,820	(103,671)
Deferred rent	(406,594)	(143,046)
Cash paid for leasing commissions	(1,289,223)	(999,147)
Accounts payable	611,059	(664,446)
Tenant security deposits	180,056	(23,723)
Accrued liabilities	124,839	715,614
	<u>3,670,331</u>	<u>3,223,354</u>
<b>Cash Flows From Investing Activities</b>		
Cash received from (paid for) acquisitions, net of cash paid	(162,010)	109,672
Investments in real estate ventures	(20,270,859)	(28,716,341)
Advances to related parties	(233,369)	(124,186)
Purchases of real estate property	(7,487,255)	(6,679,119)
Cash received from sale of real estate venture	24,948,886	28,137,386
Distributions received from real estate ventures	710,821	742,298
Sale of noncontrolling interest	-	430,762
Proceeds from sale of real estate property	-	1,707,675
Issuance of notes receivable	(320,054)	-
	<u>(2,813,840)</u>	<u>(4,391,853)</u>
<b>Cash Flows From Financing Activities</b>		
Common stock issued for cash, net of issuance costs	5,611,491	829,814
Distributions paid	(5,211,101)	(4,607,815)
Principal payments on mortgage notes payable	(41,428,147)	(7,220,656)
Principal payments on other notes payable	(94,138)	(253,411)
Net advances (repayments) on line of credit	(2,015,000)	15,543,000
Cash paid for financing fees	(562,072)	(97,619)
Redemption of common stock and Operating Partnership common units	(2,020,994)	(305,946)
Proceeds from issuance of mortgage notes payable and bonds payable	29,670,927	401,987
Contributions from noncontrolling interests	636,039	5,292,329
Repayments of time certificates	(1,151,334)	(5,094,063)
	<u>(16,564,329)</u>	<u>4,487,620</u>
Net cash flows from financing activities	<u>(16,564,329)</u>	<u>4,487,620</u>
Net change in cash and cash equivalents and restricted cash	(15,707,838)	3,319,121
<b>Cash and Cash Equivalents and Restricted Cash, Beginning</b>	<u>23,362,119</u>	<u>20,042,998</u>
<b>Cash and Cash Equivalents and Restricted Cash, Ending</b>	<u>\$ 7,654,281</u>	<u>\$ 23,362,119</u>

See notes to consolidated financial statements

## SR Realty Trust, Inc. and Subsidiaries

Consolidated Statements of Cash Flows  
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Supplemental Cash Flow Disclosures</b>		
Cash paid for interest	\$ 6,142,174	\$ 5,554,685
<b>Noncash Investing and Financing Activities</b>		
Real estate assets and liabilities acquired through the issuance of Operating Partnership units, debt, and liabilities	\$ 57,534,793	\$ 29,463,509
Reinvestment of dividends and distributions	678,880	502,956
Issuance of common stock for payment of advisory services	730,477	571,215
Operating Partnership units issued for investment in real estate venture	3,317,349	921,035
Contributions from noncontrolling interests included in due from related parties	786,747	903,107
Investment in real estate ventures included in accrued liabilities	-	239,356
Investment in real estate ventures included in due from (to) related parties	(502,050)	193,102
Due to related party from sale of real estate property	-	39,000

See notes to consolidated financial statements

# SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

## 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, Nebraska, and Wisconsin.

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, 2022 and 2021, the Company owned 23.2% and 25.2% of the Operating Partnership, respectively. As of December 31, 2022 and 2021, there were 9,977,358 and 7,377,508 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, 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, Gurley Lofts, LLC, SRRT Libra, LLC, SRRT Jackson Street, LLC, SRRT Fleet I, LLC, and SRRT Hillside, 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.

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
December 31, 2022 and 2021

---

### 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, 2022 and 2021.

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.

Nine 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, 2022. 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.

### 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, 2022 or 2021.

### 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 the 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.

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

### 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:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,366,938	\$ 2,683,644
Restricted escrows and reserves (Note 11)	3,287,343	4,629,600
Bond escrows (Note 5)	-	16,048,875
	<u>\$ 7,654,281</u>	<u>\$ 23,362,119</u>

### 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. The allowance for doubtful accounts was \$131,685 and \$366,104 as of December 31, 2022 and 2021, respectively. 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.

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

### Revenue Recognition

The Company leases real estate to its tenants under month-to-month and long-term leases which it accounts for as operating leases. Leases that have fixed and determinable rent increases are recognized on a straight-line basis over the lease term. Rental increases based upon variable factors are recognized only after changes in such factors have occurred and are then applied according to the lease agreements. Recognition of rental income commences when control of the leased space has been transferred to the tenant.

Recognizing rent escalations on a straight-line method results in rental revenue in the early years of a lease being higher than actual cash received, resulting in the Company recording a deferred rent asset on the consolidated balance sheets.

Some leases provide for reimbursement from tenants for common area maintenance (CAM), insurance, real estate taxes and other operating expenses. Leases may also include income for parking, storage and other items. A portion of the operating cost reimbursement revenue is estimated each period and is recognized as rental income in the period the recoverable costs are incurred and accrued.

Effective January 1, 2022, the Company adopted Accounting Standards Update (ASU) 2016-02, *Leases*, as amended. The new standard creates ASC 842, *Leases*, and supersedes ASC 840, *Leases*.

The adoption of the new Leases standard generally had, and will continue to have the following impacts on the Company:

- ASC 842 requires lessors to account for leases using an approach that is substantially equivalent to the guidance in ASC 840 for operating leases and sales-type leases. The Company has elected practical expedients whereby existing leases, where the Company is the lessor, continue to be accounted for as operating leases under the new standard. However, ASC 842 changed certain requirements regarding the classification of leases that could result in the Company recognizing certain long-term leases entered into or modified after January 1, 2022 as sales-type leases, as opposed to operating leases.
- The Company elected an optional transition method to initially apply ASC 842 at the adoption date (January 1, 2022) and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption.
- The Company elected a practical expedient which allows lessors to not separate lease and nonlease components when the timing and pattern of transfer for the lease and nonlease components are the same, and if the lease component, if accounted for separately, would be classified as an operating lease. As a result, the Company now presents all rentals and reimbursements from tenants as a single line item, Rental income, within the consolidated statement of operations beginning January 1, 2022.
- The Company evaluated initial direct costs and determined that the guidance in ASC 842 was consistent with existing practice.

Based on the above, the Company determined that there was no impact on the timing of recognition of lease revenues or expenses as of January 1, 2022, and therefore, the Company was not required to record any cumulative-effect adjustment as of the adoption date.

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

Revenue streams that continue to be accounted for under ASC 606, *Revenue from Contracts with Customers*, include:

- 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.

Prior to January 1, 2022, rental income was recognized on a straight line basis over the applicable noncancelable lease term. In addition to base rent, such income streams included 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 were recognized as variable lease consideration in the period the applicable expenses were incurred.

Revenue streams that were previously accounted for under ASC 606, *Revenue from Contracts with Customers* before the adoption of ASC 842, included:

- 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 were recognized in revenue over time, throughout the duration of the lease agreement.

Prior to January 1, 2022, 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 depicted 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 \$401,638 and \$355,147 for the years ended December 31, 2022 and 2021, respectively. The Company had accumulated amortization of \$1,105,170 and \$1,205,449 as of December 31, 2022 and 2021, 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 \$955,335 and \$409,384 for the years ended December 31, 2022 and 2021, respectively that was included in interest expense. No amortization of deferred financing fees was capitalized for either of the years ended December 31, 2022 or 2021. The Company had accumulated amortization of deferred financing fees totaling \$799,526 and \$1,022,324 as of December 31, 2022 and 2021, respectively.

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

### 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.

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

### 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:

	<u>2022</u>		<u>2021</u>	
Ordinary income	\$ -	- %	\$ 0.1365	19.09 %
Capital gain	-	- %	-	- %
Return of capital	0.7200	100.00 %	0.5785	80.91 %
	<u>\$ 0.7200</u>	<u>100.00 %</u>	<u>\$ 0.7150</u>	<u>100.00 %</u>

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 nonrecognition 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.

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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.

### Noncontrolling 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 23.2% and 25.2% of the common units of the Operating Partnership as of December 31, 2022 and 2021, 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 noncontrolling interests in accordance with the terms of the Operating Partnership agreement.

During 2022, the Company acquired approximately 38% of the noncontrolling interest in the property owned by SRRT Empire I, LLC for 157,426 common units of SRRT Properties valued at \$2,125,254, plus cash of \$34,525, which was in excess of the net book value of the noncontrolling interest of \$2,105,420. The excess of the consideration paid over the net book value was treated as a distribution to the noncontrolling interest members.

During 2021, the Company sold a portion of its interest in SRRT Empire I, LLC, representing approximately 8% of the ownership in the property, or \$471,148, resulting in loss on sale of \$40,176.

### Future Accounting Pronouncement

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 as of both December 31, 2022 and 2021.

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 as of both December 31, 2022 and 2021.

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

During 2022, the Company issued a note receivable in the amount of \$222,022 to an unrelated party. The note bears interest at the one-month Secured Overnight Financing Rate (SOFR), plus 2.75% (7.08% as of December 31, 2022), with a minimum rate of 3.50%. Quarterly payments of interest only are due beginning October 2022, with all outstanding principal and interest due March 2024. The note is secured by a the note issuer's stock in the Company.

During 2022, the Company issued a note receivable in the amount of \$98,032 to a related party. The note bears interest at 8.00%. All outstanding principal and interest are due July 2030. The note is unsecured.

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 16 years. Some of the leases have renewal options for additional terms. The leases expire at various dates from January 2023 to August 2038. Some leases provide for base monthly rentals and reimbursements for real estate taxes and common area maintenance.

The Company has elected the practical expedient in ASC 842 to not separate lease and nonlease components. The lease and nonlease components combined as a result of this election include tenant rentals and maintenance charges respectively. The nonlease components, along with reimbursements for real estate taxes and insurance, are considered to be variable lease payments. The Company applies the accounting requirements of ASC 842 to the combined component.

The following table includes information regarding the Company's operating leases for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Lease income related to fixed lease payments	\$ 16,696,570	\$ 14,750,449
Lease income related to variable lease payments	<u>7,410,140</u>	<u>7,021,725</u>
Lease income	<u>\$ 24,106,710</u>	<u>\$ 21,772,174</u>

The Company has the following future minimum base rentals on noncancelable leases as of December 31, 2022:

Years ending December 31,	
2023	\$ 17,366,178
2024	16,011,304
2025	13,112,158
2026	11,318,565
2027	8,858,908
Thereafter	<u>44,996,231</u>
Total	<u>\$ 111,663,344</u>

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

### 4. Mortgage Notes Payable

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

	<u>2022</u>	<u>2021</u>
Mortgage note payable to a bank with borrowing capacity up to \$11,332,717; initial borrowing of \$9,569,278; interest at 4.79% through October 2027; thereafter, interest will be fixed at the then five-year U.S. constant maturity Treasury rate as defined in the agreement, plus 2.0%, with a minimum rate of 4.79%; interest only payments due through April 2023; thereafter, the mortgage note payable will be due in monthly installments amortized over a 25-year period through September, 2032, with a final balloon payment due October, 2032; the note is collateralized by a mortgage on the properties owned by SRRT Harding, LLC, SRRT Kennedy, LLC, and SRRT 2112, LLC and an assignment of of all rents on such properties; the note is subject to certain financial and nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by SRRT Properties.	\$ 9,569,278	\$ -
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%; monthly interest only payments due through May 2018; thereafter, 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. Repaid during 2022.	-	3,464,183
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. Repaid during 2022.	-	1,468,055
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 nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by certain stockholders of the Company.	5,511,752	5,654,665
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 nonfinancial covenants; the note is guaranteed by certain stockholders of the Company.	5,926,681	6,107,692

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
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.	\$ 8,362,750	\$ 8,583,923
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. Repaid during 2022.	-	2,478,439
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 nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by the Company and SRRT Properties.	4,295,550	4,374,455
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 both December 31, 2022 and 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 nonfinancial covenants; the note is guaranteed by the Company and SRRT Properties.	977,004	1,011,652
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 owned by SRRT Edge, LLC; the new note is subject to certain financial and nonfinancial covenants; the new note is guaranteed by SRRT Properties.	7,010,329	6,399,513

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
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 nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by SRRT Properties.	\$ 2,113,435	\$ 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 nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by the Company and SRRT Properties.	7,484,059	7,696,979
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% (effective rate of 6.20% as of December 31, 2022); due in monthly installments of \$4,090 through October 2022; beginning November 2022, due in monthly installments of \$4,891, 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 nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by SRRT Properties.	673,039	694,097
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 nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by SRRT Properties.	1,593,668	1,645,971
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 nonfinancial covenants.	4,481,579	4,563,620

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Construction loan agreement with a bank allowing for proceeds up to \$1,700,000; interest at LIBOR plus 2.90% (5.58% and 2.99% as of December 31, 2022 and 2021, respectively); monthly interest only payments due through August 1, 2022; the loan converted to a permanent loan on August 1, 2022; the loan requires monthly repayments of the loan balance based on a twenty-five year amortization, 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 nonfinancial covenants; the note is guaranteed by two individuals.	\$ 1,687,594	\$ 1,081,484
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 nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by the Company.	3,806,121	3,886,344
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.	6,610,221	6,793,939
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 nonfinancial covenants.	3,940,000	3,940,000

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
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 nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by the Company.	\$ 9,818,630	\$ 10,093,058
Construction loan agreement with a bank allowing for proceeds up to \$16,065,000; interest at LIBOR plus 2.90% (2.99% as of December 31, 2021); 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. Converted into a permanent loan during 2022.	-	15,901,366
Mortgage note payable to a bank in the original amount of \$14,738,000; interest at 3.67%; due in monthly installments of \$62,371 through July 2037, with a final balloon payment due August 2037; the note is collateralized by a mortgage on the property owned by The Redwell, LLLP and an assignment of of all rents on such property; the note is subject to certain financial and nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by two individuals.	14,671,512	-
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 SRRT Botts Road I, LLC; repaid during 2022.	-	12,048,982
Mortgage note payable to a bank in the original amount of \$16,000,000; interest at 4.15%; monthly interest only payments due through September 2024; thereafter, due in monthly installments of principal and interest amortizing the loan over a 25-year period, with a final balloon payment due September 2029; the note is collateralized by a mortgage on the property owned by SRRT Botts Road I, LLC and an assignment of all rents on such property; the note is subject to certain financial and nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by SRRT Properties.	16,000,000	-
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.	8,025,888	8,181,849

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Mortgage note payable to a bank in the original amount of \$3,200,000; interest at 3.35%; monthly interest only payments due through April 2024; thereafter, due in monthly installments of principal and interest amortizing the loan over a 30-year period, with a final balloon payment due May, 2027; the note is collateralized by a mortgage on the property owned by SRRT Libra, LLC and an assignment of all rents on such property; the note is subject to certain financial and nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by SRRT Properties.	\$ 3,200,000	\$ -
Mortgage note payable to a bank in the original amount of \$3,843,510; the Company has the ability to draw an additional \$1,016,490 as defined under the agreement; interest at 3.50% through June 2029; thereafter interest will be the Five Year US Treasury Constant, plus a margin of 1.75% as defined in the note, and will be fixed at such rate through the maturity date with a minimum rate of 3.50%; due in monthly installments of interest only through May 2024; thereafter, due in monthly installments based on a 30-year amortization with a final balloon payment due June 2032; the note is collateralized by a mortgage on the property owned by SRRT Jackson Street, LLC and an assignment of all rents on such property; the note is subject to certain financial and nonfinancial covenants and prepayment penalty provisions; the note is guaranteed by SRRT Properties.	3,843,510	-
Mortgage note payable to a bank in the original amount of \$2,700,000; interest at 5.75%; due in monthly installments of \$15,901 through November 2027, with a final balloon payment due December 2027; the note is collateralized by a mortgage on the property owned by SRRT Hillside, LLC; the note is subject to certain financial and nonfinancial covenants and certain prepayment penalty provisions; the note is guaranteed by SRRT Properties.	2,700,000	-

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Mortgage note payable to a bank in the original amount of \$20,028,250; interest at 4.10% through January 2027; thereafter interest will be adjusted to a fixed annual rate equal to 2.35% in excess of the three year Treasury Constant Maturity Rate as defined in the agreement; due in monthly installments of \$97,469 through January 2027; beginning February 2027, monthly principle and interest payments will be recalculated based upon the then applicable interest rate and an assumed term ending January 2050 with a final balloon payment due January 2030; the note is collateralized by a mortgage on the property owned by SRRT Fleet I, LLC and an assignment of all rents on such property; the note is subject to certain financial and nonfinancial covenants and certain prepayment penalty provisions; the note is guaranteed by SRRT Properties.	\$ 19,081,101	\$ -
Total mortgage notes payable	<u>\$ 151,383,701</u>	<u>\$ 118,189,266</u>

Principal requirements on mortgage notes payable for years ending after December 31, 2022 are as follows:

Years ending December 31:	
2023	\$ 23,535,983
2024	2,592,661
2025	7,111,128
2026	3,931,893
2027	25,350,482
Thereafter	<u>88,861,554</u>
Total	<u>\$ 151,383,701</u>

The Company's mortgages payable owned by 615 Properties, LLC and Cobblestone Properties, LLC are scheduled to mature during 2023. In addition, the Company's line of credit matures in July 2023 (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. The Multifamily Tax-Exempt Mortgage-Backed Bonds (M-TEMS) were 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 to in monthly installments of principal and interest through July 2037, with a final balloon payment due August 2037. On August 1, 2022, through permanent loan conversion (Note 4), the M-TEMS were assumed by Fannie Mae.

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

### 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 were used to pay the monthly debt service as required by the agreement. As of December 31, 2021, the Bond Proceeds Fund had a balance of \$16,048,875, which is included in bond escrows on the consolidated balance sheets. The Bond Proceeds Fund was used to pay for the costs of development. The bonds proceeds were invested in Government securities. Interest accrued on these securities, but not yet received into the Bond Proceeds Fund as of December 31, 2021 was \$149,629 and was included in prepaid expenses and other assets on the consolidated balance sheets. As part of the permanent loan conversion (Note 4), the funds in the Bond Proceeds Fund were assumed by Fannie Mae.

### 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.

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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.

There were no financial instruments measured at fair value as of December 31, 2022.

The following table summarizes financial instruments, which are included in restricted escrows and reserves and bond escrows on the consolidated balance sheet, measured at fair value on a recurring basis by classification within the fair value hierarchy as of December 31, 2021:

	December 30, 2021			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Government securities	\$ 16,342,677	\$ -	\$ 16,342,677	\$ -
Total	<u>\$ 16,342,677</u>	<u>\$ -</u>	<u>\$ 16,342,677</u>	<u>\$ -</u>

### 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 0.95% to 4.40% 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, 2022 and 2021, \$1,518,924 and \$2,670,258 of time certificates were outstanding, respectively. All outstanding time certificates as of December 31, 2022 mature in 2023. Time certificates due to related parties totaled \$449,759 and \$1,012,451 as of December 31, 2022 and 2021, respectively.

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
December 31, 2022 and 2021

### 8. Other Notes Payable

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

	<u>2022</u>	<u>2021</u>
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 nonfinancial covenants and prepayment penalty provisions; the loan is guaranteed by SRRT Properties and certain individuals.	\$ 132,055	\$ 145,771
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 nonfinancial covenants and prepayment penalty provisions the loan is guaranteed by SRRT Properties and certain individuals.	<u>774,287</u>	<u>854,709</u>
Total other notes payable	<u>\$ 906,342</u>	<u>\$ 1,000,480</u>

Principal requirements on other notes payable for years ending after December 31, 2022 are as follows:

Years ending December 31:	
2023	\$ 98,535
2024	103,023
2025	107,925
2026	112,954
2027	118,216
Thereafter	<u>365,689</u>
Total	<u>\$ 906,342</u>

### 9. Line of Credit

As of December 31, 2022, the Company had a \$25,000,000 line of credit with a bank. Interest was payable monthly at 2.50% above the one-month SOFR (6.83% as of December 31, 2022), with a floor of 3.25%. The line of credit had an outstanding balance of \$15,285,000 as of December 31, 2022. The line of credit expires July 2023.

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.

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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 nonfinancial 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, 2022 and 2021, the Company had two tenants that occupied approximately 22% and 26% of the Company's total rentable space, respectively. The Company had no tenants that represented over 10% of base rental income for either of the years ended December 31, 2022 or 2021.

### 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:

	<u>2022</u>	<u>2021</u>
Real estate tax escrow	\$ 607,063	\$ 663,725
Insurance escrow	54,030	24,706
Leasing commission and tenant improvement escrows	555,127	1,082,481
Replacement escrows	409,086	752,973
Other escrows	<u>1,662,037</u>	<u>2,105,715</u>
Total	<u>\$ 3,287,343</u>	<u>\$ 4,629,600</u>

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
December 31, 2022 and 2021

### 12. Intangible Assets and Liabilities

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

	<u>2022</u>	<u>2021</u>
<b>Identified Intangible Assets:</b>		
In-place leases	\$ 17,894,247	\$ 11,576,822
Above-market leases	1,395,998	1,064,422
Accumulated amortization	<u>(7,107,075)</u>	<u>(5,310,516)</u>
Net carrying amount	<u>12,183,170</u>	<u>7,330,728</u>
<b>Identified Intangible Liabilities:</b>		
Below-market leases	1,735,856	1,128,347
Accumulated amortization	<u>(641,088)</u>	<u>(482,168)</u>
Net carrying amount	<u>1,094,768</u>	<u>646,179</u>
Intangible assets, net of accumulated amortization	<u>\$ 11,088,402</u>	<u>\$ 6,684,549</u>

The effect of amortization of intangible assets was \$1,937,018 and \$1,919,394 for the years ended December 31, 2022 and 2021, respectively. In-place leases, and above and below-market leases acquired in 2022 and 2021 had a weighted average amortization period of 11.31 and 6.38 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:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Years ending December 31:			
2023	\$ 2,512,789	\$ 231,692	\$ 2,281,097
2024	2,166,498	216,193	1,950,305
2025	1,715,133	195,001	1,520,132
2026	1,486,442	153,009	1,333,433
2027	1,059,828	127,281	932,547
Thereafter	<u>3,242,480</u>	<u>171,592</u>	<u>3,070,888</u>
Total	<u>\$ 12,183,170</u>	<u>\$ 1,094,768</u>	<u>\$ 11,088,402</u>

### 13. Acquisitions

On May 23, 2022, the Company entered into a contribution agreement to acquire 100% of the equity interest in a property known as SRRT Libra, LLC (the Libra property), a wholly-owned subsidiary of SRRT Properties. The acquisition of the Libra property was accounted for as an asset acquisition.

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

Cash paid	\$ 18,467
Issuance of 239,882 common units of SRRT Properties	<u>3,238,402</u>
Total purchase price	<u>\$ 3,256,869</u>

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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

### Tangible Assets:

Land	\$	948,678
Building		4,478,528
Cash and cash equivalents		49,673
Restricted escrows and reserves		25,000
Rents receivable, prepaid expenses and other assets		829,625

### Intangible Assets (Liabilities):

In-place leases		396,241
Below-market leases		(301,771)

### Liabilities Incurred:

Mortgage note payable		(3,200,000)
Financing fees		80,568
Accounts payable, security deposit and other accrued expenses		<u>(49,673)</u>

Net assets acquired	\$	<u>3,256,869</u>
---------------------	----	------------------

On June 21, 2022, the Company entered into a contribution agreement to acquire 100% of the equity interest in a property known as SRRT Jackson Street, LLC (the Jackson Street property), a wholly-owned subsidiary of SRRT Properties. The acquisition of the Jackson Street property was accounted for as an asset acquisition.

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

Cash paid	\$	795,685
Issuance of 231,944 common units of SRRT Properties		<u>3,131,237</u>
Total purchase price	\$	<u>3,926,922</u>

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

### Tangible Assets:

Land	\$	3,265,895
Building		3,157,208
Cash and cash equivalents		152,071
Restricted escrows and reserves		40,250

### Intangible Assets (Liabilities):

In-place leases		1,239,181
Above-market leases		83,585
Below-market leases		(123,785)

### Liabilities Incurred:

Mortgage note payable		(3,843,510)
Financing fees		68,179
Accounts payable, security deposit and other accrued expenses		<u>(112,152)</u>

Net assets acquired	\$	<u>3,926,922</u>
---------------------	----	------------------

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

As of December 31, 2021, the Company owned a 9% interest as a tenant in common in a retail building in Oconomowoc, WI (the Fleet property). The undivided interest in the property was owned by a wholly-owned subsidiary of SRRT Properties, SRRT Fleet I, LLC. On November 4, 2022, the Company entered into a contribution agreement to acquire the remaining 91% interest in the Fleet property. The acquisition of the Fleet property was accounted for as an asset acquisition.

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

Cash paid	\$ 164,448
Issuance of 1,248,805 common units of SRRT Properties	<u>18,419,869</u>
Total purchase price	<u>\$ 18,584,317</u>

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

**Tangible Assets:**

Land	\$ 9,243,756
Building	25,722,716
Cash and cash equivalents	894,590

**Intangible Assets (Liabilities):**

In-place lease	4,099,490
Below-market lease	(177,883)

**Liabilities Incurred:**

Mortgage note payable	(19,143,145)
Financing fees	148,299
Accounts payable, security deposit and other accrued expenses	<u>(400,000)</u>

Net assets acquired \$ 20,387,823

Fair value of existing 9% ownership \$ 1,803,506

Recorded value of existing ownership at date of acquisition 1,636,264

Gain on acquisition of real estate property \$ 167,242

On December 1, 2022, the Company entered into a contribution agreement to acquire 100% of the equity interest in a property known as SRRT Hillside, LLC (the Hillside property), a wholly-owned subsidiary of SRRT Properties. The acquisition of the Hillside property was accounted for as an asset acquisition.

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

Cash paid	\$ 1,224,488
Issuance of 108,291 common units of SRRT Properties	<u>1,597,299</u>
Total purchase price	<u>\$ 2,821,787</u>

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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

<b>Tangible Assets:</b>	
Land	\$ 1,944,902
Building	2,439,797
Cash and cash equivalents	49,870
<b>Intangible Assets (Liabilities):</b>	
In-place leases	852,462
Above-market leases	297,003
Below-market leases	(31,210)
<b>Liabilities Incurred:</b>	
Mortgage note payable	(2,700,000)
Financing fees	11,226
Accounts payable, security deposit and other accrued expenses	<u>(42,263)</u>
Net assets acquired	<u>\$ 2,821,787</u>

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	<u>1,547,868</u>
Total purchase price	<u>\$ 1,554,744</u>

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

<b>Tangible Assets:</b>	
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
<b>Intangible Assets:</b>	
In-place leases	1,086,211
Above-market leases	156,527
<b>Liabilities Incurred:</b>	
Mortgage note payable	(12,181,327)
Financing fees	22,039
Accounts payable, security deposit and other accrued expenses	<u>(268,613)</u>
Net assets acquired	<u>\$ 7,341,941</u>
Fair value of existing 79% ownership	\$ 5,787,197
Recorded value of existing ownership at date of acquisition	<u>5,792,374</u>
Loss on acquisition of real estate property	<u>\$ (5,177)</u>

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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	<u>1,487,492</u>
Total purchase price	<u>\$ 3,317,848</u>

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	<u>(115,222)</u>

Net assets acquired	<u>\$ 3,317,848</u>
---------------------	---------------------

## 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:

	<u>2022</u>	<u>2021</u>
Total assets	\$ 8,353,135	\$ 8,481,090
Total liabilities	11,271,689	11,260,464
Net loss	(23,111)	(91,716)

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

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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

	<u>2022</u>	<u>2021</u>
Total assets	\$ 16,244,038	\$ 16,521,706
Total liabilities	11,940,519	12,025,291
Net loss	(192,897)	(384,393)

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:

	<u>2022</u>	<u>2021</u>
Total assets	\$ 36,332,637	\$ 38,468,801
Total liabilities	32,991,382	33,115,268
Net loss	(2,298,680)	(2,199,055)

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:

	<u>2022</u>	<u>2021</u>
Total assets	\$ 3,382,442	\$ 3,483,784
Total liabilities	2,559,552	1,708,718
Net income	3,437,445	94,067

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:

	<u>2022</u>	<u>2021</u>
Total assets	\$ 4,890,795	\$ 3,938,845
Total liabilities	4,434,469	3,592,324
Net income	109,829	4,537

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.

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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

	<u>2022</u>	<u>2021</u>
Total assets	\$ 1,936,136	\$ 1,835,052
Total liabilities	1,497,940	1,367,186
Net income (loss)	12,029	(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 Company sold a part of their investment during 2022 and owned an approximately 2% interest as a tenant in common as of December 31, 2022. 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:

	<u>2022</u>	<u>2021</u>
Total assets	\$ 6,703,004	\$ 6,092,127
Total liabilities	3,057,013	3,104,495
Net income	178,034	177,677

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 both December 31, 2022 and 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:

	<u>2022</u>	<u>2021</u>
Total assets	\$ 12,878,507	\$ 13,057,968
Total liabilities	5,921,430	5,973,448
Net income	232,558	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 both December 31, 2022 and 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:

	<u>2022</u>	<u>2021</u>
Total assets	\$ 12,355,571	\$ 12,295,729
Total liabilities	6,364,906	6,366,929
Net income	347,865	247,101

## SR Realty Trust, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

During 2021, the Company invested in an industrial building in Maple Plain, MN. The Company sold part of their initial investment, and as of December 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:

	<u>2022</u>	<u>2021</u>
Total assets	\$ 7,109,637	\$ 7,002,390
Total liabilities	3,401,557	32,590
Net income	70,971	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:

	<u>2022</u>	<u>2022</u>
Total assets	\$ 18,080,369	\$ 18,990,361
Total liabilities	11,411,531	11,533,669
Net loss	(442,854)	-

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:

	<u>2022</u>	<u>2021</u>
Total assets	\$ 14,790,221	\$ 15,679,447
Total liabilities	8,459,237	8,741,964
Net income (loss)	(610,471)	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:

	<u>2022</u>	<u>2021</u>
Total assets	\$ 44,597,181	\$ 31,103,897
Total liabilities	35,918,943	20,983,033
Net loss	(1,442,626)	(136)

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

During 2022, the Company invested in an industrial building in Germantown, WI as a tenant in common. The Company sold part of their initial investment during 2022 and owned an approximately 10% interest as a tenant in common as of December 31, 2022. The undivided interest in the property is owned by a wholly-owned subsidiary of SRRT Properties, SRRT Carnegie, LLC.

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

	<u>2022</u>
Total assets	\$ 11,039,543
Total liabilities	71,054
Net income	140,868

During 2022, the Company invested in a residential property in White Bear Lake, MN as a tenant in common. The Company sold part of their initial investment during 2022 and owned an approximately 27% interest as a tenant in common as of December 31, 2022. The undivided interest in the property is owned by wholly-owned subsidiaries of SRRT Properties SRRT Barnum, LLC, SRRT Kennedy, LLC, and SRRT WBL, LLC.

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

	<u>2022</u>
Total assets	\$ 52,114,103
Total liabilities	32,201,796
Net loss	(1,461,495)

### 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, 2022 and 2021, the Company incurred \$2,337,948 and \$1,982,716 in advisory services from the advisor, respectively. The Company owed \$833,217 and \$995,964 to the advisor as of December 31, 2022 and 2021, respectively, which is included in accrued liabilities in the consolidated balance sheets. During the years ended December 31, 2022 and 2021, the Company issued shares valued at \$622,477 and \$521,214, as partial settlement of the amounts owed as of December 31, 2021 and 2020, respectively. The remainder of the amounts due as of December 31, 2021 and 2020 were paid in cash during 2022 and 2021, respectively.

#### Property Management Agreements

A related party through common ownership, provides property management services to the Company. For the years ended December 31, 2022 and 2021, the Company incurred \$896,905 and \$840,142 in management services from the property manager, respectively. No amounts were due to the property manager as of December 31, 2022 or 2021.

## SR Realty Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

### Other Related-Party Transactions

For the years ended December 31, 2022 and 2021, the Company incurred costs totaling \$6,510,423 and \$6,454,270 for building improvements, tenant improvements and repairs and maintenance from a related party through common ownership.

As of December 31, 2022 and 2021, the Company had received advances of \$597,726 and \$480,356 from three and three related parties, respectively. As of December 31, 2022 and 2021, the Company had advanced \$2,080,407 and \$1,444,971 to eleven and six related parties, respectively. The amounts are unsecured and due on demand.

### 16. Subsequent Events

Subsequent to December 31, 2022, effective January 25, 2023, the Company entered into a contribution agreement to acquire 100% of the equity interest in a property known as SRRT Yankee, LLC. The consideration paid for the acquisition primarily consisted of cash paid of approximately \$25,000,000, which was partially financed by a mortgage on the property of approximately \$16,000,000.

Effective February 1, 2023, the Company acquired the remaining approximately 88% interest in the SRRT Orpheum, LLC property in which the Company previously owned an approximately 12% interest as a tenant in common. The consideration paid for the acquisition primarily consisted of 415,783 common units of SRRT Properties, valued at approximately \$6,133,000.

Effective March 1, 2023, the Company acquired the remaining approximately 84% interest in the SRRT Pearl, LLC property in which the Company previously owned an approximately 16% interest as a tenant in common. The consideration paid for the acquisition primarily consisted of 409,690 common units of SRRT Properties, valued at approximately \$6,043,000.

On March 28, 2023, the Company refinanced its mortgage on the property owned by Cobblestone Properties, LLC. The new mortgage was for a total of \$8,600,000, bears interest at 5.82% and requires monthly interest only payments through March 2025. Monthly payments of principal and interest of \$54,468 commence April 2025 and continue thereafter with a final balloon payment due March 2026.

The Company has evaluated subsequent events occurring through March 31, 2023, the date the consolidated financial statements were available to be issued.